

MASON CITY RECREATION DEPARTMENT

CITY OF MASON CITY, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

- Prepared By -

The Department of Finance
Kevin Jacobson, Director

**INTRODUCTORY
SECTION**

**CITY OF MASON CITY, IOWA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2012**

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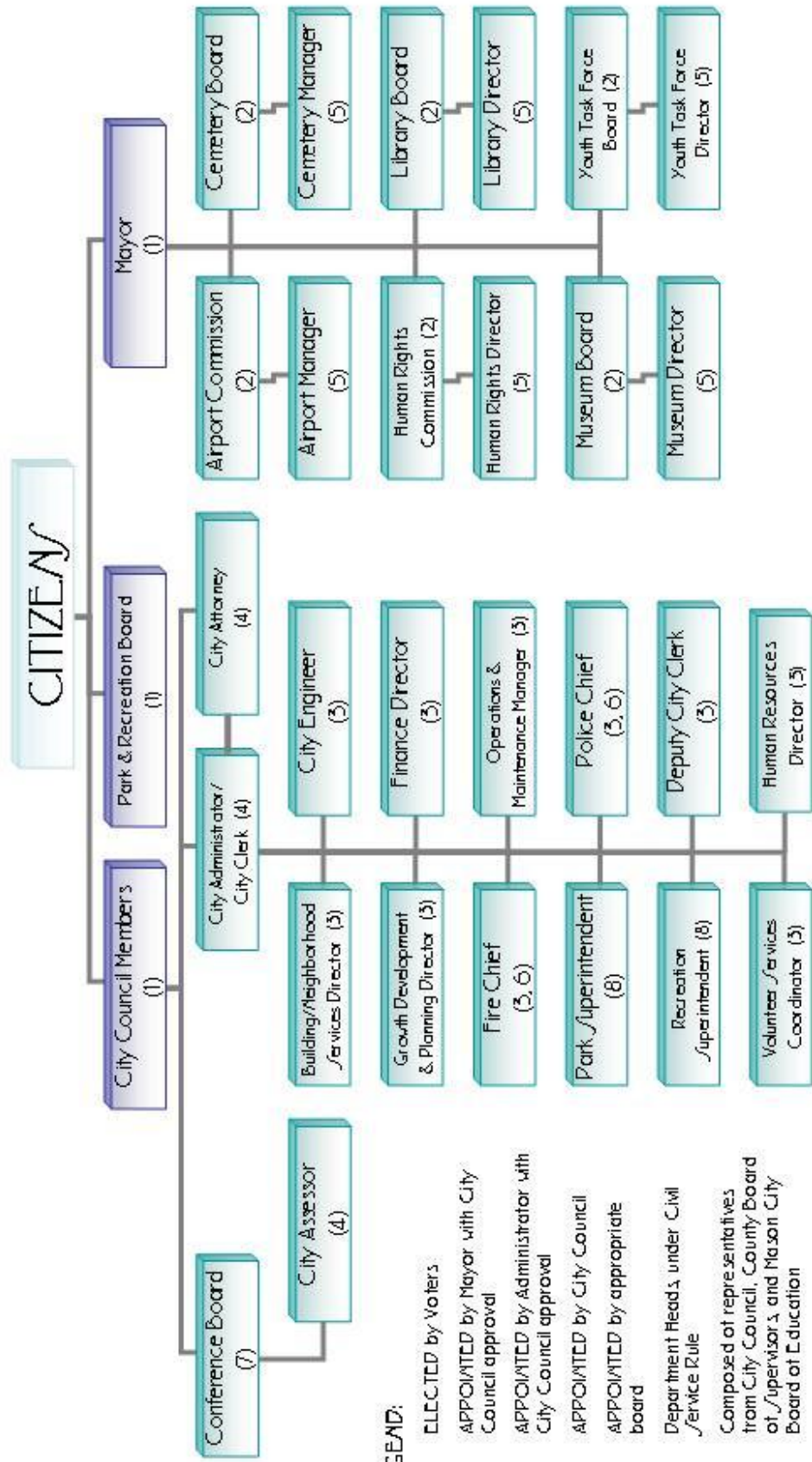
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**CITY OF MASON CITY, IOWA
CITY OFFICIALS
YEAR ENDED JUNE 30, 2012**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eric Bookmeyer	Mayor	2014
Scott Tornquist	Mayor Pro-Tem	2014
John Lee	Council Member	2016
Jean Marinos	Council Member	2016
Alex Kuhn	Council Member	2016
Travis Hickey	Council Member	2014
Janet Solberg	Council Member	2014
Brent Trout	City Administrator/Clerk	2012
Mark Rahm	Public Works Director	2012
Kevin Jacobson	Director of Finance/Treasurer	2012
Tom Meyer (through 9-2-11)	City Attorney/Human Resources Manager	2012
James Locher (effective 9-6-11)	Interim City Attorney	2012
James Locher	Airport Attorney	2012
Perry Buffington (effective 4-16-12)	Human Resources Manager	2012
Michael Lashbrook	Police Chief	2012
Bob Platts	Fire Chief	2012
Pamela Myhre (through 3-2-12)	Growth Development and Planning Director	2012
Tricia Sandahl (effective 3-5-12)	Interim Growth Development and Planning Director	2012
William Stangler	Operations and Maintenance Manager	2012
William Stangler	Parks Manager	2012
Brian Pauly	Recreation Manager	2012
Pam Osgood	Airport Manager	2012
Edith Blanchard	MacNider Museum Director	2012
Mary Markwalter	Library Director	2012
Randy Opheim	Elmwood Cemetery Manager	2012
Lionel Foster	Human Rights Director	2012

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



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December 28, 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, 2012 (FY12) 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, 2011. 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, 2012, as well as the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The compliance section encompasses requirements related to the single audit, various federal and state grants, and statutory and regulatory compliance.

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

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

GOVERNMENTAL STRUCTURE

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

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

ECONOMIC CONDITION AND OUTLOOK

The City's 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 - 4 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 North Iowa Corridor Economic Development Corporation (NICEDC), to promote and facilitate job creation and capital investment in the Mason City area. The NICEDC is a county-wide economic development corporation that has merged the assets and efforts of Mason City, Clear Lake and Cerro Gordo County to market the entire county, assist local industries and attract new capital investment and jobs.

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

Accomplishments for the past fiscal year include:

- Web presence enhanced and expanded.
- Promoted industrial park initiatives along the Avenue of the Saints and I-35 corridor.
- Hosted IDED-generated prospect visits to buildings and sites in the community, with the City offering public financial incentive packages.
- Leading the 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 7/1/11 - 6/30/12

The valuation of expanded industrial development totaled approximately \$9,269,595 while new or expanded commercial and industrial development together totaled \$20,209,421. Curries Assa Abloy, Golden Grain and the Cargill Kitchen Solutions projects were the front-runners for industrial development. The commercial sector experienced development of three new structures (Jimmy John's/Mason City Laundry, R&R Rentals and Dave VerHelst Storage) in addition to over 87 expansions, remodeling or improvement projects. Major developments in our commercial sector

include construction projects for Good Shepherd (\$4,000,000), Harley Davidson (\$1,123,702), North Iowa Regional Commerce Center (\$709,225), O'Reilly Automotive (\$265,000), Financial Freedom (\$200,000), First Citizens National Bank (\$150,000), Complete Nutrition (\$123,725), Market 124 (\$100,000), Life Serve Blood Center (\$114,100) and Vanity (\$101,500).

Other commercial and industrial ventures such as Mercy Medical Center, Vi-Cor, Mason City Clinic, Determan Electric, US Cellular, Eye Care Center of America, Charlie Brown Daycare, Orange Possum, Cornish Chiropractic, Fiesta House, Heartland Asphalt, Cosmo Prof and Hart Guns 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 FBO (Fixed Base Operator) addition to the Mason City Municipal Airport for \$340,000. Also, there were renovations to Newman Catholic Schools, John Adams Middle School and Mason City High School totaling \$12,162,850.

DOWNTOWN

The City has continued to work with Main Street Mason City (MSMC) to stabilize and enhance the Downtown area. MSMC was the primary point of contact between downtown property owners, business owners and the City during the final phase of the Federal Avenue Streetscape project. MSMC also worked to resolve issues after completion of the project. MSMC has contracted with the City to provide administrative and project management services for the Community Development Block Grant Façade Master Plan project. This \$500,000 CDBG grant will fund the rehabilitation of 14 historic facades in the downtown area and has leveraged an additional \$5,000,000 in private funding from local banks for downtown development. As a part of this project, MSMC also assists the City in management of a \$150,000 low-interest revolving loan fund for building improvements in the downtown TIF district.

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

- In addition to the significant private investment in the Historic Park Inn and the North Iowa Commerce Center, over \$1.6 million in private investment in 17 structures was tracked in the past year.
- 16 new business starts or property sales occurred in the district in the past year.
- 6 businesses expanded downtown and there was a net increase in downtown employment of 69 full time equivalent employees.
- Conducted promotional events, including ValenWine, the Friday Night Live summer concert series and Home for the Holidays.
- Organized and facilitated, for the 4th year, the Downtown Mason City Market, a Thursday afternoon and Saturday morning farmers' market in Central Park.
- Continued recognition as a National Main Street Community.

HOUSING

Housing construction for Fiscal Year 2012 included 11 single-family dwellings, and five duplexes (ten units), for a total of 21 new housing units. The number of single family dwelling units built is lower than that of previous years. Thirty-three (33)* single-family dwellings were demolished. After reducing the number of housing units built by the number demolished, the net loss for housing in FY12 totals 12 dwelling units for the community.

*23 of the 33 demolitions were due to the flood of 2008.

TRAFFIC

In 2012, the Mason City Engineering Department completed the following transportation improvement projects within the City of Mason City. The purpose of these types of projects is to improve and expand the street system, improve the functionality of the street, and increase safety for motorists and pedestrians utilizing the street network.

The South Delaware Avenue Bridge over Willow Creek project included the removal of the existing two span concrete beam bridge and cast in place deck. The bridge was built in 1917; it was approximately 83 feet in length with a width of 40 feet which allowed for two 12-foot driving lanes and two 8 foot wide shoulders used for parking. There were also 10-foot wide sidewalks on either side of the bridge.

The replacement bridge construction is a single span Pretensioned Prestressed Concrete Beam Bridge, 85 feet in length and 30 feet wide. The project also included the replacement of bridge approach and street pavement. The new bridge allows for two-way traffic with a pedestrian sidewalk on one side.

The Mason City Engineering Department also worked in conjunction with the Iowa Department of Transportation to reconstruct a section of IA 122 (old U.S. 18) from east of Winnebago Way east to west of South Pierce Avenue. The total length of the project was 1,895 feet. The existing four-lane highway was reconstructed and widened to include a fifth lane. The five-lane pavement section is variable, ranging between 63 and 65 feet in width. The fifth, or center lane, is 14-feet wide which provides for a protected left turn lane for motorists exiting the highway. The project also included new traffic signals at Garfield Avenue with inter-connection to the signals at Winnebago Way and Pierce Avenue.

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, 2012 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, 2012.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>
Taxes	\$17,415,872	52.94%
Licenses and Permits	598,403	1.82
Intergovernmental	12,197,658	37.08
Service Revenues	941,496	2.86
Fines and Forfeitures	83,949	0.25
Use of Monies and Properties	951,454	2.89
Special Assessments	25,990	0.08
Miscellaneous	667,185	2.03
Refunds	15,396	0.05
Total	<u>\$32,897,403</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, 2012.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>
Public Safety	\$ 8,935,301	26.20%
Public Works	3,067,110	9.00
Health and Social Services	853,755	2.50
Culture and Recreation	3,074,390	9.02
Community & Economic Development	5,472,392	16.05
General Government	2,101,725	6.16
Capital Projects	6,212,107	18.22
Debt Service	4,383,143	12.85
Total	<u>\$34,099,923</u>	<u>100.00%</u>

GENERAL FUND BALANCE

The General Fund closed the FY12 with a fund balance of \$6,987,753 compared to \$7,056,782 on June 30, 2011. This was due to a \$69,029 decrease of revenues over expenditures for FY12.

ENTERPRISE FUNDS

The Enterprise Funds of the City include the following:

1. Cemetery Fund - Operating revenues were \$98,873 in FY12, an increase of 7.8% from FY11. Operating expenses were \$317,217 in FY12, an increase of 4.6% from FY11. Net income was \$(25,432) in FY12, a 7.9% decrease from FY11.
2. Waterworks Fund - Operating revenues were \$5,388,341 in FY12, an increase of 2.9% from FY11. Operating expenses were \$4,538,994 in FY12, a decrease of 1.7% from FY11. Net income was \$505,753 in FY12, a 32.6% decrease from FY11.
3. Sewer Rental Fund - Operating revenues were \$4,386,606 in FY12, a decrease of 5.8% from FY11. Operating expenses were \$3,220,462 in FY12, an increase of 10.7% from FY11. Net income was \$4,494,782 in FY12, a 143.8% increase from FY11.
4. Parking Lots Fund - Operating revenues were \$24,474 in FY12, a decrease of 58.8% from FY11. Operating expenses were \$108,323 in FY12, a decrease of 13.6% from FY11. Net income was \$(15,735) in FY12, a 158.2% decrease from FY11.
5. Storm Sewer Fund - Operating revenues were \$283,573 in FY12, an increase of 0.2% from FY11. Operating expenses were \$179,804 in FY12, an increase of 0.05% from FY11. Net income was \$93,405 in FY12, a 0.8% decrease from FY11.

6. Solid Waste Fund - Operating revenues were \$1,209,671 in FY12, an increase of 0.3% from FY11. Operating expenses were \$1,323,022 in FY12, an increase of 4.2% from FY11. Net income was \$(146,655) in FY12, a 133.4% decrease from FY11.
7. Golf Course Fund - Operating revenues were \$390,453 in FY12, a decrease of 2.6% from FY11. Operating expenses were \$445,150 in FY12, a decrease of 3.2% from FY11. Net income was \$(25,034) in FY12, a 41.2% increase from FY11.
8. Ambulance Fund - Operating revenues were \$1,780,559 in FY12, an increase of 15.1% from FY11. Operating expenses were \$1,520,150 in FY12, a decrease of 1.2% from FY11. Net income was \$240,206 in FY12, an 822.4% increase from FY11.

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, 2012:

		RATIOS	
	Amount	Debt to Assessed Value	Debt per Capita
Net Bonded Debt	\$30,318,709	2.82%	\$1,079.76

The City issued \$4,350,000 of General Obligation bonds during the year to fund an advanced refunding of three outstanding debt obligations and various public works and utility-related projects.

FINANCIAL POLICIES AND LONG-TERM FINANCIAL PLANNING

The City Council has adopted budget and fiscal policies. For the City's General Fund, the fund balance policy strives to maintain an unassigned general fund balance no less than \$5,000,000. These funds are necessary to meet cash flow needs during the initial months of the new fiscal year as property tax revenue, the primary source of funding for general operations, is collected semi-annually with the vast majority of those taxes remitted to the City in the months of October and April. Fund balance policies are also set for Road Use Tax, LOST, Water, Sewer and Sanitation. During FY 2012, 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 annually adopts a five-year Capital Improvement Plan. The plan identifies capital projects associated with the various departments throughout the City. It also shows the funding source for each of the projects. Major funding sources for capital projects include new debt, Local Option Sales and Service Tax, Road Use Tax and proprietary revenues.

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

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

OTHER INFORMATION

Independent Audit: The Code of Iowa requires an annual audit be made of the financial condition and transactions of all administrative departments of the City by the State Auditor or by a Certified Public Accountant selected by the City Council. The audit for FY12 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, 2011. This was the twenty-sixth 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, 2011

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.



Christopher P. Morrell

President

Jeffrey R. Emer

Executive Director

**FINANCIAL
SECTION**



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, 2012, 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 did not audit the financial statements of the discretely presented component unit, Mason City Housing Authority. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely upon the report of the other independent auditors.

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. The financial statements of Mason City Housing Authority were audited in accordance with *Government Auditing Standards*. 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, based on our audit and the report of other auditors, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Road Use Tax Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports, dated December 28, 2012 on our consideration of the City of Mason City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 12 and 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mason City's financial statements. The accompanying combining and individual nonmajor fund financial statements, budgetary comparison schedules, capital assets schedules and schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mason City's financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Kronlage & Olson, P.C.

Charles City, Iowa

December 28, 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, 2012. 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, 2012, by \$161.21 million (net assets). Of this amount, \$26.80 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 \$13.34 million.
- At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$21.92 million, an increase of \$2.15 million as compared to the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5.165 million, or 27.72% of the total general fund expenditures.
- Total debt decreased by approximately \$4,623,000 (7.73%) during the current fiscal year. The City issued approximately \$4.36 million of new bonds and retired approximately \$8.99 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, Road Use Tax Fund and Debt Service, which are considered as major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 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 29-36 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of those funds are not available to support the City of Mason City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 37-38 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-65 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 \$161,209,465 at the close of the most recent fiscal year.

By far the largest portion of the City of Mason City’s net assets (80.9%) 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, 2012 and June 30, 2011.

City of Mason City’s Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current & other assets	\$ 41,567,850	\$40,451,919	\$ 8,873,311	\$ 9,451,046	\$ 50,441,161	\$ 49,902,965
Capital assets	109,449,069	104,201,664	76,069,841	72,297,911	185,518,910	176,499,575
Total assets	151,016,919	144,653,583	84,943,152	81,748,957	235,960,071	226,402,540
Long-term liabilities outstanding	22,058,321	24,138,588	27,324,354	30,235,184	49,382,675	54,373,772
Other liabilities	20,560,686	21,391,315	4,807,245	4,333,016	25,367,931	25,724,331
Total liabilities	42,619,007	45,529,903	32,131,599	34,568,200	74,750,606	80,098,103
Net Assets:						
Invested in capital assets, net of related debt	84,438,764	77,367,493	45,942,815	39,361,650	130,381,579	116,729,143
Restricted	1,160,831	1,142,649	2,863,129	2,866,968	4,023,960	4,009,617
Unrestricted	22,798,317	20,613,538	4,005,609	4,952,139	26,803,926	25,565,677
Total	\$108,397,912	\$99,123,680	\$52,811,553	\$47,180,757	\$ 161,209,465	\$ 146,304,437

A portion of the City of Mason City’s net assets (2.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$26,803,926) may be used to meet the government’s ongoing obligation to citizens and creditors.

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

There was an increase of \$1,238,249 in unrestricted net assets for the City of Mason City's governmental activities. The increase in governmental activities unrestricted net assets is due to the addition of Police Equipment and various Park improvements being added to the capital assets.

The government's net assets increased by \$13,340,206 for the current fiscal year. Most of the increase was due to the Sewer inflow and infiltration project, the Water System upgrades, the 19th ST widening project, East State Street rehabilitation and 6th ST SW improvements. A prior period adjustment for inclusion of customer developed subdivisions also added to the increase. See Note 6 for more detail. 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 Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Charges for services	\$ 1,658,658	\$ 1,586,677	\$ 13,607,068	\$ 13,542,557	\$ 15,265,726	\$ 15,129,234
Operating grants & contributions	4,303,876	3,748,874	37,354	619,206	4,341,230	4,368,080
Capital grants & contributions	8,315,838	10,109,341	4,030,634	914,735	12,346,472	11,024,076
General Revenues:						
Taxes	20,071,299	19,080,199	114,460	113,987	20,185,759	19,194,186
Investment earnings	259,331	596,673	108,031	81,894	367,362	678,567
Miscellaneous	1,098,186	645,710	112,040	96,638	1,210,226	742,348
Total revenues	35,707,188	35,767,474	18,009,587	15,369,017	53,716,775	51,136,491
Expenses:						
Public safety	9,787,453	9,402,887	-	-	9,787,453	9,402,887
Public works	7,382,204	7,450,233	-	-	7,382,204	7,450,233
Health & social services	906,341	808,916	-	-	906,341	808,916
Culture & recreation	4,091,975	3,503,976	-	-	4,091,975	3,503,976
Community & economic development	1,979,288	2,252,333	-	-	1,979,288	2,252,333
General government	2,211,823	2,176,829	-	-	2,211,823	2,176,829
Interest on debt	992,502	1,053,911	-	-	992,502	1,053,911
Water	-	-	5,158,365	5,218,343	5,158,365	5,218,343
Sewer	-	-	3,824,139	3,505,748	3,824,139	3,505,748
Other	-	-	4,042,479	3,966,449	4,042,479	3,966,449
Total expenses	27,351,586	26,649,085	13,024,983	12,690,540	40,376,569	39,339,625
Increase in net assets before transfers	8,355,602	9,118,389	4,984,604	2,678,477	13,340,206	11,796,866
Transfers	165,000	(36,000)	(165,000)	36,000	-	-
Increase in net assets	8,520,602	9,082,389	4,819,604	2,714,477	13,340,206	11,796,866
Net assets 7-1-2011 (as restated)	99,123,680	90,041,291	47,180,757	44,466,280	146,304,437	134,507,571
Net assets 6-30-2012	\$ 107,644,282	\$ 99,123,680	\$ 52,000,361	\$ 47,180,757	\$ 159,644,643	\$ 146,304,437

Governmental Activities

The governmental activities' net assets for the City of Mason City increased by \$8,520,602 during the current fiscal year, accounting for 63.87% 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 street construction. A prior period adjustment for inclusion of customer developed subdivisions also added to the increase. See Note 6 for more detail.

Business-type Activities

Total net assets increased by \$4,819,604 for fiscal year 2012, accounting for 36.13% of the total growth in the City of Mason City's net assets. The increase is due to the City continuing upgrades of the water and sanitary sewer system.

Charges for services for business-type activities increased 0.47%. There was a 4.0% increase for water rates for fiscal year 2012. All other business-type fund rates remained the same as the prior year.

Operating expenses for business type activities increased by 2.6%. Expenses in the Water fund decreased by 1.1% while Sewer expenses increased by 9.0%. The other business type expenses increased by 1.9%. Water expenses were held relatively in check due to decreases in staffing levels. The increase in Sewer was due to additional interest costs associated with the plant expansion and 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 \$21,922,812, an increase of \$2,154,684 in comparison with the prior year. The increase is due to receiving federal grant funds for the flood buyout project in the HMGP and delaying expenses for road construction thereby building the Road Use Tax fund to be used on future road construction projects. 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 (\$797,752); 2) restricted purposes such as streets, employee benefits, parks, museum, cemetery and tort liability (\$14,363,176); and 3) assigned purposes such as Airport, Museum, Library and recreation (\$1,752,844).

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 \$5,165,554 while total fund balance reached \$6,987,753. 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 27.72% of total General Fund expenditures, while total fund balance represents 37.50% of that same amount.

The General Fund balance decreased by \$69,029. The major factors in this decrease are as follows:

- Health insurance costs for retired employees covered under Iowa Code 411 were greater than anticipated causing a use of General fund reserves to cover the additional costs.

The debt service fund has a total negative fund balance of \$8,624. The net increase of \$112,536 in fund balance during the current year in the debt service fund is due to the reduced interest costs from the refunding issue, additional taxes requested and additional transfers to clear the negative balance. 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:

- \$2,950,000 General Obligation bonds for an advanced refunding of three outstanding debt obligations.
- \$1,400,000 General Obligation bonds for Police, Airport and Street projects as well as refunding current debt outstanding.

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

Proprietary Funds

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

Unrestricted net assets of the proprietary funds at the end of the year amounted to \$5,636,585. Water reported a decrease in net assets of \$459,413 and Sewer reported a decrease of \$409,257. Rates were increased by 4.0% for Water. Sewer and all other business-type funds had no rate increase. The decrease in each fund is due mainly to the use of cash to complete capital projects during the year.

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

General Fund Budgetary Highlights

Differences between the original and final budget amounted to \$2,578,944 and the significant items are summarized as follows:

- Public safety expenses for overtime, Chapter 411 medical cost and office expense were increased by \$145,000.
- Health and Social Services was increased by \$242,000 for Youth Task Force activities originally not budgeted but funded through new state grants.
- Culture and Recreation increased by \$275,000 for additional supplies and equipment used in Parks, Recreation and Library services.
- Capital Projects was increased by \$1,700,000 for Airport FFA projects not completed in the prior fiscal year.

The variance between the amended budget and actual was due mainly to the additional expenses with public safety overtime and additional grant funds received and spent on social services activities as well as completion of an Airport capital project this fiscal year that was carried over from the prior 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, 2012, amounts to \$185,518,910 (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 19th ST widening, the 6th ST SW rehab, the Downtown Streetscape project as well as rehabilitation and intersection improvements were completed.
- The Airport completed a rescue and firefighter facility.
- Several parks enhancements including the East Park Band Shell rehabilitation and trail maintenance projects were completed.
- Water main reroutes were completed throughout the City.
- The inflow and infiltration project continues to update the sewer infrastructure.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 2,634,356	\$ 2,634,356	\$ 4,823,362	\$ 4,823,362	\$ 7,457,718	\$ 7,457,718
Buildings & Structures	13,706,878	3,850,084	12,930,462	12,575,793	26,637,340	16,425,877
Other Improvements	17,842,721	18,846,580	165,835	188,449	18,008,556	19,035,029
Machinery & Equipment	2,078,032	2,279,862	942,149	1,067,460	3,020,181	3,347,322
Vehicles	2,138,047	2,297,922	1,265,062	1,359,137	3,403,109	3,657,059
Infrastructure	50,525,675	45,664,988	53,623,020	48,883,746	104,148,695	94,548,734
Construction in Progress	20,523,360	28,627,872	2,319,951	3,399,964	22,843,311	32,027,836
Total	\$ 109,449,069	\$ 104,201,664	\$76,069,841	\$72,297,911	\$ 185,518,910	\$ 176,499,575

Additional information on the City of Mason City's capital assets can be found in note 7 on pages 51-52 of this report.

Long-Term Debt

The amount of debt outstanding at fiscal yearend was \$55.18 million as compared to \$59.80 million last fiscal year. The decrease is a result of pay down of old debt while not issuing as much new debt for FY 2012 projects. New debt was issued for Police, Airport and street projects as well as refunding outstanding debt at a lower interest rate. Of the total general obligation debt outstanding, \$24.00 million is backed by the full faith and credit of the City. The remainder is either general obligation debt abated by enterprise revenues or revenue bonds secured solely by specified revenue sources, namely tax increment revenues, water, sewer or ambulance revenues.

City of Mason City's Outstanding Debt

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
General obligation	\$24,004,077	\$25,634,320	\$ 6,306,008	\$ 7,333,567	\$30,310,085	\$32,967,887
Revenue bonds	1,049,774	1,233,400	23,821,018	25,602,694	24,870,792	26,836,094
Total	\$25,053,851	\$26,867,720	\$30,127,026	\$32,936,261	\$55,180,877	\$59,803,981

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 55.

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 \$81,919,465 and the City of Mason City is currently at \$31,154,774 or 38.03% of our outstanding general obligation debt. As a comparison, the legal debt limit was \$82,847,356 and Mason City had issued \$33,918,400 or 40.94% 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 55-58 of this report.

Economic Factors and Next Year's Budget and Rates

- The national average unemployment for June 2012 is 8.2%. The unemployment level for June 2011 was 9.2%. Cerro Gordo County's rate for June 2012 is 5.6%, and the state's rate is 5.1%.
- The hourly wage rate in Cerro Gordo County averaged \$16.30 for 2011 and \$17.55 for 1st quarter 2012.
- Retail sales in Cerro Gordo County were \$678 million for fiscal year ending 2012, slightly up from \$643 million in fiscal year 2011 and \$667 million in fiscal year 2010.
- The total value of building permits for fiscal year 2012 was approximately \$45.99 million. This compares with an amount of \$51.96 million for fiscal year 2011.

Next Year's Budget and Rates

For FY 2013, department managers were again instructed to minimize any changes in budget in anticipation of stagnant revenues. However, certain costs such as payroll, insurance and utilities are anticipated to increase. Approximately 73% 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 maintain 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 and sanitation being projected for FY 2014. There are several capital projects currently under consideration for the FY 2014 budget. The capital projects will be funded with General Obligation bonds, existing fund balances or new revenues from sales tax, road use tax, and water 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, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Current assets:				
Cash	\$ 4,439,510	\$ 878,989	\$ 5,318,499	\$212,740
Investments	18,322,131	3,250,166	21,572,297	-
Receivables:				-
Taxes	13,892,495	121,270	14,013,765	-
Special assessments	179,873	21,554	201,427	-
Accounts (net)	26,643	1,987,510	2,014,153	9,345
Accrued interest	15,838	1,640	17,478	-
Notes	10,000	-	10,000	-
Internal balances	1,573,917	(1,573,917)	-	-
Due from other governments	2,152,032	845,761	2,997,793	24,758
Prepaid insurance	164,255	47,394	211,649	-
Inventory	31,250	428,846	460,096	-
Deferred charges	-	-	-	5,956
Total current assets	<u>\$ 40,807,944</u>	<u>\$ 6,009,213</u>	<u>\$ 46,817,157</u>	<u>\$252,799</u>
Noncurrent assets:				
Restricted assets:				
Cash	\$ 4,911	\$ 1,512,647	\$ 1,517,558	\$174,962
Investments	521,609	1,350,000	1,871,609	-
Receivables	673	482	1,155	-
Notes receivable	60,000	-	60,000	-
Special assessments	172,713	969	173,682	-
Capital assets:				
Land and construction in progress	23,157,716	7,143,313	30,301,029	-
Other capital assets net of depreciation	<u>86,291,353</u>	<u>68,926,528</u>	<u>155,217,881</u>	<u>5,342</u>
Total noncurrent assets	<u>\$110,208,975</u>	<u>\$78,933,939</u>	<u>\$189,142,914</u>	<u>\$180,304</u>
Total assets	<u>\$151,016,919</u>	<u>\$84,943,152</u>	<u>\$235,960,071</u>	<u>\$433,103</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 1,367,872	\$ 367,017	\$ 1,734,889	\$ 5,189
Salaries payable	509,671	179,063	688,734	8,671
Contracts payable	274,528	632,151	906,679	-
Accrued compensated absences	1,012,693	305,219	1,317,912	11,533
Accrued interest payable	67,597	78,152	145,749	-
Due to other governments	4,833	23,705	28,538	1,393
Due to customers	-	91,736	91,736	-
Unearned revenue	13,981,198	-	13,981,198	-
Prepaid interments	-	42,579	42,579	-
Deferred revenue	-	121,108	121,108	-
Current portion of long-term debt:				
Bonds payable	3,342,294	2,966,515	6,308,809	-
Total current liabilities	<u>\$ 20,560,686</u>	<u>\$ 4,807,245</u>	<u>\$ 25,367,931</u>	<u>\$ 26,786</u>
Noncurrent liabilities:				
Bonds payable	\$ 21,668,011	\$27,160,511	\$ 48,828,522	\$ -
Net OPEB obligation	390,310	163,843	554,153	-
Total noncurrent liabilities	<u>\$ 22,058,321</u>	<u>\$27,324,354</u>	<u>\$ 49,382,675</u>	<u>\$ -</u>
Total liabilities	<u>\$ 42,619,007</u>	<u>\$32,131,599</u>	<u>\$ 74,750,606</u>	<u>\$ 26,786</u>

(continued)

CITY OF MASON CITY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
NET ASSETS:				
Invested in capital assets-net of related debt	\$ 84,438,764	\$45,942,815	\$130,381,579	\$ 5,342
Restricted for:				
Nonexpendable:				
Museum funding	633,638	-	633,638	-
Perpetual care	527,193	-	527,193	-
Expendable:				
Bond retirement	-	2,863,129	2,863,129	-
Housing assistance payments	-	-	-	174,962
Unrestricted	22,798,317	4,005,609	26,803,926	226,013
Total net assets	<u>\$108,397,912</u>	<u>\$52,811,553</u>	<u>\$161,209,465</u>	<u>\$406,317</u>

See Notes to Financial Statements.

**CITY OF MASON CITY, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

<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	\$ 9,787,453	\$ 381,382	\$ 208,492
Public works	7,382,204	116,101	2,632,680
Health and social services	906,341	144	480,446
Culture and recreation	4,091,975	540,478	202,577
Community and economic development	1,979,288	308,579	779,681
General government	2,211,823	311,974	-
Interest on long-term debt	992,502	-	-
Total governmental activities	<u>\$27,351,586</u>	<u>\$ 1,658,658</u>	<u>\$4,303,876</u>
Business-type activities:			
Cemetery	\$ 333,251	\$ 98,873	\$ -
Water	5,158,365	5,388,342	-
Sewer	3,824,139	4,388,117	37,354
Parking lots	112,947	67,480	-
Storm sewer	186,745	283,573	-
Solid waste	1,378,497	1,209,671	-
Golf course	449,534	390,453	-
Ambulance	1,581,505	1,780,559	-
Total business-type activities	<u>\$13,024,983</u>	<u>\$13,607,068</u>	<u>\$ 37,354</u>
Total primary government	<u>\$40,376,569</u>	<u>\$15,265,726</u>	<u>\$4,341,230</u>
Component unit:			
Mason City Housing Authority	<u>\$ 2,250,203</u>	<u>\$ 99,243</u>	<u>\$2,166,080</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.

Revenue	Net (Expense) Revenue and Change in Net Assets			
	Primary Government			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
\$ -	\$ (9,197,579)	\$ -	\$ (9,197,579)	\$ -
4,879,524	246,101	-	246,101	-
-	(425,751)	-	(425,751)	-
233,673	(3,115,247)	-	(3,115,247)	-
3,202,641	2,311,613	-	2,311,613	-
-	(1,899,849)	-	(1,899,849)	-
-	(992,502)	-	(992,502)	-
<u>\$ 8,315,838</u>	<u>\$ (13,073,214)</u>	<u>\$ -</u>	<u>\$ (13,073,214)</u>	<u>\$ -</u>
\$ -	\$ -	\$ (234,378)	\$ (234,378)	\$ -
136,261	-	366,238	366,238	-
3,864,033	-	4,465,365	4,465,365	-
-	-	(45,467)	(45,467)	-
30,340	-	127,168	127,168	-
-	-	(168,826)	(168,826)	-
-	-	(59,081)	(59,081)	-
-	-	199,054	199,054	-
<u>\$ 4,030,634</u>	<u>\$ -</u>	<u>\$ 4,650,073</u>	<u>\$ 4,650,073</u>	<u>\$ -</u>
<u>\$12,346,472</u>	<u>\$ (13,073,214)</u>	<u>\$ 4,650,073</u>	<u>\$ (8,423,141)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,120</u>
	\$ 14,594,866	\$ 114,460	\$ 14,709,326	\$ -
	5,319,902	-	5,319,902	-
	156,531	-	156,531	-
	95,746	-	95,746	-
	1,002,440	112,040	1,114,480	1,630
	259,331	108,031	367,362	-
	165,000	(165,000)	-	-
	<u>\$ 21,593,816</u>	<u>\$ 169,531</u>	<u>\$ 21,763,347</u>	<u>\$ 1,630</u>
	\$ 8,520,602	\$ 4,819,604	\$ 13,340,206	\$ 16,750
	99,877,310	47,991,949	147,869,259	389,567
	<u>\$108,397,912</u>	<u>\$52,811,553</u>	<u>\$161,209,465</u>	<u>\$406,317</u>

CITY OF MASON CITY, IOWA
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 AS OF JUNE 30, 2012

	<u>General</u>	<u>Road Use Tax</u>
ASSETS:		
Cash	\$ 2,039,583	\$ 476,389
Investments	4,475,700	2,600,000
Receivables:		
Property taxes	8,498,100	489
Other taxes	5,260	-
Accrued interest	2,730	-
Special assessments - current	85,899	77,474
Special assessments - deferred	1,398	2,815
Accounts (net)	24,473	689
Notes	-	-
Due from other funds	2,026,893	222,629
Due from state government	609,738	205,819
Due from federal government	327,079	-
Prepaid insurance	151,565	12,549
Restricted assets:		
Cash	-	-
Investments	-	-
Accrued interest	-	-
Total assets	<u>\$18,248,418</u>	<u>\$3,598,853</u>
 LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts payable	\$ 469,616	\$ 258,328
Salaries payable	466,698	35,542
Contracts payable	199,592	65,211
Accrued vacation payable	942,342	63,125
Due to other funds	682,491	32,788
Due to state government	4,027	-
Unearned revenue	8,495,899	2,815
Total liabilities	<u>\$11,260,665</u>	<u>\$ 457,809</u>
 Fund Balances:		
Nonspendable	\$ 151,565	\$ 12,549
Restricted	1,295,953	3,128,495
Assigned	374,681	-
Unassigned	5,165,554	-
Total fund balances	<u>\$ 6,987,753</u>	<u>\$3,141,044</u>
 Total liabilities and fund balance	<u>\$18,248,418</u>	<u>\$3,598,853</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
\$ -	\$ 1,228,324	\$ 3,744,296
700,000	9,917,402	17,693,102
3,318,220	1,348,045	13,164,854
-	-	5,260
340	11,842	14,912
-	16,500	179,873
-	168,500	172,713
-	1,481	26,643
-	10,000	10,000
14,114	181,023	2,444,659
-	1,009,396	1,824,953
-	-	327,079
-	-	164,114
-	4,911	4,911
-	521,609	521,609
-	673	673
<u>\$4,032,674</u>	<u>\$14,419,706</u>	<u>\$40,299,651</u>
\$ -	\$ 91,187	\$ 819,132
-	1,270	503,510
-	9,724	274,527
-	-	1,005,467
759,970	1,049,699	2,524,947
-	806	4,833
3,281,328	1,464,381	13,244,423
<u>\$4,041,298</u>	<u>\$ 2,617,067</u>	<u>\$18,376,839</u>
\$ -	\$ 633,638	\$ 797,752
-	9,938,728	14,363,176
-	1,378,163	1,752,844
(8,624)	(147,890)	5,009,040
<u>\$ (8,624)</u>	<u>\$11,802,639</u>	<u>\$21,922,812</u>
<u>\$4,032,674</u>	<u>\$14,419,706</u>	<u>\$40,299,651</u>

CITY OF MASON CITY, IOWA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Fund balances—total governmental funds		\$ 21,922,812
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.		31,250
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		59,570
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		109,412,121
Internal service funds, net assets		2,439,651
Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:		
Bonds payable	\$ (25,053,851)	
Accrued interest	(67,597)	
Bond discount	43,546	
Net OPEB obligation	(390,310)	(25,468,212)
Net assets of governmental activities		<u>\$108,397,192</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, 2012

	<u>General</u>	<u>Road Use Tax</u>
REVENUES:		
Property taxes	\$ 8,028,152	\$ -
TIF revenues	-	-
Other taxes	3,585,743	-
Licenses and permits	598,403	-
Intergovernmental	4,366,738	4,613,560
Charges for service	746,445	(186)
Fines and forfeitures	83,949	-
Use of money and property	323,614	478
Special assessments	5,733	563
Miscellaneous	540,841	-
Refunds	8,428	6,968
Total revenues	<u>\$18,288,046</u>	<u>\$4,621,383</u>
EXPENDITURES:		
Current:		
Public safety	\$ 7,666,178	\$ -
Public works	952,424	2,069,746
Health & social services	820,950	-
Culture & recreation	2,828,114	-
Community & economic development	953,961	-
General government	1,993,811	-
Capital projects	3,416,549	2,780,123
Debt Service:		
Principal retirement	-	-
Interest	-	-
Contractual	-	-
Total expenditures	<u>\$18,631,987</u>	<u>\$4,849,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (343,941)</u>	<u>\$ (228,486)</u>
Other financing sources (uses):		
Proceeds from refunding bonds	\$ -	\$ -
Payment to refunding escrow agent	-	-
Issuance of general obligation bonds	118,000	831,000
Premium/discount on bonds	-	-
Transfers in	404,084	1,099,000
Transfers out	(247,172)	(418,897)
Total other financing sources (uses)	<u>\$ 274,912</u>	<u>\$1,511,103</u>
Net change in fund balance	\$ (69,029)	\$1,282,617
Fund balance beginning of year	<u>7,056,782</u>	<u>1,858,427</u>
Fund balance end of year	<u>\$ 6,987,753</u>	<u>\$3,141,044</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
\$ 3,026,876	\$ 1,274,125	\$12,329,153
-	1,500,976	1,500,976
-	1,890,690	5,476,433
-	-	598,403
-	3,241,860	12,222,158
-	204,057	950,316
-	-	83,949
6,080	636,497	966,669
-	19,694	25,990
-	149,298	690,139
-	-	15,396
<u>\$ 3,032,956</u>	<u>\$ 8,917,197</u>	<u>\$34,859,582</u>
\$ -	\$ 1,269,123	\$ 8,935,301
-	108,353	3,130,523
-	32,805	853,755
-	264,775	3,092,889
-	4,518,431	5,472,392
-	107,914	2,101,725
-	240,518	6,437,190
3,363,870	-	3,363,870
956,803	-	956,803
62,470	-	62,470
<u>\$ 4,383,143</u>	<u>\$ 6,541,919</u>	<u>\$34,406,918</u>
\$ (1,350,187)	\$ 2,375,278	\$ 452,664
\$ 2,144,077	\$ -	\$ 2,144,077
(1,994,077)	-	(1,994,077)
451,000	-	1,400,000
(12,980)	-	(12,980)
874,703	450,735	2,828,522
-	(1,997,453)	(2,663,522)
<u>\$ 1,462,723</u>	<u>\$ (1,546,718)</u>	<u>\$ 1,702,020</u>
\$ 112,536	\$ 828,560	\$ 2,154,684
(121,160)	10,974,079	19,768,128
<u><u>\$ (8,624)</u></u>	<u><u>\$11,802,639</u></u>	<u><u>\$21,922,812</u></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, 2012

Net change in fund balances—total governmental funds \$2,154,684

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. (396,442)

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	\$14,417,257	
Depreciation expense	<u>(5,524,461)</u>	8,892,796

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	\$5,357,947	
Issuance of debt	(3,531,097)	
Accrued interest	(26,772)	
Amortization of bond discount	(2,983)	
Other post-employment benefits	<u>(127,178)</u>	(1,669,917)

Internal service funds net change (460,519)

Change in net assets—governmental activities \$8,520,602

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, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES:			
Property tax	\$ 8,029,248	\$ 8,029,248	\$ 8,028,152
Other tax	3,136,447	3,136,447	3,585,743
Licenses and permits	584,725	584,725	598,403
Intergovernmental	2,947,989	4,922,833	4,366,738
Charges for service	1,094,759	1,105,259	746,445
Fines and forfeitures	-	-	83,949
Use of money and property	207,741	207,741	323,614
Special assessments	-	-	5,733
Miscellaneous	277,268	277,268	540,841
Refunds	-	-	8,428
Total revenues	<u>\$16,278,177</u>	<u>\$18,263,521</u>	<u>\$18,288,046</u>
EXPENDITURES:			
Current:			
Public safety	\$ 7,744,051	\$ 7,924,051	\$ 7,666,179
Public works	995,387	995,387	952,424
Health & social services	644,597	893,616	820,950
Culture & recreation	2,715,849	2,994,349	2,828,114
Community & economic development	1,129,439	1,129,439	953,961
General government	2,161,602	2,316,402	1,993,811
Capital projects	3,248,074	4,964,699	3,416,549
Total expenditures	<u>\$18,638,999</u>	<u>\$21,217,943</u>	<u>\$18,631,988</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,360,822)</u>	<u>\$ (2,954,422)</u>	<u>\$ (343,942)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 998,853	\$ 1,006,453	\$ 118,000
Transfers in	1,298,921	1,298,921	404,084
Transfers out	<u>(298,920)</u>	<u>(298,920)</u>	<u>(247,171)</u>
Total other financing sources (uses)	<u>\$ 1,998,854</u>	<u>\$ 2,006,454</u>	<u>\$ 274,913</u>
Net change in fund balance	\$ (361,968)	\$ (947,968)	\$ (69,029)
Fund balance beginning of year	<u>-</u>	<u>-</u>	<u>7,056,782</u>
Fund balance end of year	<u>\$ (361,968)</u>	<u>\$ (947,968)</u>	<u>\$ 6,987,753</u>

See Notes to Financial Statements.

**Variance with
Amended Budget
Positive
(Negative)**

\$	(1,096)
	449,296
	13,678
	(556,095)
	(358,814)
	83,949
	115,873
	5,733
	263,573
	8,428
\$	<u>24,525</u>

\$	257,872
	42,963
	72,666
	166,235
	175,478
	322,591
	<u>1,548,150</u>
\$	<u>2,585,955</u>

\$ 2,610,480

\$	(888,453)
	(894,837)
	<u>51,749</u>

\$ (1,731,541)

\$ 878,939

7,056,782

\$ 7,935,721

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, 2012

	Original Budget	Amended Budget	Actual
REVENUES:			
Intergovernmental:			
Road use tax allocation	\$ 4,281,758	\$ 4,392,258	\$4,613,560
Charges for service	-	-	(186)
Use of money and property	-	-	478
Special assessments	-	-	563
Miscellaneous	45,000	45,000	-
Refund	-	-	6,968
Total revenues	\$ 4,326,758	\$ 4,437,258	\$4,621,383
EXPENDITURES:			
Current:			
Public works:			
Personal services	\$ 1,169,588	\$ 1,169,588	\$1,120,496
Contractual	542,972	542,972	482,881
Commodities	449,462	467,462	466,369
Other	-	399,000	-
Total public works	\$ 2,162,022	\$ 2,579,022	\$2,069,746
Capital projects	4,392,944	4,503,444	2,780,123
Total expenditures	\$ 6,554,966	\$ 7,082,466	\$4,849,869
Excess (deficiency) of revenues over (under) expenditures	\$ (2,228,208)	\$ (2,645,208)	\$ (228,486)
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 831,120	\$ 1,230,120	\$ 831,000
Transfers in	1,099,000	1,099,000	1,099,000
Transfers out	(20,000)	(20,000)	(418,897)
Total other financing sources (uses)	\$ 1,910,120	\$ 2,309,120	\$1,511,103
Net change in fund balance	\$ (318,088)	\$ (336,088)	\$1,282,617
Fund balance beginning of year	-	-	1,858,427
Fund balance end of year	\$ (318,088)	\$ (336,088)	\$3,141,044

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ 221,302
 (186)
 478
 563
 (45,000)
 6,968

 \$ 184,125

\$ 49,092
 60,091
 1,093
 399,000

 \$ 509,276
 1,723,321

 \$ 2,232,597

\$ 2,416,722

\$ (399,120)
 -

 (398,897)

\$ (798,017)

\$ 1,618,705

1,858,427

\$ 3,477,132

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2012

	<u>Waterworks</u>	<u>Sewer Rental</u>
ASSETS:		
Current assets:		
Cash	\$ -	\$ 303,555
Investments (at cost)	1,850,116	650,000
Receivables:		
Property taxes	-	-
Special assessments - current	-	21,554
Special assessments - deferred	-	969
Accounts (net)	684,043	487,159
Accrued interest	583	759
Inventory	298,869	71,692
Due from other funds	75,192	551,036
Due from state government	264,217	576,604
Prepaid insurance	16,399	25,374
Total current assets	<u>\$ 3,189,419</u>	<u>\$ 2,688,702</u>
Noncurrent assets:		
Restricted assets:		
Cash	\$ 1,308,919	\$ 203,728
Investments	500,000	850,000
Accrued interest	307	175
Total restricted assets	<u>\$ 1,809,226</u>	<u>\$ 1,053,903</u>
Property, plant and equipment:		
Land	\$ 167,220	\$ 316,209
Buildings	15,462,979	-
Equipment	915,810	908,457
Distribution system	31,471,273	-
Meters	1,237,006	-
Plant and improvements	-	32,165,719
Sewer lines and lifts	-	16,118,699
Improvements	-	-
Vehicles	475,884	905,368
Construction in progress	365,866	1,945,868
Total property, plant and equipment	<u>\$50,096,038</u>	<u>\$52,360,320</u>
Less accumulated depreciation	(15,627,808)	(19,721,196)
Net property, plant and equipment	<u>\$34,468,230</u>	<u>\$32,639,124</u>
Total noncurrent assets	<u>\$36,277,456</u>	<u>\$33,693,027</u>
Total assets	<u>\$39,466,875</u>	<u>\$36,381,729</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 575,434	\$ 878,989	\$ 695,212
750,050	3,250,166	629,029
121,270	121,270	722,382
-	21,554	-
-	969	-
816,308	1,987,510	-
298	1,640	635
58,285	428,846	-
107,946	734,174	23,236
4,940	845,761	-
5,621	47,394	141
<u>\$ 2,440,152</u>	<u>\$ 8,318,273</u>	<u>\$2,070,635</u>
\$ -	\$ 1,512,647	\$ -
-	1,350,000	-
-	482	-
<u>\$ -</u>	<u>\$ 2,863,129</u>	<u>\$ -</u>
\$ 4,339,933	\$ 4,823,362	\$ -
1,471,560	16,934,539	-
1,174,078	2,998,345	105,098
-	31,471,273	-
-	1,237,006	-
-	32,165,719	-
4,208,080	20,326,779	-
3,065,432	3,065,432	-
1,659,177	3,040,429	85,174
8,217	2,319,951	-
<u>\$15,926,477</u>	<u>\$118,382,835</u>	<u>\$ 190,272</u>
(6,963,990)	(42,312,994)	(153,324)
<u>\$ 8,962,487</u>	<u>\$ 76,069,841</u>	<u>\$ 36,948</u>
\$ 8,962,487	\$ 78,932,970	\$ 36,948
<u>\$11,402,639</u>	<u>\$ 87,251,243</u>	<u>\$2,107,583</u>

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2012

	<u>Waterworks</u>	<u>Sewer Rental</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 81,053	\$ 193,704
Salaries payable	52,942	35,064
Contracts payable	278,749	353,402
Accrued vacation payable	82,644	72,550
Accrued interest payable	36,922	40,350
Due to other funds	559,903	7,830
Due to state government	21,415	-
Due to customers	91,736	-
General obligation bonds	544,240	378,240
General obligation notes	-	-
Revenue bonds	1,038,000	824,000
Prepaid interments	-	-
Unearned revenue	-	969
Total current liabilities	<u>\$ 2,787,604</u>	<u>\$ 1,906,109</u>
Long-term debt:		
General obligation bonds	\$ 2,542,241	\$ 2,536,202
General obligation notes	-	-
Revenue bonds	10,481,000	11,664,000
Unamortized bond discount	(59,915)	(126,067)
Net OPEB obligation	55,354	34,761
Total long-term debt	<u>\$13,018,680</u>	<u>\$14,108,896</u>
Total liabilities	<u>\$15,806,284</u>	<u>\$16,015,005</u>
Net assets:		
Invested in capital assets, net of related debt	\$19,922,664	\$17,362,749
Restricted for:		
Bond retirement	1,809,226	1,053,903
Unrestricted	<u>1,928,701</u>	<u>1,950,072</u>
Total net assets	<u>\$23,660,591</u>	<u>\$20,366,724</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>
\$ 92,260	\$ 367,017	\$ 548,740
91,057	179,063	6,161
-	632,151	-
150,025	305,219	7,226
880	78,152	-
109,382	677,115	6
2,290	23,705	-
-	91,736	-
100,000	1,022,480	-
82,035	82,035	-
-	1,862,000	-
42,579	42,579	-
120,139	121,108	736,775
<u>\$ 790,647</u>	<u>\$ 5,484,360</u>	<u>\$1,298,908</u>
\$ -	\$ 5,078,443	\$ -
123,050	123,050	-
-	22,145,000	-
-	(185,982)	-
73,728	163,843	-
<u>\$ 196,778</u>	<u>\$27,324,354</u>	<u>\$ -</u>
<u>\$ 987,425</u>	<u>\$32,808,714</u>	<u>\$1,298,908</u>
\$ 8,657,402	\$45,942,815	\$ 36,948
-	2,863,129	-
<u>1,757,812</u>	<u>5,636,585</u>	<u>771,727</u>
<u>\$10,415,214</u>	\$54,442,529	<u>\$ 808,675</u>
	 <u>(1,630,976)</u>	
	 <u>\$52,811,553</u>	

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Waterworks</u>	<u>Sewer Rental</u>
Operating revenues:		
Charges for service	\$ 5,388,341	\$ 4,386,606
Health insurance contributions	-	-
Total operating revenues	<u>\$ 5,388,341</u>	<u>\$ 4,386,606</u>
Operating expenses:		
Business type activities:		
Personal service	\$ 1,516,033	\$ 1,089,534
Contractual	837,221	559,480
Commodities	782,770	244,750
Other	28,884	60,346
Depreciation	1,363,846	1,264,268
Amortization	10,240	2,084
Total operating expenses	<u>\$ 4,538,994</u>	<u>\$ 3,220,462</u>
Operating income (loss)	<u>\$ 849,347</u>	<u>\$ 1,166,144</u>
Nonoperating revenues (expenses):		
Property taxes	\$ -	\$ -
Intergovernmental	-	37,354
Fines and forfeitures	-	-
Use of money and property	45,124	7,395
Special assessments	-	969
Miscellaneous	43,433	10,623
Interest	(508,115)	(531,736)
Loss on disposal of assets	(297)	-
Total nonoperating revenue (expense)	<u>\$ (419,855)</u>	<u>\$ (475,395)</u>
Income (loss) before contributions and transfers	<u>\$ 429,492</u>	<u>\$ 690,749</u>
Contributions and transfers:		
Transfers in	\$ -	\$ -
Transfers out	(60,000)	(60,000)
Capital contributions	136,261	3,864,033
Total contributions and transfers	<u>\$ 76,261</u>	<u>\$ 3,804,033</u>
Change in net assets	<u>\$ 505,753</u>	<u>\$ 4,494,782</u>
Net assets beginning of year (as restated)	<u>23,154,838</u>	<u>15,871,942</u>
Net assets end of year	<u>\$23,660,591</u>	<u>\$20,366,724</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>
\$ 3,787,603	\$13,562,550	\$ 287,828
-	-	2,462,012
<u>\$ 3,787,603</u>	<u>\$13,562,550</u>	<u>\$2,749,840</u>
\$ 2,500,179	\$ 5,105,746	\$3,654,069
513,395	1,910,096	15,636
367,053	1,394,573	25,298
4,060	93,290	-
508,979	3,137,093	14,215
-	12,324	-
<u>\$ 3,893,666</u>	<u>\$11,653,122</u>	<u>\$3,709,218</u>
\$ (106,063)	\$ 1,909,428	\$ (959,378)
\$ 114,460	\$ 114,460	\$ 764,733
816	38,170	-
43,006	43,006	-
59,521	112,040	35,812
542	1,511	-
53,159	107,215	-
(15,715)	(1,055,566)	-
(14,311)	(14,608)	-
<u>\$ 241,478</u>	<u>\$ (653,772)</u>	<u>\$ 800,545</u>
\$ 135,415	\$ 1,255,656	\$ (158,833)
\$ 25,000	\$ 25,000	\$ -
(70,000)	(190,000)	-
30,340	4,030,634	-
<u>\$ (14,660)</u>	<u>\$ 3,865,634</u>	<u>\$ -</u>
\$ 120,755	\$ 5,121,290	\$ (158,833)
<u>10,294,459</u>		<u>967,508</u>
<u>\$10,415,214</u>		<u>\$ 808,675</u>
	(301,686)	
	<u>\$ 4,819,604</u>	

**CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2012**

	<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	5,558,598	4,360,518
Cash paid to employees for services	(1,525,779)	(1,103,486)
Cash paid to other suppliers of goods or services	(2,020,345)	(821,949)
Cash paid for health and life insurance	-	-
Rent received from operating assets	39,494	-
Proceeds from miscellaneous items	43,433	11,592
Net cash provided (used) by operating activities	<u>\$ 2,095,401</u>	<u>\$ 2,446,675</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ -	\$ -
Transfers in	-	-
Transfers out	(60,000)	(60,000)
Intergovernmental proceeds	-	282,329
Advance from (to) other funds	551,036	(551,036)
Advance repayment from (to) other funds	538,813	-
Net cash provided (used) by non-capital financing activities	<u>\$ 1,029,849</u>	<u>\$ (328,707)</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (809,658)	\$ (4,556,723)
Proceeds from sale of capital assets	-	-
Principal payments	(1,792,482)	(1,627,127)
Interest payments	(512,881)	(535,729)
Proceeds from issuance of bonds	451,482	354,442
Capital contributions	24,982	3,577,504
Net cash provided (used) for capital and related financing activities	<u>\$ (2,638,557)</u>	<u>\$ (2,787,633)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ 5,075,000	\$ 4,750,000
Purchase of investments	(5,450,000)	(4,275,000)
Interest received	5,343	7,371
Rent received on investment property	-	-
Net cash provided (used) by investing activities	<u>\$ (369,657)</u>	<u>\$ 482,371</u>
Net increase (decrease) in cash	\$ 117,036	\$ (187,294)
Cash beginning of year	<u>1,191,883</u>	<u>694,577</u>
Cash end of year	<u>\$ 1,308,919</u>	<u>\$ 507,283</u>
Noncash capital, investing and financing activities:		
Capital contributions	<u>\$ 111,279</u>	<u>\$ 286,529</u>
Increase in fair value of investments	<u>\$ -</u>	<u>\$ -</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ -	\$ -	\$ 2,330,524
-	-	421,099
3,768,657	13,687,773	-
(2,510,996)	(5,140,261)	(184,203)
(962,480)	(3,804,774)	(74,630)
-	-	(3,655,691)
-	39,494	-
<u>97,523</u>	<u>152,548</u>	<u>-</u>
<u>\$ 392,704</u>	<u>\$ 4,934,780</u>	<u>\$ (1,162,901)</u>
\$ 114,834	\$ 114,834	\$ 767,333
25,000	25,000	-
(70,000)	(190,000)	-
-	282,329	-
(1,420)	(1,420)	-
<u>31,188</u>	<u>570,001</u>	<u>-</u>
<u>\$ 99,602</u>	<u>\$ 800,744</u>	<u>\$ 767,333</u>
\$ (212,648)	\$ (5,579,029)	\$ -
800	800	-
(177,802)	(3,597,411)	-
(16,254)	(1,064,864)	-
-	805,924	-
<u>-</u>	<u>3,602,486</u>	<u>-</u>
<u>\$ (405,904)</u>	<u>\$ (5,832,094)</u>	<u>\$ -</u>
\$1,550,000	\$11,375,000	\$ 1,300,000
(1,525,000)	(11,250,000)	(900,000)
24,880	37,594	13,644
<u>23,991</u>	<u>23,991</u>	<u>-</u>
<u>\$ 73,871</u>	<u>\$ 186,585</u>	<u>\$ 413,644</u>
\$ 160,273	\$ 90,015	\$ 18,076
<u>415,161</u>	<u>2,301,621</u>	<u>677,136</u>
<u>\$ 575,434</u>	<u>\$ 2,391,636</u>	<u>\$ 695,212</u>
<u>\$ 30,340</u>	<u>\$ 428,148</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,853</u>

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2012

	<u>Waterworks</u>	<u>Sewer Rental</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 849,347	\$1,166,144
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization expense	1,374,086	1,266,352
Rental income	39,494	-
Miscellaneous income	43,433	11,592
Change in assets and liabilities:		
(Increase) decrease in receivables	(73,392)	16,387
(Increase) decrease in inventory	(7,811)	(43,998)
(Increase) decrease in due from other funds	3,459	-
(Increase) decrease in prepaid insurance	-	10,976
Increase (decrease) in accounts and contracts payable	(107,003)	26,445
Increase (decrease) in salaries payable	(18,841)	(13,614)
Increase (decrease) in accrued compensated absences	(2,584)	(7,539)
Increase (decrease) in due to other funds	(11,289)	5,742
Increase (decrease) in due to state government	(5,824)	-
Increase (decrease) in due to customers	(194)	-
Increase (decrease) in prepaid interments	-	-
Increase (decrease) in unearned revenue	-	(969)
Increase (decrease) in net OPEB obligation	12,520	9,157
	<u>\$2,095,401</u>	<u>\$2,446,675</u>
Net cash provided (used) by operating activities		

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ (106,063)	\$1,909,428	\$ (959,378)
508,979	3,149,417	14,215
-	39,494	-
97,523	152,548	-
(60,400)	(117,405)	-
(21,772)	(73,581)	-
-	3,459	(461)
(522)	10,454	-
(19,689)	(100,247)	(181,176)
(32,231)	(64,686)	(2,184)
15,816	5,693	(1,668)
(4,022)	(9,569)	(33,660)
(1,082)	(6,906)	-
-	(194)	-
(4,575)	(4,575)	-
(825)	(1,794)	1,411
21,567	43,244	-
<u>\$ 392,704</u>	<u>\$4,934,780</u>	<u>\$ (1,162,901)</u>

CITY OF MASON CITY, IOWA
FIDUCIARY FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

	<u>Firemen's Pension</u>
ASSETS:	
Cash	\$ 5,055
Receivables:	
Property taxes	<u>7,266</u>
Total assets	<u>\$12,321</u>
LIABILITIES:	
Deferred revenue	<u>7,200</u>
NET ASSETS:	
Held in trust for pension benefits	<u><u>\$ 5,121</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, 2012

	<u>Firemen's Pension</u>
ADDITIONS:	
Use of money and property	\$6,897
DEDUCTIONS:	
Public safety:	
Benefits paid	<u>6,697</u>
Change in net assets	\$ 200
Net assets beginning of year	<u>4,921</u>
Net assets end of year	<u><u>\$5,121</u></u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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, 2012

(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.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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, 2012

(2) Summary of Significant Accounting Policies - continued

Road Use Tax Fund

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

Debt Service Fund

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

The City reports the following major proprietary funds:

Water Fund

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

Sanitary Sewer Fund

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

Additionally, the City reports the following fund types:

The City's Internal Service Funds account for costs in vehicle maintenance, electrical repairs and health insurance. The central services fund is used to account for (1) maintenance and repair costs related to City vehicles and equipment and (2) costs for electrical maintenance repair for all City facilities and traffic maintenance. The health insurance fund is used to account for health insurance premiums and claims for all City employees.

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

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

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.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(2) Summary of Significant Accounting Policies - continued

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

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

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are user fees and charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(2) Summary of Significant Accounting Policies - continued

(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. \$6,004 and \$7,372 of investment income for the years ended June 30, 2012 and 2011, respectively, were recorded in this manner.

Receivables and Payables

Accounts receivable as of June 30, 2012, in proprietary and governmental funds is reported net of allowance for doubtful accounts in the amounts of \$865,886 and \$165,267, respectively.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(2) Summary of Significant Accounting Policies - continued

Property taxes levied by the Cerro Gordo County Auditor for the year ended June 30, 2012, were due by July 1, 2011, with the first half installment being delinquent after September 30, 2011, and the second half installment being delinquent after March 31, 2012. 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 2012 levy certified on March 15, 2012, based on 2011 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2013, the revenue has been recorded as unearned revenue.

Inventories and Prepaid Items

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

Restricted Assets

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(2) Summary of Significant Accounting Policies - continued

Compensated Absences

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

Long-Term Obligations

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

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.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(2) Summary of Significant Accounting Policies - continued

(D) Budgetary control, compliance and appropriation data

The City prepares and adopts an annual program budget, as prescribed by the Code of Iowa, for all funds except Westside TIF, 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:

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

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

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

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

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

**CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

(2) Summary of Significant Accounting Policies - continued

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2012 budget:

	Original Certified Budget	Budget Amendment	Final Certified Budget	Actual Expenditures
Public Safety	\$ 9,308,982	\$ 180,000	\$ 9,488,982	\$ 8,935,301
Public Works	3,209,341	2,272,850	5,482,191	3,130,523
Health and Social Services	684,474	249,019	933,493	853,755
Culture and Recreation	3,347,510	354,375	3,701,885	3,092,889
Community and Economic Development	19,555,683	59,650	19,615,333	5,472,392
General Government	5,048,594	610,300	5,658,894	2,101,725
Debt Service	5,186,539	387,000	5,573,539	4,383,143
Capital Projects	7,740,446	-	7,740,446	6,437,190
Business-Type	18,319,659	235,300	18,554,959	12,723,296
Total	<u>\$72,401,228</u>	<u>\$4,348,494</u>	<u>\$76,749,722</u>	<u>\$47,130,214</u>

The fiscal year 2012 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, 2012 unbilled utility receivables for the Waterworks, Sewer Rental, Storm Sewer and Solid Waste Funds were included in accounts receivable and totaled approximately \$420,703, \$345,144, \$20,566 and \$79,799, respectively.

(3) Cash and Investments

The City's deposits at June 30, 2012 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 \$875,923 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, 2012**

(3) Cash and Investments - continued

The carrying amount and fair value of the City's investments at June 30, 2012 are as follows:

	<u>Fair Value</u>
U.S. Government securities	\$ 6,537,788
Equity securities	280,599
	<u>\$ 6,818,387</u>
Deposits classified as investments:	
Iowa Public Agency Investment Trust	875,923
Nonnegotiable certificates of deposit	15,749,596
Total	<u>\$23,443,906</u>
Less: Restricted investments	<u>(1,871,609)</u>
Total unrestricted investments per balance sheet	<u>\$21,572,297</u>

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

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

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

(4) Interfund Receivable and Payable Balances

Interfund balances at June 30, 2012 consisted of the following amounts:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental:		
General	\$2,026,893	\$ 682,491
Road use tax	222,629	32,788
Debt service	14,114	759,970
Nonmajor funds	181,023	1,049,699
Internal Service funds	23,236	6
Total governmental	<u>\$2,467,895</u>	<u>\$2,524,954</u>
Business-Type:		
Waterworks	\$ 75,192	\$ 559,903
Sewer rental	551,036	7,830
Nonmajor funds	107,946	109,382
Total business-type	<u>\$ 734,174</u>	<u>\$ 677,115</u>
Total due to/from other funds	<u>\$3,202,069</u>	<u>\$3,202,069</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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 \$2,846,873. 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, 2012 were:

Fund	Transfers In	Transfers Out
Governmental:		
General	\$ 404,084	\$ 247,172
Road use tax	1,099,000	418,897
Debt service	874,703	-
Nonmajor funds	450,735	1,997,453
Total governmental	<u>\$2,828,522</u>	<u>\$2,663,522</u>
Business-Type:		
Waterworks	\$ -	\$ 60,000
Sewer rental	-	60,000
Nonmajor funds	25,000	70,000
Total business-type	<u>\$ 25,000</u>	<u>\$ 190,000</u>
Total transfers	<u>\$2,853,522</u>	<u>\$2,853,522</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 four prior years, the City has accepted various customer-developed subdivisions within the City boundaries. Upon acceptance, the underlying utility and infrastructure assets were conveyed to the City. The City omitted recording these assets in the City's books. As a result, the waterworks fund, sewer rental fund, storm sewer fund and governmental activities' beginning net assets have been restated as follows:

	Waterworks	Sewer Rental	Storm Sewer	Governmental Activities
Net assets, July 1, 2011	\$22,857,086	\$15,546,971	\$2,673,306	\$99,123,680
Adjustment (net of depreciation)	297,753	324,971	188,468	753,630
Net assets, July 1, 2011 (as restated)	<u>\$23,154,839</u>	<u>\$15,871,942</u>	<u>\$2,861,774</u>	<u>\$99,877,310</u>

**CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

(7) Capital Assets

Capital asset activity for the year ended June 30, 2012 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>28,627,872</u>	<u>8,832,136</u>	<u>16,936,648</u>	<u>20,523,360</u>
Total capital assets, not being depreciated	<u>\$ 31,262,228</u>	<u>\$ 8,832,136</u>	<u>\$16,936,648</u>	<u>\$ 23,157,716</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 9,943,292	\$10,444,985	\$ -	\$ 20,388,277
Improvements other than buildings	26,490,510	163,369	8,388	26,645,491
Machinery and equipment	5,776,768	273,955	35,822	6,014,901
Vehicles	7,720,734	385,473	352,232	7,753,975
Infrastructure (as restated)	<u>73,150,858</u>	<u>6,886,391</u>	<u>-</u>	<u>80,037,249</u>
Total capital assets being depreciated	<u>\$123,082,162</u>	<u>\$18,154,173</u>	<u>\$ 396,442</u>	<u>\$140,839,893</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 6,093,208	\$ 588,191	\$ -	\$ 6,681,399
Improvements other than buildings	7,643,930	1,167,228	8,388	8,802,770
Machinery and equipment	3,496,906	469,713	29,750	3,936,869
Vehicles	5,422,812	534,207	341,091	5,615,928
Infrastructure (as restated)	<u>26,732,238</u>	<u>2,779,336</u>	<u>-</u>	<u>29,511,574</u>
Total accumulated Depreciation	<u>\$ 49,389,094</u>	<u>\$ 5,538,675</u>	<u>\$ 379,229</u>	<u>\$ 54,548,540</u>
Total capital assets, being depreciated, net	<u>\$ 73,693,068</u>	<u>\$12,615,498</u>	<u>\$ 17,213</u>	<u>\$ 86,291,353</u>
Governmental activities capital assets, net	<u>\$104,955,296</u>	<u>\$21,447,634</u>	<u>\$16,953,861</u>	<u>\$109,449,069</u>

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

Governmental activities:	
Public safety	\$ 433,275
Public works	4,042,169
Health and social services	22,000
Culture and recreation	878,829
Community and economic development	88,713
General government	59,475
Internal service funds depreciation is charged to various functions based on their usage of assets	<u>14,214</u>
Total depreciation expense—governmental activities	<u>\$5,538,675</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(7) **Capital Assets** - continued

Business-type Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 4,823,362	\$ -	\$ -	\$ 4,823,362
Construction in progress	<u>3,399,964</u>	<u>5,674,461</u>	<u>6,754,474</u>	<u>2,319,951</u>
Total capital assets, not being depreciated	<u>\$ 8,223,326</u>	<u>\$5,674,461</u>	<u>\$6,754,474</u>	<u>\$ 7,143,313</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 16,191,939	\$ 742,600	\$ -	\$ 16,934,539
Improvements other than buildings	3,061,977	3,455	-	3,065,432
Machinery and equipment	2,912,111	109,185	22,951	2,998,345
Vehicles	2,996,793	169,973	126,337	3,040,429
Collection and distribution systems (as restated)	<u>79,068,246</u>	<u>6,168,039</u>	<u>35,508</u>	<u>85,200,777</u>
Total capital assets being depreciated	<u>\$104,231,066</u>	<u>\$7,193,252</u>	<u>\$ 184,796</u>	<u>\$111,239,522</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 3,616,146	\$ 387,931	\$ -	\$ 4,004,077
Improvements other than buildings	2,873,528	26,069	-	2,899,597
Machinery and equipment	1,844,651	234,198	22,653	2,056,196
Vehicles	1,637,656	248,939	111,228	1,775,367
Collection and distribution systems (as restated)	<u>29,373,309</u>	<u>2,239,956</u>	<u>35,508</u>	<u>31,577,757</u>
Total accumulated depreciation	<u>\$ 39,345,290</u>	<u>\$3,137,093</u>	<u>\$ 169,389</u>	<u>\$ 42,312,994</u>
Total capital assets, being depreciated, net	<u>\$ 64,885,776</u>	<u>\$4,056,159</u>	<u>\$ 15,407</u>	<u>\$ 68,926,528</u>
Business-type activities capital assets, net	<u>\$ 73,109,102</u>	<u>\$9,730,620</u>	<u>\$6,769,881</u>	<u>\$ 76,069,841</u>

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

Business-type activities:	
Water works	\$1,363,846
Sewer rental	1,264,268
Other business-type funds	<u>508,979</u>
Total depreciation expense—business-type activities	<u>\$3,137,093</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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 5.38% of their annual salary and the City is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 was \$649,477, \$540,431, and \$509,918 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, 2012, members contributed 9.4% of regular earnable compensation and the City contributed 24.76% of earnable compensation. The City's contribution to MFPRSI for the years ended June 30, 2012, 2011 and 2010 was \$1,234,743, \$1,032,595, and \$830,029 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, 2012, there is one individual receiving benefits in the fire plan.

**CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

(8) Pension and Retirement Systems - continued

A summary of financial information relating to the plan as of June 30, 2012 is as follows:

	<u>Fire</u>
Cash and investments	\$5,055
Fund equity	5,121
Pensions paid	6,697

(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

<u>Fiscal Year</u>	<u>Revenues</u>			<u>Expenses</u>
	<u>Investment Income</u>	<u>Property Taxes</u>	<u>Totals</u>	<u>Benefits</u>
2012	\$ -	\$ 6,897	\$ 6,897	\$ 6,697
2011	7	-	7	6,576
2010	76	-	76	6,457
2009	26	25,170	25,196	9,424
2008	-	15,370	15,370	12,147
2007	210	-	210	11,745
2006	391	-	391	11,432
2005	-	-	-	11,127
2004	64	3,696	3,760	10,832
2003	723	-	723	10,546

(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, 2012

(10) Long-Term Debt

Long-term debt of the City is as follows:

	<u>Governmental</u>	<u>Business-Type</u>
3.50% to 3.60% Essential Corporate Purpose bond payable, issued 11/1/05	\$ 350,000	\$ 980,000
3.75% to 3.90% Taxable General Obligation bond payable, issued 9/1/06	1,580,000	-
3.85% to 4.15% Taxable General Obligation bond payable, issued 9/4/07	775,000	2,090,000
3.50% to 4.10% General Obligation bond payable, issued 7/1/08	1,700,000	435,000
3.50% to 4.35% General Obligation bond payable, issued 7/1/08	2,285,000	100,000
2.375% to 4.375% Taxable General Obligation bond payable, issued 7/1/09	8,365,000	745,000
1.50% to 2.90% General Obligation bond payable, issued 8/1/10	1,630,000	945,000
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	120,000	-
0.45% to 1.85% General Obligation bond payable, issued 8/31/11	2,144,077	805,923
0.50% to 2.80% General Obligation bond payable, issued 8/31/11	1,275,000	-
2.95% General Obligation Capital Loan note payable, issued 5/1/08	150,000	-
4.125% General Obligation Capital Loan note payable, issued 5/5/04	-	103,085
2.74% Taxable General Obligation Capital Loan note payable, issued 4/20/10	-	102,000
5.00% to 5.60% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 4/01/03	1,005,000	-
5.00% Taxable Urban Renewal Tax Increment Revenue bond payable, issued 7/3/03	44,774	-
3.00% Water Revenue Capital Loan note payable, issued 2/26/03, callable 6/01/13 at par	-	9,524,085
4.00% Water Revenue bond payable, issued 9/1/06	-	1,065,000
4.12% to 4.35% Water Revenue bond payable, issued 9/1/07	-	870,000
3.90% Sewer Revenue bond payable, issued 9/1/06	-	950,000
3.00% Sewer Revenue bond payable, issued 8/15/08	-	11,411,933
Totals	<u>\$25,053,851</u>	<u>\$30,127,026</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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 \$30,310,085 of general obligation bonds outstanding as of June 30, 2012. Unmatured general obligation bonds to be paid by governmental funds totaled \$24,004,077. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled \$6,306,008.

During the year ended June 30, 2012, the City issued \$4,350,000 of general obligation bonds. These bonds were used to refund previous bond issues and construction, reconstruction and repair of various public works, parks and utility-related improvements.

General Obligation Debt Refunding

The City issued, on August 31, 2011, \$2,950,000 of general obligation refunding bonds to advance refund the remaining \$1,235,000 of general obligation bonds, dated October 1, 2002, and \$1,565,000 of general obligation bonds, dated October 1, 2004. \$2,800,000 of the proceeds were deposited with an escrow agent to purchase United States Treasury notes. Under the terms of the escrow agreement, the escrow fund was irrevocably pledged to the payment of the principal of the refunded bonds on the June 1, 2012 call date. Since this refunding took place within the fiscal year, the reacquisition price equaled the net carrying amount of the old debt.

The refunding decreased the City's aggregate debt service payments to maturity by \$184,456, resulting in an economic gain (difference between present values of the debt service payments on the old and new debt) of \$179,592.

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 \$23,821,018 of revenue bonds outstanding as of June 30, 2012, 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 \$2,424,150. The City has reserved \$2,863,129 as of June 30, 2012. The combined principal and interest paid for the current year and total customer net revenues were \$2,602,600 and \$4,800,827, 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, 2012, there were \$1,049,774 of tax increment financing bonds outstanding.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(10) Long-Term Debt - continued

Long-term liability activity for the year ended June 30, 2012, was as follows:

	July 1, 2011	New Issues	Payments	June 30, 2012	Due Within One Year
General obligation:					
Governmental	\$25,634,320	\$3,544,079	\$5,174,322	\$24,004,077	\$3,152,402
Business-type activities:					
Water	3,566,395	451,480	931,394	3,086,481	544,240
Sewer	3,284,285	354,441	724,284	2,914,442	378,240
Ambulance	282,887	-	77,802	205,085	82,035
Storm sewer	200,000	-	100,000	100,000	100,000
Revenue:					
Governmental tax increment financing	1,233,400	-	183,626	1,049,774	189,774
Business-type:					
Water	12,449,845	10,240	1,001,000	11,459,085	1,038,000
Sewer	13,152,849	2,084	793,000	12,361,933	824,000
Total	<u>\$59,803,981</u>	<u>\$4,362,324</u>	<u>\$8,985,428</u>	<u>\$55,180,877</u>	<u>\$6,308,691</u>

At June 30, 2012, 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>\$1,638,389,295</u>
Debt limit - 5% of total valuation	\$81,919,465
Debt applicable to debt limit:	
General obligation bonded debt outstanding	31,154,774
Legal debt margin	<u>\$50,764,691</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
2013	\$ 3,152,402	\$ 740,342	\$1,104,515	\$193,695	\$ 4,256,917	\$ 934,037
2014	2,714,646	673,958	1,042,691	166,658	3,757,337	840,616
2015	2,752,029	607,778	1,033,802	142,469	3,785,831	750,427
2016	2,450,000	538,103	740,000	115,039	3,190,000	653,142
2017	2,435,000	466,980	380,000	89,481	2,815,000	556,461
2018-2022	6,965,000	1,328,065	1,775,000	234,142	8,740,000	1,562,207
2023-2027	2,405,000	555,934	230,000	9,522	2,635,000	565,456
2028-2032	1,130,000	74,125	-	-	1,130,000	74,125
	<u>\$24,004,077</u>	<u>\$4,985,285</u>	<u>\$6,306,008</u>	<u>\$951,006</u>	<u>\$30,310,085</u>	<u>\$5,936,471</u>

June 30,	Governmental Revenue Obligation		Business-type Activities Revenue Obligation		Revenue Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 189,774	\$ 55,932	\$ 1,862,000	\$ 749,420	\$ 2,051,774	\$ 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	180,000	20,540	1,777,000	503,430	1,957,000	523,970
2018-2022	190,000	10,640	8,210,000	1,714,700	8,400,000	1,725,340
2023-2027	-	-	4,820,000	636,480	4,820,000	636,480
2028-2032	-	-	1,705,000	77,130	1,705,000	77,130
	<u>\$1,049,774</u>	<u>\$201,504</u>	<u>\$24,007,000</u>	<u>\$5,551,395</u>	<u>\$25,056,774</u>	<u>\$5,752,899</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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, 2012, 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 and First Administration, Inc. The City is responsible for individual participant coverage of up to \$100,000 of claims annually. Individual claims in excess of \$100,000 and aggregate group claims in excess of approximately \$2,891,072 for the year ended June 30, 2012 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, 2012

(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, 2012 is \$543,200 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2012 is as follows:

	Beginning of fiscal year <u>liability</u>	Current year claims and changes <u>in estimates</u>	Claim <u>payments</u>	End of fiscal year <u>liability</u>
Current year	\$708,702	\$3,508,273	\$3,669,075	\$547,900
Prior year	653,818	2,585,029	2,530,145	708,702

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:	
South Eisenhower TIF	\$23,949
Gateway TIF	16,102
FMA Voluntary Acquisition	50,411
Softball Improvement Trust	8,281
CEBA	355
Debt Service Fund	8,624
Capital Projects Fund:	
19 th Street SW Overpass	37,063

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

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

**CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

(14) Termination Benefits

As of June 30, 2012, the City had two 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 2012, the City contributed \$38,349 and retirees receiving benefits contributed \$215,043 through their required contributions.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. Fiscal year 2011 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, 2012**

(15) Other Postemployment Benefits - continued

Annual required contribution	\$207,973
Interest on net OPEB obligation	4,535
Adjustment to annual required contribution	<u>(13,738)</u>
Annual OPEB cost/expense	\$198,770
Contributions and payments made	<u>(38,349)</u>
Increase in net OPEB obligation	\$160,421
Net OPEB obligation July 1, 2011	<u>383,732</u>
Net OPEB obligation June 30, 2012	<u>\$544,153</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 2012:

<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, 2012	\$198,770	19.2%	\$544,153

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and unfunded actuarial accrued liability (UAAL) for benefits was \$1,463,752. 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 \$14,275,269, and the ratio of the UAAL to the covered payroll was 10.25%.

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, 2011 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, 2012

(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, 2012, the following construction and purchase commitments had been made:

	<u>Total Contracts</u>	<u>Costs Incurred</u>
Storm sewer projects	\$ 7,451,919	\$ 5,198,056
Street projects	3,128,192	2,151,108
Sanitary sewer projects	2,890,098	2,541,195
Community & economic development projects	573,247	451,708
Ambulance projects	512,850	-
Police department projects	104,471	-
Cemetery projects	29,990	-
Fire department projects	29,851	-
Other	375,045	98,867
Total	<u>\$15,095,663</u>	<u>\$10,440,934</u>

(17) Related Party Transactions

The City had material business transactions between the City and City officials, totaling \$3,233,432 during the year ended June 30, 2012 of which \$3,092,392 was competitively bid.

(18) Fund Balances

The details for the City's fund balance for the year ended June 30, 2012 are as follows:

	<u>General</u>	<u>Road Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Nonspendable:					
Endowment principal	\$ -	\$ -	\$ -	\$ 633,638	\$ 633,638
Prepaid expenses	151,565	12,549	-	-	164,114
Total nonspendable	<u>\$ 151,565</u>	<u>\$ 12,549</u>	<u>\$ -</u>	<u>\$ 633,638</u>	<u>\$ 797,752</u>
Restricted for:					
Streets and road construction	\$ -	\$3,128,495	\$ -	\$ -	\$ 3,128,495
Employee benefits	-	-	-	6,276,398	6,276,398
Economic development projects	-	-	-	893,822	893,822
Grant qualified projects	-	-	-	14,042	14,042
Street and park improvements	-	-	-	2,050,875	2,050,875
Museum funding	-	-	-	175,775	175,775
Cemetery perpetual care	-	-	-	527,816	527,816
Tort liability	1,295,953	-	-	-	1,295,953
Total restricted	<u>\$1,295,953</u>	<u>\$3,128,495</u>	<u>\$ -</u>	<u>\$9,938,728</u>	<u>\$14,363,176</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(18) Fund Balances - continued

	<u>General</u>	<u>Road Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Assigned for:					
Airport	\$ 374,681	\$ -	\$ -	\$ -	\$ 374,681
Museum	-	-	-	841,125	841,125
Library	-	-	-	489,898	489,898
Youth softball complex	-	-	-	47,140	47,140
Total assigned	<u>\$ 374,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,378,163</u>	<u>\$ 1,752,844</u>
Unassigned	<u>\$5,165,554</u>	<u>\$ -</u>	<u>\$ (8,624)</u>	<u>\$ (147,890)</u>	<u>\$ 5,009,040</u>
Total fund balance	<u>\$6,987,753</u>	<u>\$3,141,044</u>	<u>\$ (8,624)</u>	<u>\$11,802,639</u>	<u>\$21,922,812</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, 2012, disbursements did not exceed the amount budgeted.

(20) Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 28, 2012, the date the financial statements were issued.

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

Street projects	\$1,778,930
Fire department projects	943,454
Water projects	637,060
Solid waste projects	144,162
Community and economic development projects	93,477
Police department projects	72,490
Park and recreation projects	53,868
Other projects	76,225
	<u>\$3,799,666</u>

The City issued \$2,270,000 of general obligation bonds dated August 21, 2012 payable over a ten-year period at interest rates ranging from 0.4% to 1.7%.

The City issued \$890,000 of general obligation refunding bonds dated August 21, 2012 payable over a five-year period at interest rates ranging from 0.5% to 1.4%, 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, 2012:

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. 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. The adoption of this Statement has no effect on the City in the current year.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provision - an amendment to GASB Statement No. 53*. 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 adoption of this Statement has 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. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; issued November 2011, 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. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

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

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

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2012	7/1/2011	\$ -	\$1,445,475	\$1,445,475	0.00%	\$14,275,269	10.13%
2011	7/1/2009	-	988,388	988,388	0.00	13,670,291	7.23
2010	7/1/2009	-	973,974	973,974	0.00	13,410,686	7.26
2009	7/1/2009	-	937,435	937,435	0.00	13,144,648	7.41

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

The information presented in the required supplementary schedule was determined as part of the actuarial valuations as of July 1, 2011.

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

There are no plan assets.

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

The amortization method is open period, level dollar.

**SUPPLEMENTARY
INFORMATION**

GOVERNMENTAL FUNDS

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2012

	<u>HMPG</u> <u>Voluntary</u> <u>Acquisition</u>	<u>FMA</u> <u>Voluntary</u> <u>Acquisition</u>	<u>PDM</u> <u>FEMA</u>
ASSETS:			
Cash	\$ -	\$ -	\$ -
Investments	-	-	-
Receivables:			
Property taxes	-	-	-
Accrued interest	-	-	-
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Accounts receivable (net)	-	-	1,481
Notes	-	-	-
Due from other funds	-	-	-
Due from state government	659,467	108,296	3,224
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u>\$659,467</u>	<u>\$108,296</u>	<u>\$4,705</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ 3,482	\$ 2,224	\$ -
Salaries payable	499	-	-
Contracts payable	3,391	5,834	-
Due to other funds	645,995	150,649	2,040
Due to state government	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>\$653,367</u>	<u>\$158,707</u>	<u>\$2,040</u>
Fund balance:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	6,100	-	2,665
Assigned	-	-	-
Unreserved	-	(50,411)	-
Total fund balance	<u>\$ 6,100</u>	<u>\$ (50,411)</u>	<u>\$2,665</u>
Total liabilities and fund balance	<u>\$659,467</u>	<u>\$108,296</u>	<u>\$4,705</u>

(continued)

<u>Community Growth TIF</u>	<u>Westside TIF</u>	<u>Forest Park TIF</u>	<u>Gateway TIF</u>	<u>South Eisenhower TIF</u>	<u>Police Retirement</u>
\$ 18,421	\$825	\$6,764	\$ 1,230	\$ -	\$ 44,163
800,000	-	-	-	-	3,248,718
10,854	-	-	24,804	179	439,654
379	-	-	-	-	3,603
16,500	-	-	-	-	-
168,500	-	-	-	-	-
-	-	-	-	-	-
10,000	-	-	-	-	-
24,129	-	-	2,040	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$1,048,783</u>	<u>\$825</u>	<u>\$6,764</u>	<u>\$ 28,074</u>	<u>\$ 179</u>	<u>\$3,736,138</u>
\$ -	\$ -	\$ 150	\$ 44,176	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	24,128	13,125
-	-	-	-	-	-
168,500	-	-	-	-	435,000
<u>\$ 168,500</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 44,176</u>	<u>\$ 24,128</u>	<u>\$ 448,125</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
880,283	825	6,614	-	-	3,288,013
-	-	-	-	-	-
-	-	-	(16,102)	(23,949)	-
<u>\$ 880,283</u>	<u>\$825</u>	<u>\$6,614</u>	<u>\$ (16,102)</u>	<u>\$ (23,949)</u>	<u>\$3,288,013</u>
<u>\$1,048,783</u>	<u>\$825</u>	<u>\$6,764</u>	<u>\$ 28,074</u>	<u>\$ 179</u>	<u>\$3,736,138</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2012

	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>
ASSETS:			
Cash	\$ 160,267	\$346,214	\$ 86,166
Investments	2,465,392	-	404,010
Receivables:			
Property taxes	353,850	518,704	-
Accrued interest	2,755	-	385
Special assessments - current	-	-	-
Special assessments - deferred	-	-	-
Accounts receivable (net)	-	-	-
Notes	-	-	-
Due from other funds	13,125	-	-
Due from state government	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u>\$2,995,389</u>	<u>\$864,918</u>	<u>\$490,561</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ -	\$ 11,041	\$ 663
Salaries payable	-	-	-
Contracts payable	-	-	-
Due to other funds	-	-	-
Due to state government	-	-	-
Deferred revenue	350,000	510,881	-
Total liabilities	<u>\$ 350,000</u>	<u>\$521,922</u>	<u>\$ 663</u>
Fund balance:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	2,645,389	342,996	-
Assigned	-	-	489,898
Unassigned	-	-	-
Total fund balance	<u>\$2,645,389</u>	<u>\$342,996</u>	<u>\$489,898</u>
Total liabilities and fund balance	<u>\$2,995,389</u>	<u>\$864,918</u>	<u>\$490,561</u>

(continued)

SCHEDULE 1
(continued)

<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>	<u>19th St SW Overpass</u>	<u>Local Option Capital Improvement</u>	<u>Total Capital Project</u>
\$325,481	\$ 19,925	\$ 1,009,456	\$ -	\$ 45,117	\$ 45,116
515,644	50,000	7,483,764	-	1,800,000	1,800,000
-	-	1,348,045	-	-	-
-	13	7,135	-	796	796
-	-	16,500	-	-	-
-	-	168,500	-	-	-
-	-	1,481	-	-	-
-	-	10,000	-	-	-
-	-	39,294	-	36,875	36,876
-	61,521	832,508	-	176,888	176,888
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$841,125</u>	<u>\$131,459</u>	<u>\$10,916,683</u>	<u>\$ -</u>	<u>\$2,059,676</u>	<u>\$2,059,676</u>
\$ -	\$ 17,366	\$ 79,102	\$ 188	\$ 8,801	\$ 8,990
-	771	1,270	-	-	-
-	499	9,724	-	-	-
-	73,865	909,802	36,875	-	36,874
-	806	806	-	-	-
-	-	1,464,381	-	-	-
<u>\$ -</u>	<u>\$ 93,307</u>	<u>\$ 2,465,085</u>	<u>\$ 37,063</u>	<u>\$ 8,801</u>	<u>\$ 45,864</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	11,377	7,184,262	-	2,050,875	2,050,875
841,125	47,140	1,378,163	-	-	-
-	(20,365)	(110,827)	(37,063)	-	(37,063)
<u>\$841,125</u>	<u>\$ 38,152</u>	<u>\$ 8,451,598</u>	<u>\$ (37,063)</u>	<u>\$2,050,875</u>	<u>\$2,013,812</u>
<u>\$841,125</u>	<u>\$131,459</u>	<u>\$10,916,683</u>	<u>\$ -</u>	<u>\$2,059,676</u>	<u>\$2,059,676</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2012

	<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
ASSETS:				
Cash	\$ -	\$173,751	\$ 173,751	\$ 1,228,324
Investments	-	633,638	633,638	9,917,402
Receivables:				
Property taxes	-	-	-	1,348,045
Accrued interest	-	3,911	3,911	11,842
Special assessments - current	-	-	-	16,500
Special assessments - deferred	-	-	-	168,500
Accounts receivable (net)	-	-	-	1,481
Notes	-	-	-	10,000
Due from other funds	103,645	1,209	104,854	181,023
Due from state government	-	-	-	1,009,396
Restricted assets:				
Cash	4,911	-	4,911	4,911
Investments	521,609	-	521,609	521,609
Accrued interest	673	-	673	673
Total assets	<u>\$630,838</u>	<u>\$812,509</u>	<u>\$1,443,347</u>	<u>\$14,419,706</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ -	\$ 3,096	\$ 3,096	\$ 91,187
Salaries payable	-	-	-	1,270
Contracts payable	-	-	-	9,724
Due to other funds	103,022	-	103,022	1,049,699
Due to state government	-	-	-	806
Deferred revenue	-	-	-	1,464,381
Total liabilities	<u>\$103,022</u>	<u>\$ 3,096</u>	<u>\$ 106,118</u>	<u>\$ 2,617,067</u>
Fund balance:				
Nonspendable	\$ -	\$633,638	\$ 633,638	\$ 633,638
Restricted	527,816	175,775	703,591	9,938,728
Assigned	-	-	-	1,378,163
Unassigned	-	-	-	(147,890)
Total fund balance	<u>\$527,816</u>	<u>\$809,413</u>	<u>\$1,337,229</u>	<u>\$11,802,639</u>
Total liabilities and fund balance	<u>\$630,838</u>	<u>\$812,509</u>	<u>\$1,443,347</u>	<u>\$14,419,706</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, 2012

	<u>HMPG</u> <u>Voluntary</u> <u>Acquisition</u>	<u>FMA</u> <u>Voluntary</u> <u>Acquisition</u>	<u>PDM</u> <u>FEMA</u>
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	2,138,229	411,014	493,592
Charges for service	-	-	-
Use of money and property	-	-	-
Special assessments	-	-	-
Miscellaneous	-	34,237	2,657
Total revenues	<u>\$2,138,229</u>	<u>\$445,251</u>	<u>\$496,249</u>
EXPENDITURES:			
Current:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	1,733,112	168,460	493,594
General government	-	-	-
Capital projects	-	-	-
Total expenditures	<u>\$1,733,112</u>	<u>\$168,460</u>	<u>\$493,594</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 405,117</u>	<u>\$276,791</u>	<u>\$ 2,655</u>
Other financing sources (uses):			
Transfers in	\$ 39,438	\$ -	\$ -
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 39,438</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 444,555	\$276,791	\$ 2,655
Fund balance beginning of year	<u>(438,455)</u>	<u>(327,202)</u>	<u>10</u>
Fund balance end of year	<u>\$ 6,100</u>	<u>\$(50,411)</u>	<u>\$ 2,665</u>

(continued)

<u>Community Growth TIF</u>	<u>Westside TIF</u>	<u>Forest Park TIF</u>	<u>Gateway TIF</u>	<u>South Eisenhower TIF</u>	<u>Police Retirement</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 482,125
893,885	-	-	589,038	18,053	-
-	-	-	-	-	-
-	-	-	-	-	-
120,523	56,548	-	-	-	-
4,391	33	-	-	-	333,966
19,694	-	-	-	-	-
10,000	-	-	-	-	-
<u>\$1,048,493</u>	<u>\$56,581</u>	<u>\$ -</u>	<u>\$589,038</u>	<u>\$ 18,053</u>	<u>\$ 816,091</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 646,995
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,323,396	-	825	578,182	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$1,323,396</u>	<u>\$ -</u>	<u>\$ 825</u>	<u>\$578,182</u>	<u>\$ -</u>	<u>\$ 646,995</u>
\$ (274,903)	\$56,581	\$ (825)	\$ 10,856	\$ 18,053	\$ 169,096
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(723,139)	-	-	-	-	-
<u>\$ (723,139)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ (998,042)	\$56,581	\$ (825)	\$ 10,856	\$ 18,053	\$ 169,096
1,878,325	(55,756)	7,439	(26,958)	(42,002)	3,118,917
<u>\$ 880,283</u>	<u>\$ 825</u>	<u>\$6,614</u>	<u>\$ (16,102)</u>	<u>\$ (23,949)</u>	<u>\$3,288,013</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, 2012

	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>
REVENUES:			
Property taxes	\$ 398,888	\$393,112	\$ -
TIF revenues	-	-	-
Other taxes	-	-	-
Intergovernmental	-	-	-
Charges for service	-	-	-
Use of money and property	215,245	-	41,331
Special assessments	-	-	-
Miscellaneous	-	-	56,498
Total revenues	<u>\$ 614,133</u>	<u>\$393,112</u>	<u>\$ 97,829</u>
EXPENDITURES:			
Current:			
Public safety	\$ 459,710	\$162,418	\$ -
Public works	-	44,940	-
Health and social services	-	32,805	-
Culture and recreation	-	94,896	57,186
Community & economic development	-	27,322	-
General government	-	107,914	-
Capital projects	-	-	6,115
Total expenditures	<u>\$ 459,710</u>	<u>\$470,295</u>	<u>\$ 63,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 154,423</u>	<u>\$(77,183)</u>	<u>\$ 34,528</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ -	\$ -
Transfers out	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 154,423	\$(77,183)	\$ 34,528
Fund balance beginning of year	<u>2,490,966</u>	<u>420,179</u>	<u>455,370</u>
Fund balance end of year	<u>\$2,645,389</u>	<u>\$342,996</u>	<u>\$489,898</u>

(continued)

SCHEDULE 2
(continued)

<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>	<u>19th St SW Overpass</u>	<u>Local Option Capital Improvement</u>	<u>Total Capital Project</u>
\$ -	\$ -	\$1,274,125	\$ -	\$ -	\$ -
-	-	1,500,976	-	-	-
-	-	-	-	1,890,690	1,890,690
-	174,525	3,217,360	-	24,500	24,500
-	18,166	195,237	-	-	-
(13,375)	39,691	621,282	-	2,299	2,299
-	-	19,694	-	-	-
18,940	4,012	126,344	-	-	-
<u>\$ 5,565</u>	<u>\$236,394</u>	<u>\$6,955,018</u>	<u>\$ -</u>	<u>\$ 1,917,489</u>	<u>\$1,917,489</u>
\$ -	\$ -	\$1,269,123	\$ -	\$ -	\$ -
-	-	44,940	63,413	-	63,413
-	-	32,805	-	-	-
36,226	57,968	246,276	-	-	-
-	193,540	4,518,431	-	-	-
-	-	107,914	-	-	-
-	9,320	15,435	-	225,083	225,083
<u>\$ 36,226</u>	<u>\$260,828</u>	<u>\$6,234,924</u>	<u>\$ 63,413</u>	<u>\$ 225,083</u>	<u>\$ 288,496</u>
<u>\$ (30,661)</u>	<u>\$ (24,434)</u>	<u>\$ 720,094</u>	<u>\$ (63,413)</u>	<u>\$ 1,692,406</u>	<u>\$1,628,993</u>
\$ -	\$ 12,400	\$ 51,838	\$398,897	\$ -	\$ 398,897
-	(12,400)	(735,539)	-	(1,250,564)	(1,250,564)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (683,701)</u>	<u>\$398,897</u>	<u>\$ (1,250,564)</u>	<u>\$ (851,667)</u>
<u>\$ (30,661)</u>	<u>\$ (24,434)</u>	<u>\$ 36,393</u>	<u>\$335,484</u>	<u>\$ 441,842</u>	<u>\$ 777,326</u>
<u>871,786</u>	<u>62,586</u>	<u>8,415,205</u>	<u>(372,547)</u>	<u>1,609,033</u>	<u>1,236,486</u>
<u>\$841,125</u>	<u>\$ 38,152</u>	<u>\$8,451,598</u>	<u>\$ (37,063)</u>	<u>\$ 2,050,875</u>	<u>\$2,013,812</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, 2012

	<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ 1,274,125
TIF revenues	-	-	-	1,500,976
Other taxes	-	-	-	1,890,690
Intergovernmental	-	-	-	3,241,860
Charges for services	8,820	-	8,820	204,057
Use of money and property	-	12,916	12,916	636,497
Special assessments	-	-	-	19,694
Miscellaneous	-	22,954	22,954	149,298
Total revenues	<u>\$ 8,820</u>	<u>\$ 35,870</u>	<u>\$ 44,690</u>	<u>\$ 8,917,197</u>
EXPENDITURES:				
Current:				
Public safety	\$ -	\$ -	\$ -	\$ 1,269,123
Public works	-	-	-	108,353
Health & social services	-	-	-	32,805
Culture & recreation	-	18,499	18,499	264,775
Community & economic development	-	-	-	4,518,431
General government	-	-	-	107,914
Capital projects	-	-	-	240,518
Total expenditures	<u>\$ -</u>	<u>\$ 18,499</u>	<u>\$ 18,499</u>	<u>\$ 6,541,919</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 8,820</u>	<u>\$ 17,371</u>	<u>\$ 26,191</u>	<u>\$ 2,375,278</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ -	\$ 450,735
Transfers out	-	(11,350)	(11,350)	(1,997,453)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (11,350)</u>	<u>\$ (11,350)</u>	<u>\$ (1,546,718)</u>
Net change in fund balances	\$ 8,820	\$ 6,021	\$ 14,841	\$ 828,560
Fund balance beginning of year	<u>518,996</u>	<u>803,392</u>	<u>1,322,388</u>	<u>10,974,079</u>
Fund balance end of year	<u>\$527,816</u>	<u>\$809,413</u>	<u>\$1,337,229</u>	<u>\$11,802,639</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 HMGP VOLUNTARY ACQUISITION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$10,163,481	\$2,138,229	\$(8,025,252)
EXPENDITURES:			
Current:			
Community & economic development:			
Personal service	\$ 46,355	\$ 29,725	\$ 16,630
Contractual	9,433,522	1,601,768	7,831,754
Commodities	683,604	101,378	582,226
Other	-	241	(241)
Total expenditures	<u>\$10,163,481</u>	<u>\$1,733,112</u>	<u>\$ 8,430,369</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 405,117	\$ 405,117
Other financing sources (uses):			
Transfers in	-	39,438	39,438
Net change in fund balance	\$ -	\$ 444,555	\$ 444,555
Fund balance beginning of year	-	(438,455)	(438,455)
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ 6,100</u></u>	<u><u>\$ 6,100</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 FMA VOLUNTARY ACQUISITION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$3,200,000	\$411,014	\$(2,788,986)
Miscellaneous	-	34,237	34,237
Total revenues	<u>\$3,200,000</u>	<u>\$445,251</u>	<u>\$(2,754,749)</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Personal service	\$ -	\$ 10,034	\$ (10,034)
Contractual	3,200,000	144,567	3,055,433
Commodities	-	13,719	(13,719)
Other	-	140	(140)
Total expenditures	<u>\$3,200,000</u>	<u>\$168,460</u>	<u>\$ 3,031,540</u>
Net change in fund balance	\$ -	\$276,791	\$ 276,791
Fund balance beginning of year	-	<u>(327,202)</u>	<u>(327,202)</u>
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ (50,411)</u></u>	<u><u>\$ (50,411)</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
COMMUNITY GROWTH TIF SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Final Budget	Actual	Variance With Budget Positive (Negative)
REVENUES:			
TIF revenues	\$ 890,917	\$ 893,885	\$ 2,968
Intergovernmental	500,000	-	(500,000)
Service revenue	-	120,523	120,523
Use of money and property	44,000	4,391	(39,609)
Special assessments	-	19,694	19,694
Miscellaneous	-	10,000	10,000
Total revenues	\$ 1,434,917	\$1,048,493	\$ (386,424)
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$ 2,793,064	\$1,322,599	\$1,470,465
Commodities	-	797	(797)
Total expenditures	\$ 2,793,064	\$1,323,396	\$1,469,668
Excess (deficiency) of revenues over (under) expenditures	\$ (1,358,147)	\$ (274,903)	\$1,083,244
Other financing sources (uses):			
Issuance of bonds	\$ 500,000	\$ -	\$ (500,000)
Transfers out	(722,867)	(723,139)	(272)
Total other financing sources (uses)	\$ (222,867)	\$ (723,139)	\$ (500,272)
Net change in fund balance	\$ (1,581,014)	\$ (998,042)	\$ 582,972
Fund balance beginning of year	-	1,878,325	1,878,325
Fund balance end of year	\$ (1,581,014)	\$ 880,283	\$2,461,297

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, 2012

	<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 expenditures	<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	-	<u>7,439</u>	<u>7,439</u>
Fund balance end of year	<u>\$ (2,000)</u>	<u>\$ 6,614</u>	<u>\$ 8,614</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
TIF revenues	\$599,718	\$589,038	\$(10,680)
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$599,718	\$578,182	\$ 21,536
Net change in fund balance	\$ -	\$ 10,856	\$ 10,856
Fund balance beginning of year	-	(26,958)	(26,958)
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$(16,102)</u></u>	<u><u>\$(16,102)</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 SOUTH EISENHOWER TIF SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
TIF revenues	\$ -	\$ 18,053	\$ 18,053
Intergovernmental	31,350	-	(31,350)
Total revenues	<u>\$31,350</u>	<u>\$ 18,053</u>	<u>\$(13,297)</u>
EXPENDITURES:			
Capital projects	<u>31,350</u>	-	<u>31,350</u>
Net change in fund balance	\$ -	\$ 18,053	\$ 18,053
Fund balance beginning of year	-	<u>(42,002)</u>	<u>(42,002)</u>
Fund balance end of year	<u>\$ -</u>	<u>\$(23,949)</u>	<u>\$(23,949)</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 472,812	\$ 482,125	\$ 9,313
Other taxes	9,481	-	(9,481)
Use of money and property:			
Interest on investments	120,000	333,966	213,966
Total revenues	<u>\$ 602,293</u>	<u>\$ 816,091</u>	<u>\$ 213,798</u>
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	\$ 702,293	\$ 646,995	\$ 55,298
Net change in fund balance	\$ (100,000)	\$ 169,096	\$ 269,096
Fund balance beginning of year	-	3,118,917	3,118,917
Fund balance end of year	<u>\$ (100,000)</u>	<u>\$3,288,013</u>	<u>\$3,388,013</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 391,183	\$ 398,888	\$ 7,705
Other taxes	7,844	-	(7,844)
Use of money and property:			
Interest on investments	100,000	215,245	115,245
Total revenues	<u>\$ 499,027</u>	<u>\$ 614,133</u>	<u>\$ 115,106</u>
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	\$ 599,027	\$ 459,710	\$ 139,317
Net change in fund balance	\$ (100,000)	\$ 154,423	\$ 254,423
Fund balance beginning of year	-	2,490,966	2,490,966
Fund balance end of year	<u>\$ (100,000)</u>	<u>\$ 2,645,389</u>	<u>\$ 2,745,389</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 385,398	\$393,112	\$ 7,714
EXPENDITURES:			
Current:			
Public safety	\$ 157,481	\$162,418	\$ (4,937)
Public works	46,890	44,940	1,950
Health & social services	32,377	32,805	(428)
Culture & recreation	103,176	94,896	8,280
Community & economic development	29,210	27,322	1,888
General government	123,992	107,914	16,078
Total expenditures	<u>\$ 493,126</u>	<u>\$470,295</u>	<u>\$ 22,831</u>
Net change in fund balance	\$ (107,728)	\$ (77,183)	\$ 30,545
Fund balance beginning of year	<u>-</u>	<u>420,179</u>	<u>420,179</u>
Fund balance end of year	<u>\$ (107,728)</u>	<u>\$342,996</u>	<u>\$450,724</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Use of money and property	\$ 10,000	\$ 41,331	\$ 31,331
Contributions	-	56,498	56,498
Miscellaneous	13,500	-	(13,500)
Total revenues	<u>\$ 23,500</u>	<u>\$ 97,829</u>	<u>\$ 74,329</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	\$ 11,000	\$ 22,559	\$(11,559)
Commodities	7,000	34,627	(27,627)
Other	30,000	-	30,000
Total culture & recreation	<u>\$ 48,000</u>	<u>\$ 57,186</u>	<u>\$ (9,186)</u>
Capital projects	16,000	6,115	9,885
Total expenditures	<u>\$ 64,000</u>	<u>\$ 63,301</u>	<u>\$ 699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (40,500)</u>	<u>\$ 34,528</u>	<u>\$ 75,028</u>
Other financing sources (uses):			
Transfers in	\$ 30,000	\$ -	\$(30,000)
Transfers out	(50,001)	-	50,001
Total other financing sources (uses)	<u>\$ (20,001)</u>	<u>\$ -</u>	<u>\$ 20,001</u>
Net change in fund balance	\$ (60,501)	\$ 34,528	\$ 95,029
Fund balance beginning of year	-	455,370	455,370
Fund balance end of year	<u>\$ (60,501)</u>	<u>\$489,898</u>	<u>\$550,399</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$312,500	\$124,008	\$ (188,492)
Miscellaneous	-	400	400
Total revenues	<u>\$312,500</u>	<u>\$124,408</u>	<u>\$ (188,092)</u>
EXPENDITURES:			
Current:			
Community and economic development:			
Personal service	\$ 16,975	\$ 7,332	\$ 9,643
Contractual	320,000	126,908	193,092
Total expenditures	<u>\$336,975</u>	<u>\$134,240</u>	<u>\$ 202,735</u>
Net change in fund balance	\$ (24,475)	\$ (9,832)	\$ 14,643
Fund balance beginning of year	-	3,274	3,274
Fund balance end of year	<u>\$ (24,475)</u>	<u>\$ (6,558)</u>	<u>\$ 17,917</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$ 30,007	\$ 6,939	\$ (23,068)
Use of money and property	-	17,198	17,198
Miscellaneous	-	2,051	2,051
Total revenues	<u>\$ 30,007</u>	<u>\$ 26,188</u>	<u>\$ (3,819)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Personal service	\$ 14,900	\$ 14,341	\$ 559
Contractual	2,800	-	2,800
Commodities	18,207	21,696	(3,489)
Total culture & recreation	<u>\$ 35,907</u>	<u>\$ 36,037</u>	<u>\$ (130)</u>
Capital projects	6,500	3,341	3,159
Total expenditures	<u>\$ 42,407</u>	<u>\$ 39,378</u>	<u>\$ 3,029</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (12,400)	\$ (13,190)	\$ (790)
Other financing sources (uses):			
Transfers in	-	(12,400)	12,400
Net change in fund balance	\$ (12,400)	\$ (790)	\$ 11,610
Fund balance beginning of year	-	(7,491)	(7,491)
Fund balance end of year	<u>\$ (12,400)</u>	<u>\$ (8,281)</u>	<u>\$ 4,119</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$37,100	\$11,411	\$ (25,689)
Use of money and property	-	22,492	22,492
Total revenues	<u>\$37,100</u>	<u>\$33,903</u>	<u>\$ (3,197)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	\$ 7,100	\$ 1,377	\$ 5,723
Commodities	27,200	20,554	6,646
Total culture & recreation	<u>\$34,300</u>	<u>\$21,931</u>	<u>\$ 12,369</u>
Capital projects	2,800	5,979	(3,179)
Total expenditures	<u>\$37,100</u>	<u>\$27,910</u>	<u>\$ 9,190</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 5,993	\$ 5,993
Other financing sources (uses):			
Transfers out	-	(12,400)	(12,400)
Net change in fund balance	\$ -	\$ (6,407)	\$ (6,407)
Fund balance beginning of year	-	53,547	53,547
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$47,140</u></u>	<u><u>\$ 47,140</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
PDM - FEMA SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$643,320	\$493,592	\$(149,728)
Miscellaneous	87,176	2,657	(84,519)
Total revenues	<u>\$730,496</u>	<u>\$496,249</u>	<u>\$(234,247)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Personal service	\$ 9,600	\$ 6,317	\$ 3,283
Contractual	720,896	487,277	233,619
Total expenditures	<u>\$730,496</u>	<u>\$493,594</u>	<u>\$ 236,902</u>
Net change in fund balance	\$ -	\$ 2,655	\$ 2,655
Fund balance beginning of year	-	10	10
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ 2,665</u></u>	<u><u>\$ 2,665</u></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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property tax	\$ 2,970,810	\$ 3,026,876	\$ 56,066
Other taxes	56,904	-	(56,904)
Use of money and property	-	6,080	6,080
Total revenues	<u>\$ 3,027,714</u>	<u>\$ 3,032,956</u>	<u>\$ 5,242</u>
EXPENDITURES:			
Debt service:			
Principal redemption	\$ 4,268,589	\$ 3,363,870	\$ 904,719
Interest payments	1,190,750	956,803	233,947
Contractual	114,200	62,470	51,730
Total expenditures	<u>\$ 5,573,539</u>	<u>\$ 4,383,143</u>	<u>\$ 1,190,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,545,825)</u>	<u>\$ (1,350,187)</u>	<u>\$ 1,195,638</u>
Other financing sources (uses):			
Proceeds from refunding bonds	\$ -	\$ 2,144,077	\$ (2,144,077)
Payment to refunding fiscal agent	-	(1,994,077)	1,994,077
Issuance of general obligation bonds	387,000	451,000	(64,000)
Discount on bonds issued	-	(12,980)	12,980
Transfers in	2,158,825	874,703	1,284,122
Total other financing sources (uses)	<u>\$ 2,545,825</u>	<u>\$ 1,462,723</u>	<u>\$ (1,083,102)</u>
Net change in fund balance	\$ -	\$ 112,536	\$ 112,536
Fund balance beginning of year	-	(121,160)	(121,160)
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ (8,624)</u></u>	<u><u>\$ (8,624)</u></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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Other tax	\$1,500,000	\$1,890,690	\$ 390,690
Intergovernmental	50,000	24,500	(25,500)
Use of money and property	-	2,299	2,299
Total revenues	<u>\$1,550,000</u>	<u>\$1,917,489</u>	<u>\$ 367,489</u>
EXPENDITURES:			
Capital projects	<u>\$ 313,000</u>	<u>\$ 225,083</u>	<u>\$ 87,917</u>
Excess (deficiency) of revenues over (under) expenditures	\$1,237,000	\$1,692,406	\$ 455,406
Other financing sources (uses):			
Transfers out	<u>(1,250,564)</u>	<u>(1,250,564)</u>	<u>-</u>
Net change in fund balance	\$ (13,564)	\$ 441,842	\$ 455,406
Fund balance beginning of year	<u>-</u>	<u>1,609,033</u>	<u>1,609,033</u>
Fund balance end of year	<u>\$ (13,564)</u>	<u>\$2,050,875</u>	<u>\$2,064,439</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Use of money and property	\$25,000	\$ 12,916	\$ (12,084)
Contributions	-	20,507	20,507
Miscellaneous	25,000	2,447	(22,553)
Total revenues	<u>\$50,000</u>	<u>\$ 35,870</u>	<u>\$ (14,130)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Commodities	\$50,000	\$ 18,499	\$ 31,501
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 17,371	\$ 17,371
Other financing sources (uses):			
Transfers out	-	(11,350)	(11,350)
Net change in fund balance	\$ -	\$ 6,021	\$ 6,021
Fund balance beginning of year	-	803,392	803,392
Fund balance end of year	<u>\$ -</u>	<u>\$809,413</u>	<u>\$809,413</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, 2012**

	<u>Cemetery</u>	<u>Storm Sewer</u>
ASSETS:		
Current assets:		
Cash	\$ 25,730	\$ 169,028
Investments	50	550,000
Receivables:		
Property taxes	121,270	-
Accounts (net)	26,139	34,335
Accrued interest	27	260
Inventory	2,224	-
Due from other funds	104,443	2,491
Due from state government	-	-
Prepaid insurance	1,109	-
Total current assets	<u>\$280,992</u>	<u>\$ 756,114</u>
Property, plant and equipment:		
Land	\$ -	\$ -
Buildings	47,699	-
Equipment	213,162	24,728
Improvements	416,375	-
Vehicles	43,227	-
Storm sewer lines	-	4,208,080
Construction in progress	8,217	-
Less accumulated depreciation	(492,434)	(1,928,655)
Total property, plant and equipment	<u>\$236,246</u>	<u>\$2,304,153</u>
Total assets	<u>\$517,238</u>	<u>\$3,060,267</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 4,339	\$ -
Salaries payable	8,907	-
Accrued compensated absences	17,289	-
Accrued interest payable	-	308
Due to other funds	103,645	136
Due to state government	-	-
General obligation bonds	-	100,000
General obligation notes	-	-
Prepaid interments	42,579	-
Unearned revenue	119,914	-
Total current liabilities	<u>\$296,673</u>	<u>\$ 100,444</u>
Long-term debt:		
General obligation notes	\$ -	\$ -
Net OPEB obligation	8,784	4,643
Total long-term debt	<u>\$ 8,784</u>	<u>\$ 4,643</u>
Total liabilities	<u>\$305,457</u>	<u>\$ 105,087</u>
Net assets:		
Invested in capital assets, net of related debt	\$236,246	\$2,204,153
Unrestricted	(24,465)	751,027
Total net assets	<u>\$211,781</u>	<u>\$2,955,180</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>
\$ 30,313	\$ -	\$ 72,159	\$ 278,204	\$ 575,434
100,000	-	-	100,000	750,050
-	-	-	-	121,270
151,825	8,471	952	594,586	816,308
3	-	-	8	298
-	16,913	-	39,148	58,285
-	-	-	1,012	107,946
4,940	-	-	-	4,940
1,061	1,871	-	1,580	5,621
<u>\$288,142</u>	<u>\$ 27,255</u>	<u>\$ 73,111</u>	<u>\$1,014,538</u>	<u>\$ 2,440,152</u>
\$ -	\$196,813	\$4,143,120	\$ -	\$ 4,339,933
461,278	553,873	-	408,710	1,471,560
12,606	370,230	-	553,352	1,174,078
-	64,066	2,584,991	-	3,065,432
814,353	18,533	13,000	770,064	1,659,177
-	-	-	-	4,208,080
-	-	-	-	8,217
(666,952)	(606,258)	(2,578,301)	(691,390)	(6,963,990)
<u>\$621,285</u>	<u>\$597,257</u>	<u>\$4,162,810</u>	<u>\$1,040,736</u>	<u>\$ 8,962,487</u>
<u>\$909,427</u>	<u>\$624,512</u>	<u>\$4,235,921</u>	<u>\$2,055,274</u>	<u>\$11,402,639</u>
\$ 29,295	\$ 37,001	\$ 200	\$ 21,425	\$ 92,260
27,661	14,045	1,629	38,815	91,057
43,728	12,461	5,503	71,044	150,025
-	-	-	572	880
1,831	1,520	700	1,550	109,382
-	2,290	-	-	2,290
-	-	-	-	100,000
-	-	-	82,035	82,035
-	-	-	-	42,579
-	-	225	-	120,139
<u>\$102,515</u>	<u>\$ 67,317</u>	<u>\$ 8,257</u>	<u>\$ 215,441</u>	<u>\$ 790,647</u>
\$ -	\$ -	\$ -	\$ 123,050	\$ 123,050
30,393	3,718	2,533	23,657	73,728
<u>\$ 30,393</u>	<u>\$ 3,718</u>	<u>\$ 2,533</u>	<u>\$ 146,707</u>	<u>\$ 196,778</u>
<u>\$132,908</u>	<u>\$ 71,035</u>	<u>\$ 10,790</u>	<u>\$ 362,148</u>	<u>\$ 987,425</u>
\$621,285	\$597,257	\$4,162,810	\$ 835,651	\$ 8,657,402
155,234	(43,780)	62,321	857,475	1,757,812
<u>\$776,519</u>	<u>\$553,477</u>	<u>\$4,225,131</u>	<u>\$1,693,126</u>	<u>\$10,415,214</u>

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Cemetery</u>	<u>Storm Sewer</u>
Operating revenues:		
Charges for service	\$ 98,873	\$ 283,573
Operating expenses:		
Business-type activities:		
Personal service	\$ 253,752	\$ 2,581
Contractual	16,108	275
Commodities	19,247	9,260
Other	1,187	-
Depreciation	26,923	167,688
Total operating expenses	<u>\$ 317,217</u>	<u>\$ 179,804</u>
Operating income (loss)	<u>\$ (218,344)</u>	<u>\$ 103,769</u>
Nonoperating revenues (expenses):		
Property taxes	\$ 114,460	\$ -
Intergovernmental	-	-
Fines and forfeitures	-	-
Use of money and property	31,917	1,237
Special assessments	-	-
Miscellaneous	46,535	-
Interest	-	(6,941)
Gain (loss) on sale of capital assets	-	-
Total nonoperating revenue (expenses)	<u>\$ 192,912</u>	<u>\$ (5,704)</u>
Income (loss) before contributions and transfers	<u>\$ (25,432)</u>	<u>\$ 98,065</u>
Contributions and transfers:		
Transfers in	\$ -	\$ -
Transfers out	-	(35,000)
Capital contributions	-	30,340
Total contributions and transfers	<u>\$ -</u>	<u>\$ (4,660)</u>
Change in net assets	\$ (25,432)	\$ 93,405
Net assets beginning of year (as restated)	<u>237,213</u>	<u>2,861,775</u>
Net assets end of year	<u>\$ 211,781</u>	<u>\$2,955,180</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>
\$1,209,671	\$390,453	\$ 24,474	\$1,780,559	\$ 3,787,603
\$ 795,860	\$278,194	\$ 52,490	\$1,117,302	\$ 2,500,179
342,675	12,960	39,176	102,201	513,395
97,064	117,841	2,223	121,418	367,053
156	-	-	2,717	4,060
87,267	36,155	14,434	176,512	508,979
<u>\$1,323,022</u>	<u>\$445,150</u>	<u>\$ 108,323</u>	<u>\$1,520,150</u>	<u>\$ 3,893,666</u>
<u>\$ (113,351)</u>	<u>\$ (54,697)</u>	<u>\$ (83,849)</u>	<u>\$ 260,409</u>	<u>\$ (106,063)</u>
\$ -	\$ -	\$ -	\$ -	\$ 114,460
-	816	-	-	816
-	-	43,006	-	43,006
186	25,512	108	561	59,521
542	-	-	-	542
968	2,535	-	3,121	53,159
-	-	-	(8,774)	(15,715)
-	800	-	(15,111)	(14,311)
<u>\$ 1,696</u>	<u>\$ 29,663</u>	<u>\$ 43,114</u>	<u>\$ (20,203)</u>	<u>\$ 241,478</u>
<u>\$ (111,655)</u>	<u>\$ (25,034)</u>	<u>\$ (40,735)</u>	<u>\$ 240,206</u>	<u>\$ 135,415</u>
\$ -	\$ -	\$ 25,000	\$ -	\$ 25,000
(35,000)	-	-	-	(70,000)
-	-	-	-	30,340
<u>\$ (35,000)</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ (14,660)</u>
\$ (146,655)	\$ (25,034)	\$ (15,735)	\$ 240,206	\$ 120,755
923,174	578,511	4,240,866	1,452,920	10,294,459
<u>\$ 776,519</u>	<u>\$553,477</u>	<u>\$4,225,131</u>	<u>\$1,693,126</u>	<u>\$10,415,214</u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

	<u>Cemetery</u>	<u>Storm Sewer</u>
Cash flows from operating activities:		
Cash received from customers	\$ 94,312	\$ 285,801
Cash paid to employees for services	(252,504)	-
Cash paid to other suppliers of goods or services	(36,831)	(13,729)
Proceeds from miscellaneous items	46,535	-
Net cash provided (used) by operating activities	<u>\$ (148,488)</u>	<u>\$ 272,072</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ 114,834	\$ -
Transfers in	-	-
Transfer out	-	(35,000)
Advance to other funds	(1,420)	-
Advance from other funds	-	-
Advance repayment to other funds	-	(2,491)
Advance repayment from other funds	-	-
Net cash provided (used) by non-capital financing activities	<u>\$ 113,414</u>	<u>\$ (37,491)</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (7,681)	\$ -
Proceeds from sale of capital assets	-	-
Principal payments	-	(100,000)
Interest payments	-	(7,233)
Net cash provided (used) for capital and related financing activities	<u>\$ (7,681)</u>	<u>\$ (107,233)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ -	\$ 875,000
Purchase of investments	-	(950,000)
Interest received	22,326	1,383
Rent received	-	-
Net cash provided (used) by investing activities	<u>\$ 22,326</u>	<u>\$ (73,617)</u>
Net increase (decrease) in cash	\$ (20,429)	\$ 53,731
Cash beginning of year	46,159	115,297
Cash end of year	<u>\$ 25,730</u>	<u>\$ 169,028</u>
Noncash capital, investing and financing activities:		
Capital contributions	<u>\$ -</u>	<u>\$ 30,340</u>

(continued)

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$1,194,626	\$418,173	\$ 28,878	\$1,746,867	\$3,768,657
(802,635)	(280,490)	(52,469)	(1,122,898)	(2,510,996)
(462,580)	(159,391)	(42,231)	(247,718)	(962,480)
<u>1,510</u>	<u>3,351</u>	<u>43,006</u>	<u>3,121</u>	<u>97,523</u>
\$ (69,079)	\$ (18,357)	\$ (22,816)	\$ 379,372	\$ 392,704
\$ -	\$ -	\$ -	\$ -	\$ 114,834
-	-	25,000	-	25,000
(35,000)	-	-	-	(70,000)
-	-	-	(1,012)	(2,432)
-	1,012	-	-	1,012
-	-	-	-	(2,491)
-	-	-	33,679	33,679
\$ (35,000)	\$ 1,012	\$ 25,000	\$ 32,667	\$ 99,602
\$ -	\$ (26,606)	\$ -	\$ (178,361)	\$ (212,648)
-	800	-	-	800
-	-	-	(77,802)	(177,802)
-	-	-	(9,021)	(16,254)
\$ -	\$ (25,806)	\$ -	\$ (265,184)	\$ (405,904)
\$ 275,000	\$ -	\$100,000	\$ 300,000	\$1,550,000
(250,000)	-	(75,000)	(250,000)	(1,525,000)
400	13	131	627	24,880
-	<u>23,991</u>	-	-	<u>23,991</u>
\$ 25,400	\$ 24,004	\$ 25,131	\$ 50,627	\$ 73,871
\$ (78,679)	\$ (19,147)	\$ 27,315	\$ 197,482	\$ 160,273
<u>108,992</u>	<u>19,147</u>	<u>44,844</u>	<u>80,722</u>	<u>415,161</u>
<u>\$ 30,313</u>	<u>\$ -</u>	<u>\$ 72,159</u>	<u>\$ 278,204</u>	<u>\$ 575,434</u>
\$ -	\$ -	\$ -	\$ -	\$ 30,340

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

	<u>Cemetery</u>	<u>Storm Sewer</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (218,344)	\$103,769
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	26,923	167,688
Miscellaneous income	46,535	-
Change in assets and liabilities:		
(Increase) decrease in receivables	14	2,228
(Increase) decrease in inventory	(905)	-
(Increase) decrease in prepaid insurance	(47)	-
Increase (decrease) in accounts and contracts payable	664	(749)
Increase (decrease) in salaries payable	(3,380)	-
Increase (decrease) in accrued compensated absences	1,973	-
Increase (decrease) in due to other funds	-	(3,445)
Increase (decrease) in due to state government	-	-
Increase (decrease) in prepaid interments	(4,575)	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in net OPEB obligation	<u>2,654</u>	<u>2,581</u>
 Net cash provided (used) by operating activities	 <u>\$ (148,488)</u>	 <u>\$272,072</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>
\$ (113,351)	\$ (54,697)	\$ (83,849)	\$260,409	\$ (106,063)
87,267	36,155	14,434	176,512	508,979
1,510	3,351	43,006	3,121	97,523
(15,045)	-	4,277	(51,874)	(60,400)
-	(1,284)	-	(19,583)	(21,772)
(290)	(321)	-	136	(522)
(20,522)	3,761	(579)	(2,264)	(19,689)
(10,521)	(5,890)	(595)	(11,845)	(32,231)
(5,437)	261	(150)	19,169	15,816
(1,873)	266	700	330	(4,022)
-	(1,082)	-	-	(1,082)
-	-	-	-	(4,575)
-	-	(825)	-	(825)
9,183	1,123	765	5,261	21,567
<u>\$ (69,079)</u>	<u>\$ (18,357)</u>	<u>\$ (22,816)</u>	<u>\$379,372</u>	<u>\$ 392,704</u>

INTERNAL SERVICE FUNDS

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash	\$ 28,535	\$ 666,677	\$ 695,212
Investments	-	629,029	629,029
Receivables:			
Property taxes	-	722,382	722,382
Accrued interest	-	635	635
Due from other funds	23,236	-	23,236
Prepaid insurance	141	-	141
Total current assets	<u>\$ 51,912</u>	<u>\$2,018,723</u>	<u>\$2,070,635</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>(153,324)</u>	<u>-</u>	<u>(153,324)</u>
Net property, plant and equipment	<u>\$ 36,948</u>	<u>\$ -</u>	<u>\$ 36,948</u>
Total assets	<u>\$ 88,860</u>	<u>\$2,018,723</u>	<u>\$2,107,583</u>
LIABILITIES:			
Accounts payable	\$ 540	\$ 548,200	\$ 548,740
Salaries payable	6,161	-	6,161
Accrued compensated absences	7,226	-	7,226
Due to other funds	6	-	6
Unearned revenue	-	736,775	736,775
Total liabilities	<u>\$ 13,933</u>	<u>\$1,284,975</u>	<u>\$1,298,908</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 36,948	\$ -	\$ 36,948
Unrestricted	37,979	733,748	771,727
Total net assets	<u>\$ 74,927</u>	<u>\$ 733,748</u>	<u>\$ 808,675</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, 2012

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$287,828	\$ -	\$ 287,828
Health insurance contributions	-	2,462,012	2,462,012
Total operating revenues	<u>\$287,828</u>	<u>\$ 2,462,012</u>	<u>\$2,749,840</u>
Operating expenses:			
Business type activities:			
Personal services	\$180,351	\$ 3,473,718	\$3,654,069
Contractual	15,636	-	15,636
Commodities	25,298	-	25,298
Depreciation	14,215	-	14,215
Total operating expenses	<u>\$235,500</u>	<u>\$ 3,473,718</u>	<u>\$3,709,218</u>
Operating income (loss)	<u>\$ 52,328</u>	<u>\$ (1,011,706)</u>	<u>\$ (959,378)</u>
Nonoperating revenues:			
Property taxes	\$ -	\$ 764,733	\$ 764,733
Use of money and property	-	35,812	35,812
Total nonoperating revenues	<u>\$ -</u>	<u>\$ 800,545</u>	<u>\$ 800,545</u>
Change in net assets	\$ 52,328	\$ (211,161)	\$ (158,833)
Net assets beginning of year	<u>22,599</u>	<u>944,909</u>	<u>967,508</u>
Net assets end of year	<u>\$ 74,927</u>	<u>\$ 733,748</u>	<u>\$ 808,675</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from interfund charges	\$287,368	\$ 2,043,156	\$ 2,330,524
Cash received from employees and others	-	421,099	421,099
Cash paid to employees for services	(184,203)	-	(184,203)
Cash paid to suppliers	(74,630)	-	(74,630)
Cash paid for health and life insurance	-	(3,655,691)	(3,655,691)
Net cash provided (used) by operating activities	<u>\$ 28,535</u>	<u>\$ (1,191,436)</u>	<u>\$ (1,162,901)</u>
Cash flows from non-capital financing activities:			
Proceeds from property tax levy	\$ -	\$ 767,333	\$ 767,333
Cash flows from investing activities:			
Proceeds from sale of investments	\$ -	\$ 1,300,000	\$ 1,300,000
Purchase of investments	-	(900,000)	(900,000)
Interest received	-	13,644	13,644
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ 413,644</u>	<u>\$ 413,644</u>
Net increase in cash	\$ 28,535	\$ (10,459)	\$ 18,076
Cash beginning of year	-	677,136	677,136
Cash end of year	<u>\$ 28,535</u>	<u>\$ 666,677</u>	<u>\$ 695,212</u>
Noncash capital, investing and financing activities:			
Increase in fair market value of investments	<u>\$ -</u>	<u>\$ 22,853</u>	<u>\$ 22,853</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 52,328	\$ (1,011,706)	\$ (959,378)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	14,215	-	14,215
Change in assets and liabilities:			
(Increase) decrease in due from other funds	(461)	-	(461)
Increase (decrease) in accounts payable	(35)	(181,141)	(181,176)
Increase (decrease) in salaries payable	(2,184)	-	(2,184)
Increase (decrease) in compensated absences	(1,668)	-	(1,668)
Increase (decrease) in unearned revenues	-	1,411	1,411
Increase (decrease) in due to other funds	(33,660)	-	(33,660)
Net cash provided (used) by operating activities	<u>\$ 28,535</u>	<u>\$ (1,191,436)</u>	<u>\$ (1,162,901)</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, 2012

General capital assets:	
Land	\$ 2,635,891
Buildings and structures	11,049,670
Improvements other than buildings	26,643,957
Machinery and equipment	15,248,407
Vehicles	7,668,801
Infrastructure	80,037,249
Construction in progress	<u>20,523,360</u>
Total general capital assets	<u>\$163,807,335</u>

Investment in general capital assets by source:	
General fund	<u>\$163,807,335</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, 2012

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>
Public Safety:		
Police	\$ 3,261,039	\$ 115,000
Fire	3,817,431	75,150
Civil Defense	225,118	-
Building	46,998	-
Inspectors	39,024	-
Neighborhood Services	816,846	-
Total public safety	<u>\$ 8,206,456</u>	<u>\$ 190,150</u>
Public Works:		
Airport	\$ 26,297,334	\$1,725,891
Street	4,961,058	31,363
Infrastructure	81,917,260	-
Arborist	144,213	-
Engineer	204,791	-
Total public works	<u>\$113,524,656</u>	<u>\$1,757,254</u>
Health and Social Services:		
Youth Task Force	\$ 17,414	\$ -
Health	20,660	-
Human Rights	37,164	-
Total health and social services	<u>\$ 75,238</u>	<u>\$ -</u>
Culture and Recreation:		
Parks	\$ 23,796,714	\$ 673,452
Swimming Pool	3,179,584	-
Recreation	403,163	-
Library	10,090,732	13,500
Museum	1,584,189	-
Band	2,881	-
Total culture and recreation	<u>\$ 39,057,263</u>	<u>\$ 686,952</u>
Community and Economic Development:		
Growth Development and Planning	\$ 37,831	\$ -
Transit	1,368,137	-
Total community and economic development	<u>\$ 1,405,968</u>	<u>\$ -</u>
General Government:		
Mayor	\$ 5,252	\$ -
Council/Coffee room	31,267	-
Administrator	18,347	-
Finance	97,118	-
Clerk	17,463	-
City Hall	1,360,881	-
Safety Director	3,851	-
GIS	3,575	-
Total general government	<u>\$ 1,537,754</u>	<u>\$ -</u>
Total general capital assets	<u>\$163,807,335</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	\$ -	\$ 764,425	\$ 684,386	\$ -	\$ -
910,973	94,412	788,250	1,948,646	-	-
-	-	225,118	-	-	-
-	-	15,409	31,589	-	-
-	-	10,001	29,023	-	-
791,990	-	5,591	19,265	-	-
<u>\$ 3,400,191</u>	<u>\$ 94,412</u>	<u>\$ 1,808,794</u>	<u>\$2,712,909</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,083,872	\$17,439,717	\$ 483,488	\$1,301,130	\$ -	\$ 3,263,236
1,753,167	-	902,400	2,274,128	-	-
-	-	-	-	80,037,249	1,880,011
-	-	7,883	136,330	-	-
-	-	138,690	66,101	-	-
<u>\$ 3,837,039</u>	<u>\$17,439,717</u>	<u>\$ 1,532,461</u>	<u>\$3,777,689</u>	<u>\$80,037,249</u>	<u>\$ 5,143,247</u>
\$ -	\$ -	\$ 17,414	\$ -	\$ -	\$ -
-	-	4,391	16,269	-	-
-	-	37,164	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,969</u>	<u>\$ 16,269</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 941,056	\$ 5,639,233	\$ 974,203	\$ 188,657	\$ -	\$15,380,113
-	3,080,480	99,104	-	-	-
-	136,691	202,331	64,141	-	-
9,519,775	239,231	318,226	-	-	-
1,399,325	14,188	170,676	-	-	-
-	-	2,881	-	-	-
<u>\$11,860,156</u>	<u>\$ 9,109,823</u>	<u>\$ 1,767,421</u>	<u>\$ 252,798</u>	<u>\$ -</u>	<u>\$15,380,113</u>
\$ -	\$ -	\$ 37,831	\$ -	\$ -	\$ -
394,539	-	64,462	909,136	-	-
<u>\$ 394,539</u>	<u>\$ -</u>	<u>\$ 102,293</u>	<u>\$ 909,136</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 5,252	\$ -	\$ -	\$ -
-	-	31,267	-	-	-
-	-	18,347	-	-	-
-	-	97,118	-	-	-
-	-	17,463	-	-	-
896,350	1,540	462,991	-	-	-
-	-	3,851	-	-	-
-	-	3,575	-	-	-
<u>\$ 896,350</u>	<u>\$ 1,540</u>	<u>\$ 639,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$11,049,670</u>	<u>\$26,645,492</u>	<u>\$15,248,407</u>	<u>\$7,668,801</u>	<u>\$80,037,249</u>	<u>\$20,523,360</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, 2012

<u>Function and Activity</u>	<u>Balance June 30, 2011</u>
Public Safety:	
Police	\$ 3,210,802
Fire	3,813,663
Civil Defense	225,118
Building	46,998
Inspectors	39,024
Neighborhood Services	835,178
Total public safety	<u>\$ 8,170,783</u>
Public Works:	
Airport	\$ 22,819,480
Street	3,992,785
Infrastructure (as restated)	73,150,857
Arborist	144,213
Engineer	221,060
Total public works	<u>\$100,328,395</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>
Culture and Recreation:	
Parks	\$ 8,264,478
Swimming Pool	3,179,585
Recreation	398,815
Library	748,445
Museum	1,578,966
Band	2,881
Total culture and recreation	<u>\$ 14,173,170</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	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>
Construction in progress	<u>\$ 28,627,872</u>
Total general capital assets	<u>\$154,154,116</u>

See Accompanying Independent Auditor's Report.

<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
\$ 50,237	\$ -	\$ 3,261,039
3,768	-	3,817,431
-	-	225,118
-	-	46,998
-	-	39,024
-	18,332	816,846
<u>\$ 54,005</u>	<u>\$ 18,332</u>	<u>\$ 8,206,456</u>
\$ 239,619	\$ 25,000	\$ 23,034,098
1,262,994	294,721	4,961,058
6,886,392	-	80,037,249
-	-	144,213
-	16,270	204,791
<u>\$ 8,389,005</u>	<u>\$ 335,991</u>	<u>\$108,381,409</u>
\$ -	\$ -	\$ 17,414
16,269	-	20,660
-	5,413	37,164
<u>\$ 16,269</u>	<u>\$ 5,413</u>	<u>\$ 75,238</u>
\$ 172,241	\$ 20,118	\$ 8,416,601
-	-	3,179,584
7,540	3,192	403,163
9,342,850	563	10,090,732
5,222	-	1,584,189
-	-	2,881
<u>\$ 9,527,853</u>	<u>\$ 23,873</u>	<u>\$ 23,677,150</u>
\$ -	\$ 7,834	\$ 37,831
18,009	-	1,368,137
<u>\$ 18,009</u>	<u>\$ 7,834</u>	<u>\$ 1,405,968</u>
\$ -	\$ -	\$ 5,252
-	-	31,267
-	-	18,347
6,404	-	97,118
-	1,007	17,463
142,629	-	1,360,881
-	3,993	3,851
-	-	3,575
<u>\$ 149,033</u>	<u>\$ 5,000</u>	<u>\$ 1,537,754</u>
<u>\$ 8,832,136</u>	<u>\$16,936,648</u>	<u>\$ 20,523,360</u>
<u>\$26,986,310</u>	<u>\$17,333,091</u>	<u>\$163,807,335</u>

**STATISTICAL
SECTION**

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

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

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

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

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

	<u>2012</u>	<u>2011 (1)</u>	<u>2010</u>	<u>2009</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 84,438,764	\$ 78,121,123	\$ 67,769,666	\$ 60,958,677
Restricted for:				
Museum funding	633,638	633,638	633,638	633,638
Bond retirement	-	-	61,631	267,858
Perpetual care	527,193	509,011	505,269	486,855
Unrestricted	<u>22,798,317</u>	<u>20,613,538</u>	<u>21,388,087</u>	<u>20,911,732</u>
Total governmental activities net assets	<u>\$108,397,912</u>	<u>\$ 99,877,310</u>	<u>\$ 90,358,291</u>	<u>\$ 83,258,760</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 45,942,815	\$ 40,172,842	\$ 38,361,919	\$ 38,209,810
Restricted for:				
Bond retirement	2,863,129	2,866,968	2,853,334	2,836,665
Capital projects	-	-	-	-
Unrestricted	<u>4,005,609</u>	<u>4,952,139</u>	<u>3,251,027</u>	<u>2,085,637</u>
Total business-type activities net assets	<u>\$ 52,811,553</u>	<u>\$ 47,991,949</u>	<u>\$ 44,466,280</u>	<u>\$ 43,132,112</u>
Primary government:				
Invested in capital assets, net of related debt	\$130,381,579	\$118,293,965	\$106,131,585	\$ 99,168,487
Restricted for:				
Museum funding	633,638	633,638	633,638	633,638
Bond retirement	2,863,129	2,866,968	2,914,965	3,104,523
Capital projects	-	-	-	-
Perpetual care	527,193	509,011	505,269	486,855
Unrestricted	<u>26,803,926</u>	<u>25,565,677</u>	<u>24,639,114</u>	<u>22,997,639</u>
Total primary government net assets	<u>\$161,209,465</u>	<u>\$147,869,259</u>	<u>\$134,824,571</u>	<u>\$126,390,872</u>

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

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 TEN FISCAL YEARS
(accrual basis of accounting)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenses:				
Governmental activities:				
Public safety	\$ 9,787,453	\$ 9,402,887	\$ 8,897,795	\$ 8,776,634
Public works	7,382,204	7,450,233	6,910,495	6,912,927
Health and social services	906,341	808,916	779,197	769,456
Culture and recreation	4,091,975	3,503,976	3,475,535	3,720,434
Community and economic development	1,979,288	2,252,333	2,368,084	1,937,074
General government	2,211,823	2,176,829	2,593,594	2,668,372
Interest on long-term debt	992,502	1,053,911	987,814	695,529
Total governmental activities expenses	<u>\$ 27,351,586</u>	<u>\$ 26,649,085</u>	<u>\$ 26,012,514</u>	<u>\$ 25,480,426</u>
Business-type activities:				
Cemetery	\$ 333,251	\$ 314,613	\$ 300,661	\$ 282,484
Water	5,158,365	5,218,343	5,244,979	5,047,464
Sewer	3,824,139	3,505,748	3,473,401	3,118,427
Parking lots	112,947	127,198	135,289	118,762
Storm sewer	186,745	189,862	182,262	178,107
Solid waste	1,378,497	1,289,603	1,244,442	1,216,902
Golf course	449,534	473,005	453,765	463,543
Ambulance	1,581,505	1,572,168	1,265,397	1,353,951
Total business-type activities expenses	<u>\$ 13,024,983</u>	<u>\$ 12,690,540</u>	<u>\$ 12,300,196</u>	<u>\$ 11,779,640</u>
Total primary government expenses	<u>\$ 40,376,569</u>	<u>\$ 39,339,625</u>	<u>\$ 38,312,710</u>	<u>\$ 37,260,066</u>
Program Revenues:				
Governmental activities:				
Charges for services:				
Public safety	\$ 381,382	\$ 356,340	\$ 287,781	\$ 388,341
Culture and recreation	540,478	550,848	458,412	474,665
General government	311,974	410,024	382,266	453,072
Other activities	424,824	269,465	587,134	215,322
Operating grants and contributions	4,303,876	3,748,874	2,380,822	1,970,043
Capital grants and contributions	8,315,838	10,109,341	7,737,713	4,828,170
Total governmental activities program revenues	<u>\$ 14,278,372</u>	<u>\$ 15,444,892</u>	<u>\$ 11,834,128</u>	<u>\$ 8,329,613</u>
Business-type activities:				
Charges for services:				
Water	\$ 5,388,342	\$ 5,238,573	\$ 4,979,982	\$ 4,647,116
Sewer	4,388,117	4,658,234	4,304,033	4,196,151
Other activities	3,830,609	3,645,750	3,612,573	3,637,931
Operating grants and contributions	37,354	619,206	188,313	584,695
Capital grants and contributions	4,030,634	914,735	206,190	270,810
Total business-type activities program revenues	<u>\$ 17,675,056</u>	<u>\$ 15,076,498</u>	<u>\$ 13,291,091</u>	<u>\$ 13,336,703</u>
Total primary government program revenues	<u>\$ 31,953,428</u>	<u>\$ 30,521,390</u>	<u>\$ 25,125,219</u>	<u>\$ 21,666,316</u>
Net (Expense) Revenues:				
Governmental activities	\$(13,073,214)	\$(11,204,193)	\$(14,178,386)	\$(17,150,813)
Business-type activities	4,650,073	2,385,958	990,895	1,557,063
Total primary government net (expense)/ revenues	<u>\$ (8,423,141)</u>	<u>\$ (8,818,235)</u>	<u>\$ (13,187,491)</u>	<u>\$ (15,593,750)</u>

(continued)

SCHEDULE 2

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

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Revenues and Other Changes in Net Assets:				
Governmental activities:				
General revenues:				
Property taxes	\$14,594,866	\$14,145,418	\$13,104,150	\$12,884,283
Other taxes	5,319,902	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	156,531	151,361	174,130	186,493
Grants and contributions not restricted to specific program	95,746	386,403	19,107	44,895
Unrestricted investment income	1,002,440	596,673	1,068,587	795,157
Gain (loss) on sale of capital assets	-	-	-	-
Miscellaneous	259,331	259,307	13,663	265,548
Transfers	165,000	(36,000)	(3,749)	(65,630)
Total governmental activities	<u>\$21,593,816</u>	<u>\$20,286,582</u>	<u>\$21,277,917</u>	<u>\$21,105,160</u>
Business-type activities:				
General revenues:				
Property taxes	\$ 114,460	\$ 113,987	\$ 112,825	\$ 105,232
Grants and contributions not restricted to specific program	-	-	-	-
Unrestricted investment income	112,040	96,638	133,399	198,766
Gain (loss) on sale of capital assets	-	-	-	-
Miscellaneous	108,031	81,894	93,300	170,119
Transfers	(165,000)	36,000	3,749	65,630
Total business-type activities	<u>\$ 169,531</u>	<u>\$ 328,519</u>	<u>\$ 343,273</u>	<u>\$ 539,747</u>
Total primary government	<u>\$21,763,347</u>	<u>\$20,615,101</u>	<u>\$21,621,190</u>	<u>\$21,644,907</u>
Change in Net Assets:				
Governmental activities	\$ 8,520,602	\$ 9,082,389	\$ 7,099,531	\$ 3,954,347
Business-type activities	4,819,604	2,714,477	1,334,168	2,096,810
Total primary government	<u>\$13,340,206</u>	<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 TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund:				
Reserved	\$ -	\$ -	\$ 214,097	\$ 227,684
Unreserved	-	-	8,311,761	7,035,343
Nonspendable	151,565	139,912	-	-
Restricted	1,295,953	1,316,949	-	-
Assigned	374,681	474,153	-	-
Unassigned	5,165,554	5,125,768	-	-
Total general fund	<u>\$ 6,987,753</u>	<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	646,187	645,079	-	-
Restricted	13,067,223	12,077,490	-	-
Assigned	1,378,163	1,380,703	-	-
Unassigned	(156,514)	(1,391,926)	-	-
Total all other governmental funds	<u>\$14,935,059</u>	<u>\$12,711,346</u>	<u>\$11,583,479</u>	<u>\$12,701,113</u>

Note: 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 TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:				
Property taxes	\$12,329,153	\$11,933,871	\$11,227,096	\$10,615,964
TIF revenues	1,500,976	1,438,648	1,113,291	1,293,624
Other taxes	5,476,433	4,934,781	4,610,021	4,763,020
Licenses and permits	598,403	627,128	526,228	594,809
Intergovernmental	12,222,158	13,550,171	11,920,642	8,771,337
Charges for services	950,316	868,987	1,098,884	788,428
Fines and forfeitures	83,949	81,317	73,912	117,261
Use of money and property	966,669	580,143	1,046,555	747,268
Special assessments	25,990	9,245	16,569	30,900
Miscellaneous	690,139	1,016,838	637,005	591,339
Refunds	15,396	7,984	34,447	207,873
Total revenues	<u>\$34,859,582</u>	<u>\$35,049,113</u>	<u>\$32,304,650</u>	<u>\$28,521,930</u>
Expenditures:				
Public safety	\$ 8,935,302	\$ 8,744,332	\$ 8,377,479	\$ 8,121,819
Public works	3,130,523	3,228,134	3,398,998	2,879,684
Health and social services	853,755	787,650	765,063	750,863
Culture and recreation	3,092,889	2,917,485	2,988,797	3,046,106
Community and economic development	5,472,392	12,624,763	7,278,193	1,693,168
General government	2,101,725	2,113,201	2,469,483	2,531,895
Capital projects	6,437,190	7,502,631	13,623,213	16,059,284
Debt service:				
Principal retirement	3,363,870	2,601,875	2,117,833	1,659,835
Interest	956,803	993,656	955,151	634,734
Contractual	62,470	41,578	9,669	48,424
Total expenditures	<u>\$34,406,919</u>	<u>\$41,555,305</u>	<u>\$41,983,879</u>	<u>\$37,425,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 452,663</u>	<u>\$ (6,506,192)</u>	<u>\$ (9,679,229)</u>	<u>\$ (8,903,882)</u>
Other financing sources (uses):				
Issuance of refunding bonds	\$ 2,144,077	\$ -	\$ -	\$ -
Payment to refunding escrow agent	(1,994,077)	-	-	-
Issuance of general obligation bonds	1,400,000	5,785,000	9,108,900	5,485,800
Premium (discount) on bonds issued	(12,980)	(32,017)	25,275	-
Sale of capital assets	-	-	-	-
Transfers in	2,828,522	2,578,286	2,655,746	2,537,998
Transfers out	(2,663,521)	(1,849,286)	(1,965,495)	(2,178,628)
Total other financing sources (uses)	<u>\$ 1,702,021</u>	<u>\$ 6,481,983</u>	<u>\$ 9,824,426</u>	<u>\$ 5,845,170</u>
Net change in fund balances	<u>\$ 2,154,684</u>	<u>\$ (24,209)</u>	<u>\$ 145,197</u>	<u>\$ (3,058,712)</u>
 Debt service as a percentage of noncapital expenditures	 <u>21.92%</u>	 <u>15.47%</u>	 <u>13.25%</u>	 <u>10.40%</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>
\$ 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>9.16%</u>	<u>14.63%</u>	<u>9.64%</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>
2012	\$12,329,153	\$1,500,976	\$17,243	\$6,635	\$ -
2011	11,933,871	1,438,648	17,385	6,028	-
2010	11,227,096	1,113,291	17,898	6,034	-
2009	10,595,874	1,293,624	20,090	-	-
2008	9,991,874	1,549,165	17,051	-	-
2007	9,509,934	1,539,641	16,878	-	-
2006	8,441,105	1,324,877	16,416	-	-
2005	7,764,803	1,344,795	16,555	-	12,883
2004	7,821,949	1,299,624	19,350	-	72,000
2003	7,588,119	1,309,583	19,702	9,869	20,628

<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>
2012	\$544,623	\$ -	\$156,531	\$2,836,036	\$17,391,197
2011	412,712	-	151,361	2,580,116	16,540,121
2010	449,699	-	174,130	2,460,515	15,448,663
2009	439,464	-	186,493	2,458,596	14,994,141
2008	333,278	-	186,316	2,797,987	14,875,671
2007	303,510	-	184,216	2,430,608	13,984,787
2006	308,951	-	159,226	2,258,668	12,509,243
2005	288,301	-	161,992	1,976,896	11,566,225
2004	299,046	-	171,678	2,948,279	12,631,926
2003	282,093	176,219	211,951	2,186,902	11,805,066

(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
2011	2012	\$1,082,708,259	\$375,761,167	\$105,170,753	\$15,846,176
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

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

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

Source: City Assessor

See Accompanying Independent Auditor's Report.

<u>Utilities</u>	<u>Total</u>	<u>Total Taxable Valuation (1) (2)</u>	<u>Total Direct Tax Rate</u>
\$58,902,940	\$1,638,389,295	\$1,076,208,365	13.56506
55,575,034	1,642,555,915	1,079,732,545	13.39427
39,183,481	1,601,372,084	1,026,972,722	12.73451
38,557,472	1,600,726,940	1,016,064,811	12.80116
38,557,472	1,558,532,458	964,618,055	12.67114
40,823,425	1,481,888,386	944,867,130	12.25642
33,420,085	1,349,752,288	869,786,552	11.63721
31,674,231	1,320,103,443	868,622,941	10.55109
32,546,117	1,234,365,761	829,968,057	10.46693
35,492,451	1,210,301,800	832,515,610	10.24691

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>
2012	8.49471	2.97035	2.10000	13.56506
2011	8.67914	2.78243	1.93270	13.39427
2010	8.71062	2.10902	1.91487	12.73451
2009	8.83574	1.52791	2.43751	12.80116
2008	8.86866	1.33259	2.46989	12.67114
2007	8.83050	1.05727	2.36865	12.25642
2006	8.66274	.88534	2.08913	11.63721
2005	8.69532	.26452	1.59125	10.55109
2004	8.82860	.59627	1.04206	10.46693
2003	8.66010	.73054	.85627	10.24691

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>
5.81660	.43417	6.25077	15.11036	-	15.11036	3.00375	37.92994
5.81451	.45591	6.27042	15.11732	-	15.11732	3.00375	37.78576
5.82555	.46592	6.29147	13.61683	-	13.61683	3.00375	35.64656
5.83059	.48632	6.31691	13.67407	-	13.67407	3.00375	35.79589
5.83592	.75876	6.59468	14.08418	-	14.08418	3.00375	36.35375
5.78266	.81202	6.59468	14.09825	-	14.09825	3.00375	35.95310
5.86024	.33910	6.19934	14.71869	-	14.71869	3.00375	35.55899
5.04799	.22866	5.27665	14.11808	-	14.11808	3.00375	32.94957
4.59418	-	4.59418	13.65058	-	13.65058	3.00367	31.71536
4.59778	.10738	4.70516	14.15478	.95269	15.10747	3.00375	33.06329

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

<u>Taxpayer</u>	<u>2012</u>		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
Interstate Power Company	\$ 47,700,090	1	2.91%
Golden Grain Energy, Inc.	17,217,540	2	1.05
Lehigh Portland Cement Company	16,388,235	3	1.00
Mills Fleet Farm	12,327,797	4	.75
Mason City Shopping Center, Ltd.	11,747,190	5	.72
Wal-Mart	11,599,630	6	.71
AADG	9,633,754	7	.59
Principal Mutual Life Insurance Co.	8,863,840	8	.54
North Iowa Mercy	8,323,664	9	.51
Arm-Eck	8,265,010	10	.50
Curries Manufacturing, Inc.	-		-
Northwestern States Cement-Holnam, Inc.	-		-
Mall Associates	-		-
CAG Subsidiary, Inc.	-		-
Dayton Hudson	-		-
Total	<u>\$152,066,750</u>		<u>9.28%</u>

Source: City Assessor

See Accompanying Independent Auditor's Report.

2003		
<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
\$ 27,054,603	1	2.16%
-		-
17,679,423	2	1.43
10,017,162	6	0.81
3,648,250	18	0.29
8,778,990	8	0.71
-		-
8,779,280	7	0.71
-		-
-		-
14,282,012	3	1.15
14,122,952	4	1.14
12,082,830	5	0.98
7,180,840	9	0.58
7,120,080	10	0.57
<u>\$130,746,422</u>		<u>10.53%</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>	
2011	2012	\$13,368,985	\$13,106,318	98.04%	\$ -
2010	2011	12,949,529	12,922,145	99.78	7,178
2009	2010	12,269,045	12,246,928	99.82	6,221
2008	2009	11,901,194	11,885,781	99.87	1,528
2007	2008	11,065,910	11,062,272	99.96	1,602
2006	2007	10,549,474	10,547,547	99.98	879
2005	2006	9,414,330	9,411,788	99.97	1,414
2004	2005	8,380,157	8,377,255	99.96	1,866
2003	2004	8,107,644	8,103,655	99.95	3,475
2002	2003	7,745,522	7,724,156	99.72	20,295

See Accompanying Independent Auditor's Report.

<u>Total Collections to Date</u>	
<u>Amount</u>	<u>Percentage of Levy</u>
\$13,106,318	98.04%
12,929,323	99.87
12,253,152	99.87
11,887,309	99.88
11,063,874	99.98
10,548,426	99.99
9,413,402	99.99
8,379,121	99.99
8,107,130	99.99
7,744,451	99.99

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

Governmental Activities				
Fiscal Year	General Obligation		TIF Revenue	Lease
	Bonds	Notes	Bonds	
2012	\$23,854,077	\$ 150,000	\$1,049,774	\$ -
2011	25,339,320	295,000	1,233,400	-
2010	21,684,866	594,958	1,404,774	-
2009	14,138,132	884,958	1,569,339	-
2008	9,776,550	1,333,671	1,727,044	-
2007	9,777,692	408,671	2,072,975	-
2006	8,153,984	500,000	2,401,925	64,829
2005	8,453,000	-	2,719,272	126,867
2004	7,140,000	-	3,034,980	186,233
2003	8,345,000	-	2,895,000	243,043

Business-Type Activities				
Fiscal Year	General Obligation		Revenue	Capital
	Bonds	Notes	Bonds	Lease
2012	\$6,100,923	\$205,085	\$23,821,018	\$ -
2011	7,050,680	282,887	25,602,694	-
2010	6,840,134	356,890	27,146,278	-
2009	6,236,868	696,052	26,057,827	-
2008	5,903,450	410,780	18,740,604	105,480
2007	3,667,308	513,735	17,888,281	207,231
2006	3,991,016	362,596	15,429,715	305,324
2005	2,392,000	399,870	16,199,167	399,842
2004	-	495,680	16,906,970	490,990
2003	-	90,000	9,218,080	-

See Accompanying Independent Auditor's Report.

<u>Settlement Note</u>	<u>Total</u>
\$ -	\$25,053,851
-	26,867,720
-	23,684,598
-	16,592,429
-	12,837,265
4,889	12,264,227
31,528	11,152,266
56,125	11,355,264
75,000	10,436,213
-	11,483,043

<u>Total</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$30,127,026	\$55,180,877	5.09%	\$1,965
32,936,261	59,803,981	6.14	2,130
34,343,302	58,027,900	5.37	1,989
32,990,747	49,583,176	4.91	1,700
25,160,314	37,997,579	3.88	1,303
22,276,555	34,540,782	3.63	1,184
20,088,651	31,240,917	3.40	1,071
19,390,879	30,746,143	3.76	1,054
17,893,640	28,329,853	3.43	971
9,308,080	20,791,123	3.51	713

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>
2012	28,079	\$1,076,208,365	\$30,310,085	\$ (8,624)
2011	28,079	1,079,732,545	32,967,887	(121,160)
2010	29,172	1,026,972,722	29,476,848	61,630
2009	29,172	1,016,064,811	21,956,010	267,858
2008	29,172	964,618,055	17,424,451	362,803
2007	29,172	944,867,130	14,367,406	505,025
2006	29,172	869,786,552	13,007,596	619,718
2005	29,172	868,622,941	11,244,870	769,200
2004	29,172	829,968,057	7,635,680	1,221,315
2003	29,172	832,515,610	8,255,000	2,313,361

<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>
2012	\$30,318,709	2.82%	\$1,079.76
2011	33,089,047	3.06	1,178.43
2010	29,415,218	2.86	1,008.34
2009	21,688,152	2.13	743.46
2008	17,061,648	1.77	584.86
2007	13,862,381	1.47	475.19
2006	12,387,878	1.42	424.65
2005	10,475,670	1.21	359.10
2004	6,414,365	.77	219.88
2003	5,941,639	.71	203.67

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, 2012

<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)	\$25,053,851	100.0%	\$25,053,851
Overlapping (2):			
Mason City Community School District	37,820,780	90.4%	34,182,421
Cerro Gordo County	11,585,000	46.0%	5,329,100
North Iowa Area Community College	8,525,000	-	-
Total	<u>\$82,984,631</u>		<u>\$64,565,372</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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Debt limit	\$81,919,465	\$82,847,356	\$80,068,604	\$80,036,347
Total net debt applicable to limit	<u>31,154,774</u>	<u>33,918,400</u>	<u>30,524,732</u>	<u>23,206,321</u>
Legal debt margin	<u>\$50,764,691</u>	<u>\$48,928,956</u>	<u>\$49,543,872</u>	<u>\$56,830,026</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>38.03%</u>	<u>40.94%</u>	<u>38.12%</u>	<u>28.99%</u>

Legal Debt Margin Calculation for Fiscal Year 2012

Actual assessed valuation:	
Real property	\$1,579,486,355
Utilities	58,902,940
Total actual assessed valuation	<u>\$1,638,389,295</u>
Debt limit - 5% of actual valuation	\$ 81,919,465
Total net debt applicable to limit	<u>31,154,774</u>
Legal debt margin	<u>\$ 50,764,691</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>
\$77,926,623	\$74,094,419	\$67,487,614	\$67,400,322	\$66,048,766	\$56,120,090
<u>15,643,215</u>	<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>\$62,283,408</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>20.07%</u>	<u>21.50%</u>	<u>22.39%</u>	<u>20.40%</u>	<u>15.69%</u>	<u>20.46%</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>
2012	\$4,442,947	\$1,954,110	\$2,488,837
2011	5,231,916	1,672,145	3,559,771
2010	4,405,338	2,014,228	2,391,110
2009	4,442,190	1,908,966	2,533,224
2008	3,173,779	1,786,007	1,387,772
2007	2,673,287	1,814,148	859,139
2006	2,412,484	1,759,738	652,746
2005	2,311,231	1,660,486	650,745
2004	2,014,835	1,491,459	523,376
2003	2,125,686	1,520,466	605,220

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2012	\$793,000	\$409,590	\$1,202,590	2.07
2011	897,000	437,287	1,334,287	2.66
2010	867,000	413,322	1,280,322	1.86
2009	690,000	169,170	859,170	2.95
2008	450,000	119,760	569,760	2.43
2007	455,000	117,276	572,276	1.50
2006	340,000	97,755	437,755	1.49
2005	330,000	127,679	457,679	1.42
2004	310,000	142,511	452,511	1.16
2003	295,000	156,546	451,546	1.34

(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>
2012	\$5,476,898	\$3,164,908	\$2,311,990
2011	5,337,691	3,263,510	2,074,181
2010	5,171,917	3,315,053	1,856,864
2009	4,950,216	3,145,518	1,804,698
2008	4,889,040	3,065,967	1,823,073
2007	4,781,241	3,063,093	1,718,148
2006	4,214,116	2,837,049	1,377,067
2005	4,069,839	2,534,220	1,535,619
2004	3,542,206	2,178,226	1,363,980
2003	2,991,747	1,855,372	1,136,375

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2012	\$1,001,000	\$399,010	\$1,400,010	1.65
2011	970,000	430,760	1,400,760	1.48
2010	940,000	461,453	1,401,453	1.32
2009	915,000	491,288	1,406,288	1.28
2008	775,000	502,103	1,277,103	1.43
2007	727,000	463,806	1,190,806	1.44
2006	693,000	426,008	1,119,008	1.23
2005	1,088,000	457,617	1,545,617	0.99
2004	1,049,000	379,007	1,428,007	0.96
2003	375,000	88,206	463,206	2.45

(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>
2012	28,079	\$1,082,586	\$38,555	43.30	3,796	6.5
2011	28,079	974,538	34,707	43.30	3,860	6.6
2010	29,172	1,080,618	37,043	42.10	3,909	7.9
2009	29,172	1,010,401	34,636	42.40	3,649	5.4
2008	29,172	980,850	33,623	41.70	3,969	3.5
2007	29,172	951,824	32,628	42.20	4,102	3.3
2006	29,172	919,326	31,514	39.30	4,103	4.1
2005	29,172	831,023	28,487	41.55	4,241	4.8
2004	29,172	896,951	30,747	41.13	4,298	3.9
2003	29,172	807,481	27,680	40.30	4,357	3.5

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

See Accompanying Independent Auditor's Report.

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

<u>Taxpayer</u>	<u>2012</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
Mercy Medical Center - North IA	1,697	1	11.7%
Curries Manufacturing Company	633	2	4.4
Hy-Vee Food Stores	578	3	4.0
Mason City Community School District	555	4	3.8
Principal Life Insurance Co.	490	5	3.4
Wal-Mart Stores	361	6	2.5
Good Shepherd Geriatric Center	305	7	2.1
City of Mason City	293	8	2.0
Graham Manufacturing	260	9	1.8
Kraft Foods	233	10	1.6
Total	<u>5,405</u>		<u>37.3%</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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Public safety:					
Police - sworn	45	48	48	48	45
Police - civilian	5	5	5	2	4
Fire - sworn	44	44	44	44	44
Fire - civilian	2	2	2	2	2
Building inspection	2	3	3	3	3
Plumbing/electrical inspection	2	2	2	1	2
Public works:					
Airport	5	5	5	5	5
Street	21	21	20	22	21
Arborist	1	1	1	1	1
Engineer	7	7	7	7	7
Health and social services:					
Youth Task Force	4	3	4	5	4
Health	1	1	1	1	1
Human Rights	3	3	3	3	2
Culture and recreation:					
Parks	6	6	6	6	7
Recreation	3	3	3	4	4
Library	18	18	14	15	15
Museum	7	7	7	7	7
Community and economic development:					
Neighborhood Services	3	2	2	2	2
Growth Development and Planning	3	3	3	3	3
Transit	14	16	17	17	14
General government:					
Administrator	3	2	2	2	2
Mayor	-	-	-	-	-
Finance	11	11	11	11	11
Clerk	1	1	1	2	2
City Hall	1	1	1	1	1
Personnel/Safety	2	2	2	2	2
Business-type activities:					
Water	18	19	19	18	19
Sewer	14	16	16	16	16
Sanitation	10	12	12	11	12
Cemetery	3	3	3	3	3
Golf course	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total	<u>269</u>	<u>269</u>	<u>266</u>	<u>266</u>	<u>263</u>

See Accompanying Independent Auditor's Report.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
48	50	47	49	47
10	9	15	12	12
44	44	44	43	36
2	1	1	1	1
3	3	3	3	3
2	2	2	2	2
5	6	5	4	4
21	21	20	20	21
1	1	1	1	1
5	7	7	6	8
4	3	3	3	3
1	1	1	1	1
2	2	2	2	2
7	7	7	7	6
4	4	4	4	4
14	14	13	13	13
7	6	5	6	6
3	3	3	1	3
1	3	4	4	4
15	14	14	17	17
2	2	2	2	2
-	-	-	1	1
8	7	7	5	5
2	3	3	3	3
1	1	1	1	1
2	2	2	2	2
22	21	22	19	21
17	17	17	16	17
12	12	12	12	11
3	3	3	3	3
<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<u>269</u>	<u>277</u>	<u>277</u>	<u>274</u>	<u>267</u>

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

<u>Function</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Police:					
Physical arrests	3,082	2,776	2,295	4,129	3,049
Parking violations	2,678	4,432	4,161	5,885	7,560
Traffic violations	5,366	5,311	2,043	3,117	5,952
Fire:					
Fire calls answered	839	793	731	762	766
Ambulance calls answered	4,434	4,057	3,755	3,912	4,032
Inspections	1,961	1,690	1,411	1,216	1,025
Highways and streets:					
Street resurfacing (miles)	0.37	2.68	2.40	2.60	3.04
Potholes repaired	5,500	5,400	5,300	5,000	5,000
Sanitation:					
Refuse collected (tons/day)	29.00	31.94	32.60	27.50	35.52
Recyclables collected (tons/day)	4.82	4.84	4.86	5.50	5.50
Culture and recreation:					
Aquatic Center admissions	42,811	42,179	33,616	39,074	39,726
Water:					
New connections	26	31	15	21	3
Water main breaks	21	17	17	11	10
Average daily consumption (thousands of gallons)	4,828	5,300	5,324	5,865	5,673
Wastewater:					
Average daily sewage treatment (thousands of gallons)	6,712	6,810	6,689	6,658	7,421

See Accompanying Independent Auditor's Report.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
3,373	3,309	3,551	3,362	3,190
4,328	3,870	4,041	5,827	6,180
6,502	4,463	2,686	3,478	2,990
746	779	772	842	1,070
4,138	4,374	3,420	310	-
600	373	781	673	1,097
5.59	4.22	3.41	2.71	2.24
5,000	5,000	5,000	5,000	5,000
32.09	31.44	32.80	33.55	31.64
5.50	5.70	5.90	5.87	5.88
51,751	54,997	58,951	42,484	75,846
15	10	1	8	7
11	8	10	14	17
5,784	5,819	5,869	5,571	4,964
7,040	6,637	6,618	5,433	5,832

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

<u>Function</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Public safety:					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Public works:					
Street miles:					
Paved	152.39	152.33	152.33	152.06	151.93
Unpaved	41.12	41.12	41.12	41.12	41.12
Street lights	1,765	1,761	1,761	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	48.46	48.13	48.13	47.95	47.95
Sanitary	164.57	164.53	164.53	164.31	164.31
Cemetery:					
Facilities	1	1	1	1	1
Acreage	100	100	100	100	100

See Accompanying Independent Auditor's Report.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
1	1	1	1	1
1	1	1	1	1
151.93	151.69	150.78	148.12	148.12
41.12	41.12	41.12	41.80	41.80
1,760	1,750	1,744	1,714	1,714
41	41	41	41	41
639	639	639	639	639
12	12	12	12	12
12	12	12	12	12
1	1	1	1	1
1	1	1	1	1
7	7	7	7	7
47.95	46.91	46.44	46.26	46.26
160.92	159.84	159.05	158.30	158.30
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, 2012, which collectively comprise the City of Mason City's basic financial statements and have issued our report thereon dated December 28, 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

Management of the City of Mason City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, 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 12-II-A and 12-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, 12-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 12-III-B.

We noted certain matters that we reported to management of the City of Mason City, Iowa, in a separate letter dated December 28, 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 is intended solely for the information and use of management, the Mayor, members of the City Council, others within the entity, and federal awarding agencies and pass-through entities and 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.

Charles City, Iowa

December 28, 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 could have a direct and material effect on each of the City of Mason City's major federal programs for the year ended June 30, 2012. The City of Mason 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, 2012. 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 12-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 to determine the 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 of Mason City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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 12-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 12-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.

Kronlage & Olson, P.C.

Charles City, Iowa

December 28, 2012

CITY OF MASON CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

<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	\$ -
Contributions and Training	14.401	FF207K127002	-
Contributions and Training	14.401	FF207K117002	103,678
Total			<u>\$ 103,678</u>
<u>Department of Justice</u>			
Bullet Proof Vest Program	16.607	2008	\$ -
Bullet Proof Vest Program	16.607	2011	1,200
Public Safety Partnership and Community Policing Grants:			
COPS - Secure Our Schools	16.710	2009-CK-WX-0670	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Granted to Units of Local Government	16.804	2009-SB-B9-1946	24,708
Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810	2009-SD-B9-0004	29,222
Total			<u>\$ 55,130</u>
<u>Department of Transportation</u>			
Airport Improvement Program	20.106	3-19-0059-32-2009	\$ -
Airport Improvement Program	20.106	3-19-0059-34-2010	-
Airport Improvement Program	20.106	3-19-0059-35-2010	937,427
Airport Improvement Program	20.106	3-19-0059-36-2011	1,744,742
Airport Improvement Program	20.106	3-19-0059-37-2012	-
Passenger Facility Charge			35,054
Total			<u>\$2,717,223</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	\$ 26,752
Projects of Regional and National Significance	93.243	5 H79 SP015490-04	25,256
Total			<u>\$ 52,008</u>
<u>Department of Homeland Security</u>			
Assistance to Firefighters	97.044	EMW-2011-FO-06377	\$ -
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR204	9,162
Total			<u>\$ 9,162</u>
Total direct			<u>\$2,937,201</u>

(continued)

CITY OF MASON CITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2012

<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	11-HSG-035	\$ 50,517
Owner Occupied Housing Rehab	14.228	10-DTR-006	-
100% Flood and Demolition Buyout	14.228	08-DRHB-226	1,108,183
Disaster Recovery Infrastructure	14.228	08-DRI-226	3,842,032
Disaster Recovery Infrastructure	14.228	08-DRMI-002	5,671
Disaster Recovery Infrastructure	14.228	08-DRMI-003	16,816
Hazard Mitigation Grant Program Match for Property Acquisition			
Flood Buyout #1	14.228	08-DRMH-231	-
Flood Buyout #2	14.228	08-DRMH-232	150
Flood Buyout #3	14.228	08-DRMH-247	119,756
Flood Buyout #4	14.228	08-DRMH-237	-
Home Investment Partnership Program	14.239	10-HM-116-65	124,008
Total			<u>\$5,267,133</u>
Department of Justice:			
<u>Governor's Office of Drug Control Policy</u>			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG-ARRA4154B	\$ -
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG/ARRA-4155B	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG/16727	19,252
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG/17611	8,545
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG/ARRA-16448C	52,732
Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09JAG/ARRA-3344B	-
Total			<u>\$ 80,529</u>
<u>Iowa Department of Justice</u>			
Federal Violence Against Women Formula Grant	16.588	VWS-12-55	\$ 21,291
Federal Violence Against Women Formula Grant	16.588	VW-11-55	-
Total			<u>\$ 21,291</u>
Total			<u>\$ 101,820</u>

(continued)

CITY OF MASON CITY, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
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	-
Formula Grants for Other than Urbanized Areas			
Capital Assistance	20.509	18-0028-482-07	7,876
Operating Assistance	20.509	18-0029-482-11	-
Operating Assistance	20.509	18-0030-482-12	347,540
ARRA - Capital Assistance	20.509	86-0001-482-09	-
Total			<u>\$ 356,298</u>
 <u>Iowa Department of Public Safety</u>			
Governor's Traffic Safety Bureau			
State and Community Highway Safety			
Police Traffic Services	20.600	PAP-12-02	\$ 5,163
Police Traffic Services	20.600	PAP-11-02	3,467
Total			<u>\$ 8,630</u>
Total			<u>\$ 364,928</u>
 National Endowment for the Arts:			
<u>Iowa Arts Council</u>			
Promotion of the Arts - Partnership Agreements			
Operating Support	45.025	2011-8282	\$ 13,540
 Department of Education:			
<u>Iowa Department of Public Health</u>			
Safe and Drug Free Schools and Communities - State Grants			
	84.186	5881DV09	\$ -
 <u>Governor's Office of Drug Control Policy</u>			
Safe and Drug Free Schools and Communities - National Programs			
	84.184Z	09-IHE-01	\$ 103,851
Total			<u>\$ 103,851</u>

(continued)

CITY OF MASON CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
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	\$ 28,604
Demolition Debris Removal	97.036	DR #1763-PW-9585	294,599
Demolition Debris Removal	97.036	DR #1763-PW-10528	5,263
Demolition Debris Removal	97.036	DR #1763-PW-10529	1,127
Demolition Debris Removal	97.036	DR #1763-PW-10533	-
Hazard Mitigation Grant			
Flood Buyout #2	97.039	HMGP-DR-1763-0031-01	451
Flood Buyout #1	97.039	HMGP-DR-1763-0032-01	-
Flood Buyout #4	97.039	HMGP-DR-1763-0037-01	140,410
Flood Buyout #3	97.039	HMGP-DR-1763-0047-01	359,267
Water Reclamation Facility	97.039	HMGP-DR-1703-0061-01	28,355
Water Distribution Flood Wall	97.039	HMGP-DR-DR-1763-0062-01	84,079
Newman Schools Safe Room	97.039	HMPG-DR-1763-0171-01	435,995
Total			<u>\$ 1,378,150</u>
Total indirect			<u>\$ 7,229,422</u>
Total expenditures of federal awards			<u>\$10,166,623</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 SCHEDULE OF SELECTED EXPENDITURES OF STATE AWARDS
 YEAR ENDED JUNE 30, 2012

<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	13149	\$ -
Commercial Air Service Vertical Infrastructure Program	11416	88,222
Commercial Air Service Vertical Infrastructure Program	12276	7,886
Airport Improvement Project	13171	<u>13,665</u>
Total Expenditures for State Awards		<u>\$109,773</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012

(1) General

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

(2) Basis of Accounting

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

(3) Relationship to General Purpose Financial Statements

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

	Operating Grants	Capital Grants	Loan Proceeds	Total
General Fund	\$1,476,422	\$ 2,794,296	\$ -	\$ 4,270,718
Special Revenue Funds:				
ADDI	-	124,008	-	124,008
FMA	-	411,286	-	411,286
Road Use Tax	-	1,971,998	-	1,971,998
Housing	50,517	-	-	50,517
HMGP	-	2,138,229	-	2,138,229
PDM-FEMA	-	493,592	-	493,592
Capital Project Funds:				
Local Option Capital Improvements	-	24,500	-	24,500
Enterprise Funds:				
Water	-	111,186	-	111,186
Sewer	37,354	3,842,033	-	3,879,387
	<u>\$1,564,293</u>	<u>\$11,911,128</u>	<u>\$ -</u>	<u>\$13,475,421</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, 2012

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

MATERIAL WEAKNESSES:

12-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, 2012, they recognized over \$1,315,000 of accounts and contracts payable, including approximately \$61,300 (not material to any opinion unit) incorrectly recorded as payables. However, they did not recognize an additional \$215,000 (material to one opinion unit) of mostly contracts payable at June 30, 2012.

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, 2012

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.

12-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.

12-II-C Recognition of Non-Cash Fixed Asset Additions - During most years, the City may accept subdivisions from various developers as land is prepared for commercial and residential development. When the City accepts a subdivision, it also accepts the improvements installed by the developer (sewer lines, water lines, infrastructure, etc.). These items should be included as an addition to the City's assets. Interns have neglected to include these items for several years, necessitating a restatement of the opening balances as of July 1, 2011.

Recommendation - An addition to the interns' written work plan should include a step to determine if any subdivisions were accepted by the City during the fiscal year. If subdivisions were accepted during the year, an additional step would require the interns to consult with the engineering department to develop a cost for the individual additions during the fiscal year.

Response - We will add this procedure to the interns' work program as an item to be coordinated with the City engineer's staff.

Conclusion - Response accepted.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards:

ALL GRANTS:

12-III-A See items 12-II-A and 12-II-B above.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

SIGNIFICANT DEFICIENCIES:

DEPARTMENT OF TRANSPORTATION:

Airport Improvement Program - CFDA 20.106, Grants AIP-3-19-0059-36-2011.

12-III-B Condition - The engineering company for this project accepted the responsibilities, as part of its contract, to perform all requirements established by the Davis-Bacon Act. The individual responsible for performing the required tasks failed to adequately document employee interviews, record work being performed by the individual, reconcile hours worked per employee to company weekly wage report and investigate differences, document non-cash benefits required to meet the amount of hourly wage and benefits to the Department of Labor wage determination letter and determine that correct wages were being paid for the category of work being performed. This occurred in two of the three interviews performed.

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

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

Cause - The employee interviews were conducted by an individual identified as an "Intern Architect". This brings into question if there was sufficient supervision and review of this individual's work.

Context - Three employee interviews were conducted as part of the affected grant. Two of the interviews were deficient.

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

Views of Responsible Officials and Planned Corrective Action - The airport manager has stressed the necessity of completing Davis-Bacon requirements during the pre-construction and progress meetings held for federal grant AIP-36. The ultimate responsibility for these requirements had been accepted by Mead & Hunt Project Manager on behalf of the airport.

In the future, the Airport Manager will request documentation relating to Davis-Bacon compliance requirements that the employee interviews have been conducted and properly documented.

Conclusion - Response accepted.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- 12-IV-A Official Depositories - A resolution naming official depositories has been adopted by the City Council.
- 12-IV-B Certified Budget - Disbursements during the year ended June 30, 2012, did not exceed the amounts budgeted.
- 12-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.
- 12-IV-D Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 12-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 Grooters, Library Board - owner, Pappajohn Law Firm	Legal services	\$ 309
Cindy Stephenson, Communications Utility Board - owner, Stephens Hearing Associates	Services	675
Craig MacDougall, Plumbing Appeals and Exam Board - owner, Hank's Plumbing	Plumbing repairs	1,131
Matt Brick, Plumbing Appeals and Exam Board - owner, Brick Furniture	Furniture	1,800
David Vikturek, North Iowa Corridor Economic Development Corporation Board - vice president, Mason City Foundation	City contribution	1,800
Tony Johnson, Plumbing Appeals and Exam Board - owner, Johnson Heating/AC	Plumbing repairs	2,555
Jay Leaman, Electrical Examiners and Appeals Board - owner, The Electricians	Electrical services	2,558
Steve Clausen, Plumbing Appeals and Exam Board - owner, Clausen Plumbing	Plumbing repairs	6,196
Daniel Moorehead, Electrical Examiners and Appeals Board - owner, Moorehead Electric	Electrical services	7,963
Kris Kramer, Enterprise Zone Commission - manager, Kramer Ace Hardware	Supplies	8,585

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mark Ewy, Housing Advisory and Appeals Board - owner, Custom Auto Body	Repairs	\$ 9,300
Larry Elwood, North Iowa Corridor Economic Development Corporation Board - owner Larry Elwood Construction	Construction services	20,849
Tom Hovland, Airport Commission - owner, Tom Hovland Enterprises	Automotive supplies	26,940
Dennis Reidel, Library Board - CEO & CFO, Overhead Door of Mason City & Mid-West Roofing	Construction services	31,266
Tom Douglas, Housing Advisory & Appeals Board - owner, Edwards Brandt Insurance & Realty	Insurance	34,499
Doug Wiltsie, Electrical Examiners & Appeals Board - vice president, Blazek Electric	Electric services	39,970
Terry McCarthy, Human Rights Commission, - partner, Yaggy Colby Associates	Engineering services	191,245
Fouad Daoud, Building Advisory and Appeals Board - partner, Wallace, Holland, Kastler & Schmidt	Engineering services	466,072
Gary Schmit, North Iowa Corridor Economic Development Corporation Board, - president, Henkel Construction	Construction services	549,283
Kevin Pals, Youth Task Force, Sheriff - Cerro Gordo County	28E Agreement	582,982
George Jessen, Zoning Board of Adjustment (alternate) - owner, Heartland Asphalt	Road construction	1,242,461

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

All or significant amounts of the payments to Larry Elwood Construction, Yaggy Colby Associates, WHKS and Co., Heartland Asphalt, Cerro Gordo County Sheriff, Henkel Construction and Edwards Brandt and Associates were competitively bid or required by 28E agreement and, therefore, do not represent a conflict of interest. The remaining items may represent conflicts of interest. The City should consult legal counsel to determine the disposition of this matter.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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

Response - We will do this.

Conclusion - Response accepted.

12-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.

12-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.

12-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.

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

12-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 2012 fiscal year. During FYE 2007, 2008, 2009, 2010, 2011 and 2012, records maintained by the water distribution supervisor and the water billing department show that only 60%, 63%, 59%, 53%, 63% and 67% of the water pumped from the water distribution plant was actually billed, respectively.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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

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

Response - We have purchased leak detectors and are in the process of identifying leaks in the system. The capital improvements plan includes projects each of the next five years to replace leaking or old water lines. We are also tracking City-owned facilities' usage that is not being billed to determine how much it affects the percentage.

Conclusion - Response accepted.

CITY OF MASON CITY, IOWA
Corrective Action Plan for Federal Audit Findings
Year Ended June 30, 2012

<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>
12-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, 2013
12-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, 2013
12-III-A	See items 12-II-A and 12-II-B above			
12-III-B	Failure to comply with Davis-Bacon Act inspection requirements	We will request Davis-Bacon compliance documentation to ensure interviews were conducted and completely documented.	Pam Osgood Airport Manager 641-421-3680	June 30, 2013

CITY OF MASON CITY, IOWA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

FINANCIAL STATEMENTS

Finding 11-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 11-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 11-III-A: Financial Statement Findings

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

Finding 11-III-B: Flood Expenses are not Reconciled to the General Ledger

Condition - The expenses related to the 2008 flood buyouts and demolitions were not reconciled to the general ledger prior to reimbursement requests being prepared and submitted.

Recommendation - Expenses should be reconciled between general ledger, subsidiary records and reimbursement requests.

Current Status - This has been accomplished and only minor differences exist

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