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CITY OF MASON CITY, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

- Prepared By -

The Department of Finance
Kevin Jacobson, Director

**INTRODUCTORY
SECTION**

CITY OF MASON CITY, IOWA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2011

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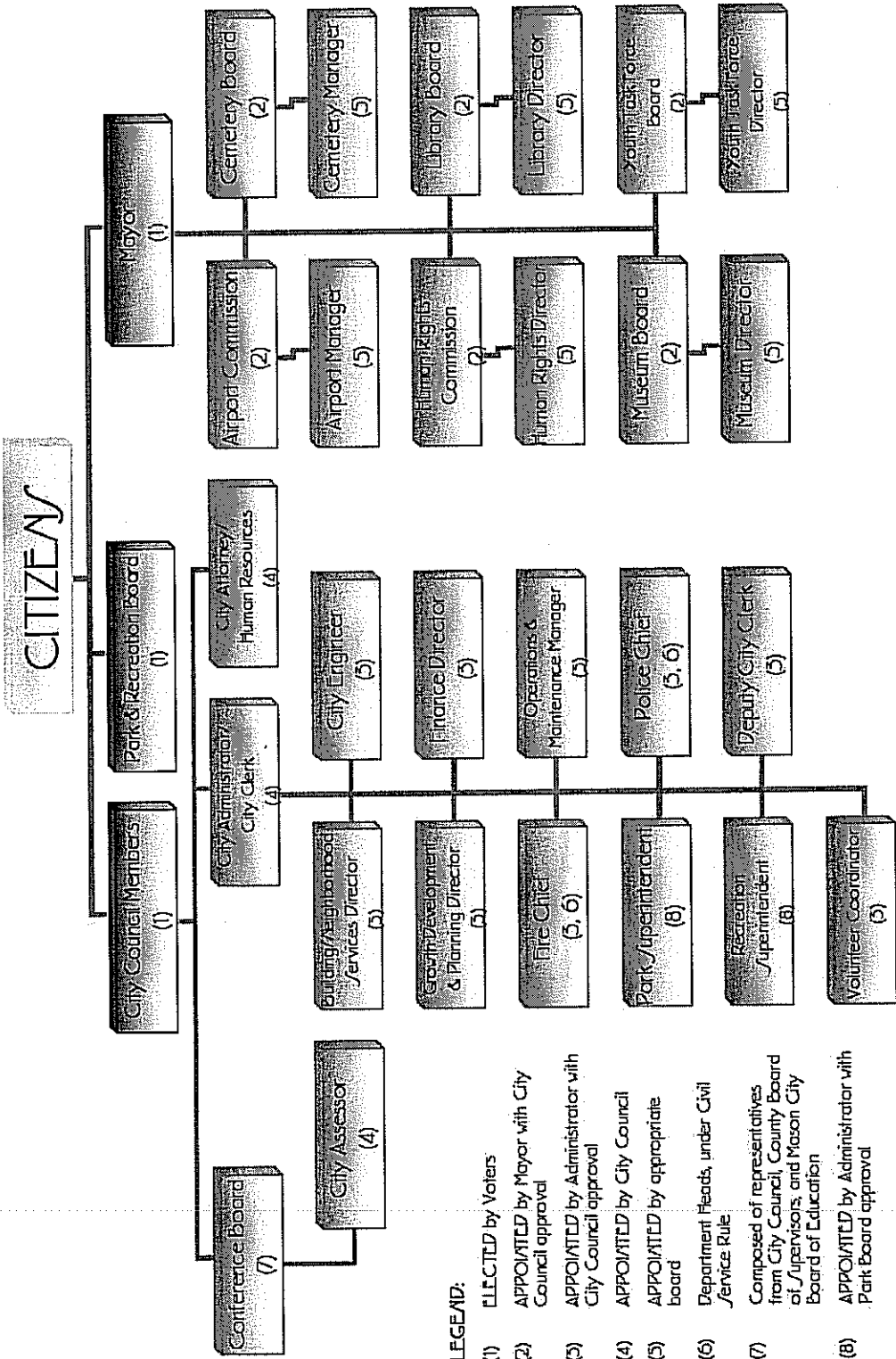
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CITY OF MASON CITY, IOWA
CITY OFFICIALS
YEAR ENDED JUNE 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eric Bookmeyer	Mayor	2014
Scott Tornquist	Mayor Pro-Tem	2014
Jeff Marsters	Council Member	2012
Don Nelson	Council Member	2012
Max Weaver	Council Member	2012
Travis Hickey	Council Member	2014
Janet Solberg	Council Member	2014
Brent Trout	City Administrator/Clerk	2011
Mark Rahm	Public Works Director	2011
Kevin Jacobson	Director of Finance/Treasurer	2011
Tom Meyer (through 9-2-11)	City Attorney/Human Resources Manager	2011
James Locher (effective 9-6-11)	Interim City Attorney	2011
James Locher	Airport Attorney	2011
Michael Lashbrook	Police Chief	2011
Bob Platts	Fire Chief	2011
Pamela Myhre	Growth Development and Planning Director	2011
William Stangler	Operations and Maintenance Manager	2011
William Stangler	Parks Manager	2011
Brian Pauly	Interim Recreation Manager	2011
Pam Osgood	Airport Manager	2011
Edith Blanchard	MacNider Museum Director	2011
Mary Markwalter	Library Director	2011
Randy Opheim	Elmwood Cemetery Manager	2011
Lionel Foster	Human Rights Director	2011

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
(641) 421-3600
www.masoncity.net

January 13, 2012

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, 2011 (FY11) 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, 2010. 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, 2011, as well as the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The compliance section encompasses requirements related to the single audit, various federal and state grants, and statutory and regulatory compliance.

This report was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

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

GOVERNMENTAL STRUCTURE

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

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

ECONOMIC CONDITION AND OUTLOOK

The City's Growth Development & Planning Department continues its planning and economic development efforts to spur development and redevelopment in the community in accordance with the City's Comprehensive Plan and City Council goals. Development activities are focused on both downtown and the community's industrial parks. The June 8, 2008 flood event in the community continues - 3 years later - to focus the department's efforts on residential property buyouts and demolition activities. A Buyout Administrator assists in this effort. Over 160 houses will be purchased and either demolished or moved, and the land will become permanent public open space. Approximately 145 homes have been purchased to date. Habitat for Humanity has partnered with the City to salvage materials from the houses for resale in their ReStore. Fortunately, the business and industrial areas of the community suffered limited flood losses.

The City continues to work with the Mason City Economic Development Corporation (MCEDC), a non-profit public-private organization, and their sister organization, 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 new, county-wide economic development corporation that has merged the assets and efforts of Mason City, Clear Lake and Cerro Gordo County to market the entire county, assist local industries and attract new capital investment and jobs.

NICEDC is partially funded by the City to serve as the City's economic development marketing and recruitment arm. They work with prospects, maintain a database of available buildings and sites in a 7-county region and partner with numerous local, state and national organizations to market and recruit business to North Iowa. Key industries targeted by NICEDC are wind energy, value-added agriculture and food processing, and warehousing.

Accomplishments for the past fiscal year include:

- New marketing and promotional materials created.
- Industrial park initiatives along the Avenue of the Saints and I-35 corridor, including new signage.
- Hosted IDED-generated prospect visits to buildings and sites in the community, with the City offering public financial incentive packages.
- Leading effort to revisit HNTB corridor study regarding land use and economic opportunities along Hwy 122 between Mason City and Clear Lake.

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 (7/1/10-6/30/11)

The valuation of expanded industrial development totaled approximately \$3,023,365 while new or expanded commercial and industrial development together totaled \$17,725,976. The Cargill Kitchen Solutions project was the front-runner for industrial development. The commercial sector experienced development of five new structures (Holiday Inn Express, Ruby Tuesday's, YMH Torrance, North Iowa Power Lifting, and McDonalds) in addition to over 68 expansions, remodeling or improvement projects. Major developments in our commercial sector were the construction projects for Hy-Vee for \$4,500,000, Coca Cola for \$333,245, Spee-Dee Delivery for \$322,240, Mason City Honda for \$213,132, Stone Creek Partners for \$243,004, Pizza Hut for \$136,000, and Rue 21 for \$120,000.

Other commercial and industrial ventures such as Mercy Medical Center, Vi-Cor, Soy Energy, Golden Grain, Burger King, Bliss Bridal, Chops/Eleven, State Street Deli, NIACC Emergency Service Fire Training facility, McCloskey Appliance and Hogan Hanson Accountants also engaged in physical additions and/or renovations to their current facilities. Several of the above listed businesses opened for business during the year, while others either completed or started remodeling and/or expansion projects. The City of Mason City saw a remodel project for the Public Library completed during this period as well as a \$1,170,800 storage building at the Street Dept. Also, there were renovations to John Adams and Mason City High Schools totaling \$14,821,557.

DOWNTOWN

The City has successfully completed a \$2.6 million Federal Avenue and Plaza streetscape renovation with over \$1.3 million in new underground utility improvements. The project has had a major impact on the face of downtown and highlights the \$18 million restoration of the Frank Lloyd Wright designed Park Inn Hotel/City National Bank buildings into the new Historic Park Inn Hotel, the last remaining FLW designed and built hotel in the world. The City also provided a \$600,000 parking solution for the hotel project.

The City has continued to work with Main Street Mason City (MSMC) to stabilize and enhance the Downtown area. The MSMC organization and its many volunteers provide a program that includes business improvement, promotions/events/marketing and design (appearance) improvements in the downtown, including the following:

- Over \$2 million in private investment tracked in past year.
- Conducted promotional events including ValenWine, the Friday Night Live summer concert series and Home for the Holidays.
- Completed a Real Estate and Retail Market Analysis of the downtown.
- Organized and facilitated, for the 3rd year, the new downtown Mason City Market, a Saturday morning farmers' market in Central Park.
- Agreed to manage a \$500,000 CDBG grant received by the City to rehab 14 building facades in the downtown.
- Partnered with local banks to make \$5 million available to downtown businesses for building and business improvements.
- Assists City in management of a \$150,000 low-interest revolving loan fund for building improvements in the downtown TIF district.
- Continued recognition as a National Main Street Community.

HOUSING

Housing construction for Fiscal Year 2011 included 16 single-family dwellings, and one duplex (two units), for a total of 18 new housing units. The number of single family dwelling units built is lower than that of previous years. 46* single-family dwellings were demolished. After reducing the number of housing units built by the number demolished, the net loss for housing in FY11 totals 28 dwelling units for the community.

* 38 of these demolitions were due to the flood of 2008

TRAFFIC

In 2011, the Mason City Engineering Department completed the following transportation improvement projects throughout Mason City. The purpose of these types of projects is to expand the street system, increase safety, and to restore a safer driving surface for motorists.

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

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

FINANCIAL INFORMATION

For financial reporting purposes, in conformance with Governmental Accounting Standards Board (GASB) Statement No. 14 The Financial Reporting Entity, the City includes all funds, organizations, agencies, boards, commissions, and authorities that are financially accountable to the City.

Single Audit: As a recipient of federal, state and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2011 provided instances of material weakness in the internal control structure.

Budgetary Controls: In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of all funds are included in the annual appropriated budget. The legal level of control for budgetary purposes for all funds as set by Iowa law is at the program level.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. As with the financial section, all amounts presented in the remainder of this letter are expressed in whole dollars.

General Governmental Functions: The following schedule presents a summary of general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2011.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>
Taxes	\$16,587,221	50.15%
Licenses and Permits	627,128	1.90
Intergovernmental	13,349,253	40.36
Service Revenues	860,768	2.60
Fines and Forfeitures	81,317	0.24
Use of Monies and Properties	568,186	1.73
Special Assessments	9,245	0.03
Miscellaneous	982,251	2.97
Refunds	7,984	0.02
Total	<u>\$33,073,353</u>	<u>100.00%</u>

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2011.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>
Public Safety	\$ 8,744,332	21.14%
Public Works	3,228,134	7.80
Health and Social Services	787,650	1.90
Culture and Recreation	2,906,913	7.03
Community & Economic Development	12,624,763	30.52
General Government	2,113,201	5.11
Capital Projects	7,311,577	17.68
Debt Service	3,637,109	8.82
Total	<u>\$41,353,679</u>	<u>100.00%</u>

GENERAL FUND BALANCE

The General Fund closed the FY11 with a fund balance of \$7,056,782 compared to \$8,525,858 on June 30, 2010. This was due to a \$1,469,076 decrease of revenues over expenditures for FY11.

ENTERPRISE FUNDS

The Enterprise Funds of the City include the following:

1. Cemetery Fund - Operating revenues were \$91,746 in FY11, an increase of 5.4% from FY10. Operating expenses were \$303,340 in FY11, an increase of 2.2% from FY10. Net income was \$(2,846) in FY11, a 38.9% increase from FY10.
2. Waterworks Fund - Operating revenues were \$5,238,573 in FY11, an increase of 5.2% from FY10. Operating expenses were \$4,619,555 in FY11, a decrease of 0.6% from FY10. Net income was \$750,494 in FY11, a 1,252.9% increase from FY10.
3. Sewer Rental Fund - Operating revenues were \$4,656,139 in FY11, an increase of 8.2% from FY10. Operating expenses were \$2,908,110 in FY11, an increase of 0.1% from FY10. Net income was \$2,048,882 in FY11, a 73.4% increase from FY10.
4. Parking Lots Fund - Operating revenues were \$59,450 in FY11, an increase of 19.5% from FY10. Operating expenses were \$125,386 in FY11, a decrease of 6.5% from FY10. Net income was \$27,037 in FY11, a 44.2% increase from FY10.
5. Storm Sewer Fund - Operating revenues were \$283,112 in FY11, a decrease of 1.5% from FY10. Operating expenses were \$179,709 in FY11, an increase of 7.0% from FY10. Net income was \$94,145 in FY11, a 12.5% decrease from FY10.
6. Solid Waste Fund - Operating revenues were \$1,205,672 in FY11, a decrease of 1.7% from FY10. Operating expenses were \$1,270,154 in FY11, an increase of 3.2% from FY10. Net income was \$(62,832) in FY11, a 33.9% increase from FY10.
7. Golf Course Fund - Operating revenues were \$400,967 in FY11, a decrease of 8.5% from FY10. Operating expenses were \$470,349 in FY11, an increase of 3.8% from FY10. Net income was \$(43,145) in FY11, a 338.5% decrease from FY10.
8. Ambulance Fund - Operating revenues were \$1,546,875 in FY11, an increase of 5.5% from FY10. Operating expenses were \$1,539,340 in FY11, an increase of 23.5% from FY10. Net income was \$26,041 in FY11, a decrease of 89.4% from FY10.

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, 2011:

	Amount	RATIOS	
		Debt to Assessed Value	Debt per Capita
Net Bonded Debt	\$33,089,047	2.86%	\$1,178.43

The City issued \$6,775,000 of General Obligation bonds and notes during the year as part of the streetscape project and various public works and utility-related projects.

CASH MANAGEMENT

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, and obligations of the U. S. Treasury. Police and Fire Retirement Special Revenue funds investment portfolio also included mutual fund accounts with Wells Fargo. The City earned interest revenue of \$365,972 on all investments for the year ended June 30, 2011.

For the fiscal periods ended June 30, 2011 and 2010, interest income was as follows:

Fund Type	June 30, 2011	June 30, 2010
General Fund	\$ 40,987	\$127,232
Special Revenue Funds	252,631	254,043
Capital Projects Funds	2,947	5,948
Enterprise Funds	17,535	36,151
Permanent Funds	30,946	40,471
Debt Service Funds	3,471	7,821
Fiduciary Funds	7	76
Internal Service Funds	17,448	21,177
Total Interest Earned	<u>\$365,972</u>	<u>\$492,919</u>

The decrease in earnings on idle funds invested for the year ending June 30, 2011 was due to the decrease in rate of return on invested funds.

RISK MANAGEMENT

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

FINANCIAL POLICIES AND LONG-TERM FINANCIAL PLANNING

The City Council has adopted budget and fiscal policies. For the City's General Fund, the fund balance policy strives to maintain an 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 2011, 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 2012, the City used approximately \$200,000 of General Fund reserves to maintain the General Fund levy.

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 FY11 was made by Kronlage & Olson, P.C., Certified Public Accountants. Their opinion has been included in this report.

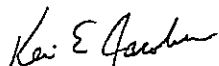
Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mason City, Iowa, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the twenty-fifth consecutive year that the government has achieved this prestigious award. The City of Mason City was one of only approximately 20 Iowa cities to receive the award for this fiscal year.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments: Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the entire staff of the Department of Finance and the various department heads and employees who assisted and contributed to its preparation. We wish to thank each one of you for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Kevin E. Jacobson
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mason City
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



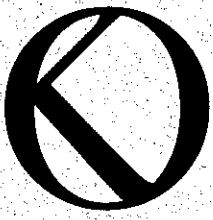
Linda C. Davison

President

Jeffrey R. Emer

Executive Director

**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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mason City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and HMGP Voluntary Acquisition Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports, dated January 13, 2012 on our consideration of the City of Mason City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion & Analysis on pages 3 through 12 and other required supplementary information on page 63 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mason City, Iowa's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Mason City, Iowa. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Knowledge & Olson, P.C.

January 13, 2012

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-xi of this report. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

FINANCIAL HIGHLIGHTS

- The assets of the City of Mason City exceeded its liabilities at the close of June 30, 2011, by \$146.30 million (net assets). Of this amount, \$25.57 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$11.79 million.
- At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$19.77 million, a decrease of 1.7% as compared to the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5.125 million, or 27.54% of the total general fund expenditures.
- Total debt increased by \$1,776,000 (3.0%) during the current fiscal year. The City issued \$7.1 million of new bonds and retired \$5.32 million of existing bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The City of Mason City maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, HMGP Voluntary Acquisition Fund and Road Use Tax Fund, which are considered as major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 17-28 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 29-38 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 39-40 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 41-66 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Mason City, assets exceeded liabilities by \$146,304,437 at the close of the most recent fiscal year.

By far the largest portion of the City of Mason City's net assets (79.8%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related outstanding debt used to acquire those assets. The City of Mason City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City of Mason City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following two tables present condensed financial information on the City's Net Assets and Changes in Net Assets for the fiscal year ending June 30, 2011 and June 30, 2010.

	City of Mason City's Net Assets					
	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	2011	2010
	2011	2010	2011	2010	2011	2010
Current & other assets	\$ 40,451,919	\$ 40,159,058	\$ 9,451,046	\$ 8,050,330	\$ 49,902,965	\$ 48,209,388
Capital assets	104,201,664	91,640,879	72,297,911	72,705,221	176,499,575	164,346,100
Total assets	144,653,583	131,799,937	81,748,957	80,755,551	226,402,540	212,555,488
Long-term liabilities outstanding	24,138,588	21,269,337	30,235,184	31,710,904	54,373,772	52,980,241
Other liabilities	21,391,315	20,172,309	4,333,016	4,578,367	25,724,331	24,750,676
Total liabilities	45,529,903	41,441,646	34,568,200	36,289,271	80,098,103	77,730,917
Net Assets:						
Invested in capital assets, net of related debt	77,367,493	67,769,666	39,361,650	38,361,919	116,729,143	106,131,585
Restricted	1,142,649	1,200,538	2,866,968	2,853,334	4,009,617	4,053,872
Unrestricted	20,613,538	21,388,087	4,952,139	3,251,027	25,565,677	24,639,114
Total	\$ 99,123,680	\$ 90,358,291	\$ 47,180,757	\$ 44,466,280	\$ 146,304,437	\$ 134,824,571

A portion of the City of Mason City's net assets (2.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$25,565,677) may be used to meet the government's ongoing obligation to citizens and creditors.

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

There was a decrease of \$774,549 in unrestricted net assets for the City of Mason City's governmental activities. The decrease in governmental activities is due to the previously issued bonds for the Library project being spent in fiscal year 2011.

The government's net assets increased by \$11,796,866 for the current fiscal year. Most of the increase was due to the Sewage Treatment Plant expansion, the Downtown Streetscape project, the Delaware Bridge replacement and the Street department storage building. New capital grants used for various street and sewer projects also contributed to the increase in net assets.

City of Mason City Change in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Charges for services	\$ 1,586,677	\$ 1,715,593	\$ 13,542,557	\$ 12,896,588	\$ 15,129,234	\$ 14,612,181
Operating grants & contributions	3,748,874	2,380,822	619,206	188,313	4,368,080	2,569,135
Capital grants & contributions	10,109,341	7,737,713	914,735	206,190	11,024,076	7,943,903
General Revenues:						
Taxes	19,080,199	20,180,309	113,987	112,825	19,194,186	20,293,134
Investment earnings	596,673	1,068,587	81,894	133,399	678,567	1,201,986
Miscellaneous	645,710	32,770	96,638	93,300	742,348	126,070
Total revenues	35,767,474	33,115,794	15,369,017	13,630,615	51,136,491	46,746,409
Expenses:						
Public safety	9,402,887	8,897,795	-	-	9,402,887	8,897,795
Public works	7,450,233	6,910,495	-	-	7,450,233	6,910,495
Health & social services	808,916	779,197	-	-	808,916	779,197
Culture & recreation	3,503,976	3,475,535	-	-	3,503,976	3,475,535
Community & econ development	2,252,333	2,368,084	-	-	2,252,333	2,368,084
General government	2,176,829	2,593,594	-	-	2,176,829	2,593,594
Interest on debt	1,053,911	987,814	-	-	1,053,911	987,814
Water	-	-	5,218,343	5,244,979	5,218,343	5,244,979
Sewer	-	-	3,505,748	3,473,401	3,505,748	3,473,401
Other	-	-	3,966,449	3,581,816	3,966,449	3,581,816
Total expenses	26,649,085	26,012,514	12,690,540	12,300,196	39,339,625	38,312,710
Increase in net assets before transfers	9,118,389	7,103,280	2,678,477	1,330,419	11,796,866	8,433,699
Transfers	(36,000)	(3,749)	36,000	3,749	-	-
Increase in net assets	9,082,389	7,099,531	2,714,477	1,334,168	11,796,866	8,433,699
Net assets 7-1-2010 (as restated)	90,041,291	83,258,760	44,466,280	43,132,112	134,527,571	126,390,872
Net assets 6-30-2011	\$ 99,123,680	\$ 90,358,291	\$ 47,180,757	\$ 44,466,280	\$ 146,304,437	\$ 134,824,571

Governmental Activities

The governmental activities' net assets for the City of Mason City increased by \$9,082,389 during the current fiscal year, accounting for 76.35% of the total increase in the net assets of the City of Mason City. The majority of the increase in the net assets is a result of the Downtown Streetscape project, street construction and park improvements.

Business-type Activities

Total net assets increased by \$2,714,477 for fiscal year 2011, accounting for 23.65% of the total growth in the City of Mason City's net assets. The increase is due to the City continuing upgrades of the water and sanitary sewer system and completing the Sewage Treatment expansion project.

Charges for services for business-type activities increased 5.0%. There were no utility rate increases for fiscal year 2011. However, ambulance fees and golf fees were increased 5% and 3%, respectively, on July 1, 2011.

Operating expenses for business type activities increased by 3.2%. Expenses in the Water fund decreased by 0.5% while Sewer expenses increased by 0.9%. The other business type expenses increased by 10.7%. Water and Sewer expense were held relatively in check due to decreases in staffing levels. The increase in all other business type activities was due directly to the increase in operating costs such as wage adjustments and insurance premiums the City pays.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

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 \$19,768,128, a decrease of \$341,209 in comparison with the prior year. The decrease is due to the delay in receiving federal grant funds for the flood buyout project in the HMGP fund which started in 2009. The fund balance has been reserved to indicate the amount not available for new spending because it has already been committed 1) nonspendable for endowment principal and prepaid expenses (\$784,991); 2) restricted purposes such as streets, employee benefits, parks, museum, cemetery and tort liability (\$13,394,439); and 3) assigned purposes such as Airport, Museum, Library and recreation (\$1,854,856).

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 \$5,125,768 while total fund balance reached \$7,056,782. 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 27.54% of total General Fund expenditures, while total fund balance represents 37.92% of that same amount.

The General Fund balance decreased by \$1,496,076. Major factors in this increase are as follows:

- The remaining bond proceeds were spent on the Library renovation project during the fiscal year.
- The HMGP fund continues to have expenses for the flooded home buyout. The City pays these expenses and then has grant requests for reimbursement to cover the costs, but those requests have been delayed at the state level.

The debt service fund has a total negative fund balance of \$121,160. The net decrease of \$182,791 in fund balance during the current year in the debt service fund is due to a transfer out of Debt Service funds from a prior overpayment by the proprietary funds. 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:

- \$2,725,000 General Obligation bonds for Fire equipment, Airport firefighter facility, Street improvements, Cemetery equipment and Water equipment.
- \$4,050,000 General Obligation bonds for the Downtown Streetscape project.

The basic governmental fund financial statements can be found on pages 17-28.

Proprietary Funds

The City of Mason City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$6,281,429. Water reported an increase in net assets of \$625,944 and Sewer reported an increase of \$1,111,463.

Rates remained the same for Water and Sewer. The increase in unrestricted net assets was due to an increase in collection awareness for delinquent accounts. Also, outstanding grant requests were received during the fiscal year.

The Capital Improvements Plan identifies and quantifies capital needs for the next several years. Rates in all proprietary funds are anticipated to rise as capital projects are scheduled to begin construction in the next few years.

General Fund Budgetary Highlights

Differences between original and final budget amounted to \$914,629 and the significant items are summarized as follows:

- Public safety expenses for overtime, Chapter 411 medical cost and office expense were increased by \$225,000.
- Health and Social Services was increased by \$250,000 for Youth Task Force activities originally not budgeted but funded through new state grants.
- Culture and Recreation increased by \$188,000 for additional supplies and equipment used in Parks, Recreation and Library services.
- Community and Economic Development increased by \$113,000 for tax incentives for a new development that began operation in FY 2011.

The variance between the amended budget and actual was due mainly to the additional expenses with public safety overtime and additional grant funds received and spent on social services activities as well as a tax rebate to a new development that began operations during the fiscal year.

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, 2011, amounts to \$176,499,575 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Street construction projects including the Downtown Streetscape project as well as rehabilitation and intersection improvements were completed.
- The Delaware Avenue Bridge was removed and a new bridge was built in its place.
- The Airport completed a rescue and firefighter facility.
- Several parks enhancements including the Prairie Playground and East Park Band Shell rehabilitation projects were completed.
- Water main reroutes were completed.
- The inflow and infiltration project continues to update the sewer infrastructure.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 2,634,356	\$ 2,634,356	\$ 4,823,362	\$ 4,823,362	\$ 7,457,718	\$ 7,457,718
Buildings & Structures	3,850,084	4,086,965	12,575,793	12,960,417	16,425,877	17,047,382
Other Improvements	18,846,580	19,221,271	188,449	214,478	19,035,029	19,435,749
Machinery & Equip	2,279,862	2,366,365	1,067,460	1,156,247	3,347,322	3,522,612
Vehicles	2,297,922	2,310,667	1,359,137	1,374,447	3,657,059	3,685,114
Infrastructure	45,664,988	47,593,944	48,883,746	37,449,508	94,548,734	85,043,452
Const in Progress	28,627,872	13,427,311	3,399,964	14,726,762	32,027,836	28,154,073
Total	\$ 104,201,664	\$ 91,640,879	\$ 72,297,911	\$ 72,705,221	\$ 176,499,575	\$ 164,346,100

Additional information on the City of Mason City's capital assets can be found in note 7 on pages 53-54 of this report.

Long-Term Debt

The amount of debt outstanding at fiscal year end was \$59.80 million as compared to \$58.03 million last fiscal year. The increase is a result of new debt issued for the street, water and sewer construction projects. Of the total general obligation debt outstanding, \$25.63 million is backed by the full faith and credit of the City. The remainder is either general obligation debt abated by enterprise revenues or revenue bonds secured solely by specified revenue sources, namely tax increment revenues, water or sewer revenues.

City of Mason City's Outstanding Debt

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
General obligation	\$25,634,320	\$22,279,824	\$ 7,333,567	\$ 7,197,024	\$32,967,887	\$29,476,848
Revenue bonds	1,233,400	1,404,774	25,602,694	27,146,278	26,836,094	28,551,052
Total	\$26,867,720	\$23,684,598	\$32,936,261	\$34,343,302	\$59,803,981	\$58,027,900

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 57.

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 \$39,918,400 or 48.18% of our outstanding general obligation debt. As a comparison, the legal debt limit was \$80,068,604 and Mason City had issued \$30,524,732 or 38.12% 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 10 on pages 57-60 of this report.

Economic Factors and Next Year's Budget and Rates

- The national average unemployment for June 2011 is 9.2%. The unemployment level for June 2010 was 9.5%. Cerro Gordo County's rate for June 2011 is 6.2%, and the state's rate is 6.0%.
- The hourly wage rate in Cerro Gordo County averaged \$15.85 for 2010 and \$16.30 for 4th quarter 2011.
- Retail sales in Cerro Gordo County were \$643 million for fiscal year ending 2010, slightly down from 667 million in fiscal year 2009 and \$651 million in fiscal year 2008.
- The total value of building permits for fiscal year 2011 was approximately \$51.96 million. This compares with an amount of \$31.4 million for fiscal year 2010.

Next Year's Budget and Rates

For FY 2012, department managers were again instructed to minimize any changes in budget in anticipation of stagnant revenues. However, certain costs such as payroll, insurance and utilities are anticipated to increase. Approximately 72% of our operating costs in the General Fund are for personal services, including wages and benefits. Changes in personal services can be due to changes in the pay rates, changes in benefits, changes in the number of employees, or any combination of these.

The City is planning to increase the 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, sewer and sanitation being projected for FY 2013. There are several capital projects currently under consideration for the FY 2013 budget. The capital projects will be funded with General Obligation bonds, existing fund balances or new revenues from sales tax, road use tax, water and sewer charges for FY 2013. With the projected increases, the combined water, sewer, storm sewer and sanitation rates will again be slightly above the midpoint of surveyed cities in Iowa that provide similar services.

Financial Information Contact

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

CITY OF MASON CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Current assets:				
Cash	\$ 10,016,295	\$ 984,868	\$ 11,001,163	\$368,468
Investments	11,941,659	3,175,047	15,116,706	-
Receivables:				
Taxes	13,487,053	116,442	13,603,495	-
Special assessments	162,963	21,338	184,301	-
Accounts (net)	55,760	1,867,844	1,923,604	2,758
Accrued interest	17,040	2,189	19,229	-
Notes	10,000	-	10,000	-
Internal balances	738,705	(738,705)	-	-
Due from other governments	3,250,361	740,004	3,990,365	27,158
Prepaid insurance	151,494	57,848	209,342	-
Inventory	29,591	355,265	384,856	-
Deferred charges	-	-	-	5,433
Total current assets	<u>\$ 39,860,921</u>	<u>\$ 6,582,140</u>	<u>\$ 46,443,061</u>	<u>\$403,817</u>
Noncurrent assets:				
Restricted assets:				
Cash	\$ 5,438	\$ 1,316,753	\$ 1,322,191	\$ -
Investments	502,924	1,550,000	2,052,924	-
Receivables	649	215	864	-
Notes receivable	70,000	-	70,000	-
Special assessments	11,987	1,938	13,925	-
Capital assets:				
Land and construction in progress	31,262,228	8,223,326	39,485,554	-
Other capital assets net of depreciation	72,939,436	64,074,585	137,014,021	10,322
Total noncurrent assets	<u>\$104,792,662</u>	<u>\$75,166,817</u>	<u>\$179,959,479</u>	<u>\$ 10,322</u>
Total assets	<u>\$144,653,583</u>	<u>\$81,748,957</u>	<u>\$226,402,540</u>	<u>\$414,139</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 1,615,547	\$ 421,718	\$ 2,037,265	\$ 2,814
Salaries payable	687,689	243,749	931,438	10,014
Contracts payable	1,376,762	171,215	1,547,977	-
Accrued compensated absences	1,034,610	299,525	1,334,135	9,628
Accrued interest payable	94,369	87,739	182,108	-
Due to other governments	3,827	30,611	34,438	2,116
Due to customers	-	91,930	91,930	-
Unearned revenue	13,619,796	117,699	13,737,495	-
Prepaid interments	-	47,154	47,154	-
Current portion of long-term debt:				
Bonds payable	2,958,715	2,821,676	5,780,391	-
Total current liabilities	<u>\$ 21,391,315</u>	<u>\$ 4,333,016</u>	<u>\$ 25,724,331</u>	<u>\$ 24,572</u>
Noncurrent liabilities:				
Bonds payable	\$ 23,875,456	\$30,114,585	\$ 53,990,041	\$ -
Net OPEB obligation	263,132	120,599	383,731	-
Total noncurrent liabilities	<u>\$ 24,138,588</u>	<u>\$30,235,184</u>	<u>\$ 54,373,772</u>	<u>\$ -</u>
Total liabilities	<u>\$ 45,529,903</u>	<u>\$34,568,200</u>	<u>\$ 80,098,103</u>	<u>\$ 24,572</u>

(continued)

CITY OF MASON CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
NET ASSETS:				
Invested in capital assets-net of related debt	\$77,367,493	\$39,361,650	\$116,729,143	\$ 10,322
Restricted for:				
Nonexpendable:				
Museum funding	633,638	-	633,638	-
Perpetual care	509,011	-	509,011	-
Expendable:				
Bond retirement	-	2,866,968	2,866,968	-
Unrestricted	20,613,538	4,952,139	25,565,677	379,245
Total net assets	<u>\$99,123,680</u>	<u>\$47,180,757</u>	<u>\$146,304,437</u>	<u>\$389,567</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
Public safety	\$ 9,402,887	\$ 356,340	\$ 147,341
Public works	7,450,233	93,391	2,466,138
Health and social services	808,916	396	455,234
Culture and recreation	3,503,976	550,848	283,412
Community and economic development	2,252,333	175,678	396,749
General government	2,176,829	410,024	-
Interest on long-term debt	1,053,911	-	-
Total governmental activities	<u>\$26,649,085</u>	<u>\$ 1,586,677</u>	<u>\$3,748,874</u>
Business-type activities:			
Cemetery	\$ 314,613	\$ 91,746	\$ -
Water	5,218,343	5,238,573	56,485
Sewer	3,505,748	4,658,234	562,721
Parking lots	127,198	117,378	-
Storm sewer	189,862	283,112	-
Solid waste	1,289,603	1,205,672	-
Golf course	473,005	400,967	-
Ambulance	1,572,168	1,546,875	-
Total business-type activities	<u>\$12,690,540</u>	<u>\$13,542,557</u>	<u>\$ 619,206</u>
Total primary government	<u>\$39,339,625</u>	<u>\$15,129,234</u>	<u>\$4,368,080</u>
Component unit:			
Mason City Housing Authority	<u>\$ 2,049,175</u>	<u>\$ 2,058,961</u>	<u>\$ -</u>

General Revenues:
 Property taxes
 Other 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 assets
Net assets - beginning (as restated)
Net assets - ending

See Notes to Financial Statements.

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

Revenue	Primary Government			Component
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Unit
\$ -	\$ (8,899,206)	\$ -	\$ (8,899,206)	\$ -
1,624,151	(3,266,553)	-	(3,266,553)	-
-	(353,286)	-	(353,286)	-
726,102	(1,943,614)	-	(1,943,614)	-
7,759,088	6,079,182	-	6,079,182	-
-	(1,766,805)	-	(1,766,805)	-
-	(1,053,911)	-	(1,053,911)	-
<u>\$10,109,341</u>	<u>\$ (11,204,193)</u>	<u>\$ -</u>	<u>\$ (11,204,193)</u>	<u>\$ -</u>
\$ -	-	\$ (222,867)	\$ (222,867)	\$ -
602,660	-	679,375	679,375	-
312,075	-	2,027,282	2,027,282	-
-	-	(9,820)	(9,820)	-
-	-	93,250	93,250	-
-	-	(83,931)	(83,931)	-
-	-	(72,038)	(72,038)	-
-	-	(25,293)	(25,293)	-
<u>\$ 914,735</u>	<u>\$ -</u>	<u>\$ 2,385,958</u>	<u>\$ 2,385,958</u>	<u>\$ -</u>
<u>\$11,024,076</u>	<u>\$ (11,204,193)</u>	<u>\$ 2,385,958</u>	<u>\$ (8,818,235)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 9,786
-	\$ 14,145,418	\$ 113,987	\$ 14,259,405	-
-	4,783,420	-	4,783,420	-
-	151,361	-	151,361	-
-	386,403	-	386,403	-
-	596,673	96,638	693,311	1,981
-	259,307	81,894	341,201	-
-	(36,000)	36,000	-	-
-	<u>\$ 20,286,582</u>	<u>\$ 328,519</u>	<u>\$ 20,615,101</u>	<u>\$ 1,981</u>
-	\$ 9,082,389	\$ 2,714,477	\$ 11,796,866	\$ 11,767
-	90,041,291	44,466,280	134,507,571	377,800
-	<u>\$ 99,123,680</u>	<u>\$47,180,757</u>	<u>\$146,304,437</u>	<u>\$389,567</u>

CITY OF MASON CITY, IOWA
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 AS OF JUNE 30, 2011

	General	HMGP Voluntary Acquisition
ASSETS:		
Cash	\$ 5,425,644	\$ -
Investments	2,900,672	-
Receivables:		
Property taxes	8,312,641	-
Other taxes	12,070	-
Accrued interest	6,058	-
Special assessments - current	86,530	-
Special assessments - deferred	8,609	-
Accounts (net)	42,131	-
Notes	-	-
Due from other funds	561,476	-
Due from state government	485,196	917,401
Due from federal government	305,516	-
Prepaid insurance	139,912	-
Restricted assets:		
Cash	-	-
Investments	-	-
Accrued interest	-	-
Total assets	\$18,286,455	\$ 917,401
 LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts payable	\$ 513,984	\$ 28,794
Salaries payable	624,105	2,105
Contracts payable	439,207	7,480
Accrued vacation payable	950,000	-
Due to other funds	487,383	1,000,477
Due to state government	3,100	-
Deferred revenue	8,211,894	317,000
Total liabilities	\$11,229,673	\$1,355,856
 Fund Balances:		
Nonspendable	\$ 139,912	\$ -
Restricted	1,316,949	-
Assigned	474,153	-
Unassigned	5,125,768	(438,455)
Total fund balances	\$ 7,056,782	\$ (438,455)
 Total liabilities and fund balance	\$18,286,455	\$ 917,401

(continued)

<u>Road Use Tax</u>	<u>Other Governmental</u>	<u>Total</u>
\$1,411,434	\$ 2,502,081	\$ 9,339,159
500,000	7,535,037	10,935,709
175	4,387,185	12,700,001
-	-	12,070
-	9,103	15,161
76,433	-	162,963
3,378	-	11,987
875	12,754	55,760
-	10,000	10,000
-	2,194,286	2,755,762
616,333	925,915	2,944,845
-	-	305,516
11,441	-	151,353
-	5,438	5,438
-	502,924	502,924
-	649	649
<u>\$2,620,069</u>	<u>\$18,085,372</u>	<u>\$39,909,297</u>

\$ 180,256	\$ 162,597	\$ 885,631
49,549	3,586	679,345
356,454	573,621	1,376,762
75,716	-	1,025,716
96,289	1,751,307	3,335,456
-	727	3,827
3,378	4,302,160	12,834,432
<u>\$ 761,642</u>	<u>\$ 6,793,998</u>	<u>\$20,141,169</u>

\$ 11,441	\$ 633,638	\$ 784,991
1,846,986	10,230,504	13,394,439
-	1,380,703	1,854,856
-	(953,471)	3,733,842
<u>\$1,858,427</u>	<u>\$11,291,374</u>	<u>\$19,768,128</u>
<u>\$2,620,069</u>	<u>\$18,085,372</u>	<u>\$39,909,297</u>

CITY OF MASON CITY, IOWA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund balances—total governmental funds		\$19,768,128
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.		29,591
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		70,333
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		104,150,502
Internal service funds, net assets		2,296,798
Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:		
Bonds payable	\$ (26,867,720)	
Accrued interest	(94,369)	
Bond discount	33,549	
Net OPEB obligation	<u>(263,132)</u>	<u>(27,191,672)</u>
Net assets of governmental activities		<u>\$99,123,680</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>HMGP Voluntary Acquisition</u>
REVENUES:		
Property taxes	\$ 8,069,120	\$ -
TIF revenues	-	-
Other taxes	3,214,702	-
Licenses and permits	627,128	-
Intergovernmental	2,095,427	7,055,823
Charges for service	763,510	-
Fines and forfeitures	81,317	-
Use of money and property	352,375	-
Special assessments	8,682	-
Miscellaneous	746,848	-
Refunds	7,984	-
Total revenues	<u>\$15,967,093</u>	<u>\$7,055,823</u>
EXPENDITURES:		
Current:		
Public safety	\$ 7,659,686	\$ -
Public works	934,321	-
Health & social services	758,642	-
Culture & recreation	2,667,209	-
Community & economic development	855,311	7,219,158
General government	1,998,776	-
Capital projects	3,732,393	-
Debt service:		
Principal retirement	-	-
Interest	-	-
Contractual	-	-
Total expenditures	<u>\$18,606,338</u>	<u>\$7,219,158</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,639,245)</u>	<u>\$ (163,335)</u>
Other financing sources (uses):		
Issuance of general obligation bonds	\$ 308,000	\$ -
Premium/discount on bonds	-	-
Transfers in	1,024,043	12,986
Transfers out	(161,874)	-
Total other financing sources (uses)	<u>\$ 1,170,169</u>	<u>\$ 12,986</u>
Net change in fund balance	\$ (1,469,076)	\$ (150,349)
Fund balance beginning of year (as restated)	<u>8,525,858</u>	<u>(288,106)</u>
Fund balance end of year	<u>\$ 7,056,782</u>	<u>\$ (438,455)</u>

(continued)

<u>Road Use Tax</u>	<u>Other Governmental</u>	<u>Total</u>
\$ -	\$ 3,864,751	\$11,933,871
-	1,438,648	1,438,648
-	1,720,079	4,934,781
-	-	627,128
3,497,411	901,510	13,550,171
19,118	86,359	868,987
-	-	81,317
478	227,290	580,143
563	-	9,245
-	269,990	1,016,838
-	-	7,984
<u>\$ 3,517,570</u>	<u>\$ 8,508,627</u>	<u>\$35,049,113</u>
\$ -	\$ 1,084,646	\$ 8,744,332
2,252,213	41,600	3,228,134
-	29,008	787,650
-	250,276	2,917,485
-	4,550,294	12,624,763
-	114,425	2,113,201
3,410,023	360,215	7,502,631
-	2,601,875	2,601,875
-	993,656	993,656
-	41,578	41,578
<u>\$ 5,662,236</u>	<u>\$10,067,573</u>	<u>\$41,555,305</u>
<u>\$ (2,144,666)</u>	<u>\$ (1,558,946)</u>	<u>\$ (6,506,192)</u>
\$ 1,257,500	\$ 4,219,500	\$ 5,785,000
-	(32,017)	(32,017)
1,000,000	541,257	2,578,286
(18,000)	(1,669,412)	(1,849,286)
<u>\$ 2,239,500</u>	<u>\$ 3,059,328</u>	<u>\$ 6,481,983</u>
\$ 94,834	\$ 1,500,382	\$ (24,209)
<u>1,763,593</u>	<u>9,790,992</u>	<u>19,792,337</u>
<u>\$ 1,858,427</u>	<u>\$11,291,374</u>	<u>\$19,768,128</u>

CITY OF MASON CITY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances—total governmental funds \$ (24,209)

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. (208,971)

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	\$18,056,253	
Depreciation expense	<u>(5,028,683)</u>	13,027,570

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Repayments of bond principal	\$2,601,875	
Issuance of debt	(5,752,983)	
Accrued interest	(18,680)	
Amortization of bond discount	(6,066)	
Other post-employment benefits	<u>(68,919)</u>	(3,244,773)

Internal service funds net change (467,228)

Change in net assets—governmental activities \$9,082,389

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, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES:			
Property tax	\$ 8,063,718	\$ 8,063,718	\$ 8,069,120
Other tax	3,004,326	3,004,326	3,214,702
Licenses and permits	576,915	576,915	627,128
Intergovernmental	4,220,106	4,588,706	2,095,427
Charges for service	1,228,991	1,228,991	763,510
Fines and forfeitures	-	-	81,317
Use of money and property	166,500	166,500	352,375
Special assessments	-	-	8,682
Miscellaneous	136,314	244,914	746,848
Refunds	-	-	7,984
Total revenues	<u>\$17,396,870</u>	<u>\$17,874,070</u>	<u>\$15,967,093</u>
EXPENDITURES:			
Current:			
Public safety	\$ 7,470,219	\$ 7,683,019	\$ 7,659,686
Public works	966,938	966,938	934,321
Health & social services	759,096	1,001,755	758,642
Culture & recreation	2,691,895	2,840,434	2,667,209
Community & economic development	935,064	935,064	855,311
General government	2,318,776	2,314,242	1,998,776
Capital projects	6,848,297	6,923,561	3,732,393
Total expenditures	<u>\$21,990,285</u>	<u>\$22,665,013</u>	<u>\$18,606,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,593,415)</u>	<u>\$ (4,790,943)</u>	<u>\$ (2,639,245)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 1,063,000	\$ 1,063,000	\$ 308,000
Transfers in	936,764	936,764	1,024,043
Transfers out	<u>(152,764)</u>	<u>(152,764)</u>	<u>(161,874)</u>
Total other financing sources (uses)	<u>\$ 1,847,000</u>	<u>\$ 1,847,000</u>	<u>\$ 1,170,169</u>
Net change in fund balance	\$ (2,746,415)	\$ (2,943,943)	\$ (1,469,076)
Fund balance beginning of year	<u>-</u>	<u>-</u>	<u>8,525,858</u>
Fund balance end of year	<u>\$ (2,746,415)</u>	<u>\$ (2,943,943)</u>	<u>\$ 7,056,782</u>

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ 5,402
210,376
50,213
(2,493,279)
(465,481)
81,317
185,875
8,682
501,934
7,984
\$ (1,906,977)

\$ 23,333
32,617
243,113
173,225
79,753
315,466
3,191,168
\$ 4,058,675

\$ 2,151,698

\$ (755,000)
87,279
(9,110)

\$ (676,831)

\$ 1,474,867

8,525,858

\$10,000,725

CITY OF MASON CITY, IOWA
 HMGP VOLUNTARY ACQUISITION FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$18,620,698	\$18,620,698	\$7,055,823
EXPENDITURES:			
Current:			
Community & economic development:			
Personal service	\$ 440,675	\$ 440,675	\$ 39,895
Contractual	9,491,552	9,491,552	7,141,839
Commodities	8,688,471	8,688,471	37,424
Total expenditures	<u>\$18,620,698</u>	<u>\$18,620,698</u>	<u>\$7,219,158</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (163,335)
Other financing sources (uses):			
Transfers in	-	-	12,986
Net change in fund balance	\$ -	\$ -	\$ (150,349)
Fund balance beginning of year (as restated)	-	-	(288,106)
Fund balance end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (438,455)</u>

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ (11,564,875)

\$ (400,780)
(2,349,713)
(8,651,047)
\$ (11,401,540)

\$ (163,335)

12,986

\$ (150,349)

(288,106)

\$ (438,455)

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, 2011

	Original Budget	Amended Budget	Actual
REVENUES:			
Intergovernmental:			
Road use tax allocation	\$ 7,020,000	\$ 7,020,000	\$ 3,497,411
Charges for service	-	-	19,118
Use of money and property	-	-	478
Special assessments	-	-	563
Miscellaneous	45,000	45,000	-
Total revenues	\$ 7,065,000	\$ 7,065,000	\$ 3,517,570
EXPENDITURES:			
Current:			
Public works:			
Personal services	\$ 1,166,285	\$ 1,166,285	\$ 1,215,353
Contractual	472,708	472,708	557,625
Commodities	392,869	392,869	479,235
Total public works	\$ 2,031,862	\$ 2,031,862	\$ 2,252,213
Capital projects	9,109,467	9,109,467	3,410,023
Total expenditures	\$11,141,329	\$11,141,329	\$ 5,662,236
Excess (deficiency) of revenues over (under) expenditures	\$ (4,076,329)	\$ (4,076,329)	\$ (2,144,666)
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 2,994,700	\$ 2,994,700	\$ 1,257,500
Transfers in	1,000,000	1,000,000	1,000,000
Transfers out	(18,000)	(18,000)	(18,000)
Total other financing sources (uses)	\$ 3,976,700	\$ 3,976,700	\$ 2,239,500
Net change in fund balance	\$ (99,629)	\$ (99,629)	\$ 94,834
Fund balance beginning of year	-	-	1,763,593
Fund balance end of year	\$ (99,629)	\$ (99,629)	\$ 1,858,427

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ (3,522,589)
19,118
478
563
(45,000)
\$ (3,547,430)

\$ 49,068
84,917
86,366
\$ 220,351
(5,699,444)
\$ (5,479,093)

\$ 1,931,663

\$ (1,737,200)
-
-

\$ (1,737,200)

\$ 194,463

1,763,593

\$ 1,958,056

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2011

	<u>Waterworks</u>	<u>Sewer Rental</u>
ASSETS:		
Current assets:		
Cash	\$ 30,829	\$ 538,878
Investments (at cost)	1,324,997	1,075,000
Receivables:		
Property taxes	-	-
Special assessments - current	-	21,338
Special assessments - deferred	-	1,938
Accounts (net)	610,651	502,793
Accrued interest	498	949
Inventory	291,058	27,694
Due from other funds	597,895	-
Due from state government	178,014	557,050
Prepaid insurance	16,399	36,350
Total current assets	<u>\$ 3,050,341</u>	<u>\$ 2,761,990</u>
Noncurrent assets:		
Restricted assets:		
Cash	\$ 1,161,054	\$ 155,699
Investments	650,000	900,000
Accrued interest	95	120
Total restricted assets	<u>\$ 1,811,149</u>	<u>\$ 1,055,819</u>
Property, plant and equipment:		
Land	\$ 167,220	\$ 316,209
Buildings	14,720,379	-
Equipment	887,343	913,538
Distribution system	30,811,751	-
Meters	1,157,454	-
Plant and improvements	-	26,513,023
Sewer lines and lifts	-	15,739,351
Improvements	-	-
Vehicles	492,640	890,276
Construction in progress	750,007	2,626,191
Total property, plant and equipment	<u>\$48,986,794</u>	<u>\$46,998,588</u>
Less accumulated depreciation	<u>(14,312,731)</u>	<u>(18,429,631)</u>
Net property, plant and equipment	<u>\$34,674,063</u>	<u>\$28,568,957</u>
Total noncurrent assets	<u>\$36,485,212</u>	<u>\$29,624,776</u>
Total assets	<u>\$39,535,553</u>	<u>\$32,386,766</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 415,161	\$ 984,868	\$ 677,136
775,050	3,175,047	1,005,950
116,442	116,442	774,982
-	21,338	-
-	1,938	-
754,400	1,867,844	-
742	2,189	1,546
36,513	355,265	-
127,326	725,221	22,775
4,940	740,004	-
5,099	57,848	141
<u>\$ 2,235,673</u>	<u>\$ 8,048,004</u>	<u>\$2,482,530</u>
\$ -	\$ 1,316,753	\$ -
-	1,550,000	-
-	215	-
<u>\$ -</u>	<u>\$ 2,866,968</u>	<u>\$ -</u>
\$ 4,339,933	\$ 4,823,362	\$ -
1,471,560	16,191,939	-
1,111,230	2,912,111	105,098
-	30,811,751	-
-	1,157,454	-
-	26,513,023	-
3,955,179	19,694,530	-
3,061,977	3,061,977	-
1,613,877	2,996,793	85,174
23,766	3,399,964	-
<u>\$15,577,522</u>	<u>\$111,562,904</u>	<u>\$ 190,272</u>
<u>(6,522,631)</u>	<u>(39,264,993)</u>	<u>(139,110)</u>
<u>\$ 9,054,891</u>	<u>\$ 72,297,911</u>	<u>\$ 51,162</u>
\$ 9,054,891	\$ 75,164,879	\$ 51,162
<u>\$11,290,564</u>	<u>\$ 83,212,883</u>	<u>\$2,533,692</u>

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2011

	<u>Waterworks</u>	<u>Sewer Rental</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 150,993	\$ 158,775
Salaries payable	71,783	48,678
Contracts payable	130,183	41,032
Accrued vacation payable	85,228	80,089
Accrued interest payable	41,881	44,457
Due to other funds	20,156	2,088
Due to state government	27,239	-
Due to customers	91,930	-
General obligation bonds	479,913	369,843
General obligation notes	-	-
Revenue bonds	1,001,000	793,000
Prepaid interments	-	-
Unearned revenue	-	1,938
Total current liabilities	<u>\$ 2,100,306</u>	<u>\$ 1,539,900</u>
Long-term debt:		
General obligation bonds	\$ 3,086,482	\$ 2,914,442
General obligation notes	-	-
Revenue bonds	11,519,000	12,488,000
Unamortized bond discount	(70,155)	(128,151)
Net OPEB obligation	42,834	25,604
Total long-term debt	<u>\$14,578,161</u>	<u>\$15,299,895</u>
Total liabilities	<u>\$16,678,467</u>	<u>\$16,839,795</u>
Net assets:		
Invested in capital assets, net of related debt	\$18,657,823	\$12,131,823
Restricted for:		
Bond retirement	1,811,149	1,055,819
Unrestricted	<u>2,388,114</u>	<u>2,359,329</u>
Total net assets	<u>\$22,857,086</u>	<u>\$15,546,971</u>

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

Net assets of business-type activities

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 111,950	\$ 421,718	\$ 729,916
123,288	243,749	8,344
-	171,215	-
134,208	299,525	8,894
1,401	87,739	-
112,392	134,636	33,666
3,372	30,611	-
-	91,930	-
100,000	949,756	-
77,920	77,920	-
-	1,794,000	-
47,154	47,154	-
115,761	117,699	785,364
<u>\$ 827,446</u>	<u>\$ 4,467,652</u>	<u>\$1,566,184</u>
\$ 100,000	\$ 6,100,924	\$ -
204,967	204,967	-
-	24,007,000	-
-	(198,306)	-
52,161	120,599	-
<u>\$ 357,128</u>	<u>\$30,235,184</u>	<u>\$ -</u>
<u>\$ 1,184,574</u>	<u>\$34,702,836</u>	<u>\$1,566,184</u>
\$ 8,572,004	\$39,361,650	\$ 51,162
-	2,866,968	-
<u>1,533,986</u>	<u>6,281,429</u>	<u>916,346</u>
<u>\$10,105,990</u>	<u>\$48,510,047</u>	<u>\$ 967,508</u>
	<u>(1,329,290)</u>	
	<u>\$47,180,757</u>	

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Waterworks</u>	<u>Sewer Rental</u>
Operating revenues:		
Charges for service	\$ 5,238,573	\$ 4,656,139
Health insurance contributions	-	-
Total operating revenues	\$ 5,238,573	\$ 4,656,139
Operating expenses:		
Business type activities:		
Personal service	\$ 1,527,736	\$ 1,025,621
Contractual	969,224	406,287
Commodities	736,059	225,136
Other	30,491	15,101
Depreciation	1,345,105	1,234,498
Amortization	10,940	1,467
Total operating expenses	\$ 4,619,555	\$ 2,908,110
Operating income (loss)	\$ 619,018	\$ 1,748,029
Nonoperating revenues (expenses):		
Property taxes	\$ -	\$ -
Intergovernmental	56,485	562,721
Fines and forfeitures	-	-
Use of money and property	40,042	8,750
Special assessments	-	1,687
Miscellaneous	2,591	2,619
Interest	(552,302)	(568,999)
Loss on disposal of assets	-	-
Total nonoperating revenue (expense)	\$ (453,184)	\$ 6,778
Income (loss) before contributions and transfers	\$ 165,834	\$ 1,754,807
Contributions and transfers:		
Transfers in	\$ -	\$ -
Transfers out	(18,000)	(18,000)
Capital contributions	602,660	312,075
Total contributions and transfers	\$ 584,660	\$ 294,075
Change in net assets	\$ 750,494	\$ 2,048,882
Net assets beginning of year	22,106,592	13,498,089
Net assets end of year	<u>\$22,857,086</u>	<u>\$15,546,971</u>

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

Change in net assets of business-type activities

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 3,587,822	\$13,482,534	\$ 231,229
-	-	2,456,548
<u>\$ 3,587,822</u>	<u>\$13,482,534</u>	<u>\$2,687,777</u>
\$ 2,370,177	\$ 4,923,534	\$3,003,477
596,006	1,971,517	17,303
422,049	1,383,244	20,996
15,096	60,688	-
496,360	3,075,963	14,401
-	12,407	-
<u>\$ 3,899,688</u>	<u>\$11,427,353</u>	<u>\$3,056,177</u>
\$ (311,866)	\$ 2,055,181	\$ (368,400)
\$ 113,987	\$ 113,987	\$ 772,899
-	619,206	-
57,928	57,928	-
47,846	96,638	16,572
408	2,095	-
76,684	81,894	-
(22,045)	(1,143,346)	-
3,458	3,458	-
<u>\$ 278,266</u>	<u>\$ (168,140)</u>	<u>\$ 789,471</u>
\$ (33,600)	\$ 1,887,041	\$ 421,071
\$ 72,000	\$ 72,000	\$ -
-	(36,000)	(765,000)
-	914,735	-
<u>\$ 72,000</u>	<u>\$ 950,735</u>	<u>\$ (765,000)</u>
\$ 38,400	\$ 2,837,776	\$ (343,929)
10,067,590		1,311,437
<u>\$10,105,990</u>		<u>\$ 967,508</u>
	(123,299)	
	<u>\$ 2,714,477</u>	

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2011

	<u>Waterworks</u>	<u>Sewer Rental</u>
Cash flows from operating activities:		
Cash received from interfund charges	\$ -	\$ -
Cash received from employees and others	-	-
Cash received from customers	5,622,398	4,663,007
Cash paid to employees for services	(1,509,209)	(1,016,998)
Cash paid to other suppliers of goods or services	(2,082,171)	(607,622)
Cash paid for health and life insurance	-	-
Rent received from operating assets	32,826	-
Proceeds from miscellaneous items	<u>2,591</u>	<u>4,306</u>
Net cash provided (used) by operating activities	<u>\$ 2,066,435</u>	<u>\$ 3,042,693</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ -	\$ -
Transfers in	-	-
Transfers out	(18,000)	(18,000)
Intergovernmental proceeds	157,005	389,281
Advance from/to other funds	(588,813)	-
Advance repayment from/to other funds	<u>80,000</u>	<u>346,446</u>
Net cash provided (used) by non-capital financing activities	<u>\$ (369,808)</u>	<u>\$ 717,727</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$(1,089,372)	\$(1,727,152)
Proceeds from sale of capital assets	-	-
Principal payments	(1,389,143)	(1,162,313)
Interest payments	(554,019)	(572,333)
Proceeds from issuance of bonds	990,000	311,008
Capital contributions	<u>434,644</u>	<u>-</u>
Net cash provided (used) for capital and related financing activities	<u>\$ (1,607,890)</u>	<u>\$ (3,150,790)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ 2,125,000	\$ 2,125,000
Purchase of investments	(3,750,000)	(3,750,000)
Interest received	7,023	8,665
Rent received on investment property	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>\$ (1,617,977)</u>	<u>\$ (1,616,335)</u>
Net increase (decrease) in cash	\$ (1,529,240)	\$ (1,006,705)
Cash beginning of year	<u>2,721,123</u>	<u>1,701,282</u>
Cash end of year	<u>\$ 1,191,883</u>	<u>\$ 694,577</u>
Noncash capital, investing and financing activities:		
Capital contributions	<u>\$ 168,016</u>	<u>\$ 312,075</u>
Increase in fair value of investments	<u>\$ -</u>	<u>\$ -</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ -	\$ -	\$2,280,784
-	-	406,525
3,665,607	13,951,012	-
(2,230,994)	(4,757,201)	(156,243)
(1,169,847)	(3,859,640)	(74,108)
-	-	(2,858,470)
-	32,826	-
<u>135,020</u>	<u>141,917</u>	<u>-</u>
<u>\$ 399,786</u>	<u>\$ 5,508,914</u>	<u>\$ (401,512)</u>
\$ 114,134	\$ 114,134	\$ 914,555
72,000	72,000	-
-	(36,000)	(765,000)
-	546,286	-
(33,666)	(622,479)	-
<u>15,000</u>	<u>441,446</u>	<u>-</u>
<u>\$ 167,468</u>	<u>\$ 515,387</u>	<u>\$ 149,555</u>
\$ (281,628)	\$ (3,098,152)	\$ -
6,480	6,480	-
(169,003)	(2,720,459)	-
(22,675)	(1,149,027)	-
-	1,301,008	-
<u>-</u>	<u>434,644</u>	<u>-</u>
<u>\$ (466,826)</u>	<u>\$ (5,225,506)</u>	<u>\$ -</u>
\$ 450,000	\$ 4,700,000	\$2,975,000
(975,000)	(8,475,000)	(2,562,500)
28,192	43,880	17,448
<u>23,886</u>	<u>23,886</u>	<u>-</u>
<u>\$ (472,922)</u>	<u>\$ (3,707,234)</u>	<u>\$ 429,948</u>
\$ (372,494)	\$ (2,908,439)	\$ 177,991
787,655	5,210,060	499,145
<u>\$ 415,161</u>	<u>\$ 2,301,621</u>	<u>\$ 677,136</u>
<u>\$ -</u>	<u>\$ 480,091</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2011

	<u>Waterworks</u>	<u>Sewer Rental</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 619,018	\$1,748,029
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization expense	1,356,045	1,235,965
Rental income	32,826	-
Miscellaneous income	2,591	4,306
Change in assets and liabilities:		
(Increase) decrease in receivables	(23,453)	7,246
(Increase) decrease in inventory	(21,736)	26,696
(Increase) decrease in due from other funds	1,139	-
(Increase) decrease in prepaid insurance	4,961	(20,523)
Increase (decrease) in accounts and contracts payable	41,971	35,147
Increase (decrease) in salaries payable	7,775	3,186
Increase (decrease) in accrued compensated absences	(3,858)	(3,379)
Increase (decrease) in due to other funds	18,213	847
Increase (decrease) in due to state government	8,076	-
Increase (decrease) in due to customers	9,097	-
Increase (decrease) in prepaid interments	-	-
Increase (decrease) in unearned revenue	-	(1,687)
Increase (decrease) in net OPEB obligation	13,770	6,860
 Net cash provided (used) by operating activities	 <u>\$2,066,435</u>	 <u>\$3,042,693</u>

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ (311,866)	\$2,055,181	\$ (368,400)
496,360	3,088,370	14,401
-	32,826	-
135,020	141,917	-
20,392	4,185	1,230
58,581	63,541	-
-	1,139	(68,045)
(1,289)	(16,851)	(52)
(37,017)	40,101	53,841
13,825	24,786	664
8,839	1,602	(3,905)
4,245	23,305	(33,584)
622	8,698	-
-	9,097	-
16	16	-
150	(1,537)	2,338
<u>11,908</u>	<u>32,538</u>	<u>-</u>
<u>\$ 399,786</u>	<u>\$5,508,914</u>	<u>\$ (401,512)</u>

CITY OF MASON CITY, IOWA
 FIDUCIARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2011

	<u>Firemen's Pension</u>	<u>Agency Fund</u>
ASSETS:		
Cash	\$ 4,921	\$ -
Receivables:		
Property taxes	<u>6,900</u>	<u>-</u>
Total assets	<u>\$11,821</u>	<u>\$ -</u>
LIABILITIES:		
Deferred revenue	<u>6,900</u>	<u>-</u>
NET ASSETS:		
Held in trust for pension benefits	<u>\$ 4,921</u>	<u>\$ -</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Firemen's Pension</u>
ADDITIONS:	
Use of money and property	\$ 7
DEDUCTIONS:	
Public safety:	
Benefits paid	<u>6,576</u>
Change in net assets	\$(6,569)
Net assets beginning of year	<u>11,490</u>
Net assets end of year	<u>\$ 4,921</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Financial Reporting Entity

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

For financial reporting purposes, the City of Mason City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Mason City has determined the MacNider Art Museum Foundation meets the Governmental Accounting Standards Board criteria for a blended component unit and, accordingly, has been included in special revenue funds. The directors of the foundation are appointed by the directors of the museum who are appointed by the Mayor and approved by the Council. The Foundation exists to support the City-owned MacNider Museum. The City has determined the Mason City Housing Authority meets the Governmental Accounting Standards Board criteria for a discretely presented component unit. The Authority's commissioners are appointed by the Mayor and approved by the Council. The Authority provides low-income housing to the citizens of Mason City. Complete financial statements of the Mason City Housing Authority may be obtained at the entity's administrative offices at 22 N. Georgia, Suite 214, Mason City, IA 50401.

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cerro Gordo County Assessor's Conference Board, City of Mason City's City Assessor's Conference Board, Cerro Gordo County Emergency Management Commission, Landfill of North Iowa Board and Cerro Gordo County Joint E911 Service Board.

(2) Summary of Significant Accounting Policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

(A) Government-wide and fund financial statements

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(2) Summary of Significant Accounting Policies - continued

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are 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 assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have 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. Although the agency fund is fiduciary, it is not involved in the measurement of results of operations; therefore, measurement focus is not applied to it.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(2) Summary of Significant Accounting Policies - continued

HMGP Voluntary Acquisition Fund

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

Road Use Tax Fund

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

The City reports the following major proprietary funds:

Water Fund

The Water Fund accounts for the operation and maintenance of the City's water system.

Sanitary Sewer Fund

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

Additionally, the City reports the following fund types:

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

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed for a specified purpose other than debt service or capital projects.

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

The Pension Trust Fund accounts for assets held by the City to be used for retirement payments for qualified public safety employees.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(2) Summary of Significant Accounting Policies - continued

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

Other enterprise funds account for operations and activities that are financed and operated in a manner similar to a private business enterprise, and where the costs of providing goods or services to the general public on a continuing basis are expected to be financed or recovered primarily through user charges, or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has six funds classified as other enterprise funds and they are as follows: cemetery, storm sewer, solid waste disposal, golf course, parking lots and ambulance.

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

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

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

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

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.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(2) Summary of Significant Accounting Policies - continued

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.

(C) Assets, liabilities and net assets or equity

Cash Management and Investments

The City maintains one primary demand deposit account through which the majority of the City's cash resources are processed. The City's cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the City.

Investments are stated at fair value except for nonnegotiable certificates of deposit which are carried at cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The City invests in the Iowa Public Agency Investment Trust which is a 2a-7 - like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

The Code of Iowa requires all investment income of the Road Use Tax Special Revenue Fund to be recorded as General Fund revenue. \$7,372 and \$16,523 of investment income for the years ended June 30, 2011 and 2010, respectively, were recorded in this manner.

Receivables and Payables

Accounts receivable as of June 30, 2011, in proprietary and governmental funds is reported net of allowance for doubtful accounts in the amounts of \$795,233 and \$149,745, 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.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(2) Summary of Significant Accounting Policies - continued

Property taxes receivable are recognized at the time an enforceable legal claim is established. This is determined to occur when the budget is certified. All City property taxes must be certified to the Cerro Gordo County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. The county auditor is then required to place these city taxes upon the tax list. This levying of property taxes procedurally occurs during June prior to the fiscal year for which the taxes are to be collected. The property taxes actually become an enforceable lien against the property when the budget is certified.

Property taxes levied by the Cerro Gordo County Auditor for the year ended June 30, 2011, were due by July 1, 2010, with the first half installment being delinquent after September 30, 2010, and the second half installment being delinquent after March 31, 2011. 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 2011 levy certified on March 15, 2011, based on 2010 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2012, 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.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(2) Summary of Significant Accounting Policies - continued

Buildings, improvements other than buildings, and machinery and equipment of the primary government, as well as component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings and structures	20 to 50 years
Improvements other than buildings	5 to 100 years
Machinery and equipment	3 to 20 years
Infrastructure	10 to 45 years

Collections such as library books and museum exhibits are held for public exhibition, education, or research in the furtherance of public service rather than financial gain, protected, kept unencumbered, cared for, and preserved, and are subject to an organizational policy that requires the proceeds from sales of collections to be used to acquire other items for collections or access to the collections and, therefore, are not capitalized.

Compensated Absences

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

Long-Term Obligations

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

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.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(2) Summary of Significant Accounting Policies - continued

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.

Unassigned - All amounts not included in other spendable classifications.

(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, City Administered Grants, MacNider Museum Foundation special revenue funds; 19th Street SW Overpass capital project fund; 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:

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

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

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

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

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

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

(2) Summary of Significant Accounting Policies - continued

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2011 budget:

	Original Certified Budget	Budget Amendment	Final Certified Budget	Actual Expenditures
Public Safety	\$ 8,885,574	\$224,900	\$ 9,110,474	\$ 8,744,332
Public Works	3,081,644	-	3,081,644	3,228,134
Health and Social Services	804,650	250,000	1,054,650	787,650
Culture and Recreation	3,312,595	188,170	3,500,765	2,917,485
Community and Economic Development	27,312,860	113,395	27,426,255	12,624,763
General Government	5,148,360	62,464	5,210,824	2,113,201
Debt Service	4,603,840	60,700	4,664,540	3,637,109
Capital Projects	15,907,024	-	15,907,024	7,502,631
Business Type	20,267,134	15,000	20,282,134	12,570,699
Total	<u>\$89,323,681</u>	<u>\$914,629</u>	<u>\$90,238,310</u>	<u>\$54,126,004</u>

The fiscal year 2011 budget amendment resulted in an overall increase in the appropriation.

(E) Unbilled Revenues

The Waterworks, Sewer Rental, Storm Sewer and Solid Waste Funds accrue unbilled revenues for services rendered subsequent to the last billing date and prior to year-end based upon the number of days unbilled compared to the first billing subsequent to year-end. At June 30, 2011 unbilled utility receivables for the Waterworks, Sewer Rental, Storm Sewer and Solid Waste Funds were included in accounts receivable and totaled approximately \$360,436, \$357,597, \$20,808 and \$79,498, respectively.

(3) Cash and Investments

The City's deposits at June 30, 2011 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 \$940,928 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization and are not rated.

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

(3) Cash and Investments - continued

The carrying amount and fair value of the City's investments at June 30, 2011 are as follows:

	Fair Value
U.S. Government securities	\$ 3,003,098
Equity securities	289,417
	\$ 3,292,515
Deposits classified as investments:	
Iowa Public Agency Investment Trust	940,928
Nonnegotiable certificates of deposit	12,936,187
Total	\$17,169,630
Less: Restricted investments	2,052,924
Total unrestricted investments per balance sheet	\$15,116,706

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, 2011 consisted of the following amounts:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental:		
General	\$ 561,476	\$ 487,383
HMGP voluntary acquisition	-	1,000,477
Road use tax	-	96,289
Nonmajor funds	2,194,286	1,751,307
Internal Service funds	22,775	33,666
Total governmental	\$2,778,537	\$3,369,122
Business-Type:		
Waterworks	\$ 597,895	\$ 20,156
Sewer rental	-	2,088
Nonmajor funds	127,326	112,392
Total business-type	\$ 725,221	\$ 134,636
Total due to/from other funds	\$3,503,758	\$3,503,758

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

(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 \$3,105,323. 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, 2011 were:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental:		
General	\$1,024,043	\$ 161,874
HMGP voluntary acquisition	12,986	-
Road use tax	1,000,000	18,000
Nonmajor funds	541,257	1,669,412
Internal service funds	-	765,000
Total governmental	<u>\$2,578,286</u>	<u>\$2,614,286</u>
Business-Type:		
Waterworks	\$ -	\$ 18,000
Sewer rental	-	18,000
Nonmajor funds	72,000	-
Total business-type	<u>\$ 72,000</u>	<u>\$ 36,000</u>
Total transfers	<u>\$2,650,286</u>	<u>\$2,650,286</u>

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

(6) Prior Period Adjustment

In the prior year, the City misclassified revenue from the state that was an advance on a state-level grant to be authorized in a subsequent period. The City has determined the advance should have been classified as unearned revenue. The grant has not yet been authorized and the balance remains classified as unearned revenue. As a result, the HMGP fund balance has been restated by \$317,000.

Fund balance, July 1, 2010	\$ 28,894
Adjustment	<u>(317,000)</u>
Fund balance, July 1, 2010 (as restated)	<u>\$ (288,106)</u>

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

(7) Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,634,356	\$ -	\$ -	\$ 2,634,356
Construction in progress	<u>13,427,311</u>	<u>16,713,387</u>	<u>1,512,826</u>	<u>28,627,872</u>
Total capital assets, not being depreciated	<u>\$ 16,061,667</u>	<u>\$16,713,387</u>	<u>\$1,512,826</u>	<u>\$ 31,262,228</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 9,948,735	\$ 17,002	\$ 22,445	\$ 9,943,292
Improvements other than buildings	25,695,298	795,212	-	26,490,510
Machinery and equipment	5,846,377	385,171	454,780	5,776,768
Vehicles	7,482,662	540,145	302,073	7,720,734
Infrastructure	<u>71,589,784</u>	<u>740,226</u>	<u>-</u>	<u>72,330,010</u>
Total capital assets being depreciated	<u>\$120,562,856</u>	<u>\$ 2,477,756</u>	<u>\$ 779,298</u>	<u>\$122,261,314</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 5,861,770	\$ 248,550	\$ 17,112	\$ 6,093,208
Improvements other than buildings	6,474,027	1,169,903	-	7,643,930
Machinery and equipment	3,480,012	462,306	445,412	3,496,906
Vehicles	5,171,995	493,143	242,326	5,422,812
Infrastructure	<u>23,995,840</u>	<u>2,669,182</u>	<u>-</u>	<u>26,665,022</u>
Total accumulated depreciation	<u>\$ 44,983,644</u>	<u>\$ 5,043,084</u>	<u>\$ 704,850</u>	<u>\$ 49,321,878</u>
Total capital assets, being depreciated, net	<u>\$ 75,579,212</u>	<u>\$ (2,565,328)</u>	<u>\$ 74,448</u>	<u>\$ 72,939,436</u>
Governmental activities capital assets, net	<u>\$ 91,640,879</u>	<u>\$14,148,059</u>	<u>\$1,587,274</u>	<u>\$104,201,664</u>

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

Governmental activities:	
Public safety	\$ 437,184
Public works	3,874,267
Health and social services	6,425
Culture and recreation	569,063
Community and economic development	97,749
General government	43,995
Internal service funds depreciation is charged to various functions based on their usage of assets	<u>14,401</u>
Total depreciation expense—governmental activities	<u>\$5,043,084</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(7) Capital Assets - continued

Business-type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,823,362	\$ -	\$ -	\$ 4,823,362
Construction in progress	<u>14,726,762</u>	<u>2,219,980</u>	<u>13,546,778</u>	<u>3,399,964</u>
Total capital assets, not being depreciated	<u>\$19,550,124</u>	<u>\$ 2,219,980</u>	<u>\$13,546,778</u>	<u>\$ 8,223,326</u>
Capital assets, being depreciated:				
Buildings and structures	\$16,191,939	\$ -	\$ -	\$ 16,191,939
Improvements other than buildings	3,061,977	-	-	3,061,977
Machinery and equipment	2,790,057	143,965	21,911	2,912,111
Vehicles	2,905,041	226,169	134,417	2,996,793
Collection and distribution systems	<u>64,548,417</u>	<u>13,628,341</u>	<u>-</u>	<u>78,176,758</u>
Total capital assets being depreciated	<u>\$89,497,431</u>	<u>\$13,998,475</u>	<u>\$ 156,328</u>	<u>\$103,339,578</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 3,231,522	\$ 384,624	\$ -	\$ 3,616,146
Improvements other than buildings	2,847,499	26,029	-	2,873,528
Machinery and equipment	1,633,810	229,730	18,889	1,844,651
Vehicles	1,530,594	241,477	134,415	1,637,656
Collection and distribution systems	<u>27,098,909</u>	<u>2,194,103</u>	<u>-</u>	<u>29,293,012</u>
Total accumulated depreciation	<u>\$36,342,334</u>	<u>\$ 3,075,963</u>	<u>\$ 153,304</u>	<u>\$ 39,264,993</u>
Total capital assets, being depreciated, net	<u>\$53,155,097</u>	<u>\$10,922,512</u>	<u>\$ 3,024</u>	<u>\$ 64,074,585</u>
Business-type activities capital assets, net	<u>\$72,705,221</u>	<u>\$13,142,492</u>	<u>\$13,549,802</u>	<u>\$ 72,297,911</u>

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

Business-type activities:	
Water works	\$1,345,105
Sewer rental	1,234,498
Other business-type funds	<u>496,360</u>
Total depreciation expense-business-type activities	<u>\$3,075,963</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(8) Pension and Retirement Systems

The City maintains three pension plans for employees in various departments.

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the City is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 was \$540,431, \$509,918, and \$478,135 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, 2011, members contributed 9.40% of regular earnable compensation and the City contributed 19.90% of earnable compensation. The City's contribution to MFPRSI for the years ended June 30, 2011, 2010 and 2009 was \$1,032,595, \$830,029, and \$856,662 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, 2011, there is one individual receiving benefits in the fire plan.

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

(8) Pension and Retirement Systems - continued

A summary of financial information relating to the plan as of June 30, 2011 is as follows:

	Fire
Cash and investments	\$11,821
Fund equity	4,921
Pensions paid	6,576

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

Basis of Accounting

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

Method Used to Value Investments

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

(C) Trend Information

Firemen Pension Plan

Fiscal Year	Revenues			Expenses
	Investment Income	Property Taxes	Totals	Benefits
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
2003	723	-	723	10,546
2002	2,659	86	2,745	10,166

(9) Deferred Compensation Plan

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

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(10) Long-Term Debt

Long-term debt of the City is as follows:

	<u>Governmental</u>	<u>Business-Type</u>
3.25% to 4.05% Corporate Purpose bond payable, issued 10/01/02	\$ 1,630,000	\$ -
3.25% to 4.00% Essential Corporate Purpose bond payable, issued 10/1/03	410,000	-
3.30% to 3.60% Essential Corporate Purpose bond payable, issued 10/1/04	994,320	1,055,680
3.50% to 3.60% Essential Corporate Purpose bond payable, issued 11/1/05	430,000	1,205,000
3.70% to 3.90% Taxable General Obligation bond payable, issued 9/1/06	1,860,000	-
3.75% Taxable General Obligation bond payable, issued 9/4/07	955,000	2,240,000
3.25% to 4.10% General Obligation bond payable, issued 7/1/08	1,910,000	535,000
3.35% to 4.35% General Obligation bond payable, issued 7/1/08	2,570,000	200,000
2.50% to 4.375% Taxable General Obligation bond payable, issued 7/1/09	8,795,000	825,000
1.50% to 2.90% General Obligation bond payable, issued 8/1/10	1,735,000	990,000
1.00 to 2.80% General Obligation bond payable issued 8/1/10	3,630,000	-
1.00% to 1.40% General Obligation bond payable, issued 8/1/10	420,000	-
2.95% General Obligation Capital Loan note payable, issued 5/1/08	295,000	-
4.125% General Obligation Capital Loan note payable, issued 5/5/04	-	150,887
2.74% Taxable General Obligation Capital Loan note payable, issued 4/20/10	-	132,000
4.75% to 5.60% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 4/01/03	1,145,000	-
5.00% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 7/3/03	88,400	-
3.00% Water Revenue Capital Loan note payable, issued 2/26/03, callable 6/01/13 at par	-	10,239,845
4.00% Water Revenue bond payable, issued 9/1/06	-	1,215,000
4.10% to 4.35% Water Revenue bond payable, issued 9/1/07	-	995,000
3.90% Sewer Revenue bond payable, issued 9/1/06	-	1,240,000
3.00% Sewer Revenue bond payable, issued 8/15/08	-	11,912,849
Totals	<u>\$26,867,720</u>	<u>\$32,936,261</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(10) 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 \$32,967,887 of general obligation bonds outstanding as of June 30, 2011. Unmatured general obligation bonds to be paid by governmental funds totaled \$25,634,320. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled \$7,333,567.

During the year ended June 30, 2011, the City issued \$6,775,000 of general obligation bonds. These bonds were used to finance the library renovation and construction, reconstruction and repair of various public works, parks and utility-related improvements.

Water and Sewer Revenue Debt

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. There were \$25,602,694 of revenue bonds outstanding as of June 30, 2011, 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 \$2,207,849. The City has reserved \$2,866,968 as of June 30, 2011. The combined principal and interest paid for the current year and total customer net revenues were \$2,735,047 and \$5,633,952, respectively, amounting to approximately 49% 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, 2011, there were \$1,233,400 of tax increment financing bonds outstanding.

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

(10) Long-Term Debt - continued

Long-term liability activity for the year ended June 30, 2011, was as follows:

	July 1, 2010	New Issues	Payments	June 30, 2011	Due Within One Year
General obligation:					
Governmental	\$22,279,824	\$5,785,000	\$2,430,504	\$25,634,320	\$2,775,244
Business-type activities:					
Water	2,995,537	990,000	419,142	3,566,395	479,913
Sewer	3,549,597	-	265,312	3,284,285	369,843
Ambulance	356,890	-	74,003	282,887	77,920
Storm sewer	295,000	-	95,000	200,000	100,000
Revenue:					
Governmental tax increment financing	1,404,774	-	171,374	1,233,400	183,471
Business-type:					
Water	13,408,905	10,940	970,000	12,449,845	1,001,000
Sewer	13,737,373	312,476	897,000	13,152,849	793,000
Total	<u>\$58,027,900</u>	<u>\$7,098,416</u>	<u>\$5,322,335</u>	<u>\$59,803,981</u>	<u>\$5,780,391</u>

At June 30, 2011, the non-revenue debt issued by the City did not exceed its legal debt margin computed as follows:

Total estimated actual valuation - real property	<u>\$1,656,947,118</u>
Debt limit - 5% of total valuation	\$82,847,356
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>33,918,400</u>
Legal debt margin	<u>\$42,928,956</u>

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

June 30,	Governmental General Obligation		Business-type Activities General Obligation		General Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 2,775,244	\$ 868,708	\$1,027,676	\$ 254,731	\$3,802,920	\$1,123,439
2013	2,897,520	783,911	1,104,397	220,764	4,001,917	1,004,675
2014	2,489,646	696,938	1,042,404	184,239	3,532,050	881,177
2015	2,551,910	619,293	1,034,090	149,838	3,586,000	769,131
2016	2,365,000	540,360	740,000	115,039	3,105,000	655,399
2017-2021	8,600,000	1,609,012	1,935,000	305,059	10,535,000	1,914,071
2022-2026	2,300,000	650,385	450,000	28,086	2,750,000	678,471
2027-2031	1,655,000	145,187	-	-	1,655,000	145,187
	<u>\$25,634,320</u>	<u>\$5,913,794</u>	<u>\$7,333,567</u>	<u>\$1,257,756</u>	<u>\$32,967,887</u>	<u>\$7,171,550</u>

June 30,	Governmental Revenue Obligation		Business-type Activities Revenue Obligation		Revenue Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 183,471	\$ 65,129	\$ 1,794,000	\$ 808,600	\$ 1,977,471	\$ 873,729
2013	189,929	55,932	1,862,000	749,420	2,051,929	805,352
2014	155,000	46,289	1,922,000	687,850	2,077,000	734,139
2015	165,000	38,383	1,992,000	624,220	2,157,000	662,603
2016	170,000	29,720	1,719,000	558,165	1,889,000	587,885
2017-2021	370,000	31,180	8,319,000	1,972,340	8,689,000	2,003,520
2022-2026	-	-	5,676,000	806,760	5,676,000	806,760
2027-2031	-	-	2,517,000	152,640	2,517,000	152,640
	<u>\$1,233,400</u>	<u>\$266,633</u>	<u>\$25,801,000</u>	<u>\$6,359,995</u>	<u>\$27,034,400</u>	<u>\$6,626,628</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(10) 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, 2011, there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$4,900,000.

(11) 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.

(12) Risk Management

As of July 1, 1993 the City established a self-insured medical plan for City employees and families. The plan is administered by and an administration fee paid to Blue Cross and Blue Shield of Iowa. The City is responsible for individual participant coverage of up to \$100,000 of claims annually. Individual claims in excess of \$100,000 and aggregate group claims in excess of approximately \$2,916,153 for the year ended June 30, 2011 are covered by commercial insurance.

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

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

(12) 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, 2011 is \$543,200 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2011 is as follows:

	Beginning of fiscal year liability	Current year claims and changes in estimates	Claim payments	End of fiscal year liability
Current year	\$653,818	\$2,585,029	\$2,530,145	\$708,702
Prior year	623,000	2,378,012	2,347,194	653,818

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.

(13) Deficit Fund Balances/Net Assets

The basic financial statements include individual fund deficits as follows:

Special Revenue Fund:	
Westside TIF	\$ 55,756
S. Eisenhower TIF	42,002
Gateway TIF	26,958
HMGP Voluntary Acquisition	438,455
FMA Voluntary Acquisition	327,202
Softball Improvement Trust	7,491
CEBA	355
Debt Service Fund	121,160
Capital Projects Fund:	
19 th Street SW Overpass	372,547

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

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

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(14) Termination Benefits

As of June 30, 2011, the City had one terminated employee participating in COBRA health care coverage available from the City. COBRA participants pay 100% of the premium for continuing coverage. COBRA continuation coverage benefits are available for eligible employees for 18 months. Upon termination, employees are paid for compensated absences that have been accrued up to termination date.

(15) 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 2011, the City contributed \$31,575 and retirees receiving benefits contributed \$188,410 through their required contributions.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. Fiscal year 2010 was the year of implementation for GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following schedule shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

(15) Other Postemployment Benefits - continued

Annual required contribution	\$136,940
Interest on net OPEB obligation	7,057
Adjustment to annual required contribution	<u>(10,964)</u>
Annual OPEB cost/expense	\$133,033
Contributions and payments made	<u>(31,575)</u>
Increase in net OPEB obligation	\$101,458
Net OPEB obligation July 1, 2010	<u>282,274</u>
Net OPEB obligation June 30, 2011	<u>\$383,732</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$133,033	23.7%	\$383,732

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and unfunded actuarial accrued liability (UAAL) for benefits was \$988,388. The City's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plans are unfunded, the AAL and UAAL are equal. The covered payroll (fiscal year payroll of active employees covered by the plan) was \$13,670,291, and the ratio of the UAAL to the covered payroll was 7.23%.

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

Actuarial Methods and Assumptions

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

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

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

(15) Other Postemployment Benefits - continued

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

(16) Commitments

At June 30, 2011, the following construction and purchase commitments had been made:

	Total Contracts	Costs Incurred
Street projects	\$11,753,034	\$ 4,787,428
Library projects	7,842,064	8,644,883
Storm sewer projects	4,015,098	645,721
Sanitary sewer projects	2,890,098	2,513,294
Water projects	577,476	236,282
Flood buyout demolition projects	298,313	156,516
Police department projects	92,918	-
Parks and recreation projects	57,000	38,152
Fire department projects	52,232	38,432
Ambulance projects	25,632	19,250
Other	86,145	32,497
Total	<u>\$27,690,010</u>	<u>\$17,112,455</u>

(17) Related Party Transactions

The City had material business transactions between the City and City officials, totaling \$5,745,622 during the year ended June 30, 2011 of which \$5,599,606 was competitively bid.

(18) Fund Balances

In fiscal year 2011, the City adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The details for the City's fund balance are the following:

	General	HMGP Voluntary Acquisition	Road Use Tax	Nonmajor Governmental	Total
Nonspendable:					
Endowment principal	\$ -	\$ -	\$ -	\$ 633,638	\$ 633,638
Prepaid expenses	139,912	-	11,441	-	151,353
Total nonspendable	<u>\$ 139,912</u>	<u>\$ -</u>	<u>\$ 11,441</u>	<u>\$ 633,638</u>	<u>\$ 784,991</u>
Restricted for:					
Streets and road construction	\$ -	\$ -	\$1,846,986	\$ -	\$ 1,846,986
Employee benefits	-	-	-	6,030,062	6,030,062
Economic development projects	-	-	-	1,855,764	1,855,764
Grant qualified projects	-	-	-	16,895	16,895
Street and park improvements	-	-	-	1,609,033	1,609,033
Museum funding	-	-	-	169,754	169,754
Cemetery perpetual care	-	-	-	518,996	518,996
Tort liability	1,316,949	-	-	-	1,316,949
Total restricted	<u>\$1,316,949</u>	<u>\$ -</u>	<u>\$1,846,986</u>	<u>\$10,230,504</u>	<u>\$13,394,439</u>

CITY OF MASON CITY, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

(18) Fund Balances - continued

	General	HMGP Voluntary Acquisition	Road Use Tax	Nonmajor Governmental	Total
Assigned for:					
Airport	\$ 474,153	\$ -	\$ -	\$ -	\$ 474,153
Museum	-	-	-	871,786	871,786
Library	-	-	-	456,370	456,370
Youth softball complex	-	-	-	53,547	53,547
Total assigned	<u>\$ 474,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,381,703</u>	<u>\$ 1,854,856</u>
Unassigned	<u>\$ 5,125,768</u>	<u>\$ (438,455)</u>	<u>\$ -</u>	<u>\$ (953,471)</u>	<u>\$ 3,733,842</u>
Total fund balance	<u>\$ 7,056,782</u>	<u>\$ (438,455)</u>	<u>\$ 1,858,427</u>	<u>\$ 11,292,374</u>	<u>\$ 19,768,128</u>

(19) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2011, disbursements in the Public Works program exceeded the amount budgeted.

(20) Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through January 13, 2012, the date the financial statements were issued.

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

Street projects	\$193,523
Community and economic development projects	183,214
Ambulance projects	148,767
Water projects	80,374
Park and recreation projects	71,499
Police department projects	50,793
Other projects	247,604
	<u>\$975,774</u>

The City issued \$1,400,000 of general obligation bonds dated August 1, 2011 payable over a ten-year period at interest rates ranging from 0.5% to 2.8%.

The City issued \$2,950,000 of general obligation refunding bonds dated August 1, 2011 payable over a seven-year period at interest rates ranging from 0.45% to 1.85%, to refund outstanding bond issues in the future.

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

The City has implemented the following GASB standards during the fiscal year ended June 30, 2011:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. As described in Note 18 to the basic financial statements, the City reclassified the fund balances for all governmental funds as a result of the implementation of this Statement.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement is intended to update and improve the existing standards regarding financial reporting of certain financial instruments and external investment pools. The adoption of this Statement had no effect on the City in the current year.

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

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; issued December 2009, will be effective for the fiscal year ending June 30, 2012. This Statement permits an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method.

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements.

Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; issued June 2011, will be effective for the fiscal year ending June 30, 2013. 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.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provision - an amendment to GASB Statement No. 53*; issued June 2011, will be effective for the fiscal year ending June 30, 2012. 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.

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 POSTEMPLOYMENT BENEFIT PLAN
 SCHEDULE OF FUNDING PROGRESS

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded (Overfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
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, 2009.

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

There are no plan assets.

Economic assumptions are as follows: 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, 2011

	FMA Voluntary Acquisition	Community Growth TIF	Westside TIF
ASSETS:			
Cash	\$ -	\$ 462,350	\$ -
Investments	-	-	-
Receivables:			
Property taxes	-	7,484	-
Accrued interest	-	112	-
Accounts receivable	-	-	12,033
Notes	-	10,000	-
Due from other funds	-	1,942,743	-
Due from state government	511,866	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u>\$ 511,866</u>	<u>\$2,422,689</u>	<u>\$ 12,033</u>
 LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ 933	\$ 59,840	\$ -
Salaries payable	-	-	-
Contracts payable	28,077	484,223	-
Due to other funds	810,058	301	67,789
Due to state government	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>\$ 839,068</u>	<u>\$ 544,364</u>	<u>\$ 67,789</u>
 Fund balance:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	1,878,325	-
Assigned	-	-	-
Unassigned	(327,202)	-	(55,756)
Total fund balance	<u>\$(327,202)</u>	<u>\$1,878,325</u>	<u>\$(55,756)</u>
 Total liabilities and fund balance	<u>\$ 511,866</u>	<u>\$2,422,689</u>	<u>\$ 12,033</u>

(continued)

<u>Forest Park TIF</u>	<u>Gateway TIF</u>	<u>South Eisenhower TIF</u>	<u>Police Retirement</u>	<u>Fire Retirement</u>	<u>Employee Retirement</u>
\$7,439	\$ -	\$ -	\$ 115,781	\$ 210,065	\$298,915
-	-	-	2,982,285	2,287,065	-
-	18,089	-	486,357	402,573	403,105
-	-	-	3,662	3,415	-
-	-	-	-	-	-
-	-	-	13,125	-	111,285
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$7,439</u>	<u>\$ 18,089</u>	<u>\$ -</u>	<u>\$3,601,210</u>	<u>\$2,903,118</u>	<u>\$813,305</u>
\$ -	\$ 25,814	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	31,321	-	-	-
-	19,233	10,681	-	13,125	-
-	-	-	-	-	-
-	-	-	482,293	399,027	393,126
<u>\$ -</u>	<u>\$ 45,047</u>	<u>\$ 42,002</u>	<u>\$ 482,293</u>	<u>\$ 412,152</u>	<u>\$393,126</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,439	-	-	3,118,917	2,490,966	420,179
-	-	-	-	-	-
-	(26,958)	(42,002)	-	-	-
<u>\$7,439</u>	<u>\$ (26,958)</u>	<u>\$ (42,002)</u>	<u>\$3,118,917</u>	<u>\$2,490,966</u>	<u>\$420,179</u>
<u>\$7,439</u>	<u>\$ 18,089</u>	<u>\$ -</u>	<u>\$3,601,210</u>	<u>\$2,903,118</u>	<u>\$813,305</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2011

	Library Trust	MacNider Museum Foundation	Other Special Revenue
ASSETS:			
Cash	\$115,461	\$329,260	\$ 76,093
Investments	339,523	542,526	-
Receivables:			
Property taxes	-	-	-
Accrued interest	359	-	721
Accounts receivable	-	-	-
Notes	-	-	-
Due from other funds	1,803	-	-
Due from state government	-	-	64,715
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	\$457,146	\$871,786	\$141,529
 LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ 1,776	\$ -	\$ 59,182
Salaries payable	-	-	3,586
Contracts payable	-	-	-
Due to other funds	-	-	15,439
Due to state government	-	-	726
Deferred revenue	-	-	-
Total liabilities	\$ 1,776	\$ -	\$ 78,933
 Fund balance:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	-	-	16,895
Assigned	455,370	871,786	53,547
Unassigned	-	-	(7,846)
Total fund balance	\$455,370	\$871,786	\$ 62,596
 Total liabilities and fund balance	\$457,146	\$871,786	\$141,529

(continued)

<u>Total Special Revenue</u>	<u>Debt Service</u>	<u>19th Street SW Overpass</u>	<u>Local Option Capital Improvement</u>	<u>Total Capital Project</u>	<u>Cemetery Perpetual Care</u>
\$ 1,615,364	\$ -	\$ -	\$ 717,856	\$ 717,856	\$ -
6,151,399	-	-	750,000	750,000	-
1,317,608	3,069,577	-	-	-	-
7,548	-	-	662	662	-
12,754	-	-	-	-	-
10,000	-	-	-	-	-
2,068,956	21,685	-	-	-	103,645
576,581	-	196,437	152,896	349,333	-
-	-	-	-	-	5,438
-	-	-	-	-	502,924
-	-	-	-	-	649
<u>\$11,760,210</u>	<u>\$3,091,262</u>	<u>\$ 196,437</u>	<u>\$1,621,414</u>	<u>\$1,817,851</u>	<u>\$612,656</u>
\$ 147,545	\$ 2,500	\$ 171	\$ 12,381	\$ 12,552	\$ -
3,586	-	-	-	-	-
543,621	-	30,000	-	30,000	-
936,626	182,208	538,813	-	538,813	93,660
726	-	-	-	-	-
1,274,446	3,027,714	-	-	-	-
<u>\$ 2,906,550</u>	<u>\$3,212,422</u>	<u>\$ 568,984</u>	<u>\$ 12,381</u>	<u>\$ 581,365</u>	<u>\$ 93,660</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,932,721	-	-	1,609,033	1,609,033	518,996
1,380,703	-	-	-	-	-
(459,764)	(121,160)	(372,547)	-	(372,547)	-
<u>\$ 8,853,660</u>	<u>\$ (121,160)</u>	<u>\$ (372,547)</u>	<u>\$1,609,033</u>	<u>\$1,236,486</u>	<u>\$518,996</u>
<u>\$11,760,210</u>	<u>\$3,091,262</u>	<u>\$ 196,437</u>	<u>\$1,621,414</u>	<u>\$1,817,851</u>	<u>\$612,656</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2011

	MacNider Museum Trust	Total Permanent	Total Nonmajor Governmental
ASSETS:			
Cash	\$168,861	\$ 168,861	\$ 2,502,081
Investments	633,638	633,638	7,535,037
Receivables:			
Property taxes	-	-	4,387,185
Accrued interest	893	893	9,103
Accounts receivable	-	-	12,754
Notes	-	-	10,000
Due from other funds	-	103,645	2,194,286
Due from state government	-	-	925,914
Restricted assets:			
Cash	-	5,438	5,438
Investments	-	502,924	502,924
Accrued interest	-	649	649
Total assets	<u>\$803,392</u>	<u>\$1,416,048</u>	<u>\$18,085,371</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ -	-	\$ 162,597
Salaries payable	-	-	3,586
Contracts payable	-	-	573,621
Due to other funds	-	93,660	1,751,307
Due to state government	-	-	726
Deferred revenue	-	-	4,302,160
Total liabilities	<u>\$ -</u>	<u>\$ 93,660</u>	<u>\$ 6,793,997</u>
Fund balance:			
Nonspendable	\$633,638	\$ 633,638	\$ 633,638
Restricted	169,754	688,750	10,230,504
Assigned	-	-	1,380,703
Unassigned	-	-	(953,471)
Total fund balance	<u>\$803,392</u>	<u>\$1,322,388</u>	<u>\$11,291,374</u>
Total liabilities and fund balance	<u>\$803,392</u>	<u>\$1,416,048</u>	<u>\$18,085,371</u>

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, 2011

	FMA Voluntary Acquisition	Community Growth TIF	Westside TIF
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	910,660	231
Other taxes	-	-	-
Intergovernmental	511,866	-	-
Charges for service	-	-	60,760
Use of money and property	-	5,247	37
Miscellaneous	-	10,000	-
Total revenues	<u>\$ 511,866</u>	<u>\$ 925,907</u>	<u>\$ 61,028</u>
EXPENDITURES:			
Current:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	579,882	3,155,572	-
General government	-	-	-
Capital projects	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	<u>\$ 579,882</u>	<u>\$ 3,155,572</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (68,016)</u>	<u>\$ (2,229,665)</u>	<u>\$ 61,028</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ 4,050,000	\$ -
Premium/discount on bonds	-	(22,571)	-
Transfers in	-	-	-
Transfers out	-	(390,490)	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 3,636,939</u>	<u>\$ -</u>
Net change in fund balances	\$ (68,016)	\$ 1,407,274	\$ 61,028
Fund balance beginning of year	<u>(259,186)</u>	<u>471,051</u>	<u>(116,784)</u>
Fund balance end of year	<u>\$ (327,202)</u>	<u>\$ 1,878,325</u>	<u>\$ (55,756)</u>

(continued)

<u>Forest Park TIF</u>	<u>Gateway TIF</u>	<u>South Eisenhower TIF</u>	<u>Police Retirement</u>	<u>Fire Retirement</u>	<u>Employee Retirement</u>
\$ -	\$ -	\$ -	\$ 324,106	\$ 282,857	\$471,252
-	527,757	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	14,378	31,226	-
-	19,715	97,206	-	-	-
<u>\$ -</u>	<u>\$547,472</u>	<u>\$ 97,206</u>	<u>\$ 338,484</u>	<u>\$ 314,083</u>	<u>\$471,252</u>
\$ -	\$ -	\$ -	\$ 548,132	\$ 379,848	\$156,666
-	-	-	-	-	41,600
-	-	-	-	-	29,008
825	596,270	750	-	-	97,489
-	-	-	-	-	28,026
-	-	138,458	-	-	114,425
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 825</u>	<u>\$596,270</u>	<u>\$139,208</u>	<u>\$ 548,132</u>	<u>\$ 379,848</u>	<u>\$467,214</u>
\$ (825)	\$ (48,798)	\$ (42,002)	\$ (209,648)	\$ (65,765)	\$ 4,038
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ (825)	\$ (48,798)	\$ (42,002)	\$ (209,648)	\$ (65,765)	\$ 4,038
8,264	21,840	-	3,328,565	2,556,731	416,141
<u>\$7,439</u>	<u>\$ (26,958)</u>	<u>\$ (42,002)</u>	<u>\$3,118,917</u>	<u>\$2,490,966</u>	<u>\$420,179</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Library Trust</u>	<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	-	-	188,726
Charges for service	-	-	17,380
Use of money and property	(3,324)	133,711	30,587
Miscellaneous	69,492	31,614	7,376
Total revenues	<u>\$ 66,168</u>	<u>\$165,325</u>	<u>\$244,069</u>
EXPENDITURES:			
Current:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	57,376	36,856	47,983
Community & economic development	-	-	188,969
General government	-	-	-
Capital projects	25,564	-	5,139
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Contractual	-	-	-
Total expenditures	<u>\$ 82,940</u>	<u>\$ 36,856</u>	<u>\$242,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (16,772)</u>	<u>\$128,469</u>	<u>\$ 1,978</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ -	\$ -
Premium/discount on bonds	-	-	-
Transfers in	-	-	-
Transfers out	(57,800)	-	-
Total other financing sources (uses)	<u>\$ (57,800)</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (74,572)	\$128,469	\$ 1,978
Fund balance beginning of year	<u>529,942</u>	<u>743,317</u>	<u>60,618</u>
Fund balance end of year	<u>\$455,370</u>	<u>\$871,786</u>	<u>\$ 62,596</u>

(continued)

<u>Total Special Revenue</u>	<u>Debt Service</u>	<u>19th Street SW Overpass</u>	<u>Local Option Capital Improvement</u>	<u>Total Capital Project</u>	<u>Cemetery Perpetual Care</u>
\$ 1,078,215	\$2,786,536	\$ -	\$ -	\$ -	\$ -
1,438,648	-	-	-	-	-
-	-	-	1,720,079	1,720,079	-
700,592	-	918	200,000	200,918	-
78,140	-	-	-	-	8,219
211,862	3,471	-	2,947	2,947	-
235,403	-	-	-	-	-
<u>\$ 3,742,860</u>	<u>\$2,790,007</u>	<u>\$ 918</u>	<u>\$ 1,923,026</u>	<u>\$ 1,923,944</u>	<u>\$ 8,219</u>
\$ 1,084,646	\$ -	\$ -	\$ -	\$ -	\$ -
41,600	-	-	-	-	-
29,008	-	-	-	-	-
239,704	-	-	-	-	-
4,550,294	-	-	-	-	-
114,425	-	-	-	-	-
169,161	-	(1,442)	192,496	191,054	-
-	2,601,875	-	-	-	-
-	993,656	-	-	-	-
-	41,578	-	-	-	-
<u>\$ 6,228,838</u>	<u>\$3,637,109</u>	<u>\$ (1,442)</u>	<u>\$ 192,496</u>	<u>\$ 191,054</u>	<u>\$ -</u>
<u>\$ (2,485,978)</u>	<u>\$ (847,102)</u>	<u>\$ 2,360</u>	<u>\$ 1,730,530</u>	<u>\$ 1,732,890</u>	<u>\$ 8,219</u>
\$ 4,050,000	\$ 169,500	\$ -	\$ -	\$ -	\$ -
(22,571)	(9,446)	-	-	-	-
-	541,257	-	-	-	-
(448,290)	(37,000)	-	(1,150,768)	(1,150,768)	-
<u>\$ 3,579,139</u>	<u>\$ 664,311</u>	<u>\$ -</u>	<u>\$ (1,150,768)</u>	<u>\$ (1,150,768)</u>	<u>\$ -</u>
\$ 1,093,161	\$ (182,791)	\$ 2,360	\$ 579,762	\$ 582,122	\$ 8,219
7,760,499	61,631	(374,907)	1,029,271	654,364	510,777
<u>\$ 8,853,660</u>	<u>\$ (121,160)</u>	<u>\$ (372,547)</u>	<u>\$ 1,609,033</u>	<u>\$ 1,236,486</u>	<u>\$518,996</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	MacNider Museum Trust	Total Permanent	Total Nonmajor Governmental
REVENUES:			
Property taxes	\$ -	\$ -	\$ 3,864,751
TIF revenues	-	-	1,438,648
Other taxes	-	-	1,720,079
Intergovernmental	-	-	901,510
Charges for services	-	8,219	86,359
Use of money and property	9,010	9,010	227,290
Miscellaneous	34,587	34,587	269,990
Total revenues	<u>\$ 43,597</u>	<u>\$ 51,816</u>	<u>\$ 8,508,627</u>
EXPENDITURES:			
Current:			
Public safety	\$ -	\$ -	\$ 1,084,646
Public works	-	-	41,600
Health & social services	-	-	29,008
Culture & recreation	10,572	10,572	250,276
Community & economic development	-	-	4,550,294
General government	-	-	114,425
Capital projects	-	-	360,215
Debt service:			
Principal retirement	-	-	2,601,875
Interest	-	-	993,656
Contractual	-	-	41,578
Total expenditures	<u>\$ 10,572</u>	<u>\$ 10,572</u>	<u>\$10,067,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 33,025</u>	<u>\$ 41,244</u>	<u>\$ (1,558,946)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ -	\$ 4,219,500
Premium/Discount on bonds	-	-	(32,017)
Transfers in	-	-	541,257
Transfers out	(33,354)	(33,354)	(1,669,412)
Total other financing sources (uses)	<u>\$ (33,354)</u>	<u>\$ (33,354)</u>	<u>\$ 3,059,328</u>
Net change in fund balances	\$ (329)	\$ 7,890	\$ 1,500,382
Fund balance beginning of year	<u>803,721</u>	<u>1,314,498</u>	<u>9,790,992</u>
Fund balance end of year	<u>\$803,392</u>	<u>\$1,322,388</u>	<u>\$11,291,374</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 FMA VOLUNTARY ACQUISITION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	<u>\$1,350,000</u>	<u>\$ 511,866</u>	<u>\$ (838,134)</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$1,350,000	\$ 440,183	\$ 909,817
Commodities	-	139,699	(139,699)
Total expenditures	<u>\$1,350,000</u>	<u>\$ 579,882</u>	<u>\$ 770,118</u>
Net change in fund balance	\$ -	\$ (68,016)	\$ (68,016)
Fund balance beginning of year	-	<u>(259,186)</u>	<u>(259,186)</u>
Fund balance end of year	<u>\$ -</u>	<u>\$ (327,202)</u>	<u>\$ (327,202)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 COMMUNITY GROWTH TIF SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
TIF revenues	\$ 868,288	\$ 910,660	\$ 42,372
Intergovernmental	100,000	-	(100,000)
Use of money and property	-	5,247	5,247
Miscellaneous	-	10,000	10,000
Total revenues	<u>\$ 968,288</u>	<u>\$ 925,907</u>	<u>\$ (42,381)</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	\$ -	\$ 14	\$ (14)
Contractual	5,328,097	3,153,814	2,174,283
Commodities	-	1,744	(1,744)
Total expenditures	<u>\$ 5,328,097</u>	<u>\$ 3,155,572</u>	<u>\$2,172,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,359,809)</u>	<u>\$ (2,229,665)</u>	<u>\$2,130,144</u>
Other financing sources (uses):			
Issuance of bonds	\$ 4,650,000	\$ 4,027,429	\$ (622,571)
Transfers out	(338,182)	(390,490)	(52,308)
Total other financing sources (uses)	<u>\$ 4,311,818</u>	<u>\$ 3,636,939</u>	<u>\$ (674,879)</u>
Net change in fund balance	\$ (47,991)	\$ 1,407,274	\$1,455,265
Fund balance beginning of year	-	471,051	471,051
Fund balance end of year	<u>\$ (47,991)</u>	<u>\$ 1,878,325</u>	<u>\$1,926,316</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 FOREST PARK TIF SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
None	\$ -	\$ -	\$ -
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$ 2,000	\$ -	\$2,000
Commodities	-	825	(825)
Total community & economic development	<u>\$ 2,000</u>	<u>\$ 825</u>	<u>\$1,175</u>
Net change in fund balance	\$(2,000)	\$ (825)	\$1,175
Fund balance beginning of year	-	8,264	8,264
Fund balance end of year	<u>\$(2,000)</u>	<u>\$7,439</u>	<u>\$9,439</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 GATEWAY TIF SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
TIF revenues	\$511,545	\$527,757	\$ 16,212
Intergovernmental	5,395	-	(5,395)
Miscellaneous	-	19,715	19,715
Total revenues	<u>\$516,940</u>	<u>\$547,472</u>	<u>\$ 30,532</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	<u>\$516,940</u>	<u>\$596,270</u>	<u>\$(79,330)</u>
Net change in fund balance	\$ -	\$(48,798)	\$(48,798)
Fund balance beginning of year	<u>-</u>	21,840	21,840
Fund balance end of year	<u>\$ -</u>	<u>\$(26,958)</u>	<u>\$(26,958)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 S. EISENHOWER TIF SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$108,000	\$ -	\$(108,000)
Miscellaneous	-	97,206	97,206
Total revenues	<u>\$108,000</u>	<u>\$ 97,206</u>	<u>\$ (10,794)</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Commodities	\$ -	\$ 750	\$ (750)
Capital projects	<u>108,000</u>	<u>138,458</u>	<u>(30,458)</u>
Total expenditures	<u>\$108,000</u>	<u>\$139,208</u>	<u>\$ (31,208)</u>
Net change in fund balance	\$ -	\$(42,002)	\$ (42,002)
Fund balance beginning of year	-	-	-
Fund balance end of year	<u>\$ -</u>	<u>\$ (42,002)</u>	<u>\$ (42,002)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 POLICE RETIREMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 323,426	\$ 324,106	\$ 680
Other taxes	6,574	-	(6,574)
Use of money and property:			
Interest on investments	130,000	14,378	(115,622)
Total revenues	<u>\$ 460,000</u>	<u>\$ 338,484</u>	<u>\$ (121,516)</u>
 EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	<u>\$ 560,000</u>	<u>\$ 548,132</u>	<u>\$ 11,868</u>
Net change in fund balance	\$ (100,000)	\$ (209,648)	\$ (109,648)
Fund balance beginning of year	-	<u>3,328,565</u>	<u>3,328,565</u>
Fund balance end of year	<u>\$ (100,000)</u>	<u>\$3,118,917</u>	<u>\$3,218,917</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 FIRE RETIREMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 282,262	\$ 282,857	\$ 595
Other taxes	5,738	-	(5,738)
Use of money and property:			
Interest on investments	<u>100,000</u>	<u>31,226</u>	<u>(68,774)</u>
Total revenues	<u>\$ 388,000</u>	<u>\$ 314,083</u>	<u>\$ (73,917)</u>
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	<u>\$ 488,000</u>	<u>\$ 379,848</u>	<u>\$ 108,152</u>
Net change in fund balance	\$ (100,000)	\$ (65,765)	\$ 34,235
Fund balance beginning of year	<u>-</u>	<u>2,556,731</u>	<u>2,556,731</u>
Fund balance end of year	<u>\$ (100,000)</u>	<u>\$2,490,966</u>	<u>\$2,590,966</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 EMPLOYEE RETIREMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$456,210	\$471,252	\$ 15,042
EXPENDITURES:			
Current:			
Public safety	\$146,425	\$156,666	\$(10,241)
Public works	42,577	41,600	977
Health & social services	29,952	29,008	944
Culture & recreation	96,956	97,489	(533)
Community & economic development	26,656	28,026	(1,370)
General government	<u>122,918</u>	<u>114,425</u>	<u>8,493</u>
Total expenditures	<u>\$465,484</u>	<u>\$467,214</u>	<u>\$ (1,730)</u>
Net change in fund balance	\$ (9,274)	\$ 4,038	\$ 13,312
Fund balance beginning of year	<u>-</u>	<u>416,141</u>	<u>416,141</u>
Fund balance end of year	<u>\$ (9,274)</u>	<u>\$420,179</u>	<u>\$429,453</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 LIBRARY TRUST SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$ 2,500	\$ -	\$ (2,500)
Use of money and property	10,000	(3,324)	(13,324)
Contributions	-	69,492	69,492
Miscellaneous	11,000	-	(11,000)
Total revenues	<u>\$ 23,500</u>	<u>\$ 66,168</u>	<u>\$ 42,668</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Personal service	\$ 11,000	\$ -	\$ 11,000
Contractual	7,000	38,787	(31,787)
Commodities	16,000	18,589	(2,589)
Total culture & recreation	<u>\$ 34,000</u>	<u>\$ 57,376</u>	<u>\$ (23,376)</u>
Capital projects	-	25,564	(25,564)
Total expenditures	<u>\$ 34,000</u>	<u>\$ 82,940</u>	<u>\$ (48,940)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (10,500)	\$ (16,772)	\$ (6,272)
Other financing sources (uses):			
Transfers out	-	57,800	\$ (57,800)
Net change in fund balance	\$ (10,500)	\$ (74,572)	\$ (64,072)
Fund balance beginning of year	-	529,942	529,942
Fund balance end of year	<u>\$ (10,500)</u>	<u>\$ 455,370</u>	<u>\$ 465,870</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 ADDI SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$332,500	\$36,226	\$(296,274)
EXPENDITURES:			
Current:			
Community and economic development:			
Personal service	\$ 12,350	\$ 5,731	\$ 6,619
Contractual	320,150	30,738	289,412
Commodities	-	8	(8)
Total expenditures	<u>\$332,500</u>	<u>\$36,477</u>	<u>\$ 296,023</u>
Net change in fund balance	\$ -	\$ (251)	\$ (251)
Fund balance beginning of year	-	3,525	3,525
Fund balance end of year	<u>\$ -</u>	<u>\$ 3,274</u>	<u>\$ 3,274</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 SOFTBALL IMPROVEMENT TRUST SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$28,137	\$ 5,528	\$(22,609)
Use of money and property	-	10,418	10,418
Miscellaneous	500	95	(405)
Total revenues	<u>\$28,637</u>	<u>\$ 16,041</u>	<u>\$(12,596)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Personal service	\$ -	\$ 11,304	\$(11,304)
Contractual	2,630	369	2,261
Commodities	2,800	15,470	(12,670)
Other	6,500	-	6,500
Total culture & recreation	<u>\$11,930</u>	<u>\$ 27,143</u>	<u>\$(15,213)</u>
Capital projects	18,207	2,671	15,536
Total expenditures	<u>\$30,137</u>	<u>\$ 29,814</u>	<u>\$ 323</u>
Net change in fund balance	\$(1,500)	\$(13,773)	\$(12,273)
Fund balance beginning of year	-	6,282	6,282
Fund balance end of year	<u>\$(1,500)</u>	<u>\$ (7,491)</u>	<u>\$(5,991)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 YOUTH SOFTBALL COMPLEX TRUST SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$37,100	\$11,666	\$ (25,434)
Use of money and property	-	20,169	20,169
Total revenues	<u>\$37,100</u>	<u>\$31,835</u>	<u>\$ (5,265)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	\$ 7,100	\$ 2,963	\$ 4,137
Commodities	27,200	17,877	9,323
Total culture & recreation	<u>\$34,300</u>	<u>\$20,840</u>	<u>\$ 13,460</u>
Capital projects	6,800	2,468	4,332
Total expenditures	<u>\$41,100</u>	<u>\$23,308</u>	<u>\$ 17,792</u>
Net change in fund balance	\$ (4,000)	\$ 8,527	\$ 12,527
Fund balance beginning of year	-	45,020	45,020
Fund balance end of year	<u>\$ (4,000)</u>	<u>\$53,547</u>	<u>\$ 57,547</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 LHAP 2000 SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Entitlement funds	\$6,000	\$ -	\$(6,000)
Miscellaneous	-	700	700
Total revenues	<u>\$6,000</u>	<u>\$ 700</u>	<u>\$(5,300)</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	<u>\$6,000</u>	<u>\$ -</u>	<u>\$ 6,000</u>
Net change in fund balance	\$ -	\$ 700	\$ 700
Fund balance beginning of year	-	<u>8,250</u>	<u>8,250</u>
Fund balance end of year	<u>\$ -</u>	<u>\$8,950</u>	<u>\$ 8,950</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property tax	\$ 2,729,719	\$2,786,536	\$ 56,817
Other taxes	53,011	-	(53,011)
Use of money and property	-	3,471	3,471
Miscellaneous	43,700	-	(43,700)
Total revenues	<u>\$ 2,826,430</u>	<u>\$2,790,007</u>	<u>\$ (36,423)</u>
EXPENDITURES:			
Community & economic development:			
Contractual	\$ 21,800	\$ -	\$ 21,800
Debt service:			
Principal redemption	\$ 4,642,740	\$2,601,875	\$ 2,040,865
Interest payments	-	993,656	(993,656)
Contractual	-	41,578	(41,578)
Total debt service	<u>\$ 4,642,740</u>	<u>\$3,637,109</u>	<u>\$ 1,005,631</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,838,110)</u>	<u>\$ (847,102)</u>	<u>\$ 991,008</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 247,000	\$ 169,500	\$ (77,500)
Discount on bonds issued	-	(9,446)	(9,446)
Transfers in	1,574,110	541,257	(1,032,853)
Transfers out	-	(37,000)	(37,000)
Total other financing sources (uses)	<u>\$ 1,821,110</u>	<u>\$ 664,311</u>	<u>\$ (1,156,799)</u>
Net change in fund balance	\$ (17,000)	\$ (182,791)	\$ (165,791)
Fund balance beginning of year	-	61,631	61,631
Fund balance end of year	<u>\$ (17,000)</u>	<u>\$ (121,160)</u>	<u>\$ (104,160)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 LOCAL OPTION CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance With Budget Positive (Negative)
REVENUES:			
Other tax	\$ 1,400,000	\$ 1,720,079	\$ 320,079
Intergovernmental	-	200,000	200,000
Use of money and property	-	2,947	2,947
Total revenues	<u>\$ 1,400,000</u>	<u>\$ 1,923,026</u>	<u>\$ 523,026</u>
 EXPENDITURES:			
Capital projects	<u>\$ 292,300</u>	<u>\$ 192,496</u>	<u>\$ 99,804</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,107,700</u>	<u>\$ 1,730,530</u>	<u>\$ 622,830</u>
Other financing sources (uses):			
Transfers out	<u>\$(1,150,768)</u>	<u>\$(1,150,768)</u>	<u>\$ -</u>
Net change in fund balance	\$ (43,068)	\$ 579,762	\$ 622,830
Fund balance beginning of year	<u>-</u>	<u>1,029,271</u>	<u>1,029,271</u>
Fund balance end of year	<u>\$ (43,068)</u>	<u>\$ 1,609,033</u>	<u>\$1,652,101</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 MACNIDER MUSUEM TRUST PERMANENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Use of money and property	\$25,000	\$ 9,010	\$ (15,990)
Contributions	-	26,751	26,751
Miscellaneous	<u>20,000</u>	<u>7,836</u>	<u>(12,164)</u>
Total revenues	<u>\$45,000</u>	<u>\$ 43,597</u>	<u>\$ (1,403)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Commodities	<u>\$50,000</u>	<u>\$ 10,572</u>	<u>\$ 39,428</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (5,000)	\$ 33,025	\$ 38,025
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(33,354)</u>	<u>(33,354)</u>
Net change in fund balance	\$ (5,000)	\$ (329)	\$ 4,671
Fund balance beginning of year	<u>-</u>	<u>803,721</u>	<u>803,721</u>
Fund balance end of year	<u>\$ (5,000)</u>	<u>\$803,392</u>	<u>\$808,392</u>

See Accompanying Independent Auditor's Report.

PROPRIETARY FUNDS

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	<u>Cemetery</u>	<u>Storm Sewer</u>
ASSETS:		
Current assets:		
Cash	\$ 46,159	\$ 115,297
Investments	50	475,000
Receivables:		
Property taxes	116,442	-
Accounts (net)	26,153	36,563
Accrued interest	25	407
Inventory	1,319	-
Due from other funds	93,660	-
Due from state government	-	-
Prepaid insurance	1,062	-
Total current assets	<u>\$284,870</u>	<u>\$ 627,267</u>
Property, plant and equipment:		
Land	\$ -	\$ -
Buildings	47,699	-
Equipment	216,682	24,728
Improvements	412,920	-
Vehicles	43,227	-
Storm sewer lines	-	3,955,179
Construction in progress	7,764	16,002
Less accumulated depreciation	<u>(473,031)</u>	<u>(1,742,878)</u>
Total property, plant and equipment	<u>\$255,261</u>	<u>\$2,253,031</u>
 Total assets	 <u>\$540,131</u>	 <u>\$2,880,298</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 3,675	\$ 749
Salaries payable	12,287	-
Accrued compensated absences	15,316	-
Accrued interest payable	-	600
Due to other funds	103,645	3,581
Due to state government	-	-
General obligation bonds	-	100,000
General obligation notes	-	-
Prepaid interments	47,154	-
Unearned revenue	114,711	-
Total current liabilities	<u>\$296,788</u>	<u>\$ 104,930</u>
Long-term debt:		
General obligation bonds	\$ -	\$ 100,000
General obligation notes	-	-
Net OPEB obligation	6,130	2,062
Total long-term debt	<u>\$ 6,130</u>	<u>\$ 102,062</u>
 Total liabilities	 <u>\$302,918</u>	 <u>\$ 206,992</u>
Net assets:		
Invested in capital assets, net of related debt	\$255,261	\$2,053,031
Unrestricted	<u>(18,048)</u>	<u>620,275</u>
 Total net assets	 <u>\$237,213</u>	 <u>\$2,673,306</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 108,992	\$ 19,147	\$ 44,844	\$ 80,722	\$ 415,161
125,000	-	25,000	150,000	775,050
-	-	-	-	116,442
136,780	6,962	5,230	542,712	754,400
218	-	23	69	742
-	15,629	-	19,565	36,513
-	-	-	33,666	127,326
4,940	-	-	-	4,940
771	1,550	-	1,716	5,099
<u>\$ 376,701</u>	<u>\$ 43,288</u>	<u>\$ 75,097</u>	<u>\$ 828,450</u>	<u>\$ 2,235,673</u>
\$ -	\$196,813	\$4,143,120	\$ -	\$ 4,339,933
461,278	553,873	-	408,710	1,471,560
12,606	343,624	-	513,590	1,111,230
-	64,066	2,584,991	-	3,061,977
814,353	31,433	13,000	711,864	1,613,877
-	-	-	-	3,955,179
-	-	-	-	23,766
(579,685)	(583,003)	(2,563,868)	(580,166)	(6,522,631)
<u>\$ 708,552</u>	<u>\$606,806</u>	<u>\$4,177,243</u>	<u>\$1,053,998</u>	<u>\$ 9,054,891</u>
<u>\$1,085,253</u>	<u>\$650,094</u>	<u>\$4,252,340</u>	<u>\$1,882,448</u>	<u>\$11,290,564</u>
\$ 49,817	\$ 33,241	\$ 779	\$ 23,689	\$ 111,950
38,182	19,935	2,224	50,660	123,288
49,165	12,199	5,653	51,875	134,208
-	-	-	801	1,401
3,705	241	-	1,220	112,392
-	3,372	-	-	3,372
-	-	-	-	100,000
-	-	-	77,920	77,920
-	-	-	-	47,154
-	-	1,050	-	115,761
<u>\$ 140,869</u>	<u>\$ 68,988</u>	<u>\$ 9,706</u>	<u>\$ 206,165</u>	<u>\$ 827,446</u>
\$ -	\$ -	\$ -	\$ -	\$ 100,000
-	-	-	204,967	204,967
21,210	2,595	1,768	18,396	52,161
<u>\$ 21,210</u>	<u>\$ 2,595</u>	<u>\$ 1,768</u>	<u>\$ 223,363</u>	<u>\$ 357,128</u>
<u>\$ 162,079</u>	<u>\$ 71,583</u>	<u>\$ 11,474</u>	<u>\$ 429,528</u>	<u>\$ 1,184,574</u>
\$ 708,552	\$606,806	\$4,177,243	\$ 771,111	\$ 8,572,004
214,622	(28,295)	63,623	681,809	1,533,986
<u>\$ 923,174</u>	<u>\$578,511</u>	<u>\$4,240,866</u>	<u>\$1,452,920</u>	<u>\$10,105,990</u>

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Cemetery</u>	<u>Storm Sewer</u>
Operating revenues:		
Charges for service	\$ 91,746	\$ 283,112
Operating expenses:		
Business-type activities:		
Personal service	\$ 249,341	\$ (554)
Contractual	12,312	3,241
Commodities	15,498	13,840
Other	11,410	-
Depreciation	26,189	163,182
Total operating expenses	<u>\$ 314,750</u>	<u>\$ 179,709</u>
Operating income (loss)	<u>\$ (223,004)</u>	<u>\$ 103,403</u>
Nonoperating revenues (expenses):		
Property taxes	\$ 113,987	\$ -
Fines and forfeitures	-	-
Use of money and property	22,193	897
Special assessments	-	-
Miscellaneous	40,498	-
Interest	-	(10,155)
Gain (loss) on sale of capital assets	6,480	-
Total nonoperating revenue (expenses)	<u>\$ 183,158</u>	<u>\$ (9,258)</u>
Income (loss) before contributions and transfers	\$ (39,846)	\$ 94,145
Contributions and transfers:		
Transfers in	<u>37,000</u>	<u>-</u>
Change in net assets	\$ (2,846)	\$ 94,145
Net assets beginning of year	<u>240,059</u>	<u>2,579,161</u>
Net assets end of year	<u>\$ 237,213</u>	<u>\$2,673,306</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
<u>\$1,205,672</u>	<u>\$400,967</u>	<u>\$ 59,450</u>	<u>\$1,546,875</u>	<u>\$ 3,587,822</u>
\$ 777,055	\$267,289	\$ 51,057	\$1,025,989	\$ 2,370,177
326,983	56,055	58,033	139,382	596,006
79,214	108,313	1,862	203,322	422,049
270	927	-	2,489	15,096
86,632	37,765	14,434	168,158	496,360
<u>\$1,270,154</u>	<u>\$470,349</u>	<u>\$ 125,386</u>	<u>\$1,539,340</u>	<u>\$ 3,899,688</u>
<u>\$ (64,482)</u>	<u>\$ (69,382)</u>	<u>\$ (65,936)</u>	<u>\$ 7,535</u>	<u>\$ (311,866)</u>
\$ -	\$ -	\$ -	\$ -	\$ 113,987
-	-	57,928	-	57,928
511	23,902	45	298	47,846
408	-	-	-	408
731	2,335	-	33,120	76,684
-	-	-	(11,890)	(22,045)
-	-	-	(3,022)	3,458
<u>\$ 1,650</u>	<u>\$ 26,237</u>	<u>\$ 57,973</u>	<u>\$ 18,506</u>	<u>\$ 278,266</u>
<u>\$ (62,832)</u>	<u>\$ (43,145)</u>	<u>\$ (7,963)</u>	<u>\$ 26,041</u>	<u>\$ (33,600)</u>
-	-	35,000	-	72,000
<u>\$ (62,832)</u>	<u>\$ (43,145)</u>	<u>\$ 27,037</u>	<u>\$ 26,041</u>	<u>\$ 38,400</u>
<u>986,006</u>	<u>621,656</u>	<u>4,213,829</u>	<u>1,426,879</u>	<u>10,067,590</u>
<u>\$ 923,174</u>	<u>\$578,511</u>	<u>\$4,240,866</u>	<u>\$1,452,920</u>	<u>\$10,105,990</u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

	<u>Cemetery</u>	<u>Storm Sewer</u>
Cash flows from operating activities:		
Cash received from customers	\$ 91,078	\$ 285,700
Cash paid to employees for services	(246,279)	-
Cash paid to other suppliers of goods or services	(59,807)	(13,742)
Proceeds from miscellaneous items	<u>40,498</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (174,510)</u>	<u>\$ 271,958</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ 114,134	\$ -
Transfers in	37,000	-
Advance to other funds	-	-
Advance repayment from other funds	<u>-</u>	<u>15,000</u>
Net cash provided (used) by non-capital financing activities	<u>\$ 151,134</u>	<u>\$ 15,000</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (54,527)	\$ (19,901)
Proceeds from sale of capital assets	6,480	-
Principal payments	-	(95,000)
Interest payments	<u>-</u>	<u>(10,420)</u>
Net cash provided (used) for capital and related financing activities	<u>\$ (48,047)</u>	<u>\$ (125,321)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ -	\$ 200,000
Purchase of investments	-	(575,000)
Interest received	26,667	653
Rent received	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>\$ 26,667</u>	<u>\$ (374,347)</u>
Net increase (decrease) in cash	\$ (44,756)	\$ (212,710)
Cash beginning of year	<u>90,915</u>	<u>328,007</u>
Cash end of year	<u>\$ 46,159</u>	<u>\$ 115,297</u>

(continued)

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$1,216,935	\$ 429,687	\$ 61,908	\$1,580,299	\$ 3,665,607
(761,090)	(261,733)	(50,102)	(911,790)	(2,230,994)
(399,565)	(189,167)	(65,135)	(442,431)	(1,169,847)
<u>1,139</u>	<u>2,335</u>	<u>57,928</u>	<u>33,120</u>	<u>135,020</u>
<u>\$ 57,419</u>	<u>\$ (18,878)</u>	<u>\$ 4,599</u>	<u>\$ 259,198</u>	<u>\$ 399,786</u>
\$ -	\$ -	\$ -	\$ -	\$ 114,134
-	-	35,000	-	72,000
-	-	-	(33,666)	(33,666)
-	-	-	-	<u>15,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ (33,666)</u>	<u>\$ 167,468</u>
\$ (136,192)	\$ (720)	\$ -	\$ (70,288)	\$ (281,628)
-	-	-	-	6,480
-	-	-	(74,003)	(169,003)
-	-	-	<u>(12,255)</u>	<u>(22,675)</u>
<u>\$ (136,192)</u>	<u>\$ (720)</u>	<u>\$ -</u>	<u>\$ (156,546)</u>	<u>\$ (466,826)</u>
\$ 200,000	\$ -	\$ -	\$ 50,000	\$ 450,000
(225,000)	-	(25,000)	(150,000)	(975,000)
550	16	22	284	28,192
-	<u>23,886</u>	-	-	<u>23,886</u>
<u>\$ (24,450)</u>	<u>\$ 23,902</u>	<u>\$ (24,978)</u>	<u>\$ (99,716)</u>	<u>\$ (472,922)</u>
\$ (103,223)	\$ 4,304	\$ 14,621	\$ (30,730)	\$ (372,494)
<u>212,215</u>	<u>14,843</u>	<u>30,223</u>	<u>111,452</u>	<u>787,655</u>
<u>\$ 108,992</u>	<u>\$ 19,147</u>	<u>\$ 44,844</u>	<u>\$ 80,722</u>	<u>\$ 415,161</u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

	<u>Cemetery</u>	<u>Storm Sewer</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$(223,004)	\$103,403
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	26,189	163,182
Miscellaneous income	40,498	-
Change in assets and liabilities:		
(Increase) decrease in receivables	(685)	2,587
(Increase) decrease in inventory	(769)	-
(Increase) decrease in prepaid insurance	(279)	-
Increase (decrease) in accounts and contracts payable	(19,378)	251
Increase (decrease) in salaries payable	578	-
Increase (decrease) in accrued compensated absences	865	-
Increase (decrease) in due to other funds	(161)	3,089
Increase (decrease) in due to state government	-	-
Increase (decrease) in prepaid interments	16	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in net OPEB obligation	<u>1,620</u>	<u>(554)</u>
Net cash provided (used) by operating activities	<u>\$(174,510)</u>	<u>\$271,958</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ (64,482)	\$ (69,382)	\$ (65,936)	\$ 7,535	\$ (311,866)
86,632	37,765	14,434	168,158	496,360
1,139	2,335	57,928	33,120	135,020
11,262	-	2,308	4,920	20,392
-	(439)	-	59,789	58,581
(140)	(113)	-	(757)	(1,289)
5,390	4,820	(5,241)	(22,859)	(37,017)
4,294	3,677	214	5,062	13,825
5,989	1,178	273	534	8,839
1,652	(42)	-	(293)	4,245
-	622	-	-	622
-	-	-	-	16
-	-	150	-	150
<u>5,683</u>	<u>701</u>	<u>469</u>	<u>3,989</u>	<u>11,908</u>
<u>\$ 57,419</u>	<u>\$ (18,878)</u>	<u>\$ 4,599</u>	<u>\$259,198</u>	<u>\$ 399,786</u>

INTERNAL SERVICE FUNDS

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash	\$ -	\$ 677,136	\$ 677,136
Investments	-	1,005,950	1,005,950
Receivables:			
Property taxes	-	774,982	774,982
Accrued interest	-	1,546	1,546
Due from other funds	22,775	-	22,775
Prepaid insurance	141	-	141
Total current assets	<u>\$ 22,916</u>	<u>\$2,459,614</u>	<u>\$2,482,530</u>
Property, plant and equipment:			
Equipment	\$105,098	\$ -	\$ 105,098
Vehicles	85,174	-	85,174
Total property, plant and equipment	<u>\$190,272</u>	<u>\$ -</u>	<u>\$ 190,272</u>
Less accumulated depreciation	<u>(139,110)</u>	<u>-</u>	<u>(139,110)</u>
Net property, plant and equipment	<u>\$ 51,162</u>	<u>\$ -</u>	<u>\$ 51,162</u>
Total assets	<u>\$ 74,078</u>	<u>\$2,459,614</u>	<u>\$2,533,692</u>
LIABILITIES:			
Accounts payable	\$ 575	\$ 729,341	\$ 729,916
Salaries payable	8,344	-	8,344
Accrued compensated absences	8,894	-	8,894
Due to other funds	33,666	-	33,666
Unearned revenue	-	785,364	785,364
Total liabilities	<u>\$ 51,479</u>	<u>\$1,514,705</u>	<u>\$1,566,184</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 51,162	\$ -	\$ 51,162
Unrestricted	<u>(28,563)</u>	<u>944,909</u>	<u>916,346</u>
Total net assets	<u>\$ 22,599</u>	<u>\$ 944,909</u>	<u>\$ 967,508</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$231,229	\$ -	\$ 231,229
Health insurance contributions	-	2,456,548	2,456,548
Total operating revenues	<u>\$231,229</u>	<u>\$2,456,548</u>	<u>\$2,687,777</u>
Operating expenses:			
Business type activities:			
Personal services	\$153,002	\$2,850,475	\$3,003,477
Contractual	17,303	-	17,303
Commodities	20,996	-	20,996
Depreciation	14,401	-	14,401
Total operating expenses	<u>\$205,702</u>	<u>\$2,850,475</u>	<u>\$3,056,177</u>
Operating income (loss)	<u>\$ 25,527</u>	<u>\$ (393,927)</u>	<u>\$ (368,400)</u>
Nonoperating revenues:			
Property taxes	\$ -	\$ 772,899	\$ 772,899
Use of money and property	-	16,572	16,572
Total nonoperating revenues	<u>\$ -</u>	<u>\$ 789,471</u>	<u>\$ 789,471</u>
Income before contributions and transfers	\$ 25,527	\$ 395,544	\$ 421,071
Contributions and transfers:			
Transfers out	<u>-</u>	<u>\$ (765,000)</u>	<u>\$ (765,000)</u>
Change in net assets	\$ 25,527	\$ (369,456)	\$ (343,929)
Net assets beginning of year	<u>(2,928)</u>	<u>1,314,365</u>	<u>1,311,437</u>
Net assets end of year	<u>\$ 22,599</u>	<u>\$ 944,909</u>	<u>\$ 967,508</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from interfund charges	\$230,351	\$2,050,433	\$2,280,784
Cash received from employees and others	-	406,525	406,525
Cash paid to employees for services	(156,243)	-	(156,243)
Cash paid to suppliers	(74,108)	-	(74,108)
Cash paid for health and life insurance	-	(2,858,470)	(2,858,470)
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ (401,512)</u>	<u>\$ (401,512)</u>
Cash flows from non-capital financing activities:			
Proceeds from property tax levy	\$ -	\$ 914,555	\$ 914,555
Transfers out	-	(765,000)	(765,000)
Net cash provided (used) by non-capital financing activities	<u>\$ -</u>	<u>\$ 149,555</u>	<u>\$ 149,555</u>
Cash flows from investing activities:			
Proceeds from sale of investments	\$ -	\$2,975,000	\$2,975,000
Purchase of investments	-	(2,562,500)	(2,562,500)
Interest received	-	17,448	17,448
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ 429,948</u>	<u>\$ 429,948</u>
Net increase in cash	\$ -	\$ 177,991	\$ 177,991
Cash beginning of year	-	499,145	499,145
Cash end of year	<u>\$ -</u>	<u>\$ 677,136</u>	<u>\$ 677,136</u>
Noncash capital, investing and financing activities:			
Increase in fair market value of investments	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 6</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 25,527	\$ (393,927)	\$ (368,400)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	14,401	-	14,401
Change in assets and liabilities:			
(Increase) decrease in receivables	-	1,230	1,230
(Increase) decrease in due from other funds	(878)	(67,167)	(68,045)
(Increase) decrease in prepaid insurance	(52)	-	(52)
Increase (decrease) in accounts payable	(2,173)	56,014	53,841
Increase (decrease) in salaries payable	664	-	664
Increase (decrease) in compensated absences	(3,905)	-	(3,905)
Increase (decrease) in unearned revenues	-	2,338	2,338
Increase (decrease) in due to other funds	(33,584)	-	(33,584)
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ (401,512)</u>	<u>\$ (401,512)</u>

See Accompanying Independent Auditor's Report.

AGENCY FUND

CITY OF MASON CITY, IOWA
 U.S. SAVINGS BOND AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS:				
Cash	<u>\$400</u>	<u>\$ 900</u>	<u>\$1,300</u>	<u>\$ -</u>
LIABILITIES:				
Accounts payable	\$200	\$ -	\$ 200	\$ -
Due to purchase bonds	<u>200</u>	<u>-</u>	<u>200</u>	<u>-</u>
Total liabilities	<u>\$400</u>	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

CAPITAL ASSETS USED

IN

OPERATIONS

CITY OF MASON CITY, IOWA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE
 JUNE 30, 2011

General capital assets:	
Land	\$ 2,634,356
Buildings and structures	9,943,290
Improvements other than buildings	26,490,510
Machinery and equipment	5,671,670
Vehicles	7,635,560
Infrastructure	72,330,010
Construction in progress	<u>28,627,872</u>
Total general capital assets	<u>\$153,333,268</u>
 Investment in general capital assets by source:	
General fund	<u>\$153,333,268</u>

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

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 JUNE 30, 2011

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>
Public Safety:		
Police	\$ 3,210,803	\$ 115,000
Fire	3,813,662	75,150
Civil Defense	225,118	-
Building	46,998	-
Inspectors	39,024	-
Neighborhood Services	835,178	-
Total public safety	<u>\$ 8,170,783</u>	<u>\$ 190,150</u>
Public Works:		
Airport	\$ 23,081,853	\$1,725,891
Street	3,992,785	31,363
Infrastructure	78,390,957	-
Arborist	144,213	-
Engineer	221,060	-
Total public works	<u>\$105,830,868</u>	<u>\$1,757,254</u>
Health and Social Services:		
Youth Task Force	\$ 17,414	\$ -
Health	4,391	-
Human Rights	42,577	-
Total health and social services	<u>\$ 64,382</u>	<u>\$ -</u>
Culture and Recreation:		
Parks	\$ 21,442,189	\$ 673,452
Swimming Pool	3,179,584	-
Recreation	398,815	-
Library	9,875,285	13,500
Museum	1,578,967	-
Band	2,881	-
Total culture and recreation	<u>\$ 36,477,721</u>	<u>\$ 686,952</u>
Community and Economic Development:		
Growth Development and Planning	\$ 45,665	\$ -
Transit	1,350,128	-
Total community and economic development	<u>\$ 1,395,793</u>	<u>\$ -</u>
General Government:		
Mayor	\$ 5,252	\$ -
Council/Coffee room	31,267	-
Administrator	18,347	-
Finance	90,714	-
Clerk	18,470	-
City Hall	1,218,252	-
Safety Director	7,844	-
GIS	3,575	-
Total general government	<u>\$ 1,393,721</u>	<u>\$ -</u>
Total general capital assets	<u>\$153,333,268</u>	<u>\$2,634,356</u>

See Accompanying Independent Auditor's Report.

<u>Buildings and Structures</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>
\$1,697,228	\$ -	\$ 714,189	\$ 684,386	\$ -	\$ -
910,973	94,412	784,481	1,948,646	-	-
-	-	225,118	-	-	-
-	-	15,409	31,589	-	-
-	-	10,001	29,023	-	-
791,990	-	5,590	37,598	-	-
<u>\$3,400,191</u>	<u>\$ 94,412</u>	<u>\$1,754,788</u>	<u>\$2,731,242</u>	<u>\$ -</u>	<u>\$ -</u>
\$1,844,254	\$17,439,717	\$ 483,488	\$1,326,130	\$ -	\$ 262,373
886,405	-	877,463	2,197,554	-	-
-	-	-	-	72,330,010	6,060,947
-	-	7,883	136,330	-	-
-	-	138,690	82,370	-	-
<u>\$2,730,659</u>	<u>\$17,439,717</u>	<u>\$1,507,524</u>	<u>\$3,742,384</u>	<u>\$72,330,010</u>	<u>\$ 6,323,320</u>
\$ -	\$ -	\$ 17,414	\$ -	\$ -	\$ -
-	-	4,391	-	-	-
-	-	42,577	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 941,056	\$ 5,493,326	\$ 967,986	\$ 188,657	\$ -	\$13,177,712
-	3,080,480	99,104	-	-	-
-	129,151	205,523	64,141	-	-
181,170	237,696	316,079	-	-	9,126,840
1,399,325	14,188	165,454	-	-	-
-	-	2,881	-	-	-
<u>\$2,521,551</u>	<u>\$ 8,954,841</u>	<u>\$1,757,027</u>	<u>\$ 252,798</u>	<u>\$ -</u>	<u>\$22,304,552</u>
\$ -	\$ -	\$ 45,665	\$ -	\$ -	\$ -
394,539	-	46,453	909,136	-	-
<u>\$ 394,539</u>	<u>\$ -</u>	<u>\$ 92,118</u>	<u>\$ 909,136</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 5,252	\$ -	\$ -	\$ -
-	-	31,267	-	-	-
-	-	18,347	-	-	-
-	-	90,714	-	-	-
-	-	18,470	-	-	-
896,350	1,540	320,362	-	-	-
-	-	7,844	-	-	-
-	-	3,575	-	-	-
<u>\$ 896,350</u>	<u>\$ 1,540</u>	<u>\$ 495,831</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$9,943,290</u>	<u>\$26,490,510</u>	<u>\$5,671,670</u>	<u>\$7,635,560</u>	<u>\$72,330,010</u>	<u>\$28,627,872</u>

CITY OF MASON CITY, IOWA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 YEAR ENDED JUNE 30, 2011

<u>Function and Activity</u>	<u>Balance June 30, 2010</u>
Public Safety:	
Police	\$ 3,303,587
Fire	3,782,601
Civil Defense	225,118
Building	46,998
Inspectors	39,024
Neighborhood Services	835,178
Total public safety	<u>\$ 8,232,506</u>
Public Works:	
Airport	\$ 22,122,258
Street	3,771,874
Infrastructure	71,589,783
Arborist	144,213
Engineer	228,974
Total public works	<u>\$ 97,857,102</u>
Health and Social Services:	
Youth Task Force	\$ 17,414
Health	4,391
Human Rights	43,005
Total health and social services	<u>\$ 64,810</u>
Culture and Recreation:	
Parks	\$ 8,294,425
Swimming Pool	3,179,585
Recreation	255,839
Library	763,389
Museum	1,567,757
Band	2,881
Total culture and recreation	<u>\$ 14,063,876</u>
Community and Economic Development:	
Growth Development and Planning	\$ 45,665
Transit	1,350,128
Total community and economic development	<u>\$ 1,395,793</u>
General Government:	
Mayor	\$ 5,252
Council/Coffee room	31,267
Administrator	18,347
Finance	89,844
Clerk	18,470
City Hall	1,218,252
Safety Director	7,844
GIS	3,575
Total general government	<u>\$ 1,392,851</u>
Construction in progress	<u>\$ 13,427,311</u>
Total general capital assets	<u>\$136,434,249</u>

See Accompanying Independent Auditor's Report.

<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
\$ 252,143	\$ 344,928	\$ 3,210,802
131,570	100,508	3,813,663
-	-	225,118
-	-	46,998
-	-	39,024
-	-	835,178
<u>\$ 383,713</u>	<u>\$ 445,436</u>	<u>\$ 8,170,783</u>
\$ 710,687	\$ 13,465	\$ 22,819,480
310,878	89,967	3,992,785
740,227	-	72,330,010
-	-	144,213
20,983	28,897	221,060
<u>\$ 1,782,775</u>	<u>\$ 132,329</u>	<u>\$ 99,507,548</u>
\$ -	\$ -	\$ 17,414
-	-	4,391
-	428	42,577
<u>\$ -</u>	<u>\$ 428</u>	<u>\$ 64,382</u>
\$ 97,929	\$ 127,877	\$ 8,264,477
-	-	3,179,585
158,181	15,205	398,815
34,453	49,397	748,445
19,507	8,298	1,578,966
-	-	2,881
<u>\$ 310,070</u>	<u>\$ 200,777</u>	<u>\$ 14,173,169</u>
\$ -	\$ -	\$ 45,665
-	-	1,350,128
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,395,793</u>
\$ -	\$ -	\$ 5,252
-	-	31,267
-	-	18,347
1,195	325	90,714
-	-	18,470
-	-	1,218,252
-	-	7,844
-	-	3,575
<u>\$ 1,195</u>	<u>\$ 325</u>	<u>\$ 1,393,721</u>
<u>\$16,713,387</u>	<u>\$1,512,826</u>	<u>\$ 28,627,872</u>
<u>\$19,191,140</u>	<u>\$2,292,121</u>	<u>\$153,333,268</u>

**STATISTICAL
SECTION**

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

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	112-121
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	122-130
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.	131-138
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.	139-143
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.	144-147

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

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental activities:			
Invested in capital assets, net of related debt	\$ 77,367,493	\$ 67,769,666	\$ 60,958,677
Restricted for:			
Museum funding	633,638	633,638	633,638
Bond retirement	-	61,631	267,858
Perpetual care	509,011	505,269	486,855
Unrestricted	<u>20,613,538</u>	<u>21,388,087</u>	<u>20,911,732</u>
Total governmental activities net assets	<u>\$ 99,123,680</u>	<u>\$ 90,358,291</u>	<u>\$ 83,258,760</u>
Business-type activities:			
Invested in capital assets, net of related debt	\$ 39,361,650	\$ 38,361,919	\$ 38,209,810
Restricted for:			
Bond retirement	2,866,968	2,853,334	2,836,665
Capital projects	-	-	-
Unrestricted	<u>4,952,139</u>	<u>3,251,027</u>	<u>2,085,637</u>
Total business-type activities net assets	<u>\$ 47,180,757</u>	<u>\$ 44,466,280</u>	<u>\$ 43,132,112</u>
Primary government:			
Invested in capital assets, net of related debt	\$116,729,143	\$106,131,585	\$ 99,168,487
Restricted for:			
Museum funding	633,638	633,638	633,638
Bond retirement	2,866,968	2,914,965	3,104,523
Capital projects	-	-	-
Perpetual care	509,011	505,269	486,855
Unrestricted	<u>25,565,677</u>	<u>24,639,114</u>	<u>22,997,639</u>
Total primary government net assets	<u>\$146,304,437</u>	<u>\$134,824,571</u>	<u>\$126,390,872</u>

See Accompanying Independent Auditor's Report.

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

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenses:			
Governmental activities:			
Public safety	\$ 9,402,887	\$ 8,897,795	\$ 8,776,634
Public works	7,450,233	6,910,495	6,912,927
Health and social services	808,916	779,197	769,456
Culture and recreation	3,503,976	3,475,535	3,720,434
Community and economic development	2,252,333	2,368,084	1,937,074
General government	2,176,829	2,593,594	2,668,372
Interest on long-term debt	<u>1,053,911</u>	<u>987,814</u>	<u>695,529</u>
Total governmental activities expenses	<u>\$ 26,649,085</u>	<u>\$ 26,012,514</u>	<u>\$ 25,480,426</u>
Business-type activities:			
Cemetery	\$ 314,613	\$ 300,661	\$ 282,484
Water	5,218,343	5,244,979	5,047,464
Sewer	3,505,748	3,473,401	3,118,427
Parking lots	127,198	135,289	118,762
Storm sewer	189,862	182,262	178,107
Solid waste	1,289,603	1,244,442	1,216,902
Golf course	473,005	453,765	463,543
Ambulance	<u>1,572,168</u>	<u>1,265,397</u>	<u>1,353,951</u>
Total business-type activities expenses	<u>\$ 12,690,540</u>	<u>\$ 12,300,196</u>	<u>\$ 11,779,640</u>
Total primary government expenses	<u>\$ 39,339,625</u>	<u>\$ 38,312,710</u>	<u>\$ 37,260,066</u>
Program Revenues:			
Governmental activities:			
Charges for services:			
Public safety	\$ 356,340	\$ 287,781	\$ 388,341
Culture and recreation	550,848	458,412	474,665
General government	410,024	382,266	453,072
Other activities	269,465	587,134	215,322
Operating grants and contributions	3,748,874	2,380,822	1,970,043
Capital grants and contributions	<u>10,109,341</u>	<u>7,737,713</u>	<u>4,828,170</u>
Total governmental activities program revenues	<u>\$ 15,444,892</u>	<u>\$ 11,834,128</u>	<u>\$ 8,329,613</u>
Business-type activities:			
Charges for services:			
Water	\$ 5,238,573	\$ 4,979,982	\$ 4,647,116
Sewer	4,658,234	4,304,033	4,196,151
Other activities	3,645,750	3,612,573	3,637,931
Operating grants and contributions	619,206	188,313	584,695
Capital grants and contributions	<u>914,735</u>	<u>206,190</u>	<u>270,810</u>
Total business-type activities program revenues	<u>\$ 15,076,498</u>	<u>\$ 13,291,091</u>	<u>\$ 13,336,703</u>
Total primary government program revenues	<u>\$ 30,521,390</u>	<u>\$ 25,125,219</u>	<u>\$ 21,666,316</u>
Net (Expense) Revenues:			
Governmental activities	\$ (11,204,193)	\$ (14,178,386)	\$ (17,150,813)
Business-type activities	<u>2,385,958</u>	<u>990,895</u>	<u>1,557,063</u>
Total primary government net (expense)/ revenues	<u>\$ (8,818,235)</u>	<u>\$ (13,187,491)</u>	<u>\$ (15,593,750)</u>

(continued)

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

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Revenues and Other Changes in Net Assets:			
Governmental activities:			
General revenues:			
Property taxes	\$14,145,418	\$13,104,150	\$12,884,283
Other taxes	4,783,420	4,435,891	4,576,634
Franchise taxes	-	-	-
Road use tax	-	2,466,138	2,417,780
Unrestricted state utility tax replacement	151,361	174,130	186,493
Grants and contributions not restricted to specific program	386,403	19,107	44,895
Unrestricted investment income	596,673	1,068,587	795,157
Gain (loss) on sale of capital assets	-	-	-
Miscellaneous	259,307	13,663	265,548
Transfers	(36,000)	(3,749)	(65,630)
Total governmental activities	<u>\$20,286,582</u>	<u>\$21,277,917</u>	<u>\$21,105,160</u>
Business-type activities:			
General revenues:			
Property taxes	\$ 113,987	\$ 112,825	\$ 105,232
Grants and contributions not restricted to specific program	-	-	-
Unrestricted investment income	96,638	133,399	198,766
Gain (loss) on sale of capital assets	-	-	-
Miscellaneous	81,894	93,300	170,119
Transfers	36,000	3,749	65,630
Total business-type activities	<u>\$ 328,519</u>	<u>\$ 343,273</u>	<u>\$ 539,747</u>
Total primary government	<u>\$20,615,101</u>	<u>\$21,621,190</u>	<u>\$21,644,907</u>
Change in Net Assets:			
Governmental activities	\$ 9,082,389	\$ 7,099,531	\$ 3,954,347
Business-type activities	2,714,477	1,334,168	2,096,810
Total primary government	<u>\$11,796,866</u>	<u>\$ 8,433,699</u>	<u>\$ 6,051,157</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 2
(continued)

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

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund:			
Reserved	\$ -	\$ 214,097	\$ 227,684
Unreserved	-	8,311,761	7,035,343
Nonspendable	139,912	-	-
Restricted	1,316,949	-	-
Assigned	474,153	-	-
Unassigned	5,125,768	-	-
Total general fund	<u>\$ 7,056,782</u>	<u>\$ 8,525,858</u>	<u>\$ 7,263,027</u>
 All Other Governmental Funds:			
Reserved	\$ -	\$ 1,211,159	\$ 1,398,244
Unreserved, reported in:			
Special revenue funds	-	9,542,365	8,662,741
Capital project funds	-	654,364	2,371,946
Permanent funds	-	175,591	268,182
Nonspendable	645,079	-	-
Restricted	12,077,490	-	-
Assigned	1,380,703	-	-
Unassigned	<u>(1,391,926)</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$12,711,346</u>	<u>\$11,583,479</u>	<u>\$12,701,113</u>

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

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

See Accompanying Independent Auditor's Report.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 209,866	\$ 211,759	\$ 208,096	\$ 212,296	\$ 190,564	\$ 222,936
8,412,260	8,669,062	8,593,915	9,052,118	8,976,676	8,472,303
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 8,622,126</u>	<u>\$ 8,880,821</u>	<u>\$ 8,802,011</u>	<u>\$ 9,264,414</u>	<u>\$ 9,167,240</u>	<u>\$ 8,695,239</u>
\$ 1,457,861	\$ 1,551,247	\$ 1,045,151	\$ 1,344,270	\$ 1,766,522	\$ 2,874,058
8,760,295	7,807,590	6,722,890	6,655,169	4,864,385	10,096,950
3,882,653	3,788,901	3,614,649	4,631,731	5,927,280	5,924,491
299,917	301,100	893,426	791,927	818,046	760,774
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$14,400,726</u>	<u>\$13,448,838</u>	<u>\$12,276,116</u>	<u>\$13,423,097</u>	<u>\$13,376,233</u>	<u>\$19,656,273</u>

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

	2011	2010	2009
Revenues:			
Property taxes	\$11,933,871	\$11,227,096	\$10,615,964
TIF revenues	1,438,648	1,113,291	1,293,624
Other taxes	4,934,781	4,610,021	4,763,020
Licenses and permits	627,128	526,228	594,809
Intergovernmental	13,550,171	11,920,642	8,771,337
Charges for services	868,987	1,098,884	788,428
Fines and forfeitures	81,317	73,912	117,261
Use of money and property	580,143	1,046,555	747,268
Special assessments	9,245	16,569	30,900
Miscellaneous	1,016,838	637,005	591,339
Refunds	7,984	34,447	207,873
Total revenues	<u>\$35,049,113</u>	<u>\$32,304,650</u>	<u>\$28,521,930</u>
Expenditures:			
Public safety	\$ 8,744,332	\$ 8,377,479	\$ 8,121,819
Public works	3,228,134	3,398,998	2,879,684
Health and social services	787,650	765,063	750,863
Culture and recreation	2,917,485	2,988,797	3,046,106
Community and economic development	12,624,763	7,278,193	1,693,168
General government	2,113,201	2,469,483	2,531,895
Capital projects	7,502,631	13,623,213	16,059,284
Debt service:			
Principal retirement	2,601,875	2,117,833	1,659,835
Interest	993,656	955,151	634,734
Contractual	41,578	9,669	48,424
Total expenditures	<u>\$41,555,305</u>	<u>\$41,983,879</u>	<u>\$37,425,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$(6,506,192)</u>	<u>\$(9,679,229)</u>	<u>\$(8,903,882)</u>
Other financing sources (uses):			
Issuance of refunding bonds	\$ -	\$ -	\$ -
Payment to refunding escrow agent	-	-	-
Issuance of general obligation bonds	5,785,000	9,108,900	5,485,800
Premium (discount) on bonds issued	(32,017)	25,275	-
Sale of capital assets	-	-	-
Transfers in	2,578,286	2,655,746	2,537,998
Transfers out	(1,849,286)	(1,965,495)	(2,178,628)
Total other financing sources (uses)	<u>\$ 6,481,983</u>	<u>\$ 9,824,426</u>	<u>\$ 5,845,170</u>
Net change in fund balances	<u>\$ (24,209)</u>	<u>\$ 145,197</u>	<u>\$ (3,058,712)</u>
Debt service as a percentage of noncapital expenditures	<u>10.68%</u>	<u>10.87%</u>	<u>10.40%</u>

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

See Accompanying Independent Auditor's Report.

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

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

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Tax Increment</u>	<u>Ag Land Taxes</u>	<u>Monies & Credits</u>	<u>Bank Franchise Tax</u>
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
2003	7,588,119	1,309,583	19,702	9,869	20,628
2002	7,415,453	1,250,365	20,034	10,396	30,554

<u>Fiscal Year</u>	<u>Hotel/Motel Tax</u>	<u>Personal Property Replacement Tax</u>	<u>Utility Property Tax Replacement</u>	<u>Local Option Sales Tax</u>	<u>Total Taxes</u>
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
2003	282,093	176,219	211,951	2,186,902	11,805,066
2002	232,947	185,670	207,237	2,125,411	11,478,067

(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

Levy Year	Fiscal Year	Assessed Valuation			
		Residential Property	Commercial Property	Industrial Property	Agricultural Property
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
2002	2003	777,136,361	293,473,167	97,666,712	6,533,109
2001	2002	766,841,430	276,169,772	107,559,015	6,217,411

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

Source: City Assessor

See Accompanying Independent Auditor's Report.

<u>Utilities</u>	<u>Total</u>	<u>Total Taxable Valuation (1)</u>	<u>Total Direct Tax Rate</u>
\$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
35,492,451	1,210,301,800	832,515,610	10.24691
34,542,151	1,191,329,779	814,538,602	10.09507

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

REGULAR DISTRICTS

<u>Fiscal Year</u>	<u>CITY OF MASON CITY</u>			
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Retirement Millage</u>	<u>Total City Millage</u>
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
2003	8.66010	.73054	.85627	10.24691
2002	8.59876	.68841	.80790	10.09507

Source: Cerro Gordo County Auditor

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

See Accompanying Independent Auditor's Report.

<u>CERRO GORDO COUNTY</u>			<u>MASON CITY COMMUNITY SCHOOL DISTRICT</u>				
<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total County Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total School Millage</u>	<u>Other</u>	<u>Total Millage</u>
5.81451	.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
4.59778	.10738	4.70516	14.15478	.95269	15.10747	3.00375	33.06329
4.59179	.10977	4.70156	13.30290	.93950	14.24240	3.00363	32.04266

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

Taxpayer	2011		Percent of Total Assessed Valuation
	Taxable Assessed Valuation	Rank	
Interstate Power Company	\$ 39,662,903	1	2.39%
Golden Grain Energy, Inc.	17,028,420	2	1.03
Lehigh Portland Cement Company	16,389,995	3	.99
Mills Fleet Farm	12,327,797	4	.74
Wal-Mart	11,599,630	5	.70
AADG	10,057,777	6	.61
North Iowa Mercy	9,147,828	7	.55
Principal Mutual Life Insurance Co.	8,844,150	8	.53
Mason City Shopping Center, Ltd.	8,425,710	9	.51
Mall Associates	8,332,197	10	.50
CAG Subsidiary, Inc.	-		-
Northwestern States Cement-Holcim. Inc.	-		-
Curries Manufacturing, Inc.	-		-
Dayton Hudson	-		-
Qwest	-		-
Menards	-		-
Total	<u>\$141,816,407</u>		<u>8.55%</u>

Source: City Assessor

See Accompanying Independent Auditor's Report.

2002		
<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
\$ 26,164,649	1	2.16%
-		-
17,323,024	2	1.43
-		-
-		-
-		-
8,779,280	6	0.72
-		-
12,082,830	5	1.00
7,180,840	7	0.59
13,960,639	4	1.15
14,282,012	3	1.18
7,120,080	8	0.59
6,190,652	9	0.51
5,140,660	10	0.42
<u>\$118,224,666</u>		<u>9.75%</u>

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

<u>Levy Year</u>	<u>For Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>
			<u>Amount</u>	<u>Percentage of Levy</u>	
2010	2011	\$12,949,529	\$12,922,145	99.78%	\$ -
2009	2010	12,269,045	12,246,928	99.82	525
2008	2009	11,901,194	11,885,781	99.87	618
2007	2008	11,065,910	11,062,272	99.96	718
2006	2007	10,549,474	10,547,547	99.98	100
2005	2006	9,414,330	9,411,788	99.97	946
2004	2005	8,380,157	8,377,255	99.96	984
2003	2004	8,107,644	8,103,655	99.95	2,885
2002	2003	7,745,522	7,724,156	99.72	20,295
2001	2002	7,686,241	7,677,666	99.88	7,753

See Accompanying Independent Auditor's Report.

<u>Total Collections to Date</u>	
<u>Amount</u>	<u>Percentage of Levy</u>
\$ 12,922,145	99.78%
12,247,456	99.82
11,886,399	99.88
11,062,990	99.97
10,547,647	99.98
9,412,734	99.98
8,378,239	99.97
8,106,540	99.98
7,744,451	99.99
7,685,419	99.99

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

Fiscal Year	Governmental Activities			
	General Obligation		Special Assessment	TIF Revenue
	Bonds	Notes	Bonds	Bonds
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
2005	8,453,000	-	-	2,719,272
2004	7,140,000	-	-	3,034,980
2003	8,345,000	-	-	2,895,000
2002	5,230,000	155,000	25,000	937,000

Fiscal Year	Business-Type Activities			
	General Obligation		Revenue	Capital Lease
	Bonds	Notes	Bonds	
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
2003	-	90,000	9,218,080	-
2002	-	120,000	4,435,000	-

See Accompanying Independent Auditor's Report.

<u>Lease</u>	<u>Settlement Note</u>	<u>Total</u>
\$ -	\$ -	\$26,867,720
-	-	23,684,598
-	-	16,592,429
-	-	12,837,265
-	4,889	12,264,227
64,829	31,528	11,152,266
126,867	56,125	11,355,264
186,233	75,000	10,436,213
243,043	-	11,483,043
-	-	6,347,000

<u>Total</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$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
9,308,080	20,791,123	3.51	713
4,555,000	10,902,000	1.40	374

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

<u>Levy Year</u>	<u>Population(1)</u>	<u>Taxable Assessed Value(2)</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>
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
2003	29,172	832,515,610	8,255,000	2,313,361
2002	29,172	814,538,602	5,530,000	2,161,895

<u>Levy Year</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
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
2003	5,941,639	.71	203.67
2002	3,368,105	.41	115.46

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, 2011

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable To City Of Mason City</u>	<u>Amount Applicable To City Of Mason City</u>
Direct:			
City of Mason City (1)	\$26,867,720	100.00%	\$26,867,720
Overlapping (2):			
Mason City Community			
School District	37,367,052	90.0%	33,630,347
Cerro Gordo County	11,000,000	46.7%	5,137,000
North Iowa Area Community College	<u>8,095,000</u>	-	<u>-</u>
Total	<u>\$83,329,772</u>		<u>\$65,635,067</u>

Source: Information provided by individual unit.

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

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

See Accompanying Independent Auditor's Report.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt limit	\$82,847,356	\$80,068,604	\$80,036,347	\$77,926,623
Total net debt applicable to limit	<u>33,918,400</u>	<u>30,524,732</u>	<u>23,206,321</u>	<u>15,643,215</u>
Legal debt margin	<u>\$48,928,956</u>	<u>\$49,543,872</u>	<u>\$56,830,026</u>	<u>\$62,283,408</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>40.94%</u>	<u>38.12%</u>	<u>28.99%</u>	<u>20.07%</u>

Legal Debt Margin Calculation for Fiscal Year 2011

Actual assessed valuation:	
Real property	\$1,601,372,084
Utilities	<u>55,575,034</u>
Total actual assessed valuation	<u>\$1,656,947,118</u>
Debt limit - 5% of actual valuation	\$ 82,847,356
Total net debt applicable to limit	<u>33,918,400</u>
Legal debt margin	<u>\$ 48,928,956</u>

See Accompanying Independent Auditor's Report.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$74,094,419	\$67,487,614	\$67,400,322	\$66,048,766	\$56,120,090	\$60,538,444
<u>15,926,646</u>	<u>15,111,754</u>	<u>13,751,129</u>	<u>10,361,213</u>	<u>11,483,043</u>	<u>4,850,000</u>
<u>\$58,167,773</u>	<u>\$52,375,860</u>	<u>\$53,649,193</u>	<u>\$55,687,553</u>	<u>\$44,637,047</u>	<u>\$55,688,444</u>
<u>21.50%</u>	<u>22.39%</u>	<u>20.40%</u>	<u>15.69%</u>	<u>20.46%</u>	<u>8.01%</u>

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

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>
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
2003	2,125,686	1,520,466	605,220
2002	2,077,256	1,285,030	792,226

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
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
2003	295,000	156,546	451,546	1.34
2002	280,000	169,859	449,859	1.76

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

See Accompanying Independent Auditor's Report.

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

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>
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
2003	2,991,747	1,855,372	1,136,375
2002	2,381,344	1,810,814	570,530

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
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
2003	375,000	88,206	463,206	2.45
2002	355,000	85,510	440,510	1.30

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

See Accompanying Independent Auditor's Report.

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
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
2003	29,172	807,481	27,680	40.30	4,357	3.5
2002	29,172	777,025	26,636	39.30	4,455	3.6

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

See Accompanying Independent Auditor's Report.

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

<u>Taxpayer</u>	<u>2011</u>		<u>Percent of Total City Employment</u>
	<u>Employees</u>	<u>Rank</u>	
Mercy Medical Center - North IA	2,650	1	18.5%
Curries Manufacturing Company	673	2	4.7
Hy-Vee Food Stores	570	3	4.0
Mason City Community School District	502	4	3.5
Principal Life Insurance Co.	448	5	3.1
Wal-Mart Stores	373	6	2.6
Good Shepherd Geriatric Center	302	7	2.1
City of Mason City	292	8	2.0
Kraft Foods	278	9	1.9
Armour Eckrich Meats, LLC	260	10	1.8
Total	<u>6,348</u>		<u>44.2%</u>

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

(1) Information not available

See Accompanying Independent Auditor's Report.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public safety:					
Police - sworn	48	48	48	45	48
Police - civilian	5	5	2	4	10
Fire - sworn	44	44	44	44	44
Fire - civilian	2	2	2	2	2
Building inspection	3	3	3	3	3
Plumbing/electrical inspection	2	2	1	2	2
Public works:					
Airport	5	5	5	5	5
Street	21	20	22	21	21
Arborist	1	1	1	1	1
Engineer	7	7	7	7	5
Health and social services:					
Youth Task Force	3	4	5	4	4
Health	1	1	1	1	1
Human Rights	3	3	3	2	2
Culture and recreation:					
Parks	6	6	6	7	7
Recreation	3	3	4	4	4
Library	18	14	15	15	14
Museum	7	7	7	7	7
Community and economic development:					
Neighborhood Services	2	2	2	2	3
Growth Development and Planning	3	3	3	3	1
Transit	16	17	17	14	15
General government:					
Administrator	2	2	2	2	2
Mayor	-	-	-	-	-
Finance	11	11	11	11	8
Clerk	1	1	2	2	2
City Hall	1	1	1	1	1
Personnel/Safety	2	2	2	2	2
Business-type activities:					
Water	19	19	18	19	22
Sewer	16	16	16	16	17
Sanitation	12	12	11	12	12
Cemetery	3	3	3	3	3
Golf course	2	2	2	2	1
Total	<u>269</u>	<u>266</u>	<u>266</u>	<u>263</u>	<u>269</u>

See Accompanying Independent Auditor's Report.

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
50	47	49	47	45
9	15	12	12	13
44	44	43	36	34
1	1	1	1	1
3	3	3	3	3
2	2	2	2	2
6	5	4	4	5
21	20	20	21	20
1	1	1	1	1
7	7	6	8	8
3	3	3	3	3
1	1	1	1	1
2	2	2	2	2
7	7	7	6	7
4	4	4	4	4
14	13	13	13	13
6	5	6	6	6
3	3	1	3	-
3	4	4	4	3
14	14	17	17	17
2	2	2	2	1
-	-	1	1	1
7	7	5	5	5
3	3	3	3	3
1	1	1	1	1
2	2	2	2	2
21	22	19	21	21
17	17	16	17	17
12	12	12	11	12
3	3	3	3	3
2	2	2	2	2
<u>277</u>	<u>277</u>	<u>274</u>	<u>267</u>	<u>261</u>

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

<u>Function</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Police:					
Physical arrests	2,776	2,295	4,129	3,049	3,373
Parking violations	4,432	4,161	5,885	7,560	4,328
Traffic violations	5,311	2,043	3,117	5,952	6,502
Fire:					
Fire calls answered	793	731	762	766	746
Ambulance calls answered	4,057	3,755	3,912	4,032	4,138
Inspections	1,690	1,411	1,216	1,025	600
Highways and streets:					
Street resurfacing (miles)	2.68	2.40	2.60	3.04	5.59
Potholes repaired	5,400	5,300	5,000	5,000	5,000
Sanitation:					
Refuse collected (tons/day)	31.94	32.6	27.5	35.52	32.09
Recyclables collected (tons/day)	4.84	4.86	5.5	5.5	5.5
Culture and recreation:					
Aquatic Center admissions	42,179	33,616	39,074	39,726	51,751
Water:					
New connections	31	15	21	3	15
Water main breaks	17	17	11	10	11
Average daily consumption (thousands of gallons)	5,300	5,324	5,865	5,673	5,784
Wastewater:					
Average daily sewage treatment (thousands of gallons)	6,810	6,689	6,658	7,421	7,040

See Accompanying Independent Auditor's Report.

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
3,309	3,551	3,362	3,190	3,247
3,870	4,041	5,827	6,180	7,089
4,463	2,686	3,478	2,990	3,928
779	772	842	1,070	1,096
4,374	3,420	310	-	-
373	781	673	1,097	2,004
4.22	3.41	2.71	2.24	3.93
5,000	5,000	5,000	5,000	5,000
31.44	32.8	33.55	31.64	31.2
5.7	5.9	5.87	5.88	5.83
54,997	58,951	42,484	75,846	25,929
10	1	8	7	7
8	10	14	17	10
5,819	5,869	5,571	4,964	5,003
6,637	6,618	5,433	5,832	5,127

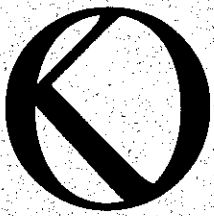
CITY OF MASON CITY, IOWA
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

<u>Function</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public safety:					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Public works:					
Street miles:					
Paved	152.33	152.33	152.06	151.93	151.93
Unpaved	41.12	41.12	41.12	41.12	41.12
Street lights	1,761	1,761	1,760	1,760	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	48.13	48.13	47.95	47.95	47.95
Sanitary	164.53	164.53	164.31	164.31	160.92
Cemetery:					
Facilities	1	2	1	1	1
Acreage	100	100	100	100	100

See Accompanying Independent Auditor's Report.

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
1	1	1	1	1
1	1	1	1	1
151.69	150.78	148.12	148.12	148.12
41.12	41.12	41.80	41.80	41.80
1,750	1,744	1,714	1,714	1,694
41	41	41	41	40
639	639	639	639	580
12	12	12	12	12
12	12	12	12	13
1	1	1	1	1
1	1	1	1	1
7	7	7	7	7
46.91	46.44	46.26	46.26	46.32
159.84	159.05	158.30	158.30	158.36
1	1	1	1	1
100	100	100	100	100

**COMPLIANCE
SECTION**



Kronlage & Olson, P.C.

Certified Public Accountants

Douglas E. Kronlage, CPA

John C. Olson, CPA

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City of Mason City's basic financial statements and have issued our report thereon dated January 13, 2012. 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.

Internal Control Over Financial Reporting

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

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 over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and an other deficiency we consider to be a significant deficiency.

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. We consider the deficiencies 11-II-A and 11-II-B, described in the accompanying Schedule of Findings and Questioned Costs, to be material weaknesses.

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 deficiency, 11-III-B, described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

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 an instance of non-compliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 11-III-B.

We noted certain matters that we reported to management of the City of Mason City, Iowa, in a separate letter dated January 13, 2012.

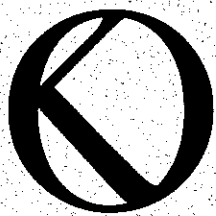
The City of Mason City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

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.

January 13, 2012



Kronlage & Olson, P.C.

Certified Public Accountants

Douglas E. Kronlage, CPA

John C. Olson, CPA

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

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

Compliance

We have audited the compliance of the City of Mason City with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Mason City's management. Our responsibility is to express an opinion on the City of Mason City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City of Mason City's compliance with those requirements.

In our opinion, the City of Mason City complied in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these compliance requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 11-III-B.

Internal Control Over Compliance

Management of the City of Mason City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Mason City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose

of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and an other deficiency that we consider to be a significant deficiency.

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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 11-III-A to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 11-III-B to be a significant deficiency.

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 of Mason City's response and, accordingly, we express no opinion on the responses.

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

Knottage & Olson, P.C.

January 13, 2012

CITY OF MASON CITY, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
DIRECT:			
<u>Department of Housing and Urban Development</u>			
Fair Housing Assistance Program - State and Local			
Contributions and Training	14.401	FF207K107002	\$ 55,191
Contributions and Training	14.401	FF207K097002	-
Contributions and Training	14.401	FF207K117002	-
Total			<u>\$ 55,191</u>
<u>Department of Justice</u>			
Bullet Proof Vest Program	16.607	2008	\$ 1,201
Public Safety Partnership and Community Policing Grants:			
COPS - Secure Our Schools	16.710	2009-CK-WX-0670	11,600
Edward Byrne Justice Assistance Grant	16.738	2009-DJ-BX-0228	1,631
Edward Byrne Justice Assistance Grant	16.738	2010-DJ-BX-0807	11,341
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Granted to Units of Local Government	16.804	2009-SB-B9-1946	7,026
Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810	2010-SD-B9-0004	36,763
Total			<u>\$ 69,562</u>
<u>Department of Transportation</u>			
Airport Improvement Program	20.106	3-19-0059-28-2007	\$ -
Airport Improvement Program	20.106	3-19-0059-30-2008	2,837
Airport Improvement Program	20.106	3-19-0059-31-2008	-
Airport Improvement Program	20.106	3-19-0059-32-2010	-
Airport Improvement Program	20.106	3-19-0059-34-2010	8,683
Airport Improvement Program	20.106	3-19-0059-35-2010	561,273
Passenger Facility Charge			57,013
Total			<u>\$629,806</u>
<u>Department of Health and Human Services</u>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	5 H79 SP015490-03	\$ 23,307
Projects of Regional and National Significance	93.243	1 H79 SP015490-02	30,861
Total			<u>\$ 54,168</u>
<u>Department of Homeland Security</u>			
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR204	\$ 13,208
Total direct			<u>\$821,935</u>

(continued)

CITY OF MASON CITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
INDIRECT:			
Department of Housing and Urban Development:			
<u>Iowa Department of Economic Development</u>			
<u>Community Development Block Grant/ State Program</u>			
Owner Occupied Housing Rehab	14.228	08-HSG-061	\$ 89,294
100% Flood and Demolition Buyout	14.228	08-DRHB-226	6,110,701
Disaster Recovery Infrastructure	14.228	08-DRI-226	312,075
Disaster Recovery Infrastructure	14.228	08-DRMI-002	84,524
Disaster Recovery Infrastructure	14.228	08-DRMI-003	89,368
Hazard Mitigation Grant Program Match for Property Acquisition			
Flood Buyout #1	14.228	08-DRMH-231	79,976
Flood Buyout #2	14.228	08-DRMH-232	132
Flood Buyout #3	14.228	08-DRMH-247	120,924
Flood Buyout #4	14.228	08-DRMH-237	(33,766)
Home Investment Partnership Program	14.239	07-HM-110-69	22,581
Home Investment Partnership Program	14.239	10-HM-116-65	13,645
Total			<u>\$6,889,454</u>
Department of Justice:			
<u>Governor's Office of Drug Control Policy</u>			
<u>Public Safety Partnership and Community Policing</u>			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.710	08-HOTSPOTS-12	\$ -
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG-ARRA4154B	22,899
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG/ARRA-249	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG/ARRA-4155B	13,485
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG/ARRA-3344B	49,423
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG/ARRA-270	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG/ARRA-287	-
Total			<u>\$ 85,807</u>
<u>Iowa Department of Justice</u>			
Federal Violence Against Women Formula Grant	16.588	VW-10-46	\$ 5,586
Federal Violence Against Women Formula Grant	16.588	VW-11-55	23,000
Total			<u>\$ 28,586</u>
Total			<u>\$ 114,393</u>

(continued)

CITY OF MASON CITY, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
INDIRECT:			
Department of Transportation:			
<u>Iowa Department of Transportation</u>			
Highway Planning and Construction			
ICAAP - 19 th Street Overpass	20.205	2-07-ICAAP-006	\$ 882
19 th Street Overpass Approach	20.205	02-08-HDP-015	-
Federal Transit - Capital Investment Grant			
Capital Assistance	20.500	04-0113-482-08	-
Formula Grants for Other than Urbanized Areas			
Capital Assistance	20.509	18-0028-482-07	35,041
Operating Assistance	20.509	18-0029-482-11	302,184
ARRA - Capital Assistance	20.509	86-0001-482-09	(2)
Total			\$ 338,105
 <u>Iowa Department of Public Safety</u>			
Governor's Traffic Safety Bureau			
State and Community Highway Safety			
Police Traffic Services	20.600	PAP-10-02	\$ 5,069
Police Traffic Services	20.600	PAP-11-02	7,533
Total			\$ 12,602
Total			\$ 350,707
 National Endowment for the Arts:			
<u>Iowa Arts Council</u>			
Promotion of the Arts - Partnership			
Agreements			
Operating Support	45.025	2011-7576	\$ 14,400
 Department of Education:			
<u>Iowa Department of Public Health</u>			
Safe and Drug Free Schools and			
Communities - State Grants	84.186	5880DV09	\$ -
Safe and Drug Free Schools and			
Communities - State Grants	84.186	5881DV09	34,446
Total			\$ 34,446
 <u>Governor's Office of Drug Control Policy</u>			
Safe and Drug Free Schools and			
Communities - National Programs	84.184Z	09-IHE-01	\$ 95,546
Total			\$ 129,992

(continued)

CITY OF MASON CITY, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

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	\$ 57,874
Demolition Debris Removal	97.036	DR #1763-PW-9585	263,812
Demolition Debris Removal	97.036	DR #1763-PW-10528	142,824
Demolition Debris Removal	97.036	DR #1763-PW-10529	55,170
Demolition Debris Removal	97.036	DR #1763-PW-10533	29,516
Hazard Mitigation Grant			
Flood Buyout #2	97.039	HMGP-DR-1763-0031-01	396
Flood Buyout #1	97.039	HMGP-DR-1763-0032-01	239,928
Flood Buyout #4	97.039	HMGP-DR-1763-0037-01	274,138
Flood Buyout #3	97.039	HMGP-DR-1763-0047-01	362,772
Water Reclamation Facility	97.039	HMGP-DR-1703-0061-01	422,622
Water Distribution Flood Wall	97.039	HMGP-DR-DR-1763-0062-01	446,838
Newman Schools Safe Room	97.039	HMPG-DR-1763-0171-01	45,063
Total			<u>\$ 2,340,953</u>
Total indirect			<u>\$ 9,839,899</u>
Total expenditures of federal awards			<u>\$10,661,834</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 SCHEDULE OF SELECTED EXPENDITURES OF STATE AWARDS
 YEAR ENDED JUNE 30, 2011

<u>Grantor/Program</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Iowa Department of Transportation:		
Commercial Air Service Vertical Infrastructure Program	10477	\$ 97,459
Commercial Air Service Vertical Infrastructure Program	12288	<u>14,483</u>
Total Expenditures for State Awards		<u>\$111,942</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2011

(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:

	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Loan Proceeds</u>	<u>Total</u>
General Fund	\$1,014,527	\$ 1,066,385	\$ -	\$ 2,080,912
Special Revenue Funds:				
ADDI	-	36,226	-	36,226
FMA	-	511,866	-	511,866
Road Use Tax	-	659,924	-	659,924
City Administered Grants	11,600	-	-	11,600
Housing	89,293	-	-	89,293
HMGP	-	6,738,283	-	6,738,283
PDM-FEMA	-	51,607	-	51,607
Capital Project Funds:				
19 th Street SW Overpass	-	918	-	918
Local Option Capital Improvements	-	200,000	-	200,000
Enterprise Funds:				
Water	56,485	602,660	-	659,145
Sewer	562,721	312,075	-	874,796
	<u>\$1,734,626</u>	<u>\$10,179,944</u>	<u>\$ -</u>	<u>\$11,914,570</u>

(4) Relationship to Federal Financial Reports

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

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any noncompliance which is material to the financial statements.
- (c) Two material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (d) One significant deficiency in internal control over a major federal program during the audit is reported. The deficiency is not reported as a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each of the City's major programs.
- (f) The audit disclosed audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) The programs tested as the major programs are:
 - CFDA Number 14.228 - Community Development Block Grants
 - CFDA Number 20.106 - Airport Improvement Program
 - CFDA Number 97.036 - Disaster Grants - Public Assistance
 - CFDA Number 97.039 - Hazard Mitigation Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

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

MATERIAL WEAKNESSES:

11-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, 2011, they recognized over \$2,165,000 of accounts and contracts payable, including approximately \$20,420 (not material to any opinion unit) incorrectly recorded as payables. However, they did not recognize an additional \$144,000 (material to one opinion unit) of mostly contracts payable at June 30, 2011.

Recommendation - This is a significant improvement over previous years. The interns should be further instructed by their supervisor in the requirements for an item to be recognized as a payable at the end of the year. I would suggest that a written process be developed for the interns to use to determine when a payable should be

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

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

INSTANCES OF NONCOMPLIANCE:

recognized in the financial statements. An alternative would be for the interns to use a flow-chart process. In addition, the supervisor needs to provide closer direct supervision of the interns so that the auditors may maintain their independence by not being so closely involved in the initial determination of payables.

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

Conclusion - Response accepted.

11-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:

11-III-A See items 11-II-A and 11-II-B above.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

SIGNIFICANT DEFICIENCIES:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:

Community Development Block Grants - CFDA 14.228, Grants 08-DRMH-231, 08-DRMH-232, 08-DRMH-247, 08-DRMH-237, 08-DRHB-226.

DEPARTMENT OF HOMELAND SECURITY:

Disaster Grants - Public Assistance (Presidentially Declared Disaster) - CFDA 97.036, Grants DR #1763 PW9585, DR #1763 PW10528, DR #1763 PW10529, DR #1763 PW10533.

DEPARTMENT OF HOMELAND SECURITY:

Hazard Mitigation Grant - CFDA 97.039, Grants HMGP-DR-1763-0031-1, HMGP-DR-1763-0032-01, HMGP-DR-1763-0037-01, HMGP-DR-1763-0047-01.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

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

11-III-B Condition - The expenses related to the 2008 flood buyouts and demolition are not being reconciled to the City's general ledger prior to a reimbursement request being prepared.

Criteria - All actual expenses related to the projects should be reimbursed to the City through the reimbursement requests.

Effect - The City has not requested reimbursement for all reimbursable flood related expenses.

Cause - Due to the complexity and need for allocation of expenditures to specific properties for reporting purposes, internal spreadsheets have been developed to track expenses. These spreadsheets have not been reconciled to the City's general ledger, resulting in various expenses not being used in the reimbursement requests.

Context - Total items reconciled exceeded \$763,000 in the grants tested. There was an initial discrepancy in excess of \$36,700. This discrepancy was reconciled to \$11,700 that was unaccounted for after investigation. Of the remaining amount, \$22,800 represented expenses that should have been included, but were not in the reimbursement requests. The remaining amounts were ineligible costs or posted to the wrong fund.

Recommendation - The City should emphasize the importance of recording all appropriate expenses in the internal spreadsheet on a timely basis.

Views of Responsible Officials and Planned Corrective Action - The City agrees with the finding and will remind all those involved of the importance of capturing all allowable costs and including them in the appropriate reimbursement request. In addition, there will be a reconciliation performed monthly between the City's general ledger and the internally generated spreadsheets.

Part IV: Other Findings Related to Required Statutory Reporting:

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

11-IV-B Certified Budget - Disbursements during the year ended June 30, 2011, did not exceed the amounts budgeted.

11-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.

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

CITY OF MASON CITY, IOWA
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2011

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Dave Hopper, River City TREES - owner, Natural Plus	Trees & landscaping	\$ 78
Cindy Stephenson, Communications Utility Board - owner, Stephens Hearing Associates	Services	280
Craig MacDougall, Plumbing Examiners Board - owner, Hank's Plumbing	Plumbing repairs	301
John Pappas, River City TREES - owner, Pappas Landscaping	Grounds maintenance	805
Larry Elwood, Plumbing Appeals and Exam Board - owner, Larry Elwood Construction	Construction services	1,425
Matt Brick, Plumbing Appeals and Exam Board - owner, Brick Furniture	Furniture	2,080
Mark Ewy, Housing Advisory and Appeals Board - owner, Custom Auto Body	Repairs	5,189
Robin Anderson, Youth Task Force - Executive Director, Mason City Chamber of Commerce	Conference travel	5,411
Kevin Hardy, Environmental Stewardship Advisory Commission - owner, Cutting Edge Tree Service	Landscaping	6,885
Kris Kramer, Enterprise Zone Commission - manager, Kramer Ace Hardware	Supplies	7,348
Jay Leaman, Electrical Examiners and Appeals Board - owner, The Electricians	Electrical services	7,812
Dennis Reidel, Library Board - CEO & CFO, Overhead Door of Mason City & Mid-West Roofing	Construction services	9,274

CITY OF MASON CITY, IOWA
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2011

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Daniel Moorehead, Electrical Examiners and Appeals Board - owner, Moorehead Electric	Electrical services	\$ 9,457
Mary Hardin, River City TREES - owner, Blackmore Nursery	Landscaping	9,696
Steve Clausen, Plumbing Appeals and Examiners Board - owner, Clausen Plumbing	Plumbing repairs	16,656
Tom Douglas, Housing Advisory & Appeals Board - owner, Edwards Brandt Insurance and Realty	Insurance	22,867
Tom Hovland, Airport Commission - owner, Tom Hovland Enterprises	Automotive supplies	23,280
Gary Anderson, Cable Television Commission and Craig Skott, Economic Development Corporation Board - partners, Skott & Anderson Architects	Architectural services	40,040
Terry McCarthy, Human Rights Commission, - partner, Yaggy Colby Associates	Engineering services	103,820
Kevin Pals, Youth Task Force, Sheriff - Cerro Gordo County	28E Agreement	374,283
George Jessen, Zoning Board of Adjustment - owner, Heartland Asphalt	Road construction	638,873
Fouad Daoud, Building Advisory and Appeals Board - partner, WHKS and Co.	Engineering services	960,031
Gary Schmidt, Economic Development Corporation Board - Henkel Construction	Construction services	3,459,693

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 Skott and Anderson Architects, 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.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

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

Response - We will do this.

Conclusion - Response accepted.

11-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.

11-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.

11-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.

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

11-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 2011 fiscal year. During FYE 2007, 2008, 2009, 2010 and 2011, records maintained by the water distribution supervisor and the water billing department show that only 60%, 63%, 59%, 53% and 63% of the water pumped from the water distribution plant was actually billed, respectively.

Recommendation - The City should investigate the calculation of water pumped to determine that it is being accurately measured. The City should also review its billing process to determine that all customers are being billed. Gallons of water billed have decreased approximately 19% since FY 2003, at the same time that gallons of water pumped have increased approximately 15%.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

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

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, 2011

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Planned</u>	<u>Contact Person Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
11-II-A	Determination of accounts and contracts payable	We will provide a written process for the interns to follow in addition to providing increased personal supervision of the interns.	Kevin Jacobson Director of Finance 641-421-3613	June 30, 2011
11-II-B	Financial statement classification and valuation	We will provide additional guidance and supervision to the interns.	Kevin Jacobson Director of Finance 641-421-3613	June 30, 2011
11-III-A	See items 11-II-A and 11-II-B above			
11-III-B	Omission of allowable expenses from reimbursement requests	Supervisor will initiate a monthly reconciliation of internal spreadsheets with the general ledger.	Tricia Sandahl Planner II 641-421-3626	January 31, 2012

CITY OF MASON CITY, IOWA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

FINANCIAL STATEMENTS

Finding 10-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 10-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 10-III-A: Financial Statement Findings

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

Finding 10-III-B: Overstated Transit System Operating Expenses

Condition - Transit operating costs were erroneously overstated, resulting in a reimbursement that was larger than the City was entitled to receive.

Recommendation - The City should develop a system to more accurately track costs related to transit costs.

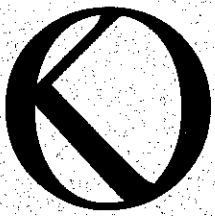
Current Status - The transit direct has developed a more comprehensive system for tracking transit operating expenses eligible for reimbursement.

Finding 10-III-C: Incorrect Information was Submitted on Federal Cash Transaction Report

Condition - The Federal Cash Transaction report was filed using information from a different grant. Reimbursement requests were not submitted for the grant.

Recommendation - A more refined process should be developed to insure that the correct forms and expenses are submitted for reimbursement requests.

Current Status - The department has developed written processes for submitting timely and correct reports for each of its grants. A correct reimbursement request was submitted for the affected grant.



Kronlage & Olson, P.C.

Certified Public Accountants

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

CERTIFICATION OF CONTRACTING OPPORTUNITIES

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

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

Kronlage & Olson, P.C.

January 13, 2012