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ST. JOSEPH CEMETERY

# CITY OF MASON CITY, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CITY OF MASON CITY, IOWA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2017

- Prepared By -

The Department of Finance  
Kevin Jacobson, Director

**INTRODUCTORY  
SECTION**

**CITY OF MASON CITY, IOWA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED JUNE 30, 2017**

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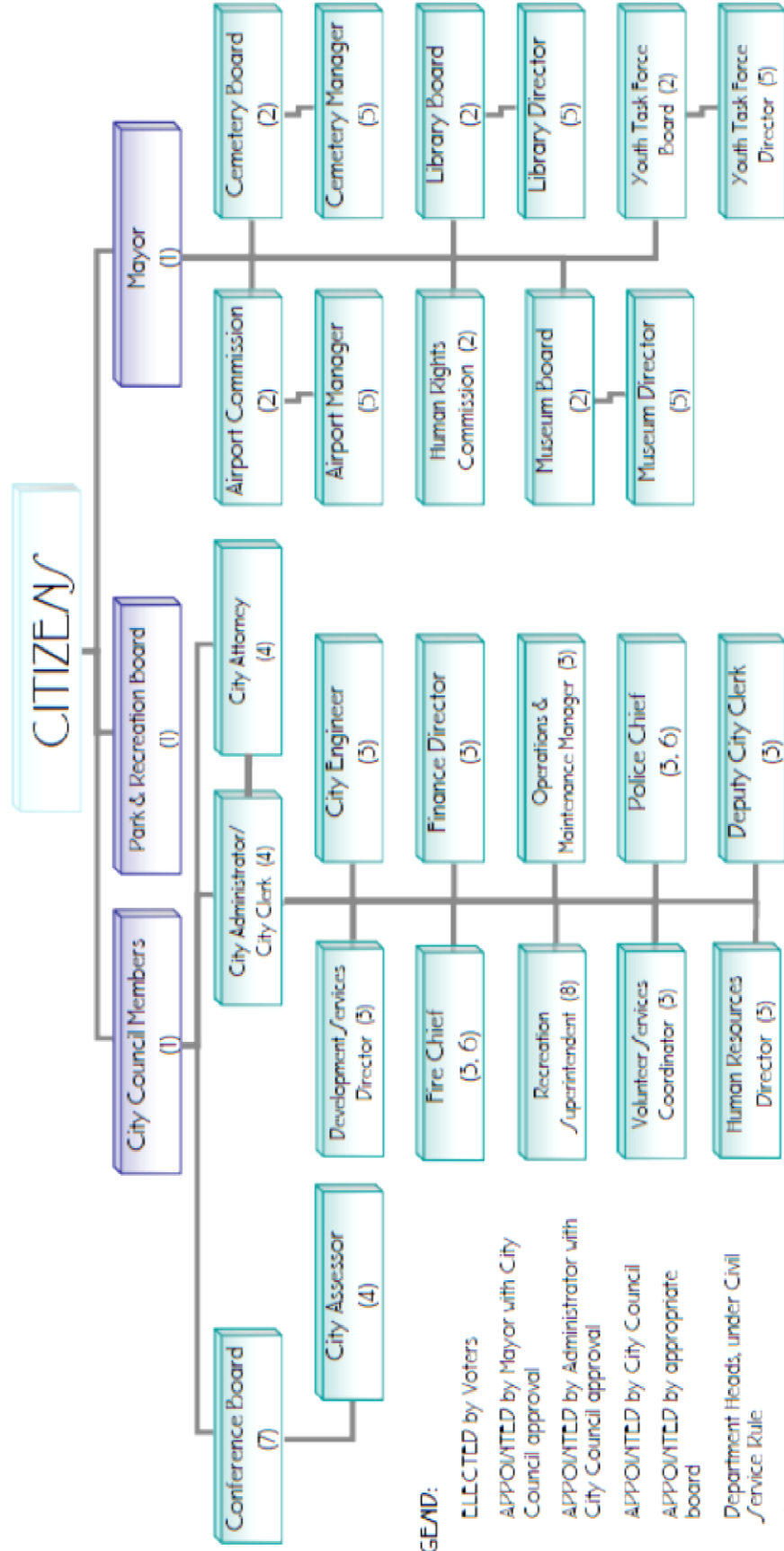
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**CITY OF MASON CITY, IOWA  
CITY OFFICIALS  
YEAR ENDED JUNE 30, 2017**

| <u>Name</u>                  | <u>Title</u>                        | <u>Term Expires</u> |
|------------------------------|-------------------------------------|---------------------|
| Eric Bookmeyer               | Mayor                               | 2017                |
| Travis Hickey                | Mayor Pro-Tem                       | 2017                |
| Alex Kuhn                    | Council Member (through 7/15/16)    | 2019                |
| Bill Schickel                | Council Member                      | 2017                |
| Paul Adams                   | Council Member (effective 12/6/16)  | 2019                |
| John Lee                     | Council Member                      | 2019                |
| Janet Solberg                | Council Member                      | 2017                |
| Brett Schoneman              | Council Member                      | 2019                |
| <br>                         |                                     |                     |
| Brent Trout                  | City Administrator/Clerk            | 2017                |
| <br>                         |                                     |                     |
| Diana Black                  | Deputy City Clerk                   | 2017                |
| Kevin Jacobson               | Director of Finance/Treasurer       | 2017                |
| Randy Nielsen                | City Attorney, Civil Law            | 2017                |
| Pam Osgood                   | Airport Manager                     | 2017                |
| Edith Blanchard              | MacNider Museum Director            | 2017                |
| Dana Nauman                  | City Assessor                       | 2017                |
| Russ Kramer                  | Band Director                       | 2017                |
| Randy Opheim                 | Elmwood Cemetery Manager            | 2017                |
| Steven Van Steenhuyse        | Development Services Director       | 2017                |
| Douglas D. Janssen (Interim) | Fire Chief (as of 11/15/17)         | 2017                |
| Al Dyer Jr.                  | Fire Chief (10/24/16 thru 11/15/17) | 2017                |
| Perry Buffington             | Human Resources Manager             | 2017                |
| Mary Markwalter              | Library Director                    | 2017                |
| William Stangler             | Operations and Maintenance Manager  | 2017                |
| William Stangler             | Parks Superintendent                | 2017                |
| Jeffrey Brinkley             | Police Chief                        | 2017                |
| Mark Rahm                    | City Engineer                       | 2017                |
| Brian Pauley                 | Recreation Superintendent           | 2017                |

# City of Mason City



## LEGEND:

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





10 First Street Northwest  
Mason City, IA 50401-3224  
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[www.masoncity.net](http://www.masoncity.net)

December 27, 2017

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, 2017 (FY17) 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, 2016. 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, 2017, as well as the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The compliance section encompasses requirements related to the single audit, various federal and state grants, and statutory and regulatory compliance.

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

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

#### **GOVERNMENTAL STRUCTURE**

The City of Mason City operates under the Mayor/Council form of government with six City Council members, four of which are elected from wards and two elected at large. The Mayor is elected at large for a four-year term. The City Council is elected to four-year terms. Three Council seats are up for election every two years. The City Administrator reports to the City Council. Ten 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, Library, Cemetery, and Museum Boards.

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

#### **ECONOMIC CONDITION AND OUTLOOK**

The City's Development Services Department continues its planning and economic development efforts to spur development and redevelopment in the community in accordance with the City's Comprehensive Plan and City Council goals. Development activities are focused on both downtown and the community's industrial parks. The buyout and demolition efforts related to the June 8, 2008 flood event in the community are finally complete. A total of 169 houses were purchased and either demolished or moved due to the 2008 flood; the land will become permanent public open space. Fortunately, the business and industrial areas of the community suffered limited flood losses. A flood in 2016 did not cause any major damage; the efforts of the City to prevent or mitigate damage from future floods appears to have been effective. A major focus of the department is on Downtown development, particularly the River City Renaissance Reinvestment District. This project, which will be partially financed with rebated state sales and hotel/motel taxes as well as tax increment financing and private participation, includes a select-service hotel, conversion of the Music Man Square museum into a mid-sized conference and convention facility, an indoor-outdoor performing arts pavilion, and a 2,400-seat multi-use arena. These projects will increase the downtown tax base and retain/draw younger skilled workers and their families to Mason City.

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 Mason City to serve as the City's economic development marketing and recruitment arm. They provide information and support to prospective employers, maintain a database of available buildings and sites within the 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 warehousing, value-added agriculture, food processing and advanced manufacturing.

The population in the City of Mason City, IA was 27,643 per American Community Survey data for 2011-2015. The region has a civilian labor force of 15,213 with a participation rate of 66.6 percent. Of individuals aged 25 to 64, 22.0% have a bachelor's degree or higher, compares to 31.3% nationwide. The median household income is \$43,525 and the median house value is \$102,300.

The local economy continued to be very strong. Unemployment rates in the County stayed around 3% most of the year and saw a 5.3% increase in total employment year over year to 20,344. The average worker in Mason City earned annual wages of \$41,017 as of the second quarter of 2017. Average annual wages per worker increased 0.5% in the region during the preceding four quarters.

The Cost of Living Index estimates the relative price levels for consumer goods and services. When applied to wages and salaries, the result is a measure of relative purchasing power. The cost of living is 11.5% lower in City of Mason City, IA than the U.S. average.

The largest employment sector in Mason City is Health Care and Social Assistance, employing 4,577 workers. The next-largest sectors in the region are Retail Trade

(3,073 workers) and Manufacturing (2,493). High location quotients (LQs) indicate sectors in which a region has high concentrations of employment compared to the national average. The sectors with the largest LQs in the region are Health Care and Social Assistance (LQ = 1.58), Manufacturing (1.49), and Retail Trade (1.40).

Sectors with the highest average wages per worker are Utilities (\$106,979), Agriculture, Forestry, Fishing and Hunting (\$61,554), and Finance and Insurance (\$60,005). Regional sectors with the best job growth (or most moderate job losses) over the last 5 years are Health Care and Social Assistance (+358 jobs), Manufacturing (+237), and Professional, Scientific, and Technical Services (+131).

A cluster is a geographic concentration of interrelated industries or occupations. The industry cluster with the highest relative concentration is Metal & Product Manufacturing, with a location quotient of 3.49. This cluster employs 532 workers in the region with an average wage of \$34,991.

Accomplishments for the past fiscal year include:

- The North Iowa Corridor Economic Development Corporation (NICEDC) worked with Cargill Kitchen Solutions, Inc. to submit an application for the Iowa Economic Development Authority (IEDA) High Quality Jobs Program. This included High Quality Jobs Program tax credits, Investment Tax Credits of \$350,000, and refund of sales, service, or use taxes paid during construction valued at \$86,451. As part of the local match component, the NICEDC worked with the City of Mason City on a Property Tax Rebate of up to \$210,000. The \$15 million project created 50 new jobs to bring the facility to nearly 300 jobs in Mason City. The project was completed in November.
- NICEDC secured a \$1,126,875 RISE grant for Mason City from the Iowa DOT for the construction of a new road into the South Industrial Park to serve a \$30 million expansion project with 10 new jobs for Golden Grain Energy, as well as a prospective new business development with a \$15 million investment and 25 new jobs. It will also serve the existing Helena Corporation facility, which is expected to have a \$5 million expansion in the coming year.
- Workforce initiatives: The NICEDC worked in collaboration with local schools and North Iowa Area Community College (NIACC) to further post-high school degree attainment, engage our youth in the local business culture to encourage staying in the area post high school, and grow our curriculum to meet current and future workforce needs. NICEDC hosted or participated in a number of school/business connection events reaching approximately 809 students (691 from Mason City), 40 educators (11 from Mason City) and 72 businesses (25 from Mason City).
- Business Retention and Expansion (BRE): The NICEDC staff make weekly contact with businesses and each year conduct on-site in-depth interviews with local leaders of nearly 15 program-targeted companies to gather comprehensive data and intelligence on business challenges and opportunities with each company. This information is used to identify common areas of concern, which are presented to the governing bodies and used to make adjustments to find solutions to issues. In addition to company interviews, the NICEDC has more than 300 company touches with discussions involving workforce, VNI, downtown projects, school/business connections, future planning, buildings and sites, operations, utilities, etc.
- The NICEDC assists with promotion of industrial park sites along the Avenue of the Saints, I-35, and other areas within the city. Also, promotion and marketing of the industrial sites in Mason City's South Industrial Park and other areas of the city, as well as a number of industrial and commercial buildings.

- The NICEDC hosted visits from the Iowa Economic Development Authority and commercial real estate-generated prospect visits to buildings and sites in the community, with the City offering public financial incentive packages in some instances.
- The NICEDC continued to be the lead organization of the seven-county North Central Iowa Alliance regional marketing group, which markets the entire North Central Iowa region as a location to create jobs and wealth. This included increased efforts to grow and retain the region's workforce with refreshed marketing materials and a website.
- The City and the NICEDC continued their partnerships with small business development organizations, including the John Pappajohn Entrepreneurial Center and the Small Business Development Center, to ensure better information sharing and flow.
- The NICEDC developed 16 potential business leads, with total capital investment potential over \$250 million and potential for 600+ new jobs.
- Finally, the NICEDC worked with 8 existing industries on potential expansion projects, with potential of over \$60 million in private investment, and potential for 60+ new jobs.

Mason City, with its transportation network of interstate highways, four-lane highways, airport, rail service, 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 7/1/16 - 6/30/17**

The valuation of expanded industrial development totaled approximately \$2,833,633.00 while new or expanded commercial and industrial development together totaled \$17,373,788.52 (these figures are based on construction value used to calculate permit fees).

Major commercial development projects included two new restaurants (valued at \$750,000 and \$1.1 million) and several new self-storage units (valued at \$1.8 million). Major developments in the institutional sector include a new Behavioral Health wing at Mercy - North Iowa Medical Center (preliminarily valued at \$6,000,000) and a Science, Technology, Engineering and Mathematics Center at North Iowa Area Community College (valued at \$9.4 million).

Other commercial and industrial ventures commenced or were completed in FY17, including a major expansion to Cargill Kitchen Solutions, which added a new product line as well as 40 new employees (valued at \$2.4 million). The Mason City offices of The Principal Financial Group completed a major remodel of their downtown building, including energy and technology upgrades, valued at \$5 million.

#### **DOWNTOWN**

In 2017, the City initiated the Downtown Revitalization Loan (DoRL) Program, which provides a matching loan of up to \$30,000, forgivable after seven years. Since inception, the City has approved \$144,185 in loan funds, which have leveraged over \$848,000 in private investment.

The City has continued to work with Main Street Mason City (MSMC) to stabilize and enhance the downtown area. The Federal Avenue Streetscape project, completed in 2012, continues to serve as a catalyst for downtown redevelopment, as does the 2011 restoration of Frank Lloyd Wright's only surviving hotel, the Historic Park Inn. In 2014, the Downtown Façade Rehabilitation Program was completed, funded with a \$500,000 CDBG grant. These funds were used to rehabilitate 11 historic facades in the downtown area, and leveraged an additional \$5,000,000 in private funding from local banks for downtown development. As a part of the CDBG grant, MSMC also assists the City in management of a \$150,000 low-interest revolving loan fund for building improvements in the downtown TIF district.

The MSMC organization and its many volunteers provide a program that includes economic development, organizational development, promotions/events/marketing and design (appearance) improvements in the downtown. Unfortunately, the Executive Director hired late in 2016 failed to meet Board expectations, so metrics for FY17 are still being compiled at this time. In spite of this, however, the organization continued to operate and provided several successful events, such as four Friday Night Live summer concerts (including one co-sponsored with North Iowa Area Community College that drew over 3,000) and the Great River City Festival, as well as co-sponsoring several others. The organization maintains its recognition as a National Main Street Community and is working with Main Street Iowa to promote Downtown Mason City as a premier place to do business and be entertained.

## **HOUSING**

Housing construction for FY17 included completion of a major housing project for seniors. The Good Shepherd Care Center opened its 32-unit independent living facility, Prairie Place, across the street from their managed care center. New construction in FY17 also included 16 new single-family dwellings. The number of single family dwelling units built is slightly higher than that of previous years. Thirteen (13) single-family dwellings were demolished. After comparing the number of housing units built by the number demolished, the net gain for housing in FY17 totals 35 dwelling units for the community.

## **TRAFFIC**

In 2017, the Mason City Engineering Department completed the inspection and accepted the following transportation improvement projects within the City of Mason City. The purpose of these projects is to expand the existing network to accommodate the increase in vehicular and pedestrian traffic.

The Stone Pillar 18th Subdivision project included a new 39' wide Portland Cement Concrete (PCC) street extension and a 31' wide PCC street which will be the start of a future cul-de-sac. The total length of the street extension, South Illinois Avenue, is 760'. The total length of the future cul-de-sac paving, Opal Drive, is 120'.

The Bridge Repair and Maintenance Project included repairs to three bridges. Repairs included steel beam repairs to the bridge on 12th Street NW over Willow Creek, concrete beam end repairs on the bridge on North Pierce Avenue over Willow Creek, and concrete repairs on the bridge on 13th Street NE over the Winnebago River.

The Downtown Street Lighting Improvements included all labor and materials necessary to construct approximately 85 new street light fixtures in the downtown area along Delaware and Washington Avenues between 2nd Street South and 4th Street North.

This was a complete rebuild of the street lighting system that included foundations, poles and luminaires, demolition of existing lighting, installation of new electrical conduits, wiring, control panels, junction boxes and pavement restoration.

**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, 2017 provided one instance of material weakness in the internal control structure.

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

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

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

General Governmental Functions: The following schedule presents a summary of general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2017.

| <u>Revenues</u>              | <u>Amount</u>       | <u>Percent<br/>of Total</u> |
|------------------------------|---------------------|-----------------------------|
| Taxes                        | \$18,514,875        | 69.34%                      |
| Licenses and Permits         | 571,825             | 2.14                        |
| Intergovernmental            | 5,725,407           | 21.44                       |
| Service Revenues             | 826,617             | 3.10                        |
| Fines and Forfeitures        | 37,919              | .14                         |
| Use of Monies and Properties | 348,372             | 1.30                        |
| Special Assessments          | 16,125              | .06                         |
| Miscellaneous                | 650,282             | 2.44                        |
| Refunds                      | 10,048              | 0.04                        |
| Total                        | <u>\$26,701,470</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, 2017.

| <u>Expenditures</u>              | <u>Amount</u>       | <u>Percent<br/>of Total</u> |
|----------------------------------|---------------------|-----------------------------|
| Public Safety                    | \$10,092,328        | 31.26%                      |
| Public Works                     | 3,665,692           | 11.35                       |
| Health and Social Services       | 374,330             | 1.16                        |
| Culture and Recreation           | 3,110,549           | 9.63                        |
| Community & Economic Development | 2,259,927           | 7.00                        |
| General Government               | 2,580,027           | 7.99                        |
| Capital Projects                 | 6,151,066           | 19.05                       |
| Debt Service                     | 4,055,200           | 12.56                       |
| Total                            | <u>\$32,289,119</u> | <u>100.00%</u>              |

#### **GENERAL FUND BALANCE**

The General Fund closed the FY17 with a fund balance of \$5,281,987 compared to \$6,859,833 on June 30, 2016. This was due to a \$1,577,846 increase of expenditures over revenues for FY17.

#### **ENTERPRISE FUNDS**

The Enterprise Funds of the City include the following:

1. Cemetery Fund - Operating revenues were \$109,126 in FY17, an increase of 15.23% from FY16. Operating expenses were \$342,047 in FY17, an increase of 0.86% from FY16. Net income was \$100,375 in FY17, an 8,007.84% increase from FY16.
2. Waterworks Fund - Operating revenues were \$5,932,570 in FY17, an increase of 2.05% from FY16. Operating expenses were \$4,838,725 in FY17, an increase of 1.32% from FY16. Net income was \$974,554 in FY17, a 13.06% increase from FY16.
3. Sewer Rental Fund - Operating revenues were \$4,597,032 in FY17, an increase of 7.02% from FY16. Operating expenses were \$3,348,076 in FY17, an increase of 1.28% from FY16. Net income was \$1,110,677 in FY17, a 41.91% increase from FY16.
4. Parking Lots Fund - Operating revenues were \$6,377 in FY17, a decrease of 88.80% from FY16. Operating expenses were \$138,160 in FY17, an increase of 6.87% from FY16. Net income was \$(101,324) in FY17, a 125.14% decrease from FY16.
5. Storm Sewer Fund - Operating revenues were \$293,194 in FY17, an increase of 1.12% from FY16. Operating expenses were \$192,538 in FY17, an increase of 1.46% from FY16. Net income was \$71,089 in FY17, an 82.10% decrease from FY16.
6. Solid Waste Fund - Operating revenues were \$1,425,925 in FY17, an increase of 2.74% from FY16. Operating expenses were \$1,349,985 in FY17, an increase of 6.42% from FY16. Net income was \$ 78,470 in FY17, a 35.02% decrease from FY16.
7. Golf Course Fund - Operating revenues were \$360,825 in FY17, a decrease of 0.78% from FY16. Operating expenses were \$451,115 in FY17, a decrease of 1.18% from FY16. Net income was \$(41,716) in FY17, a 532.83% decrease from FY16.
8. Ambulance Fund - Operating revenues were \$1,804,627 in FY17, a decrease of 2.01% from FY16. Operating expenses were \$1,982,264 in FY17, an increase of 6.86% from FY16. Net income was \$(118,628) in FY17, a 1,314.21% decrease from FY16.

**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, 2017:

|                 | <u>Amount</u> | <u>RATIOS</u>                 |                        |
|-----------------|---------------|-------------------------------|------------------------|
|                 |               | <u>Debt to Assessed Value</u> | <u>Debt per Capita</u> |
| Net Bonded Debt | \$21,598,336  | 1.77%                         | \$789.24               |

The City issued \$1,590,000 of General Obligation bonds during the year to fund various public works, parks 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, Local Option Sales & Service Tax (LOST), Water, Sewer and Sanitation. During FY 2017, 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 2017, 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, LOST, 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 FY17 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, 2016. This was the thirty-first consecutive year that the government has achieved this prestigious award. The City of Mason City was one of only approximately 20 Iowa cities to receive the award for this fiscal year.

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

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

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

Respectfully submitted,



Kevin E. Jacobson  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Mason City  
Iowa**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

**FINANCIAL  
SECTION**



Kronlage & Olson, P.C.

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mason City, Iowa, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Road Use Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 4 through 13 and pages 76 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mason City, Iowa basic financial statements. The introductory section, combining individual and nonmajor fund financial statements, capital asset schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is also not a required part of the basic financial statements.

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017, on our consideration of the City of Mason City, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mason City, Iowa's internal control over financial reporting and compliance.

*Kronlage & Olson, P.C.*

Charles City, Iowa

December 27, 2017

**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, 2017. 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 vi-xiv 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, 2017 by \$155.85 million (net position). Of this amount, \$6.40 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,695,998.
- At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$16.43 million, a decrease of \$3.77 million as compared to the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3.80 million, or 19.16% of the total general fund expenditures.
- Total debt decreased by approximately \$4,407,000 (10.75%) during the current fiscal year. The City issued approximately \$1,590,000 million of new bonds and retired approximately \$5,997,000 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 position presents information on all of the City of Mason City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Mason City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of Mason City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mason City include general government, police and fire protection, parks and recreation oriented activities, library services, museum services, airport, cemetery services, and street operations and maintenance. The business-type activities of the City include the water and wastewater treatment facilities, storm sewer system, solid waste 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 14-17 of this report.

### **Fund Financial Statements**

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

### **Governmental Funds**

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

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



The City of Mason City maintains 24 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 Fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

### ***Proprietary Funds***

The City of Mason City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sanitary Sewer funds. All other business type funds are combined into one non-major business type fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Mason City uses internal service funds to account for its maintenance functions and employee health care trust. Because these services predominately benefit governmental rather than business type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Treatment and Sanitary Sewer as these are considered major funds of the City. Data from the other six enterprise funds are combined into a single aggregate presentation. Individual fund data for each of the non-major enterprise funds is provided in the form of combining statements elsewhere in this report. The basic proprietary financial statements can be found on pages 28-37 of this report.

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of those funds are not available to support the City of Mason City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 38-39 of this report.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-75 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Mason City, assets exceeded liabilities by \$155,853,963 at the close of the most recent fiscal year.

By far the largest portion of the City of Mason City's net position (93.17%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related outstanding debt used to acquire those assets. The City of Mason City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

The following two tables present condensed financial information on the City's Net Position and Changes in Net Position for the fiscal year ending June 30, 2017 and June 30, 2016.

|  | <b>City of Mason City's Net Position</b> |                    |                      |                   |                    |                    |
|--|--|--------------------|----------------------|-------------------|--------------------|--------------------|
|  | <b>Governmental</b>                      |                    | <b>Business-Type</b> |                   | <b>Total</b>       |                    |
|  | <b>Activities</b>                        |                    | <b>Activities</b>    |                   |                    |                    |
|  | <b>2017</b>                              | <b>2016</b>        | <b>2017</b>          | <b>2016</b>       | <b>2017</b>        | <b>2016</b>        |
| Current & other assets                                     | \$ 37,565,597                            | \$ 41,583,229      | \$ 4,648,586         | \$ 4,463,566      | \$ 42,214,183      | \$ 46,046,795      |
| Capital assets   | 107,724,195                              | 105,489,002        | 77,433,004           | 78,186,044        | 185,157,199        | 183,675,046        |
| <b>Total assets</b>  | <b>145,289,792</b>                       | <b>147,072,231</b> | <b>82,081,590</b>    | <b>82,649,610</b> | <b>227,371,382</b> | <b>229,721,841</b> |
| <b>Deferred Outflows</b>                                   | <b>5,172,760</b>                         | <b>3,104,786</b>   | <b>1,473,047</b>     | <b>784,433</b>    | <b>6,645,807</b>   | <b>3,889,219</b>   |
| <b>Total assets and deferred outflows of resources</b>     | <b>150,462,552</b>                       | <b>150,177,017</b> | <b>83,554,637</b>    | <b>83,434,043</b> | <b>234,017,189</b> | <b>233,611,060</b> |
| Long-term liabilities outstanding                          | 29,618,323                               | 28,062,215         | 21,956,590           | 23,516,712        | 51,574,913         | 51,578,927         |
| Other liabilities  | 7,163,469                                | 7,767,293          | 4,022,738            | 4,068,918         | 11,186,207         | 11,836,211         |
| <b>Total liabilities</b>                                   | <b>36,781,792</b>                        | <b>35,829,508</b>  | <b>25,979,328</b>    | <b>27,585,630</b> | <b>62,761,120</b>  | <b>63,415,138</b>  |
| <b>Deferred Inflows</b>                                    | <b>15,119,078</b>                        | <b>15,606,512</b>  | <b>283,028</b>       | <b>431,445</b>    | <b>15,402,106</b>  | <b>16,037,957</b>  |
| <b>Total liabilities and deferred inflows of resources</b> | <b>51,900,870</b>                        | <b>51,436,020</b>  | <b>26,262,356</b>    | <b>28,017,075</b> | <b>78,163,226</b>  | <b>79,453,095</b>  |
| Net Position:  |  |                    |                      |                   |                    |                    |
| Net investment in capital assets                           | 90,307,081                               | 86,127,886         | 54,903,077           | 53,212,613        | 145,210,158        | 139,340,499        |
| Restricted   | 1,519,348                                | 1,390,705          | 2,719,918            | 2,783,610         | 4,239,266          | 4,174,315          |
| Unrestricted   | 6,735,253                                | 11,222,406         | (330,714)            | (579,255)         | 6,404,539          | 10,643,151         |
| <b>Total</b>   | <b>98,561,682</b>                        | <b>98,740,997</b>  | <b>57,292,281</b>    | <b>55,416,968</b> | <b>155,853,963</b> | <b>154,157,965</b> |

A portion of the City of Mason City's net position (2.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,404,539) may be used to meet the government's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City of Mason City is able to report positive balances in all three categories of net position for governmental as a whole, as well as separate governmental activities. The business-type activities have a negative unrestricted net position, due to the consolidation of internal service fund activities related to the enterprise funds. As projects are finalized and closed, the majority are financed through the issuance of bonds, which are then repaid through the debt service levy, tax-increment financing or increased enterprise rates.

The government's overall net position increased by \$1,695,998 for the current fiscal year. Most of the increase was due to the additional fees collected in the business type funds due to the increase in rates at July 1, 2016 as well as an increase in investment earnings in the business type.

|   | <b>City of Mason City Change in Net Position</b> |               |                      |               |                |                |
|---|--|---------------|----------------------|---------------|----------------|----------------|
|   | <b>Governmental</b>                              |               | <b>Business-Type</b> |               | <b>Total</b>   |                |
|   | <b>Activities</b>                                |               | <b>Activities</b>    |               |                |                |
|   | <b>2017</b>                                      | <b>2016</b>   | <b>2017</b>          | <b>2016</b>   | <b>2017</b>    | <b>2016</b>    |
| <b>Revenues:</b>                        |  |               |                      |               |                |                |
| Charges for services                    | \$ 1,459,996                                     | \$ 1,581,051  | \$ 14,560,135        | \$ 14,171,109 | \$ 16,020,131  | \$ 15,752,160  |
| Operating grants & contributions        | 4,969,902  | 4,638,840     | 7,740                | -             | 4,977,642      | 4,638,840      |
| Capital grants & contributions          | 1,425,444  | 2,139,435     | 232,870              | 471,576       | 1,658,314      | 2,611,011      |
| <b>General Revenues:</b>                |  |               |                      |               |                |                |
| Taxes                                   | 20,847,403                                       | 22,125,422    | 147,450              | 148,886       | 20,994,853     | 22,274,308     |
| Investment earnings                     | 804,827  | 1,013,796     | 214,361              | 105,188       | 1,019,188      | 1,118,984      |
| Miscellaneous                           | 499,536  | 130,946       | 193,127              | 134,024       | 692,663        | 264,970        |
| Total revenues                          | 30,007,108                                       | 31,629,490    | 15,355,683           | 15,030,783    | 45,362,791     | 46,660,273     |
| <b>Expenses:</b>                        |  |               |                      |               |                |                |
| Public safety                           | 11,199,350                                       | 10,754,469    | -                    | -             | 11,199,350     | 10,754,469     |
| Public works                            | 8,485,842  | 9,511,930     | -                    | -             | 8,485,842      | 9,511,930      |
| Health & social services                | 390,046  | 413,573       | -                    | -             | 390,046        | 413,573        |
| Culture & recreation                    | 4,149,309  | 4,258,749     | -                    | -             | 4,149,309      | 4,258,749      |
| Community & econ development            | 2,717,656  | 2,054,156     | -                    | -             | 2,717,656      | 2,054,156      |
| General government                      | 2,683,181  | 2,506,268     | -                    | -             | 2,683,181      | 2,506,268      |
| Interest on debt                        | 623,661  | 686,189       | -                    | -             | 623,661        | 686,189        |
| Water                                   | -  | -             | 5,146,266            | 5,193,904     | 5,146,266      | 5,193,904      |
| Sewer                                   | -  | -             | 3,725,216            | 3,739,623     | 3,725,216      | 3,739,623      |
| Other                                   | -  | -             | 4,546,266            | 4,393,029     | 4,546,266      | 4,393,029      |
| Total expenses                          | 30,249,045                                       | 30,185,334    | 13,417,748           | 13,326,556    | 43,666,793     | 43,511,890     |
| Increase in net assets before transfers | (241,937)  | 1,444,156     | 1,937,935            | 1,704,227     | 1,695,998      | 3,148,383      |
| Transfers                               | 62,622   | (54,818)      | (62,622)             | 54,818        | -              | -              |
| Increase in net assets                  | (179,315)  | 1,389,338     | 1,875,313            | 1,759,045     | 1,695,998      | 3,148,383      |
| Net position 7-1-2016                   | 98,740,997                                       | 97,351,659    | 55,416,968           | 53,657,923    | 154,157,965    | 151,009,582    |
| Net position 6-30-2017                  | \$ 98,561,682                                    | \$ 98,740,997 | \$ 57,292,281        | \$ 55,416,968 | \$ 155,853,963 | \$ 154,157,965 |

## **Governmental Activities**

The governmental activities' net position for the City of Mason City decreased by \$179,315 during the current fiscal year. The decrease in governmental activities unrestricted net position is due mainly to fewer capital grants received throughout the year and a reduction in investment earnings. However, the City of Mason City received additional operating grants to help offset the loss of capital grants.

## **Business-type Activities**

Total net position increased by \$1,875,313 for fiscal year 2017, accounting for all of the increase in the City of Mason City's net position. The increase is due to the City increasing utility rates and increased investment income. However, capital grants were less for the fiscal year lowers the overall increase.

Charges for services for business-type activities remained relatively stable from the prior year. Water, Sewer and Sanitation revenues were up from the prior year resulting in the increase. Ambulance calls were relatively stable all resulting in revenues being slightly greater than the prior year. All business-type fund rates remained the same as the prior year except for Water which increased 1% and Sanitation which increased 1.9%.

Operating expenses for business type activities increased by 0.66%. Expenses in the Water fund decreased by 1.0% while Sewer expenses remained relatively the same. The other business type expenses increased by 3.4%.

## **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 \$16,426,270, a decrease of \$3,775,905 in comparison with the prior year. The decrease is due to using the prior year's reserves to pay for carryover capital projects including the City Hall and Police Department HVAC upgrades, the Blue Zones bike trail project, the downtown street light project and the multi-bridge repair project. The fund balance has been reserved to indicate the amount not available for new spending because it has already been committed for; 1) nonspendable for endowment principal and prepaid expenses (\$860,734); 2) restricted purposes such as streets, employee benefits, parks, museum, cemetery and tort liability (\$10,150,388); and 3) assigned purposes such as Airport, Museum, Library and Recreation (\$1,866,799).

The General Fund is the chief operating fund of the City of Mason City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,807,449 while total fund balance reached \$5,281,987. 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 19.2% of total General Fund expenditures, while total fund balance represents 26.6% of that same amount.

The General Fund balance decreased by \$1,577,846. The major factors in this decrease are as follows:

- Several capital projects including a \$600,000 HVAC system for City Hall and \$240,000 HVAC system for the Police Department were completed in the fiscal year.
- The Blue Zones bike trail project was completed for \$670,000.

The Road Use Tax Fund has a total fund balance of \$1,020,512. The net decrease of \$1,096,498 is due to following:

- Several capital projects including the Downtown Street Light Project for \$815,000 budgeted in FY 2016 but carried over into FY 2017 were paid out of the Road Use reserves.
- The Monroe Bike Trail project was completed at a cost of \$150,000.
- The Multi-Bridge repair project from the prior year carryover project was completed at a cost of \$145,000.

The Debt Service Fund has a total fund balance of \$266,664. The net increase of \$35,244 in fund balance during the current year in the debt service fund is due to the premium on the sale of bonds and investment earnings on reserves. The premium included in fund balance will be used in future years to offset some of the Debt Service tax levy for bonds.

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

- \$1,590,000 General Obligation Bonds for Police and City Hall HVAC systems, Police and Fire equipment, Ambulance equipment, Railroad crossing improvements, Museum and Cemetery equipment and Airport projects.

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

### ***Proprietary Funds***

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$2,888,466. Water reported a decrease in net position of \$527,143 and Sewer reported an increase of \$884,279. Water rates were increased by 1% and Sanitation rates were increase by 1.00%. There were no other rate increases for all other business-type funds. The decrease in Water fund balance is due to the anticipated draw of excess funds to allow for additional capital projects to be completed, most notably the Water Pilot Filtering project. The increase in the Sewer fund is due mainly to the increased usage in Water consumption which directly affects the billings for Sewer. Also, budgeted capital projects were not completed in the fiscal year increasing cash but the projects will continue in the next fiscal 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. The Sewer rate should remain stable as the fund has paid down debt that allows those funds to be used for capital projects in the future.

### **General Fund Budgetary Highlights**

Differences between original and final amended budget revenues amounted to \$424,225 and the significant items are summarized as follows:

- Property tax collections were greater than anticipated due to the State of Iowa Backfill being greater than budgeted.
- Local Option Sales Tax collections were greater due to more sales in the city.
- Federal and State grants were less than anticipated for the year.
- Charges for services were slightly under the budgeted amount.

The variance between the amended revenue budget and actual revenues was due mainly to the delay in receiving additional operating grants and donations for the City.

Differences between original and final amended budget expenses amounted to \$939,112 and the significant items are summarized as follows:

- The Airport State Vertical Infrastructure Project and the Airport Master Plan project were not completed but carried over for completion in the next fiscal year.
- Health and Social Services was decreased by \$115,000 for fewer Youth Task Force activities originally budgeted but not funded through new state grants.
- The Bike trails projects were not completed in their entirety.
- The North End street and parking projects were not completed, but carried over to the next fiscal year.

The variance between the amended expenditure budget and actual expenses was due mainly to not completing some large capital projects.

### **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, 2017 amounts to \$181,818,233 (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:

- Added land purchased from the flood buyout property for over 170 homes.
- Replaced various pieces of equipment at the Police Department.
- Continued upgrades to the HVAC system at the Police Department.
- Replaced an ambulance.
- Continued work on replacement of the boiler at City Hall.
- The Airport continued the rehab of the runway lights.
- Several street projects including street rehabilitation, curb and sidewalk replacement and pavement markings for trails were completed.
- Several parks enhancements including stone bridge rebuild, dam mitigation, vehicles and equipment, pool improvements, trail maintenance and Aquatic Center equipment.
- Finalized work on the new construction of the south water tower.
- Water utility truck and water building restoration projects were completed.
- The Inflow and Infiltration Project continues to update the sewer infrastructure.

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

|                        | Governmental          |                       | Business-Type        |                      | Total                 |                       |
|------------------------|-----------------------|-----------------------|----------------------|----------------------|-----------------------|-----------------------|
|                        | Activities            |                       | Activities           |                      |                       |                       |
|                        | 2017                  | 2016                  | 2017                 | 2016                 | 2017                  | 2016                  |
| Land                   | \$ 20,975,492         | \$ 2,634,356          | \$ 4,823,362         | \$ 4,823,362         | \$ 25,798,854         | \$ 7,457,718          |
| Buildings & Structures | 13,215,270            | 14,010,927            | 11,066,246           | 11,475,150           | 24,281,516            | 25,486,077            |
| Other Improvements     | 18,633,308            | 16,502,511            | 294,030              | 217,344              | 18,927,338            | 16,719,855            |
| Machinery & Equip      | 1,458,968             | 1,324,816             | 1,068,891            | 1,052,309            | 2,527,859             | 2,377,125             |
| Vehicles               | 2,628,271             | 3,124,646             | 1,308,918            | 1,379,853            | 3,937,189             | 4,504,499             |
| Infrastructure         | 43,572,253            | 45,673,756            | 51,464,010           | 53,177,267           | 95,036,263            | 98,851,023            |
| Const in Progress      | 6,621,587             | 21,692,343            | 4,687,627            | 3,277,149            | 11,309,214            | 24,969,492            |
| <b>Total</b>           | <b>\$ 107,105,149</b> | <b>\$ 104,963,355</b> | <b>\$ 74,713,084</b> | <b>\$ 75,402,434</b> | <b>\$ 181,818,233</b> | <b>\$ 180,365,789</b> |

Additional information on the City of Mason City's capital assets can be found in note 6 on pages 53-54 of this report.

**Long-Term Debt**

The amount of debt outstanding at fiscal year-end was \$36.60 million as compared to \$41.01 million last fiscal year. The decrease is a result of pay down of outstanding debt while not issuing as much new debt for FY 2017 projects. New debt was issued for Police equipment, City Hall building upgrades, Library building upgrades and Cemetery equipment. Of the total General Obligation Debt outstanding, \$16.67 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          |                     |                     |                     |
|                    | 2017                | 2016                | 2017                | 2016                | 2017                | 2016                |
| General obligation | \$16,665,000        | \$18,680,000        | \$ 5,200,000        | \$ 5,815,000        | \$21,865,000        | \$24,495,000        |
| Revenue bonds      | -                   | -                   | 14,735,000          | 16,512,000          | 14,735,000          | 16,512,000          |
| <b>Total</b>       | <b>\$16,665,000</b> | <b>\$18,680,000</b> | <b>\$19,935,000</b> | <b>\$22,327,000</b> | <b>\$36,600,000</b> | <b>\$41,007,000</b> |

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 66-68.

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 \$83,184,180 and the City of Mason City is currently at \$21,865,000 or 26.28% of its outstanding General Obligation Debt. As a comparison, the legal debt limit was \$83,086,020 and Mason City had issued \$24,495,000 or 29.48% of its legal debt capacity for the previous fiscal year.

Additional information on the City of Mason City's long-term debt can be found in Note 9 on pages 66-68 of this report.

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

- The national average unemployment for June 2017 is 4.4%. The unemployment level for June 2016 was 4.9%. Cerro Gordo County's rate for June 2017 is 3.3%, and the state's rate is 2.4%.
- The hourly wage rate in Cerro Gordo County averaged \$19.45 for 2016 and \$19.61 for 1st quarter 2017.
- Retail sales in Cerro Gordo County were \$730.2 million for fiscal year ending 2017, slightly down from \$719.1 million in fiscal year 2016 and \$687.5 million in fiscal year 2015.
- The total value of building permits for fiscal year 2017 was approximately \$37.82 million. This compares with an amount of \$52.04 million for fiscal year 2016.

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

For FY 2018, department managers were 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 75% of our operating costs in the General Fund are for personal services, including wages and benefits. Changes in personal services can be due to changes in the pay rates, changes in benefits, changes in the number of employees, or any combination of these.

The City is planning to continue with a similar amount of spending on improvements for water and sewer infrastructure as well as to increase spending on street improvements. There are anticipated increases in fees for water being projected for FY 2018 due to the water filtering project at the Water plant. The capital projects will be funded with General Obligation or Revenue Bonds, existing fund balances or new revenues from sales tax, road use tax, and water charges for FY 2018. With the projected increases, the combined water, sewer, storm sewer and sanitation rates will again be around the 75<sup>th</sup> percentile of surveyed cities in Iowa that provide similar services.

### ***Effect of New Governmental Accounting Standards***

Beginning in fiscal year 2015, Statement No. 68 of the Governmental Accounting Standards Board requires changes to the City's pension accounting and reporting. The net pension liability (NPL) defined by the pronouncement, similar to the unfunded actuarial accrued liability disclosed in Note 7 in the financial statements, will be reported as a liability on the government-wide statement of net position. It is a present value measure of benefits to be provided based on the employees' past service, and accordingly, recognizes the entire net pension expense, regardless of when this expense will be funded. The Net Pension Liability is in addition to the Net OPEB Obligation we have reported in the past. The OPEB obligation is related to the implicit rate subsidy for the City's health insurance plan. The Net Pension Liability is related to Iowa Public Employees Retirement System (IPERS) and Municipal Fire and Police Retirement System of Iowa (MFPRSI). The Net OPEB Obligation is \$1,196,834 and the Net Pension Liability is \$19,746,002. The increase in NPL is shown as a decrease in Unrestricted Net Position balance for FY 2017.

### ***Financial Information Contact***

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



**CITY OF MASON CITY, IOWA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

|   | <u>Primary Government</u>          |                                     |                      | <u>Component<br/>Unit</u> |
|---|------------------------------------|-------------------------------------|----------------------|---------------------------|
|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>         |                           |
| <b>ASSETS:</b>                                  |                                    |                                     |                      |                           |
| Current assets:                                 |                                    |                                     |                      |                           |
| Cash  | \$ 2,938,840                       | \$ 1,058,681                        | \$ 3,997,521         | \$175,138                 |
| Investments                                     | 14,902,722                         | 3,974,971                           | 18,877,693           | -                         |
| Receivables:                                    |                                    |                                     |                      |                           |
| Property taxes                                  | 198,818                            | 1,903                               | 200,721              | -                         |
| Succeeding year property taxes                  | 14,651,122                         | 156,262                             | 14,807,384           | -                         |
| Special assessments-current                     | 148,553                            | 21,376                              | 169,929              | -                         |
| Succeeding year special assessments             | 62,732                             | -                                   | 62,732               | -                         |
| Accounts (net)                                  | 22,277                             | 2,026,994                           | 2,049,271            | 38,137                    |
| Accrued interest                                | 15,320                             | 16,041                              | 31,361               | -                         |
| Internal balances                               | 3,080,645                          | (3,080,645)                         | -                    | -                         |
| Due from other governments                      | 1,314,969                          | -                                   | 1,314,969            | 287                       |
| Prepaid insurance                               | 167,527                            | 35,311                              | 202,838              | -                         |
| Prepaid expenses                                | -                                  | -                                   | -                    | 7,733                     |
| Inventory                                       | 62,072                             | 437,692                             | 499,764              | -                         |
| Total current assets                            | <u>\$ 37,565,597</u>               | <u>\$ 4,648,586</u>                 | <u>\$ 42,214,183</u> | <u>\$221,295</u>          |
| Noncurrent assets:                              |                                    |                                     |                      |                           |
| Restricted assets:                              |                                    |                                     |                      |                           |
| Cash  | \$ 902                             | \$ 181,020                          | \$ 181,922           | \$ 87,765                 |
| Investments                                     | 617,786                            | 2,535,000                           | 3,152,786            | -                         |
| Receivables                                     | 358                                | 3,898                               | 4,256                | -                         |
| Capital assets:                                 |                                    |                                     |                      |                           |
| Land and construction in progress               | 27,597,079                         | 9,510,989                           | 37,108,068           | -                         |
| Other capital assets net of depreciation        | 79,508,070                         | 65,202,097                          | 144,710,167          | 7,188                     |
| Total noncurrent assets                         | <u>\$107,724,195</u>               | <u>\$77,433,004</u>                 | <u>\$185,157,199</u> | <u>\$ 94,953</u>          |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>          |                                    |                                     |                      |                           |
| Pension related deferred outflows               | \$ 5,172,760                       | \$ 1,473,047                        | \$ 6,645,807         | \$ 85,895                 |
| Total assets and deferred outflows of resources | <u>\$150,462,552</u>               | <u>\$83,554,637</u>                 | <u>\$234,017,189</u> | <u>\$402,143</u>          |

(continued)

CITY OF MASON CITY, IOWA  
STATEMENT OF NET POSITION  
JUNE 30, 2017

|   | Primary Government         |                             |                             | Component<br>Unit       |
|---|----------------------------|-----------------------------|-----------------------------|-------------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                       |                         |
| <b>LIABILITIES:</b>                                 |                            |                             |                             |                         |
| Current liabilities:                                |                            |                             |                             |                         |
| Accounts payable                                    | \$ 1,806,451               | \$ 528,702                  | \$ 2,335,153                | \$ 5,125                |
| Salaries payable                                    | 521,329                    | 192,927                     | 714,256                     | 16,189                  |
| Contracts payable                                   | 232,373                    | 112,996                     | 345,369                     | -                       |
| Compensated absences payable                        | 1,259,131                  | 322,519                     | 1,581,650                   | 13,215                  |
| Accrued interest payable                            | 41,522                     | 32,277                      | 73,799                      | -                       |
| Due to other governments                            | 3,663                      | 34,112                      | 37,775                      | -                       |
| Due to customers                                    | -                          | 97,189                      | 97,189                      | -                       |
| Prepaid interments                                  | -                          | 24,566                      | 24,566                      | -                       |
| Deferred revenue                                    | -                          | 450                         | 450                         | 1,880                   |
| Current portion of long-term debt:                  |                            |                             |                             |                         |
| Bonds payable                                       | <u>3,299,000</u>           | <u>2,677,000</u>            | <u>5,976,000</u>            | <u>-</u>                |
| Total current liabilities                           | <u>\$ 7,163,469</u>        | <u>\$ 4,022,738</u>         | <u>\$ 11,186,207</u>        | <u>\$ 36,409</u>        |
| Noncurrent liabilities:                             |                            |                             |                             |                         |
| Bonds payable                                       | \$13,499,068               | \$17,133,009                | \$ 30,632,077               | \$ -                    |
| Net OPEB obligation                                 | 855,802                    | 341,032                     | 1,196,834                   | -                       |
| Net pension liability                               | <u>15,263,453</u>          | <u>4,482,549</u>            | <u>19,746,002</u>           | <u>195,404</u>          |
| Total noncurrent liabilities                        | <u>\$29,618,323</u>        | <u>\$21,956,590</u>         | <u>\$ 51,574,913</u>        | <u>\$195,404</u>        |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>               |                            |                             |                             |                         |
| Succeeding year property taxes                      | \$14,658,046               | \$ 156,262                  | \$ 14,814,308               | \$ -                    |
| Succeeding year special assessments                 | 70,597                     | -                           | 70,597                      | -                       |
| Pension related deferred inflows                    | <u>390,435</u>             | <u>126,766</u>              | <u>517,201</u>              | <u>27,840</u>           |
| Total deferred inflows of resources                 | <u>\$15,119,078</u>        | <u>\$ 283,028</u>           | <u>\$ 15,402,106</u>        | <u>\$ 27,840</u>        |
| Total liabilities and deferred inflows of resources |                            |                             |                             |                         |
|   | <u>\$51,900,870</u>        | <u>\$26,262,356</u>         | <u>\$ 78,163,226</u>        | <u>\$259,653</u>        |
| <b>NET POSITION:</b>                                |                            |                             |                             |                         |
| Net investment in capital assets                    | \$90,307,081               | \$54,903,077                | \$145,210,158               | \$ 7,188                |
| Restricted for:                                     |                            |                             |                             |                         |
| Nonexpendable:                                      |                            |                             |                             |                         |
| Museum funding                                      | 633,638                    | -                           | 633,638                     | -                       |
| Perpetual care                                      | 619,046                    | -                           | 619,046                     | -                       |
| Expendable:   |                            |                             |                             |                         |
| Bond retirement                                     | 266,664                    | 2,719,918                   | 2,986,582                   | -                       |
| Housing Authority                                   | -                          | -                           | -                           | 87,765                  |
| Unrestricted  | <u>6,735,253</u>           | <u>(330,714)</u>            | <u>6,404,539</u>            | <u>47,537</u>           |
| <b>Total net position</b>                           | <b><u>\$98,561,682</u></b> | <b><u>\$57,292,281</u></b>  | <b><u>\$155,853,963</u></b> | <b><u>\$142,490</u></b> |

See Notes to Financial Statements.

**CITY OF MASON CITY, IOWA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

| <u>Functions/Programs</u>           | <u>Expenses</u>            | <u>Charges for<br/>Services</u> | <u>Program<br/>Operating<br/>Grants and<br/>Contributions</u> |
|-------------------------------------|----------------------------|---------------------------------|---|
| Primary government:                 |                            |                                 |   |
| Governmental activities:            |                            |                                 |   |
| Public safety                       | \$11,199,350               | \$ 336,785                      | \$ 82,920   |
| Public works                        | 8,485,842                  | 71,687                          | 3,603,502   |
| Health and social services          | 390,046                    | -                               | 254,605   |
| Culture and recreation              | 4,149,309                  | 537,921                         | 247,630   |
| Community and economic development  | 2,717,656                  | 165,385                         | 707,905   |
| General government                  | 2,683,181                  | 348,218                         | 73,340  |
| Interest on long-term debt          | 623,661                    | -                               | -   |
| Total governmental activities       | <u>\$30,249,045</u>        | <u>\$ 1,459,996</u>             | <u>\$4,969,902</u>  |
| Business-type activities:           |                            |                                 |   |
| Cemetery                            | \$ 352,923                 | \$ 109,126                      | \$ -  |
| Water                               | 5,146,266                  | 5,932,570                       | 1,598   |
| Sewer                               | 3,725,216                  | 4,597,032                       | 5,926   |
| Parking lots                        | 141,304                    | 36,836                          |   |
| Storm sewer                         | 192,538                    | 293,194                         | -   |
| Solid waste                         | 1,384,561                  | 1,425,925                       | 216   |
| Golf course                         | 457,069                    | 360,825                         | -   |
| Ambulance                           | 2,017,871                  | 1,804,627                       | -   |
| Total business-type activities      | <u>\$13,417,748</u>        | <u>\$14,560,135</u>             | <u>\$ 7,740</u>   |
| <b>Total primary government</b>     | <b><u>\$43,666,793</u></b> | <b><u>\$16,020,131</u></b>      | <b><u>\$4,977,642</u></b>                                     |
| Component unit:                     |                            |                                 |   |
| <b>Mason City Housing Authority</b> | <b><u>\$ 2,133,286</u></b> | <b><u>\$ 22,364</u></b>         | <b><u>\$2,178,650</u></b>                                     |

General Revenues:

Property taxes  
Other taxes  
  Tax increment financing  
  Local option sales tax  
  Hotel/motel tax  
  Airport passenger facility charge  
  Unrestricted state tax replacement  
Grants and contributions not restricted  
  to specific program  
Unrestricted investment income  
Miscellaneous  
Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

**Net position - ending**

*See Notes to Financial Statements.*

| Revenue                          | Net (Expense) Revenue and Change in Net Position |                            |                               |                         |
|----------------------------------|--|----------------------------|-------------------------------|-------------------------|
|                                  | Primary Government                               |                            |                               | Component Unit          |
| Capital Grants and Contributions | Governmental Activities                          | Business-Type Activities   | Total                         |                         |
| \$ -                             | \$ (10,779,645)                                  | \$ -                       | \$ (10,779,645)               | \$ -                    |
| 824,221                          | (3,986,432)                                      | -                          | (3,986,432)                   | -                       |
| -                                | (135,441)  | -                          | (135,441)                     | -                       |
| 446,830                          | (2,916,928)                                      | -                          | (2,916,928)                   | -                       |
| 154,393                          | (1,689,973)                                      | -                          | (1,689,973)                   | -                       |
| -                                | (2,261,623)                                      | -                          | (2,261,623)                   | -                       |
| -                                | (623,661)  | -                          | (623,661)                     | -                       |
| <u>\$1,425,444</u>               | <u>\$ (22,393,703)</u>                           | <u>\$ -</u>                | <u>\$ (22,393,703)</u>        | <u>\$ -</u>             |
| \$ -                             | \$ -   | \$ (243,797)               | \$ (243,797)                  | \$ -                    |
| 80,093                           | -  | 867,995                    | 867,995                       | -                       |
| 125,303                          | -  | 1,003,045                  | 1,003,045                     | -                       |
| -                                | -  | (104,468)                  | (104,468)                     | -                       |
| 27,474                           | -  | 128,130                    | 128,130                       | -                       |
| -                                | -  | 41,580                     | 41,580                        | -                       |
| -                                | -  | (96,244)                   | (96,244)                      | -                       |
| -                                | -  | (213,244)                  | (213,244)                     | -                       |
| <u>\$ 232,870</u>                | <u>\$ -</u>                                      | <u>\$ 1,382,997</u>        | <u>\$ 1,382,997</u>           | <u>\$ -</u>             |
| <b><u>\$1,658,314</u></b>        | <b><u>\$ (22,393,703)</u></b>                    | <b><u>\$ 1,382,997</u></b> | <b><u>\$ (21,010,706)</u></b> | <b><u>\$ -</u></b>      |
| <u>\$ -</u>                      | <u>\$ -</u>                                      | <u>\$ -</u>                | <u>\$ -</u>                   | <u>\$ 67,728</u>        |
|                                  | \$ 14,603,173                                    | 147,450                    | \$ 14,750,623                 | \$ -                    |
|                                  | 1,213,704  | -                          | 1,213,704                     | -                       |
|                                  | 4,873,272  | -                          | 4,873,272                     | -                       |
|                                  | 728,860  | -                          | 728,860                       | -                       |
|                                  | 33,706   | -                          | 33,706                        | -                       |
|                                  | 157,254  | -                          | 157,254                       | -                       |
|                                  | 96,887   | -                          | 96,887                        | 340                     |
|                                  | 368,943  | 214,361                    | 583,304                       | -                       |
|                                  | 75,967   | 193,127                    | 269,094                       | -                       |
|                                  | 62,622   | (62,622)                   | -                             | -                       |
|                                  | <u>\$ 22,214,388</u>                             | <u>\$ 492,316</u>          | <u>\$ 22,706,704</u>          | <u>\$ 340</u>           |
|                                  | \$ (179,315)                                     | \$ 1,875,313               | \$ 1,695,998                  | \$ 68,068               |
|                                  | <u>98,740,997</u>                                | <u>55,416,968</u>          | <u>154,157,965</u>            | <u>74,422</u>           |
|                                  | <b><u>\$ 98,561,682</u></b>                      | <b><u>\$57,292,281</u></b> | <b><u>\$155,853,963</u></b>   | <b><u>\$142,490</u></b> |

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2017

|   | General                    | Road Use<br>Tax           |
|---|----------------------------|---------------------------|
| <b>ASSETS:</b>  |                            |                           |
| Cash  | \$ 862,972                 | \$ 344,443                |
| Investments   | 5,324,404                  | 750,000                   |
| Receivables:  |                            |                           |
| Property taxes  | 108,262                    | 1,761                     |
| Succeeding year property taxes  | 9,018,921                  | -                         |
| Other taxes   | 1,506                      | -                         |
| Accrued interest  | 9,478                      | -                         |
| Special assessments - current   | 56,437                     | 76,433                    |
| Succeeding year special assessments   | -                          | -                         |
| Accounts (net)  | 22,202                     | 75                        |
| Due from other funds  | 284,063                    | 6,727                     |
| Due from state government   | 635,093                    | 363,785                   |
| Due from federal government   | 129,888                    | -                         |
| Prepaid insurance   | 154,615                    | 12,912                    |
| Restricted assets:  |                            |                           |
| Cash  | -                          | -                         |
| Investments   | -                          | -                         |
| Accrued interest  | -                          | -                         |
|   |                            |                           |
| <b>Total assets</b>   | <b><u>\$16,607,841</u></b> | <b><u>\$1,556,136</u></b> |
| <br><b>LIABILITIES:</b>   |                            |                           |
| Accounts payable  | \$ 358,314                 | \$ 258,810                |
| Salaries payable  | 468,405                    | 45,891                    |
| Contracts payable   | 35,894                     | 125,940                   |
| Compensated absences payable  | 1,145,835                  | 102,503                   |
| Due to other funds  | 288,310                    | 2,480                     |
| Due to state government   | 3,251                      | -                         |
| Total liabilities   | <u>\$ 2,300,009</u>        | <u>\$ 535,624</u>         |
| <br><b>DEFERRED INFLOWS OF RESOURCES:</b>                                     |                            |                           |
| Succeeding year property taxes  | \$ 9,025,845               | \$ -                      |
| Succeeding year special assessments   | -                          | -                         |
| Total deferred inflows of resources   | <u>\$ 9,025,845</u>        | <u>\$ -</u>               |
| Total liabilities and deferred inflows<br>of resources                        | <u>\$11,325,854</u>        | <u>\$ 535,624</u>         |
| <br><b>FUND BALANCES:</b>   |                            |                           |
| Nonspendable  | \$ 154,615                 | \$ 12,912                 |
| Restricted  | 764,810                    | 1,007,600                 |
| Assigned  | 555,113                    | -                         |
| Unassigned  | 3,807,449                  | -                         |
| Total fund balances   | <u>\$ 5,281,987</u>        | <u>\$1,020,512</u>        |
| <b>Total liabilities, deferred inflows<br/>of resources and fund balances</b> | <b><u>\$16,607,841</u></b> | <b><u>\$1,556,136</u></b> |

*See Notes to Financial Statements.*

| <u>Debt<br/>Service</u> | <u>Other<br/>Governmental</u> | <u>Total</u>        |
|-------------------------|-------------------------------|---------------------|
| \$ 317,483              | \$ 1,140,595                  | \$ 2,665,493        |
| -                       | 8,240,325                     | 14,314,729          |
| 37,343                  | 40,724                        | 188,090             |
| 2,785,101               | 1,585,380                     | 13,389,402          |
| -                       | -                             | 1,506               |
| -                       | 5,646                         | 15,124              |
| -                       | 15,683                        | 148,553             |
| -                       | 62,732                        | 62,732              |
| -                       | -                             | 22,277              |
| 193                     | 508,464                       | 799,447             |
| -                       | 183,809                       | 1,182,687           |
| -                       | 2,394                         | 132,282             |
| -                       | -                             | 167,527             |
| -                       | 902                           | 902                 |
| -                       | 617,786                       | 617,786             |
| -                       | 358                           | 358                 |
| <u>\$3,140,120</u>      | <u>\$12,404,798</u>           | <u>\$33,708,895</u> |
| <br>                    |                               |                     |
| \$ 3,500                | \$ 266,291                    | \$ 886,915          |
| -                       | -                             | 514,296             |
| -                       | 70,539                        | 232,373             |
| -                       | -                             | 1,248,338           |
| 84,855                  | 562,337                       | 937,982             |
| -                       | 412                           | 3,663               |
| <u>\$ 88,355</u>        | <u>\$ 899,579</u>             | <u>\$ 3,823,567</u> |
| <br>                    |                               |                     |
| \$2,785,101             | \$ 1,585,380                  | \$13,396,326        |
| -                       | 62,732                        | 62,732              |
| <u>\$2,785,101</u>      | <u>\$ 1,648,112</u>           | <u>\$13,459,058</u> |
| <br>                    |                               |                     |
| <u>\$2,873,456</u>      | <u>\$ 2,547,691</u>           | <u>\$17,282,625</u> |
| <br>                    |                               |                     |
| \$ -                    | \$ 693,207                    | \$ 860,734          |
| 266,664                 | 8,111,314                     | 10,150,388          |
| -                       | 1,311,686                     | 1,866,799           |
| -                       | (259,100)                     | 3,548,349           |
| <u>\$ 266,664</u>       | <u>\$ 9,857,107</u>           | <u>\$16,426,270</u> |
| <br>                    |                               |                     |
| <u>\$3,140,120</u>      | <u>\$12,404,798</u>           | <u>\$33,708,895</u> |

CITY OF MASON CITY, IOWA  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017

Fund balances—total governmental funds \$ 16,426,270

Amounts reported for governmental activities in the statement of net position are different because:

Inventories used in governmental activities recorded under the purchases method of accounting are not reported as current assets. 62,072

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 107,078,853

Internal service funds, net position 3,171,007

Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:

|                       |                     |                     |
|-----------------------|---------------------|---------------------|
| Bonds payable         | \$ (16,665,000)     |                     |
| Accrued interest      | (41,522)            |                     |
| Bond premium          | (133,068)           |                     |
| Net OPEB obligation   | (855,802)           |                     |
| Net pension liability | <u>(15,263,453)</u> | <u>(32,958,845)</u> |

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| Deferred outflows of resources | \$ 5,172,760     |                  |
| Deferred inflows of resources  | <u>(390,435)</u> | <u>4,782,325</u> |

**Net position of governmental activities \$ 98,561,682**

*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, 2017

|  | <u>General</u>             | <u>Road Use<br/>Tax</u>    |
|--|----------------------------|----------------------------|
| <b>REVENUES:</b>   |                            |                            |
| Property taxes   | \$ 8,791,343               | \$ -                       |
| TIF revenues   | -                          | -                          |
| Other taxes  | 3,146,470                  | -                          |
| Licenses and permits   | 571,825                    | -                          |
| Intergovernmental  | 1,776,537                  | 3,717,520                  |
| Charges for services   | 782,932                    | -                          |
| Fines and forfeitures  | 37,919                     | -                          |
| Use of money and property                                    | 277,516                    | 121                        |
| Special assessments  | -                          | 442                        |
| Miscellaneous  | 550,135                    | 90                         |
| Refunds  | 8,988                      | 1,060                      |
| Total revenues   | <u>\$15,943,665</u>        | <u>\$ 3,719,233</u>        |
| <b>EXPENDITURES:</b>   |                            |                            |
| Operating:   |                            |                            |
| Public safety  | \$ 8,612,081               | \$ -                       |
| Public works   | 983,615                    | 2,631,231                  |
| Health & social services                                     | 365,408                    | -                          |
| Culture & recreation   | 2,860,036                  | -                          |
| Community & economic development                             | 948,914                    | -                          |
| General government   | 1,880,426                  | -                          |
| Capital projects   | 4,223,501                  | 1,919,500                  |
| Debt Service:  |                            |                            |
| Principal retirement   | -                          | -                          |
| Interest   | -                          | -                          |
| Contractual  | -                          | -                          |
| Total expenditures   | <u>\$19,873,981</u>        | <u>\$ 4,550,731</u>        |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>\$ (3,930,316)</u>      | <u>\$ (831,498)</u>        |
| Other financing sources (uses):                              |                            |                            |
| Issuance of general obligation bonds                         | \$ 1,241,230               | \$ -                       |
| Premium/discount on bonds                                    | -                          | -                          |
| Transfers in   | 1,291,577                  | 60,000                     |
| Transfers out  | (180,337)                  | (325,000)                  |
| Total other financing sources (uses)                         | <u>\$ 2,352,470</u>        | <u>\$ (265,000)</u>        |
| Net change in fund balance                                   | \$ (1,577,846)             | \$ (1,096,498)             |
| Fund balance (deficit) beginning of year                     | <u>6,859,833</u>           | <u>2,117,010</u>           |
| <b>Fund balance (deficit) end of year</b>                    | <b><u>\$ 5,281,987</u></b> | <b><u>\$ 1,020,512</u></b> |

*See Notes to Financial Statements.*



| <u>Debt<br/>Service</u>  | <u>Other<br/>Governmental</u> | <u>Total</u>               |
|--------------------------|-------------------------------|----------------------------|
| \$3,062,413              | \$ 1,603,335                  | \$13,457,091               |
| -                        | 1,213,704                     | 1,213,704                  |
| -                        | 2,647,117                     | 5,793,587                  |
| -                        | -                             | 571,825                    |
| -                        | 418,022                       | 5,912,079                  |
| -                        | 51,195                        | 834,127                    |
| -                        | -                             | 37,919                     |
| 8,270                    | 75,578                        | 361,485                    |
| -                        | 15,683                        | 16,125                     |
| -                        | 162,703                       | 712,928                    |
| -                        | -                             | 10,048                     |
| <u>\$3,070,683</u>       | <u>\$ 6,187,337</u>           | <u>\$28,920,918</u>        |
| <br>                     |                               |                            |
| \$ -                     | \$ 1,480,247                  | \$10,092,328               |
| -                        | 50,846                        | 3,665,692                  |
| -                        | 8,922                         | 374,330                    |
| -                        | 250,513                       | 3,110,549                  |
| -                        | 1,694,987                     | 2,643,901                  |
| -                        | 699,601                       | 2,580,027                  |
| -                        | 2,304,796                     | 8,447,797                  |
| 3,425,000                | -                             | 3,425,000                  |
| 587,989                  | -                             | 587,989                    |
| 42,211                   | -                             | 42,211                     |
| <u>\$4,055,200</u>       | <u>\$ 6,489,912</u>           | <u>\$34,969,824</u>        |
| <br>                     |                               |                            |
| <u>\$ (984,517)</u>      | <u>\$ (302,575)</u>           | <u>\$ (6,048,906)</u>      |
| <br>                     |                               |                            |
| \$ 78,770                | \$ 90,000                     | \$ 1,410,000               |
| 379                      | -                             | 379                        |
| 950,112                  | 550,337                       | 2,852,026                  |
| (9,500)                  | (1,474,567)                   | (1,989,404)                |
| <u>\$1,019,761</u>       | <u>\$ (834,230)</u>           | <u>\$ 2,273,001</u>        |
| <br>                     |                               |                            |
| \$ 35,244                | \$ (1,136,805)                | \$ (3,775,905)             |
| <br>                     |                               |                            |
| <u>231,420</u>           | <u>10,993,912</u>             | <u>20,202,175</u>          |
| <br>                     |                               |                            |
| <u><b>\$ 266,664</b></u> | <u><b>\$ 9,857,107</b></u>    | <u><b>\$16,426,270</b></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, 2017

Net change in fund balances—total governmental funds \$(3,775,905)

Amounts reported for governmental activities in the statement of activities are different because:

General inventories net change (65,729)

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. (42,431)

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       | \$8,753,801        |           |
| Depreciation expense | <u>(6,218,232)</u> | 2,535,569 |

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 position. 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   | \$3,425,000      |          |
| Issuance of debt               | (1,410,000)      |          |
| Accrued interest               | 6,160            |          |
| Amortization of bond premium   | 22,401           |          |
| Pension expense                | (1,933,663)      |          |
| Other post-employment benefits | <u>(137,667)</u> | (27,769) |

The current year City employer share of IPERS and MFPRSI contributions are reported as expenditures in the government funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 1,657,817

Internal service funds net change (460,867)

**Change in net position—governmental activities \$ (179,315)**

*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, 2017**

|  | <u>Original<br/>Budget</u> | <u>Amended<br/>Budget</u>    | <u>Actual</u>              |
|--|----------------------------|------------------------------|----------------------------|
| <b>REVENUES:</b>   |                            |                              |                            |
| Property taxes   | \$ 8,395,750               | \$ 8,395,750                 | \$ 8,791,343               |
| Other taxes  | 3,015,749                  | 3,015,749                    | 3,146,470                  |
| Licenses and permits   | 611,247                    | 611,247                      | 571,825                    |
| Intergovernmental  | 2,573,186                  | 2,573,186                    | 1,776,537                  |
| Charges for services   | 878,710                    | 878,710                      | 782,932                    |
| Fines and forfeitures  | -                          | -                            | 37,919                     |
| Use of money and property                                    | 365,465                    | 365,465                      | 277,516                    |
| Miscellaneous  | 178,979                    | 527,783                      | 550,135                    |
| Refunds  | -                          | -                            | 8,988                      |
| Total revenues   | <u>\$16,019,086</u>        | <u>\$16,367,890</u>          | <u>\$15,943,665</u>        |
| <b>EXPENDITURES:</b>   |                            |                              |                            |
| Operating:   |                            |                              |                            |
| Public safety  | \$ 8,582,517               | \$ 8,608,517                 | \$ 8,612,081               |
| Public works   | 1,047,767                  | 1,047,767                    | 983,615                    |
| Health & social services                                     | 404,321                    | 481,221                      | 365,408                    |
| Culture & recreation   | 2,948,535                  | 4,091,135                    | 2,860,036                  |
| Community & economic development                             | 986,715                    | 987,019                      | 948,914                    |
| General government   | 1,995,793                  | 2,022,093                    | 1,880,426                  |
| Capital projects   | <u>2,890,241</u>           | <u>3,575,341</u>             | <u>4,223,501</u>           |
| Total expenditures   | <u>\$18,855,889</u>        | <u>\$20,813,093</u>          | <u>\$19,873,981</u>        |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>\$ (2,836,803)</u>      | <u>\$ (4,445,203)</u>        | <u>\$ (3,930,316)</u>      |
| Other financing sources (uses):                              |                            |                              |                            |
| Issuance of general obligation bonds                         | \$ 1,123,430               | \$ 1,123,430                 | \$ 1,241,230               |
| Transfers in   | 1,123,373                  | 1,123,373                    | 1,291,577                  |
| Transfers out  | <u>(180,000)</u>           | <u>(180,000)</u>             | <u>(180,337)</u>           |
| Total other financing sources<br>(uses)                      | <u>\$ 2,066,803</u>        | <u>\$ 2,066,803</u>          | <u>\$ 2,352,470</u>        |
| Net change in fund balance                                   | \$ (770,000)               | \$ (2,378,400)               | \$ (1,577,846)             |
| Fund balance (deficit) beginning of year                     | <u>-</u>                   | <u>-</u>                     | <u>6,859,833</u>           |
| <b>Fund balance (deficit) end of year</b>                    | <u><b>\$ (770,000)</b></u> | <u><b>\$ (2,378,400)</b></u> | <u><b>\$ 5,281,987</b></u> |

*See Notes to Financial Statements.*

Variance with  
Amended Budget  
Positive  
(Negative)

\$ 395,593  
130,721  
(39,422)  
(796,649)  
(95,778)  
37,919  
(87,949)  
22,352  
8,988  
\$ (424,225)

\$ (3,564)  
64,152  
115,813  
1,231,099  
38,105  
141,667  
(648,160)  
\$ 939,112

\$ 514,887

\$ 117,800  
168,204  
(337)

\$ 285,667

\$ 800,554

6,859,833

**\$7,660,387**

CITY OF MASON CITY, IOWA  
ROAD USE TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

|  | Original<br>Budget  | Amended<br>Budget     | Actual              |
|--|---------------------|-----------------------|---------------------|
| <b>REVENUES:</b>   |                     |                       |                     |
| Intergovernmental:   |                     |                       |                     |
| Road use tax allocation                                      | \$3,160,000         | \$ 3,160,000          | \$ 3,717,520        |
| Use of money and property                                    | -                   | -                     | 121                 |
| Special assessments  | -                   | -                     | 442                 |
| Miscellaneous  | 50,000              | 50,000                | 90                  |
| Refund   | -                   | -                     | 1,060               |
| Total revenues   | \$3,210,000         | \$ 3,210,000          | \$ 3,719,233        |
| <b>EXPENDITURES:</b>   |                     |                       |                     |
| Operating:   |                     |                       |                     |
| Public works:  |                     |                       |                     |
| Personal services  | \$1,442,810         | \$ 1,442,810          | \$ 1,522,632        |
| Contractual  | 621,785             | 621,785               | 665,046             |
| Commodities  | 461,261             | 461,261               | 443,553             |
| Other  | -                   | 150,000               | -                   |
| Total public works   | \$2,525,856         | \$ 2,675,856          | \$ 2,631,231        |
| Capital projects   | 1,120,464           | 2,596,464             | 1,919,500           |
| Total expenditures   | \$3,646,320         | \$ 5,272,320          | \$ 4,550,731        |
| Excess (deficiency) of revenues over<br>(under) expenditures | \$ (436,320)        | \$ (2,062,320)        | \$ (831,498)        |
| Other financing sources (uses):                              |                     |                       |                     |
| Issuance of general obligation bonds                         | \$ 90,000           | \$ 90,000             | \$ -                |
| Transfers in   | -                   | -                     | 60,000              |
| Transfers out  | (25,000)            | (25,000)              | (325,000)           |
| Total other financing sources<br>(uses)                      | \$ 65,000           | \$ 65,000             | \$ (265,000)        |
| Net change in fund balance                                   | \$ (371,320)        | \$ (1,997,320)        | \$ (1,096,498)      |
| Fund balance (deficit) beginning of year                     | -                   | -                     | 2,117,010           |
| <b>Fund balance (deficit) end of year</b>                    | <b>\$ (371,320)</b> | <b>\$ (1,997,320)</b> | <b>\$ 1,020,512</b> |

*See Notes to Financial Statements.*

Variance with  
Amended Budget  
Positive  
(Negative)

\$ 557,520  
121  
442  
(49,910)  
1,060  
\$ 509,233

\$ (79,822)  
(43,261)  
17,708  
150,000  
\$ 44,625  
676,964  
\$ 721,589

\$1,230,822

\$ (90,000)  
60,000  
(300,000)

\$ (330,000)

\$ 900,822

2,117,010

**\$3,017,832**

**CITY OF MASON CITY, IOWA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2017**

|  | <u>Waterworks</u>   | <u>Sewer<br/>Rental</u> |
|--|---------------------|-------------------------|
| <b>ASSETS:</b>                                     |                     |                         |
| Current assets:                                    |                     |                         |
| Cash   | \$ 365,930          | \$ 347,703              |
| Investments  | 1,624,971           | 1,440,000               |
| Receivables:                                       |                     |                         |
| Property taxes                                     | -                   | -                       |
| Succeeding year property taxes                     | -                   | -                       |
| Special assessments - current                      | -                   | 21,376                  |
| Accounts (net)                                     | 723,597             | 482,942                 |
| Accrued interest                                   | 11,671              | 3,375                   |
| Inventory  | 304,151             | 52,614                  |
| Due from other funds                               | 84,855              | -                       |
| Prepaid insurance                                  | 13,422              | 16,701                  |
| Total current assets                               | <u>\$ 3,128,597</u> | <u>\$ 2,364,711</u>     |
| Noncurrent assets:                                 |                     |                         |
| Restricted assets:                                 |                     |                         |
| Cash   | \$ 142,796          | \$ 38,224               |
| Investments  | 1,510,000           | 1,025,000               |
| Accrued interest                                   | -                   | 3,898                   |
| Total restricted assets                            | <u>\$ 1,652,796</u> | <u>\$ 1,067,122</u>     |
| Property, plant and equipment:                     |                     |                         |
| Land   | \$ 167,220          | \$ 316,209              |
| Buildings  | 15,537,504          | -                       |
| Equipment  | 1,466,114           | 1,068,756               |
| Distribution system                                | 33,387,828          | -                       |
| Meters   | 1,279,837           | -                       |
| Plant and improvements                             | -                   | 34,799,177              |
| Sewer lines and lifts                              | -                   | 18,892,114              |
| Improvements                                       | -                   | -                       |
| Vehicles   | 421,233             | 949,500                 |
| Construction in progress                           | 2,712,974           | 1,274,663               |
| Total property, plant and equipment                | \$54,972,710        | \$57,300,419            |
| Less accumulated depreciation                      | <u>(21,530,652)</u> | <u>(26,274,653)</u>     |
| Net property, plant and equipment                  | <u>\$33,442,058</u> | <u>\$31,025,766</u>     |
| Total noncurrent assets                            | <u>\$35,094,854</u> | <u>\$32,092,888</u>     |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>             |                     |                         |
| Pension related deferred outflows                  | <u>\$ 270,568</u>   | <u>\$ 179,980</u>       |
| Total assets and deferred<br>outflows of resources | <u>\$38,494,019</u> | <u>\$34,637,579</u>     |

(continued)

| <u>Other</u>        | <u>Total</u>         | <u>Governmental<br/>Activities-<br/>Internal<br/>Service</u> |
|---------------------|----------------------|--|
| \$ 345,048          | \$ 1,058,681         | \$ 273,347   |
| 910,000             | 3,974,971            | 587,993  |
| 1,903               | 1,903                | 9,222  |
| 156,262             | 156,262              | 1,261,720  |
| -                   | 21,376               | -  |
| 820,455             | 2,026,994            | -  |
| 995                 | 16,041               | 196  |
| 80,927              | 437,692              | -  |
| 308,652             | 393,507              | -  |
| 5,188               | 35,311               | -  |
| <u>\$ 2,629,430</u> | <u>\$ 8,122,738</u>  | <u>\$2,132,478</u>   |
| <br>                |                      |  |
| \$ -                | \$ 181,020           | \$ -   |
| -                   | 2,535,000            | -  |
| -                   | 3,898                | -  |
| <u>\$ -</u>         | <u>\$ 2,719,918</u>  | <u>\$ -</u>  |
| <br>                |                      |  |
| \$ 4,339,933        | \$ 4,823,362         | \$ -   |
| 1,568,237           | 17,105,741           | -  |
| 1,314,726           | 3,849,596            | 122,786  |
| -                   | 33,387,828           | -  |
| -                   | 1,279,837            | -  |
| -                   | 34,799,177           | -  |
| 5,457,189           | 24,349,303           | -  |
| 3,315,540           | 3,315,540            | -  |
| 2,201,956           | 3,572,689            | 85,174   |
| 699,990             | 4,687,627            | -  |
| <u>\$18,897,571</u> | <u>\$131,170,700</u> | <u>\$ 207,960</u>  |
| (8,652,309)         | (56,457,614)         | (181,656)  |
| <u>\$10,245,262</u> | <u>\$ 74,713,086</u> | <u>\$ 26,304</u>   |
| <br>                |                      |  |
| <u>\$10,245,262</u> | <u>\$ 77,433,004</u> | <u>\$ 26,304</u>   |
| <br>                |                      |  |
| \$ 1,022,499        | \$ 1,473,047         | \$ -   |
| <br>                |                      |  |
| <u>\$13,897,191</u> | <u>\$ 87,028,789</u> | <u>\$2,158,782</u>   |



**CITY OF MASON CITY, IOWA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2017**

|  | <u>Waterworks</u>   | <u>Sewer<br/>Rental</u> |
|--|---------------------|-------------------------|
| <b>LIABILITIES:</b>                                    |                     |                         |
| Current liabilities:                                   |                     |                         |
| Accounts payable                                       | \$ 276,794          | \$ 79,167               |
| Salaries payable                                       | 59,500              | 39,061                  |
| Contracts payable                                      | 62,492              | 31,647                  |
| Compensated absences payable                           | 82,005              | 81,843                  |
| Accrued interest payable                               | 15,148              | 16,944                  |
| Due to other funds                                     | -                   | -                       |
| Due to state government                                | 31,599              | -                       |
| Due to customers                                       | 97,189              | -                       |
| General obligation bonds                               | 620,000             | 190,000                 |
| Revenue bonds  | 1,222,000           | 609,000                 |
| Prepaid interments                                     | -                   | -                       |
| Unearned revenue                                       | -                   | -                       |
| Total current liabilities                              | <u>\$ 2,466,727</u> | <u>\$ 1,047,662</u>     |
| Long-term debt:  |                     |                         |
| General obligation bonds                               | \$ 3,150,000        | \$ 1,060,001            |
| Revenue bonds  | 4,724,016           | 8,054,992               |
| Net OPEB obligation                                    | 114,364             | 63,475                  |
| Net pension liability                                  | 994,998             | 667,940                 |
| Total long-term debt                                   | <u>\$ 8,983,378</u> | <u>\$ 9,846,408</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                  |                     |                         |
| Succeeding year property taxes                         | \$ -                | \$ -                    |
| Pension related deferred inflows                       | 30,013              | 29,368                  |
| Total deferred inflows of resources                    | <u>\$ 30,013</u>    | <u>\$ 29,368</u>        |
| Total liabilities and deferred inflows<br>of resources | <u>\$11,480,118</u> | <u>\$10,923,438</u>     |
| <b>NET POSITION:</b>                                   |                     |                         |
| Net investment in capital assets                       | \$23,726,042        | \$21,111,773            |
| Restricted for:  |                     |                         |
| Bond retirement  | 1,652,796           | 1,067,122               |
| Unrestricted   | <u>1,635,063</u>    | <u>1,535,246</u>        |
| Total net position                                     | <u>\$27,013,901</u> | <u>\$23,714,141</u>     |

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

Net position of business-type activities

**See Notes to Financial Statements.**

| <u>Other</u>               | <u>Total</u>               | <u>Governmental<br/>Activities-<br/>Internal<br/>Service</u> |
|----------------------------|----------------------------|--|
| \$ 172,741                 | \$ 528,702                 | \$ 919,544   |
| 94,366                     | 192,927                    | 7,033  |
| 18,857                     | 112,996                    | -  |
| 158,671                    | 322,519                    | 10,793   |
| 185                        | 32,277                     | -  |
| 254,972                    | 254,972                    | -  |
| 2,513                      | 34,112                     | -  |
| -                          | 97,189                     | -  |
| -                          | 810,000                    | -  |
| 36,000                     | 1,867,000                  | -  |
| 24,566                     | 24,566                     | -  |
| 450                        | 450                        | 7,865  |
| <u>\$ 763,321</u>          | <u>\$ 4,277,710</u>        | <u>\$ 945,235</u>  |
| <br>                       |                            |  |
| \$ -                       | \$ 4,210,001               | \$ -   |
| 144,000                    | 12,923,008                 | -  |
| 163,193                    | 341,032                    | -  |
| 2,819,611                  | 4,482,549                  | -  |
| <u>\$ 3,126,804</u>        | <u>\$21,956,590</u>        | <u>\$ -</u>  |
| <br>                       |                            |  |
| \$ 156,262                 | \$ 156,262                 | \$1,261,720  |
| 67,385                     | 126,766                    | -  |
| <u>\$ 223,647</u>          | <u>\$ 283,028</u>          | <u>\$1,261,720</u>   |
| <br>                       |                            |  |
| <u>\$ 4,113,772</u>        | <u>\$26,517,328</u>        | <u>\$2,206,955</u>   |
| <br>                       |                            |  |
| \$10,065,262               | \$54,903,077               | \$ 26,304  |
| -                          | 2,719,918                  | -  |
| <u>(281,843)</u>           | <u>2,888,466</u>           | <u>(74,477)</u>  |
| <br>                       |                            |  |
| <u><b>\$ 9,783,419</b></u> | <u><b>\$60,511,461</b></u> | <u><b>\$ (48,173)</b></u>                                    |
| <br>                       |                            |  |
|                            | <u>(3,219,180)</u>         |  |
|                            | <u><b>\$57,292,281</b></u> |  |

CITY OF MASON CITY, IOWA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2017

|  | <u>Waterworks</u>          | <u>Sewer<br/>Rental</u>    |
|--|----------------------------|----------------------------|
| <b>Operating revenues:</b>                       |                            |                            |
| Charges for services                             | \$ 5,932,570               | \$ 4,597,032               |
| Health insurance contributions                   | -                          | -                          |
| Total operating revenues                         | <u>\$ 5,932,570</u>        | <u>\$ 4,597,032</u>        |
| <b>Operating expenses:</b>                       |                            |                            |
| Business-type activities:                        |                            |                            |
| Personal services                                | \$ 1,704,692               | \$ 1,212,312               |
| Contractual                                      | 984,344                    | 581,392                    |
| Commodities                                      | 651,071                    | 233,719                    |
| Other  | 36,869                     | 9,684                      |
| Depreciation                                     | 1,455,341                  | 1,305,191                  |
| Amortization                                     | 6,408                      | 5,778                      |
| Total operating expenses                         | <u>\$ 4,838,725</u>        | <u>\$ 3,348,076</u>        |
| Operating income (loss)                          | <u>\$ 1,093,845</u>        | <u>\$ 1,248,956</u>        |
| <b>Nonoperating revenues (expenses):</b>         |                            |                            |
| Property taxes                                   | \$ -                       | \$ -                       |
| Intergovernmental                                | 1,598                      | 5,926                      |
| Fines and forfeitures                            | -                          | -                          |
| Use of money and property                        | 54,203                     | 17,896                     |
| Special assessments                              | -                          | -                          |
| Miscellaneous                                    | 4,602                      | 74,596                     |
| Interest   | (234,787)                  | (337,000)                  |
| Gain(Loss) on disposal of assets                 | -                          | -                          |
| Total nonoperating revenue (expense)             | <u>\$ (174,384)</u>        | <u>\$ (238,582)</u>        |
| Income (loss) before contributions and transfers | <u>\$ 919,461</u>          | <u>\$ 1,010,374</u>        |
| <b>Contributions and transfers:</b>              |                            |                            |
| Transfers in                                     | \$ -                       | \$ -                       |
| Transfers out                                    | (25,000)                   | (25,000)                   |
| Capital contributions                            | 80,093                     | 125,303                    |
| Total contributions and transfers                | <u>\$ 55,093</u>           | <u>\$ 100,303</u>          |
| Change in net position                           | \$ 974,554                 | \$ 1,110,677               |
| Net position beginning of year                   | <u>26,039,347</u>          | <u>22,603,464</u>          |
| <b>Net position end of year</b>                  | <b><u>\$27,013,901</u></b> | <b><u>\$23,714,141</u></b> |

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

Change in net position of business-type activities

**See Notes to Financial Statements.**

| <u>Other</u>              | <u>Total</u>               | <u>Governmental<br/>Activities-<br/>Internal<br/>Service</u> |
|---------------------------|----------------------------|--|
| \$4,000,074               | \$14,529,676               | \$ 251,943   |
| -                         | -                          | 3,308,275  |
| <u>\$4,000,074</u>        | <u>\$14,529,676</u>        | <u>\$3,560,218</u>   |
| <br>                      |                            |  |
| \$2,730,962               | \$ 5,647,966               | \$4,189,326  |
| 746,159                   | 2,311,895                  | 9,861  |
| 356,846                   | 1,241,636                  | 13,327   |
| 85,740                    | 132,293                    | -  |
| 536,402                   | 3,296,934                  | 6,755  |
| -                         | 12,186                     | -  |
| <u>\$4,456,109</u>        | <u>\$12,642,910</u>        | <u>\$4,219,269</u>   |
| <br>                      |                            |  |
| <u>\$ (456,035)</u>       | <u>\$ 1,886,766</u>        | <u>\$ (659,051)</u>  |
| <br>                      |                            |  |
| \$ 147,450                | \$ 147,450                 | \$1,146,080  |
| 216                       | 7,740                      | -  |
| 30,459                    | 30,459                     | -  |
| 142,262                   | 214,361                    | 7,458  |
| -                         | -                          | -  |
| 113,924                   | 193,122                    | -  |
| (1,747)                   | (573,534)                  | -  |
| (3,115)                   | (3,115)                    | -  |
| <u>\$ 429,449</u>         | <u>\$ 16,483</u>           | <u>\$1,153,538</u>   |
| <br>                      |                            |  |
| <u>\$ (26,586)</u>        | <u>\$ 1,903,249</u>        | <u>\$ 494,487</u>  |
| <br>                      |                            |  |
| \$ 47,378                 | \$ 47,378                  | \$ -   |
| (60,000)                  | (110,000)                  | (800,000)  |
| 27,474                    | 232,870                    | -  |
| <u>\$ 14,852</u>          | <u>\$ 170,248</u>          | <u>\$ (800,000)</u>  |
| <br>                      |                            |  |
| \$ (11,734)               | \$ 2,073,497               | \$ (305,513)   |
| <br>                      |                            |  |
| <u>9,795,153</u>          |                            | <u>257,340</u>   |
| <br>                      |                            |  |
| <u><b>\$9,783,419</b></u> |                            | <u><b>\$ (48,173)</b></u>                                    |
|                           | <br>                       |  |
|                           | <u>( 198,184)</u>          |  |
|                           | <br>                       |  |
|                           | <u><b>\$ 1,875,313</b></u> |  |

**CITY OF MASON CITY, IOWA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2017**

|   | <u>Waterworks</u>        | <u>Sewer<br/>Rental</u>  |
|---|--------------------------|--------------------------|
| Cash flows from operating activities:                                 |                          |                          |
| Cash received from interfund charges                                  | \$ -                     | \$ -                     |
| Cash received from employees and others                               | -                        | -                        |
| Cash received from customers  | 5,894,250                | 4,599,210                |
| Cash paid to employees for services                                   | (2,003,868)              | (1,191,608)              |
| Cash paid to other suppliers of goods or services                     | (2,409,300)              | (264,516)                |
| Cash paid for health and life insurance                               | -                        | -                        |
| Cash received for miscellaneous items                                 | <u>6,200</u>             | <u>79,879</u>            |
| Net cash provided (used) by operating activities                      | <u>\$ 1,487,282</u>      | <u>\$ 3,222,965</u>      |
| Cash flows from non-capital financing activities:                     |                          |                          |
| Proceeds from property tax levy                                       | \$ -                     | \$ -                     |
| Transfers in  | -                        | -                        |
| Transfers out   | <u>(25,000)</u>          | <u>(25,000)</u>          |
| Net cash provided (used) by non-capital financing activities          | <u>\$ (25,000)</u>       | <u>\$ (25,000)</u>       |
| Cash flows from capital and related financing activities:             |                          |                          |
| Net acquisition of capital assets                                     | \$ (1,159,082)           | \$ (640,214)             |
| Principal payments  | (1,795,591)              | (764,222)                |
| Interest payments   | <u>( 238,208)</u>        | <u>(338,445)</u>         |
| Net cash provided (used) for capital and related financing activities | <u>\$ (3,192,881)</u>    | <u>\$ (1,742,881)</u>    |
| Cash flows from investing activities:                                 |                          |                          |
| Proceeds from sale of investments                                     | \$ 2,140,029             | \$ -                     |
| Purchase of investments   | -                        | (1,115,000)              |
| Interest received   | 50,180                   | 12,219                   |
| Rent received on investment property                                  | <u>-</u>                 | <u>-</u>                 |
| Net cash provided (used) by investing activities                      | <u>\$ 2,190,209</u>      | <u>\$ (1,102,781)</u>    |
| Net increase (decrease) in cash                                       | \$ 459,610               | \$ 352,303               |
| Cash beginning of year  | <u>49,116</u>            | <u>33,624</u>            |
| <b>Cash end of year</b>   | <b><u>\$ 508,726</u></b> | <b><u>\$ 385,927</u></b> |
| Noncash capital, investing and financing activities:                  |                          |                          |
| Decrease in fair value of investments                                 | \$ -                     | \$ -                     |
| Contributions of capital assets from outside sources                  | <u>80,093</u>            | <u>125,303</u>           |
| Total noncash capital, investing and financing activities             | <u>\$ 80,093</u>         | <u>\$ 125,303</u>        |

(continued)

| <u>Other</u>      | <u>Total</u>        | <u>Governmental<br/>Activities-<br/>Internal<br/>Service</u> |
|-------------------|---------------------|--|
| \$ -              | \$ -                | \$ 3,016,671   |
| -                 | -                   | 566,559  |
| 4,114,497         | 14,607,957          | -  |
| (2,669,989)       | (5,865,465)         | (211,064)  |
| (857,785)         | (3,531,601)         | (31,560)   |
| -                 | -                   | (4,002,659)  |
| <u>140,294</u>    | <u>226,373</u>      | <u>-</u>   |
| \$ 727,017        | \$ 5,437,264        | \$ (662,053)   |
| <br>              |                     |  |
| \$ 147,226        | \$ 147,226          | \$ 1,147,324   |
| 47,378            | 47,378              | -  |
| <u>(60,000)</u>   | <u>(110,000)</u>    | <u>(800,000)</u>   |
| \$ 134,604        | \$ 84,604           | \$ 347,324   |
| <br>              |                     |  |
| \$ (590,721)      | \$ (2,390,017)      | \$ (8,958)   |
| 180,000           | (2,379,813)         | -  |
| <u>(1,562)</u>    | <u>(578,215)</u>    | <u>-</u>   |
| \$ (412,283)      | \$ (5,348,045)      | \$ (8,958)   |
| <br>              |                     |  |
| \$ 50             | \$ 2,140,079        | \$ 1,250,000   |
| (660,000)         | (1,775,000)         | (1,100,000)  |
| 23,921            | 86,320              | 21,729   |
| <u>31,726</u>     | <u>31,726</u>       | <u>-</u>   |
| \$ (604,303)      | 483,125             | \$ 171,729   |
| <br>              |                     |  |
| \$ (154,965)      | \$ 656,948          | \$ (151,958)   |
| 500,013           | 582,753             | 425,305  |
| <u>\$ 345,048</u> | <u>\$ 1,239,701</u> | <u>\$ 273,347</u>  |
| <br>              |                     |  |
| \$ -              | \$ -                | \$ 14,081  |
| <u>27,474</u>     | <u>232,870</u>      | <u>-</u>   |
| <u>\$ 27,474</u>  | <u>\$ 232,870</u>   | <u>\$ 14,081</u>   |

CITY OF MASON CITY, IOWA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2017

|   | <u>Waterworks</u>             | <u>Sewer<br/>Rental</u>       |
|---|-------------------------------|-------------------------------|
| <b>Reconciliation of Operating Income (Loss)<br/>to Net Cash Provided (Used) by Operating<br/>Activities:</b> |                               |                               |
| Operating income (loss)   | \$1,093,845                   | \$1,248,956                   |
| Adjustments to reconcile operating income (loss)<br>to net cash from operating activities:                    |                               |                               |
| Depreciation and amortization expense   | 1,461,749                     | 1,310,969                     |
| Rental income   | -                             | -                             |
| Miscellaneous income  | 6,200                         | 80,522                        |
| Change in assets and liabilities:   |                               |                               |
| (Increase) decrease in receivables  | (43,583)                      | 2,178                         |
| (Increase) decrease in inventory  | 2,033                         | (3,678)                       |
| (Increase) decrease in due from other funds   | 4,351                         | 537,590                       |
| (Increase) decrease in prepaid insurance  | 4,940                         | 4,105                         |
| (Increase) decrease in deferred outflows  | (137,267)                     | (88,754)                      |
| Increase (decrease) in accounts & contracts payable   | 152,920                       | 22,262                        |
| Increase (decrease) in salaries payable   | (291,495)                     | 16,945                        |
| Increase (decrease) in accrued compensated absences   | (19,748)                      | (240)                         |
| Increase (decrease) in due to other funds   | (905,034)                     | (643)                         |
| Increase (decrease) in due to state government  | 3,774                         | -                             |
| Increase (decrease) in due to customers   | 5,263                         | -                             |
| Increase (decrease) in prepaid interments   | -                             | -                             |
| Increase (decrease) in unearned revenue   | -                             | -                             |
| Increase (decrease) in net OPEB obligation  | 8,923                         | 1,968                         |
| Increase (decrease) in net pension liability  | 185,001                       | 119,617                       |
| Increase (decrease) in deferred inflows   | (44,590)                      | (28,832)                      |
| <br><b>Net cash provided (used) by operating<br/>activities</b>   | <br><b><u>\$1,487,282</u></b> | <br><b><u>\$3,222,965</u></b> |

*See Notes to Financial Statements.*

| <u>Other</u>      | <u>Total</u>       | <u>Governmental<br/>Activities-<br/>Internal<br/>Service</u> |
|-------------------|--------------------|--|
| \$ (456,035)      | \$1,886,766        | \$ (659,051)   |
| 536,402           | 3,309,120          | 6,755  |
| -                 | -                  | -  |
| 144,599           | 231,321            | -  |
| 117,756           | 76,351             | -  |
| (592)             | (2,237)            | -  |
| 267,311           | 809,252            | 24,430   |
| (3,802)           | 5,243              | -  |
| (462,593)         | (688,614)          | -  |
| (31,652)          | 143,530            | (33,737)   |
| (66)              | (274,616)          | 831  |
| (1,662)           | (21,650)           | 137  |
| 94,855            | (810,822)          | -  |
| 535               | 4,309              | -  |
| -                 | 5,263              | -  |
| (3,783)           | (3,783)            | -  |
| 450               | 450                | (1,418)  |
| 14,632            | 25,523             | -  |
| 594,550           | 899,168            | -  |
| (83,888)          | (157,310)          | -  |
| <u>\$ 727,017</u> | <u>\$5,437,264</u> | <u>\$ (662,053)</u>  |



CITY OF MASON CITY, IOWA  
 FIDUCIARY FUND  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2017

|   | <u>Firemen's<br/>Pension</u> |
|---|------------------------------|
| <b>ASSETS:</b>                            |                              |
| Cash                                      | \$ 4,065                     |
| Receivables:                              |                              |
| Property taxes                            | 40                           |
| Succeeding year property taxes            | <u>7,899</u>                 |
| <b>Total assets</b>                       | <b><u>\$12,004</u></b>       |
| <br><b>DEFERRED INFLOWS OF RESOURCES:</b> |                              |
| Succeeding year property taxes            | <u>\$ 7,899</u>              |
| <br><b>NET POSITION:</b>                  |                              |
| Restricted for pensions                   | <b><u>\$ 4,105</u></b>       |

*See Notes to Financial Statements.*

CITY OF MASON CITY, IOWA  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2017

|                                 | <u>Firemen's<br/>Pension</u> |
|---------------------------------|------------------------------|
| <b>ADDITIONS:</b>               |                              |
| Property taxes                  | \$ <u>4,994</u>              |
| <b>DEDUCTIONS:</b>              |                              |
| Public safety:                  |                              |
| Benefits paid                   | \$ <u>7,513</u>              |
| Change in net position          | \$(2,519)                    |
| Net position beginning of year  | <u>6,624</u>                 |
| <b>Net position end of year</b> | <b><u>\$ 4,105</u></b>       |

*See Notes to Financial Statements.*

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(1) Financial Reporting Entity**

The City of Mason City is a political subdivision of the State of Iowa, located in Cerro Gordo County. 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 with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture-recreation, education, public improvements, planning and zoning, public transit and general administrative services. It also operates the airport and provides water, sewer and sanitation utilities.

The financial statements of the City of Mason City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board.

Reporting Entity - 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.

These financial statements present the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit - 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.

Discretely Presented Component Unit - The City has determined the Mason City Housing Authority meets the Governmental Accounting Standards Board criteria for a discretely presented component unit due to the nature and significance of its relationship with the City. The Authority's commissioners are appointed by the Mayor and approved by the Council, and the Authority provides low-income housing to the citizens of Mason City. Almost all of the component unit's resources are ultimately used for the City and its constituents. 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.

Jointly Governed Organizations - 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 OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(1) Financial Reporting Entity** - continued

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**

(A) Basis of Presentation

Government-wide financial statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property tax and intergovernmental revenue are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

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

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

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints 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 are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. 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 and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. The focus of fund financial statements is on major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

(2) Summary of Significant Accounting Policies - continued

All remaining non-major governmental and enterprise funds are aggregated within each fund type in the basic financial statements and are detailed in the supplemental information.

Government Fund Types - Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determinations. The following are the City's governmental fund types:

General fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long term debt.

Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The City of Mason City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. All general tax revenues from general and emergency levies and other revenues not allocated by law of contractual agreement to some other fund are accounted for in this fund. From the General Fund are paid the general operating expenditures, police and fire protection, public buildings operation and maintenance, airport, museum, library and parks and recreation oriented activities as well as fixed charges and capital improvement costs not paid from other funds.

Special Revenue - 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 this debt.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(2) Summary of Significant Accounting Policies - continued

Proprietary Fund Type - Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to that of a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City reports the following major proprietary funds:

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

Sanitary Sewer Rental Fund - The Sanitary Sewer Rental 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.

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

(B) Measurement focus and basis of accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 60 days after year end.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(2) Summary of Significant Accounting Policies - continued

Property tax, local option sales tax, intergovernmental revenues (share revenues, grants and reimbursements from other governments) and interest are considered to be measurable and are recognized as revenue, if available. Only the portion of special assessments receivable due within the current fiscal period is considered to be measurable and recognized 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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long term debt, claims and judgements and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing services.

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.

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.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

(2) Summary of Significant Accounting Policies - continued

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

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 position 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.

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 the City's enterprise funds are user fees and charges to customers for sales and services. Operating expenses 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.

(C) Assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Investments - The cash balances of most City funds are pooled and invested. Interest earned on investments is allocated among funds in the ratio of cash provided by the fund unless otherwise provided by law. Interest earned by the Road Use Tax Fund is allocated to the General Fund. For the years ended June 30, 2017 and 2016, \$10,217 and \$6,367 of interest income, respectively, was recorded in this manner.

Investments consist of U. S. Government securities, equity securities nonnegotiable certificates of deposit and deposits in Iowa Public Agency Investment Trust (IPAIT) money market accounts. Investments are stated at fair value except for the investment in IPAIT and non-negotiable certificates of deposit which are valued at amortized cost.

For purposes of the statement of cash flows all short term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Receivables and Payables - Receivables are reported net of any allowance for uncollectible accounts. As of June 30, 2017 the governmental and proprietary funds had allowances for uncollectible customer accounts totaling \$13,674 and \$746,422, respectively.



**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(2) Summary of Significant Accounting Policies** - continued

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

Property taxes levied by the Cerro Gordo County Auditor and collectible for the year ended June 30, 2017, were due by July 1, 2016, with the first half installment being delinquent after September 30, 2016, and the second half installment being delinquent after March 31, 2017. Any collections remitted to the City within thirty days subsequent to year end are recorded as property tax revenue. The succeeding year property tax receivable represents the 2017 levy certified on March 15, 2017, based on 2016 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2018, the revenue has been recorded as a deferred inflow of resources.

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 nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories and Prepaid Items - Inventories are recognized only in those funds in which they are material to the extent of affecting operations. Inventories of supplies are reported at cost and any inventory held for resale is 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.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(2) Summary of Significant Accounting Policies - continued

Capital Assets - Capital assets, which include land, buildings, improvements other than buildings, and machinery and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition 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              | 20 to 50 years |
| Improvements           | 5 to 100 years |
| Equipment and vehicles | 3 to 20 years  |
| Infrastructure         | 10 to 45 years |

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the City after the measurement date but before the end of the City's reporting period.

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 Liabilities - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts 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.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

(2) Summary of Significant Accounting Policies - continued

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System and the Municipal Fire and Police Retirement System (Systems') and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems'. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and succeeding year special assessments receivable that will not be recognized as revenue until the year for which they are levied, and the unrecognized items not yet charged to pension expense.

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 resolution approved prior to year-end.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

(2) Summary of Significant Accounting Policies - continued

Assigned - Assigned fund balances contain self-imposed constraints of the government to be used for specific purposes. Intent can be expressed by the City Council or by an official or body to which the City Council delegates its authority. The City Council has authorized the Finance Director to assign fund balance through the approval of the annual budget.

Unassigned - All amounts not included in other spendable classifications. The general fund is the only fund that would report a positive unassigned fund balance.

(D) Budgetary control, compliance and appropriation data

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

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

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

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

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

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

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(2) Summary of Significant Accounting Policies** - continued

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2017 budget:

|                                       | Original<br>Certified<br>Budget | Budget<br>Amendment | Final<br>Certified<br>Budget | Actual<br>Expenditures |
|---------------------------------------|---------------------------------|---------------------|------------------------------|------------------------|
| Public Safety                         | \$10,167,380                    | \$ 145,000          | \$10,312,380                 | \$10,092,328           |
| Public Works                          | 3,634,779                       | 2,683,700           | 6,318,479                    | 3,665,692              |
| Health and Social Services            | 415,997                         | 78,000              | 493,997                      | 374,330                |
| Culture and Recreation                | 3,687,110                       | 1,802,500           | 5,489,610                    | 3,110,549              |
| Community and Economic<br>Development | 4,506,479                       | 45,304              | 4,551,783                    | 2,643,901              |
| General Government                    | 6,182,519                       | 398,600             | 6,581,119                    | 2,580,027              |
| Debt Service                          | 4,963,801                       | 84,500              | 5,048,301                    | 4,055,200              |
| Capital Projects                      | 12,425,697                      | -                   | 12,425,697                   | 8,447,797              |
| Business-Type                         | 14,439,000                      | 1,313,100           | 15,752,100                   | 13,216,444             |
| Total                                 | <u>\$60,422,762</u>             | <u>\$6,550,704</u>  | <u>\$66,973,466</u>          | <u>\$48,186,268</u>    |

The fiscal year 2017 budget amendment resulted in an overall increase in the appropriation.

**(E) Unbilled Revenues**

The Waterworks, Sewer Rental, Solid Waste and Storm Sewer Funds accrue unbilled revenues for services rendered subsequent to the last billing date and prior to year-end based upon the number of days unbilled compared to the first billing subsequent to year-end. At June 30, 2017 unbilled utility receivables for the Waterworks, Sewer Rental, Solid Waste and Storm Sewer Funds were included in accounts receivable and totaled \$500,126, \$332,484, \$91,772 and \$20,700, respectively.

**(3) Cash, Cash Equivalents and Investments**

The City's deposits at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund 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 pursuant to Chapter 12C, Code 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.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

The fair value of the City's investments at June 30, 2017 are as follows:

|                                       | Fair Value   |
|---------------------------------------|--------------|
| U.S. Government securities            | \$ 4,792,890 |
| Mutual Funds                          | 1,139,239    |
|                                       | \$ 5,932,129 |
| Deposits classified as investments:   |              |
| Iowa Public Agency Investment Trust   | 135,014      |
| Nonnegotiable certificates of deposit | 15,963,336   |
| Total Investments                     | \$22,030,479 |
| Reconciliation to Exhibit 1:          |              |
| Unrestricted investments              | 18,877,693   |
| Restricted investments                | 3,152,786    |
| Total Investments                     | \$22,030,479 |

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. 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.

As of June 30, 2017, the City's investments in the Iowa Public Agency Investment Trust (IPAIT) were valued at an amortized cost of \$135,014 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to interest rate.

Information about the sensitivity of the fair values of the City's investments to market interest fluctuations is provided by the following table that shows the distribution of the City's investments by maturity as of June 30, 2017:

| Security<br>Description      | Fair<br>Value | Investment Maturity (in Years) |      |           |              |
|------------------------------|---------------|--------------------------------|------|-----------|--------------|
|                              |               | Less<br>than 1                 | 1-5  | 6-10      | More than 10 |
| US Government<br>Securities: |               |                                |      |           |              |
| FNMA Notes                   | \$ 335,465    | \$ -                           | \$ - | \$335,465 | \$ -         |
| FNMA                         | 685,034       | -                              | -    | -         | 685,034      |
| FHLMC                        | 2,724,706     | -                              | -    | 1,377     | 2,723,329    |
| GNMA                         | 1,047,685     | -                              | -    | -         | 1,047,685    |
| TOTAL                        | \$4,792,890   | \$ -                           | \$ - | \$336,842 | \$4,456,048  |

Credit risk: Generally credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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. The City's investments in Money Market Funds and U. S. Agencies were rated by Moody's and Standard & Poor's at Aaa and AA+, respectively.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Chapter 12C of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2017, the City's deposits were entirely insured by federal depository insurance or insured by the state through pooled collateral, state sinking funds, and by the state's ability to assess for lost funds. The City's investments are not exposed to custodial credit risk as of June 30, 2017 as they are held by financial institutions in the name of the City.

Fair value measurements: The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The city has the following recurring fair value measurements as of June 30, 2017: All the City's investments were determined using the last reported sales price at current exchange rates (Level 1 inputs) except non-negotiable certificates of deposit which were valued using the rates or prices of similar assets with similar maturities (Level 2 inputs).

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

Interfund balances at June 30, 2017 consisted of the following amounts:

| <u>Fund</u>                   | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|-------------------------------|---------------------------------|------------------------------|
| Governmental:                 |                                 |                              |
| General                       | \$ 284,063                      | \$ 288,310                   |
| Road use tax                  | 6,727                           | 2,480                        |
| Debt service                  | 193                             | 84,855                       |
| Nonmajor funds                | 508,464                         | 562,337                      |
| Internal Service funds        | -                               | -                            |
| Total governmental            | <u>\$ 799,447</u>               | <u>\$ 937,982</u>            |
| Business-Type:                |                                 |                              |
| Waterworks                    | \$ 84,855                       | \$ -                         |
| Sewer rental                  | -                               | -                            |
| Nonmajor funds                | 308,652                         | 254,972                      |
| Total business-type           | <u>\$ 393,507</u>               | <u>\$ 254,972</u>            |
| Total due to/from other funds | <u>\$ 1,192,954</u>             | <u>\$ 1,192,954</u>          |

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(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 \$1,702,876. 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, 2017 were:

| <u>Fund</u>            | <u>Transfers<br/>In</u> | <u>Transfers<br/>Out</u> |
|------------------------|-------------------------|--------------------------|
| Governmental:          |                         |                          |
| General                | \$1,291,577             | \$ 180,337               |
| Road use tax           | 60,000                  | 325,000                  |
| Debt service           | 950,112                 | 9,500                    |
| Nonmajor funds         | 550,337                 | 1,474,567                |
| Internal Service funds | -                       | 800,000                  |
| Total governmental     | <u>\$2,852,026</u>      | <u>\$2,789,404</u>       |
| Business-Type:         |                         |                          |
| Waterworks             | \$ -                    | \$ 25,000                |
| Sewer rental           | -                       | 25,000                   |
| Nonmajor funds         | 47,378                  | 60,000                   |
| Total business-type    | <u>\$ 47,378</u>        | <u>\$ 110,000</u>        |
| Total transfers        | <u>\$2,899,404</u>      | <u>\$2,899,404</u>       |

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



**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(6) Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

Governmental Activities:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>      | <u>Decreases</u>    | <u>Ending<br/>Balance</u> |
|---|------------------------------|-----------------------|---------------------|---------------------------|
| Capital assets, not being depreciated:          |                              |                       |                     |                           |
| Land  | \$ 2,634,356                 | \$18,341,136          | \$ -                | \$ 20,975,492             |
| Construction in progress                        | <u>21,692,343</u>            | <u>6,845,865</u>      | <u>21,916,621</u>   | <u>6,621,587</u>          |
| Total capital assets,<br>not being depreciated  | <u>\$ 24,326,699</u>         | <u>\$25,187,001</u>   | <u>\$21,916,621</u> | <u>\$ 27,597,079</u>      |
| <br>  |                              |                       |                     |                           |
| Capital assets, being depreciated:              |                              |                       |                     |                           |
| Buildings                                       | \$ 23,806,610                | \$ -                  | \$ -                | \$ 23,806,610             |
| Improvements                                    | 29,122,906                   | 3,424,768             | 136,385             | 32,411,289                |
| Equipment                                       | 6,269,439                    | 507,339               | 194,902             | 6,581,876                 |
| Vehicles  | 9,605,458                    | 153,523               | 329,728             | 9,429,253                 |
| Infrastructure                                  | <u>87,750,148</u>            | <u>1,069,258</u>      | <u>-</u>            | <u>88,819,406</u>         |
| Total capital assets,<br>being depreciated      | <u>\$156,554,561</u>         | <u>\$ 5,154,888</u>   | <u>\$ 661,015</u>   | <u>\$161,048,434</u>      |
| <br>  |                              |                       |                     |                           |
| Less accumulated depreciation<br>for:           |                              |                       |                     |                           |
| Buildings                                       | \$ 9,795,683                 | \$ 795,657            | \$ -                | \$ 10,591,340             |
| Improvements                                    | 12,620,395                   | 1,293,970             | 136,384             | 13,777,981                |
| Equipment                                       | 4,944,623                    | 372,300               | 194,015             | 5,122,908                 |
| Vehicles  | 6,480,812                    | 592,300               | 272,130             | 6,800,982                 |
| Infrastructure                                  | <u>42,076,392</u>            | <u>3,170,761</u>      | <u>-</u>            | <u>45,247,153</u>         |
| Total accumulated<br>Depreciation               | <u>\$ 75,917,905</u>         | <u>\$ 6,224,988</u>   | <u>\$ 602,529</u>   | <u>\$ 81,540,364</u>      |
| <br>  |                              |                       |                     |                           |
| Total capital assets, being<br>depreciated, net | <u>\$ 80,636,656</u>         | <u>\$ (1,070,100)</u> | <u>\$ 58,486</u>    | <u>\$ 79,508,070</u>      |
| <br>  |                              |                       |                     |                           |
| Governmental activities<br>capital assets, net  | <u>\$104,963,355</u>         | <u>\$24,116,901</u>   | <u>\$21,975,107</u> | <u>\$107,105,149</u>      |

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

|   |                    |
|---|--------------------|
| Governmental activities:  |                    |
| Public safety   | \$ 479,949         |
| Public works  | 4,617,450          |
| Health and social services  | 1,475              |
| Culture and recreation  | 983,042            |
| Community and economic development  | 62,675             |
| General government  | 73,641             |
| Internal service funds depreciation is charged to<br>various functions based on their usage of assets | <u>6,756</u>       |
| <br>  |                    |
| Total depreciation expense—governmental activities  | <u>\$6,224,988</u> |

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(6) Capital Assets - continued**

Business-type Activities:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>      | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|-----------------------|------------------|---------------------------|
| Capital assets, not being depreciated:                |                              |                       |                  |                           |
| Land  | \$ 4,823,362                 | \$ -                  | \$ -             | \$ 4,823,362              |
| Construction in progress                              | <u>3,277,149</u>             | <u>1,577,921</u>      | <u>167,443</u>   | <u>4,687,627</u>          |
| Total capital assets,<br>not being depreciated        | <u>\$ 8,100,511</u>          | <u>\$ 1,577,921</u>   | <u>\$167,443</u> | <u>\$ 9,510,989</u>       |
| <br>  |                              |                       |                  |                           |
| Capital assets, being depreciated:                    |                              |                       |                  |                           |
| Buildings   | \$ 17,105,741                | \$ -                  | \$ -             | \$ 17,105,741             |
| Improvements  | 3,213,849                    | 101,691               | -                | 3,315,540                 |
| Equipment   | 3,819,265                    | 254,003               | 223,674          | 3,849,594                 |
| Vehicles  | 3,537,551                    | 221,285               | 186,146          | 3,572,690                 |
| Meters, plant, sewer lines<br>and distribution system | <u>93,291,056</u>            | <u>639,295</u>        | <u>114,207</u>   | <u>93,816,144</u>         |
| Total capital assets,<br>being depreciated            | <u>\$120,967,462</u>         | <u>\$ 1,216,274</u>   | <u>\$524,027</u> | <u>\$121,659,709</u>      |
| <br>  |                              |                       |                  |                           |
| Less accumulated depreciation<br>for:                 |                              |                       |                  |                           |
| Buildings   | \$ 5,630,591                 | \$ 408,904            | \$ -             | \$ 6,039,495              |
| Improvements  | 2,996,505                    | 25,005                | -                | 3,021,510                 |
| Equipment   | 2,766,956                    | 234,306               | 220,559          | 2,780,703                 |
| Vehicles  | 2,157,698                    | 276,167               | 170,093          | 2,263,772                 |
| Meters, plant, sewer lines<br>and distribution system | <u>40,113,789</u>            | <u>2,352,552</u>      | <u>114,207</u>   | <u>42,352,134</u>         |
| Total accumulated<br>depreciation                     | <u>\$ 53,665,539</u>         | <u>\$ 3,296,934</u>   | <u>\$504,859</u> | <u>\$ 56,457,614</u>      |
| <br>  |                              |                       |                  |                           |
| Total capital assets, being<br>depreciated, net       | <u>\$ 67,301,923</u>         | <u>\$ (2,080,660)</u> | <u>\$ 19,168</u> | <u>\$ 65,202,095</u>      |
| <br>  |                              |                       |                  |                           |
| Business-type activities<br>capital assets, net       | <u>\$ 75,402,434</u>         | <u>\$ (502,739)</u>   | <u>\$186,611</u> | <u>\$ 74,713,084</u>      |

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

|   |                    |
|---|--------------------|
| Business-type activities:                           |                    |
| Waterworks  | \$1,349,605        |
| Sewer rental  | 1,305,191          |
| Other business-type funds                           | <u>642,138</u>     |
| <br>  |                    |
| Total depreciation expense-business-type activities | <u>\$3,296,934</u> |

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(7) Pension and Retirement Systems**

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

Iowa Public Employees Retirement System

Plan Description. IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$731,632.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of \$6,994,387 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's collective proportion was 0.1111399% which was a decrease of 0.004785% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$753,168. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 61,817                                 | \$ 83,475                                |
| Changes in assumptions  | 106,713                                   | -  |
| Net difference between projected and actual earnings on pension plan investments                          | 996,479                                   | -  |
| Changes in proportion and differences between City contributions and proportionate share of contributions | -   | 247,237                                  |
| City contributions subsequent to the measurement date   | <u>731,632</u>                            | <u>-</u>                                 |
| Total   | <u>\$1,896,641</u>                        | <u>\$330,712</u>                         |

\$731,632 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended | <u>Total</u>     |
|------------|------------------|
| June 30,   |                  |
| 2018       | \$ 58,389        |
| 2019       | 58,389           |
| 2020       | 474,521          |
| 2021       | 259,055          |
| 2022       | <u>(16,057)</u>  |
| Total      | <u>\$834,297</u> |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |   |
|--|---|
| Rate of inflation<br>(effective June 30, 2014)                   | 3.00% per annum.  |
| Rate of salary increase<br>(effective June 30, 2010)             | 4.00 to 17.00%, average,<br>including inflation.<br>Rates vary by membership group. |
| Long-term investment rate of return<br>(effective June 30, 1996) | 7.50%, compounded<br>annually, net of investment<br>expense, including inflation.   |
| Wage growth<br>(effective June 30, 1990)                         | 4.00% per annum based on 3.00%<br>inflation and 1.00% real wage inflation           |

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>     | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| Core plus fixed income | 28%                      | 1.90%   |
| Domestic equity        | 24                       | 5.85  |
| International equity   | 16                       | 6.32  |
| Private equity/debt    | 11                       | 10.31   |
| Real estate            | 8                        | 3.87  |
| Credit opportunities   | 5                        | 4.48  |
| U.S. TIPS              | 5                        | 1.36  |
| Other real assets      | 2                        | 6.42  |
| Cash                   | 1                        | (0.26)  |
| Total                  | <u>100%</u>              |   |

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

|  | <u>1% Decrease (6.50%)</u> | <u>Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|--|----------------------------|------------------------------|----------------------------|
| City's proportionate share<br>Of net pension liability | \$11,315,968               | \$6,994,387                  | \$3,346,912                |

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the IPERS - At June 30, 2017, the City reported no material amounts payable to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

*Municipal Fire and Police Retirement System of Iowa (MFPRSI)*

Plan Description - MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City of Mason City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at [www.mfprsi.org](http://www.mfprsi.org).

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation for each additional year of service, up to a maximum of 8 years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen, plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members at least 55 years of age with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits - Disability benefits may be either accidental or ordinary. Accidental disability is defined as a permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa, which provides a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2017.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 25.92% for the year ended June 30, 2017.

The City's contributions to MFPRSI for the year ended June 30, 2017 totaled \$1,490,447.

If approved by the state legislature, state appropriation may further reduce the City's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa, therefore, is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans.

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2017.



**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of \$12,751,615 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2016, the City's proportion was 0.02039407% which was a decrease of 0.00044338% from its proportions measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$307,559. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected<br>and actual experience   | \$ 329,103                                | \$ 11,826                                |
| Changes in assumptions  | 538,380                                   | 174,663                                  |
| Net difference between projected<br>and actual earnings on pension<br>plan investments                          | 2,254,781                                 | -  |
| Changes in proportion and differences<br>between City contributions and<br>proportionate share of contributions | 136,455                                   | -  |
| City contributions subsequent to the<br>measurement date  | <u>1,490,447</u>                          | <u>-</u>                                 |
| Total   | <u>\$4,749,166</u>                        | <u>\$186,489</u>                         |

\$1,490,447 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended      | Amount              |
|-----------------|---------------------|
| <u>June 30,</u> |                     |
| 2018            | \$ 507,046          |
| 2019            | 507,046             |
| 2020            | 1,322,112           |
| 2021            | 760,248             |
| 2022            | (24,220)            |
| Total           | <u>\$ 3,072,230</u> |

Actuarial Assumptions The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                   |                                      |
|-------------------|--------------------------------------|
| Rate of inflation | 3.00%                                |
| Salary increase   | 4.50 to 15.00%, including inflation. |

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

Investment rate of return 7.50%, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Postretirement mortality rates were based on the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male rates only), with no projection of future mortality improvement.

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>                      | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|---|---|
| Large cap                               | 6.0%  |
| Small cap                               | 5.8   |
| International large cap                 | 7.0   |
| Emerging markets                        | 8.8   |
| Emerging market debt                    | 6.5   |
| Private non-core real estate            | 9.3   |
| Master limited partnerships             | 8.5   |
| Private Equity                          | 9.8   |
| Core plus fixed income                  | 3.8   |
| Private core real estate                | 6.8   |
| Treasury inflation protected securities | 2.8   |
| Tactical asset allocation               | 6.0   |

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City's contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MFPRSI investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

|  | 1%<br>Decrease<br>(6.50%) | Discount<br>Rate<br>(7.50%) | 1%<br>Increase<br>(8.50%) |
|--|---------------------------|-----------------------------|---------------------------|
| City's proportionate share<br>Of net pension liability | \$20,013,013              | \$12,751,615                | \$6,704,420               |

MFPRSI's Fiduciary Net Position - Detailed information about the MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at [www.mfprsi.org](http://www.mfprsi.org).

Payables to MFPRSI - All legally required City contributions and legally required employee contributions which had been withheld from employee wages were remitted by the City to MFPRSI by June 30, 2017.

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, 2017, there is one individual receiving benefits in the fire plan.

A summary of financial information relating to the plan as of June 30, 2017 is as follows:

|                      | Fire    |
|----------------------|---------|
| Cash and investments | \$4,065 |
| Fund equity          | 4,105   |
| Pensions paid        | 7,513   |

(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.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

(C) Trend Information

Firemen Pension Plan

| Fiscal<br>Year | Revenues             |                   |          | Expenses |
|----------------|----------------------|-------------------|----------|----------|
|                | Investment<br>Income | Property<br>Taxes | Totals   | Benefits |
| 2017           | -                    | \$ 4,994          | \$ 4,994 | \$ 7,513 |
| 2016           | 13                   | 7,730             | 7,743    | 7,308    |
| 2015           | -                    | 7,486             | 7,486    | 7,126    |
| 2014           | -                    | 7,214             | 7,214    | 6,917    |
| 2013           | -                    | 7,201             | 7,201    | 6,790    |
| 2012           | -                    | 6,897             | 6,897    | 6,697    |
| 2011           | 7                    | -                 | 7        | 6,576    |
| 2010           | 76                   | -                 | 76       | 6,457    |
| 2009           | 26                   | 25,170            | 25,196   | 9,424    |
| 2008           | -                    | 15,370            | 15,370   | 12,147   |

**(8) Deferred Compensation Plan**

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

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

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(9) Long-Term Liabilities**

Long-term debt of the City is as follows:

|  | <u>Governmental</u> | <u>Business-Type</u> |
|--|---------------------|----------------------|
| 4.00% to 4.15% Taxable General Obligation bond payable, issued 9/4/07                  | 125,000             | 1,250,000            |
| 4.05% to 4.10% General Obligation bond payable, issued 7/1/08                          | 530,000             | -                    |
| 4.30% to 4.35% General Obligation bond payable, issued 7/1/08                          | 715,000             | -                    |
| 4.00% to 5.00% Taxable General Obligation bond payable, issued 7/1/09                  | 6,005,000           | 305,000              |
| 2.35% to 2.90% General Obligation bond payable, issued 8/1/10                          | 780,000             | 450,000              |
| 2.20% to 2.80% General Obligation bond payable, issued 10/1/10                         | 1,870,000           | -                    |
| 1.85% General Obligation bond payable, issued 8/31/11                                  | 180,000             | -                    |
| 2.30% to 2.80% General Obligation bond payable, issued 8/31/11                         | 295,000             | -                    |
| 0.90% to 1.70% General Obligation bond payable, issued 8/7/12                          | 755,000             | 485,000              |
| 1.40% General Obligation bond payable, issued 8/7/12                                   | 185,000             | -                    |
| 2.00% General Obligation bond payable, issued 8/20/13                                  | 365,000             | -                    |
| 2.00% to 2.25% Taxable General Obligation bond payable, issued 9/17/14                 | 2,215,000           | 2,530,000            |
| 2.00% General Obligation bond payable, issued 9/29/15                                  | 1,235,000           | -                    |
| 1.25% to 1.38% General Obligation bond payable, issued 09/21/16                        | 1,410,000           | 180,000              |
| 1.75% Water Revenue Capital Loan note payable, issued 2/26/03, callable 6/01/13 at par | -                   | 5,611,000            |
| 4.00% Water Revenue bond payable, issued 9/1/06  | -                   | 195,000              |
| 4.30% to 4.35% Water Revenue bond payable, issued 9/1/07                               | -                   | 160,000              |
| 3.00% Sewer Revenue bond payable, issued 8/15/08                                       | -                   | 8,769,000            |
| Totals   | <u>\$16,665,000</u> | <u>\$19,935,000</u>  |

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 \$21,865,000 of general obligation bonds outstanding as of June 30, 2017. Unmatured general obligation bonds to be paid by governmental funds totaled \$16,665,000. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled \$5,200,000.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

During the year ended June 30, 2017, the City issued \$1,590,000 of general obligation bonds. These bonds were used for construction, reconstruction and repair of various public works, parks and utility-related improvements.

*Water and Sewer Revenue Debt*

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. There were \$14,735,000 of revenue bonds outstanding as of June 30, 2017, 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 \$2,420,491. The City has reserved \$2,775,887 as of June 30, 2017. The combined principal and interest paid for the current year and total customer net revenues were \$2,199,408 and \$5,274,340, respectively, amounting to approximately 42% 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, 2017, there were no tax increment financing bonds outstanding.

A summary of long-term liability activity for the year ended June 30, 2017, was as follows:

|                           | <u>July 1,<br/>2016</u> | <u>Increases</u>   | <u>Decreases</u>   | <u>June 30,<br/>2017</u> | <u>Due Within<br/>One Year</u> |
|---------------------------|-------------------------|--------------------|--------------------|--------------------------|--------------------------------|
| Governmental Activities:  |                         |                    |                    |                          |                                |
| Bonds Payable             | \$18,835,469            | \$1,410,000        | \$3,447,401        | \$16,798,068             | \$3,299,000                    |
| Compensated absences      | 1,225,221               | 1,259,131          | 1,225,221          | 1,259,131                | 1,259,131                      |
| Net OPEB obligation       | 718,135                 | 163,870            | 26,203             | 855,802                  | -                              |
| Net pension liability     | 11,933,611              | 3,329,842          | -                  | 15,263,453               | -                              |
| Total                     | <u>\$32,712,436</u>     | <u>\$6,162,843</u> | <u>\$4,698,825</u> | <u>\$34,176,454</u>      | <u>\$4,558,131</u>             |
| Business type activities: |                         |                    |                    |                          |                                |
| Bonds payable             | \$22,189,822            | \$ 180,000         | \$2,559,813        | \$19,810,009             | \$2,677,000                    |
| Compensated absences      | 344,169                 | 322,519            | 344,169            | 322,519                  | 322,519                        |
| Net OPEB obligation       | 315,509                 | 37,038             | 11,515             | 341,032                  | -                              |
| Net pension liability     | 3,583,381               | 899,168            | -                  | 4,482,549                | -                              |
| Total                     | <u>\$26,432,881</u>     | <u>\$1,438,725</u> | <u>\$2,915,497</u> | <u>\$24,956,109</u>      | <u>\$2,999,519</u>             |

At June 30, 2017, 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>\$1,724,713,796</u> |
| Debt limit - 5% of total valuation               | \$ 86,235,690          |
| Debt applicable to debt limit:                   |                        |
| General obligation bonded debt outstanding       | 21,865,000             |
| Legal debt margin                                | <u>\$ 64,370,690</u>   |

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

| June 30,  | Governmental<br>General Obligation |                    | Business-type Activities<br>General Obligation |                  | General Obligation<br>Totals |                    |
|-----------|------------------------------------|--------------------|--|------------------|------------------------------|--------------------|
|           | Principal                          | Interest           | Principal                                      | Interest         | Principal                    | Interest           |
| 2018      | \$ 3,299,000                       | \$ 498,249         | \$ 846,000                                     | \$136,926        | \$ 4,145,000                 | \$ 635,175         |
| 2019      | 3,029,000                          | 403,164            | 861,000  | 114,334          | 3,890,000                    | 517,498            |
| 2020      | 2,274,000                          | 313,426            | 916,000  | 90,761           | 3,190,000                    | 404,187            |
| 2021      | 2,149,000                          | 254,608            | 831,000  | 66,212           | 2,980,000                    | 320,820            |
| 2022      | 1,494,000                          | 199,906            | 731,000  | 44,914           | 2,225,000                    | 244,820            |
| 2023-2027 | 3,290,000                          | 573,671            | 1,015,000                                      | 35,222           | 4,305,000                    | 608,893            |
| 2028-2032 | 1,130,000                          | 74,125             | -  | -                | 1,130,000                    | 74,125             |
|           | <u>\$16,665,000</u>                | <u>\$2,137,149</u> | <u>\$5,200,000</u>                             | <u>\$488,369</u> | <u>\$21,865,000</u>          | <u>\$2,805,518</u> |

| June 30,  | Governmental<br>Revenue Obligation |             | Business-type Activities<br>Revenue Obligation |                    | Revenue Obligation<br>Totals |                    |
|-----------|------------------------------------|-------------|--|--------------------|------------------------------|--------------------|
|           | Principal                          | Interest    | Principal                                      | Interest           | Principal                    | Interest           |
| 2018      | \$ -                               | \$ -        | \$ 1,831,000                                   | \$ 446,000         | \$ 1,831,000                 | \$ 446,000         |
| 2019      | -                                  | -           | 1,523,000                                      | 387,120            | 1,523,000                    | 387,120            |
| 2020      | -                                  | -           | 1,569,000                                      | 341,430            | 1,569,000                    | 341,430            |
| 2021      | -                                  | -           | 1,619,000                                      | 294,360            | 1,619,000                    | 294,360            |
| 2022      | -                                  | -           | 1,668,000                                      | 245,790            | 1,668,000                    | 245,790            |
| 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>\$ -</u>                        | <u>\$ -</u> | <u>\$14,735,000</u>                            | <u>\$2,428,310</u> | <u>\$14,735,000</u>          | <u>\$2,428,310</u> |

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, 2017, there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$2,711,938.

**(10) Contingent Liabilities**

The City is a defendant in several lawsuits. The City Attorney estimates that the potential claims not covered by insurance resulting from these claims would not materially affect the financial position of the City.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(10) Contingent Liabilities - continued**

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Sales and payroll taxes collected from customers and employees respectively, are subject to audit by federal and state governments. Any adjustments in these amounts may constitute a liability of the City. The amount of changes, if any, made by federal or state governments cannot be determined at this time.

**(11) Risk Management**

As of July 1, 1993 the City established a self-insured medical plan for City employees and families. The plan is administered by and an administration fee paid to Bernie Lowe & Associates. The City is responsible for individual participant coverage of up to \$100,000 of claims annually. Individual claims in excess of \$100,000 and aggregate group claims in excess of approximately \$3,794,888 for the year ended June 30, 2017 are covered by commercial insurance.

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

The City has adopted Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Included in the claims liability at June 30, 2017 is \$841,800 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2017 is as follows:

|              | Beginning of<br>fiscal year<br><u>liability</u> | Current year<br>claims and changes<br><u>in estimates</u> | Claim<br><u>payments</u> | End of<br>fiscal year<br><u>liability</u> |
|--------------|---|---|--------------------------|---|
| Current year | \$907,700                                       | \$3,904,354   | \$3,970,254              | \$841,800                                 |
| Prior year   | 793,500   | 4,516,691   | 4,402,491                | 907,700                                   |

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.



**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(12) Deficit Fund Balances/Net Position**

The basic financial statements include individual fund deficits as follows:

|                       |           |
|-----------------------|-----------|
| Special Revenue Fund: |           |
| Southside TIF         | \$ 42,575 |
| Mason City Downtown   | 213,130   |
| Housing               | 3,395     |
| Softball Improvement  | 7,664     |

The deficit balances in these funds will be eliminated by grant proceeds and interfund transfers from the General Fund.

**(13) Termination Benefits**

As of June 30, 2017, the City had one terminated employee participating in COBRA health care coverage available from the City. COBRA participants pay 100% of the premium for continuing coverage. COBRA continuation coverage benefits are available for eligible employees for 18 months. Upon termination, employees are paid for compensated absences that have been accrued up to termination date.

**(14) Other Postemployment Benefits**

Plan Descriptions and Funding Policy - The City sponsors a single-employer health care plan that provides self-insured medical and prescription drug coverage to all active and retired employees and their eligible dependents. There are 230 active and 16 retired members in the plan. Retired participants 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, which results in an implicit rate subsidy and an OPEB liability.

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 2017, the City contributed \$37,718 and retirees receiving benefits contributed \$186,193 through their required contributions.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(14) Other Postemployment Benefits - continued**

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 City, an amount actuarially determined in accordance with 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 City's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the City's net OPEB obligation.

|  |                           |
|--|---------------------------|
| Annual required contribution               | \$ 251,026                |
| Interest on net OPEB obligation            | 25,843                    |
| Adjustment to annual required contribution | <u>(76,051)</u>           |
| <br>Annual OPEB cost/expense               | <br>\$ 200,818            |
| Contributions and payments made            | <u>(37,718)</u>           |
| <br>Increase in net OPEB obligation        | <br>\$ 163,100            |
| <br>Net OPEB obligation July 1, 2016       | <br><u>1,033,734</u>      |
| Net OPEB obligation June 30, 2017          | <u><u>\$1,196,834</u></u> |

For calculation of net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

| <u>Fiscal Year Ended</u> | <u>Annual<br/>OPEB Cost</u> | <u>Percentage<br/>of annual<br/>OPEB Cost<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|--------------------------|-----------------------------|---|--------------------------------|
| June 30, 2017            | \$200,818                   | 18.8%   | \$1,196,834                    |
| June 30, 2016            | 203,942                     | 19.7  | 1,033,734                      |
| June 30, 2015            | 126,508                     | 27.8  | 869,934                        |
| June 30, 2014            | 134,239                     | 31.5  | 778,583                        |
| June 30, 2013            | 180,182                     | 15.4  | 686,563                        |
| June 30, 2012            | 188,746                     | 19.2  | 534,129                        |
| June 30, 2011            | 133,033                     | 23.7  | 383,732                        |

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and unfunded actuarial accrued liability (UAAL) for benefits was \$1,752,129. 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 \$14,979,844, and the ratio of the UAAL to the covered payroll was 11.70%.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(14) Other Postemployment Benefits - continued**

Actuarial Methods and Assumptions - 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. Actuarially determined amounts 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 presented as supplementary information following the notes to the financial statements.

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.

As of the July 1, 2015 actuarial valuation date, the frozen entry age normal actuarial cost method was used. The actuarial assumptions included a 2.50% discount rate assuming funding based on the City's funding policy. The projected annual medical trend rate is six percent. The ultimate medical trend rate is six percent and an inflation rate of zero percent is assumed for this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender specific basis. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(15) Commitments**

At June 30, 2017, the following construction and purchase commitments had been made:

The City has entered into various contracts totaling approximately \$5,069,000 for street construction projects, water and sewer improvements, sanitation vehicle upgrade, park repairs and equipment upgrades for Ambulance and Police. As of June 30, 2017, approximate costs of \$2,489,000 have been incurred on the projects. The remaining amounts will be paid as work on the projects progresses.

**(16) Related Party Transactions**

The City had material business transactions between the City and City officials, totaling \$1,504,032 during the year ended June 30, 2017 of which \$1,335,516 was competitively bid.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(17) Fund Balances**

The details for the City's fund balance for the year ended June 30, 2017 are as follows:

|                               | <u>General</u>     | <u>Road Use<br/>Tax</u> | <u>Debt<br/>Service</u> | <u>Nonmajor<br/>Governmental</u> | <u>Total</u>        |
|-------------------------------|--------------------|-------------------------|-------------------------|----------------------------------|---------------------|
| <b>Nonspendable:</b>          |                    |                         |                         |                                  |                     |
| Endowment principal           | \$ -               | \$ -                    | \$ -                    | \$ 693,207                       | \$ 693,207          |
| Prepaid expenses              | 154,615            | 12,912                  | -                       | -                                | 167,527             |
| Total nonspendable            | <u>\$ 154,615</u>  | <u>\$ 12,912</u>        | <u>\$ -</u>             | <u>\$ 693,207</u>                | <u>\$ 860,734</u>   |
| <b>Restricted for:</b>        |                    |                         |                         |                                  |                     |
| Streets and road construction | \$ -               | \$1,007,600             | \$ -                    | \$ -                             | \$ 1,007,600        |
| Employee benefits             | -                  | -                       | -                       | 5,031,764                        | 5,031,764           |
| Economic development projects | -                  | -                       | -                       | 503,608                          | 503,608             |
| Grant qualified projects      | -                  | -                       | -                       | 61,795                           | 61,795              |
| Street and park improvements  | -                  | -                       | -                       | 1,683,418                        | 1,683,418           |
| Museum funding                | -                  | -                       | -                       | 265,556                          | 265,556             |
| Cemetery perpetual care       | -                  | -                       | -                       | 565,173                          | 565,173             |
| Debt Service                  | -                  | -                       | 266,664                 | -                                | 266,664             |
| Tort liability                | 764,810            | -                       | -                       | -                                | 764,810             |
| Total restricted              | <u>\$ 764,810</u>  | <u>\$1,007,600</u>      | <u>\$266,664</u>        | <u>\$8,111,314</u>               | <u>\$10,150,388</u> |
| <b>Assigned for:</b>          |                    |                         |                         |                                  |                     |
| Airport                       | \$ 321,133         | \$ -                    | \$ -                    | \$ -                             | \$ 321,133          |
| Park & Recreation             | 233,980            | -                       | -                       | -                                | 233,980             |
| Museum                        | -                  | -                       | -                       | 759,837                          | 759,837             |
| Library                       | -                  | -                       | -                       | 490,897                          | 490,897             |
| Youth softball complex        | -                  | -                       | -                       | 60,952                           | 60,952              |
| Total assigned                | <u>\$ 555,113</u>  | <u>\$ -</u>             | <u>\$ -</u>             | <u>\$1,311,686</u>               | <u>\$ 1,866,799</u> |
| Unassigned                    | <u>\$3,807,449</u> | <u>\$ -</u>             | <u>\$ -</u>             | <u>\$ (259,100)</u>              | <u>\$ 3,548,349</u> |
| Total fund balance            | <u>\$5,281,987</u> | <u>\$1,020,512</u>      | <u>\$266,664</u>        | <u>\$9,857,107</u>               | <u>\$16,426,270</u> |

**(18) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2017, disbursements did not exceed the amount budgeted.

**(19) Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 27, 2017, the date the financial statements were issued.

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

|                              |                    |
|------------------------------|--------------------|
| Street projects              | \$ 495,855         |
| Water                        | 338,387            |
| Storm sewer projects         | 618,772            |
| Park and Recreation projects | 212,215            |
| Police department projects   | 86,610             |
| Ambulance                    | 249,750            |
| Transit                      | 437,160            |
| Other projects               | 19,400             |
| Total                        | <u>\$2,454,149</u> |

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(20) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements - The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated \$422,504 of property tax under the urban renewal and economic development projects.

**(21) New Accounting Pronouncement**

The City of Mason City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements and tax abatements of other entities which impact the City.

**(22) New Governmental Accounting Standards Board (GASB) Standards**

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

*Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; issued June, 2015, will be effective for the fiscal year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This statement replaces Statement 45 and 57

*Statement 81, Irrevocable Split-Interest Agreements*; issued March, 2016, will be effective for the fiscal year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

*Statement 83, Certain Asset Retirement Obligations*, issued November, 2016, will be effective for the fiscal year ending June 30, 2019. The objective of this Statement establishes criteria for determining timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This Statement also requires disclosure of information about the nature of a government's asset retirement obligations, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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

*Statement 84, Fiduciary Activities*, issued January, 2017, will be effective for the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

*Statement 85, Omnibus 2017*, issued March, 2017, will be effective for the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

*Statement 86, Certain Debt Extinguishment Issues*, issued May, 2017, will be effective for the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance.

*Statement 87, Leases*, issued June, 2017, will be effective for the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

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

| <u>Fiscal Year Ended</u> | <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Liability (AAL) (b)</u> | <u>Unfunded (Overfunded) AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u> |
|--------------------------|---------------------------------|--------------------------------------|--------------------------------------|---|---------------------------|----------------------------|--|
| 2017                     | 7/1/2015                        | -                                    | 1,752,129                            | 1,752,129                                     | 0.00                      | 14,979,844                 | 11.70%   |
| 2016                     | 7/1/2015                        | -                                    | 1,823,969                            | 1,823,969                                     | 0.00                      | 14,571,746                 | 12.02  |
| 2015                     | 7/1/2013                        | -                                    | 1,131,586                            | 1,131,586                                     | 0.00                      | 12,266,204                 | 9.23   |
| 2014                     | 7/1/2013                        | -                                    | 1,167,355                            | 1,167,355                                     | 0.00                      | 13,875,756                 | 8.41   |
| 2013                     | 7/1/2011                        | -                                    | 1,445,475                            | 1,445,475                                     | 0.00                      | 13,727,810                 | 10.53  |
| 2012                     | 7/1/2011                        | -                                    | 1,463,752                            | 1,463,752                                     | 0.00                      | 14,275,269                 | 10.25  |
| 2011                     | 7/1/2009                        | -                                    | 988,388                              | 988,388                                       | 0.00                      | 13,670,291                 | 7.23   |
| 2010                     | 7/1/2009                        | -                                    | 973,974                              | 973,974                                       | 0.00                      | 13,410,686                 | 7.26   |

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.



CITY OF MASON CITY  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST THREE FISCAL YEARS\*  
 (IN THOUSANDS)  
 JUNE 30, 2017

|   | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|
| City's proportion of the net pension liability (asset)  | 0.112157%   | 0.115203%   | 0.116249%   |
| City's proportionate share of the net pension liability   | \$6,994     | \$5,727     | \$4,704     |
| City's covered-employee payroll   | \$7,976     | \$7,941     | \$7,763     |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 87.69%      | 72.12%      | 60.60%      |
| Plan fiduciary net position as a percentage of the total pension liability                              | 81.82%      | 85.19%      | 87.61%      |

\* In accordance with GASB statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See notes to required supplementary information.

**CITY OF MASON CITY, IOWA**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS**  
**(IN THOUSANDS)**  
**JUNE 30, 2017**

|   | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|---|--------------|--------------|--------------|--------------|
| Statutorily required contribution                                     | \$ 732       | \$ 712       | \$ 709       | \$ 693       |
| Contributions in relation to the<br>Statutorily required contribution | <u>(732)</u> | <u>(712)</u> | <u>(709)</u> | <u>(693)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| City's covered-employee payroll                                       | \$8,197      | \$7,976      | \$7,941      | \$7,763      |
| Contributions as percentage of<br>covered-employee payroll            | 8.93%        | 8.93%        | 8.93%        | 8.93%        |

See notes to required supplementary information.

| <u>2013</u>  | <u>2012</u>  | <u>2011</u>  | <u>2010</u>  | <u>2009</u>  | <u>2008</u>  |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 670       | \$ 649       | \$ 540       | \$ 509       | \$ 478       | \$ 437       |
| <u>(670)</u> | <u>(649)</u> | <u>(540)</u> | <u>(509)</u> | <u>(478)</u> | <u>(437)</u> |
| <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| \$7,730      | \$8,048      | \$7,776      | \$7,668      | \$7,530      | \$7,219      |
| 8.67%        | 8.07%        | 6.95%        | 6.65%        | 6.35%        | 6.05%        |

**CITY OF MASON CITY, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**JUNE 30, 2017**

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

CITY OF MASON CITY, IOWA  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
 MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA  
 LAST THREE FISCAL YEARS\*  
 (IN THOUSANDS)  
 JUNE 30, 2017

|   | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|
| City's proportion of the net pension liability (asset)  | .02039407   | 0.02083745% | 0.02005486% |
| City's proportionate share of the net pension liability   | \$12,752    | \$9,789     | \$7,270     |
| City's covered-employee payroll   | 5,528       | 4,833       | 5,120       |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 230.68%     | 202.55%     | 141.99%     |
| Plan fiduciary net position as a percentage of the total pension liability                              | 78.20%      | 83.04%      | 86.27%      |

\*In accordance with GASB Statement No.68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See notes to required supplementary information.

**CITY OF MASON CITY, IOWA**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
**MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA**  
**LAST 10 FISCAL YEARS**  
**(IN THOUSANDS)**  
**JUNE 30, 2017**

|   | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    |
|---|----------------|----------------|----------------|----------------|
| Statutorily required contribution                                     | \$1,490        | \$1,535        | \$1,462        | \$1,542        |
| Contributions in relation to the<br>statutorily required contribution | <u>(1,490)</u> | <u>(1,535)</u> | <u>(1,462)</u> | <u>(1,542)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| City's covered-employee payroll                                       | \$5,748        | \$5,528        | \$4,833        | \$5,120        |
| Contributions as percentage of<br>covered-employee payroll            | 25.92%         | 27.77%         | 30.41%         | 30.12%         |

See notes to required supplementary information.

| <u>2013</u>    | <u>2012</u>    | <u>2011</u>    | <u>2010</u>  | <u>2009</u>  | <u>2008</u>    |
|----------------|----------------|----------------|--------------|--------------|----------------|
| \$1,297        | \$1,235        | \$1,033        | \$ 830       | \$ 856       | \$1,140        |
| <u>(1,297)</u> | <u>(1,235)</u> | <u>(1,033)</u> | <u>(830)</u> | <u>(856)</u> | <u>(1,140)</u> |
| <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>    |
| \$4,965        | \$4,987        | \$5,189        | \$4,883      | \$4,569      | \$4,473        |
| 26.12%         | 24.76%         | 19.90%         | 17.00%       | 18.75%       | 25.48%         |

CITY OF MASON CITY, IOWA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA  
JUNE 30, 2017

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Postretirement mortality changed to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disableds set-forward one year (male only rates), with no projection of future mortality improvement.



**SUPPLEMENTARY  
INFORMATION**

***GOVERNMENTAL FUNDS***

CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2017

|   | <u>FMA<br/>Voluntary<br/>Acquisition</u> | <u>Unified<br/>TIF</u>  | <u>Hotel/<br/>Motel Tax</u> |
|---|--|-------------------------|-----------------------------|
| <b>ASSETS:</b>  |  |                         |                             |
| Cash  | \$18,060                                 | \$ 41,918               | \$ 25,595                   |
| Investments   | -  | 450,000                 | -                           |
| Receivables:  |  |                         |                             |
| Property taxes  | -  | 16,538                  | -                           |
| Succeeding year property taxes  | -  | -                       | -                           |
| Accrued interest  | -  | 951                     | -                           |
| Special assessments - current   | -  | 15,683                  | -                           |
| Succeeding year special assessments                                       | -  | 62,732                  | -                           |
| Accounts (net)  | -  | -                       | -                           |
| Due from other funds  | -  | 48,364                  | 203,311                     |
| Due from state government   | -  | -                       | -                           |
| Due from federal government   | -  | -                       | -                           |
| Restricted assets:  |  |                         |                             |
| Cash  | -  | -                       | -                           |
| Investments   | -  | -                       | -                           |
| Accrued interest  | -  | -                       | -                           |
| <b>Total assets</b>   | <b><u>\$18,060</u></b>                   | <b><u>\$636,186</u></b> | <b><u>\$228,906</u></b>     |
| <b>LIABILITIES:</b>   |  |                         |                             |
| Accounts payable  | \$ -                                     | \$ 80,066               | \$110,037                   |
| Salaries payable  | -  | -                       | -                           |
| Contracts payable   | -  | -                       | -                           |
| Due to other funds  | -  | -                       | -                           |
| Due to state government   | -  | -                       | -                           |
| Total liabilities   | <u>\$ -</u>                              | <u>\$ 80,066</u>        | <u>\$110,037</u>            |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                     |  |                         |                             |
| Succeeding year property tax  | \$ -                                     | \$ -                    | \$ -                        |
| Succeeding year special assessments                                       | -  | 62,732                  | -                           |
| Total deferred inflows of resources                                       | <u>\$ -</u>                              | <u>\$ 62,732</u>        | <u>\$ -</u>                 |
| Total liabilities and deferred inflows of resources                       | <u>\$ -</u>                              | <u>\$142,798</u>        | <u>\$110,037</u>            |
| <b>FUND BALANCES:</b>   |  |                         |                             |
| Nonspendable  | \$ -                                     | \$ -                    | \$ -                        |
| Restricted  | 18,060                                   | 493,388                 | 118,869                     |
| Assigned  | -  | -                       | -                           |
| Unassigned  | -  | -                       | -                           |
| Total fund balances   | <u>\$18,060</u>                          | <u>\$493,388</u>        | <u>\$118,869</u>            |
| <b>Total liabilities, deferred inflows of resources and fund balances</b> | <b><u>\$18,060</u></b>                   | <b><u>\$636,186</u></b> | <b><u>\$228,906</u></b>     |

*See Accompanying Independent Auditor's Report.*

(continued)

| <u>Police Retirement</u> | <u>Fire Retirement</u> | <u>Employee Retirement</u> | <u>Library Trust</u> | <u>MacNider Museum Foundation</u> | <u>Other Special Revenue</u> |
|--------------------------|------------------------|----------------------------|----------------------|-----------------------------------|------------------------------|
| \$ -                     | \$ -                   | \$ 68,677                  | \$ 85,394            | \$ 66,630                         | \$ 123,150                   |
| 2,593,899                | 2,373,072              | -                          | 405,147              | 693,207                           | -                            |
| 5,406                    | 3,364                  | 15,416                     | -                    | -                                 | -                            |
| 686,530                  | 415,557                | 483,293                    | -                    | -                                 | -                            |
| 1,253                    | 1,383                  | -                          | 719                  | -                                 | -                            |
| -                        | -                      | -                          | -                    | -                                 | -                            |
| -                        | -                      | -                          | -                    | -                                 | -                            |
| -                        | -                      | -                          | -                    | -                                 | -                            |
| -                        | -                      | -                          | -                    | -                                 | 3,433                        |
| -                        | -                      | -                          | -                    | -                                 | -                            |
| -                        | -                      | -                          | -                    | -                                 | 2,394                        |
| -                        | -                      | -                          | -                    | -                                 | -                            |
| -                        | -                      | -                          | -                    | -                                 | -                            |
| -                        | -                      | -                          | -                    | -                                 | -                            |
| <u>\$3,287,088</u>       | <u>\$2,793,376</u>     | <u>\$567,386</u>           | <u>\$491,260</u>     | <u>\$759,837</u>                  | <u>\$ 128,977</u>            |
| \$ -                     | \$ -                   | \$ -                       | \$ 363               | \$ -                              | \$ 17,650                    |
| -                        | -                      | -                          | -                    | -                                 | -                            |
| -                        | -                      | -                          | -                    | -                                 | -                            |
| 98,879                   | 50,696                 | -                          | -                    | -                                 | 255,108                      |
| -                        | -                      | -                          | -                    | -                                 | 412                          |
| <u>\$ 98,879</u>         | <u>\$ 50,696</u>       | <u>\$ -</u>                | <u>\$ 363</u>        | <u>\$ -</u>                       | <u>\$ 273,170</u>            |
| \$ 686,530               | \$ 415,557             | \$483,293                  | \$ -                 | \$ -                              | \$ -                         |
| -                        | -                      | -                          | -                    | -                                 | -                            |
| <u>\$ 686,530</u>        | <u>\$ 415,557</u>      | <u>\$483,293</u>           | <u>\$ -</u>          | <u>\$ -</u>                       | <u>\$ -</u>                  |
| \$ 785,409               | \$ 466,253             | \$483,293                  | \$ 363               | \$ -                              | \$ 273,170                   |
| \$ -                     | \$ -                   | \$ -                       | \$ -                 | \$ -                              | \$ -                         |
| 2,501,679                | 2,327,123              | 84,093                     | -                    | -                                 | 53,955                       |
| -                        | -                      | -                          | 490,897              | 759,837                           | 60,952                       |
| -                        | -                      | -                          | -                    | -                                 | (259,100)                    |
| <u>\$2,501,679</u>       | <u>\$2,327,123</u>     | <u>\$ 84,093</u>           | <u>\$490,897</u>     | <u>\$759,837</u>                  | <u>\$ (144,193)</u>          |
| <u>\$3,287,088</u>       | <u>\$2,793,376</u>     | <u>\$567,386</u>           | <u>\$491,260</u>     | <u>\$759,837</u>                  | <u>\$ 128,977</u>            |

CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2017

|   | <u>Total<br/>Special<br/>Revenue</u> | <u>Local Option<br/>Capital<br/>Improvement</u> | <u>River<br/>City<br/>Renaissance</u> |
|---|--------------------------------------|---|---------------------------------------|
| <b>ASSETS:</b>  |                                      |   |                                       |
| Cash  | \$ 429,424                           | \$ 16,160                                       | \$362,230                             |
| Investments   | 6,515,325                            | 1,100,000                                       | -                                     |
| Receivables:  |                                      |   |                                       |
| Property taxes  | 40,724                               | -   | -                                     |
| Succeeding year property taxes  | 1,585,380                            | -   | -                                     |
| Accrued interest  | 4,306                                | 358   | -                                     |
| Special assessments - current   | 15,683                               | -   | -                                     |
| Succeeding year special assessments   | 62,732                               | -   | -                                     |
| Accounts (net)  | -                                    | -   | -                                     |
| Due from other funds  | 255,108                              | 149,574   | -                                     |
| Due from state government   | -                                    | 183,809   | -                                     |
| Due from federal government   | 2,394                                | -   | -                                     |
| Restricted assets:  |                                      |   |                                       |
| Cash  | -                                    | -   | -                                     |
| Investments   | -                                    | -   | -                                     |
| Accrued interest  | -                                    | -   | -                                     |
| <b>Total assets</b>   | <b><u>\$8,911,076</u></b>            | <b><u>\$1,449,901</u></b>                       | <b><u>\$362,230</u></b>               |
| <b>LIABILITIES:</b>   |                                      |   |                                       |
| Accounts payable  | \$ 208,117                           | \$ 54,002                                       | \$ 4,172                              |
| Salaries payable  | -                                    | -   | -                                     |
| Contracts payable   | -                                    | 70,539  | -                                     |
| Due to other funds  | 404,682                              | -   | -                                     |
| Due to state government   | 412                                  | -   | -                                     |
| <b>Total liabilities</b>  | <b><u>\$ 613,211</u></b>             | <b><u>\$ 124,541</u></b>                        | <b><u>\$ 4,172</u></b>                |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>   |                                      |   |                                       |
| Succeeding year property tax  | \$1,585,380                          | \$ -  | \$ -                                  |
| Succeeding year special assessments   | 62,732                               | -   | -                                     |
| <b>Total deferred inflows of<br/>    resources</b>                                | <b><u>\$1,648,112</u></b>            | <b><u>\$ -</u></b>                              | <b><u>\$ -</u></b>                    |
| <b>Total liabilities and deferred<br/>    inflows of resources</b>                | <b><u>\$2,261,323</u></b>            | <b><u>\$ 124,541</u></b>                        | <b><u>\$ 4,172</u></b>                |
| <b>FUND BALANCES:</b>   |                                      |   |                                       |
| Nonspendable  | \$ -                                 | \$ -  | \$ -                                  |
| Restricted  | 5,597,167                            | 1,325,360                                       | 358,058                               |
| Assigned  | 1,311,686                            | -   | -                                     |
| Unassigned  | (259,100)                            | -   | -                                     |
| <b>Total fund balances</b>  | <b><u>\$6,649,753</u></b>            | <b><u>\$1,325,360</u></b>                       | <b><u>\$358,058</u></b>               |
| <b>Total liabilities, deferred inflows<br/>    of resources and fund balances</b> | <b><u>\$8,911,076</u></b>            | <b><u>\$1,449,901</u></b>                       | <b><u>\$362,230</u></b>               |

| <u>Total<br/>Capital<br/>Projects</u> | <u>Cemetery<br/>Perpetual<br/>Care</u> | <u>MacNider<br/>Museum<br/>Trust</u> | <u>Total<br/>Permanent</u> | <u>Total<br/>Nonmajor<br/>Governmental</u> |
|---------------------------------------|--|--------------------------------------|----------------------------|--|
| \$ 378,390                            | \$ -                                   | \$332,781                            | \$ 332,781                 | \$ 1,140,595                               |
| 1,100,000                             | -                                      | 625,000                              | 625,000                    | 8,240,325                                  |
| -                                     | -                                      | -                                    | -                          | 40,724                                     |
| -                                     | -                                      | -                                    | -                          | 1,585,380                                  |
| 358                                   | -                                      | 982                                  | 982                        | 5,646                                      |
| -                                     | -                                      | -                                    | -                          | 15,683                                     |
| -                                     | -                                      | -                                    | -                          | 62,732                                     |
| -                                     | -                                      | -                                    | -                          | -  |
| 149,574                               | 103,782                                | -                                    | 103,782                    | 508,464                                    |
| 183,809                               | -                                      | -                                    | -                          | 183,809                                    |
| -                                     | -                                      | -                                    | -                          | 2,394                                      |
| -                                     | 902                                    | -                                    | 902                        | 902  |
| -                                     | 617,786                                | -                                    | 617,786                    | 617,786                                    |
| -                                     | 358                                    | -                                    | 358                        | 358  |
| <b><u>\$1,812,131</u></b>             | <b><u>\$722,828</u></b>                | <b><u>\$958,763</u></b>              | <b><u>\$1,681,591</u></b>  | <b><u>\$12,404,798</u></b>                 |
| \$ 58,174                             | \$ -                                   | \$ -                                 | \$ -                       | \$ 266,291                                 |
| -                                     | -                                      | -                                    | -                          | -  |
| 70,539                                | -                                      | -                                    | -                          | 70,539                                     |
| -                                     | 157,655                                | -                                    | 157,655                    | 562,337                                    |
| -                                     | -                                      | -                                    | -                          | 412  |
| <u>\$ 128,713</u>                     | <u>\$157,655</u>                       | <u>\$ -</u>                          | <u>\$ 157,655</u>          | <u>\$ 899,579</u>                          |
| \$ -                                  | \$ -                                   | \$ -                                 | \$ -                       | \$ 1,585,380                               |
| -                                     | -                                      | -                                    | -                          | 62,732                                     |
| <u>\$ -</u>                           | <u>\$ -</u>                            | <u>\$ -</u>                          | <u>\$ -</u>                | <u>\$ 1,648,112</u>                        |
| <u>\$ 128,713</u>                     | <u>\$157,655</u>                       | <u>\$ -</u>                          | <u>\$ 157,655</u>          | <u>\$ 2,547,691</u>                        |
| \$ -                                  | \$ -                                   | \$693,207                            | \$ 693,207                 | \$ 693,207                                 |
| 1,683,418                             | 565,173                                | 265,556                              | 830,729                    | 8,111,314                                  |
| -                                     | -                                      | -                                    | -                          | 1,311,686                                  |
| -                                     | -                                      | -                                    | -                          | (259,100)                                  |
| <u>\$1,683,418</u>                    | <u>\$565,173</u>                       | <u>\$958,763</u>                     | <u>\$1,523,936</u>         | <u>\$ 9,857,107</u>                        |
| <b><u>\$1,812,131</u></b>             | <b><u>\$722,828</u></b>                | <b><u>\$958,763</u></b>              | <b><u>\$1,681,591</u></b>  | <b><u>\$12,404,798</u></b>                 |

CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017

|  | <u>FMA<br/>Voluntary<br/>Acquisition</u> | <u>Unified<br/>TIF</u>   | <u>Hotel/<br/>Motel Tax</u> |
|--|--|--------------------------|-----------------------------|
| <b>REVENUES:</b>   |  |                          |                             |
| Property taxes   | \$ -                                     | \$ -                     | \$ -                        |
| TIF revenues   | -  | 1,213,704                | -                           |
| Other taxes  | -  | -                        | 697,610                     |
| Intergovernmental  | -  | -                        | -                           |
| Charges for services   | -  | -                        | -                           |
| Use of money and property                                    | -  | 6,476                    | -                           |
| Special assessments  | -  | 15,683                   | -                           |
| Miscellaneous  | -  | -                        | -                           |
| Total revenues   | <u>-</u>                                 | <u>\$1,235,863</u>       | <u>\$697,610</u>            |
| <b>EXPENDITURES:</b>   |  |                          |                             |
| Operating:   |  |                          |                             |
| Public safety  | \$ -                                     | \$ -                     | \$ -                        |
| Public works   | -  | -                        | -                           |
| Health & social services                                     | -  | -                        | -                           |
| Culture & recreation   | -  | -                        | -                           |
| Community & economic development                             | 240                                      | 851,346                  | -                           |
| General government   | -  | -                        | 568,336                     |
| Capital projects   | -  | -                        | -                           |
| Total expenditures   | <u>\$ 240</u>                            | <u>\$ 851,346</u>        | <u>\$568,336</u>            |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>\$ (240)</u>                          | <u>\$ 384,517</u>        | <u>\$129,274</u>            |
| Other financing sources (uses):                              |  |                          |                             |
| Proceeds from general obligation bonds                       | \$ -                                     | \$ -                     | \$ -                        |
| Transfers in   | -  | -                        | -                           |
| Transfers out  | -  | (676,382)                | (95,000)                    |
| Total other financing sources-<br>(uses)                     | <u>\$ -</u>                              | <u>\$ (676,382)</u>      | <u>\$ (95,000)</u>          |
| Net change in fund balances                                  | \$ (240)                                 | \$ (291,865)             | \$ 34,274                   |
| Fund balance (deficit) beginning of year                     | <u>18,300</u>                            | <u>785,253</u>           | <u>84,595</u>               |
| <b>Fund balance (deficit) end of year</b>                    | <b><u>\$18,060</u></b>                   | <b><u>\$ 493,388</u></b> | <b><u>\$118,869</u></b>     |

*See Accompanying Independent Auditor's Report.*

(continued)

| <u>Police Retirement</u>  | <u>Fire Retirement</u>    | <u>Employee Retirement</u> | <u>Library Trust</u>    | <u>MacNider Museum Foundation</u> | <u>Other Special Revenue</u> |
|---------------------------|---------------------------|----------------------------|-------------------------|-----------------------------------|------------------------------|
| \$ 671,816                | \$ 418,025                | \$513,494                  | \$ -                    | \$ -                              | \$ -                         |
| -                         | -                         | -                          | -                       | -                                 | -                            |
| -                         | -                         | -                          | -                       | -                                 | -                            |
| -                         | -                         | -                          | (750)                   | -                                 | 230,600                      |
| -                         | -                         | -                          | 6,607                   | -                                 | 37,078                       |
| (27,664)                  | (44,677)                  | -                          | (10,700)                | 106,170                           | 32,860                       |
| -                         | -                         | -                          | -                       | -                                 | -                            |
| -                         | -                         | -                          | 68,866                  | 28,853                            | 2,338                        |
| <u>\$ 644,152</u>         | <u>\$ 373,348</u>         | <u>\$513,494</u>           | <u>\$ 65,523</u>        | <u>\$135,023</u>                  | <u>\$ 302,876</u>            |
| <br>                      |                           |                            |                         |                                   |                              |
| \$ 795,337                | \$ 516,893                | \$168,017                  | \$ -                    | \$ -                              | \$ -                         |
| -                         | -                         | 50,846                     | -                       | -                                 | -                            |
| -                         | -                         | 8,922                      | -                       | -                                 | -                            |
| -                         | -                         | 108,406                    | 46,762                  | 58,898                            | 36,447                       |
| -                         | -                         | 36,789                     | -                       | -                                 | 422,638                      |
| -                         | -                         | 131,265                    | -                       | -                                 | -                            |
| -                         | -                         | -                          | 3,756                   | -                                 | 4,309                        |
| <u>\$ 795,337</u>         | <u>\$ 516,893</u>         | <u>\$504,245</u>           | <u>\$ 50,518</u>        | <u>\$ 58,898</u>                  | <u>\$ 463,394</u>            |
| <br>                      |                           |                            |                         |                                   |                              |
| <u>\$ (151,185)</u>       | <u>\$ (143,545)</u>       | <u>\$ 9,249</u>            | <u>\$ 15,005</u>        | <u>\$ 76,125</u>                  | <u>\$ (160,518)</u>          |
| <br>                      |                           |                            |                         |                                   |                              |
| \$ -                      | \$ -                      | \$ -                       | \$ -                    | \$ -                              | \$ -                         |
| -                         | -                         | -                          | -                       | -                                 | 337                          |
| -                         | -                         | -                          | (8,123)                 | -                                 | -                            |
| <u>\$ -</u>               | <u>\$ -</u>               | <u>\$ -</u>                | <u>\$ (8,123)</u>       | <u>\$ -</u>                       | <u>\$ 337</u>                |
| <br>                      |                           |                            |                         |                                   |                              |
| \$ (151,185)              | \$ (143,545)              | \$ 9,249                   | \$ 6,882                | \$ 76,125                         | \$ (160,181)                 |
| <u>2,652,864</u>          | <u>2,470,668</u>          | <u>74,844</u>              | <u>484,015</u>          | <u>683,712</u>                    | <u>15,988</u>                |
| <b><u>\$2,501,679</u></b> | <b><u>\$2,327,123</u></b> | <b><u>\$ 84,093</u></b>    | <b><u>\$490,897</u></b> | <b><u>\$759,837</u></b>           | <b><u>\$ (144,193)</u></b>   |



CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017

|  | <u>Total<br/>Special<br/>Revenue</u> | <u>Local Option<br/>Capital<br/>Improvement</u> | <u>River<br/>City<br/>Renaissance</u> |
|--|--------------------------------------|---|---------------------------------------|
| <b>REVENUES:</b>   |                                      |   |                                       |
| Property taxes   | \$1,603,335                          | \$ -  | \$ -                                  |
| TIF revenues   | 1,213,704                            | -   | -                                     |
| Other taxes  | 697,610                              | 1,949,507                                       | -                                     |
| Intergovernmental  | 231,350                              | 186,672   | -                                     |
| Charges for services   | 43,685                               | -   | -                                     |
| Use of money and property                                    | 62,465                               | 6,631   | -                                     |
| Special assessments  | 15,683                               | -   | -                                     |
| Miscellaneous  | 100,057                              | 17,598  | -                                     |
| Total revenues   | <u>\$3,967,889</u>                   | <u>\$2,160,408</u>                              | <u>\$ -</u>                           |
| <b>EXPENDITURES:</b>   |                                      |   |                                       |
| Operating:   |                                      |   |                                       |
| Public safety  | \$1,480,247                          | \$ -  | \$ -                                  |
| Public works   | 50,846                               | -   | -                                     |
| Health & social services                                     | 8,922                                | -   | -                                     |
| Culture & recreation   | 250,513                              | -   | -                                     |
| Community & economic development                             | 1,311,013                            | -   | 383,974                               |
| General government   | 699,601                              | -   | -                                     |
| Capital projects   | 8,065                                | 2,296,731                                       | -                                     |
| Total expenditures   | <u>\$3,809,207</u>                   | <u>\$2,296,731</u>                              | <u>\$ 383,974</u>                     |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>\$ 158,682</u>                    | <u>\$ (136,323)</u>                             | <u>\$ (383,974)</u>                   |
| Other financing sources (uses):                              |                                      |   |                                       |
| Proceeds from general obligation bonds                       | \$ -                                 | \$ 90,000                                       | \$ -                                  |
| Transfers in   | 337                                  | 150,000   | 400,000                               |
| Transfers out  | (779,505)                            | (661,608)                                       | -                                     |
| Total other financing sources<br>(uses)                      | <u>\$ (779,168)</u>                  | <u>\$ (421,608)</u>                             | <u>\$ 400,000</u>                     |
| Net change in fund balances                                  | \$ (620,486)                         | \$ (557,931)                                    | \$ 16,026                             |
| Fund balance (deficit) beginning of year                     | <u>7,270,239</u>                     | <u>1,883,291</u>                                | <u>342,032</u>                        |
| <b>Fund balance (deficit) end of year</b>                    | <b><u>\$6,649,753</u></b>            | <b><u>\$1,325,360</u></b>                       | <b><u>\$ 358,058</u></b>              |

| <u>Total<br/>Capital<br/>Projects</u> | <u>Cemetery<br/>Perpetual<br/>Care</u> | <u>MacNider<br/>Museum<br/>Trust</u> | <u>Total<br/>Permanent</u> | <u>Total<br/>Nonmajor<br/>Governmental</u> |
|---------------------------------------|--|--------------------------------------|----------------------------|--|
| \$ -                                  | \$ -                                   | \$ -                                 | \$ -                       | \$ 1,603,335                               |
| -                                     | -                                      | -                                    | -                          | 1,213,704                                  |
| 1,949,507                             | -                                      | -                                    | -                          | 2,647,117                                  |
| 186,672                               | -                                      | -                                    | -                          | 418,022                                    |
| -                                     | 7,510                                  | -                                    | 7,510                      | 51,195                                     |
| 6,631                                 | -                                      | 6,482                                | 6,482                      | 75,578                                     |
| -                                     | -                                      | -                                    | -                          | 15,683                                     |
| 17,598                                | -                                      | 45,048                               | 45,048                     | 162,703                                    |
| <u>\$2,160,408</u>                    | <u>\$ 7,510</u>                        | <u>\$ 51,530</u>                     | <u>\$ 59,040</u>           | <u>\$ 6,187,337</u>                        |
| <br>                                  |  |                                      |                            |  |
| \$ -                                  | \$ -                                   | \$ -                                 | \$ -                       | \$ 1,480,247                               |
| -                                     | -                                      | -                                    | -                          | 50,846                                     |
| -                                     | -                                      | -                                    | -                          | 8,922                                      |
| -                                     | -                                      | -                                    | -                          | 250,513                                    |
| 383,974                               | -                                      | -                                    | -                          | 1,694,987                                  |
| -                                     | -                                      | -                                    | -                          | 699,601                                    |
| 2,296,731                             | -                                      | -                                    | -                          | 2,304,796                                  |
| <u>\$2,680,705</u>                    | <u>\$ -</u>                            | <u>\$ -</u>                          | <u>\$ -</u>                | <u>\$ 6,489,912</u>                        |
| <br>                                  |  |                                      |                            |  |
| <u>\$ (520,297)</u>                   | <u>\$ 7,510</u>                        | <u>\$ 51,530</u>                     | <u>\$ 59,040</u>           | <u>\$ (302,575)</u>                        |
| <br>                                  |  |                                      |                            |  |
| \$ 90,000                             | \$ -                                   | \$ -                                 | \$ -                       | \$ 90,000                                  |
| 550,000                               | -                                      | -                                    | -                          | 550,337                                    |
| <u>(661,608)</u>                      | <u>-</u>                               | <u>(33,454)</u>                      | <u>(33,454)</u>            | <u>(1,474,567)</u>                         |
| <br>                                  |  |                                      |                            |  |
| <u>\$ (21,608)</u>                    | <u>\$ -</u>                            | <u>\$ (33,454)</u>                   | <u>\$ (33,454)</u>         | <u>\$ (834,230)</u>                        |
| <br>                                  |  |                                      |                            |  |
| \$ (541,905)                          | \$ 7,510                               | \$ 18,076                            | \$ 25,586                  | \$ (1,136,805)                             |
| <br>                                  |  |                                      |                            |  |
| <u>2,225,323</u>                      | <u>557,663</u>                         | <u>940,687</u>                       | <u>1,498,350</u>           | <u>10,993,912</u>                          |
| <br>                                  |  |                                      |                            |  |
| <u><b>\$1,683,418</b></u>             | <u><b>\$565,173</b></u>                | <u><b>\$958,763</b></u>              | <u><b>\$1,523,936</b></u>  | <u><b>\$ 9,857,107</b></u>                 |

CITY OF MASON CITY  
 UNIFIED TIF SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2017

|  | <u>Final<br/>Budget</u> | <u>Actual</u>            | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|--------------------------|---|
| <b>REVENUES:</b>   |                         |                          |   |
| TIF revenues   | \$1,202,659             | \$1,213,704              | \$ 11,045   |
| Charges for services   | 5,000                   | -                        | (5,000)   |
| Use of money & property                                      | -                       | 6,476                    | 6,476   |
| Special assessments  | -                       | 15,683                   | 15,683  |
| Total revenues   | <u>\$1,207,659</u>      | <u>\$1,235,863</u>       | <u>\$ 28,204</u>  |
| <b>EXPENDITURES:</b>   |                         |                          |   |
| Operating:   |                         |                          |   |
| Community & economic development:                            |                         |                          |   |
| Contractual  | \$ -                    | \$ 851,346               | \$ (851,346)  |
| Other  | 1,680,276               | -                        | 1,680,276   |
| Total expenditures   | <u>\$1,680,276</u>      | <u>\$ 851,346</u>        | <u>\$ 828,930</u>   |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>\$ (472,617)</u>     | <u>\$ 384,517</u>        | <u>\$ 857,134</u>   |
| Other financing sources (uses):                              |                         |                          |   |
| Issuance of bonds  | \$1,150,000             | \$ -                     | \$ (1,150,000)  |
| Transfers out  | (677,383)               | (676,382)                | 1,001   |
| Total other financing sources<br>(uses)                      | <u>\$ 472,617</u>       | <u>\$ (676,382)</u>      | <u>\$ (1,148,999)</u>                                       |
| Net change in fund balance                                   | \$ -                    | \$ (291,865)             | \$ (291,865)  |
| Fund balance (deficit) beginning of year                     | -                       | 785,253                  | 785,253   |
| <b>Fund balance (deficit) end of year</b>                    | <u><u>\$ -</u></u>      | <u><u>\$ 493,388</u></u> | <u><u>\$ 493,388</u></u>                                    |

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
HOTEL/MOTEL TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

|  | <u>Final<br/>Budget</u>   | <u>Actual</u>            | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|--|---------------------------|--------------------------|---|
| <b>REVENUES:</b>   |                           |                          |   |
| Other taxes  | \$ 562,500                | \$ 697,610               | \$ 135,110  |
| <b>EXPENDITURES:</b>   |                           |                          |   |
| Operating:   |                           |                          |   |
| General government:  |                           |                          |   |
| Contractual  | \$ 262,500                | \$ 240,349               | \$ 22,151   |
| Other  | 250,000                   | 327,987                  | (77,987)  |
| Total expenditures   | <u>\$ 512,500</u>         | <u>\$ 568,336</u>        | <u>\$ (55,836)</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>\$ 50,000</u>          | <u>\$ 129,274</u>        | <u>\$ 79,274</u>  |
| Other financing sources (uses):                              |                           |                          |   |
| Transfers out  | \$ (110,250)              | \$ (95,000)              | \$ 15,250   |
| Net change in fund balance                                   | \$ (60,250)               | \$ 34,274                | \$ 94,524   |
| Fund balance (deficit) beginning of year                     | <u>          -</u>        | <u>84,595</u>            | <u>84,595</u>   |
| <b>Fund balance (deficit) end of year</b>                    | <b><u>\$ (60,250)</u></b> | <b><u>\$ 118,869</u></b> | <b><u>\$ 179,119</u></b>                                    |

*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, 2017

|   | <u>Final<br/>Budget</u> | <u>Actual</u>             | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|---------------------------|---|
| <b>REVENUES:</b>                          |                         |                           |   |
| Property taxes                            | \$ 625,042              | \$ 671,816                | \$ 46,774   |
| Other taxes                               | 19,900                  | -                         | (19,900)  |
| Intergovernmental                         | 27,708                  | -                         | (27,708)  |
| Use of money and property:                |                         |                           |   |
| Interest on investments                   | <u>100,000</u>          | <u>(27,664)</u>           | <u>(127,664)</u>  |
| Total revenues                            | <u>\$ 772,650</u>       | <u>\$ 644,152</u>         | <u>\$ (128,498)</u>   |
| <b>EXPENDITURES:</b>                      |                         |                           |   |
| Operating:                                |                         |                           |   |
| Public safety:                            |                         |                           |   |
| Pension contributions                     | \$ 772,550              | \$ 795,337                | \$ (22,787)   |
| Commodities                               | <u>100</u>              | <u>-</u>                  | <u>100</u>  |
| Total expenditures                        | <u>\$ 772,650</u>       | <u>\$ 795,337</u>         | <u>\$ (22,687)</u>  |
| Net change in fund balance                | \$ -                    | \$ (151,185)              | \$ (151,185)  |
| Fund balance (deficit) beginning of year  | <u>-</u>                | <u>2,652,864</u>          | <u>2,652,864</u>  |
| <b>Fund balance (deficit) end of year</b> | <b><u>\$ -</u></b>      | <b><u>\$2,501,679</u></b> | <b><u>\$2,501,679</u></b>                                   |

*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, 2017

|   | <u>Final<br/>Budget</u> | <u>Actual</u>             | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|---------------------------|---|
| <b>REVENUES:</b>                          |                         |                           |   |
| Property taxes                            | \$ 401,302              | \$ 418,025                | \$ 16,723   |
| Intergovernmental                         | 17,241                  | -                         | (17,241)  |
| Use of money and property:                |                         |                           |   |
| Interest on investments                   | <u>80,000</u>           | <u>(44,677)</u>           | <u>(124,677)</u>  |
| Total revenues                            | <u>\$ 498,543</u>       | <u>\$ 373,348</u>         | <u>\$ (125,195)</u>   |
| <b>EXPENDITURES:</b>                      |                         |                           |   |
| Operating:                                |                         |                           |   |
| Public safety:                            |                         |                           |   |
| Pension contributions                     | \$ 498,443              | \$ 516,893                | \$ (18,450)   |
| Commodities                               | <u>100</u>              | <u>-</u>                  | <u>100</u>  |
| Total expenditures                        | <u>\$ 498,543</u>       | <u>\$ 516,893</u>         | <u>\$ (18,350)</u>  |
| Net change in fund balance                | \$ -                    | \$ (143,545)              | \$ (143,545)  |
| Fund balance (deficit) beginning of year  | <u>-</u>                | <u>2,470,668</u>          | <u>2,470,668</u>  |
| <b>Fund balance (deficit) end of year</b> | <b><u>\$ -</u></b>      | <b><u>\$2,327,123</u></b> | <b><u>\$2,327,123</u></b>                                   |

*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, 2017

|   | <u>Final<br/>Budget</u> | <u>Actual</u>           | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|-------------------------|---|
| <b>REVENUES:</b>                          |                         |                         |   |
| Property taxes                            | \$ 479,506              | \$ 513,494              | \$ 33,988   |
| Other taxes                               | 9,255                   | -                       | (9,255)   |
| Intergovernmental                         | 20,998                  | -                       | (20,998)  |
| Total revenues                            | <u>\$ 509,759</u>       | <u>\$ 513,494</u>       | <u>\$ 3,735</u>   |
| <b>EXPENDITURES:</b>                      |                         |                         |   |
| Operating:                                |                         |                         |   |
| Public safety                             | \$ 155,505              | \$ 168,017              | \$ (12,512)   |
| Public works                              | 55,387                  | 50,846                  | 4,541   |
| Health & social services                  | 9,479                   | 8,922                   | 557   |
| Culture & recreation                      | 119,242                 | 108,406                 | 10,836  |
| Community & economic development          | 36,982                  | 36,789                  | 193   |
| General government                        | 133,164                 | 131,265                 | 1,899   |
| Total expenditures                        | <u>\$ 509,759</u>       | <u>\$ 504,245</u>       | <u>\$ 5,514</u>   |
| Net change in fund balance                | \$ -                    | \$ 9,249                | \$ 9,249  |
| Fund balance (deficit) beginning of year  | -                       | <u>74,844</u>           | <u>74,844</u>   |
| <b>Fund balance (deficit) end of year</b> | <u><b>\$ -</b></u>      | <u><b>\$ 84,093</b></u> | <u><b>\$ 84,093</b></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, 2017

|  | <u>Final<br/>Budget</u> | <u>Actual</u>           | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|-------------------------|---|
| <b>REVENUES:</b>   |                         |                         |   |
| Intergovernmental  | \$ -                    | \$ 750                  | \$ 750  |
| Charges for service  | 2,500                   | 6,607                   | 4,107   |
| Use of money and property                                    | 10,000                  | (10,700)                | (20,700)  |
| Miscellaneous  | 81,500                  | 68,866                  | (12,634)  |
| Total revenues   | <u>\$94,000</u>         | <u>\$ 65,523</u>        | <u>\$(28,477)</u>   |
| <b>EXPENDITURES:</b>   |                         |                         |   |
| Operating:   |                         |                         |   |
| Culture & recreation:  |                         |                         |   |
| Contractual  | \$62,877                | \$ 36,666               | \$ 26,211   |
| Commodities  | 7,000                   | 10,096                  | (3,096)   |
| Other  | 16,000                  | -                       | 16,000  |
| Total culture & recreation                                   | <u>\$85,877</u>         | <u>\$ 46,762</u>        | <u>\$ 39,115</u>  |
| Capital projects   | -                       | 3,756                   | (3,756)   |
| Total expenditures   | <u>\$85,877</u>         | <u>\$ 50,518</u>        | <u>\$ 35,359</u>  |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>\$ 8,123</u>         | <u>\$ 15,005</u>        | <u>\$ 6,882</u>   |
| Other financing sources (uses):                              |                         |                         |   |
| Transfers out  | <u>\$ 8,123</u>         | <u>\$ 8,123</u>         | <u>\$ -</u>   |
| Net change in fund balance                                   | \$ -                    | \$ 6,882                | \$ 6,882  |
| Fund balance (deficit) beginning of year                     | -                       | 484,015                 | 484,015   |
| <b>Fund balance (deficit) end of year</b>                    | <b><u>\$ -</u></b>      | <b><u>\$490,897</u></b> | <b><u>\$490,897</u></b>                                     |

*See Accompanying Independent Auditor's Report.*



CITY OF MASON CITY, IOWA  
 22<sup>ND</sup> STREET BUYOUT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2017

|  | <u>Final<br/>Budget</u> | <u>Actual</u>          | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|------------------------|---|
| <b>REVENUES:</b>   |                         |                        |   |
| Intergovernmental:   |                         |                        |   |
| Federal assistance   | \$ 890,656              | \$149,079              | \$(741,577)   |
| Miscellaneous  | 157,175                 | -                      | (157,175)   |
| Total revenues   | <u>\$1,047,831</u>      | <u>\$149,079</u>       | <u>\$(898,752)</u>  |
| <b>EXPENDITURES:</b>   |                         |                        |   |
| Operating:   |                         |                        |   |
| Community & economic development:                            |                         |                        |   |
| Personal service   | \$ 28,190               | \$ 2,637               | \$ 25,553   |
| Contractual  | 1,001,891               | 164,732                | 837,159   |
| Commodities  | 17,750                  | 115                    | 17,635  |
| Total expenditures   | <u>\$1,047,831</u>      | <u>\$167,484</u>       | <u>\$ 880,347</u>   |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>\$ -</u>             | <u>\$(18,405)</u>      | <u>\$(18,405)</u>   |
| Other financing sources (uses):                              |                         |                        |   |
| Transfers in   | -                       | 337                    | 337   |
| Net change in fund balance                                   | \$ -                    | \$(18,068)             | \$(18,068)  |
| Fund balance (deficit) beginning of year                     | -                       | 19,914                 | 19,914  |
| <b>Fund balance (deficit) end of year</b>                    | <b><u>\$ -</u></b>      | <b><u>\$ 1,846</u></b> | <b><u>\$ 1,846</u></b>                                      |

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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, 2017

|   | <u>Final<br/>Budget</u> | <u>Actual</u>           | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|-------------------------|---|
| <b>REVENUES:</b>                          |                         |                         |   |
| Charges for services                      | \$27,000                | \$ 797                  | \$(26,203)  |
| Use of money and property                 | -                       | 12,760                  | 12,760  |
| Total revenues                            | <u>\$27,000</u>         | <u>\$13,557</u>         | <u>\$(13,443)</u>   |
| <b>EXPENDITURES:</b>                      |                         |                         |   |
| Operating:                                |                         |                         |   |
| Culture & recreation:                     |                         |                         |   |
| Personal service                          | \$ 2,500                | \$ 2,083                | \$ 417  |
| Contractual                               | 1,300                   | -                       | 1,300   |
| Commodities                               | 18,000                  | 14,861                  | 3,139   |
| Total culture & recreation                | <u>\$21,800</u>         | <u>\$16,944</u>         | <u>\$ 4,856</u>   |
| Capital projects                          | 5,200                   | 2,370                   | 2,830   |
| Total expenditures                        | <u>\$27,000</u>         | <u>\$19,314</u>         | <u>\$ 7,686</u>   |
| Net change in fund balance                | \$ -                    | \$(5,757)               | \$(5,757)   |
| Fund balance (deficit) beginning of year  | -                       | (1,907)                 | (1,907)   |
| <b>Fund balance (deficit) end of year</b> | <b><u>\$ -</u></b>      | <b><u>\$(7,664)</u></b> | <b><u>\$(7,664)</u></b>                                     |

*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, 2017

|   | <u>Final<br/>Budget</u> | <u>Actual</u>          | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|------------------------|---|
| <b>REVENUES:</b>                          |                         |                        |   |
| Charges for services                      | \$37,100                | \$36,281               | \$ (819)  |
| Use of money and property                 | -                       | 20,100                 | 20,100  |
| Total revenues                            | <u>\$37,100</u>         | <u>\$56,381</u>        | <u>\$19,281</u>   |
| <b>EXPENDITURES:</b>                      |                         |                        |   |
| Operating:                                |                         |                        |   |
| Culture & recreation:                     |                         |                        |   |
| Contractual                               | \$ 4,600                | \$ 3,018               | \$ 1,582  |
| Commodities                               | 25,000                  | 16,485                 | 8,515   |
| Total culture & recreation                | <u>\$29,600</u>         | <u>\$19,503</u>        | <u>\$10,097</u>   |
| Capital projects                          | -                       | 1,939                  | (1,939)   |
| Total expenditures                        | <u>\$29,600</u>         | <u>\$21,442</u>        | <u>\$ 8,158</u>   |
| Net change in fund balance                | \$ 7,500                | \$34,939               | \$27,439  |
| Fund balance (deficit) beginning of year  | -                       | 33,677                 | 33,677  |
| <b>Fund balance (deficit) end of year</b> | <b><u>\$ 7,500</u></b>  | <b><u>\$68,616</u></b> | <b><u>\$61,116</u></b>                                      |

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 CITY ADMINISTERED GRANTS SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2017

|   | <u>Final<br/>Budget</u> | <u>Actual</u>      | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|--------------------|---|
| <b>REVENUES:</b>                          |                         |                    |   |
| Intergovernmental:                        |                         |                    |   |
| Federal assistance                        | \$100,000               | \$ 5,314           | \$(94,686)  |
| Miscellaneous                             | <u>5,000</u>            | <u>1,988</u>       | <u>(3,012)</u>  |
| Total revenues                            | <u>\$105,000</u>        | <u>\$ 7,302</u>    | <u>\$(97,698)</u>   |
| <b>EXPENDITURES:</b>                      |                         |                    |   |
| Operating:                                |                         |                    |   |
| Community & economic development:         |                         |                    |   |
| Contractual                               | \$104,000               | \$ -               | \$104,000   |
| Commodities                               | <u>1,000</u>            | <u>-</u>           | <u>1,000</u>  |
| Total expenditures                        | <u>\$105,000</u>        | <u>\$ -</u>        | <u>\$105,000</u>  |
| Net change in fund balance                | <u>\$ -</u>             | <u>\$ 7,302</u>    | <u>\$ 7,302</u>   |
| Fund balance (deficit) beginning of year  | <u>-</u>                | <u>(7,302)</u>     | <u>(7,302)</u>  |
| <b>Fund balance (deficit) end of year</b> | <u><u>\$ -</u></u>      | <u><u>\$ -</u></u> | <u><u>\$ -</u></u>  |

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
HOUSING SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

|   | <u>Final<br/>Budget</u> | <u>Actual</u>            | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|--------------------------|---|
| <b>REVENUES:</b>                          |                         |                          |   |
| Intergovernmental:                        |                         |                          |   |
| Federal assistance                        | \$165,875               | \$ 76,207                | \$(89,668)  |
| Miscellaneous                             | 10,000                  | 350                      | (9,650)   |
| Total revenues                            | <u>\$175,875</u>        | <u>\$ 76,557</u>         | <u>\$(99,318)</u>   |
| <b>EXPENDITURES:</b>                      |                         |                          |   |
| Operating:                                |                         |                          |   |
| Community & economic development:         |                         |                          |   |
| Personal service                          | \$ 10,375               | \$ 3,566                 | \$ 6,809  |
| Contractual                               | 165,500                 | 64,445                   | 101,055   |
| Commodities                               | -                       | 496                      | (496)   |
| Total expenditures                        | <u>\$175,875</u>        | <u>\$ 68,507</u>         | <u>\$107,368</u>  |
| Net change in fund balance                | \$ -                    | \$ 8,050                 | \$ 8,050  |
| Fund balance (deficit) beginning of year  | -                       | (11,445)                 | (11,445)  |
| <b>Fund balance (deficit) end of year</b> | <u><u>\$ -</u></u>      | <u><u>\$ (3,395)</u></u> | <u><u>\$ (3,395)</u></u>                                    |

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 LHAP SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2017

|   | <u>Final<br/>Budget</u> | <u>Actual</u>         | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|-----------------------|---|
| <b>REVENUES:</b>                          |                         |                       |   |
| Intergovernmental:                        |                         |                       |   |
| Entitlement funds                         | \$6,000                 | \$ -                  | \$ (6,000)  |
| <b>EXPENDITURES:</b>                      |                         |                       |   |
| Operating:                                |                         |                       |   |
| Community & economic development:         |                         |                       |   |
| Contractual                               | \$6,000                 | \$ -                  | \$ 6,000  |
| Net change in fund balance                | \$ -                    | \$ -                  | \$ -  |
| Fund balance (deficit) beginning of year  | -                       | 8,950                 | 8,950   |
| <b>Fund balance (deficit) end of year</b> | <b><u>\$ -</u></b>      | <b><u>\$8,950</u></b> | <b><u>\$ 8,950</u></b>                                      |

*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, 2017

|  | <u>Final<br/>Budget</u>    | <u>Actual</u>            | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|--------------------------|---|
| <b>REVENUES:</b>   |                            |                          |   |
| Property tax   | \$ 2,885,964               | \$3,062,413              | \$ 176,449  |
| Other taxes  | 53,652                     | -                        | (53,652)  |
| Use of money and property                                    | -                          | 8,270                    | 8,270   |
| Miscellaneous  | 84,500                     | -                        | (84,500)  |
| Total revenues   | <u>\$ 3,024,116</u>        | <u>\$3,070,683</u>       | <u>\$ 46,567</u>  |
| <b>EXPENDITURES:</b>   |                            |                          |   |
| Debt service:  |                            |                          |   |
| Principal redemption   | \$ 4,949,801               | \$3,425,000              | \$1,524,801   |
| Interest payments  | -                          | 587,989                  | (587,989)   |
| Contractual  | 98,500                     | 42,211                   | 56,289  |
| Total expenditures   | <u>\$ 5,048,301</u>        | <u>\$4,055,200</u>       | <u>\$ 993,101</u>   |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>\$ (2,024,185)</u>      | <u>\$ (984,517)</u>      | <u>\$1,039,668</u>  |
| Other financing sources (uses):                              |                            |                          |   |
| Issuance of general obligation bonds                         | \$ -                       | \$ 78,770                | \$ 78,770   |
| Discount on bonds issued                                     | -                          | 379                      | 379   |
| Transfers in   | 1,902,482                  | 950,112                  | (952,370)   |
| Transfers out  | -                          | (9,500)                  | (9,500)   |
| Total other financing sources<br>(uses)                      | <u>\$ 1,902,482</u>        | <u>\$1,019,761</u>       | <u>\$ (882,721)</u>   |
| Net change in fund balance                                   | \$ (121,703)               | \$ 35,244                | \$ 156,947  |
| Fund balance (deficit) beginning of year                     | -                          | 231,420                  | 231,420   |
| <b>Fund balance (deficit) end of year</b>                    | <u><b>\$ (121,703)</b></u> | <u><b>\$ 266,664</b></u> | <u><b>\$ 388,367</b></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, 2017

|  | <u>Final<br/>Budget</u>      | <u>Actual</u>             | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|--|------------------------------|---------------------------|---|
| <b>REVENUES:</b>   |                              |                           |   |
| Other taxes  | \$ 1,880,000                 | \$1,949,507               | \$ 69,507   |
| Intergovernmental  | -                            | 186,672                   | 186,672   |
| Use of money and property                                    | -                            | 6,631                     | 6,631   |
| Miscellaneous  | -                            | 17,598                    | 17,598  |
| Total revenues   | <u>\$ 1,880,000</u>          | <u>\$2,160,408</u>        | <u>\$ 280,408</u>   |
| <b>EXPENDITURES:</b>   |                              |                           |   |
| Capital projects   | \$ 3,100,400                 | \$2,296,731               | \$ 803,669  |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>\$ (1,220,400)</u>        | <u>\$ (136,323)</u>       | <u>\$1,084,077</u>  |
| Other financing sources (uses):                              |                              |                           |   |
| Issuance of general obligation bonds                         | \$ 10,000                    | \$ 90,000                 | \$ 80,000   |
| Transfers in   | -                            | 150,000                   | 150,000   |
| Transfers out  | <u>(647,077)</u>             | <u>(661,608)</u>          | <u>(14,531)</u>   |
| Total other financing<br>sources (uses)                      | <u>\$ (637,077)</u>          | <u>\$ (421,608)</u>       | <u>\$ 215,469</u>   |
| Net change in fund balance                                   | \$ (1,857,477)               | \$ (557,931)              | \$1,299,546   |
| Fund balance (deficit) beginning of year                     | <u>-</u>                     | <u>1,883,291</u>          | <u>1,883,291</u>  |
| <b>Fund balance (deficit) end of year</b>                    | <u><b>\$ (1,857,477)</b></u> | <u><b>\$1,325,360</b></u> | <u><b>\$3,182,837</b></u>                                   |

*See Accompanying Independent Auditor's Report.*



CITY OF MASON CITY, IOWA  
RIVER CITY RENAISSANCE CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

|  | <u>Final<br/>Budget</u>  | <u>Actual</u>            | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|--|--------------------------|--------------------------|---|
| <b>REVENUES:</b>   |                          |                          |   |
| None   | \$ -                     | \$ -                     | \$ -  |
| <b>EXPENDITURES:</b>   |                          |                          |   |
| Operating:   |                          |                          |   |
| Public works:  |                          |                          |   |
| Contractual  | \$ -                     | \$ 383,974               | \$ (383,974)  |
| Total public works   | <u>\$ -</u>              | <u>\$ 383,974</u>        | <u>\$ (383,974)</u>   |
| Capital projects   | <u>7,000,000</u>         | -                        | <u>7,000,000</u>  |
| Total expenditures   | <u>\$ 7,000,000</u>      | <u>\$ 383,974</u>        | <u>\$ 6,616,026</u>   |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>\$ (7,000,000)</u>    | <u>\$ (383,974)</u>      | <u>\$ 6,616,026</u>   |
| Other financing sources (uses):                              |                          |                          |   |
| Transfers in   | \$ 400,000               | \$ 400,000               | \$ -  |
| Issuance of general obligation bonds                         | <u>7,000,000</u>         | -                        | <u>(7,000,000)</u>  |
| Total other financing sources (uses)                         | <u>\$ 7,400,000</u>      | <u>\$ 400,000</u>        | <u>\$ (7,000,000)</u>                                       |
| Net change in fund balance                                   | \$ 400,000               | \$ 16,026                | \$ (383,974)  |
| Fund balance (deficit) beginning of year                     | <u>-</u>                 | <u>342,032</u>           | <u>342,032</u>  |
| <b>Fund balance (deficit) end of year</b>                    | <u><b>\$ 400,000</b></u> | <u><b>\$ 358,058</b></u> | <u><b>\$ (41,942)</b></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, 2017

|  | <u>Final<br/>Budget</u> | <u>Actual</u>           | <u>Variance<br/>With Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|-------------------------|---|
| <b>REVENUES:</b>   |                         |                         |   |
| Use of money and property                                    | \$ 5,000                | \$ 6,482                | \$ 1,482  |
| Miscellaneous  | <u>30,000</u>           | <u>45,048</u>           | <u>15,048</u>   |
| Total revenues   | <u>\$35,000</u>         | <u>\$ 51,530</u>        | <u>\$ 16,530</u>  |
| <b>EXPENDITURES:</b>   |                         |                         |   |
| Operating:   |                         |                         |   |
| Culture & recreation:  |                         |                         |   |
| Commodities  | \$ 5,000                | \$ -                    | \$ 35,000   |
| Capital projects   | <u>-</u>                | <u>-</u>                | <u>-</u>  |
| Total expenditures   | <u>\$35,000</u>         | <u>\$ -</u>             | <u>\$ 35,000</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>\$ -</u>             | <u>\$ 51,530</u>        | <u>\$ 51,530</u>  |
| Other financing sources (uses):                              |                         |                         |   |
| Transfers out  | <u>\$ -</u>             | <u>\$ (33,454)</u>      | <u>\$ (33,454)</u>  |
| Net change in fund balance                                   | \$ -                    | \$ 18,076               | \$ 18,076   |
| Fund balance (deficit) beginning of year                     | <u>-</u>                | <u>940,687</u>          | <u>940,687</u>  |
| <b>Fund balance (deficit) end of year</b>                    | <b><u>\$ -</u></b>      | <b><u>\$958,763</u></b> | <b><u>\$958,763</u></b>                                     |

*See Accompanying Independent Auditor's Report.*

***ENTERPRISE FUNDS***

CITY OF MASON CITY  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2017

|  | <u>Cemetery</u>          | <u>Storm Sewer</u>         |
|--|--------------------------|----------------------------|
| <b>ASSETS:</b>   |                          |                            |
| Current assets:  |                          |                            |
| Cash   | \$ 32,931                | \$ 100,627                 |
| Investments  | -                        | 310,000                    |
| Receivables:   |                          |                            |
| Property taxes   | 1,903                    | -                          |
| Succeeding year property taxes                         | 156,262                  | -                          |
| Accounts (net)   | 25,451                   | 33,652                     |
| Accrued interest                                       | -                        | 565                        |
| Inventory  | 4,470                    | -                          |
| Due from other funds                                   | 157,655                  | -                          |
| Prepaid insurance                                      | 1,034                    | -                          |
| Total current assets                                   | <u>\$ 379,706</u>        | <u>\$ 444,844</u>          |
| Noncurrent assets:                                     |                          |                            |
| Property, plant and equipment:                         |                          |                            |
| Land   | \$ -                     | \$ -                       |
| Buildings  | 47,699                   | -                          |
| Equipment  | 193,623                  | 24,728                     |
| Sewer lines and lifts                                  | -                        | 5,457,189                  |
| Improvements   | 624,929                  | -                          |
| Vehicles   | 76,006                   | -                          |
| Construction in progress                               | 7,502                    | 692,488                    |
| Total property, plant and equipment                    | <u>\$ 949,759</u>        | <u>\$ 6,174,405</u>        |
| Less accumulated depreciation                          | <u>(586,076)</u>         | <u>(2,793,406)</u>         |
| Net property, plant and equipment                      | <u>\$ 363,683</u>        | <u>\$ 3,380,999</u>        |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                 |                          |                            |
| Pension related deferred outflows                      | \$ 42,563                | \$ -                       |
| <b>Total assets and deferred outflows of resources</b> | <b><u>\$ 785,952</u></b> | <b><u>\$ 3,825,843</u></b> |

*See Accompanying Independent Auditor's Report.*  
(continued)

| <u>Solid Waste</u>        | <u>Golf Course</u>       | <u>Parking Lots</u>       | <u>Ambulance</u>          | <u>Total</u>               |
|---------------------------|--------------------------|---------------------------|---------------------------|----------------------------|
| \$ 98,418                 | \$ 11,385                | \$ -                      | \$ 101,687                | \$ 345,048                 |
| 200,000                   | -                        | -                         | 400,000                   | 910,000                    |
| -                         | -                        | -                         | -                         | 1,903                      |
| -                         | -                        | -                         | -                         | 156,262                    |
| 160,691                   | 8,180                    | 1,787                     | 590,694                   | 820,455                    |
| 78                        | 39                       | -                         | 313                       | 995                        |
| -                         | 5,287                    | -                         | 71,170                    | 80,927                     |
| -                         | -                        | -                         | 150,997                   | 308,652                    |
| 496                       | 1,790                    | -                         | 1,868                     | 5,188                      |
| <u>\$ 459,683</u>         | <u>\$ 26,681</u>         | <u>\$ 1,787</u>           | <u>\$1,316,729</u>        | <u>\$ 2,629,430</u>        |
| <br>                      |                          |                           |                           |                            |
| \$ -                      | \$ 196,813               | \$4,143,120               | \$ -                      | \$ 4,339,933               |
| 461,278                   | 633,988                  | -                         | 425,272                   | 1,568,237                  |
| 12,606                    | 453,185                  | -                         | 630,584                   | 1,314,726                  |
| -                         | -                        | -                         | -                         | 5,457,189                  |
| -                         | 105,620                  | 2,584,991                 | -                         | 3,315,540                  |
| 909,410                   | 34,586                   | 13,000                    | 1,168,954                 | 2,201,956                  |
| -                         | -                        | -                         | -                         | 699,990                    |
| <u>\$1,383,294</u>        | <u>\$1,424,192</u>       | <u>\$6,741,111</u>        | <u>\$2,224,810</u>        | <u>\$18,897,571</u>        |
| <u>(860,029)</u>          | <u>(778,625)</u>         | <u>(2,597,949)</u>        | <u>(1,036,224)</u>        | <u>(8,652,309)</u>         |
| <u>\$ 523,265</u>         | <u>\$ 645,567</u>        | <u>\$4,143,162</u>        | <u>\$1,188,586</u>        | <u>\$10,245,262</u>        |
| <br>                      |                          |                           |                           |                            |
| <u>\$ 124,833</u>         | <u>\$ 58,889</u>         | <u>\$ 8,815</u>           | <u>\$ 787,399</u>         | <u>\$ 1,022,499</u>        |
| <br>                      |                          |                           |                           |                            |
| <u><b>\$1,107,781</b></u> | <u><b>\$ 731,137</b></u> | <u><b>\$4,153,764</b></u> | <u><b>\$3,292,714</b></u> | <u><b>\$13,897,191</b></u> |

CITY OF MASON CITY  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2017

|   | <u>Cemetery</u>   | <u>Storm Sewer</u> |
|---|-------------------|--------------------|
| <b>LIABILITIES:</b>                                 |                   |                    |
| Current liabilities:                                |                   |                    |
| Accounts payable                                    | \$ 10,430         | \$ 5,499           |
| Salaries payable                                    | 9,397             | -                  |
| Contracts payable                                   | -                 | 18,857             |
| Compensated absences payable                        | 11,978            | -                  |
| Accrued interest payable                            | -                 | -                  |
| Due to other funds                                  | 103,782           | -                  |
| Due to state government                             | -                 | -                  |
| Revenue bonds                                       | -                 | -                  |
| Prepaid interments                                  | 24,566            | -                  |
| Unearned Revenue                                    | -                 | -                  |
| Total current liabilities                           | <u>\$ 160,153</u> | <u>\$ 24,356</u>   |
| Long-term debt:                                     |                   |                    |
| Revenue bonds                                       | \$ -              | \$ -               |
| Net OPEB obligation                                 | 13,829            | 8,356              |
| Net pension liability                               | <u>155,388</u>    | <u>-</u>           |
| Total long-term debt                                | <u>\$ 169,217</u> | <u>\$ 8,356</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>               |                   |                    |
| Succeeding year property taxes                      | \$ 156,262        | \$ -               |
| Pension related deferred inflows                    | <u>5,859</u>      | <u>-</u>           |
| Total deferred inflows of resources                 | <u>\$ 162,121</u> | <u>\$ -</u>        |
| Total liabilities and deferred inflows of resources | <u>\$ 491,491</u> | <u>\$ 32,712</u>   |
| <b>NET POSITION:</b>                                |                   |                    |
| Net investment in capital assets                    | \$ 363,683        | \$3,380,999        |
| Unrestricted  | <u>(69,222)</u>   | <u>412,132</u>     |
| Total net position                                  | <u>\$ 294,461</u> | <u>\$3,793,131</u> |

| <u>Solid Waste</u>      | <u>Golf Course</u>      | <u>Parking Lots</u>       | <u>Ambulance</u>         | <u>Total</u>               |
|-------------------------|-------------------------|---------------------------|--------------------------|----------------------------|
| \$ 31,478               | \$ 53,368               | \$ 1,591                  | \$ 70,375                | \$ 172,741                 |
| 26,796                  | 12,498                  | 1,978                     | 43,697                   | 94,366                     |
| -                       | -                       | -                         | -                        | 18,857                     |
| 39,113                  | 19,996                  | 7,447                     | 80,137                   | 158,671                    |
| -                       | -                       | -                         | 185                      | 185                        |
| -                       | -                       | 150,997                   | 193                      | 254,972                    |
| -                       | 2,513                   | -                         | -                        | 2,513                      |
| -                       | -                       | -                         | 36,000                   | 36,000                     |
| -                       | -                       | -                         | -                        | 24,566                     |
| -                       | -                       | 450                       | -                        | 450                        |
| <u>\$ 97,387</u>        | <u>\$ 88,375</u>        | <u>\$ 63,161</u>          | <u>\$ 230,587</u>        | <u>\$ 763,321</u>          |
| <br>                    |                         |                           |                          |                            |
| \$ -                    | \$ -                    | \$ -                      | \$ 144,000               | \$ 144,000                 |
| 63,626                  | 10,617                  | 5,670                     | 61,095                   | 163,193                    |
| <u>461,409</u>          | <u>215,958</u>          | <u>31,855</u>             | <u>1,955,001</u>         | <u>2,819,611</u>           |
| <br>                    |                         |                           |                          |                            |
| <u>\$525,035</u>        | <u>\$226,575</u>        | <u>\$ 37,525</u>          | <u>\$2,160,096</u>       | <u>\$ 3,126,804</u>        |
| <br>                    |                         |                           |                          |                            |
| \$ -                    | \$ -                    | \$ -                      | \$ -                     | \$ 156,262                 |
| <u>24,908</u>           | <u>10,165</u>           | <u>1,397</u>              | <u>25,056</u>            | <u>67,385</u>              |
| <br>                    |                         |                           |                          |                            |
| <u>\$ 24,908</u>        | <u>\$ 10,165</u>        | <u>\$ 1,397</u>           | <u>\$ 25,056</u>         | <u>\$ 223,647</u>          |
| <br>                    |                         |                           |                          |                            |
| <u>\$647,330</u>        | <u>\$325,115</u>        | <u>\$ 201,385</u>         | <u>\$2,415,739</u>       | <u>\$ 4,113,772</u>        |
| <br>                    |                         |                           |                          |                            |
| \$523,265               | \$645,567               | \$4,143,162               | \$1,008,586              | \$10,425,262               |
| <u>(62,814)</u>         | <u>(239,545)</u>        | <u>(190,783)</u>          | <u>(131,611)</u>         | <u>(281,843)</u>           |
| <br>                    |                         |                           |                          |                            |
| <u><b>\$460,451</b></u> | <u><b>\$406,022</b></u> | <u><b>\$3,952,379</b></u> | <u><b>\$ 876,975</b></u> | <u><b>\$ 9,783,419</b></u> |

CITY OF MASON CITY  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017

|  | <u>Cemetery</u>          | <u>Storm Sewer</u>        |
|--|--------------------------|---------------------------|
| <b>Operating revenues:</b>                       |                          |                           |
| Charges for service                              | \$ 109,126               | \$ 293,194                |
| <b>Operating expenses:</b>                       |                          |                           |
| Business-type activities:                        |                          |                           |
| Personal service                                 | \$ 262,292               | \$ 603                    |
| Contractual                                      | 14,674                   | -                         |
| Commodities                                      | 22,546                   | 7,690                     |
| Other  | 4,840                    | -                         |
| Depreciation                                     | 37,695                   | 184,245                   |
| Total operating expenses                         | <u>\$ 342,047</u>        | <u>\$ 192,538</u>         |
| Operating income (loss)                          | <u>\$ (232,921)</u>      | <u>\$ 100,656</u>         |
| <b>Nonoperating revenues (expenses):</b>         |                          |                           |
| Property taxes                                   | \$ 147,450               | \$ -                      |
| Intergovernmental                                | -                        | -                         |
| Fines and forfeitures                            | -                        | -                         |
| Use of money and property                        | 103,517                  | 2,959                     |
| Miscellaneous                                    | 52,744                   | -                         |
| Interest   | -                        | -                         |
| Gain (loss) on disposal of assets                | (3,115)                  | -                         |
| Total nonoperating revenue (expenses)            | <u>\$ 300,596</u>        | <u>\$ 2,959</u>           |
| Income (loss) before contributions and transfers | <u>\$ 67,675</u>         | <u>\$ 103,615</u>         |
| <b>Contributions and transfers:</b>              |                          |                           |
| Transfers in                                     | \$ 32,700                | \$ -                      |
| Transfers out                                    | -                        | (60,000)                  |
| Capital contributions                            | -                        | 27,474                    |
| Total contributions and transfers                | <u>\$ 32,700</u>         | <u>\$ (32,526)</u>        |
| Change in net position                           | \$ 100,375               | \$ 71,089                 |
| Net position beginning of year                   | <u>194,086</u>           | <u>3,722,042</u>          |
| <b>Net position end of year</b>                  | <b><u>\$ 294,461</u></b> | <b><u>\$3,793,131</u></b> |

*See Accompanying Independent Auditor's Report.*



| <u>Solid Waste</u> | <u>Golf Course</u> | <u>Parking Lots</u> | <u>Ambulance</u>   | <u>Total</u>       |
|--------------------|--------------------|---------------------|--------------------|--------------------|
| \$1,425,925        | \$ 360,825         | \$ 6,377            | \$1,804,627        | \$4,000,074        |
| \$ 832,161         | \$ 259,755         | \$ 64,446           | \$1,311,705        | \$2,730,962        |
| 360,462            | 41,389             | 72,644              | 256,990            | 746,159            |
| 87,338             | 100,770            | 750                 | 137,752            | 356,846            |
| -                  | 9,311              | -                   | 71,589             | 85,740             |
| 70,024             | 39,890             | 320                 | 204,228            | 536,402            |
| <u>\$1,349,985</u> | <u>\$ 451,115</u>  | <u>\$ 138,160</u>   | <u>\$1,982,264</u> | <u>\$4,456,109</u> |
| \$ 75,940          | \$ (90,290)        | \$ (131,783)        | \$ (177,637)       | \$ (456,035)       |
| \$ -               | \$ -               | \$ -                | \$ -               | \$ 147,450         |
| 216                | -                  | -                   | -                  | 216                |
| -                  | -                  | 30,459              | -                  | 30,459             |
| 870                | 31,767             | -                   | 3,149              | 142,262            |
| 1,444              | 2,129              | -                   | 57,607             | 113,924            |
| -                  | -                  | -                   | (1,747)            | (1,747)            |
| -                  | -                  | -                   | -                  | (3,115)            |
| <u>\$ 2,530</u>    | <u>\$ 33,896</u>   | <u>\$ 30,459</u>    | <u>\$ 59,009</u>   | <u>\$ 429,449</u>  |
| \$ 78,470          | \$ (56,394)        | \$ (101,324)        | \$ (118,628)       | \$ (26,586)        |
| \$ -               | \$ 14,678          | \$ -                | \$ -               | \$ 47,378          |
| -                  | -                  | -                   | -                  | (60,000)           |
| -                  | -                  | -                   | -                  | 27,474             |
| <u>\$ -</u>        | <u>\$ 14,678</u>   | <u>\$ -</u>         | <u>\$ -</u>        | <u>\$ 14,852</u>   |
| \$ 78,470          | \$ (41,716)        | \$ (101,324)        | \$ (118,628)       | \$ (11,734)        |
| 381,981            | 447,738            | 4,053,703           | 995,603            | 9,795,153          |
| <u>\$ 460,451</u>  | <u>\$ 406,022</u>  | <u>\$3,952,379</u>  | <u>\$ 876,975</u>  | <u>\$9,783,419</u> |

CITY OF MASON CITY, IOWA  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2017

|  | <u>Cemetery</u>         | <u>Storm Sewer</u>       |
|--|-------------------------|--------------------------|
| Cash flows from operating activities:                        |                         |                          |
| Cash received from customers                                 | \$ 98,594               | \$ 293,732               |
| Cash paid to employees for services                          | (260,405)               | -                        |
| Cash paid to other suppliers of goods or services            | (33,274)                | 319,125                  |
| Cash received (paid) for miscellaneous items                 | 47,904                  | -                        |
| Net cash provided (used) by operating activities             | <u>\$ (147,181)</u>     | <u>\$ 612,857</u>        |
| Cash flows from non-capital financing activities:            |                         |                          |
| Proceeds from property tax levy                              | \$ 147,226              | \$ -                     |
| Transfers in   | 32,700                  | -                        |
| Transfers out  | -                       | (60,000)                 |
| Net cash provided (used) by non-capital financing activities | <u>\$ 179,926</u>       | <u>\$ (60,000)</u>       |
| Cash flows from capital and related financing activities:    |                         |                          |
| Acquisition of capital assets                                | \$ (66,285)             | \$ (294,733)             |
| Proceeds from bonds  | -                       | -                        |
| Interest paid on bonds                                       | -                       | -                        |
| Net cash used for capital and related financing activities   | <u>\$ (66,285)</u>      | <u>\$ (294,733)</u>      |
| Cash flows from investing activities:                        |                         |                          |
| Proceeds from sale of investments                            | \$ 50                   | \$ -                     |
| Purchase of investments                                      | -                       | (160,000)                |
| Interest received  | 17,682                  | 2,503                    |
| Rent received on investment property                         | -                       | -                        |
| Net cash provided (used) by investing activities             | <u>\$ 17,732</u>        | <u>\$ (157,497)</u>      |
| Net increase (decrease) in cash                              | \$ (15,808)             | \$ 100,627               |
| Cash beginning of year                                       | <u>48,739</u>           | <u>-</u>                 |
| <b>Cash end of year</b>                                      | <b><u>\$ 32,931</u></b> | <b><u>\$ 100,627</u></b> |
| Noncash capital, investing and financing activities:         |                         |                          |
| Contributions of capital assets from outside sources         | <u>\$ -</u>             | <u>\$ 27,474</u>         |

(continued)

| <u>Solid Waste</u>      | <u>Golf Course</u>      | <u>Parking Lots</u> | <u>Ambulance</u>         | <u>Total</u>             |
|-------------------------|-------------------------|---------------------|--------------------------|--------------------------|
| \$1,427,485             | \$ 360,825              | \$ 7,317            | \$ 1,926,544             | \$ 4,114,497             |
| (825,755)               | (255,878)               | (64,596)            | (1,260,355)              | (2,669,989)              |
| (414,777)               | (140,608)               | 26,820              | (615,071)                | (857,785)                |
| <u>1,660</u>            | <u>2,664</u>            | <u>30,459</u>       | <u>57,607</u>            | <u>140,294</u>           |
| \$ <u>185,613</u>       | \$ <u>(32,997)</u>      | \$ <u>-</u>         | \$ <u>108,725</u>        | \$ <u>727,017</u>        |
| \$ -                    | \$ -                    | \$ -                | \$ -                     | \$ 147,226               |
| -                       | 14,678                  | -                   | -                        | 47,378                   |
| <u>-</u>                | <u>\$ -</u>             | <u>-</u>            | <u>-</u>                 | <u>(60,000)</u>          |
| \$ <u>-</u>             | \$ <u>14,678</u>        | \$ <u>-</u>         | \$ <u>-</u>              | \$ <u>134,604</u>        |
| \$ -                    | \$ (11,207)             | \$ -                | \$ (218,496)             | \$ (590,721)             |
| -                       | -                       | -                   | 180,000                  | 180,000                  |
| <u>-</u>                | <u>-</u>                | <u>-</u>            | <u>(1,562)</u>           | <u>(1,562)</u>           |
| \$ <u>-</u>             | \$ <u>(11,207)</u>      | \$ <u>-</u>         | \$ <u>(40,058)</u>       | \$ <u>(412,283)</u>      |
| \$ -                    | \$ -                    | \$ -                | \$ -                     | \$ 50                    |
| (100,000)               | -                       | -                   | (400,000)                | (660,000)                |
| 822                     | 2                       | -                   | 2,912                    | 23,921                   |
| <u>-</u>                | <u>31,726</u>           | <u>-</u>            | <u>-</u>                 | <u>31,726</u>            |
| \$ <u>(99,178)</u>      | \$ <u>31,728</u>        | \$ <u>-</u>         | \$ <u>(397,088)</u>      | \$ <u>(604,303)</u>      |
| \$ 86,435               | \$ 2,202                | \$ -                | \$ (328,421)             | \$ (154,965)             |
| <u>11,983</u>           | <u>9,183</u>            | <u>-</u>            | <u>430,108</u>           | <u>500,013</u>           |
| <b><u>\$ 98,418</u></b> | <b><u>\$ 11,385</u></b> | <b><u>\$ -</u></b>  | <b><u>\$ 101,687</u></b> | <b><u>\$ 345,048</u></b> |
| \$ <u>-</u>             | \$ <u>-</u>             | \$ <u>-</u>         | \$ <u>-</u>              | \$ <u>27,474</u>         |

CITY OF MASON CITY, IOWA  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2017

|   | <u>Cemetery</u>            | <u>Storm Sewer</u>      |
|---|----------------------------|-------------------------|
| <b>Reconciliation of Operating Income (Loss)<br/>to Net Cash Provided (Used) by Operating<br/>Activities:</b> |                            |                         |
| Operating income (loss)   | \$ (232,921)               | \$100,656               |
| Adjustments to reconcile operating income (loss)<br>to net cash from operating activities:                    |                            |                         |
| Depreciation and amortization expense   | 37,695                     | 184,245                 |
| Miscellaneous income  | 52,744                     | -                       |
| Change in assets and liabilities:   |                            |                         |
| (Increase) decrease in receivables  | (6,749)                    | 538                     |
| (Increase) decrease in inventory  | (774)                      | -                       |
| (Increase) decrease in due from other funds   | -                          | 331,380                 |
| (Increase) decrease in prepaid insurance  | (791)                      | -                       |
| (Increase) decrease in deferred outflows  | (21,625)                   | -                       |
| Increase (decrease) in accounts and contracts<br>payable  | 5,511                      | (4,565)                 |
| Increase (decrease) in salaries payable   | 977                        | -                       |
| Increase (decrease) in accrued compensated absences   | 1,472                      | -                       |
| Increase (decrease) in due to other funds   | -                          | -                       |
| Increase (decrease) in due to state government  | -                          | -                       |
| Increase (decrease) in prepaid interments   | (3,783)                    | -                       |
| Increase (decrease) in unearned revenue   | -                          | -                       |
| Increase (decrease) in net OPEB obligation  | (1,057)                    | 603                     |
| Increase (decrease) in net pension liability  | 29,144                     | -                       |
| Increase (decrease) in deferred inflows   | (7,024)                    | -                       |
|   | <hr/>                      | <hr/>                   |
| <b>Net cash provided (used) by operating<br/>activities</b>   | <b><u>\$ (147,181)</u></b> | <b><u>\$612,857</u></b> |

| <u>Solid Waste</u> | <u>Golf Course</u> | <u>Parking Lots</u> | <u>Ambulance</u> | <u>Total</u>      |
|--------------------|--------------------|---------------------|------------------|-------------------|
| \$ 75,940          | \$ (90,290)        | \$ (131,783)        | \$ (177,637)     | \$ (456,035)      |
| 70,024             | 39,890             | 320                 | 204,228          | 536,402           |
| 1,660              | 2,129              | 30,459              | 57,607           | 144,599           |
| 1,560              | -                  | 490                 | 121,917          | 117,756           |
| -                  | (1,071)            | -                   | 1,253            | (592)             |
| 36,046             | -                  | -                   | (100,115)        | 267,311           |
| (52)               | (1,091)            | -                   | (1,868)          | (3,802)           |
| (61,206)           | (29,428)           | (4,512)             | (345,822)        | (462,593)         |
| 822                | 13,024             | 1,291               | (47,735)         | (31,652)          |
| 2,448              | 1,420              | 290                 | (5,201)          | (66)              |
| (4,113)            | 986                | (1,652)             | 1,645            | (1,662)           |
| (3,793)            | -                  | 98,923              | (275)            | 94,855            |
| -                  | 535                | -                   | -                | 535               |
| -                  | -                  | -                   | -                | (3,783)           |
| -                  | -                  | 450                 | -                | 450               |
| 3,669              | 797                | 1,108               | 9,512            | 14,632            |
| 82,490             | 39,661             | 6,082               | 437,173          | 594,550           |
| (19,882)           | (9,559)            | (1,466)             | (45,957)         | (83,888)          |
| <u>\$185,613</u>   | <u>\$ (32,997)</u> | <u>\$ -</u>         | <u>\$108,725</u> | <u>\$ 727,017</u> |

See Accompanying Independent Auditor's Report

***INTERNAL SERVICE FUNDS***

CITY OF MASON CITY, IOWA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2017

|   | <u>Central<br/>Services</u> | <u>Employee<br/>Health Care</u> | <u>Total</u>              |
|---|-----------------------------|---------------------------------|---------------------------|
| <b>ASSETS:</b>                                      |                             |                                 |                           |
| Current assets:                                     |                             |                                 |                           |
| Cash  | \$147,906                   | \$ 125,441                      | \$ 273,347                |
| Investments   | -                           | 587,993                         | 587,993                   |
| Receivables:  |                             |                                 |                           |
| Property taxes                                      | -                           | 9,222                           | 9,222                     |
| Succeeding year property taxes                      | -                           | 1,261,720                       | 1,261,720                 |
| Accrued interest                                    | -                           | 196                             | 196                       |
| Total current assets                                | <u>\$147,906</u>            | <u>\$1,984,572</u>              | <u>\$2,132,478</u>        |
| Noncurrent assets:                                  |                             |                                 |                           |
| Property, plant and equipment:                      |                             |                                 |                           |
| Equipment   | \$122,786                   | \$ -                            | \$ 122,786                |
| Vehicles  | 85,174                      | -                               | 85,174                    |
| Total property, plant and equipment                 | <u>\$207,960</u>            | <u>\$ -</u>                     | <u>\$ 207,960</u>         |
| Less accumulated depreciation                       | <u>(181,656)</u>            | <u>-</u>                        | <u>(181,656)</u>          |
| Net property, plant and equipment                   | <u>\$ 26,304</u>            | <u>\$ -</u>                     | <u>\$ 26,304</u>          |
| <b>Total assets</b>                                 | <b><u>\$174,210</u></b>     | <b><u>\$1,984,572</u></b>       | <b><u>\$2,158,782</u></b> |
| <b>LIABILITIES:</b>                                 |                             |                                 |                           |
| Current liabilities:                                |                             |                                 |                           |
| Accounts payable                                    | \$ 1,145                    | \$ 918,399                      | \$ 919,544                |
| Salaries payable                                    | 7,033                       | -                               | 7,033                     |
| Compensated absences payable                        | 10,793                      | -                               | 10,793                    |
| Unearned revenue                                    | -                           | 7,865                           | 7,865                     |
| Total current liabilities                           | <u>\$ 18,971</u>            | <u>\$ 926,264</u>               | <u>\$ 945,235</u>         |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>               |                             |                                 |                           |
| Succeeding year property taxes                      | <u>\$ -</u>                 | <u>\$1,261,720</u>              | <u>\$1,261,720</u>        |
| Total liabilities and deferred inflows of resources | <u>\$ 18,971</u>            | <u>\$2,187,984</u>              | <u>\$2,206,955</u>        |
| <b>NET POSITION:</b>                                |                             |                                 |                           |
| Net investment in capital assets                    | \$ 26,304                   | \$ -                            | \$ 26,304                 |
| Unrestricted  | <u>128,935</u>              | <u>(203,412)</u>                | <u>(74,477)</u>           |
| <b>Total net position</b>                           | <b><u>\$155,239</u></b>     | <b><u>\$ (203,412)</u></b>      | <b><u>\$ (48,173)</u></b> |

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017

|   | <u>Central<br/>Services</u> | <u>Employee<br/>Health Care</u> | <u>Total</u>              |
|---|-----------------------------|---------------------------------|---------------------------|
| <b>Operating revenues:</b>                          |                             |                                 |                           |
| Charges for services                                | \$251,943                   | \$ -                            | \$ 251,943                |
| Health insurance contributions                      | -                           | 3,308,275                       | 3,308,275                 |
| Total operating revenues                            | <u>\$251,943</u>            | <u>\$3,308,275</u>              | <u>\$3,560,218</u>        |
| <b>Operating expenses:</b>                          |                             |                                 |                           |
| Business-type activities:                           |                             |                                 |                           |
| Personal services                                   | \$212,032                   | \$3,977,294                     | \$4,189,326               |
| Contractual   | 9,861                       | -                               | 9,861                     |
| Commodities   | 13,327                      | -                               | 13,327                    |
| Other   | -                           | -                               | -                         |
| Depreciation  | 6,755                       | -                               | 6,755                     |
| Total operating expenses                            | <u>\$241,975</u>            | <u>\$3,977,294</u>              | <u>\$4,219,269</u>        |
| Operating income (loss)                             | <u>\$ 9,968</u>             | <u>\$ (669,019)</u>             | <u>\$ (659,051)</u>       |
| <b>Nonoperating revenues (expenses):</b>            |                             |                                 |                           |
| Property taxes                                      | \$ -                        | \$1,146,080                     | \$1,146,080               |
| Use of money and property                           | -                           | 7,458                           | 7,458                     |
| Total nonoperating revenues<br>(expenses)           | <u>\$ -</u>                 | <u>\$1,153,538</u>              | <u>\$1,153,538</u>        |
| Income (loss) before contributions<br>and transfers | <u>\$ 9,968</u>             | <u>\$ 484,519</u>               | <u>\$ 494,487</u>         |
| <b>Contributions and transfers:</b>                 |                             |                                 |                           |
| Transfers out                                       | \$ -                        | \$ (800,000)                    | \$ (800,000)              |
| Change in net position                              | \$ 9,968                    | \$ (315,481)                    | \$ (305,513)              |
| Net position beginning of year                      | <u>145,271</u>              | <u>112,069</u>                  | <u>257,340</u>            |
| <b>Net position end of year</b>                     | <u><b>\$155,239</b></u>     | <u><b>\$ (203,412)</b></u>      | <u><b>\$ (48,173)</b></u> |

*See Accompanying Independent Auditor's Report.*



CITY OF MASON CITY, IOWA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2017

|  | <u>Central<br/>Services</u> | <u>Employee<br/>Health Care</u> | <u>Total</u>             |
|--|-----------------------------|---------------------------------|--------------------------|
| Cash flows from operating activities:                        |                             |                                 |                          |
| Cash received from interfund charges                         | \$ 276,373                  | \$ 2,740,298                    | \$ 3,016,671             |
| Cash received from employees and others                      | -                           | 566,559                         | 566,559                  |
| Cash paid to employees for services                          | (211,064)                   | -                               | (211,064)                |
| Cash paid to other suppliers of<br>goods or services         | (31,560)                    | -                               | (31,560)                 |
| Cash paid for health and life<br>insurance                   | -                           | (4,002,659)                     | (4,002,659)              |
| Net cash provided (used) by<br>operating activities          | <u>\$ 33,749</u>            | <u>\$ (695,802)</u>             | <u>\$ (662,053)</u>      |
| Cash flows from non-capital financing<br>activities:         |                             |                                 |                          |
| Proceeds from property tax levy                              | \$ -                        | \$ 1,147,324                    | \$ 1,147,324             |
| Transfers Out  | -                           | (800,000)                       | (800,000)                |
| Net cash provided by non-capital<br>financing activities     | <u>\$ -</u>                 | <u>\$ 347,324</u>               | <u>\$ 347,324</u>        |
| Cash flows from capital and related<br>financing activities: |                             |                                 |                          |
| Net acquisition of capital assets                            | \$ (8,958)                  | -                               | \$ (8,958)               |
| Cash flows from investing activities:                        |                             |                                 |                          |
| Proceeds from sale of investments                            | \$ -                        | \$ 1,250,000                    | \$ 1,250,000             |
| Purchase of investments                                      | -                           | (1,100,000)                     | (1,100,000)              |
| Interest received  | -                           | 21,729                          | 21,729                   |
| Net cash provided (used) by<br>investing activities          | <u>\$ -</u>                 | <u>\$ 171,729</u>               | <u>\$ 171,729</u>        |
| Net increase in cash   | \$ 24,791                   | \$ (176,749)                    | \$ (151,958)             |
| Cash beginning of year                                       | <u>123,115</u>              | <u>302,190</u>                  | <u>425,305</u>           |
| <b>Cash end of year</b>                                      | <b><u>\$ 147,906</u></b>    | <b><u>\$ 125,441</u></b>        | <b><u>\$ 273,347</u></b> |
| Noncash capital, investing and financing<br>activities:      |                             |                                 |                          |
| Decrease in fair market value of<br>investments              | \$ -                        | \$ 14,081                       | \$ 14,081                |

(continued)

CITY OF MASON CITY, IOWA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2017

|   | <u>Central<br/>Services</u> | <u>Employee<br/>Health Care</u> | <u>Total</u>                   |
|---|-----------------------------|---------------------------------|--------------------------------|
| <b>Reconciliation of Operating Income (Loss)<br/>to Net Cash Provided (Used) by Operating<br/>Activities:</b> |                             |                                 |                                |
| Operating income (loss)   | \$ 9,968                    | \$ (669,019)                    | \$ (659,051)                   |
| Adjustments to reconcile operating income<br>(loss) to net cash from operating activities:                    |                             |                                 |                                |
| Depreciation and amortization expense   | 6,755                       | -                               | 6,755                          |
| Change in assets and liabilities:   |                             |                                 |                                |
| (Increase) decrease in due from other<br>funds  | 24,430                      | -                               | 24,430                         |
| (Increase) decrease in prepaid insurance  | -                           | -                               | -                              |
| Increase (decrease) in accounts payable   | (8,372)                     | (25,365)                        | (33,737)                       |
| Increase (decrease) in salaries payable   | 831                         | -                               | 831                            |
| Increase (decrease) in compensated absences   | 137                         | -                               | 137                            |
| Increase (decrease) in unearned revenue   | -                           | (1,418)                         | (1,418)                        |
| <br><b>Net cash provided (used) by operating<br/>activities</b>   | <br><b><u>\$33,749</u></b>  | <br><b><u>\$ (695,802)</u></b>  | <br><b><u>\$ (662,053)</u></b> |

*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, 2017

|   |                             |
|---|-----------------------------|
| General capital assets:                         |                             |
| Land  | \$ 20,975,492               |
| Buildings                                       | 23,806,610                  |
| Improvements                                    | 32,411,289                  |
| Equipment                                       | 6,459,088                   |
| Vehicles  | 9,344,080                   |
| Infrastructure                                  | 88,819,406                  |
| Construction in progress                        | <u>6,621,587</u>            |
| <br>  |                             |
| <b>Total general capital assets</b>             | <b><u>\$188,437,552</u></b> |
| <br>  |                             |
| Investment in general capital assets by source: |                             |
| General fund                                    | <u>\$188,437,552</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 position.

*See Accompanying Independent Auditor's Report.*

**CITY OF MASON CITY, IOWA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**JUNE 30, 2017**

| <u>Function and Activity</u>             | <u>Total</u>                | <u>Land</u>                |
|--|-----------------------------|----------------------------|
| Public Safety:                           |                             |                            |
| Police                                   | \$ 3,951,905                | \$ 115,000                 |
| Fire                                     | 4,959,608                   | 75,150                     |
| Civil Defense                            | 225,118                     | -                          |
| Building                                 | 51,080                      | -                          |
| Inspectors                               | 39,024                      | -                          |
| Neighborhood Services                    | 821,657                     | -                          |
| Total public safety                      | <u>\$ 10,048,392</u>        | <u>\$ 190,150</u>          |
| Public Works:                            |                             |                            |
| Airport                                  | \$ 30,733,392               | \$ 1,725,891               |
| Street                                   | 5,547,901                   | 31,363                     |
| Infrastructure                           | 90,559,472                  | -                          |
| Arborist                                 | 143,645                     | -                          |
| Engineer                                 | 109,643                     | -                          |
| Total public works                       | <u>\$127,094,053</u>        | <u>\$ 1,757,254</u>        |
| Health and Social Services:              |                             |                            |
| Youth Task Force                         | \$ 23,031                   | \$ -                       |
| Health                                   | 20,660                      | -                          |
| Human Rights                             | 4,769                       | -                          |
| Total health and social services         | <u>\$ 48,460</u>            | <u>\$ -</u>                |
| Culture and Recreation:                  |                             |                            |
| Parks                                    | \$ 31,343,982               | \$19,014,588               |
| Swimming Pool                            | 3,242,882                   | -                          |
| Recreation                               | 563,025                     | -                          |
| Library                                  | 10,078,085                  | 13,500                     |
| Museum                                   | 1,747,618                   | -                          |
| Band                                     | 2,881                       | -                          |
| Total culture and recreation             | <u>\$ 46,978,473</u>        | <u>\$19,028,088</u>        |
| Community and Economic Development:      |                             |                            |
| Growth Development and Planning          | \$ 11,026                   | \$ -                       |
| Transit                                  | 1,243,438                   | -                          |
| Total community and economic development | <u>\$ 1,254,464</u>         | <u>\$ -</u>                |
| General Government:                      |                             |                            |
| Mayor                                    | \$ 3,836                    | \$ -                       |
| Council/Coffee room                      | 3,758                       | -                          |
| Administrator                            | 16,650                      | -                          |
| Finance                                  | 47,218                      | -                          |
| Clerk                                    | 3,920                       | -                          |
| City Hall                                | 2,896,109                   | -                          |
| Safety Director                          | -                           | -                          |
| GIS                                      | 42,219                      | -                          |
| Total general government                 | <u>\$ 3,013,710</u>         | <u>\$ -</u>                |
| <b>Total general capital assets</b>      | <b><u>\$188,437,552</u></b> | <b><u>\$20,975,492</u></b> |

*See Accompanying Independent Auditor's Report.*

| <u>Buildings and Structures</u> | <u>Improvements Other Than Buildings</u> | <u>Machinery &amp; Equipment</u> | <u>Vehicles</u>           | <u>Infrastructure</u>      | <u>Construction in Progress</u> |
|---------------------------------|--|----------------------------------|---------------------------|----------------------------|---------------------------------|
| \$ 1,773,156                    | \$ -                                     | \$ 985,000                       | \$ 698,686                | \$ -                       | \$ 380,063                      |
| 914,799                         | 148,187                                  | 918,580                          | 2,902,892                 | -                          | -                               |
| -                               | -  | 225,118                          | -                         | -                          | -                               |
| -                               | -  | 14,809                           | 36,271                    | -                          | -                               |
| -                               | -  | 10,001                           | 29,023                    | -                          | -                               |
| 791,991                         | -  | 5,590                            | 24,076                    | -                          | -                               |
| <u>\$ 3,479,946</u>             | <u>\$ 148,187</u>                        | <u>\$2,159,098</u>               | <u>\$3,690,948</u>        | <u>\$ -</u>                | <u>\$ 380,063</u>               |
| \$ 5,524,801                    | \$20,816,709                             | \$ 478,086                       | \$1,495,909               | \$ -                       | \$ 691,996                      |
| 1,537,257                       | 215,910                                  | 890,432                          | 2,872,939                 | -                          | -                               |
| -                               | -  | -                                | -                         | 88,819,406                 | 1,740,066                       |
| -                               | -  | 7,315                            | 136,330                   | -                          | -                               |
| -                               | -  | 42,709                           | 66,934                    | -                          | -                               |
| <u>\$ 7,062,058</u>             | <u>\$21,032,619</u>                      | <u>\$1,418,542</u>               | <u>\$4,572,112</u>        | <u>\$88,819,406</u>        | <u>\$2,432,062</u>              |
| \$ -                            | \$ -                                     | \$ 23,031                        | \$ -                      | \$ -                       | \$ -                            |
| -                               | -  | 4,391                            | 16,269                    | -                          | -                               |
| -                               | -  | 4,769                            | -                         | -                          | -                               |
| <u>\$ -</u>                     | <u>\$ -</u>                              | <u>\$ 32,191</u>                 | <u>\$ 16,269</u>          | <u>\$ -</u>                | <u>\$ -</u>                     |
| \$ 962,422                      | \$ 7,553,871                             | \$1,160,903                      | \$ 196,865                | \$ -                       | \$2,455,333                     |
| 20,729                          | 3,122,334                                | 99,819                           | -                         | -                          | -                               |
| -                               | 136,691                                  | 360,050                          | 66,284                    | -                          | -                               |
| 9,519,775                       | 239,231                                  | 305,579                          | -                         | -                          | -                               |
| 1,399,325                       | 169,604                                  | 178,689                          | -                         | -                          | -                               |
| -                               | -  | 2,881                            | -                         | -                          | -                               |
| <u>\$11,902,251</u>             | <u>\$11,221,731</u>                      | <u>\$2,107,921</u>               | <u>\$ 263,149</u>         | <u>\$ -</u>                | <u>\$2,455,333</u>              |
| \$ -                            | \$ -                                     | \$ 11,026                        | \$ -                      | \$ -                       | \$ -                            |
| 392,539                         | -  | 49,297                           | 801,602                   | -                          | -                               |
| <u>\$ 392,539</u>               | <u>\$ -</u>                              | <u>\$ 60,323</u>                 | <u>\$ 801,602</u>         | <u>\$ -</u>                | <u>\$ -</u>                     |
| \$ -                            | \$ -                                     | \$ 3,836                         | \$ -                      | \$ -                       | \$ -                            |
| -                               | -  | 3,758                            | -                         | -                          | -                               |
| -                               | -  | 16,650                           | -                         | -                          | -                               |
| -                               | -  | 47,218                           | -                         | -                          | -                               |
| -                               | -  | 3,920                            | -                         | -                          | 1,354,129                       |
| 969,816                         | 8,752                                    | 563,412                          | -                         | -                          | -                               |
| -                               | -  | -                                | -                         | -                          | -                               |
| -                               | -  | 42,219                           | -                         | -                          | -                               |
| <u>\$ 969,816</u>               | <u>\$ 8,752</u>                          | <u>\$ 681,013</u>                | <u>\$ -</u>               | <u>\$ -</u>                | <u>\$1,354,129</u>              |
| <b><u>\$23,806,610</u></b>      | <b><u>\$32,411,289</u></b>               | <b><u>\$6,459,088</u></b>        | <b><u>\$9,344,080</u></b> | <b><u>\$88,819,406</u></b> | <b><u>\$6,621,587</u></b>       |

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, 2017

| <b>Function and Activity</b>             | <b>Balance<br/>June 30, 2016</b> |
|--|----------------------------------|
| Public Safety:                           |                                  |
| Police                                   | \$ 3,690,826                     |
| Fire                                     | 4,812,323                        |
| Civil Defense                            | 225,118                          |
| Building                                 | 46,398                           |
| Inspectors                               | 39,024                           |
| Neighborhood Services                    | 821,657                          |
| Total public safety                      | <u>\$ 9,635,346</u>              |
| Public Works:                            |                                  |
| Airport                                  | \$ 28,423,591                    |
| Street                                   | 5,439,357                        |
| Infrastructure                           | 87,750,148                       |
| Arborist                                 | 143,645                          |
| Engineer                                 | 212,312                          |
| Total public works                       | <u>\$121,969,053</u>             |
| Health and Social Services:              |                                  |
| Youth Task Force                         | \$ 23,031                        |
| Health                                   | 20,660                           |
| Human Rights                             | 4,769                            |
| Total health and social services         | <u>\$ 48,460</u>                 |
| Culture and Recreation:                  |                                  |
| Parks                                    | \$ 8,906,594                     |
| Swimming Pool                            | 3,247,022                        |
| Recreation                               | 449,335                          |
| Library                                  | 10,082,535                       |
| Museum                                   | 1,727,477                        |
| Band                                     | 2,881                            |
| Total culture and recreation             | <u>\$ 24,415,844</u>             |
| Community and Economic Development:      |                                  |
| Growth Development and Planning          | \$ 12,797                        |
| Transit                                  | 1,348,505                        |
| Total community and economic development | <u>\$ 1,361,302</u>              |
| General Government:                      |                                  |
| Mayor                                    | \$ 3,836                         |
| Council/Coffee room                      | 10,775                           |
| Administrator                            | 16,650                           |
| Finance                                  | 55,697                           |
| Clerk                                    | 3,920                            |
| City Hall                                | 1,424,594                        |
| Safety Director                          | 2,020                            |
| GIS                                      | 42,219                           |
| Total general government                 | <u>\$ 1,559,711</u>              |
| Total Program & Activity                 | \$158,989,716                    |
| Construction in progress                 | <u>21,692,343</u>                |
| <b>Total general capital assets</b>      | <b><u>\$180,682,059</u></b>      |

*See Accompanying Independent Auditor's Report.*

| <u>Additions</u>           | <u>Deletions</u>           | <u>Balance<br/>June 30, 2017</u> |
|----------------------------|----------------------------|----------------------------------|
| \$ 57,226                  | \$ 176,210                 | \$ 3,571,842                     |
| 157,655                    | 10,369                     | 4,959,609                        |
| -                          | -                          | 225,118                          |
| 20,736                     | 16,054                     | 51,080                           |
| -                          | -                          | 39,024                           |
| -                          | -                          | 821,657                          |
| <u>\$ 235,617</u>          | <u>\$ 202,633</u>          | <u>\$ 9,668,330</u>              |
| <br>                       |                            |                                  |
| \$ 1,765,049               | \$ 147,243                 | \$ 30,041,397                    |
| 108,544                    | -                          | 5,547,901                        |
| 1,069,258                  | -                          | 88,819,406                       |
| -                          | -                          | 143,645                          |
| 15,878                     | 118,548                    | 109,642                          |
| <u>\$ 2,958,729</u>        | <u>\$ 265,791</u>          | <u>\$124,661,991</u>             |
| <br>                       |                            |                                  |
| \$ -                       | \$ -                       | \$ 23,031                        |
| -                          | -                          | 20,660                           |
| -                          | -                          | 4,769                            |
| <u>\$ -</u>                | <u>\$ -</u>                | <u>\$ 48,460</u>                 |
| <br>                       |                            |                                  |
| \$20,040,180               | \$ 58,127                  | \$ 28,888,647                    |
| -                          | 4,140                      | 3,242,882                        |
| 115,010                    | 1,320                      | 563,025                          |
| -                          | 4,449                      | 10,078,086                       |
| 20,141                     | -                          | 1,747,618                        |
| -                          | -                          | 2,881                            |
| <u>\$20,175,331</u>        | <u>\$ 68,036</u>           | <u>\$ 44,523,139</u>             |
| <br>                       |                            |                                  |
| \$ -                       | \$ 1,771                   | \$ 11,026                        |
| -                          | 105,068                    | 1,243,437                        |
| <u>\$ -</u>                | <u>\$ 106,839</u>          | <u>\$ 1,254,463</u>              |
| <br>                       |                            |                                  |
| \$ -                       | \$ -                       | \$ 3,836                         |
| -                          | 7,017                      | 3,758                            |
| -                          | -                          | 16,650                           |
| -                          | 8,478                      | 47,219                           |
| -                          | -                          | 3,920                            |
| 117,386                    | -                          | 1,541,980                        |
| -                          | 2,020                      | -                                |
| -                          | -                          | 42,219                           |
| <u>\$ 117,386</u>          | <u>\$ 17,515</u>           | <u>\$ 1,659,582</u>              |
| <br>                       |                            |                                  |
| \$23,487,063               | \$ 660,814                 | \$181,815,965                    |
| <br>                       |                            |                                  |
| <u>6,845,865</u>           | <u>21,916,621</u>          | <u>6,621,587</u>                 |
| <br>                       |                            |                                  |
| <u><b>\$30,332,928</b></u> | <u><b>\$22,577,435</b></u> | <u><b>\$188,437,552</b></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.

| <b><u>Contents</u></b>   | <b><u>Page</u></b> |
|--|--------------------|
| <b>Financial Trends</b><br>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.   | 129-138            |
| <b>Revenue Capacity</b><br>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.   | 139-147            |
| <b>Debt Capacity</b><br>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.                            | 148-155            |
| <b>Demographic and Economic Information</b><br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.                                    | 156-160            |
| <b>Operating Information</b><br>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. | 163-164            |

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

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

|  | <u>2017</u>                 | <u>2016</u>                 | <u>2015</u>                 | <u>2014</u>                 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Governmental activities:                           |                             |                             |                             |                             |
| Net investment in capital assets                   | \$ 90,307,081               | \$ 86,127,886               | \$ 84,727,602               | \$ 88,920,358               |
| Restricted for:                                    |                             |                             |                             |                             |
| Museum funding                                     | 633,638                     | 633,638                     | 633,638                     | 633,638                     |
| Bond retirement                                    | 266,664                     | 231,420                     | 202,580                     | 28,884                      |
| Perpetual care                                     | 619,046                     | 525,647                     | 511,708                     | 505,952                     |
| Unrestricted                                       | <u>6,735,253</u>            | <u>11,222,406</u>           | <u>11,276,131</u>           | <u>20,354,057</u>           |
| <b>Total governmental activities net position</b>  | <b><u>\$ 98,561,682</u></b> | <b><u>\$ 98,740,997</u></b> | <b><u>\$ 97,351,659</u></b> | <b><u>\$110,442,889</u></b> |
| Business-type activities:                          |                             |                             |                             |                             |
| Net investment in capital assets                   | \$ 54,903,077               | \$ 53,212,613               | \$ 49,472,024               | \$ 49,736,029               |
| Restricted for:                                    |                             |                             |                             |                             |
| Bond retirement                                    | 2,719,918                   | 2,783,610                   | 2,861,234                   | 2,854,605                   |
| Unrestricted                                       | <u>(330,714)</u>            | <u>(579,255)</u>            | <u>1,324,665</u>            | <u>2,963,829</u>            |
| <b>Total business-type activities net position</b> | <b><u>\$ 57,292,281</u></b> | <b><u>\$ 55,416,968</u></b> | <b><u>\$ 53,657,923</u></b> | <b><u>\$ 55,554,463</u></b> |
| Primary government:                                |                             |                             |                             |                             |
| Net investment in capital assets                   | \$145,210,158               | \$139,340,499               | \$134,199,626               | \$138,656,387               |
| Restricted for:                                    |                             |                             |                             |                             |
| Museum funding                                     | 633,638                     | 633,638                     | 633,638                     | 633,638                     |
| Bond retirement                                    | 2,986,582                   | 3,015,030                   | 3,063,814                   | 2,883,489                   |
| Perpetual care                                     | 619,046                     | 525,647                     | 511,708                     | 505,952                     |
| Unrestricted                                       | <u>6,404,539</u>            | <u>10,643,151</u>           | <u>12,600,796</u>           | <u>23,317,886</u>           |
| <b>Total primary government net position</b>       | <b><u>\$155,853,963</u></b> | <b><u>\$154,157,965</u></b> | <b><u>\$151,009,582</u></b> | <b><u>\$165,997,352</u></b> |

*See Accompanying Independent Auditor's Report.*

| <u>2013</u>                 | <u>2012</u>                 | <u>2011 (1)</u>             | <u>2010</u>                 | <u>2009</u>                 | <u>2008</u>                 |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| \$ 88,508,650               | \$ 84,438,764               | \$ 78,121,123               | \$ 67,769,666               | \$ 60,958,677               | \$ 54,151,661               |
| 633,638                     | 633,638                     | 633,638                     | 633,638                     | 633,638                     | 633,638                     |
| -                           | -                           | -                           | 61,631                      | 267,858                     | 362,803                     |
| 511,089                     | 527,193                     | 509,011                     | 505,269                     | 486,855                     | 455,442                     |
| <u>22,016,269</u>           | <u>22,798,317</u>           | <u>20,613,538</u>           | <u>21,388,087</u>           | <u>20,911,732</u>           | <u>23,700,869</u>           |
| <b><u>\$111,669,646</u></b> | <b><u>\$108,397,912</u></b> | <b><u>\$ 99,877,310</u></b> | <b><u>\$ 90,358,291</u></b> | <b><u>\$ 83,258,760</u></b> | <b><u>\$ 79,304,413</u></b> |
| \$ 47,268,020               | \$ 45,942,815               | \$ 40,172,842               | \$ 38,361,919               | \$ 38,209,810               | \$ 36,086,120               |
| 2,854,934                   | 2,863,129                   | 2,866,968                   | 2,853,334                   | 2,836,655                   | 2,799,606                   |
| <u>4,731,482</u>            | <u>4,005,609</u>            | <u>4,952,139</u>            | <u>3,251,027</u>            | <u>2,085,637</u>            | <u>2,149,576</u>            |
| <b><u>\$ 54,854,436</u></b> | <b><u>\$ 52,811,553</u></b> | <b><u>\$ 47,991,949</u></b> | <b><u>\$ 44,466,280</u></b> | <b><u>\$ 43,132,112</u></b> | <b><u>\$ 41,035,302</u></b> |
| \$135,776,670               | \$130,381,579               | \$118,293,965               | \$106,131,585               | \$ 99,168,487               | \$ 90,237,781               |
| 633,638                     | 633,638                     | 633,638                     | 633,638                     | 633,638                     | 633,638                     |
| 2,854,934                   | 2,863,129                   | 2,866,968                   | 2,914,965                   | 3,104,523                   | 3,162,409                   |
| 511,089                     | 527,193                     | 509,011                     | 505,269                     | 486,855                     | 455,442                     |
| <u>26,747,751</u>           | <u>26,803,926</u>           | <u>25,565,677</u>           | <u>24,639,114</u>           | <u>22,997,639</u>           | <u>25,850,445</u>           |
| <b><u>\$166,524,082</u></b> | <b><u>\$161,209,465</u></b> | <b><u>\$147,869,259</u></b> | <b><u>\$134,824,571</u></b> | <b><u>\$126,390,872</u></b> | <b><u>\$120,339,715</u></b> |

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

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

|   | <u>2017</u>                   | <u>2016</u>                   | <u>2015</u>                   | <u>2014</u>                   |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Expenses:</b>  |                               |                               |                               |                               |
| Governmental activities:                                |                               |                               |                               |                               |
| Public safety   | \$ 11,199,350                 | \$ 10,754,469                 | \$ 10,241,751                 | \$ 10,446,427                 |
| Public works  | 8,485,842                     | 9,511,930                     | 10,250,497                    | 8,903,627                     |
| Health and social services                              | 390,046                       | 413,573                       | 439,606                       | 511,107                       |
| Culture and recreation                                  | 4,149,309                     | 4,258,749                     | 4,149,775                     | 4,177,101                     |
| Community and economic development                      | 2,717,656                     | 2,054,156                     | 2,289,522                     | 2,370,711                     |
| General government                                      | 2,683,181                     | 2,506,268                     | 2,518,372                     | 2,485,932                     |
| Interest on long-term debt                              | 623,661                       | 686,189                       | 755,292                       | 736,324                       |
| Total governmental activities expenses                  | <u>\$ 30,249,045</u>          | <u>\$ 30,185,334</u>          | <u>\$ 30,644,815</u>          | <u>\$ 29,631,229</u>          |
| Business-type activities:                               |                               |                               |                               |                               |
| Cemetery  | \$ 352,923                    | \$ 356,153                    | \$ 331,137                    | \$ 325,879                    |
| Water   | 5,146,266                     | 5,193,904                     | 4,975,418                     | 5,092,230                     |
| Sewer   | 3,725,216                     | 3,739,623                     | 3,749,185                     | 3,741,731                     |
| Parking lots  | 141,304                       | 134,594                       | 128,181                       | 136,465                       |
| Storm sewer   | 192,538                       | 189,771                       | 166,928                       | 204,436                       |
| Solid waste   | 1,384,561                     | 1,337,596                     | 1,439,651                     | 1,402,968                     |
| Golf course   | 457,069                       | 467,724                       | 445,611                       | 446,921                       |
| Ambulance   | 2,017,871                     | 1,907,191                     | 1,712,861                     | 1,721,519                     |
| Total business-type activities expenses                 | <u>\$ 13,417,748</u>          | <u>\$ 13,326,556</u>          | <u>\$ 12,948,972</u>          | <u>\$ 13,072,149</u>          |
| <b>Total primary government expenses</b>                | <u><b>\$ 43,666,793</b></u>   | <u><b>\$ 43,511,890</b></u>   | <u><b>\$ 43,593,787</b></u>   | <u><b>\$ 42,703,378</b></u>   |
| <b>Program Revenues:</b>                                |                               |                               |                               |                               |
| Governmental activities:                                |                               |                               |                               |                               |
| Charges for services:                                   |                               |                               |                               |                               |
| Public safety   | \$ 336,785                    | \$ 409,878                    | \$ 354,664                    | \$ 422,028                    |
| Culture and recreation                                  | 537,921                       | 558,680                       | 542,348                       | 495,266                       |
| General government                                      | 348,218                       | 372,314                       | 344,976                       | 304,320                       |
| Other activities  | 237,072                       | 240,179                       | 175,334                       | 188,687                       |
| Operating grants and contributions                      | 4,969,902                     | 4,638,840                     | 4,357,766                     | 3,957,726                     |
| Capital grants and contributions                        | 1,425,444                     | 2,139,435                     | 1,387,300                     | 2,531,898                     |
| Total governmental activities program revenues          | <u>\$ 7,855,342</u>           | <u>\$ 8,359,326</u>           | <u>\$ 7,162,388</u>           | <u>\$ 7,899,925</u>           |
| Business-type activities:                               |                               |                               |                               |                               |
| Charges for services:                                   |                               |                               |                               |                               |
| Water   | \$ 5,932,570                  | \$ 5,813,383                  | \$ 5,672,300                  | \$ 5,526,389                  |
| Sewer   | 4,597,032                     | 4,295,594                     | 4,261,982                     | 4,135,284                     |
| Other activities  | 4,030,533                     | 4,062,132                     | 4,173,545                     | 3,688,887                     |
| Operating grants and contributions                      | 7,740                         | -                             | -                             | -                             |
| Capital grants and contributions                        | 232,870                       | 471,576                       | -                             | -                             |
| Total business-type activities program revenues         | <u>\$ 14,800,745</u>          | <u>\$ 14,642,685</u>          | <u>\$ 14,107,827</u>          | <u>\$ 13,350,560</u>          |
| <b>Total primary government program revenues</b>        | <u><b>\$ 22,656,087</b></u>   | <u><b>\$ 23,002,011</b></u>   | <u><b>\$ 21,270,215</b></u>   | <u><b>\$ 21,250,485</b></u>   |
| <b>Net (Expense) Revenues:</b>                          |                               |                               |                               |                               |
| Governmental activities                                 | \$ (22,393,703)               | \$ (21,826,008)               | \$ (23,482,427)               | \$ (21,731,304)               |
| Business-type activities                                | 1,382,997                     | 1,316,129                     | 1,158,855                     | 278,411                       |
| <b>Total primary government net (expense)/ revenues</b> | <u><b>\$ (21,010,706)</b></u> | <u><b>\$ (20,509,879)</b></u> | <u><b>\$ (22,323,572)</b></u> | <u><b>\$ (21,452,893)</b></u> |

(continued)

| <u>2013</u>                  | <u>2012</u>                 | <u>2011</u>                 | <u>2010</u>                  | <u>2009</u>                  | <u>2008</u>                  |
|------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|
| \$ 9,943,882                 | \$ 9,787,453                | \$ 9,402,887                | \$ 8,897,795                 | \$ 8,776,634                 | \$ 8,836,067                 |
| 7,553,058                    | 7,382,204                   | 7,450,233                   | 6,910,495                    | 6,912,927                    | 6,547,510                    |
| 1,790,824                    | 906,341                     | 808,916                     | 779,197                      | 769,456                      | 838,912                      |
| 3,248,655                    | 4,091,975                   | 3,503,976                   | 3,475,535                    | 3,720,434                    | 3,192,566                    |
| 3,743,098                    | 1,979,288                   | 2,252,333                   | 2,368,084                    | 1,937,074                    | 1,516,775                    |
| 2,357,531                    | 2,211,823                   | 2,176,829                   | 2,593,594                    | 2,668,372                    | 2,206,251                    |
| 863,232                      | 992,502                     | 1,053,911                   | 987,814                      | 695,529                      | 580,638                      |
| <u>\$ 29,500,280</u>         | <u>\$ 27,351,586</u>        | <u>\$ 26,649,085</u>        | <u>\$ 26,012,514</u>         | <u>\$ 25,480,426</u>         | <u>\$ 23,718,719</u>         |
| \$ 332,576                   | \$ 333,251                  | \$ 314,613                  | \$ 300,661                   | \$ 282,484                   | \$ 263,411                   |
| 5,154,341                    | 5,158,365                   | 5,218,343                   | 5,244,979                    | 5,047,464                    | 4,896,428                    |
| 3,905,597                    | 3,824,139                   | 3,505,748                   | 3,473,401                    | 3,118,427                    | 2,841,619                    |
| 125,823                      | 112,947                     | 127,198                     | 135,289                      | 118,762                      | 112,018                      |
| 188,616                      | 186,745                     | 189,862                     | 182,262                      | 178,107                      | 188,876                      |
| 1,317,928                    | 1,378,497                   | 1,289,603                   | 1,244,442                    | 1,201,526                    | 1,141,987                    |
| 435,999                      | 449,534                     | 473,005                     | 453,765                      | 463,543                      | 496,383                      |
| 1,526,010                    | 1,581,505                   | 1,572,168                   | 1,265,397                    | 1,353,951                    | 1,300,570                    |
| <u>\$ 12,986,890</u>         | <u>\$ 13,024,983</u>        | <u>\$ 12,690,540</u>        | <u>\$ 12,300,196</u>         | <u>\$ 11,779,640</u>         | <u>\$ 11,300,831</u>         |
| <b><u>\$ 42,487,170</u></b>  | <b><u>\$ 40,376,569</u></b> | <b><u>\$ 39,339,625</u></b> | <b><u>\$ 38,312,710</u></b>  | <b><u>\$ 37,260,066</u></b>  | <b><u>\$ 35,019,550</u></b>  |
| \$ 417,633                   | \$ 381,382                  | \$ 356,340                  | \$ 287,781                   | \$ 388,341                   | \$ 331,821                   |
| 481,665                      | 540,478                     | 550,848                     | 458,412                      | 474,665                      | 462,564                      |
| 364,171                      | 311,974                     | 410,024                     | 382,266                      | 453,072                      | 399,780                      |
| 328,260                      | 424,824                     | 269,465                     | 587,134                      | 215,322                      | 266,913                      |
| 4,679,847                    | 4,303,876                   | 3,748,874                   | 2,380,822                    | 1,970,043                    | 1,586,253                    |
| 6,022,423                    | 8,315,838                   | 10,109,341                  | 7,737,713                    | 4,828,170                    | 3,383,038                    |
| <u>\$ 12,293,999</u>         | <u>\$ 14,278,372</u>        | <u>\$ 15,444,892</u>        | <u>\$ 11,834,128</u>         | <u>\$ 8,929,613</u>          | <u>\$ 6,430,369</u>          |
| \$ 5,723,723                 | \$ 5,388,342                | \$ 5,238,573                | \$ 4,979,982                 | \$ 4,647,116                 | \$ 4,701,954                 |
| 4,370,992                    | 4,388,117                   | 4,658,234                   | 4,304,033                    | 4,196,151                    | 3,060,266                    |
| 3,986,210                    | 3,830,609                   | 3,645,750                   | 3,612,573                    | 3,637,931                    | 3,525,466                    |
| (46,721)                     | 37,354                      | 619,206                     | 188,313                      | 584,695                      | -                            |
| 681,130                      | 4,030,634                   | 914,735                     | 206,190                      | 270,810                      | 1,111,409                    |
| <u>\$ 14,715,334</u>         | <u>\$ 17,675,056</u>        | <u>\$ 15,076,498</u>        | <u>\$ 13,291,091</u>         | <u>\$ 13,336,703</u>         | <u>\$ 12,399,095</u>         |
| <b><u>\$ 27,009,333</u></b>  | <b><u>\$ 31,953,428</u></b> | <b><u>\$ 30,521,390</u></b> | <b><u>\$ 25,125,219</u></b>  | <b><u>\$ 21,666,316</u></b>  | <b><u>\$ 18,829,464</u></b>  |
| \$(17,206,287)               | \$(13,073,214)              | \$(11,204,193)              | \$(14,178,386)               | \$(17,150,813)               | \$(17,288,350)               |
| 1,728,444                    | 4,650,073                   | 2,385,958                   | 990,895                      | 1,557,063                    | 1,098,264                    |
| <b><u>\$(15,477,837)</u></b> | <b><u>\$(8,423,141)</u></b> | <b><u>\$(8,818,235)</u></b> | <b><u>\$(13,187,491)</u></b> | <b><u>\$(15,593,750)</u></b> | <b><u>\$(16,190,086)</u></b> |

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

|  | <u>2017</u>                | <u>2016</u>                | <u>2015</u>                | <u>2014</u>                |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>General Revenues and Other Changes<br/>in Net Position:</b> |                            |                            |                            |                            |
| Governmental activities:                                       |                            |                            |                            |                            |
| General revenues:  |                            |                            |                            |                            |
| Property taxes   | \$14,603,173               | \$16,205,480               | \$16,054,359               | \$14,705,071               |
| Other taxes  | 6,849,542                  | 5,761,670                  | 5,525,372                  | 4,830,052                  |
| Franchise taxes  | -                          | -                          | -                          | -                          |
| Road use tax   | -                          | -                          | -                          | -                          |
| Unrestricted state utility<br>tax replacement                  | 157,254                    | 158,272                    | 155,992                    | 160,367                    |
| Grants and contributions not<br>restricted to specific program | 96,887                     | -                          | 6,460                      | 162,241                    |
| Unrestricted investment income                                 | 368,943                    | 1,013,796                  | 682,226                    | 641,132                    |
| Gain (loss) on sale of capital<br>assets                       | -                          | -                          | -                          | -                          |
| Miscellaneous  | 75,967                     | 130,946                    | 52,321                     | 106,062                    |
| Transfers  | 62,622                     | (54,818)                   | (121,215)                  | (100,378)                  |
| Total governmental activities                                  | <u>\$22,214,388</u>        | <u>\$23,215,346</u>        | <u>\$22,355,515</u>        | <u>\$20,504,547</u>        |
| Business-type activities:                                      |                            |                            |                            |                            |
| General revenues:  |                            |                            |                            |                            |
| Property taxes   | \$ 147,450                 | \$ 148,886                 | \$ 137,372                 | \$ 126,798                 |
| Grants and contributions not<br>restricted to specific program | -                          | -                          | -                          | -                          |
| Unrestricted investment income                                 | 214,361                    | 105,188                    | 86,078                     | 71,380                     |
| Miscellaneous  | 193,122                    | 134,024                    | 164,043                    | 123,060                    |
| Transfers  | (62,622)                   | 54,818                     | 121,215                    | 100,378                    |
| Total business-type activities                                 | <u>\$ 492,311</u>          | <u>\$ 442,916</u>          | <u>\$ 508,708</u>          | <u>\$ 421,616</u>          |
| <b>Total primary government</b>                                | <b><u>\$22,706,699</u></b> | <b><u>\$23,658,262</u></b> | <b><u>\$22,864,223</u></b> | <b><u>\$20,926,163</u></b> |
| <b>Change in Net Position:</b>                                 |                            |                            |                            |                            |
| Governmental activities  | \$ (179,315)               | \$ 1,389,338               | \$ (1,126,912)             | \$ (1,226,757)             |
| Business-type activities                                       | 1,875,308                  | 1,759,045                  | 1,667,563                  | 700,027                    |
| <b>Total primary government</b>                                | <b><u>\$ 1,695,993</u></b> | <b><u>\$ 3,148,383</u></b> | <b><u>\$ 540,651</u></b>   | <b><u>\$ (526,730)</u></b> |

*See Accompanying Independent Auditor's Report.*

**SCHEDULE 2  
(continued)**

| <u>2013</u>                | <u>2012</u>                | <u>2011</u>                | <u>2010</u>                | <u>2009</u>                | <u>2008</u>                |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| \$14,956,662               | \$14,594,866               | \$14,145,418               | \$13,104,150               | \$12,884,283               | \$12,343,528               |
| 5,042,539                  | 5,319,902                  | 4,783,420                  | 4,435,891                  | 4,576,634                  | 5,032,706                  |
| 13,500                     | -                          | -                          | -                          | -                          | -                          |
| -                          | -                          | -                          | 2,466,138                  | 2,417,780                  | 2,499,599                  |
| 159,198                    | 156,531                    | 151,361                    | 174,130                    | 186,493                    | 186,315                    |
| 11,192                     | 95,746                     | 386,403                    | 19,107                     | 44,895                     | 10,001                     |
| 233,535                    | 1,002,440                  | 596,673                    | 1,068,587                  | 795,157                    | 1,478,799                  |
| -                          | -                          | -                          | -                          | -                          | -                          |
| 114,885                    | 259,331                    | 259,307                    | 13,663                     | 265,548                    | 104,746                    |
| (53,496)                   | 165,000                    | (36,000)                   | (3,749)                    | (65,630)                   | (235,136)                  |
| <u>\$20,478,015</u>        | <u>\$21,593,816</u>        | <u>\$20,286,582</u>        | <u>\$21,277,917</u>        | <u>\$21,105,160</u>        | <u>\$21,420,558</u>        |
| \$ 120,001                 | \$ 114,460                 | \$ 113,987                 | \$ 112,825                 | \$ 105,232                 | \$ 100,873                 |
| -                          | -                          | -                          | -                          | -                          | 2,825                      |
| 63,986                     | 112,040                    | 96,638                     | 133,399                    | 198,766                    | 346,442                    |
| 76,956                     | 108,031                    | 81,894                     | 93,300                     | 170,119                    | 103,638                    |
| 53,496                     | (165,000)                  | 36,000                     | 3,749                      | 65,630                     | 235,136                    |
| <u>\$ 314,439</u>          | <u>\$ 169,531</u>          | <u>\$ 328,519</u>          | <u>\$ 343,273</u>          | <u>\$ 539,747</u>          | <u>\$ 581,329</u>          |
| <b><u>\$20,792,454</u></b> | <b><u>\$21,763,347</u></b> | <b><u>\$20,615,101</u></b> | <b><u>\$21,621,190</u></b> | <b><u>\$21,644,907</u></b> | <b><u>\$22,209,472</u></b> |
| \$ 3,271,734               | \$ 8,520,602               | \$ 9,082,389               | \$ 7,099,531               | \$ 3,954,347               | \$ 4,132,208               |
| <u>2,042,883</u>           | <u>4,819,604</u>           | <u>2,714,477</u>           | <u>1,344,168</u>           | <u>2,096,810</u>           | <u>1,887,178</u>           |
| <b><u>\$ 5,314,617</u></b> | <b><u>\$13,340,206</u></b> | <b><u>\$11,796,866</u></b> | <b><u>\$ 8,433,699</u></b> | <b><u>\$ 6,051,157</u></b> | <b><u>\$ 6,019,386</u></b> |



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

|   | <u>2017</u>                | <u>2016</u>                | <u>2015</u>                | <u>2014</u>                |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>General Fund:</b>                      |                            |                            |                            |                            |
| Reserved                                  | \$ -                       | \$ -                       | \$ -                       | \$ -                       |
| Unreserved                                | -                          | -                          | -                          | -                          |
| Nonspendable                              | 154,615                    | 139,659                    | 150,431                    | 150,177                    |
| Restricted                                | 764,810                    | 902,107                    | 1,041,256                  | 1,159,526                  |
| Assigned                                  | 555,113                    | 1,340,521                  | 244,094                    | 209,235                    |
| Unassigned                                | 3,807,449                  | 4,477,546                  | 5,531,032                  | 4,182,542                  |
| <b>Total general fund</b>                 | <u><b>\$ 5,281,987</b></u> | <u><b>\$ 6,859,833</b></u> | <u><b>\$ 6,966,813</b></u> | <u><b>\$ 5,701,480</b></u> |
| <b>All Other Governmental Funds:</b>      |                            |                            |                            |                            |
| Reserved                                  | \$ -                       | \$ -                       | \$ -                       | \$ -                       |
| Unreserved, reported in:                  |                            |                            |                            |                            |
| Special revenue funds                     | -                          | -                          | -                          | -                          |
| Capital project funds                     | -                          | -                          | -                          | -                          |
| Permanent funds                           | -                          | -                          | -                          | -                          |
| Nonspendable                              | 706,119                    | 573,521                    | 547,542                    | 797,680                    |
| Restricted                                | 9,385,578                  | 11,657,353                 | 12,698,720                 | 13,572,250                 |
| Assigned                                  | 1,311,686                  | 1,199,497                  | 1,154,724                  | 1,394,529                  |
| Unassigned                                | (259,100)                  | (88,029)                   | (32,253)                   | 3,922,831                  |
| <b>Total all other governmental funds</b> | <u><b>\$11,144,283</b></u> | <u><b>\$13,342,342</b></u> | <u><b>\$14,368,733</b></u> | <u><b>\$19,687,290</b></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>2013</u>         | <u>2012</u>         | <u>2011</u>         | <u>2010</u>         | <u>2009</u>         | <u>2008</u>         |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ -                | \$ -                | \$ -                | \$ 214,097          | \$ 227,684          | \$ 209,866          |
| -                   | -                   | -                   | 8,311,761           | 7,035,343           | 8,412,260           |
| 143,958             | 151,565             | 139,912             | -                   | -                   | -                   |
| 1,214,910           | 1,295,953           | 1,316,949           | -                   | -                   | -                   |
| 144,553             | 374,681             | 474,153             | -                   | -                   | -                   |
| 5,542,781           | 5,165,554           | 5,125,768           | -                   | -                   | -                   |
| <u>\$ 7,046,202</u> | <u>\$ 6,987,753</u> | <u>\$ 7,056,782</u> | <u>\$ 8,525,858</u> | <u>\$ 7,263,027</u> | <u>\$ 8,622,126</u> |
| \$ -                | \$ -                | \$ -                | \$ 1,211,159        | \$ 1,398,244        | \$ 1,457,861        |
| -                   | -                   | -                   | 9,542,365           | 8,662,741           | 8,760,295           |
| -                   | -                   | -                   | 654,364             | 2,371,946           | 3,882,653           |
| -                   | -                   | -                   | 175,591             | 268,182             | 299,917             |
| 646,753             | 646,187             | 645,079             | -                   | -                   | -                   |
| 12,960,704          | 13,067,223          | 12,077,490          | -                   | -                   | -                   |
| 1,062,246           | 1,378,163           | 1,380,703           | -                   | -                   | -                   |
| (242,382)           | (156,514)           | (1,391,926)         | -                   | -                   | -                   |
| <u>\$14,427,321</u> | <u>\$14,935,059</u> | <u>\$12,711,346</u> | <u>\$11,583,479</u> | <u>\$12,701,113</u> | <u>\$14,400,726</u> |

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

|  | <u>2017</u>                  | <u>2016</u>                  | <u>2015</u>                | <u>2014</u>                  |
|--|------------------------------|------------------------------|----------------------------|------------------------------|
| <b>Revenues:</b>   |                              |                              |                            |                              |
| Property taxes   | \$13,457,091                 | \$13,448,843                 | \$13,134,275               | \$12,800,233                 |
| TIF revenues   | 1,213,704                    | 1,451,725                    | 1,573,744                  | 1,415,513                    |
| Other taxes  | 5,793,587                    | 5,919,944                    | 5,678,666                  | 5,003,919                    |
| Licenses and permits   | 571,825                      | 594,415                      | 580,014                    | 610,516                      |
| Intergovernmental  | 5,912,079                    | 6,025,276                    | 5,207,187                  | 6,043,361                    |
| Charges for services   | 834,127                      | 894,300                      | 754,598                    | 708,049                      |
| Fines and forfeitures  | 37,919                       | 74,775                       | 59,722                     | 71,074                       |
| Use of money and property  | 361,485                      | 984,474                      | 660,836                    | 629,500                      |
| Special assessments  | 16,125                       | 17,561                       | 22,988                     | 20,662                       |
| Miscellaneous  | 712,928                      | 917,396                      | 643,736                    | 751,594                      |
| Refunds  | 10,048                       | 27,189                       | 11,077                     | 25,555                       |
| Total revenues   | <u>\$28,920,918</u>          | <u>\$30,355,898</u>          | <u>\$28,326,843</u>        | <u>\$28,079,976</u>          |
| <b>Expenditures:</b>   |                              |                              |                            |                              |
| Public safety  | \$10,092,328                 | \$10,309,925                 | \$10,068,835               | \$ 9,461,048                 |
| Public works   | 3,665,692                    | 3,429,410                    | 3,488,692                  | 3,388,778                    |
| Health and social services   | 374,330                      | 398,199                      | 439,271                    | 491,775                      |
| Culture and recreation   | 3,110,549                    | 3,222,303                    | 3,184,421                  | 3,061,843                    |
| Community and economic development                                 | 2,643,901                    | 2,825,572                    | 2,228,117                  | 2,826,482                    |
| General government   | 2,580,027                    | 2,438,650                    | 2,454,268                  | 2,338,806                    |
| Capital projects   | 8,447,797                    | 6,355,203                    | 4,103,833                  | 4,851,153                    |
| Debt service:  |                              |                              |                            |                              |
| Principal retirement   | 3,425,000                    | 3,330,000                    | 3,446,922                  | 3,024,646                    |
| Interest   | 587,989                      | 653,668                      | 693,901                    | 710,057                      |
| Contractual  | 42,211                       | 37,374                       | 62,138                     | 30,408                       |
| Total expenditures   | <u>\$34,969,824</u>          | <u>\$33,000,304</u>          | <u>\$30,170,398</u>        | <u>\$30,184,996</u>          |
| Excess (deficiency) of revenues over<br>(under) expenditures       | <u>\$ (6,048,906)</u>        | <u>\$ (2,644,406)</u>        | <u>\$ (1,843,555)</u>      | <u>\$ (2,105,020)</u>        |
| <b>Other financing sources (uses):</b>                             |                              |                              |                            |                              |
| Issuance of refunding bonds  | \$ -                         | \$ -                         | \$ -                       | \$ -                         |
| Payment to refunding escrow agent                                  | -                            | -                            | -                          | -                            |
| Issuance of general obligation bonds                               | 1,410,000                    | 1,335,000                    | 3,185,000                  | 895,000                      |
| Premium (discount) on bonds issued                                 | 379                          | 30,853                       | 128,026                    | 24,165                       |
| Sale of capital assets   | -                            | -                            | -                          | -                            |
| Transfers in   | 2,852,026                    | 2,505,126                    | 2,488,068                  | 1,754,526                    |
| Transfers out  | (1,989,404)                  | (2,359,944)                  | (2,309,283)                | (2,354,904)                  |
| Total other financing sources (uses)                               | <u>\$ 2,273,001</u>          | <u>\$ 1,511,035</u>          | <u>\$ 3,491,811</u>        | <u>\$ 318,787</u>            |
| <b>Net change in fund balances</b>                                 | <b><u>\$ (3,775,905)</u></b> | <b><u>\$ (1,133,371)</u></b> | <b><u>\$ 1,648,256</u></b> | <b><u>\$ (1,786,233)</u></b> |
| <b>Debt service as a percentage of<br/>noncapital expenditures</b> | <b><u>18.30%</u></b>         | <b><u>18.16%</u></b>         | <b><u>19.16%</u></b>       | <b><u>17.60%</u></b>         |

*See Accompanying Independent Auditor's Report.*

| <u>2013</u>           | <u>2012</u>         | <u>2011</u>           | <u>2010</u>           | <u>2009</u>           | <u>2008</u>           |
|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$12,832,251          | \$12,329,153        | \$11,933,871          | \$11,227,096          | \$10,615,964          | \$ 9,991,874          |
| 1,409,284             | 1,500,976           | 1,438,648             | 1,113,291             | 1,293,624             | 1,549,165             |
| 5,215,237             | 5,476,433           | 4,934,781             | 4,610,021             | 4,763,020             | 5,219,025             |
| 587,652               | 598,403             | 627,128               | 526,228               | 594,809               | 589,770               |
| 10,176,181            | 12,222,158          | 13,550,171            | 11,920,642            | 8,771,337             | 7,062,389             |
| 889,012               | 950,316             | 868,987               | 1,098,884             | 788,428               | 673,796               |
| 80,084                | 83,949              | 81,317                | 73,912                | 117,261               | 88,621                |
| 252,129               | 966,669             | 580,143               | 1,046,555             | 747,268               | 1,408,275             |
| 34,981                | 25,990              | 9,245                 | 16,569                | 30,900                | 108,927               |
| 997,852               | 690,139             | 1,016,838             | 637,005               | 591,339               | 497,160               |
| 53,316                | 15,396              | 7,984                 | 34,447                | 207,873               | 72,695                |
| <u>\$32,527,979</u>   | <u>\$34,859,582</u> | <u>\$35,049,113</u>   | <u>\$32,304,650</u>   | <u>\$28,521,930</u>   | <u>\$27,261,697</u>   |
| <br>                  |                     |                       |                       |                       |                       |
| \$ 8,936,006          | \$ 8,935,302        | \$ 8,744,332          | \$ 8,377,479          | \$ 8,121,819          | \$ 8,339,910          |
| 3,174,323             | 3,130,523           | 3,228,134             | 3,398,998             | 2,879,684             | 3,278,651             |
| 734,159               | 853,755             | 787,650               | 765,063               | 750,863               | 805,599               |
| 3,396,606             | 3,092,889           | 2,917,485             | 2,988,797             | 3,046,106             | 2,785,729             |
| 5,490,905             | 5,472,392           | 12,624,763            | 7,278,193             | 1,693,168             | 1,134,548             |
| 2,200,056             | 2,101,725           | 2,113,201             | 2,469,483             | 2,531,895             | 2,134,146             |
| 6,120,323             | 6,437,190           | 7,502,631             | 13,623,213            | 16,059,284            | 7,859,352             |
| <br>                  |                     |                       |                       |                       |                       |
| 3,342,294             | 3,363,870           | 2,601,875             | 2,117,833             | 1,659,835             | 1,792,073             |
| 818,835               | 956,803             | 993,656               | 955,151               | 634,734               | 530,122               |
| 52,780                | 62,470              | 41,578                | 9,669                 | 48,424                | 50,115                |
| <u>\$34,266,287</u>   | <u>\$34,406,919</u> | <u>\$41,555,305</u>   | <u>\$41,983,879</u>   | <u>\$37,425,812</u>   | <u>\$28,710,245</u>   |
| <br>                  |                     |                       |                       |                       |                       |
| <u>\$ (1,738,308)</u> | <u>\$ 452,663</u>   | <u>\$ (6,506,192)</u> | <u>\$ (9,679,229)</u> | <u>\$ (8,903,882)</u> | <u>\$ (1,448,548)</u> |
| <br>                  |                     |                       |                       |                       |                       |
| \$ 890,000            | \$ 2,144,077        | \$ -                  | \$ -                  | \$ -                  | \$ -                  |
| (860,000)             | (1,994,077)         | -                     | -                     | -                     | -                     |
| 1,325,000             | 1,400,000           | 5,785,000             | 9,108,900             | 5,485,800             | 2,400,300             |
| (12,485)              | (12,980)            | (32,017)              | 25,275                | -                     | (23,422)              |
| -                     | -                   | -                     | -                     | -                     | -                     |
| 2,921,668             | 2,828,522           | 2,578,286             | 2,655,746             | 2,537,998             | 1,462,290             |
| (2,975,164)           | (2,663,521)         | (1,849,286)           | (1,965,495)           | (2,178,628)           | (1,697,426)           |
| <u>\$ 1,289,019</u>   | <u>\$ 1,702,021</u> | <u>\$ 6,481,983</u>   | <u>\$ 9,824,426</u>   | <u>\$ 5,845,170</u>   | <u>\$ 2,141,742</u>   |
| <br>                  |                     |                       |                       |                       |                       |
| <u>\$ (449,289)</u>   | <u>\$ 2,154,684</u> | <u>\$ (24,209)</u>    | <u>\$ 145,197</u>     | <u>\$ (3,058,712)</u> | <u>\$ 693,194</u>     |
| <br>                  |                     |                       |                       |                       |                       |
| <u>20.03%</u>         | <u>28.09%</u>       | <u>18.31%</u>         | <u>15.24%</u>         | <u>11.61%</u>         | <u>12.17%</u>         |

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

| <u>Fiscal Year</u> | <u>Property Taxes</u> | <u>Tax Increment</u> | <u>Ag Land Taxes</u> | <u>Monies &amp; Credits</u> |
|--------------------|-----------------------|----------------------|----------------------|-----------------------------|
| 2017               | \$14,091,706          | \$1,213,704          | \$21,322             | \$8,704                     |
| 2016               | 13,862,196            | 1,474,317            | 24,393               | 8,707                       |
| 2015               | 13,108,904            | 1,573,744            | 16,664               | 8,707                       |
| 2014               | 12,774,262            | 1,415,513            | 17,911               | 8,060                       |
| 2013               | 12,807,444            | 1,409,283            | 17,403               | 7,405                       |
| 2012               | 12,329,153            | 1,500,976            | 17,243               | 6,635                       |
| 2011               | 11,933,871            | 1,438,648            | 17,385               | 6,028                       |
| 2010               | 11,227,096            | 1,113,291            | 17,898               | 6,034                       |
| 2009               | 10,595,874            | 1,293,624            | 20,090               | -                           |
| 2008               | 9,991,874             | 1,549,165            | 17,051               | -                           |

| <u>Fiscal Year</u> | <u>Hotel/<br/>Motel Tax</u> | <u>Utility Property Tax Replacement</u> | <u>Local Option Sales Tax</u> | <u>Total Taxes</u> |
|--------------------|-----------------------------|---|-------------------------------|--------------------|
| 2017               | \$728,860                   | \$157,254                               | \$4,873,272                   | \$21,094,822       |
| 2016               | 624,796                     | 158,272                                 | 3,850,232                     | 20,002,913         |
| 2015               | 686,826                     | 155,992                                 | 2,892,998                     | 18,443,835         |
| 2014               | 581,732                     | 160,367                                 | 2,551,976                     | 17,509,821         |
| 2013               | 562,295                     | 159,198                                 | 2,681,986                     | 17,645,014         |
| 2012               | 544,623                     | 156,531                                 | 2,836,036                     | 17,391,197         |
| 2011               | 412,712                     | 151,361                                 | 2,580,116                     | 16,540,121         |
| 2010               | 449,699                     | 174,130                                 | 2,460,515                     | 15,448,663         |
| 2009               | 439,464                     | 186,493                                 | 2,458,596                     | 14,994,141         |
| 2008               | 333,278                     | 186,316                                 | 2,797,987                     | 14,875,671         |

(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**

| <b>Levy<br/>Year</b> | <b>Fiscal<br/>Year</b> | <b>Assessed Valuation</b>       |                                |                                |                                  |
|----------------------|------------------------|---------------------------------|--------------------------------|--------------------------------|----------------------------------|
|                      |                        | <b>Residential<br/>Property</b> | <b>Commercial<br/>Property</b> | <b>Industrial<br/>Property</b> | <b>Agricultural<br/>Property</b> |
| 2016                 | 2017                   | \$1,103,186,780                 | \$442,166,319                  | \$104,191,500                  | \$13,535,280                     |
| 2015                 | 2016                   | 1,098,783,110                   | 384,732,057                    | 106,730,550                    | 15,291,110                       |
| 2014                 | 2015                   | 1,091,398,550                   | 352,091,031                    | 99,274,430                     | 15,455,130                       |
| 2013                 | 2014                   | 1,090,626,518                   | 385,599,158                    | 106,395,280                    | 18,155,250                       |
| 2012                 | 2013                   | 1,084,170,413                   | 375,551,210                    | 99,342,061                     | 12,935,557                       |
| 2011                 | 2012                   | 1,082,708,259                   | 375,761,167                    | 105,170,753                    | 13,014,606                       |
| 2010                 | 2011                   | 1,087,197,119                   | 373,188,488                    | 116,132,318                    | 10,462,956                       |
| 2009                 | 2010                   | 1,075,186,271                   | 358,218,056                    | 118,180,425                    | 10,603,851                       |
| 2008                 | 2009                   | 1,073,694,584                   | 357,754,516                    | 123,274,907                    | 7,445,461                        |
| 2007                 | 2008                   | 1,059,165,761                   | 334,628,381                    | 118,779,067                    | 7,401,777                        |

(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<br/>Taxable<br/>Valuation (1) (2)</u> | <u>Total<br/>Direct<br/>Tax Rate</u> |
|------------------|-----------------|--|--------------------------------------|
| \$106,961,652    | \$1,770,041,531 | \$1,219,655,794                                | 13.71268                             |
| 70,558,190       | 1,673,095,017   | 1,145,774,966                                  | 13.51799                             |
| 63,509,283       | 1,621,728,424   | 1,084,921,577                                  | 13.85102                             |
| 63,978,505       | 1,664,754,711   | 1,132,555,552                                  | 13.02255                             |
| 51,062,791       | 1,623,062,032   | 1,106,330,731                                  | 13.55111                             |
| 58,902,940       | 1,635,557,725   | 1,096,817,538                                  | 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                             |

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

REGULAR DISTRICTS

| CITY OF MASON CITY |                      |                            |                       |                          |
|--------------------|----------------------|----------------------------|-----------------------|--------------------------|
| Fiscal<br>Year     | Operating<br>Millage | Debt<br>Service<br>Millage | Retirement<br>Millage | Total<br>City<br>Millage |
| 2017               | 8.41239              | 2.74350                    | 2.55679               | 13.71268                 |
| 2016               | 8.33064              | 2.65228                    | 2.53507               | 13.51799                 |
| 2015               | 8.37904              | 2.90537                    | 2.56661               | 13.85102                 |
| 2014               | 8.43261              | 2.86429                    | 1.72565               | 13.02255                 |
| 2013               | 8.43639              | 3.11309                    | 2.00163               | 13.55111                 |
| 2012               | 8.49471              | 2.97035                    | 2.10000               | 13.56506                 |
| 2011               | 8.67914              | 2.78243                    | 1.93270               | 13.39427                 |
| 2010               | 8.71062              | 2.10902                    | 1.91487               | 12.73451                 |
| 2009               | 8.83574              | 1.52791                    | 2.43751               | 12.80116                 |
| 2008               | 8.86866              | 1.33259                    | 2.46989               | 12.67114                 |

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<br/>SCHOOL DISTRICT</u> |                                     |                                     |              |                          |
|------------------------------|-------------------------------------|-------------------------------------|---|-------------------------------------|-------------------------------------|--------------|--------------------------|
| <u>Operating<br/>Millage</u> | <u>Debt<br/>Service<br/>Millage</u> | <u>Total<br/>County<br/>Millage</u> | <u>Operating<br/>Millage</u>                    | <u>Debt<br/>Service<br/>Millage</u> | <u>Total<br/>School<br/>Millage</u> | <u>Other</u> | <u>Total<br/>Millage</u> |
| 5.68836                      | .54478                              | 6.23314                             | 12.69734  | 1.43302                             | 14.13036                            | 3.00375      | 37.07993                 |
| 5.68836                      | .56098                              | 6.24934                             | 12.51573  | 1.43507                             | 13.95080                            | 3.00375      | 36.72188                 |
| 5.84151                      | .40783                              | 6.24934                             | 11.32710  | 1.87119                             | 13.19829                            | 3.00375      | 36.30240                 |
| 5.83306                      | .40276                              | 6.23582                             | 11.04654  | -                                   | 11.04654                            | 3.00375      | 33.30866                 |
| 5.81660                      | .41922                              | 6.23582                             | 13.31719  | -                                   | 13.31719                            | 3.00375      | 36.10787                 |
| 5.81660                      | .43417                              | 6.25077                             | 15.11036  | -                                   | 15.11036                            | 3.00375      | 37.92994                 |
| 5.81451                      | .45591                              | 6.27042                             | 15.11732  | -                                   | 15.11732                            | 3.00375      | 37.78576                 |
| 5.82555                      | .46592                              | 6.29147                             | 13.61683  | -                                   | 13.61683                            | 3.00375      | 35.64656                 |
| 5.83059                      | .48632                              | 6.31691                             | 13.67407  | -                                   | 13.67407                            | 3.00375      | 35.79589                 |
| 5.83592                      | .75876                              | 6.59468                             | 14.08418  | -                                   | 14.08418                            | 3.00375      | 36.35375                 |

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

| <u>Taxpayer</u>   | <u>2017</u>                               |             |  |
|---|---|-------------|--|
|   | <u>Taxable<br/>Assessed<br/>Valuation</u> | <u>Rank</u> | <u>Percent<br/>of Total<br/>Assessed<br/>Valuation</u> |
| Interstate Power Company  | \$ 99,756,045                             | 1           | 5.64%  |
| Golden Grain Energy, LLC  | 20,849,490                                | 2           | 1.18   |
| MFF Mortgage Borrower 20, LLC   | 16,488,630                                | 3           | 0.93   |
| Lehigh Portland Cement Company.   | 15,277,140                                | 4           | 0.86   |
| Wal-Mart Real Estate Business Trust   | 14,058,960                                | 5           | 0.79   |
| AADG, Inc.  | 11,854,330                                | 6           | 0.67   |
| IPE 1031 Rev 161, LLC & IPE 1031 Rev 172, LLC<br>(formally known as Principal Mutual Life<br>Insurance Group) | 11,623,620                                | 7           | 0.66   |
| Mason City Shopping Center LP   | 11,298,470                                | 8           | 0.64   |
| Dayton Hudson Corp.   | 10,395,790                                | 9           | 0.59   |
| Menards, Inc.   | 9,713,280                                 | 10          | 0.55   |
| Northwestern States Cement-Holnam, Inc.   | -   |             | -  |
| Downtown Mall Associates  | -   |             | -  |
| Mills Fleet Farm  | -   |             | -  |
| Mercy Medical Center - North Iowa   | -   |             | -  |
| <b>Total</b>  | <b><u>\$221,315,755</u></b>               |             | <b><u>12.51%</u></b>                                   |

Source: City Assessor

*See Accompanying Independent Auditor's Report.*

| 2008                                      |             |  |
|---|-------------|--|
| <u>Taxable<br/>Assessed<br/>Valuation</u> | <u>Rank</u> | <u>Percent<br/>of Total<br/>Assessed<br/>Valuation</u> |
| \$ 33,329,538                             | 1           | 2.14%  |
| 15,519,632                                | 3           | 1.00   |
|   | 2           |  |
| 18,196,012                                | 2           | 1.17   |
| 10,762,510                                | 7           | 0.69   |
| 14,882,318                                | 4           | 0.95   |
| 9,393,830                                 | 10          | 0.60   |
| -   | -           | -  |
| -   | -           | -  |
| -   | -           | -  |
| 13,363,723                                | 5           | 0.86   |
| 11,439,113                                | 6           | 0.73   |
| 10,651,904                                | 8           | 0.68   |
| 9,698,158                                 | 9           | 0.62   |
| <b><u>\$147,236,738</u></b>               |             | <b><u>9.45%</u></b>                                    |

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

| <u>Levy<br/>Year</u> | <u>For Fiscal<br/>Year Ended<br/>June 30,</u> | <u>Total<br/>Tax Levy</u> | <u>Collected Within the<br/>Fiscal Year of the Levy<br/>Amount</u> | <u>Percentage<br/>of Levy</u> | <u>Collections<br/>in Subsequent<br/>Years</u> |
|----------------------|---|---------------------------|--|-------------------------------|--|
| 2016                 | 2017  | \$14,287,266              | \$13,945,957   | 97.61%                        | \$ -   |
| 2015                 | 2016  | 14,019,135                | 13,731,010   | 97.94                         | -  |
| 2014                 | 2015  | 14,405,234                | 14,101,474   | 97.89                         | -  |
| 2013                 | 2014  | 13,543,634                | 13,249,201   | 97.83                         | -  |
| 2012                 | 2013  | 13,822,521                | 13,488,070   | 97.58                         | 5,168  |
| 2011                 | 2012  | 13,368,985                | 13,106,318   | 98.04                         | 1,560  |
| 2010                 | 2011  | 12,949,529                | 12,922,145   | 99.79                         | 20,728   |
| 2009                 | 2010  | 12,269,045                | 12,246,928   | 99.82                         | 16,935   |
| 2008                 | 2009  | 11,901,194                | 11,885,781   | 99.87                         | 11,174   |
| 2007                 | 2008  | 11,065,910                | 11,062,272   | 99.97                         | 1,602  |

*See Accompanying Independent Auditor's Report.*

| <u>Total Collections to Date</u> |                               |
|----------------------------------|-------------------------------|
| <u>Amount</u>                    | <u>Percentage<br/>of Levy</u> |
| \$13,945,957                     | 97.61%                        |
| 13,731,010                       | 97.94                         |
| 14,101,474                       | 97.89                         |
| 13,249,201                       | 97.83                         |
| 13,493,238                       | 97.62                         |
| 13,107,878                       | 98.05                         |
| 12,942,873                       | 99.95                         |
| 12,264,391                       | 99.96                         |
| 11,897,573                       | 99.97                         |
| 11,063,874                       | 99.98                         |

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

| <b>Fiscal<br/>Year</b> | <b>Governmental Activities</b> |              |                    |                   |
|------------------------|--------------------------------|--------------|--------------------|-------------------|
|                        | <b>General Obligation</b>      |              | <b>TIF Revenue</b> | <b>Settlement</b> |
|                        | <b>Bonds</b>                   | <b>Notes</b> | <b>Bonds</b>       | <b>Note</b>       |
| 2017                   | \$16,665,000                   | \$ -         | \$ -               | \$ -              |
| 2016                   | 18,680,000                     | -            | -                  | -                 |
| 2015                   | 20,675,000                     | -            | -                  | -                 |
| 2014                   | 20,936,911                     | -            | -                  | -                 |
| 2013                   | 23,066,557                     | -            | -                  | -                 |
| 2012                   | 23,854,077                     | 150,000      | 1,049,774          | -                 |
| 2011                   | 25,339,320                     | 295,000      | 1,233,400          | -                 |
| 2010                   | 21,684,866                     | 594,958      | 1,404,774          | -                 |
| 2009                   | 14,138,132                     | 884,958      | 1,569,339          | -                 |
| 2008                   | 9,776,550                      | 1,333,671    | 1,727,044          | -                 |

| <b>Fiscal<br/>Year</b> | <b>Business-Type Activities</b> |              |                |                |
|------------------------|---------------------------------|--------------|----------------|----------------|
|                        | <b>General Obligation</b>       |              | <b>Revenue</b> | <b>Capital</b> |
|                        | <b>Bonds</b>                    | <b>Notes</b> | <b>Bonds</b>   | <b>Lease</b>   |
| 2017                   | \$5,200,000                     | \$ -         | \$14,735,000   | \$ -           |
| 2016                   | 5,818,000                       | -            | 16,512,000     | -              |
| 2015                   | 6,785,000                       | -            | 18,231,000     | -              |
| 2014                   | 4,883,090                       | 36,000       | 20,061,480     | -              |
| 2013                   | 5,928,444                       | 123,169      | 21,971,273     | -              |
| 2012                   | 6,100,923                       | 205,085      | 23,821,018     | -              |
| 2011                   | 7,050,680                       | 282,887      | 25,602,694     | -              |
| 2010                   | 6,840,134                       | 356,890      | 27,146,278     | -              |
| 2009                   | 6,236,868                       | 696,052      | 26,057,827     | -              |
| 2008                   | 5,903,450                       | 410,780      | 18,740,604     | 105,480        |

*See Accompanying Independent Auditor's Report.*

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**Total**

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\$16,665,000  
 18,680,000  
 20,675,000  
 20,936,911  
 23,066,557  
 25,053,851  
 26,867,720  
 23,684,598  
 16,592,429  
 12,837,265

| <u>Total</u> | <u>Total<br/>Primary<br/>Government</u> | <u>Percentage<br/>of Personal<br/>Income</u> | <u>Per<br/>Capita</u> |
|--------------|---|--|-----------------------|
| \$19,935,000 | \$36,600,000                            | 3.25%  | \$1,337               |
| 22,330,000   | 41,010,000                              | 3.23   | 1,498                 |
| 25,016,000   | 45,691,000                              | 3.45   | 1,627                 |
| 24,980,570   | 45,917,481                              | 3.59   | 1,635                 |
| 28,022,886   | 51,089,443                              | 4.41   | 1,819                 |
| 30,127,026   | 55,180,877                              | 5.09   | 1,965                 |
| 32,936,261   | 59,803,981                              | 6.14   | 2,130                 |
| 34,343,302   | 58,027,900                              | 5.37   | 1,989                 |
| 32,990,747   | 49,583,176                              | 4.91   | 1,700                 |
| 25,160,314   | 37,997,579                              | 3.88   | 1,303                 |

**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> |
|------------------|----------------------|-----------------------------------|--------------------------|--------------------------------|
| 2017             | 27,366               | \$1,219,655,794                   | \$ 21,865,000            | \$266,664                      |
| 2016             | 27,366               | 1,114,774,966                     | 24,495,000               | 231,420                        |
| 2015             | 28,079               | 1,084,921,577                     | 27,460,000               | 202,580                        |
| 2014             | 28,079               | 1,132,555,552                     | 25,856,001               | 28,884                         |
| 2013             | 28,079               | 1,089,127,619                     | 29,118,278               | (10,025)                       |
| 2012             | 28,079               | 1,076,208,365                     | 30,310,085               | (8,624)                        |
| 2011             | 28,079               | 1,079,732,545                     | 32,967,887               | (121,160)                      |
| 2010             | 29,172               | 1,026,972,722                     | 29,476,848               | 61,630                         |
| 2009             | 29,172               | 1,016,064,811                     | 21,956,010               | 267,858                        |
| 2008             | 29,172               | 964,618,055                       | 17,424,451               | 362,803                        |

| <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> |
|------------------|------------------------|---|-----------------------------------|
| 2017             | \$21,598,336           | 1.77%   | \$ 789.24                         |
| 2016             | 24,263,580             | 2.18  | 886.63                            |
| 2015             | 27,257,420             | 2.51  | 970.74                            |
| 2014             | 25,827,117             | 2.28  | 919.80                            |
| 2013             | 29,128,303             | 2.67  | 1,037.37                          |
| 2012             | 30,318,709             | 2.82  | 1,079.76                          |
| 2011             | 33,089,047             | 3.06  | 1,178.43                          |
| 2010             | 29,415,218             | 2.86  | 1,008.34                          |
| 2009             | 21,688,152             | 2.13  | 743.46                            |
| 2008             | 17,061,648             | 1.77  | 584.86                            |

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, 2017**

| <u>Jurisdiction</u>                     | <u>Net<br/>Debt<br/>Outstanding</u> | <u>Percentage<br/>Applicable<br/>To City Of<br/>Mason City</u> | <u>Amount<br/>Applicable<br/>To City Of<br/>Mason City</u> |
|---|-------------------------------------|--|--|
| Direct:                                 |                                     |  |  |
| City of Mason City (1)                  | \$16,665,000                        | 100.00%  | \$16,665,000   |
| Overlapping (2):                        |                                     |  |  |
| Mason City Community<br>School District | \$29,258,595                        | 89.50%   | \$26,195,962   |
| Cerro Gordo County                      | 7,810,000                           | 42.64%   | 3,330,184  |
| North Iowa Area Community College       | 35,300,000                          | -  | -  |
| Total overlapping                       | <u>\$72,368,595</u>                 |  | <u>\$29,526,146</u>  |
| <b>Total</b>                            | <b><u>\$89,033,595</u></b>          |  | <b><u>\$46,191,146</u></b>                                 |

Source: Information provided by individual unit.

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

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

*See Accompanying Independent Auditor's Report.*

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

|  | <u>2017</u>                | <u>2016</u>                | <u>2015</u>                | <u>2014</u>                |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| Debt limit   | \$86,235,690               | \$83,345,118               | \$83,252,607               | \$83,237,735               |
| Total net debt applicable to limit                                   | <u>21,865,000</u>          | <u>24,495,000</u>          | <u>27,460,000</u>          | <u>25,820,000</u>          |
| <b>Legal debt margin</b>   | <b><u>\$64,370,690</u></b> | <b><u>\$58,850,118</u></b> | <b><u>\$55,792,607</u></b> | <b><u>\$57,417,735</u></b> |
| Total net debt applicable to the limit as a percentage of debt limit | <u>25.35%</u>              | <u>29.39%</u>              | <u>32.98%</u>              | <u>31.02%</u>              |

**Legal Debt Margin Calculation for Fiscal Year 2017**

|                                     |                             |
|-------------------------------------|-----------------------------|
| Actual assessed valuation:          |                             |
| Real property                       | \$1,705,345,021             |
| Utilities                           | <u>19,368,775</u>           |
| Total actual assessed valuation     | <u>\$1,724,713,796</u>      |
| Debt limit - 5% of actual valuation | \$ 86,235,690               |
| Total net debt applicable to limit  | <u>21,865,000</u>           |
| Legal debt margin                   | <b><u>\$ 64,370,690</u></b> |

*See Accompanying Independent Auditor's Report.*

| <u>2013</u>                | <u>2012</u>                | <u>2011</u>                | <u>2010</u>                | <u>2009</u>                | <u>2008</u>                |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| \$82,847,356               | \$81,919,465               | \$82,821,479               | \$80,068,604               | \$80,036,347               | \$77,926,623               |
| <u>28,995,000</u>          | <u>31,154,774</u>          | <u>33,918,400</u>          | <u>30,524,732</u>          | <u>23,206,321</u>          | <u>15,643,215</u>          |
| <b><u>\$53,852,356</u></b> | <b><u>\$50,764,691</u></b> | <b><u>\$48,903,079</u></b> | <b><u>\$49,543,872</u></b> | <b><u>\$56,830,026</u></b> | <b><u>\$62,283,408</u></b> |
| <b><u>34.99%</u></b>       | <b><u>38.03%</u></b>       | <b><u>40.95%</u></b>       | <b><u>38.12%</u></b>       | <b><u>28.99%</u></b>       | <b><u>20.07%</u></b>       |

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

| <u>Fiscal<br/>Year</u> | <u>Gross<br/>Revenues</u> | <u>Operating<br/>Expenses (1)</u> | <u>Net Revenue<br/>Available for<br/>Debt Service</u> |
|------------------------|---------------------------|-----------------------------------|---|
| 2017                   | \$4,695,450               | \$2,037,107                       | \$2,658,343   |
| 2016                   | 4,370,454                 | 1,971,813                         | 2,398,641   |
| 2015                   | 4,335,092                 | 1,978,379                         | 2,356,793   |
| 2014                   | 4,195,815                 | 1,910,662                         | 2,285,153   |
| 2013                   | 4,374,579                 | 1,898,650                         | 2,475,929   |
| 2012                   | 4,442,947                 | 1,954,110                         | 2,488,837   |
| 2011                   | 5,231,916                 | 1,672,145                         | 3,559,771   |
| 2010                   | 4,405,338                 | 2,014,228                         | 2,391,110   |
| 2009                   | 4,442,190                 | 1,908,966                         | 2,533,224   |
| 2008                   | 3,173,779                 | 1,786,007                         | 1,387,772   |

| <u>Fiscal<br/>Year</u> | <u>Debt Service Requirements</u> |                 |              | <u>Coverage</u> |
|------------------------|----------------------------------|-----------------|--------------|-----------------|
|                        | <u>Principal</u>                 | <u>Interest</u> | <u>Total</u> |                 |
| 2017                   | \$590,000                        | \$280,770       | \$ 870,770   | 3.05            |
| 2016                   | 571,000                          | 297,000         | 868,000      | 2.76            |
| 2015                   | 883,000                          | 327,360         | 1,210,360    | 1.95            |
| 2014                   | 851,000                          | 355,725         | 1,206,725    | 1.89            |
| 2013                   | 824,000                          | 383,290         | 1,207,290    | 2.05            |
| 2012                   | 793,000                          | 409,590         | 1,202,590    | 2.07            |
| 2011                   | 897,000                          | 437,287         | 1,334,287    | 2.66            |
| 2010                   | 867,000                          | 413,322         | 1,280,322    | 1.86            |
| 2009                   | 690,000                          | 169,170         | 859,170      | 2.95            |
| 2008                   | 450,000                          | 119,760         | 569,760      | 2.43            |

(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<br/>Year</u> | <u>Gross<br/>Revenues</u> | <u>Operating<br/>Expenses (1)</u> | <u>Net Revenue<br/>Available for<br/>Debt Service</u> |
|------------------------|---------------------------|-----------------------------------|---|
| 2017                   | \$5,992,973               | \$3,376,976                       | \$2,615,997   |
| 2016                   | 5,858,228                 | 3,333,041                         | 2,525,187   |
| 2015                   | 5,706,729                 | 3,114,612                         | 2,592,117   |
| 2014                   | 5,554,001                 | 3,223,986                         | 2,330,015   |
| 2013                   | 5,751,609                 | 3,161,914                         | 2,589,695   |
| 2012                   | 5,476,898                 | 3,164,908                         | 2,311,990   |
| 2011                   | 5,337,691                 | 3,263,510                         | 2,074,181   |
| 2010                   | 5,171,917                 | 3,315,053                         | 1,856,864   |
| 2009                   | 4,950,216                 | 3,145,518                         | 1,804,698   |
| 2008                   | 4,889,040                 | 3,065,967                         | 1,823,073   |

| <u>Fiscal<br/>Year</u> | <u>Debt Service Requirements</u> |                 |              | <u>Coverage</u> |
|------------------------|----------------------------------|-----------------|--------------|-----------------|
|                        | <u>Principal</u>                 | <u>Interest</u> | <u>Total</u> |                 |
| 2017                   | \$1,187,000                      | \$141,638       | \$1,328,638  | 1.97            |
| 2016                   | 1,148,000                        | 149,038         | 1,297,038    | 1.95            |
| 2015                   | 1,109,000                        | 196,048         | 1,305,048    | 1.99            |
| 2014                   | 1,071,000                        | 221,675         | 1,292,675    | 1.80            |
| 2013                   | 1,038,000                        | 366,230         | 1,404,230    | 1.84            |
| 2012                   | 1,001,000                        | 399,010         | 1,400,010    | 1.65            |
| 2011                   | 970,000                          | 430,760         | 1,400,760    | 1.48            |
| 2010                   | 940,000                          | 461,453         | 1,401,453    | 1.32            |
| 2009                   | 915,000                          | 491,288         | 1,406,288    | 1.28            |
| 2008                   | 775,000                          | 502,103         | 1,277,103    | 1.43            |

(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> |
|--------------------|----------------------|---------------------------------------|------------------------------|-----------------------|------------------------------|------------------------------|
| 2017               | 27,366               | \$1,191,105                           | \$43,525                     | 43.00                 | 3,744                        | 3.5%                         |
| 2016               | 27,366               | 1,149,618                             | 42,009                       | 41.90                 | 3,737                        | 3.7                          |
| 2015               | 28,079               | 1,322,633                             | 47,104                       | 44.40                 | 3,746                        | 4.5                          |
| 2014               | 28,079               | 1,277,511                             | 45,497                       | 43.80                 | 3,725                        | 4.8                          |
| 2013               | 28,079               | 1,157,557                             | 41,225                       | 43.80                 | 3,751                        | 5.4                          |
| 2012               | 28,079               | 1,082,586                             | 38,555                       | 43.30                 | 3,796                        | 6.5                          |
| 2011               | 28,079               | 974,538                               | 34,707                       | 43.30                 | 3,860                        | 6.6                          |
| 2010               | 29,172               | 1,080,618                             | 37,043                       | 42.10                 | 3,909                        | 7.9                          |
| 2009               | 29,172               | 1,010,401                             | 34,636                       | 42.40                 | 3,649                        | 5.4                          |
| 2008               | 29,172               | 980,850                               | 33,623                       | 41.70                 | 3,969                        | 3.5                          |

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

*See Accompanying Independent Auditor's Report.*

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

| <u>Employer</u>                 | <u>2017</u>         |             |   |
|---------------------------------|---------------------|-------------|---|
|                                 | <u>Employees</u>    | <u>Rank</u> | <u>Percent of Total City Employment</u> |
| Mercy Medical Center - North IA | 2,600               | 1           | 18.31%                                  |
| Curries Manufacturing Company   | 669                 | 2           | 4.71                                    |
| Mason City Schools              | 655                 | 3           | 4.61                                    |
| Principal Financial Group       | 406                 | 4           | 2.86                                    |
| Cargill Kitchens Solutions      | 264                 | 5           | 1.86                                    |
| Smithfield                      | 256                 | 6           | 1.80                                    |
| City of Mason City              | 252                 | 7           | 1.77                                    |
| Cerro Gordo County              | 249                 | 8           | 1.75                                    |
| Wal-Mart                        | 223                 | 9           | 1.57                                    |
| North Iowa Community College    | 221                 | 10          | 1.56                                    |
| Armour Food Co.                 | -                   | -           | -                                       |
| Woodharbor Molding & Millwork   | -                   | -           | -                                       |
| Graham Manufacturing            | -                   | -           | -                                       |
| Kraft Foods                     | -                   | -           | -                                       |
| <b>Total</b>                    | <b><u>5,795</u></b> |             | <b><u>40.80%</u></b>                    |

Source: North Iowa Corridor Economic Development Corporation  
 Mason City Chamber of Commerce  
 Iowa Workforce Development

*See Accompanying Independent Auditor's Report.*

| <u>2008</u>         |             |   |
|---------------------|-------------|---|
| <u>Employees</u>    | <u>Rank</u> | <u>Percent of<br/>Total City<br/>Employment</u> |
| 2,594               | 1           | 16.92%  |
| 992                 | 2           | 6.47  |
| 583                 | 3           | 3.80  |
| 528                 | 4           | 3.44  |
| -                   | -           | -   |
| -                   | -           | -   |
| 362                 | 6           | 2.36  |
| -                   | -           | -   |
| -                   | -           | -   |
| 245                 | 10          | 1.60  |
| 250                 | 9           | 1.63  |
| 400                 | 5           | 2.61  |
| 279                 | 7           | 1.82  |
| 275                 | 8           | 1.79  |
| <b><u>6,508</u></b> |             | <b><u>42.44%</u></b>                            |



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

|                                     | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       | <u>2014</u>       | <u>2013</u>       |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Public safety:                      |                   |                   |                   |                   |                   |
| Police - sworn                      | 46                | 50                | 47                | 45                | 45                |
| Police - civilian                   | 5                 | 5                 | 5                 | 5                 | 5                 |
| Fire - sworn                        | 44                | 44                | 44                | 44                | 45                |
| Fire - civilian                     | 2                 | 2                 | 2                 | 2                 | 2                 |
| Building Inspection                 | 1                 | 1                 | 1                 | 1                 | 1                 |
| Plumbing/Electrical Inspection      | 2                 | 2                 | 2                 | 2                 | 2                 |
| Public works:                       |                   |                   |                   |                   |                   |
| Airport                             | 5                 | 5                 | 5                 | 5                 | 5                 |
| Street                              | 23                | 21                | 21                | 19                | 20                |
| Arborist                            | 1                 | 1                 | 1                 | 1                 | 1                 |
| Engineer                            | 7                 | 7                 | 7                 | 6                 | 6                 |
| Health and social services:         |                   |                   |                   |                   |                   |
| Youth Task Force                    | 4                 | 3                 | 3                 | 5                 | 5                 |
| Health                              | 1                 | 1                 | 1                 | 1                 | 1                 |
| Human Rights                        | -                 | -                 | -                 | -                 | 1                 |
| Culture and recreation:             |                   |                   |                   |                   |                   |
| Parks                               | 6                 | 6                 | 6                 | 6                 | 6                 |
| Recreation                          | 4                 | 4                 | 4                 | 4                 | 5                 |
| Library                             | 14                | 15                | 17                | 17                | 17                |
| Museum                              | 7                 | 6                 | 7                 | 7                 | 7                 |
| Community and economic development: |                   |                   |                   |                   |                   |
| Neighborhood Services               | 3                 | 4                 | 4                 | 3                 | 3                 |
| Growth Development and Planning     | 4                 | 3                 | 3                 | 3                 | 3                 |
| Transit                             | 16                | 16                | 17                | 18                | 16                |
| General government:                 |                   |                   |                   |                   |                   |
| Administrator                       | 2                 | 2                 | 2                 | 2                 | 2                 |
| Mayor                               | -                 | -                 | -                 | -                 | -                 |
| Finance                             | 10                | 10                | 10                | 10                | 10                |
| Clerk                               | 1                 | 1                 | 1                 | 1                 | 1                 |
| City Hall                           | -                 | -                 | -                 | -                 | 1                 |
| Personnel/Safety                    | 2                 | 2                 | 2                 | 2                 | 2                 |
| Business-type activities:           |                   |                   |                   |                   |                   |
| Water                               | 18                | 18                | 18                | 18                | 18                |
| Sewer                               | 15                | 15                | 15                | 15                | 15                |
| Sanitation                          | 12                | 12                | 11                | 12                | 12                |
| Cemetery                            | 3                 | 3                 | 3                 | 3                 | 3                 |
| Golf course                         | 3                 | 3                 | 2                 | 2                 | 2                 |
| <b>Total</b>                        | <b><u>261</u></b> | <b><u>262</u></b> | <b><u>262</u></b> | <b><u>259</u></b> | <b><u>262</u></b> |

Source: City Finance Department

*See Accompanying Independent Auditor's Report.*

| <u>2012</u>       | <u>2011</u>       | <u>2010</u>       | <u>2009</u>       | <u>2008</u>       |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| 45                | 48                | 48                | 48                | 45                |
| 5                 | 5                 | 5                 | 2                 | 4                 |
| 44                | 44                | 44                | 44                | 44                |
| 2                 | 2                 | 2                 | 2                 | 2                 |
| 2                 | 3                 | 3                 | 3                 | 3                 |
| 2                 | 2                 | 2                 | 1                 | 2                 |
| 5                 | 5                 | 5                 | 5                 | 5                 |
| 21                | 21                | 20                | 22                | 21                |
| 1                 | 1                 | 1                 | 1                 | 1                 |
| 7                 | 7                 | 7                 | 7                 | 7                 |
| 4                 | 3                 | 4                 | 5                 | 4                 |
| 1                 | 1                 | 1                 | 1                 | 1                 |
| 3                 | 3                 | 3                 | 3                 | 2                 |
| 6                 | 6                 | 6                 | 6                 | 7                 |
| 3                 | 3                 | 3                 | 4                 | 4                 |
| 18                | 18                | 14                | 15                | 15                |
| 7                 | 7                 | 7                 | 7                 | 7                 |
| 3                 | 2                 | 2                 | 2                 | 2                 |
| 3                 | 3                 | 3                 | 3                 | 3                 |
| 14                | 16                | 17                | 17                | 14                |
| 3                 | 2                 | 2                 | 2                 | 2                 |
| -                 | -                 | -                 | -                 | -                 |
| 11                | 11                | 11                | 11                | 11                |
| 1                 | 1                 | 1                 | 2                 | 2                 |
| 1                 | 1                 | 1                 | 1                 | 1                 |
| 2                 | 2                 | 2                 | 2                 | 2                 |
| 18                | 19                | 19                | 18                | 19                |
| 14                | 16                | 16                | 16                | 16                |
| 10                | 12                | 12                | 11                | 12                |
| 3                 | 3                 | 3                 | 3                 | 3                 |
| <u>2</u>          | <u>2</u>          | <u>2</u>          | <u>2</u>          | <u>2</u>          |
| <b><u>261</u></b> | <b><u>269</u></b> | <b><u>266</u></b> | <b><u>266</u></b> | <b><u>263</u></b> |

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

| <u>Function</u>  | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Police:  |             |             |             |             |             |
| Physical arrests   | 3,110       | 3,032       | 2,904       | 3,260       | 3,428       |
| Parking violations                                       | 2,414       | 2,101       | 2,596       | 3,078       | 2,288       |
| Traffic violations                                       | 3,568       | 2,675       | 3,497       | 3,497       | 5,210       |
| Fire:  |             |             |             |             |             |
| Fire calls answered                                      | 882         | 676         | 609         | 811         | 795         |
| Ambulance calls answered                                 | 5,044       | 4,962       | 5,068       | 4,528       | 4,430       |
| Inspections  | 1,778       | 1,735       | 1,113       | 708         | 1,103       |
| Highways and streets:                                    |             |             |             |             |             |
| Street resurfacing (miles)                               | -           | -           | 0.79        | 1.20        | 1.63        |
| Potholes repaired  | 6,000       | 5,550       | 5,300       | 6,000       | 5,900       |
| Sanitation:  |             |             |             |             |             |
| Refuse collected (tons/day)                              | 30.76       | 30.08       | 31.93       | 31.29       | 31.99       |
| Recyclables collected (tons/day)                         | 3.95        | 4.21        | 4.43        | 4.53        | 4.90        |
| Culture and recreation:                                  |             |             |             |             |             |
| Aquatic Center admissions                                | 31,984      | 35,799      | 32,791      | 31,199      | 37,817      |
| Water:   |             |             |             |             |             |
| New connections  | 29          | 32          | 39          | 38          | 32          |
| Water main breaks  | 12          | 8           | 11          | 33          | 11          |
| Average daily consumption<br>(thousands of gallons)      | 4,336       | 4,249       | 4,528       | 4,542       | 4,542       |
| Wastewater:  |             |             |             |             |             |
| Average daily sewage treatment<br>(thousands of gallons) | 7,995       | 6,747       | 6,311       | 5,499       | 5,499       |

Source: Various city departments

*See Accompanying Independent Auditor's Report.*

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|-------------|-------------|-------------|-------------|-------------|
| 3,082       | 2,779       | 2,295       | 4,129       | 3,049       |
| 2,678       | 4,432       | 4,161       | 5,885       | 7,560       |
| 5,366       | 5,311       | 2,043       | 3,117       | 5,952       |
| 839         | 793         | 731         | 762         | 766         |
| 4,434       | 4,057       | 3,755       | 3,912       | 4,032       |
| 1,961       | 1,690       | 1,411       | 1,216       | 1,025       |
| 0.37        | 2.68        | 2.40        | 2.60        | 3.04        |
| 5,500       | 5,400       | 5,300       | 5,000       | 5,000       |
| 29.00       | 31.94       | 32.60       | 27.50       | 32.52       |
| 4.82        | 4.84        | 4.86        | 5.50        | 5.50        |
| 42,811      | 42,179      | 33,616      | 39,074      | 39,726      |
| 26          | 31          | 15          | 21          | 3           |
| 21          | 17          | 17          | 11          | 10          |
| 4,828       | 5,300       | 5,324       | 5,865       | 5,673       |
| 6,712       | 6,810       | 6,689       | 6,658       | 7,421       |

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

| <u>Function</u>            | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Public safety:             |             |             |             |             |             |
| Police stations            | 1           | 1           | 1           | 1           | 1           |
| Fire stations              | 1           | 1           | 1           | 1           | 1           |
| Public works:              |             |             |             |             |             |
| Street miles:              |             |             |             |             |             |
| Paved                      | 153.16      | 152.49      | 152.32      | 152.32      | 152.49      |
| Unpaved                    | 40.93       | 40.93       | 40.93       | 40.93       | 41.12       |
| Street lights              | 1,784       | 1,770       | 1,770       | 1,768       | 1,767       |
| 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           |
| Pickleball courts          | 6           | -           | -           | -           | -           |
| Business-type activities:  |             |             |             |             |             |
| Sewer miles:               |             |             |             |             |             |
| Storm                      | 50.12       | 49.35       | 49.01       | 48.46       | 48.46       |
| Sanitary                   | 165.18      | 164.99      | 164.57      | 164.57      | 164.57      |
| Cemetery:                  |             |             |             |             |             |
| Facilities                 | 1           | 1           | 1           | 1           | 1           |
| Acreage                    | 74.12       | 74.12       | 74.12       | 74.12       | 74.12       |

Source: Various city departments

*See Accompanying Independent Auditor's Report.*

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|-------------|-------------|-------------|-------------|-------------|
| 1           | 1           | 1           | 1           | 1           |
| 1           | 1           | 1           | 1           | 1           |
| 152.39      | 152.33      | 152.33      | 152.06      | 151.93      |
| 41.12       | 41.12       | 41.12       | 41.12       | 41.12       |
| 1,765       | 1,761       | 1,761       | 1,760       | 1,760       |
| 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           |
| -           | -           | -           | -           | -           |
| 48.46       | 48.13       | 48.13       | 47.95       | 47.95       |
| 164.57      | 164.53      | 164.53      | 164.31      | 164.31      |
| 1           | 1           | 1           | 1           | 1           |
| 74.12       | 74.12       | 74.12       | 74.12       | 74.12       |

**COMPLIANCE  
SECTION**



Kronlage & Olson, P.C.

Certified Public Accountants

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the City of Mason City, Iowa's basic financial statements and have issued our report thereon dated December 27, 2017.

***Internal Control Over Financial Reporting***

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

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 City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described as item II-A-17 in Part II of the accompanying Schedule of Findings and Questioned Costs, to be a material weaknesses.



### ***Compliance and Other Matters***

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### ***City of Mason City, Iowa's Response to Findings***

The City of Mason City, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Mason City, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### ***Purpose of this Report***

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

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

*Knowledge & Olson, P.C.*

Charles City, Iowa

December 27, 2017



Kronlage & Olson, P.C.

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Mason City, Iowa's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2017. The City of Mason City, Iowa's major federal programs are identified in the Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Mason City, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the City of Mason City, Iowa, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control over Compliance

Management of the City of Mason City, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Mason City, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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, Iowa's internal control over compliance.

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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item III-A-17, that we consider to be a material weakness.

The City of Mason City, Iowa's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Mason City, Iowa's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Kronlage & Olson, P.C.*

Charles City, Iowa

December 27, 2017

**CITY OF MASON CITY, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2017**

| <u>Grantor/Program</u>  | <u>CFDA<br/>Number</u> | <u>Agency or<br/>Pass-Through<br/>Number</u> | <u>Program<br/>Expenditures</u> |
|---|------------------------|--|---------------------------------|
| <b>DIRECT:</b>  |                        |  |                                 |
| <u>Department of Transportation</u>                                   |                        |  |                                 |
| Airport Improvement Program   | 20.106                 | 3-19-0059-42-2016                            | \$ 368,783                      |
| Airport Improvement Program   | 20.106                 | 3-19-0059-43-2017                            | 46,915                          |
| Airport Improvement Program   | 20.106                 | 3-19-0059-41-2015                            | 34,690                          |
| Passenger Facility Charge   |                        | 12-03-C-00-MCW                               | 33,706                          |
| Total direct  |                        |  | <u>\$ 484,094</u>               |
| <br><u>Department of Housing and Urban Development:</u>               |                        |  |                                 |
| <u>Iowa Department of Economic Development</u>                        |                        |  |                                 |
| Community Development Block Grant/<br>State Program                   |                        |  |                                 |
| Owner Occupied Housing Rehab  | 14.228                 | 15-HSG-002                                   | \$ 76,207                       |
| <br><u>Department of Justice:</u>                                     |                        |  |                                 |
| <u>Governor's Office of Drug Control Policy</u>                       |                        |  |                                 |
| Edward Byrne Memorial Justice<br>Assistance Grant Program             |                        |  |                                 |
|   | 16.738                 | 14-JAG-159385                                | \$ 55,208                       |
| <br><u>Iowa Department of Justice</u>                                 |                        |  |                                 |
| Federal Violence Against Women<br>Formula Grant                       |                        |  |                                 |
|   | 16.588                 | VW-17-07-CJ                                  | <u>26,685</u>                   |
| Total   |                        |  | <u>\$ 81,893</u>                |
| <br><u>Department of Transportation:</u>                              |                        |  |                                 |
| <u>Iowa Department of Transportation</u>                              |                        |  |                                 |
| Highway Planning and Construction                                     |                        |  |                                 |
| Federal Aid Agreement- Monroe Avenue<br>Trail                         |                        |  |                                 |
|   | 20.205                 | STP-E-4822<br>(632)-8V-17                    | \$ 200,000                      |
| Formula Grants for Other than Urbanized Areas<br>Operating Assistance |                        |  |                                 |
|   | 20.509                 | 2016-018-482-17                              | 385,132                         |
| Total   |                        |  | <u>\$ 585,132</u>               |
| <br><u>Department of Health and Human Services</u>                    |                        |  |                                 |
| Projects of Regional and<br>National Significance                     |                        |  |                                 |
|   | 93.243                 | 1H79SM062812-01                              | \$ 45,664                       |
| Projects of Regional and<br>National Significance                     |                        |  |                                 |
|   | 93.243                 | 5H79SM062812-02                              | 82,306                          |
| Total   |                        |  | <u>\$ 127,970</u>               |
| <br><u>Department of Homeland Security:</u>                           |                        |  |                                 |
| <u>Iowa Homeland Security and Emergency<br/>Management Division</u>   |                        |  |                                 |
| Hazard Mitigation Grant<br>22 <sup>nd</sup> Street                    |                        |  |                                 |
|   | 97.039                 | HMGP-DR-4126-0012-01                         | \$ 129,288                      |
| Total indirect  |                        |  | <u>\$1,000,490</u>              |
| <b>Total expenditures of federal awards</b>                           |                        |  | <b><u>\$1,484,584</u></b>       |

**CITY OF MASON CITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2017**

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Mason City under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administration Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Mason City, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Mason City.

**Summary of Significant Accounting Policies** - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** - City of Mason City has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

**CITY OF MASON CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with accounting principles generally accepted in the United States of America.
- (b) The audit did not disclose any noncompliance which is material to the financial statements.
- (c) One material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (d) The audit disclosed one material weakness in internal control over the major federal program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings that are required to be reported in accordance with the Uniform Guidance Section 200.515.
- (g) The major programs tested were:
  - CFDA Number 20.106 - Airport Improvement Program
  - CFDA Number 97.039 - Hazard Mitigation grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NONCOMPLIANCE:**

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

**INTERNAL CONTROL DEFICIENCY:**

II-A-17      Financial Statement Classification and Valuation - It was noted that the City's financial statements required several 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 improvement in the initial determination of the financial statement classifications and amounts by the finance department. Additional instruction and supervision should be given by their direct supervisor. In addition, the finance supervisor should review 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 assist with financial statement preparation, including the proper classification and valuation

Conclusion - Response accepted.

CITY OF MASON CITY, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NONCOMPLIANCE:**

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

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 20.106: Airport Improvement Grant**

**Pass through Agency Number:**

**Federal Award Year: 2017**

**U.S. Department of Transportation**

III-A-17     Financial Statement Classification and Valuation  
(2017-001)   The City did not properly classify and value various accounts, including those related to this federal program. See item II-A-17.

**Part IV: Findings Related to Required Statutory Reporting:**

IV-A-17     Official Depositories - A resolution naming official depositories has been adopted by the City Council.

IV-B-17     Certified Budget - Disbursements before amendment exceeded amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies not be expended or encumbered except under an annual or continuing appropriation. Disbursements after amendment during the year ended June 30, 2017, did not exceed the amended amounts budgeted.

Recommendation - The budget should have been amended in accordance with Chapter 384.14 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will monitor expenses and amend the budget prior to exceeding the budget.

Conclusion - Response accepted.

IV-C-17     Questionable Disbursements - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-17     Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**CITY OF MASON CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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

IV-E-17      Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

| <u>Name, Title and<br/>Business Connection</u>                                      | <u>Transaction<br/>Description</u>   | <u>Amount</u> |
|---|--------------------------------------|---------------|
| Brian Perkins, N IA Corridor<br>Economics - MetalCraft,<br>Controller               | Reimbursement                        | \$ 596        |
| Jean McAleer, Youth Task Force<br>Francis Lauer Youth Shelter,<br>Director          | Ice Machine Repair                   | 700           |
| Tony Johnson, Plumbing Appeals<br>& Exam Board - Johnson Heating/AC,<br>President   | Buy money                            | 972           |
| Jeff Brinkley, Housing Commission-<br>City of Mason City, Police Chief              | Buy money                            | 1,200         |
| Mike McKelvey, Youth Task Force-<br>City of Mason City, Police Captain              | Buy money                            | 1,200         |
| Craig MacDougall, Plumbing Appeals &<br>Exam Board, Hank's Plumbing, Owner          | Repairs, Advertising<br>and training | 1,395         |
| Robin Anderson, Youth Task Force<br>Mason City Chamber of Commerce,<br>Director     | Repairs and supplies                 | 1,927         |
| Jay Leaman, Electrical Examiners &<br>Appeals - The Electricians, Owner             | Miscellaneous<br>Electrical repairs  | 2,873         |
| Steve Clausen, Plumbing Appeals &<br>Exam Board, -Clausen Plumbing,<br>Owner        | Plumbing repairs                     | 5,072         |
| Les Seltun, N IA Diversity<br>Appreciation - Control Print<br>Creative, Owner       | Printng services                     | 5,704         |
| Troy Elwood, Plumbing Appeals &<br>Exam Board - Larry Elwood<br>Construction, Owner | Snow plowing                         | 5,998         |



**CITY OF MASON CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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

| <u>Name, Title and<br/>Business Connection</u>  | <u>Transaction<br/>Description</u> | <u>Amount</u> |
|---|------------------------------------|---------------|
| Dan Varnum, . N IA Corridor Economics<br>Development - Mercy Medical Center,<br>N IA, President, CEO                            | Refund                             | 7,366         |
| Mark Ewy, Housing Advisory & Appeals -<br>Custom Auto Body,<br>Owner/Self Employed  | Various Repairs                    | 10,655        |
| Dennis Reidel, Library Board - Overhead<br>Door of Mason City,<br>President, CEO, CFO   | Various Repairs                    | 11,708        |
| Tom Douglas, Housing Advisory & Appeals<br>Edwards Brandt Insurance & Realty,<br>Partial Owner                                  | Airport Insurance                  | 25,280        |
| Colleen Devine, Communications<br>Utility Board & N IA Diversity<br>Appreciation - Mainstreet Mason City,<br>Executive Director | Agency funding                     | 30,000        |
| Walter Wendland, MacNider Museum<br>Board - Golden Grain Energy,<br>President/CEO   | Tax rebate                         | 168,516       |
| Cheryl Hubbard, Building Advisory &<br>Appeals - Henkel Construction,<br>Construction Project Manager                           | Construction services              | 1,335,516     |
| Gary Schmit, NIA Coordinator<br>Economic Development, Henkel<br>Construction, Vice President                                    | Construction Services              | 1,335,516     |

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

All or significant amounts of the payments to Edwards Brandt Insurance & Realty, Mercy Medical Center, N IA, Overhead Door of Mason City, Mainstreet Mason City, Henkel Construction and Golden Grain Energy were competitively bid, or part of a development agreement and, therefore, do not represent a conflict of interest. The remaining items may represent conflicts of interest. The City should consult legal counsel to determine the disposition of this matter.

Response - We will do this.

Conclusion - Response accepted.

**CITY OF MASON CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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

IV-F-17      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.

IV-G-17      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.

IV-H-17      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.

IV-I-17      Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-J-17      Revenue Bonds - No instances of noncompliance with water or sewer revenue note provisions were noted.

IV-K-17      Annual Urban Renewal Report - The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

IV-L-17      Financial Condition - At June 30, 2017, the City had deficit balances in the following funds:

|                       |           |
|-----------------------|-----------|
| Special Revenue Fund: |           |
| Southside TIF         | \$ 42,575 |
| Mason City Downtown   | 213,130   |
| Housing               | 3,395     |
| Softball Improvement  | 7,664     |

Recommendation - The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response - The City will review available resources to return these funds to a sound financial position.

Conclusion - Response accepted.

CITY OF MASON CITY, IOWA  
 Corrective Action Plan for Federal Audit Findings  
 Year Ended June 30, 2017

| <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> |
|------------------------|--|--|---|---------------------------------------|
| III-A-17<br>(2017-001) | Financial statement classification and valuation | We will provide additional guidance and supervision to the finance department staff. | Kevin Jacobson<br>Director of Finance<br>641-421-3613 | June 30, 2018                         |

CITY OF MASON CITY, IOWA  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2017

**FINANCIAL STATEMENTS**

**Finding 2016-001: 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 in arriving at a materially correct number for these items.

Current Status - This has been corrected for the current year.

**Finding 2016-002: 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 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 2016-003: Financial Statement Findings**

See items 2016-001 and 2016-002 above.

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