

MASON CITY MUNICIPAL AIRPORT

CITY OF MASON CITY, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CITY OF MASON CITY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

- Prepared By -

The Department of Finance
Kevin Jacobson, Director

**INTRODUCTORY
SECTION**

**CITY OF MASON CITY, IOWA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2014**

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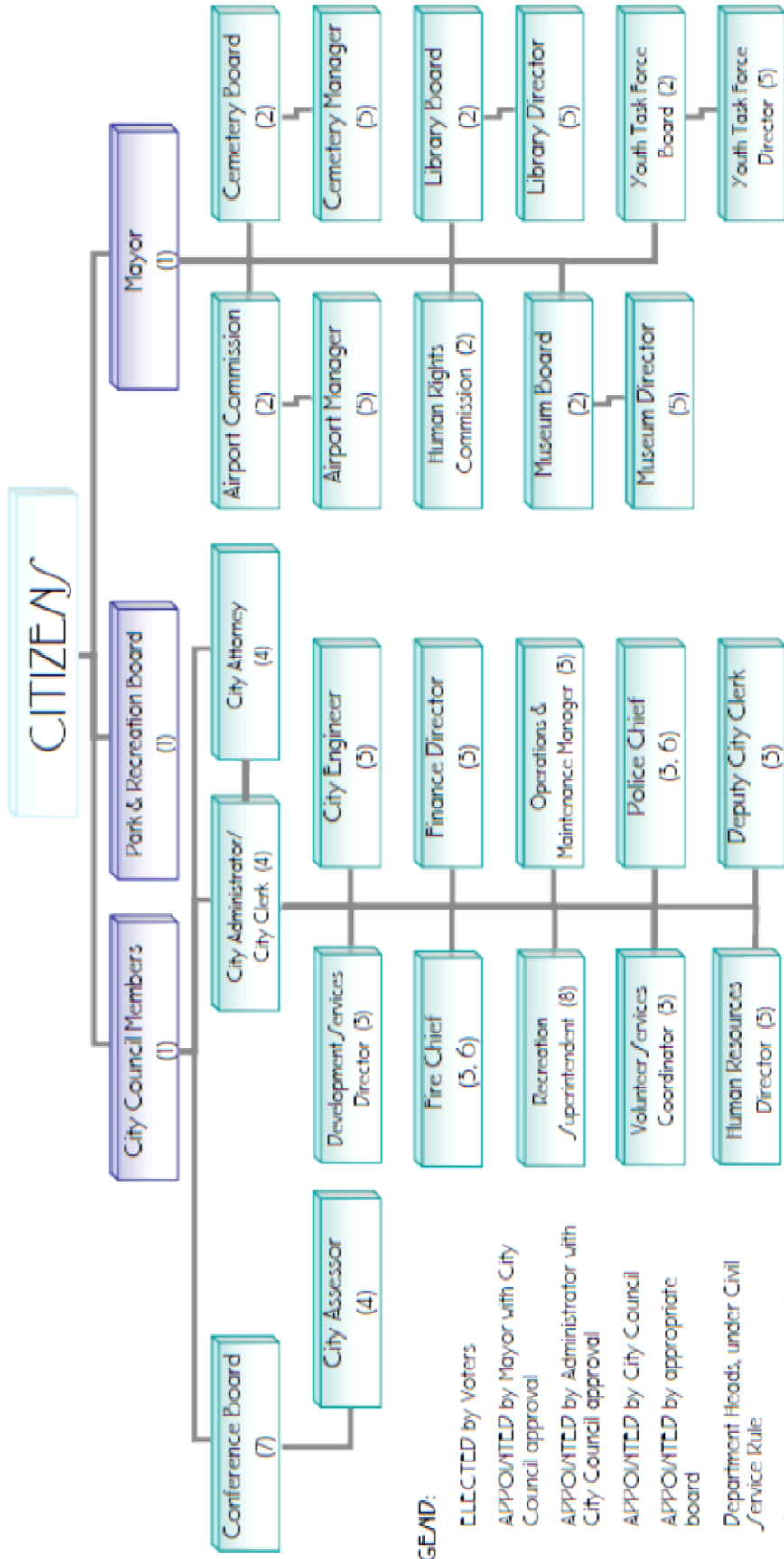
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**CITY OF MASON CITY, IOWA
CITY OFFICIALS
YEAR ENDED JUNE 30, 2014**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eric Bookmeyer	Mayor	2018
Scott Tornquist	Mayor Pro-Tem	2018
John Lee	Council Member	2016
Jean Marinos	Council Member	2016
Alex Kuhn	Council Member	2016
Travis Hickey	Council Member	2018
Janet Solberg	Council Member	2018
Brent Trout	City Administrator/Clerk	2014
Mark Rahm	Public Works Director	2014
Kevin Jacobson	Director of Finance/Treasurer	2014
Mark Young	City Attorney, Magistrate	2014
Randy Nielsen	City Attorney, Civil Law	2014
James Locher	Airport Attorney	2014
Perry Buffington	Human Resources Manager	2014
Michael Lashbrook	Police Chief	2014
Robert Platts	Fire Chief	2014
Steven Van Steenhuyse	Growth Development and Planning Director	2014
William Stangler	Operations and Maintenance Manager	2014
William Stangler	Parks Manager	2014
Brian Pauley	Recreation Manager	2014
Pam Osgood	Airport Manager	2014
Edith Blanchard	MacNider Museum Director	2014
Mary Markwalter	Library Director	2014
Randy Opheim	Elmwood Cemetery Manager	2014

City of Mason City



LEGEND:

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



10 First Street Northwest
Mason City, IA 50401-3224
(641) 421-3600
www.masoncity.net

December 31, 2014

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, 2014 (FY14) 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, 2013. 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, 2014, as well as the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The compliance section encompasses requirements related to the single audit, various federal and state grants, and statutory and regulatory compliance.

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

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

GOVERNMENTAL STRUCTURE

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

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

ECONOMIC CONDITION AND OUTLOOK

The City's Development Services Department continues its planning and economic development efforts to spur development and redevelopment in the community in accordance with the City's Comprehensive Plan and City Council goals. Development activities are focused on both downtown and the community's industrial parks. The June 8, 2008 flood event in the community continues - 6 years later - to focus much of the department's efforts on residential property buyouts and demolition activities. A Buyout Administrator coordinates this effort. A total of 169 houses have been purchased and either demolished, moved, or are awaiting demolition or move; the land will become permanent public open space. Fortunately, the business and industrial areas of the community suffered limited flood losses. Habitat for Humanity has partnered with the City to salvage materials from the houses for resale. Four historic houses, including the 1938 Egloff House, are being moved out of the floodplain to new foundations on the 300 Block of East State Street. This effort is expected to lead to revitalization of the neighborhood lying between Frank Lloyd Wright's Historic Park Inn Hotel and his Stockman House (now a historic museum).

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

NICEDC is partially funded by the City to serve as the City's economic development marketing and recruitment arm. They provide information and support to prospective employers, maintain a database of available buildings and sites 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.

Accomplishments for the past fiscal year include:

- Administering the IEDA Site Certification program application for the City of Mason City and advancing to the Step 3 phase of the program, completing all the necessary engineering services. Final application will be submitted in December 2014 and waiting for a Spring 2015 response of becoming a certified shovel-ready site.
- Data collected after the successful launch earlier this year of the revised and improved NorthIowaCorridor.com shows an average of 385 visits per month to the site. 25% of those visits are unique each month, meaning they've never landed on our site before. Visitors are averaging two-minutes of interaction with the site with the heaviest traffic being captured on the 'Contact' pages, 'News and Media' pages, and 'Business Climate' pages, including Buildings and Sites. No data was collected on previous site to compare these analytics, but moving forward, traffic rates and visit patterns will be monitored, supported, and promoted to ensure the Corridor's marketing message is communicated and received by our core audiences: Site Selectors, Corridor Investors & Stakeholders, and the Community.

- Promoted industrial park initiatives along the Avenue of the Saints and I-35 corridor.
- Hosted IEDA and/or commercial real estate-generated prospect visits to buildings and sites in the community, with the City offering public financial incentive packages in some instances.

Mason City, with its transportation network of interstate, four-lane highways, airport and rail service, a regional workforce, low property tax rates, excellent education system and community college, top notch hospital and health care, regional retail center, regional cultural and recreational amenities and the willingness to use public financial incentives to assist quality job retention and creation, remains a competitive force for economic development in north central Iowa.

EXPANDED AND NEW INDUSTRIES 7/1/13 - 6/30/14

The valuation of expanded industrial development totaled approximately \$1,121,105 while new or expanded commercial and industrial development together totaled \$31,329,554.67 (these figures are based on construction value used to calculate permit fees). The former Soy Energy plant was purchased by the Renewal Energy Group and one major addition has been completed with a second under construction. The largest commercial development was 52,716 square feet of new commercial space in the Willow Creek Commons (Kohl's) Shopping Center; two of the three stores have been occupied (Cato Women's Wear and JoAnn's Fabrics). In addition, Hosmer Honda began construction of a new Honda showroom and repair center valued at \$1,500,000. Major developments in our institutional sector include the ongoing energy center and loading dock project at Mercy - North Iowa Medical Center (valued at \$1,172,000) and North Iowa Community College, who is completing construction of a new dormitory, began a major expansion to the Diesel Technology Center.

Other commercial and industrial ventures, such as Huber Supply, Dimensional Graphics and the North Iowa Bus Company also constructed new facilities or engaged in additions or renovations to their current facilities. Several of the above listed businesses opened for business during the year, while others either completed or started remodeling and/or expansion projects. Two local businesses (FRC Inc. and Cutting Edge Tree Service) built major solar power plants to provide energy to their businesses.

DOWNTOWN

The City has continued to work with Main Street Mason City (MSMC) to stabilize and enhance the downtown area. The Federal Avenue Streetscape project, completed in 2012, continues to serve as a catalyst for downtown redevelopment. In 2014, the Downtown Façade Rehabilitation Program was completed, with several facades completed by the end of the year. This program, funded with a \$500,000 CDBG grant, was used to rehabilitate 11 historic facades in the downtown area and has leveraged an additional \$5,000,000 in private funding from local banks for downtown development. As a part of CDBG grant, MSMC also assists the City in management of a \$150,000 low-interest revolving loan fund for building improvements in the downtown TIF district.

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

- Over \$962,000 in private investment in 8 structures was tracked in the past year. In addition, 11 facades were restored as noted above; each property owner paid 15% of the project costs.
- Five (5) new business starts and 7 property sales occurred in the district in the past year.

- There was a net increase in downtown employment of 4 full-time equivalent employees.
- Conducted promotional events, including ValenWine, the Friday Night Live summer concert series, Cheers and Beers, the Great River City Festival and Home for the Holidays.
- Continued recognition as a National Main Street Community.

HOUSING

Housing construction for Fiscal Year 2014 included 15 single-family dwellings, and 4 duplexes (8 units), for a total of 23 new housing units. The number of single family dwelling units built is slightly lower than that of previous years. Forty-two (42) single-family dwellings were demolished.* After comparing the number of housing units built by the number demolished, the net loss for housing in FY14 totals 19 dwelling units for the community.

***25 of the 42 demolitions were due to the flood of 2008.**

TRAFFIC

In 2014, the Mason City Engineering Department completed the following transportation improvement projects within the City of Mason City. The purpose of these projects is to upgrade the existing network to accommodate increases in vehicular and pedestrian traffic. The upgrades also increase the safety level for users, and where the street is resurfaced, restores a safer driving surface for motorists.

East State Street Utility and Street Improvements Project and the 6th Street SW Utility and Street Improvements Project both included utility improvements, pavement patching, pedestrian crossing upgrades, curb and gutter replacement, and a Hot Mix Asphalt (HMA) overlay.

The total length of the East State Street Project is approximately 5,300 feet and extended from Carolina Avenue east to Illinois Avenue. The total length of the 6th Street SW Project is approximately 3,800 feet and extended from the east end of Chelsea Creek Bridge near Grant Avenue east to Monroe Avenue.

The 2014 Street Rehabilitation Program also included utility improvements, pavement patching, pedestrian crossing upgrades, curb and gutter replacement, and a HMA overlay. The total length of this project was 6,300 feet and was performed on designated streets at various locations within the City of Mason City.

The South Taft Avenue Trail Project included a 10 foot wide HMA pedestrian trail extension on the east side on South Taft Avenue extending from the north entrance to the Mason City Shopping Center north to West State Street. The total length of this project was 850 feet.

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, 2014 provided instances of material weakness in the internal control structure.

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

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

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

General Governmental Functions: The following schedule presents a summary of general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2014.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>
Taxes	\$17,518,349	66.67%
Licenses and Permits	610,516	2.32
Intergovernmental	6,043,361	23.00
Service Revenues	699,781	2.66
Fines and Forfeitures	71,074	0.27
Use of Monies and Properties	620,845	2.36
Special Assessments	20,662	0.09
Miscellaneous	666,782	2.53
Refunds	25,555	0.10
Total	<u>\$26,276,925</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, 2014.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>
Public Safety	\$ 9,461,048	31.71%
Public Works	3,388,778	11.35
Health and Social Services	491,775	1.66
Culture and Recreation	3,001,884	10.06
Community & Economic Development	2,826,482	9.47
General Government	2,338,806	7.83
Capital Projects	4,565,349	15.30
Debt Service	<u>3,765,111</u>	<u>12.62</u>
Total	<u>\$29,839,233</u>	<u>100.00%</u>

GENERAL FUND BALANCE

The General Fund closed the FY14 with a fund balance of \$5,701,480 compared to \$7,046,202 on June 30, 2013. This was due to a \$1,344,722 decrease of revenues over expenditures for FY14.

ENTERPRISE FUNDS

The Enterprise Funds of the City include the following:

1. Cemetery Fund - Operating revenues were \$87,820 in FY14, an increase of 2.5% from FY13. Operating expenses were \$312,055 in FY14, an increase of 0.2% from FY13. Net income was \$55,585 in FY14, a 28.7% increase from FY13.
2. Waterworks Fund - Operating revenues were \$5,526,389 in FY14, a decrease of 3.4% from FY13. Operating expenses were \$4,657,537 in FY14, a decrease of 0.2% from FY13. Net income was \$573,997 in FY14, a 41.3% decrease from FY13.
3. Sewer Rental Fund - Operating revenues were \$4,131,178 in FY14, a decrease of 5.3% from FY13. Operating expenses were \$3,220,221 in FY14, a decrease of 2.6% from FY13. Net income was \$508,344 in FY14, a 43.8% decrease from FY13.
4. Parking Lots Fund - Operating revenues were \$64,204 in FY14, an increase of 105.0% from FY13. Operating expenses were \$130,721 in FY14, an increase of 9.2% from FY13. Net income was \$(23,457) in FY14, a 20.2% increase from FY13.
5. Storm Sewer Fund - Operating revenues were \$290,575 in FY14, a decrease of 0.6% from FY13. Operating expenses were \$204,436 in FY14, an increase of 10.4% from FY13. Net income was \$87,030 in FY14, a 44.5% decrease from FY13.
6. Solid Waste Fund - Operating revenues were \$1,280,414 in FY14, an increase of 0.7% from FY13. Operating expenses were \$1,333,359 in FY14, an increase of 6.3% from FY13. Net income was \$(46,833) in FY14, a 201.4% decrease from FY13.
7. Golf Course Fund - Operating revenues were \$375,273 in FY14, an increase of 6.1% from FY13. Operating expenses were \$436,267 in FY14, an increase of 1.9% from FY13. Net income was \$19,826 in FY14, a 163.5% increase from FY13.
8. Ambulance Fund - Operating revenues were \$1,547,583 in FY14, a decrease of 18.8% from FY13. Operating expenses were \$1,661,816 in FY14, an increase of 13.5% from FY13. Net income was \$(109,002) in FY14, a 123.8% decrease from FY13.

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, 2014:

	<u>Amount</u>	<u>RATIOS</u>	
		<u>Debt to Assessed Value</u>	<u>Debt per Capita</u>
Net Bonded Debt	\$25,827,117	2.28%	\$919.80

The City issued \$895,000 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, LOST, Water, Sewer and Sanitation. During FY 2014, 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 2014, the City used approximately \$194,000 of General Fund reserves to maintain the General Fund levy.

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

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

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

OTHER INFORMATION

Independent Audit: The Code of Iowa requires an annual audit be made of the financial condition and transactions of all administrative departments of the City by the State Auditor or by a Certified Public Accountant selected by the City Council. The audit for FY14 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, 2013. This was the twenty-eighth 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, 2013

Executive Director/CEO

**FINANCIAL
SECTION**



Kronlage & Olson, P.C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Road Use Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 4 through 13 and page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and individual nonmajor fund financial statements, capital asset schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The 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. 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 31, 2014, on our consideration of the City of Mason City, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mason City, Iowa's internal control over financial reporting and compliance.

Kronlage & Olson, P.C.

Charles City, Iowa

December 31, 2014

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, 2014. 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-xiii 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, 2014, by \$165.99 million (net position). Of this amount, \$23.32 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$526,730.
- At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$19.69 million, a decrease of \$1.78 million as compared to the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4.1 million, or 22.82% of the total general fund expenditures.
- Total debt decreased by approximately \$5.17 million (10.1%) during the current fiscal year. The City issued approximately \$900,000 of new bonds and retired approximately \$6.08 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 plus deferred outflows of resources, and liabilities plus deferred inflows of resources, 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 major 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 MacNider Museum Foundation and the Mason City Housing Authority are included. Financial information for the foundation is included with governmental special revenue funds, while the housing authority is shown separately as a component unit.

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 28 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 40-65 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 \$165,997,352 at the close of the most recent fiscal year.

By far the largest portion of the City of Mason City's net position (83.5%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related outstanding debt used to acquire those assets. The City of Mason City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

The following two tables present condensed financial information on the City's Net Position and Changes in Net Position for the fiscal year ending June 30, 2014 and June 30, 2013.

City of Mason City's Net Position						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current & other assets	\$ 25,450,137	\$ 39,342,353	\$ 7,798,979	\$ 6,363,929	\$ 33,249,116	\$ 45,706,282
Capital assets	109,863,747	112,184,697	74,716,599	78,145,840	184,580,346	190,330,537
Deferred Outflows	14,380,624	-	137,300		14,517,924	-
Total assets and						
deferred outflows	149,694,508	151,527,050	82,652,878	84,509,769	232,347,386	236,036,819
Long-term liabilities outstanding	18,260,492	20,488,418	22,094,739	25,170,141	40,355,231	45,658,559
Other liabilities	6,581,926	19,368,986	4,865,776	4,485,192	11,447,702	23,854,178
Deferred Inflows	14,409,201	-	137,900	-	14,547,101	-
Total liabilities and						
deferred inflows	39,251,619	39,857,404	27,098,415	29,655,333	66,350,034	69,512,737
Net Position:						
Invested in capital assets, net of related debt	88,920,358	88,508,650	49,736,029	47,268,020	138,656,387	135,776,670
Restricted	1,168,474	1,144,727	2,854,605	2,854,934	4,023,079	3,999,661
Unrestricted	20,354,057	22,016,269	2,963,829	4,731,482	23,317,886	26,747,751
Total	\$ 110,442,889	\$ 111,669,646	\$55,554,463	\$54,854,436	\$ 165,997,352	\$ 166,524,082

A portion of the City of Mason City's net position (2.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$23,317,886) may be used to meet the government's ongoing obligation to citizens and creditors.

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

There was a decrease of \$1,662,212 in unrestricted net position for the City of Mason City's primary governmental activities. The decrease in governmental activities unrestricted net position is due to the building upgrades at the Fire Department, the Parks capital improvements including trails, fencing and equipment, Airport equipment, Cemetery equipment and upgrades and increased health care costs.

The government's net position decreased by \$526,730 for the current fiscal year. Most of the decrease was due to the City Council approved use of cash reserves to fund additional health insurance, police and fire retirement and tort costs for governmental funds.

City of Mason City Change in Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Charges for services	\$ 1,410,301	\$ 1,591,729	\$ 13,350,560	\$ 14,080,925	\$ 14,760,861	\$ 15,672,654
Operating grants & contributions	3,957,726	4,679,847	-	(46,721)	3,957,726	4,633,126
Capital grants & contributions	2,531,898	6,022,423	-	681,130	2,531,898	6,703,553
General Revenues:						
Taxes	19,857,731	20,171,899	126,798	120,001	19,984,529	20,291,900
Investment earnings	641,132	233,535	71,380	63,986	712,512	297,521
Miscellaneous	106,062	126,077	123,060	76,956	229,122	203,033
Total revenues	28,504,850	32,825,510	13,671,798	14,976,277	42,176,648	47,801,787
Expenses:						
Public safety	10,446,427	9,943,882	-	-	10,446,427	9,943,882
Public works	8,903,627	7,553,058	-	-	8,903,627	7,553,058
Health & social servies	511,107	1,790,824	-	-	511,107	1,790,824
Culture & recreation	4,177,101	3,248,655	-	-	4,177,101	3,248,655
Community & econ development	2,370,711	3,743,098	-	-	2,370,711	3,743,098
General government	2,485,932	2,357,531	-	-	2,485,932	2,357,531
Interest on debt	736,324	863,232	-	-	736,324	863,232
Water	-	-	5,092,230	5,154,341	5,092,230	5,154,341
Sewer	-	-	3,741,731	3,905,597	3,741,731	3,905,597
Other	-	-	4,238,188	3,926,952	4,238,188	3,926,952
Total expenses	29,631,229	29,500,280	13,072,149	12,986,890	42,703,378	42,487,170
Increase in net position before transfers	(1,126,379)	3,325,230	599,649	1,989,387	(526,730)	5,314,617
Transfers	(100,378)	(53,496)	100,378	53,496	-	-
Increase in net position	(1,226,757)	3,271,734	700,027	2,042,883	(526,730)	5,314,617
Net position 7-1-2013	111,669,646	108,397,912	54,854,436	52,811,553	166,524,082	161,209,465
Net position 6-30-2014	\$ 110,442,889	\$ 111,669,646	\$ 55,554,463	\$ 54,854,436	\$ 165,997,352	\$ 166,524,082

Governmental Activities

The governmental activities' net position for the City of Mason City decreased by \$1,126,379 during the current fiscal year, accounting for all of the total decrease in the net position of the City of Mason City. The majority of the decrease in the net position is due to the continued construction of the Blue Zones Trail Project which will be a phased in project over a 5 year time frame, new playground equipment for Parks, a new cart shed for the Golf Course and new equipment for the Cemetery.

Business-type Activities

Total net position increased by \$700,027 for fiscal year 2014, accounting for all of the reduction of the total decrease in the City of Mason City's net position. The increase is due to the City continuing upgrades of the water and sanitary sewer system and vehicle purchases for the ambulance department.

Charges for services for business-type activities decreased 5.19%. Water and Sewer revenues were down slightly from the prior year resulting in the decrease. One of the City's large users of water replaced a process that used less water for production resulting in most of the decrease in water usage and sewer output. Ambulance calls were down slightly resulting in revenues also being down slightly from the prior year contributing to the decrease. All business-type fund rates remained the same as the prior year except Water which increased 3.36% and Sanitation which increased 1.0%.

Operating expenses for business type activities increased by 0.66%. Expenses in the Water fund decreased by 1.21% while Sewer expenses decreased by 4.2%. The other business type expenses increased by 7.93%. Other business type expense increases were due to increased health insurance costs.

Financial Analysis of the Government's Funds

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

Governmental Funds

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

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

As of the end of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$19,687,290, a decrease of \$1,786,233 in comparison with the prior year. The decrease is due to the City Council approved use of reserves for street maintenance projects, increased health care costs and to help maintain the tax levy at a flat rate from the prior fiscal year. The fund balance has been reserved to indicate the amount not available for new spending because it has already been committed for; 1) nonspendable for endowment principal and prepaid expenses (\$797,380); 2) restricted purposes such as streets, employee benefits, parks, museum, cemetery and tort liability (\$13,572,250); and 3) assigned purposes such as Airport, Museum, Library and Recreation (\$1,394,529).

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 \$4,182,542 while total fund balance reached \$5,701,480. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.33% of total General Fund expenditures, while total fund balance represents 33.17% of that same amount.

The General Fund balance decreased by \$1,344,722. The major factors in this decrease are as follows:

- Hotel/Motel tax revenues were pulled from General Fund and a new fund was created for those taxes to be used for outside organization requests. Those are now recorded in Other Governmental.
- The City completed some capital projects that were carried over from the prior year and used those reserves associated with the projects.
- Health care costs were considerably greater due to several large claims.

The Road Use Tax Fund has a total fund balance of \$1,835,879. The net decrease of \$1,670,572 is due to the City Council approved use of excess reserves for several street rehabilitation and maintenance projects.

- The City completed a \$1,000,000 rehabilitation project during the year.
- Started work on the Monroe bike & pedestrian trail.
- Completed phase 1 of the downtown street light project.
- Completed the bicycle trail markings as identified by phase 1, 2 and 3 of the master plan.
- Completed several street patching and curb replacement projects.

The Debt Service Fund has a total fund balance of \$28,884. The net increase of \$38,909 in fund balance during the current year in the debt service fund is due to the transfer of funds from the General Fund to eliminate the deficit balance from the prior year

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

- \$895,000 General Obligation bonds for Police equipment, Fire building upgrades, Transit vehicle, Museum building upgrades, Airport snow removal equipment and Cemetery equipment.

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 \$5,346,453. Water reported a decrease in net position of \$752,065 and Sewer reported a decrease of \$508,797. Water rates were increased 3.36% and Sanitation rates were increase by 1.0%. Sewer and all other business-type funds had no rate increase. The decrease in Water is due to the approved use of reserves for maintenance projects as well as additional work completed on the distribution system. The decrease in the Sewer fund is due mainly to the anticipated draw on cash to complete capital projects during the year associated with the inflow-infiltration project.

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 budget revenues amounted to \$760,044 and the significant items are summarized as follows:

- Miscellaneous revenues included various grants and donations totaling \$305,544 for demolition receipts, Youth Task Force, Parks projects and a Museum grant.
- The bonds were sold at a premium of \$39,000 and those funds were used for bonding fees.
- Hotel/Motel receipts totaling \$415,500 were moved from the General Fund to their own fund in the Special Revenues section.

Differences between original and final budget expenses amounted to \$1,408,044 and the significant items are summarized as follows:

- Public safety for Chapter 411 medical cost and office equipment were increased by \$123,000.
- Public Works expenses for workers comp insurance and fuel expense were increased by \$81,500.
- Health and Social Services was increased by \$68,000 for Youth Task Force activities originally not budgeted but funded through new state grants.
- Parks equipment and Museum expenses was increased by \$226,000.
- General Government increased by \$591,000 for additional cost associated with the health insurance, legal expense for the Human Resource office, and transfer of expenses for Hotel tax from General Fund to the Special Revenue Fund.
- Enterprise funds were increased by \$245,000 for Sewer expenses related to the Inflow-Infiltration project.

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

Capital Asset and Debt Administration

Capital Assets

The City of Mason City's investment in capital assets for its governmental and business type activities as of June 30, 2014 amounts to \$184,580,346 (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:

- Replaced front and rear driveways at Fire Station.
- Replaced an ambulance.
- The Airport replaced snow removal equipment.
- The Airport completed the entrance road rehabilitation.
- Several street projects including Street rehabilitation, curb and sidewalk replacement were completed.
- Several parks enhancements including the Dog Park fencing, East Park improvements including paving, softball park improvements and trail maintenance projects were completed.
- Water main reroutes were completed throughout the City.
- The inflow and infiltration project continues to update the sewer infrastructure.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,634,356	\$ 2,634,356	\$ 4,823,362	\$ 4,823,362	\$ 7,457,718	\$ 7,457,718
Buildings & Structures	15,588,551	12,819,773	12,186,782	12,593,275	27,775,333	25,413,048
Other Improvements	17,609,177	18,556,890	215,543	198,670	17,824,720	18,755,560
Machinery & Equip	1,574,678	1,739,430	1,194,565	754,078	2,769,243	2,493,508
Vehicles	3,256,915	3,014,718	1,291,071	1,275,024	4,547,986	4,289,742
Infrastructure	49,878,254	49,711,380	53,870,388	53,745,449	103,748,642	103,456,829
Const in Progress	19,321,816	23,059,329	1,134,888	1,901,048	20,456,704	24,960,377
Total	\$ 109,863,747	\$ 111,535,876	\$ 74,716,599	\$ 75,290,906	\$ 184,580,346	\$ 186,826,782

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

Long-Term Debt

The amount of debt outstanding at fiscal year-end was \$45.92 million as compared to \$51.09 million last fiscal year. The decrease is a result of pay down of outstanding debt while not issuing as much new debt for FY 2014 projects. New debt was issued for Police equipment, Fire building upgrades, Transit vehicle, Museum building upgrades, Airport snow removal equipment and Cemetery equipment. Of the total general obligation debt outstanding, \$20.94 million is backed by the full faith and credit of the City. The remainder is either general obligation debt abated by enterprise revenues or revenue bonds secured solely by specified revenue sources, namely tax increment revenues, water, sewer or ambulance revenues.

City of Mason City's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation	\$20,936,911	\$23,066,557	\$ 4,919,090	\$ 6,051,613	\$25,856,001	\$29,118,170
Revenue bonds	-	-	20,061,480	21,971,273	20,061,480	21,971,273
Total	\$20,936,911	\$23,066,557	\$24,980,570	\$28,022,886	\$45,917,481	\$51,089,443

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

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the City of Mason City is \$83,237,735 and the City of Mason City is currently at \$25,820,000 or 31.02% of its outstanding general obligation debt. As a comparison, the legal debt limit was \$82,847,356 and Mason City had issued \$28,995,000 or 35.00% of its legal debt capacity for the previous fiscal year.

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

Economic Factors and Next Year's Budget and Rates

- The national average unemployment for June 2014 is 6.1%. The unemployment level for June 2013 was 7.5%. Cerro Gordo County's rate for June 2014 is 4.8%, and the state's rate is 4.4%.
- The hourly wage rate in Cerro Gordo County averaged \$17.57 for 2013 and \$18.56 for 1st quarter 2014.
- Retail sales in Cerro Gordo County were \$675 million for fiscal year ending 2013, slightly down from \$687 million in fiscal year 2012 and \$643 million in fiscal year 2011.
- The total value of building permits for fiscal year 2014 was approximately \$62.1 million. This compares with an amount of \$51.96 million for fiscal year 2013.

Next Year's Budget and Rates

For FY 2014, department managers were again instructed to minimize any changes in budget in anticipation of stagnant revenues. However, certain costs such as payroll, insurance and utilities are anticipated to increase. Approximately 74% of our operating costs in the General Fund are for personal services, including wages and benefits. Changes in personal services can be due to changes in the pay rates, changes in benefits, changes in the number of employees, or any combination of these.

The City is planning to continue with a similar amount of spending on improvements for water and sewer infrastructure as well as to continue spending on street improvements. There are anticipated increases in fees for water being projected for FY 2016, due to the South Federal water tower construction in FY 15. There are several capital projects currently under consideration for the FY 2015 budget. The capital projects will be funded with General Obligation or revenue bonds, existing fund balances or new revenues from sales tax, road use tax, and water charges for FY 2015. With the projected increases, the combined water, sewer, storm sewer and sanitation rates will again be around the 75th percentile of surveyed cities in Iowa that provide similar services.

Financial Information Contact

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

CITY OF MASON CITY, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
ASSETS:				
Current assets:				
Cash	\$ 12,088,392	\$ 4,675,411	\$ 16,763,803	\$230,213
Investments	8,688,750	50	8,688,800	-
Receivables:				
Taxes	193,694	1,770	195,464	-
Special assessments	160,531	21,376	181,907	-
Accounts (net)	11,873	2,102,907	2,114,780	22,561
Accrued interest	9,487	802	10,289	-
Internal balances	2,345,687	(2,345,687)	-	-
Due from other governments	1,256,498	-	1,256,498	55,905
Prepaid insurance	164,183	55,882	220,065	-
Prepaid expenses	-	-	-	4,188
Inventory	25,090	431,863	456,953	-
Total current assets	<u>\$ 24,944,185</u>	<u>\$ 4,944,374</u>	<u>\$ 29,888,559</u>	<u>\$312,867</u>
Noncurrent assets:				
Restricted assets:				
Cash	\$ 3,970	\$ 2,854,231	\$ 2,858,201	\$ -
Investments	501,759	-	501,759	-
Receivables	223	374	597	-
Capital assets:				
Land and construction in progress	21,956,172	5,958,250	27,914,422	-
Other capital assets net of depreciation	87,907,575	68,758,349	156,665,924	16,488
Total noncurrent assets	<u>\$110,369,699</u>	<u>\$77,571,204</u>	<u>\$187,940,903</u>	<u>\$ 16,488</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred property taxes receivable	\$ 14,260,534	\$ 137,300	\$ 14,397,834	\$ -
Deferred special assessments	120,090	-	120,090	-
Total deferred outflows of resources	<u>\$ 14,380,624</u>	<u>\$ 137,300</u>	<u>\$ 14,517,924</u>	<u>\$ -</u>
Total assets and deferred outflows of resources	<u>\$149,694,508</u>	<u>\$82,652,878</u>	<u>\$232,347,386</u>	<u>\$329,355</u>

(continued)

CITY OF MASON CITY, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 1,543,705	\$ 676,338	\$ 2,220,043	\$ 2,809
Salaries payable	312,035	111,749	423,784	8,602
Contracts payable	328,471	429,230	757,701	-
Accrued compensated absences	1,101,371	336,027	1,437,398	14,195
Accrued interest payable	53,833	55,528	109,361	-
Due to other governments	600	22,342	22,942	-
Due to customers	-	85,073	85,073	-
Prepaid interments	-	33,400	33,400	-
Current portion of long-term debt:				
Bonds payable	3,241,911	3,116,089	6,358,000	-
Total current liabilities	\$ 6,581,926	\$ 4,865,776	\$ 11,447,702	\$ 25,606
Noncurrent liabilities:				
Bonds payable	\$ 17,701,478	\$21,864,481	\$ 39,565,959	\$ -
Net OPEB obligation	559,014	230,258	789,272	-
Total noncurrent liabilities	\$ 18,260,492	\$22,094,739	\$ 40,355,231	\$ -
DEFERRED INFLOWS OF RESOURCES:				
Deferred property taxes	\$ 14,260,534	\$ 137,300	\$ 14,397,834	\$ -
Deferred special assessments	120,090	-	120,090	-
Deferred revenue	28,577	600	29,177	-
Total deferred inflows of resources	\$ 14,409,201	\$ 137,900	\$ 14,547,101	\$ -
Total liabilities and deferred inflows of resources				
	\$ 39,251,619	\$27,098,415	\$ 66,350,034	\$ 25,606
NET POSITION:				
Invested in capital assets—net of related debt	\$ 88,920,358	\$49,736,029	\$138,656,387	\$ 16,488
Restricted for:				
Nonexpendable:				
Museum funding	633,638	-	633,638	-
Perpetual care	505,952	-	505,952	-
Expendable:				
Bond retirement	28,884	2,854,605	2,883,489	-
Unrestricted	20,354,057	2,963,829	23,317,886	287,261
Total net position	\$110,442,889	\$55,554,463	\$165,997,352	\$303,749

See Notes to Financial Statements.

**CITY OF MASON CITY, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
Public safety	\$10,446,427	\$ 422,028	\$ 81,757
Public works	8,903,627	60,992	2,789,501
Health and social services	511,107	780	343,838
Culture and recreation	4,177,101	495,266	393,008
Community and economic development	2,370,711	126,915	259,097
General government	2,485,932	304,320	90,525
Interest on long-term debt	736,324	-	-
Total governmental activities	<u>\$29,631,229</u>	<u>\$ 1,410,301</u>	<u>\$3,957,726</u>
Business-type activities:			
Cemetery	\$ 325,879	\$ 87,820	\$ -
Water	5,092,230	5,526,389	-
Sewer	3,741,731	4,135,284	-
Parking lots	136,465	107,222	-
Storm sewer	204,436	290,575	-
Solid waste	1,402,968	1,280,414	-
Golf course	446,921	375,273	-
Ambulance	1,721,519	1,547,583	-
Total business-type activities	<u>\$13,072,149</u>	<u>\$13,350,560</u>	<u>\$ -</u>
Total primary government	<u>\$42,703,378</u>	<u>\$14,760,861</u>	<u>\$3,957,726</u>
Component unit:			
Mason City Housing Authority	<u>\$ 2,166,358</u>	<u>\$ 28,565</u>	<u>\$2,159,257</u>

General Revenues:
 Property taxes
 Other taxes
 Unrestricted state utility tax replacement
 Grants and contributions not restricted
 to specific program
 Unrestricted investment income
 Miscellaneous
Transfers
 Total general revenues and transfers

Change in net 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	
\$ -	\$ (9,942,642)	\$ -	\$ (9,942,642)	\$ -
1,151,408	(4,901,726)	-	(4,901,726)	-
-	(166,489)	-	(166,489)	-
258,658	(3,030,169)	-	(3,030,169)	-
1,121,832	(862,867)	-	(862,867)	-
-	(2,091,087)	-	(2,091,087)	-
-	(736,324)	-	(736,324)	-
<u>\$2,531,898</u>	<u>\$ (21,731,304)</u>	<u>\$ -</u>	<u>\$ (21,731,304)</u>	<u>\$ -</u>
\$ -	\$ -	\$ (238,059)	\$ (238,059)	\$ -
-	-	434,159	434,159	-
-	-	393,553	393,553	-
-	-	(29,243)	(29,243)	-
-	-	86,139	86,139	-
-	-	(122,554)	(122,554)	-
-	-	(71,648)	(71,648)	-
-	-	(173,936)	(173,936)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,411</u>	<u>\$ 278,411</u>	<u>\$ -</u>
<u>\$2,531,898</u>	<u>\$ (21,731,304)</u>	<u>\$ 278,411</u>	<u>\$ (21,452,893)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,464</u>
	\$ 14,705,071	\$ 126,798	\$ 14,831,869	\$ -
	4,830,052	-	4,830,052	-
	160,367	-	160,367	-
	162,241	-	162,241	-
	641,132	71,380	712,512	619
	106,062	123,060	229,122	-
	(100,378)	100,378	-	-
	<u>\$ 20,504,547</u>	<u>\$ 421,616</u>	<u>\$ 20,926,163</u>	<u>\$ 619</u>
	\$ (1,226,757)	\$ 700,027	\$ (526,730)	\$ 22,083
	<u>111,669,646</u>	<u>54,854,436</u>	<u>166,524,082</u>	<u>281,666</u>
	<u>\$110,442,889</u>	<u>\$55,554,463</u>	<u>\$165,997,352</u>	<u>\$ 303,749</u>

**CITY OF MASON CITY, IOWA
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2014**

	<u>General</u>	<u>Road Use Tax</u>
ASSETS:		
Cash	\$ 5,150,036	\$1,758,686
Investments	1,375,468	-
Receivables:		
Property taxes	115,313	289
Other taxes	2,648	-
Accrued interest	3,692	-
Special assessments - current	67,019	76,577
Accounts (net)	11,723	150
Due from other funds	507,211	6,727
Due from state government	429,582	268,540
Due from federal government	243,371	-
Prepaid insurance	150,177	13,865
Restricted assets:		
Cash	-	-
Investments	-	-
Accrued interest	-	-
Total assets	<u>\$ 8,056,240</u>	<u>\$2,124,834</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred property taxes receivable	\$ 8,496,996	\$ -
Deferred special assessments receivable	-	1,545
Total deferred outflows of resources	<u>\$ 8,496,996</u>	<u>\$ 1,545</u>
Total assets & deferred outflows of resources	<u>\$16,553,236</u>	<u>\$2,126,379</u>
LIABILITIES:		
Accounts payable	\$ 448,473	\$ 105,305
Salaries payable	282,038	25,324
Contracts payable	82,980	61,816
Accrued vacation payable	1,013,420	77,631
Due to other funds	511,341	18,879
Due to state government	444	-
Total liabilities	<u>\$ 2,338,696</u>	<u>\$ 288,955</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred property taxes	\$ 8,496,996	\$ -
Deferred special assessments	-	1,545
Deferred inflows-other	16,064	-
Total deferred inflows of resources	<u>\$ 8,513,060</u>	<u>\$ 1,545</u>
FUND BALANCES:		
Nonspendable	\$ 150,177	\$ 13,865
Restricted	1,159,526	1,822,014
Assigned	209,235	-
Unassigned	4,182,542	-
Total fund balances	<u>\$ 5,701,480</u>	<u>\$1,835,879</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$16,553,236</u>	<u>\$2,126,379</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
\$ 65,681	\$ 4,621,452	\$11,595,855
-	6,926,675	8,302,143
40,796	29,327	185,725
-	-	2,648
-	5,715	9,407
-	16,935	160,531
-	-	11,873
14,114	446,994	975,046
-	315,004	1,013,126
-	-	243,371
-	-	164,042
-	3,970	3,970
-	501,759	501,759
-	223	223
<u>\$ 120,591</u>	<u>\$12,868,054</u>	<u>\$23,169,719</u>
\$3,131,244	\$ 1,301,530	\$12,929,770
-	118,545	120,090
<u>\$3,131,244</u>	<u>\$ 1,420,075</u>	<u>\$13,049,860</u>
<u>\$3,251,835</u>	<u>\$14,288,129</u>	<u>\$36,219,579</u>
\$ 22	\$ 153,163	\$ 706,963
-	858	308,220
-	183,675	328,471
-	-	1,091,051
91,685	409,155	1,031,060
-	156	600
<u>\$ 91,707</u>	<u>\$ 747,007</u>	<u>\$ 3,466,365</u>
\$3,131,244	\$ 1,301,530	\$12,929,770
-	118,545	120,090
-	-	16,064
<u>\$3,131,244</u>	<u>\$ 1,420,075</u>	<u>\$13,065,924</u>
\$ -	\$ 633,638	\$ 797,680
28,884	10,561,826	13,572,250
-	1,185,294	1,394,529
-	(259,711)	3,922,831
<u>\$ 28,884</u>	<u>\$12,121,047</u>	<u>\$19,687,290</u>
<u>\$3,251,835</u>	<u>\$14,288,129</u>	<u>\$36,219,579</u>

CITY OF MASON CITY, IOWA
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Fund balances—total governmental funds		\$ 19,687,290
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.		25,090
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		109,835,511
Internal service funds, net position		2,451,234
Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:		
Bonds payable	\$ (20,936,911)	
Accrued interest	(53,833)	
Bond premium	(6,478)	
Net OPEB obligation	<u>(559,014)</u>	<u>(21,556,236)</u>
Net position of governmental activities		<u>\$110,442,889</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Road Use Tax</u>
REVENUES:		
Property taxes	\$ 8,428,471	\$ -
TIF revenues	-	-
Other taxes	2,734,371	-
Licenses and permits	610,516	-
Intergovernmental	1,995,069	2,789,501
Charges for service	680,331	(690)
Fines and forfeitures	71,074	-
Use of money and property	296,358	277
Special assessments	-	707
Miscellaneous	557,770	-
Refunds	12,744	12,811
Total revenues	<u>\$15,386,704</u>	<u>\$ 2,802,606</u>
EXPENDITURES:		
Current:		
Public safety	\$ 7,937,783	\$ -
Public works	974,979	2,366,252
Health & social services	479,124	-
Culture & recreation	2,760,461	-
Community & economic development	800,719	(1,308)
General government	1,820,206	-
Capital projects	2,414,310	2,137,652
Debt Service:		
Principal retirement	-	-
Interest	-	-
Contractual	-	-
Total expenditures	<u>\$17,187,582</u>	<u>\$ 4,502,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,800,878)</u>	<u>\$ (1,699,990)</u>
Other financing sources (uses):		
Issuance of general obligation bonds	\$ 796,783	\$ -
Premium/discount on bonds	-	-
Transfers in	280,937	49,418
Transfers out	(621,564)	(20,000)
Total other financing sources (uses)	<u>\$ 456,156</u>	<u>\$ 29,418</u>
Net change in fund balance	\$ (1,344,722)	\$ (1,670,572)
Fund balance beginning of year	<u>7,046,202</u>	<u>3,506,451</u>
Fund balance end of year	<u>\$ 5,701,480</u>	<u>\$ 1,835,879</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
\$3,090,052	\$ 1,281,710	\$12,800,233
-	1,415,513	1,415,513
-	2,269,548	5,003,919
-	-	610,516
-	1,258,791	6,043,361
-	28,408	708,049
-	-	71,074
2,414	330,451	629,500
-	19,955	20,662
-	193,824	751,594
-	-	25,555
<u>\$3,092,466</u>	<u>\$ 6,798,200</u>	<u>\$28,079,976</u>
\$ -	\$ 1,523,265	\$ 9,461,048
-	47,547	3,388,778
-	12,651	491,775
-	301,382	3,061,843
-	2,027,071	2,826,482
-	518,600	2,338,806
-	299,191	4,851,153
3,024,646	-	3,024,646
710,057	-	710,057
30,408	-	30,408
<u>\$3,765,111</u>	<u>\$ 4,729,707</u>	<u>\$30,184,996</u>
<u>\$ (672,645)</u>	<u>\$ 2,068,493</u>	<u>\$ (2,105,020)</u>
\$ 98,217	\$ -	\$ 895,000
24,165	-	24,165
645,672	778,499	1,754,526
(56,500)	(1,656,840)	(2,354,904)
<u>\$ 711,554</u>	<u>\$ (878,341)</u>	<u>\$ 318,787</u>
\$ 38,909	\$1,190,152	\$ (1,786,233)
(10,025)	10,930,895	21,473,523
<u>\$ 28,884</u>	<u>\$12,121,047</u>	<u>\$19,687,290</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, 2014

Net change in fund balances—total governmental funds \$ (1,786,233)

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

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in fund balance differs by the cost of the capital assets sold. (39,276)

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	\$5,024,385	
Depreciation expense	(6,155,724)	(1,131,339)

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	\$3,024,646	
Issuance of debt	(919,165)	
Accrued interest	5,381	
Amortization of bond discount	(9,159)	
Other post-employment benefits	(73,176)	2,028,527

Internal service funds net change (298,436)

Change in net position—governmental activities \$ (1,226,757)

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, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES:			
Property tax	\$ 8,397,972	\$ 8,397,972	\$ 8,428,471
Other tax	3,225,658	3,225,658	2,734,371
Licenses and permits	588,795	588,795	610,516
Intergovernmental	2,674,241	2,674,241	1,995,069
Charges for service	868,129	868,129	680,331
Fines and forfeitures	-	-	71,074
Use of money and property	400,145	400,145	296,358
Miscellaneous	239,903	510,447	557,770
Refunds	-	-	12,744
Total revenues	<u>\$16,394,843</u>	<u>\$16,665,387</u>	<u>\$15,386,704</u>
EXPENDITURES:			
Current:			
Public safety	\$ 7,883,601	\$ 7,985,043	\$ 7,937,783
Public works	1,012,642	1,012,642	974,979
Health & social services	549,772	618,010	479,124
Culture & recreation	2,886,452	2,886,452	2,760,461
Community & economic development	1,023,603	876,716	800,719
General government	2,225,050	2,034,050	1,820,206
Capital projects	2,468,169	2,681,920	2,414,310
Total expenditures	<u>\$18,049,289</u>	<u>\$18,094,833</u>	<u>\$17,187,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,654,446)</u>	<u>\$ (1,429,446)</u>	<u>\$ (1,800,878)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$863,133	\$863,133	\$796,783
Transfers in	785,660	785,660	280,937
Transfers out	<u>(180,000)</u>	<u>(180,000)</u>	<u>(621,564)</u>
Total other financing sources (uses)	<u>\$ 1,468,793</u>	<u>\$ 1,468,793</u>	<u>\$ 456,156</u>
Net change in fund balance	\$ (185,653)	\$ 39,347	\$ (1,344,722)
Fund balance beginning of year	<u>-</u>	<u>-</u>	<u>7,046,202</u>
Fund balance end of year	<u>\$ (185,653)</u>	<u>\$ 39,347</u>	<u>\$ 5,701,480</u>

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ 30,499
(491,287)
21,721
(679,172)
(187,798)
71,074
(103,787)
47,323
12,744
\$ (1,278,683)

\$ 47,260
37,663
138,886
125,991
75,997
213,844
267,610
\$ 907,251

\$ (371,432)

\$ (66,350)
(504,723)
(441,564)

\$ (1,012,637)

\$ (1,384,069)

7,046,202

\$ 5,662,133

CITY OF MASON CITY, IOWA
ROAD USE TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Amended Budget	Actual
REVENUES:			
Intergovernmental:			
Road use tax allocation	\$ 2,700,000	\$ 2,700,000	\$ 2,789,501
Charges for service	-	-	(690)
Use of money and property	-	-	277
Special assessments	-	-	707
Refund	-	-	12,811
Total revenues	\$ 2,700,000	\$ 2,700,000	\$ 2,802,606
EXPENDITURES:			
Current:			
Public works:			
Personal services	\$ 1,238,489	\$ 1,238,489	\$ 1,256,311
Contractual	759,153	778,653	615,603
Commodities	273,281	285,781	494,338
Other	3,799	3,799	-
Total public works	\$ 2,274,722	\$ 2,306,722	\$ 2,366,252
Community and economic development:			
Commodities	-	-	(1,308)
Capital projects	2,412,269	2,412,269	2,137,652
Total expenditures	\$ 4,686,991	\$ 4,718,991	\$ 4,502,596
Excess (deficiency) of revenues over (under) expenditures	\$ (1,986,991)	\$ (2,018,991)	\$ (1,699,990)
Other financing sources (uses):			
Transfers in	\$ 1,185,000	\$ 1,185,000	\$ 49,418
Transfers out	(20,000)	(20,000)	(20,000)
Total other financing sources (uses)	\$ 1,165,000	\$ 1,165,000	\$ 29,418
Net change in fund balance	\$ (821,991)	\$ (853,991)	\$ (1,670,572)
Fund balance beginning of year	-	-	3,506,451
Fund balance end of year	\$ (821,991)	\$ (853,991)	\$ 1,835,879

See Notes to Financial Statements.

Variance with
Amended Budget
Positive
(Negative)

\$ 89,501
 (690)
 277
 707
12,811
\$ 102,606

\$ (17,822)
163,050
(208,557)
3,799
\$ (59,530)

1,308
274,617
\$ 216,395

\$ 319,001

\$ (1,135,582)
 -

\$ (1,135,582)

\$ (816,581)

3,506,451

\$ 2,689,870

**CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2014**

	<u>Waterworks</u>	<u>Sewer Rental</u>
ASSETS:		
Current assets:		
Cash	\$ 1,752,213	\$ 1,170,736
Investments (at cost)	-	-
Receivables:		
Property taxes	-	-
Special assessments - current	-	21,376
Accounts (net)	637,167	487,214
Accrued interest	427	245
Inventory	289,210	64,002
Due from other funds	96,006	-
Prepaid insurance	22,747	27,763
Total current assets	<u>\$ 2,797,770</u>	<u>\$ 1,771,336</u>
Noncurrent assets:		
Restricted assets:		
Cash	\$ 1,798,968	\$ 1,055,263
Accrued interest	262	112
Total restricted assets	<u>\$ 1,799,230</u>	<u>\$ 1,055,375</u>
Property, plant and equipment:		
Land	\$ 167,220	\$ 316,209
Buildings	15,529,659	-
Equipment	1,379,615	979,146
Distribution system	32,558,927	-
Meters	913,342	-
Plant and improvements	-	33,644,578
Sewer lines and lifts	-	18,280,829
Improvements	-	-
Vehicles	475,884	905,368
Construction in progress	346,167	543,359
Total property, plant and equipment	<u>\$51,370,814</u>	<u>\$54,669,489</u>
Less accumulated depreciation	<u>(17,815,723)</u>	<u>(22,395,462)</u>
Net property, plant and equipment	<u>\$33,555,091</u>	<u>\$32,274,027</u>
Total noncurrent assets	<u>\$35,354,321</u>	<u>\$33,329,402</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred property taxes receivable	<u>\$ -</u>	<u>\$ -</u>
Total assets and deferred outflows of resources	<u>\$38,152,091</u>	<u>\$35,100,738</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 1,752,462	\$ 4,675,411	\$ 492,538
50	50	386,607
1,770	1,770	5,321
-	21,376	-
978,526	2,102,907	-
130	802	80
78,651	431,863	-
67,747	163,753	19,094
5,372	55,882	141
<u>\$ 2,884,708</u>	<u>\$ 7,453,814</u>	<u>\$ 903,781</u>
\$ -	\$ 2,854,231	\$ -
-	374	-
<u>\$ -</u>	<u>\$ 2,854,605</u>	<u>\$ -</u>
\$ 4,339,933	\$ 4,823,362	\$ -
1,471,560	17,001,219	-
1,219,587	3,578,348	107,495
-	32,558,927	-
-	913,342	-
-	33,644,578	-
4,260,170	22,540,999	-
3,170,100	3,170,100	-
1,842,822	3,224,074	85,174
245,362	1,134,888	-
<u>\$16,549,534</u>	<u>\$122,589,837</u>	<u>\$ 192,669</u>
(7,662,053)	(47,873,238)	(164,433)
<u>\$ 8,887,481</u>	<u>\$ 74,716,599</u>	<u>\$ 28,236</u>
<u>\$ 8,887,481</u>	<u>\$ 77,571,204</u>	<u>\$ 28,236</u>
<u>\$ 137,300</u>	<u>\$ 137,300</u>	<u>\$1,330,764</u>
<u>\$11,909,489</u>	<u>\$ 85,162,318</u>	<u>\$2,262,781</u>

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2014

	<u>Waterworks</u>	<u>Sewer Rental</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 240,454	\$ 265,898
Salaries payable	31,223	23,195
Contracts payable	229,978	41,650
Accrued vacation payable	109,116	71,937
Accrued interest payable	21,505	33,943
Due to other funds	8,551	7,091
Due to state government	21,740	-
Due to customers	85,073	-
General obligation bonds	675,790	412,299
General obligation notes	-	-
Revenue bonds	1,109,000	883,000
Prepaid interments	-	-
Total current liabilities	<u>\$ 2,532,430</u>	<u>\$ 1,739,013</u>
Long-term debt:		
General obligation bonds	\$ 2,065,000	\$ 1,730,001
Revenue bonds	8,259,378	9,810,102
Net OPEB obligation	76,213	42,358
Total long-term debt	<u>\$10,400,591</u>	<u>\$11,582,461</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred property taxes	\$ -	\$ -
Unearned revenue	-	-
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>
Total liabilities & deferred inflows of resources	<u>\$12,933,021</u>	<u>\$13,321,474</u>
NET POSITION:		
Invested in capital assets, net of related debt	\$21,445,923	\$19,438,625
Restricted for:		
Bond retirement	1,799,230	1,055,376
Unrestricted	<u>1,973,917</u>	<u>1,285,263</u>
Total net position	<u>\$25,219,070</u>	<u>\$21,779,264</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 Activities- Internal Service</u>
\$ 169,986	\$ 676,338	\$ 836,742
57,331	111,749	3,815
157,602	429,230	-
154,974	336,027	10,320
80	55,528	-
111,173	126,815	18
602	22,342	-
-	85,073	-
-	1,088,089	-
36,000	36,000	-
-	1,992,000	-
33,400	33,400	-
<u>\$ 721,148</u>	<u>\$ 4,992,591</u>	<u>\$ 850,895</u>
\$ -	\$ 3,795,001	\$ -
-	18,069,480	-
111,687	230,258	-
<u>\$ 111,687</u>	<u>\$22,094,739</u>	<u>\$ -</u>
\$ 137,300	\$ 137,300	\$1,330,764
600	600	12,513
<u>\$ 137,900</u>	<u>\$ 137,900</u>	<u>\$1,343,277</u>
<u>\$ 970,735</u>	<u>\$27,225,230</u>	<u>\$2,194,172</u>
\$ 8,851,481	\$49,736,029	\$ 28,236
-	2,854,606	-
<u>2,087,273</u>	<u>5,346,453</u>	<u>40,373</u>
<u>\$10,938,754</u>	\$57,937,088	<u>\$ 68,609</u>
	<u>(2,382,625)</u>	
	<u>\$55,554,463</u>	

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Waterworks</u>	<u>Sewer Rental</u>
Operating revenues:		
Charges for service	\$ 5,526,389	\$ 4,131,178
Health insurance contributions	-	-
Total operating revenues	\$ 5,526,389	\$ 4,131,178
Operating expenses:		
Business type activities:		
Personal service	\$ 1,536,128	\$ 1,056,143
Contractual	985,805	595,000
Commodities	701,845	242,921
Other	208	16,831
Depreciation	1,424,776	1,305,894
Amortization	8,775	3,432
Total operating expenses	\$ 4,657,537	\$ 3,220,221
Operating income (loss)	\$ 868,852	\$ 910,957
Nonoperating revenues (expenses):		
Property taxes	\$ -	\$ -
Fines and forfeitures	-	-
Use of money and property	26,806	3,151
Special assessments	-	-
Miscellaneous	805	61,485
Interest	(302,466)	(445,918)
Gain/(Loss) on disposal of assets	-	(1,331)
Total nonoperating revenue (expense)	\$ (274,855)	\$ (382,613)
Income (loss) before contributions and transfers	\$ 593,997	\$ 528,344
Contributions and transfers:		
Transfers in	\$ -	\$ -
Transfers out	(20,000)	(20,000)
Total contributions and transfers	\$ (120,703)	\$ (20,000)
Change in net position	\$ 573,997	\$ 508,344
Net position beginning of year	24,645,073	21,270,920
Net position end of year	\$25,219,070	\$21,779,264

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 Activities- Internal Service</u>
\$ 3,645,869	\$13,303,436	\$ 281,787
-	-	2,697,788
<u>\$ 3,645,869</u>	<u>\$13,303,436</u>	<u>\$ 2,979,575</u>
\$ 2,551,403	\$ 5,143,674	\$ 4,091,219
580,929	2,161,734	17,428
427,269	1,372,035	29,093
11,977	29,016	-
507,076	3,237,746	6,674
-	12,207	-
<u>\$ 4,078,654</u>	<u>\$11,956,412</u>	<u>\$ 4,144,414</u>
<u>\$ (432,785)</u>	<u>\$ 1,347,024</u>	<u>\$ (1,164,839)</u>
\$ 126,798	\$ 126,798	\$ 489,325
43,018	43,018	-
41,423	71,380	11,632
4,106	4,106	-
60,771	123,061	-
(3,248)	(751,632)	-
2,688	1,357	(16)
<u>\$ 275,556</u>	<u>\$ (381,912)</u>	<u>\$ 500,941</u>
<u>\$ (157,229)</u>	<u>\$ 965,112</u>	<u>\$ (663,898)</u>
\$ 140,378	\$ 140,378	\$ 500,000
-	(40,000)	-
<u>\$ 140,378</u>	<u>\$ 100,378</u>	<u>\$ 500,000</u>
\$ (16,851)	\$ 1,065,490	\$ (163,898)
<u>10,955,605</u>		<u>232,507</u>
<u>\$10,938,754</u>		<u>\$ 68,609</u>
	<u>(365,463)</u>	
	<u>\$ 700,027</u>	

**CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2014**

	<u>Waterworks</u>	<u>Sewer Rental</u>
Cash flows from operating activities:		
Cash received from interfund charges	\$ -	\$ -
Cash received from employees and others	-	-
Cash received from customers	5,583,645	4,134,181
Cash paid to employees for services	(1,495,031)	(1,064,124)
Cash paid to other suppliers of goods or services	(1,647,447)	(649,673)
Cash paid for health and life insurance	-	-
Rent received from operating assets	21,595	-
Proceeds from miscellaneous items	805	61,485
Net cash provided (used) by operating activities	<u>\$ 2,463,567</u>	<u>\$ 2,481,869</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ -	\$ -
Transfers in	-	-
Transfers out	(20,000)	(20,000)
Net cash provided (used) by non-capital financing activities	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (1,052,239)	\$ (1,332,868)
Principal payments	(1,722,452)	(1,244,902)
Interest payments	(305,698)	(449,188)
Net cash provided (used) for capital and related financing activities	<u>\$ (3,080,389)</u>	<u>\$ (3,026,958)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ 2,150,000	\$ 2,650,000
Purchase of investments	(900,000)	(1,000,000)
Interest received	5,385	4,525
Rent received on investment property	-	-
Net cash provided (used) by investing activities	<u>\$ 1,255,385</u>	<u>\$ 1,654,525</u>
Net increase (decrease) in cash	\$ 618,563	\$ 1,089,436
Cash beginning of year	2,932,618	1,136,563
Cash end of year	<u>\$ 3,551,181</u>	<u>\$ 2,225,999</u>
Noncash capital, investing and financing activities:		
Decrease in fair value of investments	<u>\$ -</u>	<u>\$ -</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ -	\$ -	\$ 2,504,535
-	-	478,825
3,621,924	13,339,750	-
(2,513,875)	(5,073,030)	(191,021)
(1,075,514)	(3,372,634)	(39,559)
-	-	(3,733,569)
-	21,595	-
<u>169,841</u>	<u>232,131</u>	<u>-</u>
\$ 202,376	\$ 5,147,812	\$ (980,789)
\$ 126,628	\$ 126,628	\$ 491,786
140,378	140,378	500,000
<u>-</u>	<u>(40,000)</u>	<u>-</u>
\$ 267,006	\$ 227,006	\$ 991,786
\$ (394,932)	\$ (2,780,039)	\$ (8,606)
(87,050)	(3,054,404)	-
<u>(3,066)</u>	<u>(757,952)</u>	<u>-</u>
\$ (485,048)	\$ (6,592,395)	\$ (8,606)
\$ 825,000	\$ 5,625,000	\$ 200,000
(475,000)	(2,375,000)	-
23,279	33,189	17,401
<u>31,862</u>	<u>31,862</u>	<u>-</u>
\$ 405,141	\$ 3,315,051	\$ 217,401
\$ 389,475	\$ 2,097,474	\$ 219,792
<u>1,362,989</u>	<u>5,432,170</u>	<u>272,746</u>
<u>\$1,752,464</u>	<u>\$ 7,529,644</u>	<u>\$ 492,538</u>
\$ -	\$ -	\$ (5,613)

CITY OF MASON CITY, IOWA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2014

	<u>Waterworks</u>	<u>Sewer Rental</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 868,852	\$ 910,957
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization expense	1,433,551	1,309,326
Rental income	21,595	-
Miscellaneous income	805	61,485
Change in assets and liabilities:		
(Increase) decrease in receivables	10,134	1,744
(Increase) decrease in inventory	(25,988)	(12,248)
(Increase) decrease in due from other funds	(410)	-
(Increase) decrease in prepaid insurance	(1,283)	(2,155)
Increase (decrease) in accounts and contracts payable	121,958	197,033
Increase (decrease) in salaries payable	5,077	4,975
Increase (decrease) in accrued compensated absences	27,548	12,103
Increase (decrease) in due to other funds	(598)	(497)
Increase (decrease) in due to state government	(3,902)	-
Increase (decrease) in due to customers	(1,137)	-
Increase (decrease) in prepaid interments	-	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in net OPEB obligation	7,365	(854)
	<u>7,365</u>	<u>(854)</u>
Net cash provided (used) by operating activities	<u>\$2,463,567</u>	<u>\$2,481,869</u>

See Notes to Financial Statements.

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ (432,785)	\$1,347,024	\$ (1,164,839)
507,076	3,249,953	6,674
-	21,595	-
107,895	170,185	-
(40,993)	(29,115)	-
7,380	(30,856)	-
-	(410)	3,066
(152)	(3,590)	-
58,331	377,322	185,654
11,391	21,443	582
11	39,662	(919)
2,991	1,896	18
(37,069)	(40,971)	-
-	(1,137)	-
(4,797)	(4,797)	-
75	75	(11,025)
<u>23,022</u>	<u>29,533</u>	<u>-</u>
<u>\$ 202,376</u>	<u>\$5,147,812</u>	<u>\$ (980,789)</u>

CITY OF MASON CITY, IOWA
FIDUCIARY FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

	<u>Firemen's Pension</u>
ASSETS:	
Cash	\$ 5,751
Receivables:	
Property taxes	78
Total assets	<u>\$ 5,829</u>
 DEFERRED OUTFLOWS OF RESOURCES:	
Deferred property taxes receivable	<u>7,400</u>
 Total assets and deferred outflows of resources	 <u>\$13,229</u>
 DEFERRED INFLOWS OF RESOURCES:	
Deferred property taxes	<u>\$ 7,400</u>
 NET POSITION:	
Held in trust for pension benefits	 <u>\$ 5,829</u>

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, 2014

	<u>Firemen's Pension</u>
ADDITIONS:	
Property taxes	\$7,214
DEDUCTIONS:	
Public safety:	
Benefits paid	<u>6,917</u>
Change in net position	\$ 297
Net position beginning of year	<u>5,532</u>
Net position end of year	<u>\$5,829</u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Financial Reporting Entity

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

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

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

(2) Summary of Significant Accounting Policies

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(2) Summary of Significant Accounting Policies - continued

(A) Government-wide and fund financial statements

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

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

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

Restricted net position results when constraints placed on net 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 often has constraints on resources imposed by management which can be removed or modified.

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

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(2) Summary of Significant Accounting Policies - continued

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

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

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

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

Substantially all shared revenues are recorded when the underlying exchange transaction has occurred. For governmental funds, revenue from grant revenues is recorded as unearned revenue until they become available.

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred. Income from accounts receivables and unbilled usage is recognized when earned. Licenses and permits, fines and forfeiture fees and refunds, charges for services (other than enterprise), miscellaneous and other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Special assessment receivables are recorded at the time of their levy. The related revenue is recognized at the time it is due in the governmental funds and when levied for government-wide statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(2) Summary of Significant Accounting Policies - continued

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

General Fund

The General Fund accounts for all the financial resources of the City, except for those required to be accounted for by other funds. The revenues of the General Fund are primarily derived from general property taxes, charges for services, fines and forfeitures, licenses and permits, and certain revenues from state and federal sources. The expenditures of the General Fund primarily relate to general administration, police and fire protection, streets and public buildings operation and maintenance, and parks and recreation oriented activities.

Road Use Tax Fund

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

Debt Service Fund

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

The City reports the following major proprietary funds:

Water Fund

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

Sanitary Sewer Fund

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

Additionally, the City reports the following fund types:

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

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

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(2) Summary of Significant Accounting Policies - continued

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

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

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

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

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

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

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

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(2) Summary of Significant Accounting Policies - continued

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

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

(C) Assets, liabilities and net position or equity

Cash Management and Investments

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

Investments are stated at fair value except for nonnegotiable certificates of deposit which are carried at cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The City invests in the Iowa Public Agency Investment Trust (IPAIT) which is a 2a-7 - like pool. IPAIT is a common law trust established under Iowa law and is administered by an appointed investment management company and operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. The fair value of the position in the trust is the same as the value of the shares.

The Code of Iowa requires all investment income of the Road Use Tax Special Revenue Fund to be recorded as General Fund revenue. \$3,343 and \$4,321 of investment income for the years ended June 30, 2014 and 2013, respectively, were recorded in this manner.

Receivables and Payables

Accounts receivable as of June 30, 2014, in proprietary and governmental funds is reported net of allowance for doubtful accounts in the amounts of \$943,107 and \$4,352, respectively.

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(2) Summary of Significant Accounting Policies - continued

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

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

Property taxes levied by the Cerro Gordo County Auditor for the year ended June 30, 2014, were due by July 1, 2013, with the first half installment being delinquent after September 30, 2013, and the second half installment being delinquent after March 31, 2014. Any collections remitted to the City within thirty days subsequent to year end are recorded as property tax revenue. The deferred outflow of resources property tax receivable represents the 2014 levy certified on March 15, 2014, based on 2013 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2014, the revenue has been recorded as a deferred inflow of resources.

Inventories and Prepaid Items

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

Restricted Assets

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

Capital Assets

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(2) Summary of Significant Accounting Policies - continued

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

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

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

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

Compensated Absences

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

Long-Term Obligations

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

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(2) Summary of Significant Accounting Policies - continued

Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

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

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

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

Assigned - Amounts the City Council intends to use for specific purposes. Intent can be expressed by the City Council or by an official or body to which the City Council delegates its authority. The City Council has authorized the Finance Director to assign fund balance.

Unassigned - All amounts not included in other spendable classifications.

(D) Budgetary control, compliance and appropriation data

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

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

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(2) Summary of Significant Accounting Policies - continued

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

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

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

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2014 budget:

	Original Certified Budget	Budget Amendment	Final Certified Budget	Actual Expenditures
Public Safety	\$ 9,530,893	\$ 123,692	\$ 9,654,585	\$ 9,461,048
Public Works	3,342,195	81,500	3,423,695	3,388,778
Health and Social Services	573,808	68,238	642,046	491,775
Culture and Recreation	3,516,180	226,501	3,742,681	3,061,843
Community and Economic Development	8,477,720	(382,387)	8,095,333	2,826,482
General Government	5,479,776	591,000	6,070,776	2,338,806
Debt Service	5,044,641	39,000	5,083,641	3,765,111
Capital Projects	5,551,333	-	5,551,333	4,851,153
Business-Type	15,346,857	245,000	15,591,857	12,708,044
Total	<u>\$56,863,403</u>	<u>\$ 992,544</u>	<u>\$57,855,947</u>	<u>\$42,893,040</u>

The fiscal year 2014 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, 2014 unbilled utility receivables for the Waterworks, Sewer Rental, Solid Waste and Storm Sewer Funds were included in accounts receivable and totaled approximately \$637,167, \$487,214, \$161,161 and \$36,339, respectively.

(3) Cash and Investments

The City's deposits at June 30, 2014 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(3) Cash and Investments - continued

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

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

The City's investments in the Iowa Public Agency Investment Trust are valued at an amortized cost of \$249,778 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization and are not rated.

The carrying amount and fair value of the City's investments at June 30, 2014 are as follows:

	<u>Fair Value</u>
U.S. Government securities	\$5,773,911
Equity securities	<u>1,276,096</u>
	\$7,050,007
Deposits classified as investments:	
Iowa Public Agency Investment Trust	249,778
Nonnegotiable certificates of deposit	<u>1,890,774</u>
Total	\$9,190,559
Less: Restricted investments	<u>501,759</u>
Total unrestricted investments per balance sheet	<u>\$8,688,800</u>

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

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

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(4) Interfund Receivable and Payable Balances

Interfund balances at June 30, 2014 consisted of the following amounts:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental:		
General	\$ 511,341	\$ 10,071
Road use tax	18,879	6,727
Debt service	91,685	14,114
Nonmajor funds	446,345	484,184
Internal Service funds	18	516,234
Total governmental	<u>\$1,068,268</u>	<u>\$1,031,330</u>
Business-Type:		
Waterworks	\$ 8,551	\$ 96,006
Sewer rental	7,091	-
Nonmajor funds	111,173	67,747
Total business-type	<u>\$ 126,815</u>	<u>\$ 163,753</u>
Total due to/from other funds	<u>\$1,195,083</u>	<u>\$1,195,083</u>

The City's interfund receivables and payables eliminated what would have been negative cash balances in various funds in the amount of \$863,256. 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, 2014 were:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental:		
General	\$ 280,937	\$ 621,564
Road use tax	49,418	20,000
Debt service	645,672	56,500
Nonmajor funds	778,499	1,656,840
Internal Service funds	500,000	-
Total governmental	<u>\$2,254,526</u>	<u>\$2,354,904</u>
Business-Type:		
Waterworks	\$ -	\$ 20,000
Sewer rental	-	20,000
Nonmajor funds	140,378	-
Total business-type	<u>\$ 140,378</u>	<u>\$ 40,000</u>
Total transfers	<u>\$2,394,904</u>	<u>\$2,394,904</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, 2014

(6) Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,634,356	\$ -	\$ -	\$ 2,634,356
Construction in progress	<u>23,059,329</u>	<u>2,736,174</u>	<u>6,473,687</u>	<u>19,321,816</u>
Total capital assets, not being depreciated	<u>\$ 25,693,685</u>	<u>\$2,736,174</u>	<u>\$6,473,687</u>	<u>\$ 21,956,172</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 20,252,105	\$3,519,476	\$ 2,000	\$ 23,769,581
Improvements other than buildings	28,506,041	225,805	-	28,731,846
Machinery and equipment	6,110,850	279,540	162,839	6,227,551
Vehicles	8,952,737	926,147	731,453	9,147,431
Infrastructure	<u>82,302,366</u>	<u>3,318,322</u>	<u>-</u>	<u>85,620,688</u>
Total capital assets, being depreciated	<u>\$146,124,099</u>	<u>\$8,269,290</u>	<u>\$ 896,292</u>	<u>\$153,497,097</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 7,432,332	\$ 749,624	\$ 926	\$ 8,181,030
Improvements other than buildings	9,949,151	1,173,518	-	11,122,669
Machinery and equipment	4,359,543	441,045	147,715	4,652,873
Vehicles	5,938,019	646,763	694,266	5,890,516
Infrastructure	<u>32,590,986</u>	<u>3,151,448</u>	<u>-</u>	<u>35,742,434</u>
Total accumulated Depreciation	<u>\$ 60,270,031</u>	<u>\$6,162,398</u>	<u>\$ 842,907</u>	<u>\$ 65,589,522</u>
Total capital assets, being depreciated, net	<u>\$ 85,854,068</u>	<u>\$2,106,892</u>	<u>\$ 53,385</u>	<u>\$ 87,907,575</u>
Governmental activities capital assets, net	<u>\$111,547,753</u>	<u>\$4,843,066</u>	<u>\$6,527,072</u>	<u>\$109,863,747</u>

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

Governmental activities:	
Public safety	\$ 537,136
Public works	4,460,478
Health and social services	560
Culture and recreation	1,003,256
Community and economic development	82,669
General government	71,625
Internal service funds depreciation is charged to various functions based on their usage of assets	<u>6,674</u>
Total depreciation expense—governmental activities	<u>\$6,162,398</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(6) Capital Assets - continued

Business-type Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 4,823,362	\$ -	\$ -	\$ 4,823,362
Construction in progress	<u>1,901,048</u>	<u>1,885,667</u>	<u>2,651,827</u>	<u>1,134,888</u>
Total capital assets, not being depreciated	<u>\$ 6,724,410</u>	<u>\$1,885,667</u>	<u>\$2,651,827</u>	<u>\$ 5,958,250</u>
Capital assets, being depreciated:				
Buildings and structures	\$ 17,001,219	\$ -	\$ -	\$ 17,001,219
Improvements other than buildings	3,132,476	37,624	-	3,170,100
Machinery and equipment	2,988,575	693,271	103,498	3,578,348
Vehicles	3,124,246	274,428	174,600	3,224,074
Collection and distribution systems	<u>87,502,471</u>	<u>2,428,299</u>	<u>272,924</u>	<u>89,657,846</u>
Total capital assets, being depreciated	<u>\$113,748,987</u>	<u>\$3,433,622</u>	<u>\$ 551,022</u>	<u>\$116,631,587</u>
Less accumulated depreciation for:				
Buildings and structures	\$ 4,407,945	\$ 406,492	\$ -	\$ 4,814,437
Improvements other than buildings	2,933,806	20,751	-	2,954,557
Machinery and equipment	2,234,497	248,764	99,478	2,383,783
Vehicles	1,849,222	258,381	174,600	1,933,003
Collection and distribution systems	<u>33,757,021</u>	<u>2,303,359</u>	<u>272,922</u>	<u>35,787,458</u>
Total accumulated depreciation	<u>\$ 45,182,491</u>	<u>\$3,237,747</u>	<u>\$ 547,000</u>	<u>\$ 47,873,238</u>
Total capital assets, being depreciated, net	<u>\$ 68,566,496</u>	<u>\$ 195,875</u>	<u>\$ 4,022</u>	<u>\$ 68,758,349</u>
Business-type activities capital assets, net	<u>\$ 75,290,906</u>	<u>\$2,081,542</u>	<u>\$2,655,849</u>	<u>\$ 74,716,599</u>

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

Business-type activities:	
Water works	\$1,424,776
Sewer rental	1,305,894
Other business-type funds	<u>507,076</u>
Total depreciation expense—business-type activities	<u>\$3,237,746</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(7) Pension and Retirement Systems

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

Iowa Public Employees Retirement System

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

Plan members are required to contribute 5.95% of their annual salary and the City is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 was \$693,192, \$670,176, and \$649,477 respectively, equal to the required contribution for each year.

Municipal Fire and Police Retirement System of Iowa

(A) Plan Description

The City is a participating employer in the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a multi-employer, cost sharing, defined benefit pension plan for the exclusive benefit of eligible employees of participating cities (substantially all full-time employees of the respective cities' fire and police departments). MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information for MFPRSI. The financial report may be obtained by writing to the Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Des Moines, IA 50322 or by calling 1-515-254-9200.

Member contribution rates are established by statute. For the fiscal year ended June 30, 2014, members contributed 9.40% of regular earnable compensation and the City contributed 30.12% of earnable compensation. The City's contribution to MFPRSI for the years ended June 30, 2014, 2013 and 2012 was \$1,542,192, \$1,296,873, and \$1,234,743 respectively, equal to the required contributions for each year.

Firemen Pension Plan

(A) Plan Description

The City maintains a contributory defined benefit pension plan for those individuals previously covered under the provisions of Chapter 410 of the Iowa Code. The plan is funded from pension fund reserves. All participants in the plan are presently retired. No information is available regarding actuarially computed liability or assets. As of June 30, 2014, there is one individual receiving benefits in the fire plan.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(7) Pension and Retirement Systems - continued

A summary of financial information relating to the plan as of June 30, 2014 is as follows:

	Fire
Cash and investments	\$5,751
Fund equity	5,829
Pensions paid	6,917

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

Basis of Accounting

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

Method Used to Value Investments

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

(C) Trend Information

Firemen Pension Plan

Fiscal Year	Revenues			Expenses
	Investment Income	Property Taxes	Totals	Benefits
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
2007	210	-	210	11,745
2006	391	-	391	11,432
2005	-	-	-	11,127

(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, 2014

(9) Long-Term Debt

Long-term debt of the City is as follows:

	<u>Governmental</u>	<u>Business-Type</u>
3.50% to 3.60% Essential Corporate Purpose bond payable, issued 11/1/05	\$ 185,000	\$ 510,000
3.75% to 3.90% Taxable General Obligation bond payable, issued 9/1/06	990,000	-
3.85% to 4.15% Taxable General Obligation bond payable, issued 9/4/07	480,000	1,775,000
3.50% to 4.10% General Obligation bond payable, issued 7/1/08	1,260,000	225,000
3.90% to 4.35% General Obligation bond payable, issued 7/1/08	1,695,000	-
2.875% to 4.375% Taxable General Obligation bond payable, issued 7/1/09	7,470,000	580,000
1.50% to 2.90% General Obligation bond payable, issued 8/1/10	1,305,000	755,000
1.10% to 2.80% General Obligation bond payable issued 8/1/10	3,150,000	-
0.70% to 1.85% General Obligation bond payable, issued 8/31/11	986,911	278,089
0.90% to 2.80% General Obligation bond payable, issued 8/31/11	615,000	-
2.74% Taxable General Obligation Capital Loan note payable, issued 4/20/10	-	36,000
0.40% to 1.70% General Obligation bond payable, issued 8/7/12	1,185,000	760,000
0.50% to 1.40% General Obligation bond payable, issued 8/7/12	720,000	-
2.00% General Obligation bond payable, issued 8/20/13	895,000	-
1.75% Water Revenue Capital Loan note payable, issued 2/26/03, callable 6/01/13 at par	-	8,023,378
4.00% Water Revenue bond payable, issued 9/1/06	-	740,000
4.16% to 4.35% Water Revenue bond payable, issued 9/1/07	-	605,000
3.90% Sewer Revenue bond payable, issued 9/1/06	-	330,000
3.00% Sewer Revenue bond payable, issued 8/15/08	-	10,363,102
Totals	<u>\$20,936,911</u>	<u>\$24,980,569</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(9) Long-Term Debt - continued

Bonded Debt:

General Obligation Debt

General obligation bonds are direct obligations issued on a pledge of the general taxing power of the City for the payment of the debt.

There were \$25,856,000 of general obligation bonds outstanding as of June 30, 2014. Unmatured general obligation bonds to be paid by governmental funds totaled \$20,936,911. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled \$4,919,089.

During the year ended June 30, 2014, the City issued \$895,000 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 \$20,061,480 of revenue bonds outstanding as of June 30, 2014, 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 \$2,602,702. The City has reserved \$2,854,605 as of June 30, 2014. The combined principal and interest paid for the current year and total customer net revenues were \$2,499,400 and \$4,615,168, respectively, amounting to approximately 54% 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, 2014, there were no tax increment financing bonds outstanding.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(9) Long-Term Debt - continued

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>July 1, 2013</u>	<u>New Issues</u>	<u>Payments</u>	<u>June 30, 2014</u>	<u>Due Within One Year</u>
General obligation:					
Governmental	\$23,066,557	\$ 895,000	\$3,024,646	\$20,936,911	\$3,241,911
Business-type activities:					
Water	\$ 3,392,242	\$ -	\$ 651,452	\$ 2,740,790	\$ 675,790
Sewer	2,536,202	-	393,902	2,142,300	412,299
Ambulance	123,169	-	87,169	36,000	36,000
Total business-type	<u>\$ 6,051,613</u>	<u>\$ -</u>	<u>\$1,132,523</u>	<u>\$ 4,919,090</u>	<u>\$1,124,089</u>
Revenue:					
Business-type:					
Water	\$10,430,603	\$ 8,775	\$1,071,000	\$ 9,368,378	\$1,109,000
Sewer	11,540,670	3,432	851,000	10,693,102	883,000
Total business-type	<u>\$21,971,273</u>	<u>\$ 12,207</u>	<u>\$1,922,000</u>	<u>\$20,061,480</u>	<u>\$1,992,000</u>
Total	<u>\$51,089,443</u>	<u>\$ 907,207</u>	<u>\$6,079,169</u>	<u>\$45,917,481</u>	<u>\$6,358,000</u>

At June 30, 2014, 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>\$1,664,754,711</u>
Debt limit - 5% of total valuation	\$ 83,237,735
Debt applicable to debt limit:	
General obligation bonded debt outstanding	25,820,000
Legal debt margin	<u>\$ 57,417,735</u>

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

June 30,	Governmental General Obligation		Business-type Activities General Obligation		General Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 3,241,911	\$ 645,987	\$1,124,089	\$150,459	\$ 4,366,000	\$ 796,446
2016	2,950,000	570,801	830,001	122,579	3,780,001	693,380
2017	2,940,000	493,507	475,000	96,481	3,415,000	589,988
2018	2,640,000	411,336	490,000	83,076	3,130,000	494,412
2019	2,220,000	328,952	500,000	67,334	2,720,000	396,286
2020-2024	4,310,000	913,275	1,500,000	114,309	5,810,000	1,027,584
2025-2029	2,635,000	350,211	-	-	2,635,000	350,211
	<u>\$20,936,911</u>	<u>\$3,714,069</u>	<u>\$4,919,090</u>	<u>\$634,238</u>	<u>\$25,856,001</u>	<u>\$4,348,307</u>

June 30,	Governmental Revenue Obligation		Business-type Activities Revenue Obligation		Revenue Obligation Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ -	\$ -	\$ 1,992,000	\$ 624,220	\$ 1,992,000	\$ 624,220
2016	-	-	1,719,000	558,165	1,719,000	558,165
2017	-	-	1,777,000	503,430	1,777,000	503,430
2018	-	-	1,831,000	446,000	1,831,000	446,000
2019	-	-	1,523,000	387,120	1,523,000	387,120
2020-2024	-	-	7,315,000	1,221,450	7,315,000	1,221,450
2025-2029	-	-	4,066,000	373,740	4,066,000	373,740
	<u>\$ -</u>	<u>\$ -</u>	<u>\$20,223,000</u>	<u>\$4,114,125</u>	<u>\$20,223,000</u>	<u>\$4,114,125</u>

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(9) Long-Term Debt - continued

Industrial Revenue Bonds

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

As of June 30, 2014, there were two series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$7,994,709.

(10) Contingent Liabilities

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

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

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

(11) Risk Management

As of July 1, 1993 the City established a self-insured medical plan for City employees and families. The plan is administered by and an administration fee paid to First Administration, Inc. The City is responsible for individual participant coverage of up to \$100,000 of claims annually. Individual claims in excess of \$100,000 and aggregate group claims in excess of approximately \$3,514,266 for the year ended June 30, 2014 are covered by commercial insurance.

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(11) Risk Management - continued

The City has adopted Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Included in the claims liability at June 30, 2014 is \$765,400 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2014 is as follows:

	Beginning of fiscal year <u>liability</u>	Current year claims and changes <u>in estimates</u>	Claim <u>payments</u>	End of fiscal year <u>liability</u>
Current year	\$595,800	\$3,556,112	\$3,386,812	\$765,100
Prior year	547,900	3,500,943	3,453,043	595,800

In addition to health risks losses, the City is exposed to various other risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City covers these risks through commercial claims-made insurance policies. The costs of this insurance are paid by the general fund and the enterprise funds. There have been no substantial reductions in coverage from prior years. Settled claims from these risks have exceeded commercial insurance coverage due to the flood of June, 2008. However, substantially all excess costs were reimbursed by disaster grants administered by the State of Iowa and FEMA.

(12) Deficit Fund Balances/Net Assets

The basic financial statements include individual fund deficits as follows:

Special Revenue Fund:	
FMA Voluntary Acquisition	\$259,711
South Eisenhower TIF	14,614

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

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(13) Termination Benefits

As of June 30, 2014, the City had two terminated employees participating in COBRA health care coverage available from the City. COBRA participants pay 100% of the premium for continuing coverage. COBRA continuation coverage benefits are available for eligible employees for 18 months. Upon termination, employees are paid for compensated absences that have been accrued up to termination date.

(14) Other Postemployment Benefits

Plan Descriptions and Funding Policy

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

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

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

Funding Policy

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

The required contribution is based on pay-as-you-go financing. For fiscal year 2014, the City contributed \$42,219 and retirees receiving benefits contributed \$228,280 through their required contributions.

Annual OPEB Cost and Net OPEB Obligation

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(14) Other Postemployment Benefits - continued

Annual required contribution	\$175,919
Interest on net OPEB obligation	17,164
Adjustment to annual required contribution	<u>58,844</u>
Annual OPEB cost/expense	\$134,239
Contributions and payments made	<u>(42,219)</u>
Increase in net OPEB obligation	\$ 92,020
Net OPEB obligation July 1, 2013	<u>686,563</u>
Net OPEB obligation June 30, 2014	<u><u>\$778,583</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 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, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and unfunded actuarial accrued liability (UAAL) for benefits was \$1,131,586. 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 \$12,266,204, and the ratio of the UAAL to the covered payroll was 9.23%.

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

Actuarial Methods and Assumptions

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

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(14) Other Postemployment Benefits - continued

In the July 1, 2013 actuarial valuation, entry age normal actuarial cost method was used. The actuarial assumptions included a 2.5% discount rate assuming funding based on the City's funding policy. The projected annual medical trend rate is six percent. The ultimate medical trend rate is six percent and an inflation rate of zero percent is assumed for this computation.

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

(15) Commitments

At June 30, 2014, the following construction and purchase commitments had been made:

	Total Contracts	Costs Incurred
Storm sewer projects	\$ 6,960,237	\$ 762,361
Street projects	3,065,292	129,727
Sewer projects	1,573,325	1,011,143
Community & economic development projects	548,649	156,516
Police department projects	462,487	-
Water projects	335,823	-
Other	1,759,964	622,356
Total	\$14,705,777	\$2,682,103

(16) Related Party Transactions

The City had material business transactions between the City and City officials, totaling \$2,482,820 during the year ended June 30, 2014 of which \$2,343,236 was competitively bid.

(17) Fund Balances

The details for the City's fund balance for the year ended June 30, 2014 are as follows:

	General	Road Use Tax	Debt Service	Nonmajor Governmental	Total
Nonspendable:					
Endowment principal	\$ -	\$ -	\$ -	\$ 633,638	\$ 633,638
Prepaid expenses	150,177	13,865	-	-	164,042
Total nonspendable	\$ 150,177	\$ 13,865	\$ -	\$ 633,638	\$ 797,680
Restricted for:					
Streets and road construction	\$ -	\$1,822,014	\$ -	\$ -	\$ 1,822,014
Employee benefits	-	-	-	5,418,953	5,418,953
Economic development projects	-	-	-	1,122,200	1,122,200
Grant qualified projects	-	-	-	11,377	11,377
Street and park improvements	-	-	-	3,130,728	3,130,728
Museum funding	-	-	-	334,227	334,227
Cemetery perpetual care	-	-	-	544,341	544,341
Debt Service	-	-	28,884	-	28,884
Tort liability	1,159,526	-	-	-	1,159,526
Total restricted	\$1,159,526	\$1,822,014	\$ 28,884	\$10,561,826	\$13,572,250

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(17) Fund Balances - continued

	<u>General</u>	<u>Road Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Assigned for:					
Airport	\$ 209,235	\$ -	\$ -	\$ -	\$ 209,235
Museum	-	-	-	694,035	694,035
Library	-	-	-	441,575	441,575
Youth softball complex	-	-	-	49,684	49,684
Total assigned	<u>\$ 209,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,185,294</u>	<u>\$ 1,394,529</u>
Unassigned	<u>\$4,182,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (259,711)</u>	<u>\$ 3,922,831</u>
Total fund balance	<u>\$5,701,480</u>	<u>\$1,835,879</u>	<u>\$ 28,884</u>	<u>\$12,121,047</u>	<u>\$19,687,290</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, 2014, disbursements did not exceed the amount budgeted.

(19) Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 31, 2014, the date the financial statements were issued.

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

Park and recreation projects	\$ 382,574
Police department projects	58,106
Fire department projects	44,737
Water projects	20,214
Other projects	622,676
Total	<u>\$1,128,307</u>

The City issued \$6,335,000 of general obligation bonds dated August 20, 2014 payable over a ten-year period at an interest rates ranging from 2.0% to 2.5%.

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

The City has implemented the following GASB standards during the fiscal year ended June 30, 2014:

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The required changes have been made to the City's current year financial statements.

CITY OF MASON CITY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Statement No. 66, *Technical Corrections - 2012 - an amendment to GASB Statements No. 10 and No. 62*, issued March 2012. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The adoption of this Statement has no effect on the City in the current year.

Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, issued June 2012. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for non-employer governments that have a legal obligation to contribute to those plans. The required changes have been made to the City's current year financial statements.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*; issued April, 2013. The objective of this Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions. The adoption of this Statement has no effect on the City's current financial statements.

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

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

Statement No. 69, *Government Combinations and Disposals of Government Operations*; issued January, 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations. Guidance is also provided on how to determine the gain or loss on a disposal of government operations and applies to all state and local government entities.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*; issued November, 2013, will be effective for the fiscal year ending June 30, 2015, simultaneously with Statement No. 68. The objective of this statement addresses the issue of amounts associated with contributions made by a state or local government to a defined benefit pension plan after the measurement date of their beginning net pension liability.

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 Accrued Liability (AAL) (b)</u>	<u>Unfunded (Overfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
2014	7/1/2013	\$ -	\$1,131,586	\$1,131,586	0.00%	\$13,875,756	8.16%
2013	7/1/2011	-	1,445,475	1,445,475	0.00	13,727,810	10.53
2012	7/1/2011	-	1,463,752	1,463,752	0.00	14,275,269	10.25
2011	7/1/2009	-	988,388	988,388	0.00	13,670,291	7.23
2010	7/1/2009	-	973,974	973,974	0.00	13,410,686	7.26
2009	7/1/2009	-	937,435	937,435	0.00	13,144,648	7.41

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

The information presented in the required supplementary schedule was determined as part of the actuarial valuations as of July 1, 2013.

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

There are no plan assets.

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

The amortization method is open period, level dollar.

**SUPPLEMENTARY
INFORMATION**

GOVERNMENTAL FUNDS

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2014

	<u>HMGP Voluntary Acquisition</u>	<u>FMA Voluntary Acquisition</u>	<u>Unified TIF</u>
ASSETS:			
Cash	\$171,764	\$ -	\$608,496
Investments	-	-	-
Receivables:			
Property taxes	-	-	8,316
Accrued interest	-	-	-
Special assessments - current	-	-	16,935
Due from other funds	117,019	-	14,614
Due from state government	66,305	8,786	97,014
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u>\$355,088</u>	<u>\$ 8,786</u>	<u>\$745,375</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred property taxes receivable	\$ -	\$ -	\$ -
Deferred special assessments receivable	-	-	118,545
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$118,545</u>
Total assets & deferred outflows of resources	<u>\$355,088</u>	<u>\$ 8,786</u>	<u>\$863,920</u>
LIABILITIES:			
Accounts payable	\$ 2,422	\$ 938	\$ 56,220
Salaries payable	345	276	237
Contracts payable	28,310	150,264	-
Due to other funds	-	117,019	1,298
Due to state government	-	-	-
Total liabilities	<u>\$ 31,077</u>	<u>\$ 268,497</u>	<u>\$ 57,755</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred property tax	\$ -	\$ -	\$ -
Deferred special assessments	-	-	118,545
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$118,545</u>
Total liabilities & deferred inflows of resources	<u>\$ 31,077</u>	<u>\$ 268,497</u>	<u>\$176,300</u>
FUND BALANCE:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	324,011	-	687,620
Assigned	-	-	-
Unassigned	-	(259,711)	-
Total fund balance	<u>\$324,011</u>	<u>\$ (259,711)</u>	<u>\$687,620</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$355,088</u>	<u>\$ 8,786</u>	<u>\$863,920</u>

(continued)

<u>Hotel/ Motel Tax</u>	<u>Police Retirement</u>	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>	<u>MacNider Museum Foundation</u>
\$118,826	\$ -	\$ -	\$ 43,811	\$116,079	\$ 20,218
-	2,885,360	2,406,970	-	326,890	673,817
-	5,643	4,500	8,410	-	-
-	1,490	1,316	-	505	-
-	-	-	-	-	-
-	-	13,125	197,293	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$118,826</u>	<u>\$2,892,493</u>	<u>\$2,425,911</u>	<u>\$249,514</u>	<u>\$443,474</u>	<u>\$ 694,035</u>
\$ -	\$ 533,000	\$ 378,000	\$390,530	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 533,000</u>	<u>\$ 378,000</u>	<u>\$390,530</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$118,826</u>	<u>\$3,425,493</u>	<u>\$2,803,911</u>	<u>\$640,044</u>	<u>\$443,474</u>	<u>\$ 694,035</u>
\$ 57,373	\$ -	\$ -	\$ -	\$ 1,899	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	145,119	65,299	-	-	-
-	-	-	-	-	-
<u>\$ 57,373</u>	<u>\$ 145,119</u>	<u>\$ 65,299</u>	<u>\$ -</u>	<u>\$ 1,899</u>	<u>\$ -</u>
\$ -	\$ 533,000	\$ 378,000	\$390,530	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 533,000</u>	<u>\$ 378,000</u>	<u>\$390,530</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 57,373	\$ 678,119	\$ 443,299	\$390,530	\$ 1,899	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
61,453	2,747,374	2,360,612	249,514	-	-
-	-	-	-	441,575	694,035
-	-	-	-	-	-
<u>\$ 61,453</u>	<u>\$2,747,374</u>	<u>\$2,360,612</u>	<u>\$249,514</u>	<u>\$441,575</u>	<u>\$ 694,035</u>
<u>\$118,826</u>	<u>\$3,425,493</u>	<u>\$2,803,911</u>	<u>\$640,044</u>	<u>\$443,474</u>	<u>\$ 694,035</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2014

	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>	<u>19th Street Overpass</u>
ASSETS:			
Cash	\$194,845	\$1,274,039	\$ -
Investments	-	6,293,037	-
Receivables:			
Property taxes	2,458	29,327	-
Accrued interest	-	3,311	-
Special assessments - current	-	16,935	-
Due from other funds	1,298	343,349	-
Due from state government	-	172,105	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
Total assets	<u>\$198,601</u>	<u>\$8,132,103</u>	<u>\$ -</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred property taxes receivable	\$ -	\$1,420,075	\$ -
Deferred special assessments receivable	-	118,545	-
Total deferred outflows of resources	<u>\$ -</u>	<u>\$1,420,075</u>	<u>\$ -</u>
Total assets & deferred outflows of resources	<u>\$198,601</u>	<u>\$9,552,178</u>	<u>\$ -</u>
LIABILITIES:			
Accounts payable	\$ 11,651	\$ 130,503	\$ -
Salaries payable	-	858	-
Contracts payable	-	178,574	-
Due to other funds	15,164	343,899	-
Due to state government	156	156	-
Total liabilities	<u>\$ 26,971</u>	<u>\$ 653,990</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred property tax	\$ -	\$1,420,075	\$ -
Deferred special assessments	-	118,545	-
Total deferred outflows of resources	<u>\$ -</u>	<u>\$1,420,075</u>	<u>\$ -</u>
Total liabilities & deferred inflows of resources	<u>\$ 26,971</u>	<u>\$2,074,065</u>	<u>\$ -</u>
FUND BALANCE:			
Nonspendable	\$ -	\$ -	\$ -
Restricted	121,946	6,552,530	-
Assigned	49,684	1,185,294	-
Unassigned	-	(259,711)	-
Total fund balance	<u>\$171,630</u>	<u>\$7,478,113</u>	<u>\$ -</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$198,601</u>	<u>\$9,552,178</u>	<u>\$ -</u>

(continued)

SCHEDULE 1
(continued)

<u>Local Option Capital Improvement</u>	<u>Total Capital Projects</u>	<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$3,014,991	\$3,014,991	\$ -	\$332,422	\$ 332,422	\$ 4,621,452
-	-	-	633,638	633,638	6,926,675
-	-	-	-	-	29,327
599	599	-	1,805	1,805	5,715
-	-	-	-	-	16,935
-	-	103,645	-	103,645	446,994
142,899	142,899	-	-	-	315,004
-	-	3,970	-	3,970	3,970
-	-	501,759	-	501,759	501,759
-	-	223	-	223	223
<u>\$3,158,489</u>	<u>\$3,158,489</u>	<u>\$609,597</u>	<u>\$967,865</u>	<u>\$1,577,462</u>	<u>\$12,868,054</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,420,075
-	-	-	-	-	118,545
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,420,075</u>
<u>\$3,158,489</u>	<u>\$3,158,489</u>	<u>\$609,597</u>	<u>\$967,865</u>	<u>\$1,577,462</u>	<u>\$14,288,129</u>
\$ 22,660	\$ 22,660	\$ -	\$ -	\$ -	\$ 153,163
-	-	-	-	-	858
5,101	5,101	-	-	-	183,675
-	-	65,256	-	65,256	409,155
-	-	-	-	-	156
<u>\$ 27,761</u>	<u>\$ 27,761</u>	<u>\$ 65,256</u>	<u>\$ -</u>	<u>\$ 65,256</u>	<u>\$ 747,007</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,420,075
-	-	-	-	-	118,545
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,420,075</u>
27,761	27,761	65,256	\$ -	\$ 65,256	\$ 2,167,082
\$ -	\$ -	\$ -	\$633,638	\$ 633,638	\$ 633,638
3,130,728	3,130,728	544,341	334,227	878,568	10,561,826
-	-	-	-	-	1,185,294
-	-	-	-	-	(259,711)
<u>\$3,130,728</u>	<u>\$3,130,728</u>	<u>\$544,341</u>	<u>\$967,865</u>	<u>\$1,512,206</u>	<u>\$12,121,047</u>
<u>\$3,158,489</u>	<u>\$3,158,489</u>	<u>\$609,597</u>	<u>\$967,865</u>	<u>\$1,577,462</u>	<u>\$14,288,129</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014

	<u>HMGP Voluntary Acquisition</u>	<u>FMA Voluntary Acquisition</u>	<u>Unified TIF</u>
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	-	1,414,314
Other taxes	-	-	-
Intergovernmental	728,653	43,116	350,063
Charges for service	-	-	6,094
Use of money and property	-	-	5,986
Special assessments	-	-	16,935
Miscellaneous	-	-	6,297
Total revenues	<u>\$728,653</u>	<u>\$ 43,116</u>	<u>\$1,799,689</u>
EXPENDITURES:			
Current:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	463,971	103,350	1,213,332
General government	-	-	-
Capital projects	-	-	-
Total expenditures	<u>\$463,971</u>	<u>\$ 103,350</u>	<u>\$1,213,332</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$264,682</u>	<u>\$ (60,234)</u>	<u>\$ 586,357</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ -	\$ 746,935
Transfers out	-	-	(645,672)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,263</u>
Net change in fund balances	\$264,682	\$ (60,234)	\$ 687,620
Fund balance beginning of year	<u>59,329</u>	<u>(199,477)</u>	<u>-</u>
Fund balance end of year	<u>\$324,011</u>	<u>\$ (259,711)</u>	<u>\$ 687,620</u>

(continued)

<u>Hotel/ Motel Tax</u>	<u>Police Retirement</u>	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>	<u>MacNider Museum Foundation</u>
\$ -	\$ 519,034	\$ 413,825	\$ 348,851	\$ -	\$ -
-	-	-	-	-	-
568,232	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	5,692	-
-	71,407	62,484	-	13,227	128,656
-	-	-	-	-	-
18,750	-	-	-	65,412	18,413
<u>\$586,982</u>	<u>\$ 590,441</u>	<u>\$ 476,309</u>	<u>\$ 348,851</u>	<u>\$ 84,331</u>	<u>\$147,069</u>
\$ -	\$ 795,340	\$ 571,012	\$ 156,913	\$ -	\$ -
-	-	-	47,547	-	-
-	-	-	12,651	-	-
-	-	-	106,506	41,792	56,717
63,750	-	-	30,770	-	-
391,779	-	-	126,821	-	-
-	-	-	-	3,261	-
<u>\$455,529</u>	<u>\$ 795,340</u>	<u>\$ 571,012</u>	<u>\$ 481,208</u>	<u>\$ 45,053</u>	<u>\$ 56,717</u>
<u>\$131,453</u>	<u>\$ (204,899)</u>	<u>\$ (94,703)</u>	<u>\$ (132,357)</u>	<u>\$ 39,278</u>	<u>\$ 90,352</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(70,000)	-	-	-	-	-
<u>\$ (70,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 61,453	\$ (204,899)	\$ (94,703)	\$ (132,357)	\$ 39,278	\$ 90,352
-	2,952,273	2,455,315	381,871	402,297	603,683
<u>\$ 61,453</u>	<u>\$2,747,374</u>	<u>\$2,360,612</u>	<u>\$ 249,514</u>	<u>\$441,575</u>	<u>\$694,035</u>

CITY OF MASON CITY, IOWA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Other Special Revenue</u>	<u>Total Special Revenue</u>	<u>19th Street Overpass</u>
REVENUES:			
Property taxes	\$ -	\$1,281,710	\$ -
TIF revenues	1,199	1,415,513	-
Other taxes	-	568,232	-
Intergovernmental	136,959	1,258,791	-
Charges for service	8,354	20,140	-
Use of money and property	40,036	321,796	-
Special assessments	3,020	19,955	-
Miscellaneous	140	109,012	-
Total revenues	<u>\$ 189,708</u>	<u>\$4,995,149</u>	<u>\$ -</u>
EXPENDITURES:			
Current:			
Public safety	\$ -	\$1,523,265	\$ -
Public works	-	47,547	-
Health & social services	-	12,651	-
Culture & recreation	36,408	241,423	-
Community & economic development	151,898	2,027,071	-
General government	-	518,600	-
Capital projects	10,126	13,387	-
Total expenditures	<u>\$ 198,432</u>	<u>\$4,383,944</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (8,724)</u>	<u>\$ 611,205</u>	<u>\$ -</u>
Other financing sources (uses):			
Transfers in	\$ 30,355	\$ 777,290	\$ -
Transfers out	<u>(766,935)</u>	<u>(1,482,607)</u>	<u>(49,418)</u>
Total other financing sources (uses)	<u>\$ (736,580)</u>	<u>\$ (705,317)</u>	<u>\$ (49,418)</u>
Net change in fund balances	\$ (745,304)	\$ (94,112)	\$ (49,418)
Fund balance beginning of year	<u>916,934</u>	<u>7,572,225</u>	<u>49,418</u>
Fund balance end of year	<u>\$ 171,630</u>	<u>\$7,478,113</u>	<u>\$ -</u>

(continued)

**SCHEDULE 2
(continued)**

<u>Local Option Capital Improvement</u>	<u>Total Capital Projects</u>	<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,281,710
-	-	-	-	-	1,415,513
1,701,316	1,701,316	-	-	-	2,269,548
-	-	-	-	-	1,258,791
-	-	8,268	-	8,268	28,408
3,208	3,208	-	5,447	5,447	330,451
-	-	-	-	-	19,955
17,500	17,500	-	67,312	67,312	193,824
<u>\$1,722,024</u>	<u>\$1,722,024</u>	<u>\$ 8,268</u>	<u>\$ 72,759</u>	<u>\$ 81,027</u>	<u>\$ 6,798,200</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,523,265
-	-	-	-	-	47,547
-	-	-	-	-	12,651
-	-	-	59,959	59,959	301,382
-	-	-	-	-	2,027,071
-	-	-	-	-	518,600
285,804	285,804	-	-	-	299,191
<u>\$ 285,804</u>	<u>\$ 285,804</u>	<u>\$ -</u>	<u>\$ 59,959</u>	<u>\$ 59,959</u>	<u>\$ 4,729,707</u>
<u>\$1,436,220</u>	<u>\$1,436,220</u>	<u>\$ 8,268</u>	<u>\$ 12,800</u>	<u>\$ 21,068</u>	<u>\$ 2,068,493</u>
\$ -	\$ -	\$ -	\$ 1,209	\$ 1,209	\$ 778,499
(118,878)	(168,296)	-	(5,937)	(5,937)	(1,656,840)
<u>\$ (118,878)</u>	<u>\$ (168,296)</u>	<u>\$ -</u>	<u>\$ (4,728)</u>	<u>\$ (4,728)</u>	<u>\$ (878,341)</u>
\$1,317,342	\$1,267,924	\$ 8,268	\$ 8,072	\$ 16,340	\$ 1,190,152
<u>1,813,386</u>	<u>1,862,804</u>	<u>536,073</u>	<u>959,793</u>	<u>1,495,866</u>	<u>10,930,895</u>
<u>\$3,130,728</u>	<u>\$3,130,728</u>	<u>\$544,341</u>	<u>\$967,865</u>	<u>\$1,512,206</u>	<u>\$12,121,047</u>

CITY OF MASON CITY, IOWA
 HMGP VOLUNTARY ACQUISITION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$2,745,456	\$ 728,653	\$(2,016,803)
EXPENDITURES			
Current:			
Community & economic development:			
Personal service	\$ 30,164	\$ 11,517	\$ 18,647
Contractual	2,690,056	429,361	2,260,695
Commodities	24,986	23,093	1,893
Total expenditures	<u>\$2,745,206</u>	<u>\$ 463,971</u>	<u>\$ 2,281,235</u>
Net change in fund balance	\$ 250	\$ 264,682	\$ 264,432
Fund balance beginning of year	-	59,329	59,329
Fund balance end of year	<u><u>\$ 250</u></u>	<u><u>\$ 324,011</u></u>	<u><u>\$ 323,761</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 FMA VOLUNTARY ACQUISITION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$1,080,969	\$ 43,116	\$ (1,037,853)
EXPENDITURES:			
Current:			
Community & economic development:			
Personal service	\$ 23,200	\$ 5,751	\$ 17,449
Contractual	1,026,769	96,788	929,981
Commodities	31,000	811	30,189
Total expenditures	<u>\$1,080,969</u>	<u>\$ 103,350</u>	<u>\$ 977,619</u>
Net change in fund balance	\$ -	\$ (60,234)	\$ (60,234)
Fund balance beginning of year	-	(199,477)	(199,477)
Fund balance end of year	<u>\$ -</u>	<u>\$ (259,711)</u>	<u>\$ (259,711)</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
COMMUNITY GROWTH TIF SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
TIF revenues	\$ 788,044	\$ 1,180	\$ (786,864)
Intergovernmental	529,000	-	(529,000)
Use of money and property	15,000	-	(15,000)
Total revenues	<u>\$1,332,044</u>	<u>\$ 1,180</u>	<u>\$ (1,330,864)</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Personal services	\$ -	\$ 913	\$ (913)
Contractual	1,585,242	2,024	1,583,218
Commodities	-	6,394	(6,394)
Total community & economic development	<u>\$1,585,242</u>	<u>\$ 9,331</u>	<u>\$ 1,575,911</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (253,198)</u>	<u>\$ (8,151)</u>	<u>\$ 245,047</u>
Other financing sources (uses):			
Issuance of bonds	\$ 750,000	\$ -	\$ (750,000)
Transfers out	(646,802)	(616,935)	29,867
Total other financing sources (uses)	<u>\$ 103,198</u>	<u>\$ (616,935)</u>	<u>\$ (720,133)</u>
Net change in fund balance	\$ (150,000)	\$ (625,086)	\$ (475,086)
Fund balance beginning of year	-	705,143	705,143
Fund balance end of year	<u>\$ (150,000)</u>	<u>\$ 80,057</u>	<u>\$ 230,057</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 SOUTH EISENHOWER TIF SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
TIF revenues	\$13,004	\$ -	\$13,004
EXPENDITURES:			
None	\$ -	\$ -	\$ -
Net change in fund balance	\$13,004	\$ -	\$13,004
Fund balance beginning of year	-	(14,614)	(14,614)
Fund balance end of year	<u>\$13,004</u>	<u>\$14,614</u>	<u>\$ 1,610</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 WESTSIDE TIF SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$160,460	\$ 286	\$160,174
Use of money and property	-	18	(18)
Total revenues	<u>\$160,460</u>	<u>\$ 304</u>	<u>\$160,156</u>
EXPENDITURES:			
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$160,460</u>	<u>\$ 304</u>	<u>\$160,156</u>
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>\$(70,000)</u>	<u>\$ 70,000</u>
Net change in fund balance	<u>\$160,460</u>	<u>\$(69,696)</u>	<u>\$230,156</u>
Fund balance beginning of year	<u>-</u>	<u>98,019</u>	<u>(98,019)</u>
Fund balance end of year)	<u>\$160,460</u>	<u>\$ 28,323</u>	<u>\$132,137</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 GATEWAY TIF SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
TIF revenues	\$579,717	\$ 19	\$ (579,698)
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$574,121	\$ 2,338	\$ 571,783
Net change in fund balance	\$ 5,596	\$ (2,319)	\$ (7,915)
Fund balance beginning of year	-	67,589	67,589
Fund balance end of year	<u>\$ 5,596</u>	<u>\$ 65,270</u>	<u>\$ 59,674</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
POLICE RETIREMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 508,313	\$ 519,034	\$ 10,721
Other taxes	9,687	-	(9,687)
Use of money and property:			
Interest on investments	<u>120,000</u>	<u>71,407</u>	<u>(48,593)</u>
Total revenues	<u>\$ 638,000</u>	<u>\$ 590,441</u>	<u>\$ (47,559)</u>
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	\$ 803,000	\$ 795,324	\$ 7,676
Commodities	-	16	(16)
Total expenditures	<u>\$ 803,000</u>	<u>\$ 795,340</u>	<u>\$ 7,660</u>
Net change in fund balance	\$ (165,000)	\$ (204,899)	\$ (39,899)
Fund balance beginning of year	<u>-</u>	<u>2,952,273</u>	<u>2,952,273</u>
Fund balance end of year	<u>\$ (165,000)</u>	<u>\$2,747,374</u>	<u>\$2,912,374</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 FIRE RETIREMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 405,274	\$ 413,825	\$ 8,551
Other taxes	7,726	-	(7,726)
Use of money and property:			
Interest on investments	<u>100,000</u>	<u>62,484</u>	<u>(37,516)</u>
Total revenues	<u>\$ 513,000</u>	<u>\$ 476,309</u>	<u>\$ (36,691)</u>
EXPENDITURES:			
Current:			
Public safety:			
Pension contributions	\$ 678,000	\$ 570,992	\$ 107,008
Commodities	-	20	(20)
Total expenditures	<u>\$ 678,000</u>	<u>\$ 571,012</u>	<u>\$ 106,988</u>
Net change in fund balance	\$ (165,000)	\$ (94,703)	\$ 70,297
Fund balance beginning of year	<u>-</u>	<u>2,455,315</u>	<u>2,455,315</u>
Fund balance end of year	<u>\$ (165,000)</u>	<u>\$2,360,612</u>	<u>\$2,525,612</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 EMPLOYEE RETIREMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 340,934	\$ 348,851	\$ 7,917
Other city tax	6,499	-	(6,499)
Total revenues	<u>\$ 347,433</u>	<u>\$ 348,851</u>	<u>\$ 1,418</u>
EXPENDITURES:			
Current:			
Public safety	\$ 144,884	\$ 156,913	\$(12,029)
Public works	50,562	47,547	3,015
Health & social services	16,658	12,651	4,007
Culture & recreation	107,874	106,506	1,368
Community & economic development	33,229	30,770	2,459
General government	120,226	126,821	(6,595)
Total expenditures	<u>\$ 473,433</u>	<u>\$ 481,208</u>	<u>\$ (7,775)</u>
Net change in fund balance	\$ (126,000)	\$ (132,357)	\$ (6,357)
Fund balance beginning of year	<u>-</u>	<u>381,871</u>	<u>381,871</u>
Fund balance end of year	<u>\$ (126,000)</u>	<u>\$ 249,514</u>	<u>\$375,514</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental	\$ 10,000	\$ -	\$(10,000)
Charges for service	2,900	5,692	2,792
Use of money and property	-	13,227	13,227
Contributions	-	60,609	60,609
Miscellaneous	21,000	4,803	(16,197)
Total revenues	<u>\$ 33,900</u>	<u>\$ 84,331</u>	<u>\$ 50,431</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	\$ 11,000	\$ 30,016	\$(19,016)
Commodities	7,000	11,776	(4,776)
Total culture & recreation	<u>\$ 18,000</u>	<u>\$ 41,792</u>	<u>\$ (23,792)</u>
Capital projects	16,000	3,261	12,739
Total expenditures	<u>\$ 34,000</u>	<u>\$ 45,053</u>	<u>\$ (11,053)</u>
Net change in fund balance	\$ (100)	\$ 39,278	\$ 39,378
Fund balance beginning of year	<u>-</u>	<u>402,297</u>	<u>402,297</u>
Fund balance end of year	<u>\$ (100)</u>	<u>\$441,575</u>	<u>\$441,675</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 ADDI SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$255,000	\$ -	\$ (255,000)
EXPENDITURES:			
Current:			
Community and economic development:			
Personal service	\$ 20,000	\$ (308)	\$ 20,308
Contractual	<u>235,000</u>	<u>-</u>	<u>235,000</u>
Total expenditures	\$255,000	\$ (308)	\$ 255,308
Net change in fund balance	\$ -	\$ 308	\$ 308
Fund balance beginning of year	<u>-</u>	<u>5,329</u>	<u>5,329</u>
Fund balance end of year	<u>\$ -</u>	<u>\$5,637</u>	<u>\$ 5,637</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 SOFTBALL IMPROVEMENT TRUST SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$29,507	\$ (1,047)	\$ (30,554)
Use of money and property	-	19,079	19,079
Special assessments	-	3,020	3,020
Miscellaneous	500	140	(360)
Total revenues	<u>\$30,007</u>	<u>\$ 21,192</u>	<u>\$ (8,815)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Personal service	\$ 2,500	\$ 3,129	\$ (629)
Contractual	2,800	26	2,774
Commodities	18,207	14,455	3,752
Total culture & recreation	<u>\$23,507</u>	<u>\$ 17,610</u>	<u>\$ 5,897</u>
Capital projects	6,500	3,011	3,489
Total expenditures	<u>\$30,007</u>	<u>\$ 20,621</u>	<u>\$ 9,386</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 571	\$ 571
Other financing sources (uses):			
Transfers in	\$ -	\$ 20,000	\$ 20,000
Net change in fund balance	\$ -	\$ 20,571	\$ 20,571
Fund balance beginning of year	-	(11,296)	(11,296)
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ 9,275</u></u>	<u><u>\$ 9,275</u></u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 YOUTH SOFTBALL COMPLEX TRUST SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Charges for service	\$37,100	\$ 9,115	\$ (27,985)
Use of money and property	-	20,939	20,939
Total revenues	<u>\$37,100</u>	<u>\$ 30,054</u>	<u>\$ (7,046)</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Contractual	\$ 7,100	\$ 1,883	\$ 5,217
Commodities	27,200	16,915	10,285
Total culture & recreation	<u>\$34,300</u>	<u>\$ 18,798</u>	<u>\$ 15,502</u>
Capital projects	2,800	7,115	(4,315)
Total expenditures	<u>\$37,100</u>	<u>\$ 25,913</u>	<u>\$ 11,187</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 4,141</u>	<u>\$ 4,141</u>
Other financing sources (uses):			
Transfers out	\$ -	\$ 20,000	\$ (20,000)
Net change in fund balance	\$ -	\$ (15,859)	\$ (15,859)
Fund balance beginning of year	-	56,266	56,266
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ 40,407</u></u>	<u><u>\$ 40,407</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Other Taxes	\$ -	\$568,232	\$568,232
Contributions	-	18,750	18,750
Total revenues	<u>\$ -</u>	<u>\$586,982</u>	<u>\$586,982</u>
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$ 30,000	\$ 30,000	\$ -
Commodities	-	33,750	(33,750)
Total community & economic development	<u>\$ 30,000</u>	<u>\$ 63,750</u>	<u>\$ (33,750)</u>
General government:			
Contractual	\$ 150,000	\$130,000	\$ 20,000
Other	216,000	261,779	(45,779)
Total general government	<u>\$ 366,000</u>	<u>\$391,779</u>	<u>\$ (25,779)</u>
Total expenditures	<u>\$ 396,000</u>	<u>\$455,529</u>	<u>\$ (59,529)</u>
Excess (deficiency) of revenues over (under) expenditures)	<u>\$ (396,000)</u>	<u>\$131,453</u>	<u>\$527,453</u>
Other financing sources (uses):			
Transfers out	\$ -	\$ (70,000)	\$ (70,000)
Net change in fund balance	\$ (396,000)	\$ 61,453	\$457,453
Fund balance beginning of year	-	-	-
Fund balance end of year	<u>\$ (396,000)</u>	<u>\$ 61,453</u>	<u>\$457,453</u>

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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$809,050	\$ -	\$ (809,050)
EXPENDITURES:			
Current:			
Community & economic development:			
Contractual	\$809,050	\$ -	\$ 809,050
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance beginning of year	-	-	-
Fund balance end of year	<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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Intergovernmental:			
Federal assistance	\$365,000	\$136,959	\$(228,041)
EXPENDITURES:			
Current:			
Community & economic development:			
Personal service	\$ 14,750	\$ 1,912	\$ 12,838
Contractual	350,000	138,347	211,653
Total expenditures	<u>\$364,750</u>	<u>\$140,259</u>	<u>\$ 224,491</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 250</u>	<u>\$ (3,300)</u>	<u>\$ (3,550)</u>
Other financing sources (uses):			
Transfers in	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Net change in fund balance	\$ 250	\$ 6,700	\$ 6,450
Fund balance beginning of year	<u>-</u>	<u>(6,361)</u>	<u>(6,361)</u>
Fund balance end of year	<u>\$ 250</u>	<u>\$ 339</u>	<u>\$ 89</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, 2014

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

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Property tax	\$ 3,027,909	\$3,090,052	\$ 62,143
Other taxes	55,082	-	(55,082)
Use of money and property	-	2,414	2,414
Miscellaneous	-	-	-
Total revenues	<u>\$ 3,082,991</u>	<u>\$3,092,466</u>	<u>\$ 9,475</u>
EXPENDITURES:			
Debt service:			
Principal redemption	\$ 4,155,998	\$3,024,646	\$ 1,131,352
Interest payments	876,643	710,057	166,586
Contractual	51,000	30,408	20,592
Total debt service	<u>\$ 5,083,641</u>	<u>\$3,765,111</u>	<u>\$ 1,318,530</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,000,650)</u>	<u>\$ (672,645)</u>	<u>\$ 1,328,005</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 39,000	\$ 98,217	\$ (59,217)
Discount on bonds issued	-	24,165	(24,165)
Transfers in	1,962,114	645,672	1,316,442
Transfers out	-	(56,500)	56,500
Total other financing sources (uses)	<u>\$ 2,001,114</u>	<u>\$ 711,554</u>	<u>\$ (1,289,560)</u>
Net change in fund balance	\$ 464	\$ 38,909	\$ 38,445
Fund balance beginning of year	-	(10,025)	(10,025)
Fund balance end of year	<u>\$ 464</u>	<u>\$ 28,884</u>	<u>\$ 28,420</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Other tax	\$1,680,000	\$1,701,316	\$ 21,316
Use of money and property	1,000	3,208	2,208
Miscellaneous	-	17,500	17,500
Total revenues	<u>\$1,681,000</u>	<u>\$1,722,024</u>	<u>\$ 41,024</u>
EXPENDITURES:			
Capital projects	<u>\$ 695,000</u>	<u>\$ 285,804</u>	<u>\$ 409,196</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 986,000	\$1,436,220	\$ 450,220
Other financing sources (uses):			
Transfers out	<u>(1,327,000)</u>	<u>(118,878)</u>	<u>1,208,122</u>
Net change in fund balance	\$ (341,000)	\$1,317,342	\$1,658,342
Fund balance beginning of year	<u>-</u>	<u>1,813,386</u>	<u>1,813,386</u>
Fund balance end of year	<u>\$ (341,000)</u>	<u>\$3,130,728</u>	<u>\$3,471,728</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
REVENUES:			
Use of money and property	\$10,000	\$ 5,447	\$ (4,553)
Contributions	-	64,312	64,312
Miscellaneous	<u>50,000</u>	<u>3,000</u>	<u>(47,000)</u>
Total revenues	<u>\$60,000</u>	<u>\$ 72,759</u>	<u>\$ 12,759</u>
EXPENDITURES:			
Current:			
Culture & recreation:			
Commodities	<u>\$60,000</u>	<u>\$ 59,959</u>	<u>\$ 41</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 12,800</u>	<u>\$ 12,800</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ 1,209	\$ 1,209
Transfers out	-	<u>(5,937)</u>	<u>(5,937)</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (4,728)</u>	<u>\$ (4,728)</u>
Net change in fund balance	\$ -	\$ 8,072	\$ 8,072
Fund balance beginning of year	<u>-</u>	<u>959,793</u>	<u>959,793</u>
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$967,865</u></u>	<u><u>\$967,865</u></u>

See Accompanying Independent Auditor's Report.

ENTERPRISE FUNDS

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

	<u>Cemetery</u>	<u>Storm Sewer</u>
ASSETS:		
Current assets:		
Cash	\$ 69,702	\$1,080,118
Investments	50	-
Receivables:		
Property taxes	1,770	-
Accounts (net)	23,405	36,339
Accrued interest	30	37
Inventory	2,188	-
Due from other funds	65,256	2,491
Prepaid insurance	1,130	-
Total current assets	<u>\$163,531</u>	<u>\$1,118,985</u>
Property, plant and equipment:		
Land	\$ -	\$ -
Buildings	47,699	-
Equipment	183,112	24,728
Improvements	510,043	-
Vehicles	68,390	-
Storm sewer lines	-	4,260,170
Construction in progress	4,093	234,814
Less accumulated depreciation	<u>(499,861)</u>	<u>(2,263,874)</u>
Total property, plant and equipment	<u>\$313,476</u>	<u>\$2,255,838</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred property taxes receivable	<u>137,300</u>	<u>-</u>
Total assets & deferred outflows of resources	<u>\$614,307</u>	<u>\$3,374,823</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 93,614	\$ 5,738	\$ 37,681	\$ 465,609	\$ 1,752,462
-	-	-	-	50
-	-	-	-	1,770
161,161	8,470	8,092	741,059	978,526
15	-	-	48	130
-	3,852	-	72,611	78,651
-	-	-	-	67,747
733	1,929	-	1,580	5,372
<u>\$255,523</u>	<u>\$ 19,989</u>	<u>\$ 45,773</u>	<u>\$1,280,907</u>	<u>\$ 2,884,708</u>
\$ -	\$196,813	\$4,143,120	\$ -	\$ 4,339,933
461,278	553,873	-	408,710	1,471,560
12,606	397,001	-	602,140	1,219,587
-	75,066	2,584,991	-	3,170,100
817,768	18,533	13,000	925,131	1,842,822
-	-	-	-	4,260,170
-	6,455	-	-	245,362
<u>(701,688)</u>	<u>(664,711)</u>	<u>(2,596,989)</u>	<u>(934,930)</u>	<u>(7,662,053)</u>
<u>\$589,964</u>	<u>\$583,030</u>	<u>\$4,144,122</u>	<u>\$1,001,051</u>	<u>\$ 8,887,481</u>
-	-	-	-	137,300
<u>\$845,487</u>	<u>\$603,019</u>	<u>\$4,189,895</u>	<u>\$2,281,958</u>	<u>\$11,909,489</u>

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

	<u>Cemetery</u>	<u>Storm Sewer</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 44,302	\$ 11,256
Salaries payable	5,658	-
Contracts payable	-	157,602
Accrued compensated absences	9,910	-
Accrued interest payable	-	-
Due to other funds	103,674	1,337
Due to state government	-	-
General obligation notes	-	-
Prepaid interments	33,400	-
Total current liabilities	<u>\$196,944</u>	<u>\$ 170,195</u>
Long-term debt:		
Net OPEB obligation	<u>\$ 10,689</u>	<u>\$ 5,714</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred property taxes	\$137,300	\$ -
Unearned revenue	-	-
Total deferred inflows of resources	<u>\$137,300</u>	<u>\$ -</u>
Total liabilities & deferred inflows of resources	<u>\$344,933</u>	<u>\$ 175,909</u>
NET POSITION:		
Invested in capital assets, net of related debt	\$313,476	\$2,255,838
Unrestricted	<u>(44,102)</u>	<u>943,076</u>
Total net position	<u>\$269,374</u>	<u>\$3,198,914</u>

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 20,347	\$ 31,171	\$ 3,300	\$ 59,610	\$ 169,986
18,133	7,218	1,021	25,301	57,331
-	-	-	-	157,602
45,553	14,338	6,122	79,051	154,974
-	-	-	80	80
2,239	13	2,852	1,058	111,173
-	602	-	-	602
-	-	-	36,000	36,000
-	-	-	-	33,400
<u>\$ 86,272</u>	<u>\$ 53,342</u>	<u>\$ 13,295</u>	<u>\$ 201,100</u>	<u>\$ 721,148</u>
<u>\$ 45,067</u>	<u>\$ 7,606</u>	<u>\$ 3,718</u>	<u>\$ 38,893</u>	<u>\$ 111,687</u>
\$ -	\$ -	\$ -	\$ -	\$ 137,300
-	-	600	-	600
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ 137,900</u>
<u>\$131,339</u>	<u>\$ 60,948</u>	<u>\$ 17,613</u>	<u>\$ 239,993</u>	<u>\$ 970,735</u>
\$589,964	\$583,030	\$4,144,122	\$ 965,051	\$ 8,851,481
<u>124,184</u>	<u>(40,959)</u>	<u>28,160</u>	<u>1,076,914</u>	<u>2,087,273</u>
<u>\$714,148</u>	<u>\$542,071</u>	<u>\$4,172,282</u>	<u>\$2,041,965</u>	<u>\$10,938,754</u>

CITY OF MASON CITY
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Cemetery</u>	<u>Storm Sewer</u>
Operating revenues:		
Charges for service	\$ 87,820	\$ 290,575
Operating expenses:		
Business-type activities:		
Personal service	\$ 235,833	\$ 1,560
Contractual	15,133	-
Commodities	22,850	35,905
Other	9,032	-
Depreciation	29,207	166,971
Total operating expenses	<u>\$ 312,055</u>	<u>\$ 204,436</u>
Operating income (loss)	<u>\$ (224,235)</u>	<u>\$ 86,139</u>
Nonoperating revenues (expenses):		
Property taxes	\$ 126,798	\$ -
Fines and forfeitures	-	-
Use of money and property	8,403	188
Special assessments	-	-
Miscellaneous	48,431	703
Interest	-	-
Gain (loss) on sale of capital assets	2,688	-
Total nonoperating revenue (expenses)	<u>\$ 186,320</u>	<u>\$ 891</u>
Income (loss) before contributions and transfers	<u>\$ (37,915)</u>	<u>\$ 87,030</u>
Contributions and transfers:		
Transfers in	\$ 93,500	\$ -
Change in net Position	\$ 55,585	\$ 87,030
Net position beginning of year	<u>213,789</u>	<u>3,111,884</u>
Net position end of year	<u>\$ 269,374</u>	<u>\$3,198,914</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$1,280,414	\$375,273	\$ 64,204	\$1,547,583	\$ 3,645,869
\$ 818,460	\$249,920	\$ 52,867	\$1,192,763	\$ 2,551,403
330,784	45,842	69,690	119,480	580,929
97,030	104,462	3,911	163,111	427,269
288	98	-	2,559	11,977
86,797	35,945	4,253	183,903	507,076
<u>\$1,333,359</u>	<u>\$436,267</u>	<u>\$ 130,721</u>	<u>\$1,661,816</u>	<u>\$ 4,078,654</u>
\$ (52,945)	\$ (60,994)	\$ (66,517)	\$ (114,233)	\$ (432,785)
\$ -	\$ -	\$ -	\$ -	\$ 126,798
-	-	43,018	-	43,018
62	31,871	42	857	41,423
4,106	-	-	-	4,106
1,944	2,071	-	7,622	60,771
-	-	-	(3,248)	(3,248)
-	-	-	-	2,688
<u>\$ 6,112</u>	<u>\$ 33,942</u>	<u>\$ 43,060</u>	<u>\$ 5,231</u>	<u>\$ 275,556</u>
\$ (46,833)	\$ (27,052)	\$ (23,457)	\$ (109,002)	\$ (157,229)
\$ -	\$ 46,878	\$ -	\$ -	\$ 140,378
\$ (46,833)	\$ 19,826	\$ (23,457)	\$ (109,002)	\$ (16,851)
760,981	522,245	4,195,739	2,150,967	10,955,605
<u>\$ 714,148</u>	<u>\$542,071</u>	<u>\$4,172,282</u>	<u>\$2,041,965</u>	<u>\$10,938,754</u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

	<u>Cemetery</u>	<u>Storm Sewer</u>
Cash flows from operating activities:		
Cash received from customers	\$ 83,300	\$ 293,622
Cash paid to employees for services	(241,551)	-
Cash paid to other suppliers of goods or services	(5,880)	(13,930)
Proceeds from miscellaneous items	48,431	703
Net cash provided (used) by operating activities	<u>\$ (115,700)</u>	<u>\$ 280,395</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ 126,628	\$ -
Transfers in	93,500	-
Net cash provided (used) by non-capital financing activities	<u>\$ 220,128</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (60,892)	\$ (87,367)
Principal payments	-	-
Interest payments	-	-
Net cash provided (used) for capital and related financing activities	<u>\$ (60,892)</u>	<u>\$ (87,367)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ -	\$ -
Purchase of investments	-	-
Interest received	21,983	113
Rent received	-	-
Net cash provided (used) by investing activities	<u>\$ 21,983</u>	<u>\$ 113</u>
Net increase (decrease) in cash	\$ 65,519	\$ 193,141
Cash beginning of year	4,183	886,977
Cash end of year	<u>\$ 69,702</u>	<u>\$1,080,118</u>

(continued)

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$1,291,573	\$399,792	\$ 75,962	\$1,477,675	\$3,621,924
(799,704)	(245,723)	(53,874)	(1,173,023)	(2,513,875)
(493,528)	(188,522)	(69,002)	(304,652)	(1,075,514)
<u>6,050</u>	<u>2,071</u>	<u>42,583</u>	<u>70,003</u>	<u>169,841</u>
\$ 4,391	\$ (32,382)	\$ (4,331)	\$ 70,003	\$ 202,376
\$ -	\$ -	\$ -	\$ -	\$ 126,628
<u>-</u>	<u>46,878</u>	<u>-</u>	<u>-</u>	<u>140,378</u>
\$ -	\$ 46,878	\$ -	\$ -	\$ 276,006
\$ -	\$ (46,878)	\$ -	\$ (199,795)	\$ (394,932)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,050)</u>	<u>(87,050)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,066)</u>	<u>(3,066)</u>
\$ -	\$ (46,878)	\$ -	\$ (289,911)	\$ (485,048)
\$ 50,000	\$ -	\$ 25,000	\$ 750,000	\$ 825,000
-	-	(25,000)	(450,000)	(475,000)
50	9	42	1,082	23,279
<u>-</u>	<u>31,862</u>	<u>-</u>	<u>-</u>	<u>31,862</u>
\$ 50,050	\$ 31,871	\$ 42	\$ 301,082	\$ 405,141
\$ 54,441	\$ (511)	\$ (4,289)	\$ 81,174	\$ 389,475
<u>39,174</u>	<u>6,250</u>	<u>41,970</u>	<u>384,435</u>	<u>1,362,989</u>
<u>\$ 93,615</u>	<u>\$ 5,739</u>	<u>\$ 37,681</u>	<u>\$ 465,609</u>	<u>\$1,752,464</u>

CITY OF MASON CITY, IOWA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

	<u>Cemetery</u>	<u>Storm Sewer</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (224,235)	\$ 86,139
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	29,207	166,971
Miscellaneous income	48,431	703
Change in assets and liabilities:		
(Increase) decrease in receivables	278	3,047
(Increase) decrease in inventory	410	-
(Increase) decrease in prepaid insurance	(24)	-
Increase (decrease) in accounts and contracts payable	40,640	21,486
Increase (decrease) in salaries payable	964	-
Increase (decrease) in accrued compensated absences	(6,030)	-
Increase (decrease) in due to other funds	29	489
Increase (decrease) in due to state government	-	-
Increase (decrease) in prepaid interments	(4,797)	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in net OPEB obligation	(573)	1,560
	<u>(573)</u>	<u>1,560</u>
Net cash provided (used) by operating activities	<u>\$ (115,700)</u>	<u>\$280,395</u>

See Accompanying Independent Auditor's Report.

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ (52,945)	\$ (60,994)	\$ (66,517)	\$ (114,233)	\$ (432,785)
86,797	35,945	4,253	183,903	507,076
6,050	2,071	43,018	7,622	107,895
11,158	-	11,247	(66,723)	(40,993)
-	624	-	6,346	7,380
(61)	(67)	-	-	(152)
(29,231)	(13,081)	1,747	36,770	58,331
3,447	794	182	6,004	11,391
3,741	800	(1,694)	3,194	11
(155)	14	2,852	(238)	2,991
(35,978)	(1,091)	-	-	(37,069)
-	-	-	-	(4,797)
-	-	75	-	75
<u>11,568</u>	<u>2,603</u>	<u>506</u>	<u>7,358</u>	<u>23,022</u>
<u>\$ 4,391</u>	<u>\$ (32,382)</u>	<u>\$ (4,331)</u>	<u>\$ 70,003</u>	<u>\$ 202,376</u>

INTERNAL SERVICE FUNDS

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash	\$133,777	\$ 358,761	\$ 492,538
Investments	-	386,607	386,607
Receivables:			
Property taxes	-	5,321	5,321
Accrued interest	-	80	80
Due from other funds	19,094	-	19,094
Prepaid insurance	141	-	141
Total current assets	<u>\$153,012</u>	<u>\$ 750,769</u>	<u>\$ 903,781</u>
Property, plant and equipment:			
Equipment	\$107,495	\$ -	\$ 107,495
Vehicles	85,174	-	85,174
Total property, plant and equipment	<u>\$192,669</u>	<u>\$ -</u>	<u>\$ 192,669</u>
Less accumulated depreciation	<u>(164,433)</u>	<u>-</u>	<u>(164,433)</u>
Net property, plant and equipment	<u>\$ 28,236</u>	<u>\$ -</u>	<u>\$ 28,236</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred property taxes receivable	-	1,330,764	1,330,764
Total assets	<u>\$181,248</u>	<u>\$2,081,533</u>	<u>\$2,262,781</u>
LIABILITIES:			
Accounts payable	\$ 9,764	\$ 826,978	\$ 836,742
Salaries payable	3,815	-	3,815
Accrued compensated absences	10,320	-	10,320
Due to other funds	18	-	18
Unearned revenue	-	12,513	12,513
Total liabilities	<u>\$ 23,917</u>	<u>\$ 839,491</u>	<u>\$ 863,408</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred property taxes	\$ -	\$1,330,764	\$1,330,764
Total liabilities and deferred inflows of resources	<u>\$ 23,917</u>	<u>\$2,170,255</u>	<u>\$2,194,172</u>
NET POSITION:			
Invested in capital assets, net of related debt	\$ 28,236	\$ -	\$ 28,236
Unrestricted	<u>129,095</u>	<u>(88,722)</u>	<u>40,373</u>
Total net position	<u>\$157,331</u>	<u>\$ (88,722)</u>	<u>\$ 68,609</u>

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, 2014

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Operating revenues:			
Charges for service	\$281,787	\$ -	\$ 281,787
Health insurance contributions	-	2,697,788	2,697,788
Total operating revenues	<u>\$281,787</u>	<u>\$ 2,697,788</u>	<u>\$ 2,979,575</u>
Operating expenses:			
Business type activities:			
Personal services	\$190,684	\$ 3,900,535	\$ 4,091,219
Contractual	17,428	-	17,428
Commodities	29,093	-	29,093
Depreciation	6,674	-	6,674
Total operating expenses	<u>\$243,879</u>	<u>\$ 3,900,535</u>	<u>\$ 4,144,414</u>
Operating income (loss)	<u>\$ 37,908</u>	<u>\$ (1,202,747)</u>	<u>\$ (1,164,839)</u>
Nonoperating revenues (expenses):			
Property taxes	\$ -	\$ 489,325	\$ 489,325
Use of money and property	-	11,632	11,632
Loss on disposal of assets	(16)	-	(16)
Total nonoperating revenues (expenses)	<u>\$ (16)</u>	<u>\$ 500,957</u>	<u>\$ 500,941</u>
Income (loss) before contributions and transfers	\$ 37,892	\$ (701,790)	\$ (663,898)
Contributions and transfers:			
Transfers in	-	\$ 500,000	\$ 500,000
Change in net position	\$ 37,892	\$ (201,790)	\$ (163,898)
Net position beginning of year	<u>119,439</u>	<u>113,068</u>	<u>232,507</u>
Net position end of year	<u>\$157,331</u>	<u>\$ (88,722)</u>	<u>\$ 68,609</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from interfund charges	\$284,854	\$ 2,219,681	\$ 2,504,535
Cash received from employees and others	-	478,825	478,825
Cash paid to employees for services	(191,021)	-	(191,021)
Cash paid to suppliers	(39,559)	-	(39,559)
Cash paid for health and life insurance	-	(3,733,569)	(3,733,569)
Net cash provided (used) by operating activities	<u>\$ 54,274</u>	<u>\$ (1,035,063)</u>	<u>\$ (980,789)</u>
Cash flows from non-capital financing activities:			
Proceeds from property tax levy	\$ -	\$ 491,786	\$ 491,786
Transfers In	-	500,000	500,000
Net cash provided by non-capital financing activities	<u>\$ -</u>	<u>\$ 991,786</u>	<u>\$ 991,786</u>
Cash flows from capital and related financing activities:			
Net acquisition of capital assets	\$ (8,606)	\$ -	\$ (8,606)
Cash flows from investing activities:			
Proceeds from sale of investments	\$ -	\$ 200,000	\$ 200,000
Interest received	-	17,401	17,401
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ 217,401</u>	<u>\$ 217,401</u>
Net increase in cash	\$ 45,668	\$ 174,124	\$ 219,792
Cash beginning of year	88,109	184,637	272,746
Cash end of year	<u>\$133,777</u>	<u>\$ 358,761</u>	<u>\$ 492,538</u>
Noncash capital, investing and financing activities:			
Decrease in fair market value of investments	\$ -	\$ (5,613)	\$ (5,613)

(continued)

CITY OF MASON CITY, IOWA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 37,908	\$ (1,202,747)	\$ (1,164,839)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	6,674	-	6,674
Change in assets and liabilities:			
(Increase) decrease in due from other funds	3,066	-	3,066
Increase (decrease) in accounts payable	6,945	178,709	185,654
Increase (decrease) in salaries payable	582	-	582
Increase (decrease) in compensated absences	(919)	-	(919)
Increase (decrease) in unearned revenues	-	(11,025)	(11,025)
Increase (decrease) in due to other funds	18	-	18
 Net cash provided (used) by operating activities	 <u>\$ 54,274</u>	 <u>\$ (1,035,063)</u>	 <u>\$ (980,789)</u>

See Accompanying Independent Auditor's Report.

***CAPITAL ASSETS USED
IN
OPERATIONS***

CITY OF MASON CITY, IOWA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE
 JUNE 30, 2014

General capital assets:	
Land	\$ 2,634,356
Buildings and structures	23,769,580
Improvements other than buildings	28,731,847
Machinery and equipment	6,120,056
Vehicles	9,062,256
Infrastructure	85,620,689
Construction in progress	<u>19,321,816</u>
Total general capital assets	<u>\$175,260,600</u>
Investment in general capital assets by source:	
General fund	<u>\$175,260,600</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, 2014

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>
Public Safety:		
Police	\$ 3,624,941	\$ 115,000
Fire	4,857,058	75,150
Civil Defense	225,118	-
Building	46,397	-
Inspectors	39,024	-
Neighborhood Services	821,656	-
Total public safety	<u>\$ 9,614,194</u>	<u>\$ 190,150</u>
Public Works:		
Airport	\$ 29,095,514	\$1,725,891
Street	5,242,304	31,363
Infrastructure	86,603,246	-
Arborist	143,645	-
Engineer	194,174	-
Total public works	<u>\$121,278,883</u>	<u>\$1,757,254</u>
Health and Social Services:		
Youth Task Force	\$ 8,281	\$ -
Health	20,660	-
Human Rights	29,318	-
Total health and social services	<u>\$ 58,259</u>	<u>\$ -</u>
Culture and Recreation:		
Parks	\$ 26,110,706	\$ 673,452
Swimming Pool	3,221,438	-
Recreation	401,302	-
Library	10,083,879	13,500
Museum	1,716,355	-
Band	2,881	-
Total culture and recreation	<u>\$ 41,536,561</u>	<u>\$ 686,952</u>
Community and Economic Development:		
Growth Development and Planning	\$ 12,796	\$ -
Transit	1,187,604	-
Total community and economic development	<u>\$ 1,200,400</u>	<u>\$ -</u>
General Government:		
Mayor	\$ 3,836	\$ -
Council/Coffee room	14,347	-
Administrator	16,650	-
Finance	71,647	-
Clerk	3,920	-
City Hall	1,441,559	-
Safety Director	2,019	-
GIS	18,325	-
Total general government	<u>\$ 1,572,303</u>	<u>\$ -</u>
Total general capital assets	<u>\$175,260,600</u>	<u>\$2,634,356</u>

See Accompanying Independent Auditor's Report.

<u>Buildings and Structures</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>
\$ 1,741,271	\$ -	\$ 978,517	\$ 790,153	\$ -	\$ -
910,973	148,187	819,856	2,902,892	-	-
-	-	225,118	-	-	-
-	-	14,809	31,588	-	-
-	-	10,001	29,023	-	-
791,990	-	5,590	24,076	-	-
<u>\$ 3,444,234</u>	<u>\$ 148,187</u>	<u>\$2,053,891</u>	<u>\$3,777,732</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,542,262	\$19,069,981	\$ 501,242	\$1,495,909	\$ -	\$ 760,229
1,537,257	215,910	885,219	2,572,555	-	-
-	-	-	-	85,620,689	982,557
-	-	7,315	136,330	-	-
-	-	128,073	66,101	-	-
<u>\$ 7,079,519</u>	<u>\$19,285,891</u>	<u>\$1,521,849</u>	<u>\$4,270,895</u>	<u>\$85,620,689</u>	<u>\$ 1,742,786</u>
\$ -	\$ -	\$ 8,281	\$ -	\$ -	\$ -
-	-	4,391	16,269	-	-
-	-	29,318	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,990</u>	<u>\$ 16,269</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 964,372	\$ 5,643,607	\$1,062,794	\$ 187,451	\$ -	\$17,579,030
-	3,122,334	99,104	-	-	-
-	136,691	200,470	64,141	-	-
9,519,775	239,231	311,373	-	-	-
1,399,325	147,154	169,876	-	-	-
-	-	2,881	-	-	-
<u>\$11,883,472</u>	<u>\$ 9,289,017</u>	<u>\$1,846,498</u>	<u>\$ 251,592</u>	<u>\$ -</u>	<u>\$17,579,030</u>
\$ -	\$ -	\$ 12,796	\$ -	\$ -	\$ -
392,539	-	49,297	745,768	-	-
<u>\$ 392,539</u>	<u>\$ -</u>	<u>\$ 62,093</u>	<u>\$ 745,768</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 3,836	\$ -	\$ -	\$ -
-	-	14,347	-	-	-
-	-	16,650	-	-	-
-	-	71,647	-	-	-
-	-	3,920	-	-	-
969,816	8,752	462,991	-	-	-
-	-	2,019	-	-	-
-	-	18,325	-	-	-
<u>\$ 969,816</u>	<u>\$ 8,752</u>	<u>\$ 593,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$23,769,580</u>	<u>\$28,731,847</u>	<u>\$6,120,056</u>	<u>\$9,062,256</u>	<u>\$85,620,689</u>	<u>\$19,321,816</u>

CITY OF MASON CITY, IOWA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
YEAR ENDED JUNE 30, 2014

<u>Function and Activity</u>	<u>Balance</u> <u>June 30, 2013</u>
Public Safety:	
Police	\$ 3,406,928
Fire	4,867,383
Civil Defense	225,118
Building	46,998
Inspectors	39,024
Neighborhood Services	816,846
Total public safety	<u>\$ 9,402,297</u>
Public Works:	
Airport	\$ 24,636,535
Street	5,163,630
Infrastructure	82,302,366
Arborist	145,819
Engineer	206,874
Total public works	<u>\$112,455,224</u>
Health and Social Services:	
Youth Task Force	\$ 17,414
Health	20,660
Human Rights	35,081
Total health and social services	<u>\$ 73,155</u>
Culture and Recreation:	
Parks	\$ 8,426,587
Swimming Pool	3,179,584
Recreation	403,163
Library	10,083,879
Museum	1,583,489
Band	2,881
Total culture and recreation	<u>\$ 23,679,883</u>
Community and Economic Development:	
Growth Development and Planning	\$ 31,923
Transit	1,313,448
Total community and economic development	<u>\$ 1,345,371</u>
General Government:	
Mayor	\$ 5,252
Council/Coffee room	31,267
Administrator	19,378
Finance	97,117
Clerk	17,464
City Hall	1,434,347
Safety Director	3,851
GIS	3,575
Total general government	<u>\$ 1,612,251</u>
Construction in progress	<u>\$ 23,059,329</u>
Total general capital assets	<u>\$171,627,510</u>

See Accompanying Independent Auditor's Report.

<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
\$ 313,798	\$ 95,785	\$ 3,624,941
101,913	112,238	4,857,058
-	-	225,118
-	600	46,398
-	-	39,024
24,076	19,265	821,657
<u>\$ 439,787</u>	<u>\$ 227,888</u>	<u>\$ 9,614,196</u>
\$ 3,906,281	\$ 207,533	\$ 28,335,284
272,610	193,936	5,242,304
3,318,323	-	85,620,688
1,200	3,375	143,644
-	12,700	194,174
<u>\$ 7,498,414</u>	<u>\$ 417,544</u>	<u>\$119,536,094</u>
\$ -	\$ 9,133	\$ 8,281
-	-	20,660
600	6,364	29,317
<u>\$ 600</u>	<u>\$ 15,497</u>	<u>\$ 58,258</u>
\$ 125,103	\$ 20,014	\$ 8,531,676
41,854	-	3,221,438
-	2,161	401,302
-	-	10,083,879
132,966	100	1,716,355
-	-	2,881
<u>\$ 299,923</u>	<u>\$ 22,275</u>	<u>\$ 23,957,531</u>
\$ -	\$ 19,125	\$ 12,798
-	125,844	1,187,604
<u>\$ -</u>	<u>\$ 144,969</u>	<u>\$ 1,200,402</u>
\$ -	\$ 1,416	\$ 3,836
-	16,920	14,347
-	2,728	16,650
-	25,470	71,647
-	13,544	3,920
7,212	-	1,441,559
-	1,832	2,019
14,750	-	18,325
<u>\$ 21,962</u>	<u>\$ 61,910</u>	<u>\$ 1,572,303</u>
\$ 2,736,174	\$6,473,687	\$ 19,321,816
<u>\$10,996,860</u>	<u>\$7,363,770</u>	<u>\$175,260,600</u>

**STATISTICAL
SECTION**

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

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	115-124
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	125-133
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	134-141
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	142-146
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	147-150

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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011 (1)</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 88,920,358	\$ 88,508,650	\$ 84,438,764	\$ 78,121,123
Restricted for:				
Museum funding	633,638	633,638	633,638	633,638
Bond retirement	28,884	-	-	-
Perpetual care	505,952	511,089	527,193	509,011
Unrestricted	<u>20,354,057</u>	<u>22,016,269</u>	<u>22,798,317</u>	<u>20,613,538</u>
Total governmental activities net position	<u>\$110,442,889</u>	<u>\$111,669,646</u>	<u>\$108,397,912</u>	<u>\$ 99,877,310</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 49,736,029	\$ 47,268,020	\$ 45,942,815	\$ 40,172,842
Restricted for:				
Bond retirement	2,854,605	2,854,934	2,863,129	2,866,968
Unrestricted	<u>2,963,829</u>	<u>4,731,482</u>	<u>4,005,609</u>	<u>4,952,139</u>
Total business-type activities net position	<u>\$ 55,554,463</u>	<u>\$ 54,854,436</u>	<u>\$ 52,811,553</u>	<u>\$ 47,991,949</u>
Primary government:				
Invested in capital assets, net of related debt	\$138,656,387	\$135,776,670	\$130,381,579	\$118,293,965
Restricted for:				
Museum funding	633,638	633,638	633,638	633,638
Bond retirement	2,883,489	2,854,934	2,863,129	2,866,968
Perpetual care	505,952	511,089	527,193	509,011
Unrestricted	<u>23,317,886</u>	<u>26,747,751</u>	<u>26,803,926</u>	<u>25,565,677</u>
Total primary government net position	<u>\$165,997,352</u>	<u>\$166,524,082</u>	<u>\$161,209,465</u>	<u>\$147,869,259</u>

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

See Accompanying Independent Auditor's Report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 67,769,666	\$ 60,958,677	\$ 54,151,661	\$ 51,379,331	\$ 47,154,271	\$ 41,643,488
633,638	633,638	633,638	610,638	-	-
61,631	267,858	362,803	505,025	619,718	769,200
505,269	486,855	455,442	429,743	418,734	448,409
<u>21,388,087</u>	<u>20,911,732</u>	<u>23,700,869</u>	<u>22,247,468</u>	<u>20,839,020</u>	<u>22,232,947</u>
<u>\$ 90,358,291</u>	<u>\$ 83,258,760</u>	<u>\$ 79,304,413</u>	<u>\$ 75,172,205</u>	<u>\$ 69,031,743</u>	<u>\$ 65,094,044</u>
\$ 38,361,919	\$ 38,209,810	\$ 36,086,120	\$ 35,294,652	\$ 34,761,907	\$ 34,113,573
2,853,334	2,836,655	2,799,606	2,578,675	2,379,182	1,920,304
<u>3,251,027</u>	<u>2,085,637</u>	<u>2,149,576</u>	<u>1,274,797</u>	<u>1,206,696</u>	<u>1,926,433</u>
<u>\$ 44,466,280</u>	<u>\$ 43,132,112</u>	<u>\$ 41,035,302</u>	<u>\$ 39,148,124</u>	<u>\$ 38,347,785</u>	<u>\$ 37,960,310</u>
\$106,131,585	\$ 99,168,487	\$ 90,237,781	\$ 86,673,983	\$ 81,916,178	\$ 75,757,061
633,638	633,638	633,638	610,638	-	-
2,914,965	3,104,523	3,162,409	3,083,700	2,998,900	2,689,504
505,269	486,855	455,442	429,743	418,734	448,409
<u>24,639,114</u>	<u>22,997,639</u>	<u>25,850,445</u>	<u>23,522,265</u>	<u>22,045,716</u>	<u>24,159,380</u>
<u>\$134,824,571</u>	<u>\$126,390,872</u>	<u>\$120,339,715</u>	<u>\$114,320,329</u>	<u>\$107,379,528</u>	<u>\$103,054,354</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Expenses:				
Governmental activities:				
Public safety	\$ 10,446,427	\$ 9,943,882	\$ 9,787,453	\$ 9,402,887
Public works	8,903,627	7,553,058	7,382,204	7,450,233
Health and social services	511,107	1,790,824	906,341	808,916
Culture and recreation	4,177,101	3,248,655	4,091,975	3,503,976
Community and economic development	2,370,711	3,743,098	1,979,288	2,252,333
General government	2,485,932	2,357,531	2,211,823	2,176,829
Interest on long-term debt	736,324	863,232	992,502	1,053,911
Total governmental activities expenses	<u>\$ 29,631,229</u>	<u>\$ 29,500,280</u>	<u>\$ 27,351,586</u>	<u>\$ 26,649,085</u>
Business-type activities:				
Cemetery	\$ 325,879	\$ 332,576	\$ 333,251	\$ 314,613
Water	5,092,230	5,154,341	5,158,365	5,218,343
Sewer	3,741,731	3,905,597	3,824,139	3,505,748
Parking lots	136,465	125,823	112,947	127,198
Storm sewer	204,436	188,616	186,745	189,862
Solid waste	1,402,968	1,317,928	1,378,497	1,289,603
Golf course	446,921	435,999	449,534	473,005
Ambulance	1,721,519	1,526,010	1,581,505	1,572,168
Total business-type activities expenses	<u>\$ 13,072,149</u>	<u>\$ 12,986,890</u>	<u>\$ 13,024,983</u>	<u>\$ 12,690,540</u>
Total primary government expenses	<u>\$ 42,703,378</u>	<u>\$ 42,487,170</u>	<u>\$ 40,376,569</u>	<u>\$ 39,339,625</u>
Program Revenues:				
Governmental activities:				
Charges for services:				
Public safety	\$ 422,028	\$ 417,633	\$ 381,382	\$ 356,340
Culture and recreation	495,266	481,665	540,478	550,848
General government	304,320	364,171	311,974	410,024
Other activities	188,687	328,260	424,824	269,465
Operating grants and contributions	3,957,726	4,679,847	4,303,876	3,748,874
Capital grants and contributions	2,531,898	6,022,423	8,315,838	10,109,341
Total governmental activities program revenues	<u>\$ 7,899,925</u>	<u>\$ 12,293,999</u>	<u>\$ 14,278,372</u>	<u>\$ 15,444,892</u>
Business-type activities:				
Charges for services:				
Water	\$ 5,526,389	\$ 5,723,723	\$ 5,388,342	\$ 5,238,573
Sewer	4,135,284	4,370,992	4,388,117	4,658,234
Other activities	3,688,887	3,986,210	3,830,609	3,645,750
Operating grants and contributions	-	(46,721)	37,354	619,206
Capital grants and contributions	-	681,130	4,030,634	914,735
Total business-type activities program revenues	<u>\$ 13,350,560</u>	<u>\$ 14,715,334</u>	<u>\$ 17,675,056</u>	<u>\$ 15,076,498</u>
Total primary government program revenues	<u>\$ 21,250,485</u>	<u>\$ 27,009,333</u>	<u>\$ 31,953,428</u>	<u>\$ 30,521,390</u>
Net (Expense) Revenues:				
Governmental activities	\$ (21,731,304)	\$ (17,206,287)	\$ (13,073,214)	\$ (11,204,193)
Business-type activities	278,411	1,728,444	4,650,073	2,385,958
Total primary government net (expense)/ revenues	<u>\$ (21,452,893)</u>	<u>\$ (15,477,837)</u>	<u>\$ (8,423,141)</u>	<u>\$ (8,818,235)</u>

(continued)

SCHEDULE 2

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 8,897,795	\$ 8,776,634	\$ 8,836,067	\$ 8,497,763	\$ 8,550,232	\$ 7,926,815
6,910,495	6,912,927	6,547,510	5,695,837	5,510,270	4,320,043
779,197	769,456	838,912	719,340	614,429	661,340
3,475,535	3,720,434	3,192,566	3,197,601	3,029,345	2,852,682
2,368,084	1,937,074	1,516,775	1,429,911	3,610,475	2,886,020
2,593,594	2,668,372	2,206,251	2,241,467	2,366,733	2,215,481
987,814	695,529	580,638	541,891	509,503	521,935
<u>\$ 26,012,514</u>	<u>\$ 25,480,426</u>	<u>\$ 23,718,719</u>	<u>\$ 22,323,810</u>	<u>\$ 24,190,987</u>	<u>\$21,384,316</u>
\$ 300,661	\$ 282,484	\$ 263,411	\$ 265,149	\$ 258,434	\$ 243,474
5,244,979	5,047,464	4,896,428	4,791,948	4,193,851	3,165,550
3,473,401	3,118,427	2,841,619	2,754,070	2,670,534	2,519,795
135,289	118,762	112,018	103,884	114,494	96,321
182,262	178,107	188,876	116,252	125,947	122,333
1,244,442	1,216,902	1,201,526	1,141,987	1,090,911	1,020,631
453,765	463,543	496,383	465,044	404,347	326,498
1,265,397	1,353,951	1,300,570	1,169,878	1,150,308	907,072
<u>\$ 12,300,196</u>	<u>\$ 11,779,640</u>	<u>\$ 11,300,831</u>	<u>\$ 10,808,212</u>	<u>\$ 10,008,826</u>	<u>\$ 8,401,674</u>
<u>\$ 38,312,710</u>	<u>\$ 37,260,066</u>	<u>\$ 35,019,550</u>	<u>\$ 33,132,022</u>	<u>\$ 34,199,813</u>	<u>\$29,785,990</u>
\$ 287,781	\$ 388,341	\$ 331,821	\$ 469,917	\$ 503,548	\$ 569,319
458,412	474,665	462,564	529,079	465,783	443,535
382,266	453,072	399,780	372,805	203,975	481,621
587,134	215,322	266,913	229,317	506,609	292,758
2,380,822	1,970,043	1,586,253	1,690,908	3,382,410	3,200,201
7,737,713	4,828,170	3,383,038	4,537,680	4,771,256	7,357,615
<u>\$ 11,834,128</u>	<u>\$ 8,929,613</u>	<u>\$ 6,430,369</u>	<u>\$ 7,819,706</u>	<u>\$ 9,833,581</u>	<u>\$12,345,049</u>
\$4,979,982	\$ 4,647,116	\$ 4,701,954	\$ 4,587,840	\$ 4,091,801	\$ 3,996,205
4,304,033	4,196,151	3,060,266	2,583,223	2,347,982	2,275,044
3,612,573	3,637,931	3,525,466	3,272,750	3,043,408	2,630,558
188,313	584,695	-	-	-	-
206,190	270,810	1,111,409	583,409	523,134	1,236,866
<u>\$ 13,291,091</u>	<u>\$ 13,336,703</u>	<u>\$ 12,399,095</u>	<u>\$ 11,027,222</u>	<u>\$ 10,006,325</u>	<u>\$10,138,673</u>
<u>\$ 25,125,219</u>	<u>\$ 21,666,316</u>	<u>\$ 18,829,464</u>	<u>\$ 18,856,928</u>	<u>\$ 19,839,906</u>	<u>\$22,483,722</u>
\$(14,178,386)	\$(17,150,813)	\$(17,288,350)	\$(14,494,104)	\$(14,357,406)	\$(9,039,267)
990,895	1,557,063	1,098,264	219,010	(2,501)	1,736,999
<u>\$(13,187,491)</u>	<u>\$(15,593,750)</u>	<u>\$(16,190,086)</u>	<u>\$(14,275,094)</u>	<u>\$(14,359,907)</u>	<u>\$(7,302,268)</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Revenues and Other Changes in Net Position:				
Governmental activities:				
General revenues:				
Property taxes	\$ 14,705,071	\$14,956,662	\$14,594,866	\$14,145,418
Other taxes	4,830,052	5,042,539	5,319,902	4,783,420
Franchise taxes	-	13,500	-	-
Road use tax	-	-	-	-
Unrestricted state utility tax replacement	160,367	159,198	156,531	151,361
Grants and contributions not restricted to specific program	162,241	11,192	95,746	386,403
Unrestricted investment income	641,132	233,535	1,002,440	596,673
Gain (loss) on sale of capital assets	-	-	-	-
Miscellaneous	106,062	114,885	259,331	259,307
Transfers	(100,378)	(53,496)	165,000	(36,000)
Total governmental activities	<u>\$20,504,547</u>	<u>\$20,478,015</u>	<u>\$21,593,816</u>	<u>\$20,286,582</u>
Business-type activities:				
General revenues:				
Property taxes	\$ 126,798	\$ 120,001	\$ 114,460	\$ 113,987
Grants and contributions not restricted to specific program	-	-	-	-
Unrestricted investment income	71,380	63,986	112,040	96,638
Gain (loss) on sale of capital assets	-	-	-	-
Miscellaneous	123,060	76,956	108,031	81,894
Transfers	100,378	53,496	(165,000)	36,000
Total business-type activities	<u>\$ 421,616</u>	<u>\$ 314,439</u>	<u>\$ 169,531</u>	<u>\$ 328,519</u>
 Total primary government	 <u>\$20,926,163</u>	 <u>\$20,792,454</u>	 <u>\$21,763,347</u>	 <u>\$20,615,101</u>
 Change in Net Position:				
Governmental activities	\$ (1,226,757)	\$ 3,271,734	\$ 8,520,602	\$ 9,082,389
Business-type activities	700,027	2,042,883	4,819,604	2,714,477
Total primary government	<u>\$ (526,730)</u>	<u>\$ 5,314,617</u>	<u>\$13,340,206</u>	<u>\$11,796,866</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 2
(continued)

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$13,104,150	\$12,884,283	\$12,343,528	\$11,819,970	\$10,490,524	\$ 9,449,162
4,435,891	4,576,634	5,032,706	4,400,683	4,112,909	3,628,930
-	-	-	-	-	12,883
2,466,138	2,417,780	2,499,599	2,440,873	2,442,817	2,422,050
174,130	186,493	186,315	184,216	159,226	161,992
19,107	44,895	10,001	92,191	80,804	17,401
1,068,587	795,157	1,478,799	1,746,741	1,028,584	1,340,758
-	-	-	-	-	-
13,663	265,548	104,746	46,892	10,037	259,635
(3,749)	(65,630)	(235,136)	(97,000)	(29,796)	(356,212)
<u>\$21,277,917</u>	<u>\$21,105,160</u>	<u>\$21,420,558</u>	<u>\$20,634,566</u>	<u>\$18,295,105</u>	<u>\$16,936,599</u>
\$ 112,825	\$ 105,232	\$ 100,873	\$ 92,417	\$ 92,994	\$ 87,090
-	-	2,825	-	-	-
133,399	198,766	346,442	343,964	185,868	182,609
-	-	-	-	-	-
93,300	170,119	103,638	47,948	81,318	33,248
3,749	65,630	235,136	97,000	29,796	356,212
<u>\$ 343,273</u>	<u>\$ 539,747</u>	<u>\$ 581,329</u>	<u>\$ 389,976</u>	<u>\$ 659,159</u>	<u>\$ 124,329</u>
<u>\$21,621,190</u>	<u>\$21,644,907</u>	<u>\$22,209,472</u>	<u>\$21,215,895</u>	<u>\$18,685,081</u>	<u>\$17,595,758</u>
\$ 7,099,531	\$ 3,954,347	\$ 4,132,208	\$ 6,140,462	\$ 3,937,699	\$ 7,897,332
1,344,168	2,096,810	1,887,178	800,339	387,475	2,396,158
<u>\$ 8,433,699</u>	<u>\$ 6,051,157</u>	<u>\$ 6,019,386</u>	<u>\$ 6,940,801</u>	<u>\$ 4,325,174</u>	<u>\$10,293,490</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	150,177	143,958	151,565	139,912
Restricted	1,159,526	1,214,910	1,295,953	1,316,949
Assigned	209,235	144,553	374,681	474,153
Unassigned	4,182,542	5,542,781	5,165,554	5,125,768
Total general fund	<u>\$ 5,701,480</u>	<u>\$ 7,046,202</u>	<u>\$ 6,987,753</u>	<u>\$ 7,056,782</u>
All Other Governmental Funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Permanent funds	-	-	-	-
Nonspendable	797,680	646,753	646,187	645,079
Restricted	13,572,250	12,960,704	13,067,223	12,077,490
Assigned	1,394,529	1,062,246	1,378,163	1,380,703
Unassigned	3,922,831	(242,382)	(156,514)	(1,391,926)
Total all other governmental funds	<u>\$19,687,290</u>	<u>\$14,427,321</u>	<u>\$14,935,059</u>	<u>\$12,711,346</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>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 214,097	\$ 227,684	\$ 209,866	\$ 211,759	\$ 208,096	\$ 212,296
8,311,761	7,035,343	8,412,260	8,669,062	8,593,915	9,052,118
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 8,525,858</u>	<u>\$ 7,263,027</u>	<u>\$ 8,622,126</u>	<u>\$ 8,880,821</u>	<u>\$ 8,802,011</u>	<u>\$ 9,264,414</u>
\$ 1,211,159	\$ 1,398,244	\$ 1,457,861	\$ 1,551,247	\$ 1,045,151	\$ 1,344,270
9,542,365	8,662,741	8,760,295	7,807,590	6,722,890	6,655,169
654,364	2,371,946	3,882,653	3,788,901	3,614,649	4,631,731
175,591	268,182	299,917	301,100	893,426	791,927
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$11,583,479</u>	<u>\$12,701,113</u>	<u>\$14,400,726</u>	<u>\$13,448,838</u>	<u>\$12,276,116</u>	<u>\$13,423,097</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Property taxes	\$12,800,233	\$12,832,251	\$12,329,153	\$11,933,871
TIF revenues	1,415,513	1,409,284	1,500,976	1,438,648
Other taxes	5,003,919	5,215,237	5,476,433	4,934,781
Licenses and permits	610,516	587,652	598,403	627,128
Intergovernmental	6,043,361	10,176,181	12,222,158	13,550,171
Charges for services	708,049	889,012	950,316	868,987
Fines and forfeitures	71,074	80,084	83,949	81,317
Use of money and property	629,500	252,129	966,669	580,143
Special assessments	20,662	34,981	25,990	9,245
Miscellaneous	751,594	997,852	690,139	1,016,838
Refunds	25,555	53,316	15,396	7,984
Total revenues	<u>\$28,079,976</u>	<u>\$32,527,979</u>	<u>\$34,859,582</u>	<u>\$35,049,113</u>
Expenditures:				
Public safety	\$ 9,461,048	\$ 8,936,006	\$ 8,935,302	\$ 8,744,332
Public works	3,388,778	3,174,323	3,130,523	3,228,134
Health and social services	491,775	734,159	853,755	787,650
Culture and recreation	3,061,843	3,396,606	3,092,889	2,917,485
Community and economic development	2,826,482	5,490,905	5,472,392	12,624,763
General government	2,338,806	2,200,056	2,101,725	2,113,201
Capital projects	4,851,153	6,120,323	6,437,190	7,502,631
Debt service:				
Principal retirement	3,024,646	3,342,294	3,363,870	2,601,875
Interest	710,057	818,835	956,803	993,656
Contractual	30,408	52,780	62,470	41,578
Total expenditures	<u>\$30,184,996</u>	<u>\$34,266,287</u>	<u>\$34,406,919</u>	<u>\$41,555,305</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,105,020)</u>	<u>\$ (1,738,308)</u>	<u>\$ 452,663</u>	<u>\$ (6,506,192)</u>
Other financing sources (uses):				
Issuance of refunding bonds	\$ -	\$ 890,000	\$ 2,144,077	\$ -
Payment to refunding escrow agent	-	(860,000)	(1,994,077)	-
Issuance of general obligation bonds	895,000	1,325,000	1,400,000	5,785,000
Premium (discount) on bonds issued	24,165	(12,485)	(12,980)	(32,017)
Sale of capital assets		-	-	
Transfers in	1,754,526	2,921,668	2,828,522	2,578,286
Transfers out	<u>(2,354,904)</u>	<u>(2,975,164)</u>	<u>(2,663,521)</u>	<u>(1,849,286)</u>
Total other financing sources (uses)	<u>\$ 318,787</u>	<u>\$ 1,289,019</u>	<u>\$ 1,702,021</u>	<u>\$ 6,481,983</u>
Net change in fund balances	<u>\$ (1,786,233)</u>	<u>\$ (449,289)</u>	<u>\$ 2,154,684</u>	<u>\$ (24,209)</u>
 Debt service as a percentage of noncapital expenditures	 <u>14.96%</u>	 <u>16.69%</u>	 <u>21.92%</u>	 <u>15.47%</u>

See Accompanying Independent Auditor's Report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$11,227,096	\$10,615,964	\$ 9,991,874	\$ 9,509,937	\$ 8,441,105	\$ 7,764,803
1,113,291	1,293,624	1,549,165	1,539,641	1,324,877	1,334,795
4,610,021	4,763,020	5,219,025	4,584,899	4,272,135	3,803,805
526,228	594,809	589,770	583,098	422,326	752,700
11,920,642	8,771,337	7,062,389	7,917,610	9,576,497	11,825,024
1,098,884	788,428	673,796	804,962	986,768	715,507
73,912	117,261	88,621	169,377	195,322	228,678
1,046,555	747,268	1,408,275	1,685,388	994,387	1,305,195
16,569	30,900	108,927	43,681	75,497	90,348
637,005	591,339	497,160	860,681	1,127,791	1,078,449
34,447	207,873	72,695	73,281	111,921	87,314
<u>\$32,304,650</u>	<u>\$28,521,930</u>	<u>\$27,261,697</u>	<u>\$27,772,552</u>	<u>\$27,528,626</u>	<u>\$28,986,618</u>
\$ 8,377,479	\$ 8,121,819	\$ 8,339,910	\$ 8,088,949	\$ 7,904,694	\$ 7,396,491
3,398,998	2,879,684	3,278,651	3,218,936	2,954,535	2,922,781
765,063	750,863	805,599	699,620	586,664	638,500
2,988,797	3,046,106	2,785,729	2,815,767	2,596,250	2,456,088
7,278,193	1,693,168	1,134,548	1,301,826	3,617,369	2,741,518
2,469,483	2,531,895	2,134,146	2,175,747	2,244,677	2,114,246
13,623,213	16,059,284	7,859,352	8,772,725	8,734,458	11,064,257
2,117,833	1,659,835	1,792,073	1,571,570	1,396,363	1,255,708
955,151	634,734	530,122	515,464	490,091	486,787
9,669	48,424	50,115	22,100	16,113	26,847
<u>\$41,983,879</u>	<u>\$37,425,812</u>	<u>\$28,710,245</u>	<u>\$29,182,704</u>	<u>\$30,541,214</u>	<u>\$31,103,223</u>
\$ (9,679,229)	\$ (8,903,882)	\$ (1,448,548)	\$ (1,410,152)	\$ (3,012,588)	\$ (2,116,605)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
9,108,900	5,485,800	2,400,300	2,775,000	1,280,000	2,253,000
25,275	-	(23,422)	(16,317)	-	13,855
-	-	-	153,000	-	-
2,655,746	2,537,998	1,462,290	1,494,141	1,808,784	1,979,733
(1,965,495)	(2,178,628)	(1,697,426)	(1,591,141)	(1,838,580)	(1,985,945)
<u>\$ 9,824,426</u>	<u>\$ 5,845,170</u>	<u>\$ 2,141,742</u>	<u>\$ 2,661,683</u>	<u>\$ 1,403,204</u>	<u>\$ 2,260,643</u>
<u><u>\$ 145,197</u></u>	<u><u>\$ (3,058,712)</u></u>	<u><u>\$ 693,194</u></u>	<u><u>\$ 1,251,531</u></u>	<u><u>\$ (1,609,384)</u></u>	<u><u>\$ 144,038</u></u>
<u>13.25%</u>	<u>10.40%</u>	<u>10.84%</u>	<u>10.33%</u>	<u>8.56%</u>	<u>9.16%</u>

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

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Tax Increment</u>	<u>Ag Land Taxes</u>	<u>Monies & Credits</u>	<u>Bank Franchise Tax</u>
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	-	-
2007	9,509,934	1,539,641	16,878	-	-
2006	8,441,105	1,324,877	16,416	-	-
2005	7,764,803	1,344,795	16,555	-	12,883

<u>Fiscal Year</u>	<u>Hotel/Motel Tax</u>	<u>Utility Property Tax Replacement</u>	<u>Local Option Sales Tax</u>	<u>Total Taxes</u>
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
2007	303,510	184,216	2,430,608	13,984,787
2006	308,951	159,226	2,258,668	12,509,243
2005	288,301	161,992	1,976,896	11,566,225

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

See Accompanying Independent Auditor's Report.

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

Levy Year	Fiscal Year	Assessed Valuation			
		Residential Property	Commercial Property	Industrial Property	Agricultural Property
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
2006	2007	986,438,850	332,716,426	115,210,126	6,699,559
2005	2006	883,697,384	321,964,594	105,003,491	5,666,734
2004	2005	867,499,879	311,548,936	103,881,782	5,498,615

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

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

Source: City Assessor

See Accompanying Independent Auditor's Report.

<u>Utilities</u>	<u>Total</u>	<u>Total Taxable Valuation (1) (2)</u>	<u>Total Direct Tax Rate</u>
\$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
40,823,425	1,481,888,386	944,867,130	12.25642
33,420,085	1,349,752,288	869,786,552	11.63721
31,674,231	1,320,103,443	868,622,941	10.55109

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

REGULAR DISTRICTS

CITY OF MASON CITY				
Fiscal Year	Operating Millage	Debt Service Millage	Retirement Millage	Total City Millage
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
2007	8.83050	1.05727	2.36865	12.25642
2006	8.66274	.88534	2.08913	11.63721
2005	8.69532	.26452	1.59125	10.55109

Source: Cerro Gordo County Auditor

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

See Accompanying Independent Auditor's Report.

<u>CERRO GORDO COUNTY</u>			<u>MASON CITY COMMUNITY SCHOOL DISTRICT</u>				
<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total County Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total School Millage</u>	<u>Other</u>	<u>Total Millage</u>
5.83306	.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
5.78266	.81202	6.59468	14.09825	-	14.09825	3.00375	35.95310
5.86024	.33910	6.19934	14.71869	-	14.71869	3.00375	35.55899
5.04799	.22866	5.27665	14.11808	-	14.11808	3.00375	32.94957

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

<u>Taxpayer</u>	<u>2014</u>		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
Interstate Power Company	\$ 45,556,318	1	2.74%
Golden Grain Energy, Inc.	19,043,820	2	1.14
Lehigh Portland Cement Company	16,312,390	3	0.98
Mills Fleet Farm	12,351,950	4	0.74
AADG	11,679,700	5	0.70
Wal-Mart	11,599,630	6	0.70
Principal Mutual Life Insurance Co.	8,863,840	7	0.53
Mason City Shopping Center, Ltd.	8,500,870	8	0.51
Sunny Fresh Foods, Inc.	8,275,270	9	0.50
Armour-Eckrich Meats, LLC	8,265,010	10	0.50
Northwestern States Cement-Holnam, Inc.	-		-
Downtown Mall Associates	-		-
CAG Subsidiary, Inc.	-		-
Dayton Hudson	-		-
Total	<u>\$150,448,798</u>		<u>9.04%</u>

Source: City Assessor

See Accompanying Independent Auditor's Report.

2005		
<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
\$ 21,634,723	1	1.60%
-		-
17,880,939	2	1.33
10,004,741	6	0.74
14,872,021	3	1.10
8,814,648	7	0.65
8,779,280	8	0.65
-		-
-		-
-		-
14,129,620	4	1.05
12,082,830	5	0.90
7,414,400	9	0.55
7,120,080	10	0.53
<u>\$122,733,282</u>		<u>9.10%</u>

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

<u>Levy Year</u>	<u>For Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>
			<u>Amount</u>	<u>Percentage of Levy</u>	
2013	2014	\$13,543,634	\$13,423,564	99.11%	\$ -
2012	2013	13,822,521	13,488,070	97.58	-
2011	2012	13,368,985	13,106,318	98.04	226
2010	2011	12,949,529	12,922,145	99.78	17,928
2009	2010	12,269,045	12,246,928	99.82	16,013
2008	2009	11,901,194	11,885,781	99.87	11,174
2007	2008	11,065,910	11,062,272	99.96	1,602
2006	2007	10,549,474	10,547,547	99.98	879
2005	2006	9,414,330	9,411,788	99.97	1,414
2004	2005	8,380,157	8,377,255	99.96	1,866

See Accompanying Independent Auditor's Report.

<u>Total Collections to Date</u>	
<u>Amount</u>	<u>Percentage of Levy</u>
\$13,423,564	99.11%
13,488,070	97.58
13,106,544	98.04
12,940,283	99.92
12,262,944	99.95
11,896,955	99.96
11,063,874	99.98
10,548,426	99.99
9,413,402	99.99
8,379,121	99.99

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

Fiscal Year	Governmental Activities			
	General Obligation		TIF Revenue	
	Bonds	Notes	Bonds	Lease
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	-
2007	9,777,692	408,671	2,072,975	-
2006	8,153,984	500,000	2,401,925	64,829
2005	8,453,000	-	2,719,272	126,867

Fiscal Year	Business-Type Activities			
	General Obligation		Revenue	
	Bonds	Notes	Bonds	Capital Lease
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
2007	3,667,308	513,735	17,888,281	207,231
2006	3,991,016	362,596	15,429,715	305,324
2005	2,392,000	399,870	16,199,167	399,842

See Accompanying Independent Auditor's Report.

<u>Settlement Note</u>	<u>Total</u>
\$ -	\$20,936,911
-	23,066,557
-	25,053,851
-	26,867,720
-	23,684,598
-	16,592,429
-	12,837,265
4,889	12,264,227
31,528	11,152,266
56,125	11,355,264

<u>Total</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$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
22,276,555	34,540,782	3.63	1,184
20,088,651	31,240,917	3.40	1,071
19,390,879	30,746,143	3.76	1,054

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>
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
2007	29,172	944,867,130	14,367,406	505,025
2006	29,172	869,786,552	13,007,596	619,718
2005	29,172	868,622,941	11,244,870	769,200

<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>
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
2007	13,862,381	1.47	475.19
2006	12,387,878	1.42	424.65
2005	10,475,670	1.21	359.10

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, 2014

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable To City Of Mason City</u>	<u>Amount Applicable To City Of Mason City</u>
Direct:			
City of Mason City (1)	\$20,936,911	100.0%	\$20,936,911
Overlapping (2):			
Mason City Community School District	\$33,377,527	90.0	\$30,023,086
Cerro Gordo County	10,066,250	45.9	4,620,409
North Iowa Area Community College	34,060,000	-	-
Total overlapping	<u>\$77,503,777</u>		<u>\$34,643,495</u>
Total	<u>\$98,440,688</u>		<u>\$55,580,406</u>

Source: Information provided by individual unit.

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

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

See Accompanying Independent Auditor's Report.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Debt limit	\$83,237,735	\$82,847,356	\$81,919,465	\$82,847,356
Total net debt applicable to limit	<u>25,820,000</u>	<u>28,995,000</u>	<u>31,154,774</u>	<u>33,918,400</u>
Legal debt margin	<u>\$57,417,735</u>	<u>\$53,852,356</u>	<u>\$50,764,691</u>	<u>\$48,928,956</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>31.02%</u>	<u>34.99%</u>	<u>38.03%</u>	<u>40.94%</u>

Legal Debt Margin Calculation for Fiscal Year 2014

Actual assessed valuation:	
Real property	\$1,600,776,206
Utilities	<u>63,978,505</u>
Total actual assessed valuation	<u>\$1,664,754,711</u>
Debt limit - 5% of actual valuation	\$ 83,237,735
Total net debt applicable to limit	<u>25,820,000</u>
Legal debt margin	<u>\$ 57,417,735</u>

See Accompanying Independent Auditor's Report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$80,068,604	\$80,036,347	\$77,926,623	\$74,094,419	\$67,487,614	\$67,400,322
<u>30,524,732</u>	<u>23,206,321</u>	<u>15,643,215</u>	<u>15,926,646</u>	<u>15,111,754</u>	<u>13,751,129</u>
<u>\$49,543,872</u>	<u>\$56,830,026</u>	<u>\$62,283,408</u>	<u>\$58,167,773</u>	<u>\$52,375,860</u>	<u>\$53,649,193</u>
<u>38.12%</u>	<u>28.99%</u>	<u>20.07%</u>	<u>21.50%</u>	<u>22.39%</u>	<u>20.40%</u>

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

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>
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
2007	2,673,287	1,814,148	859,139
2006	2,412,484	1,759,738	652,746
2005	2,311,231	1,660,486	650,745

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
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
2007	455,000	117,276	572,276	1.50
2006	340,000	97,755	437,755	1.49
2005	330,000	127,679	457,679	1.42

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

See Accompanying Independent Auditor's Report.

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

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>
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
2007	4,781,241	3,063,093	1,718,148
2006	4,214,116	2,837,049	1,377,067
2005	4,069,839	2,534,220	1,535,619

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
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
2007	727,000	463,806	1,190,806	1.44
2006	693,000	426,008	1,119,008	1.23
2005	1,088,000	457,617	1,545,617	0.99

(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>
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
2007	29,172	951,824	32,628	42.20	4,102	3.3
2006	29,172	919,326	31,514	39.30	4,103	4.1
2005	29,172	831,023	28,487	41.55	4,241	4.8

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

See Accompanying Independent Auditor's Report.

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

<u>Taxpayer</u>	<u>2014</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
Mercy Medical Center - North IA	2,650	1	20.5
Curries Manufacturing Company	600	2	4.6
Hy-Vee Food Stores	548	3	4.2
Mason City Community School District	530	4	4.1
Principal Life Insurance Co.	460	5	3.6
Wal-Mart Stores	387	6	3.0
Good Shepherd Geriatric Center	320	7	2.5
Armour-Eckrich Meats	300	8	2.3
Graham Doors	300	9	2.3
City of Mason City	259	10	2.0
Total	<u>6,354</u>		<u>49.1%</u>

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

(1) Information not available

See Accompanying Independent Auditor's Report.

2005		
<u>Employees</u> (1)	<u>Rank</u> (1)	<u>Percent of Total City Employment</u> (1)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>		<u>-</u>
<u>-</u>		<u>-</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Public safety:					
Police - sworn	45	45	45	48	48
Police - civilian	5	5	5	5	5
Fire - sworn	44	45	44	44	44
Fire - civilian	2	2	2	2	2
Building Inspection	1	1	2	3	3
Plumbing/Electrical Inspection	2	2	2	2	2
Public works:					
Airport	5	5	5	5	5
Street	19	20	21	21	20
Arborist	1	1	1	1	1
Engineer	6	6	7	7	7
Health and social services:					
Youth Task Force	5	5	4	3	4
Health	1	1	1	1	1
Human Rights	0	1	3	3	3
Culture and recreation:					
Parks	6	6	6	6	6
Recreation	4	5	3	3	3
Library	17	17	18	18	14
Museum	7	7	7	7	7
Community and economic development:					
Neighborhood Services	3	3	3	2	2
Growth Development and Planning	3	3	3	3	3
Transit	18	16	14	16	17
General government:					
Administrator	2	2	3	2	2
Mayor	-	-	-	-	-
Finance	10	10	11	11	11
Clerk	1	1	1	1	1
City Hall	-	1	1	1	1
Personnel/Safety	2	2	2	2	2
Business-type activities:					
Water	18	18	18	19	19
Sewer	15	15	14	16	16
Sanitation	12	12	10	12	12
Cemetery	3	3	3	3	3
Golf course	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total	<u>259</u>	<u>262</u>	<u>261</u>	<u>269</u>	<u>266</u>

Source: City Finance Department

See Accompanying Independent Auditor's Report.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
48	45	48	50	47
2	4	10	9	15
44	44	44	44	44
2	2	2	1	1
3	3	3	3	3
1	2	2	2	2
5	5	5	6	5
22	21	21	21	20
1	1	1	1	1
7	7	5	7	7
5	4	4	3	3
1	1	1	1	1
3	2	2	2	2
6	7	7	7	7
4	4	4	4	4
15	15	14	14	13
7	7	7	6	5
2	2	3	3	3
3	3	1	3	4
17	14	15	14	14
2	2	2	2	2
-	-	-	-	-
11	11	8	7	7
2	2	2	3	3
1	1	1	1	1
2	2	2	2	2
18	19	22	21	22
16	16	17	17	17
11	12	12	12	12
3	3	3	3	3
<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<u>266</u>	<u>263</u>	<u>270</u>	<u>271</u>	<u>272</u>

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

<u>Function</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Police:					
Physical arrests	3,260	3,428	3,082	2,776	2,295
Parking violations	3,078	2,288	2,678	4,432	4,161
Traffic violations	3,497	5,210	5,366	5,311	2,043
Fire:					
Fire calls answered	811	795	839	793	731
Ambulance calls answered	4,528	4,430	4,434	4,057	3,755
Inspections	708	1,103	1,961	1,690	1,411
Highways and streets:					
Street resurfacing (miles)	1.20	1.63	0.37	2.68	2.40
Potholes repaired	6,000	5,900	5,500	5,400	5,300
Sanitation:					
Refuse collected (tons/day)	31.29	31.99	29.00	31.94	32.60
Recyclables collected (tons/day)	4.53	4.90	4.82	4.84	4.86
Culture and recreation:					
Aquatic Center admissions	31,199	37,817	42,811	42,179	33,616
Water:					
New connections	38	32	26	31	15
Water main breaks	33	11	21	17	17
Average daily consumption (thousands of gallons)	4,542	4,542	4,828	5,300	5,324
Wastewater:					
Average daily sewage treatment (thousands of gallons)	5,499	5,499	6,712	6,810	6,689

Source: Various city departments

See Accompanying Independent Auditor's Report.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
4,129	3,049	3,373	3,309	3,551
5,885	7,560	4,328	3,870	4,041
3,117	5,952	6,502	4,463	2,686
762	766	746	779	772
3,912	4,032	4,138	4,374	3,420
1,216	1,025	600	373	781
2.60	3.04	5.59	4.22	3.41
5,000	5,000	5,000	5,000	5,000
27.50	32.52	32.09	31.44	32.80
5.50	5.50	5.50	5.70	5.90
39,074	39,726	51,751	54,997	58,951
21	3	15	10	1
11	10	11	8	10
5,865	5,673	5,784	5,819	5,869
6,658	7,421	7,040	6,637	6,618

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

<u>Function</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Public safety:					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Public works:					
Street miles:					
Paved	152.32	152.49	152.39	152.33	152.33
Unpaved	40.93	41.12	41.12	41.12	41.12
Street lights	1,768	1,767	1,765	1,761	1,761
Culture and recreation:					
Parks	41	41	41	41	41
Acreage	639	639	639	639	639
Playgrounds	12	12	12	12	12
Baseball/softball diamonds	12	12	12	12	12
Golf courses	1	1	1	1	1
Swimming pools	1	1	1	1	1
Tennis courts	7	7	7	7	7
Business-type activities:					
Sewer miles:					
Storm	48.46	48.46	48.46	48.13	48.13
Sanitary	164.57	164.57	164.57	164.53	164.53
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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1	1	1	1	1
1	1	1	1	1
152.06	151.93	151.93	151.69	150.78
41.12	41.12	41.12	41.12	41.12
1,760	1,760	1,760	1,750	1,744
41	41	41	41	41
639	639	639	639	639
12	12	12	12	12
12	12	12	12	12
1	1	1	1	1
1	1	1	1	1
7	7	7	7	7
47.95	47.95	47.95	46.91	46.44
164.31	164.31	160.92	159.84	159.05
1	1	1	1	1
74.12	74.12	74.12	74.12	74.12

**COMPLIANCE
SECTION**



Kronlage & Olson, P.C.

Certified Public Accountants

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH 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, 2014, 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 31, 2014.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2014-001 and 2014-002, described in the accompanying Schedule of Findings and Questioned Costs, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mason City, 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 is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Mason City, Iowa, in a separate letter dated December 31, 2014.

City of Mason City'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. We did not audit the City's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

Knowledge & Olson, P.C.

Charles City, Iowa

December 31, 2014



Kronlage & Olson, P.C.

Certified Public Accountants

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Mason City, Iowa's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Mason City, Iowa's major federal programs for the year ended June 30, 2014. The City of Mason City, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Mason City, 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the City of Mason City, 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, 2014.

Other Matters

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

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mason City, Iowa's internal control over compliance.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a significant deficiency.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kronlage & Olson, P.C.

Charles City, Iowa

December 31, 2014

CITY OF MASON CITY, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
DIRECT:			
<u>Department of Justice</u>			
Bullet Proof Vest Program	16.607	2011	\$ -
Juvenile Mentoring Program	16.726	2012-JU-FX-0031	98,271
Total			<u>\$ 98,271</u>
<u>Department of Transportation</u>			
Airport Improvement Program	20.106	3-19-0059-35-2010	\$ 11,181
Airport Improvement Program	20.106	3-19-0059-36-2011	62
Airport Improvement Program	20.106	3-19-0059-37-2012	17,321
Airport Improvement Program	20.106	3-19-0059-38-2010	199,836
Airport Improvement Program	20.106	3-19-0059-39-2013	373,292
Airport Improvement Program	20.106	3-19-0059-40-2013	229,520
Passenger Facility Charge			8,528
Total			<u>\$ 839,740</u>
<u>Environmental Protection Agency</u>			
Congressionally Mandated Projects	66.202	KP-97732501	\$ -
Total direct			<u>\$ 938,011</u>

(continued)

CITY OF MASON CITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
INDIRECT:			
Department of Housing and Urban Development:			
<u>Iowa Department of Economic Development</u>			
Community Development Block Grant/ State Program			
Owner Occupied Housing Rehab	14.228	11-HSG-035	\$ 135,194
Owner Occupied Housing Rehab	14.228	10-DTR-006	356,360
100% Flood and Demolition Buyout	14.228	08-DRHB-226	292,397
Section 106 Planning Grant	14.228	08-DRI106-202	48,201
Hazard Mitigation Grant Program Match for Property Acquisition			
Flood Buyout #1	14.228	08-DRMH-231	(801)
Flood Buyout #2	14.228	08-DRMH-232	706
Flood Buyout #3	14.228	08-DRMH-247	19,518
Flood Buyout #4	14.228	08-DRMH-237	(1,048)
Total			<u>\$ 850,527</u>
Department of Justice:			
<u>Governor's Office of Drug Control Policy</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10JAG-42633	\$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10JAG-42839	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11JAG-58784	39,654
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11JAG-58921	18,000
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10JAG-00100	1,849
Total			<u>\$ 59,503</u>
<u>Iowa Department of Justice</u>			
Federal Violence Against Women Formula Grant	16.588	VW-14-66-CJ	\$ 26,994
Federal Violence Against Women Formula Grant	16.588	VW-13-55	-
Total			<u>\$ 26,994</u>
Total			<u>\$ 86,497</u>

(continued)

CITY OF MASON CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
INDIRECT:			
Department of Transportation:			
<u>Iowa Department of Transportation</u>			
Highway Planning and Construction			
East State Street Resurfacing	20.205	STP-S-4822 (630)-70-17	\$ -
Sixth Street Resurfacing	20.205	STP-U-4822 (631)-70-17	-
Federal Aid Agreement-Delaware Avenue Bridge	20.205	TCSP-4822 (626)-9S-17	-
Federal Aid Agreement-19 th Street Culvert Widening	20.205	STP-U-4822 (628)-70-17	-
Formula Grants for Other than Urbanized Areas			
Operating Assistance	20.509	18-0030-482-13	-
Operating Assistance	20.509	18-0031-482-14	366,505
Total			<u>\$ 366,505</u>
 <u>Iowa Department of Public Safety</u>			
Governor's Traffic Safety Bureau			
State and Community Highway Safety			
Police Traffic Services	20.600	PAP-13-03	\$ 4,137
Police Traffic Services	20.600	PAP-14-402	5,953
Total			<u>\$ 10,090</u>
Total			<u>\$ 376,595</u>
 National Endowment for the Arts:			
<u>Iowa Arts Council</u>			
Promotion of the Arts - Partnership Agreements			
Operating Support	45.025	2014-10090	\$ 3,750
Operating Support	45.025	2014-1000	13,540
Total			<u>\$ 17,290</u>

(continued)

CITY OF MASON CITY, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
INDIRECT:			
Department of Homeland Security:			
<u>Iowa Homeland Security and Emergency</u>			
<u>Management Division</u>			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)			
Small Projects	97.036	DR #1763	\$ -
Demolition Debris Removal	97.036	DR #1763-PW-9585	-
Demolition Debris Removal	97.036	DR #1763-PW-10528	-
Demolition Debris Removal	97.036	DR #1763-PW-10529	5,186
Demolition Debris Removal	97.036	DR #1763-PW-10533	-
Hazard Mitigation Grant			
Flood Buyout #2	97.039	HMGP-DR-1763-0031-01	2,119
Flood Buyout #1	97.039	HMGP-DR-1763-0032-01	(2,403)
Flood Buyout #4	97.039	HMGP-DR-1763-0037-01	(3,145)
Flood Buyout #3	97.039	HMGP-DR-1763-0047-01	58,554
Total			<u>\$ 60,311</u>
Total indirect			<u>\$1,391,220</u>
Total expenditures of federal awards			<u>\$2,329,231</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY, IOWA
 SCHEDULE OF SELECTED EXPENDITURES OF STATE AWARDS
 YEAR ENDED JUNE 30, 2014

<u>Grantor/Program</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Iowa Department of Transportation:		
Commercial Air Service Vertical Infrastructure Program	15279	\$ 22,810
Airport Improvement Project	15254	<u>167,873</u>
Total		<u>\$190,683</u>
Iowa Department of Public Health:		
Youth Mentoring	588 4 YM67	<u>\$ 53,154</u>

See Accompanying Independent Auditor's Report.

CITY OF MASON CITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014

(1) General

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

(2) Basis of Accounting

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

(3) Relationship to General Purpose Financial Statements

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

	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Loan Proceeds</u>	<u>Total</u>
General Fund	\$618,420	\$1,151,408	\$ -	\$1,832,828
Special Revenue Funds:				
Unified TIF	-	350,063	-	350,063
FMA	-	43,116	-	43,116
Housing	136,959	-	-	136,959
HMGP	-	728,653	-	728,653
	<u>\$818,379</u>	<u>\$2,273,240</u>	<u>\$ -</u>	<u>\$3,091,619</u>

(4) Relationship to Federal Financial Reports

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

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any noncompliance which is material to the financial statements.
- (c) Two material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (d) The audit did not disclose any deficiencies in internal control over a major federal program.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each of the City's major programs.
- (f) The audit disclosed no audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) The programs tested as the major programs are:
 - CFDA Number 20.106 - Airport Improvement Program
 - CFDA Number 20.509 - Formula Grants for other than Urbanized Areas
 - CFDA Number 16.588 - Federal Violence Against Women Formula Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

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

MATERIAL WEAKNESSES:

2014-001 Determination of Accounts and Contracts Payable - At the end of each fiscal year, finance department interns determine the accounts and contracts payable that should be recognized in the City's financial statements. At June 30, 2014, they recognized over \$2,234,000 of accounts and contracts payable, including approximately \$529,197 (material to three opinion units) incorrectly recorded as payables. However, they did not recognize an additional \$561,984 (material to four opinion units) of mostly contracts payable at June 30, 2014, with a net effect of \$32,787 on the financial statements (material to only one opinion unit).

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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

Recommendation - Even though the amount of unrecorded and incorrectly recorded payables has increased over the prior year due to large contract payables, the number of payable recording errors has decreased slightly. The interns should be further instructed by their supervisor in the requirements for an item to be recognized as a payable at the end of the year, paying close attention to contracts. We would suggest that a written process be developed for the interns to use to determine when a payable should be recognized in the financial statements. An alternative would be for the interns to use a flow-chart process. In addition, the supervisor needs to provide closer direct supervision of the interns so that the auditors may maintain their independence by not being so closely involved in the initial determination of payables.

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

Conclusion - Response accepted.

2014-002 Financial Statement Classification and Valuation - It was noted that the City's financial statements required a significant number of material adjusting journal entries to properly classify and value the financial statement amounts. A system of internal control includes the controls over the preparation of the financial statements.

Recommendation - There has been some improvement in the initial determination of the financial statement classifications and amounts by the finance department interns. Additional instruction and supervision should be given to the interns by their direct supervisor. In addition, the finance interns' supervisor should review their work on a regular basis to determine the correct classification and valuation of amounts in the financial statements.

Response - We will be providing additional guidance and supervision to the interns to assist with financial statement preparation, including the proper classification and valuation

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

ALL GRANTS:

2014-003 See items 2014-001 and 2014-002 above.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

SIGNIFICANT DEFICIENCIES:

NONE

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

- 2014-004 Official Depositories - A resolution naming official depositories has been adopted by the City Council.
- 2014-005 Certified Budget - Disbursements during the year ended June 30, 2014, did not exceed the amounts budgeted.
- 2014-006 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.
- 2014-007 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 2014-008 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Michael Lashbrook, Youth Task Force - Chief, Mason City Police	Reimbursement	\$ 167
James Miller, Environment & Sustainability Advisory Commission - Vice-President of Engineering, Metalcraft, Inc.	Services	540
Nicole Rognes-Olson, North Iowa Corridor Economic Development Corporation Board - Partner, Heiny, McManigal, Duffy, Stambaugh & Anderson	Services	575
Ray Shimak, Park & Recreation Board - Owner, Ray's Collision	Services	644
Steve Clausen, Plumbing Appeals and Exam Board - Owner, Clausen Plumbing	Plumbing repairs	1,091
Craig MacDougall, Plumbing Appeals and Exam Board - Owner, Hank's Plumbing	Plumbing repairs	1,350
Robin Anderson, Youth Task Force - CEO & President, Mason City Chamber of Commerce	Training expenses	2,435
Tony Johnson, Plumbing Appeals and Exam Board - Owner, Johnson Heating/AC	Plumbing repairs	3,218

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
David Vikturek, North Iowa Corridor Economic Development Corporation Board - Vice-President, Mason City Foundation	City contribution	3,703
Tom Hovland, Airport Commission - Owner, Tom Hovland Enterprises	Automotive supplies	3,755
Gary Anderson, Planning and Zoning Commission - Vice-President, Skott & Anderson Architects	Services	6,455
Dennis Reidel, Library Board - CEO & CFO, Overhead Door of Mason City & Mid-West Roofing	Construction services	10,192
Dennis Lewerke, Airport Commission - Owner/Partner, Woodharbor	Services	11,133
Mark Ewy, Housing Advisory and Appeals Board - Owner, Custom Auto Body	Repairs	14,816
Dan Varnum, North Iowa Corridor Economic Development Corporation Board - President, Mercy Medical Center-North Iowa	Services	16,672
Jay Leaman, Electrical Examiners and Appeals Board - Owner, The Electricians	Electrical services	18,023
Tom Douglas, Housing Advisory and Appeals Board - Owner, Edwards Brandt Insurance & Realty	Insurance	24,147
Randy Cram, North Iowa Corridor Economic Development Corporation Board - Partner, Bergland & Cram Architects	Services	35,576
Scott Smed, Historic Preservation Commission - Partner, Bergland & Cram Architects	Services	35,576
Doug Wiltsie, Electrical Exam and Appeals Board - Vice-President, Blazek Electric	Electrical services	51,844
Dave Grooters, Library Board - Owner, Pappajohn Law Firm	Legal services	59,207

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Larry Elwood, Plumbing Appeals and Exam Board and North Iowa Corridor Economic Development Corporation Board - Owner, Larry Elwood Construction	Construction services	75,213
Gary Schmit, North Iowa Corridor Economic Development Corporation Board - President, Henkel Construction	Construction services	131,490
Walter Wendland, MacNider Museum Board - CEO, Golden Grain Energy	Tax rebate	473,686
Kevin Pals, Youth Task Force, Sheriff - Cerro Gordo County	28E Agreement	644,071
George Jessen, Zoning Board of Adjustment (alternate) - Owner, Heartland Asphalt	Road construction	857,240

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 Heiny, McManigal, Duffy Stambaugh & Anderson, Skott & Anderson Architects, Edwards Brandt and Associates, Bergland and Cram Architects, Pappajohn Law Firm, Larry Elwood Construction, Henkel Construction, Golden Grain Energy, Cerro Gordo County Sheriff, and Heartland Asphalt were competitively bid, part of a development agreement or required by 28E agreement and, therefore, do not represent a conflict of interest. The remaining items may represent conflicts of interest. The City should consult legal counsel to determine the disposition of this matter.

Response - We will do this.

Conclusion - Response accepted.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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

2014-009 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.

2014-010 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.

2014-011 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.

2014-012 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

2014-013 Water Billing Shortages - A multi-year analysis of water pumped from the water distribution center versus water billed shows that a significant amount of water pumped is not being billed. Water may not be billed for a number of reasons, including water used for firefighting, line flushing, certain municipal processes, line leaks, etc. An acceptable unbilled percentage of water pumped is in the 15% range. The percentage of water billed has steadily decreased from 81% in FYE 1996 to 71% in FYE 2004. The percentages billed in 2005 and 2006 were 59% and 56%, respectively. These were the years when major improvements were being made to the water distribution system. All of the construction and testing were completed prior to the 2014 fiscal year. During FYE 2007, 2008, 2009, 2010, 2011, 2012, 2013, and 2014, records maintained by the water distribution supervisor and the water billing department show that only 60%, 63%, 59%, 53%, 63%, 67%, 71%, and 67% of the water pumped from the water distribution plant was actually billed, respectively.

CITY OF MASON CITY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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

Recommendation - Although the percentage of water pumped that actually was billed decreased due to main breaks during the last winter, progress is being made. The City should continue to investigate the calculation of water pumped to determine that it is being accurately measured. The City should also continue to review its billing process to determine that all customers are being billed. Gallons of water billed have decreased approximately 10% since FY 2003, at the same time that gallons of water pumped have remained steady.

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

Conclusion - Response accepted.

CITY OF MASON CITY, IOWA
 Corrective Action Plan for Federal Audit Findings
 Year Ended June 30, 2014

<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>
2014-001	Determination of accounts and contracts payable	We will provide a written process for the interns to follow in addition to providing increased personal supervision of the interns.	Kevin Jacobson Director of Finance 641-421-3613	June 30, 2015
2014-002	Financial statement classification and valuation	We will provide additional guidance and supervision to the interns.	Kevin Jacobson Director of Finance 641-421-3613	June 30, 2015
2014-003	See items 2014-001 and 2014-002 above			

CITY OF MASON CITY, IOWA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

FINANCIAL STATEMENTS

Finding 13-II-A: Determination of Accounts and Contracts Payable

Condition - Material amounts of accounts and contracts payable were not being properly recognized.

Recommendation - Additional instructions and processes should be developed to assist the interns in arriving at a materially correct number for these items.

Current Status - Progress has been made with this process, but additional supervision and instruction is needed to arrive at materially correct payable items.

Finding 13-II-B: Financial Statement Classification and Valuation

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

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

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

Finding 13-III-A: Financial Statement Findings

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

Finding 13-III-B: Inadequate Documentation of Compliance with Davis-Bacon Act

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

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

Current Status - There is a new engineering company in charge of airport projects. Current year audit noted no noncompliance with Davis-Bacon requirements.

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