

CITY OF SPENCER

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2014

CITY OF SPENCER

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CITY OF SPENCER

DIRECTORY OF CITY OFFICIALS AND RELATED ORGANIZATIONS' TRUSTEES

AS OF JUNE 30, 2014

MAYOR

Reynold L. Peterson

MAYOR PRO-TEM

Steve Bomgaars

COUNCIL MEMBERS

George Kruger (to 12-31-2013)
Randy Swanson
Rich Prentice
William Orrison (from 6-9-2014)

Edward J. Krebs (to 5-5-2014)
Ron Hanson
Frank Petska (from 1-1-2014)

Steve Bomgaars
David A. Scott (to 12-31-2013)
George Moriarty (from 1-1-2014)

CITY MANAGER

Bob Fagen

CITY CLERK

Theresa Reardon

FINANCE DIRECTOR

Brian Weuve

DIRECTOR OF PUBLIC WORKS

Mark White

CHIEF OF POLICE

Mark Warburton

FIRE CHIEF

Douglas Duncan

PLANNING DIRECTOR

Kirby Schmidt

CEMETERY SUPT.

Tim Hamrick

PARK DIRECTOR

DelRay Bredehoeft

STREET SUPERINTENDENT

Dwayne Sebbby

CITY ATTORNEY

Donald J. Hemphill

GOLF COURSE SUPT.

Brian Mohr

LANDFILL SUPT.

Chuck Duhn

SOLID WASTE SUPT.

Kent Herbold

LIBRARY DIRECTOR

Mandie Roberts

COUNCIL STANDING COMMITTEES

PUBLIC SAFETY

Edward Krebs, Chairperson (to 5-5-2014)
William Orrison, Chairperson (from 6-9-2014)
Randy Swanson
George Kruger (to 12-31-2013)
Frank Petska (from 1-1-2014)

PUBLIC WORKS

David Scott, Chairperson (to 12-31-2013)
Steve Bomgaars (from 1-1-2014)
Rich Prentice
Ron Hanson

FINANCE & PERSONNEL

Rich Prentice, Chairperson
Steve Bomgaars (to 12-31-2013)
George Moriarty (from 1-1-2014)
Ron Hanson

PROGRESS & DEVELOPMENT

Randy Swanson, Chairperson
Steve Bomgaars
David Scott (to 12-31-2013)
William Orrison (from 6-9-2014)

BOARDS AND COMMISSIONS

MUNICIPAL UTILITIES TRUSTEES

Dave Hultgren
Sandi Schmidt
Alison Simpson
Murray Hart
Dave Cronk

GOLF COURSE BOARD

Larry Slota
Steve Fox
Lavonne Peterson
Kari Graesing
Dennis Manley

PLANNING & ZONING COMMISSION

Kari Roskens
Dean Jacobsen
Duane Willrett
Craig Wampler
Duane Bates
Kristen Souder
Marjorie Eeten

COMPENSATION ADVISORY BOARD

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Mary Rahn
Ken Sandvig, Jr.
Susan Zulk
Diane Quist Zinn
Kari Roskens
Dave Woodcock

CIVIL SERVICE COMMISSION

Michaela Sailer-Matthiesen
Kevin Robinson
Connie Larson

COLLECTION RATE REVIEW BOARD

Anita Jorgensen
Randy Wiemers
Bob Fagen

AIRPORT BOARD OF TRUSTEES

Bob Bates
Kyle Norris
Tim Steffen
Les Hicks
Bill Hemme

PARK BOARD

Kim Bates
Dick Montgomery
Jason Warren
John Zinn
Cindy Greer

MUNICIPAL HOSPITAL TRUSTEES

Gary VanHofwegen
Neal Conover
Kris Van Berkum
John Cotton
John Rahn

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Terry Peterson
Suzanne Harper
Deb Feldman
Roger Green
Steve Waller
Mark Lykke
Don Baxter

LIBRARY TRUSTEES

Erin Rominger
Deb Woodcock
Bryan Harken
Karen Carey
Roger Littlefield
Ron Behrends
Michael Olson
Audrey Wheeler
Dennis DeWitt

PLUMBERS EXAMINERS BOARD

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Rick Dean
Jarold Krogman

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Steve McAllister
Steve Nolting

COMMUNICATION CENTER BOARD

Burlin Matthews
Ken Chalstrom
Randy Swanson
Rich Prentice
Mark Warburton
Randy Krukow

BOARDS AND COMMISSIONS - Continued

HISTORIC PRESERVATION COMMISSION

Sheriffa Jones
Brian Mohr
Bruce Lamport
John Frans
Lynn Dotson
Karli Martin
Kristen Souder

RENAISSANCE INITIATIVE COMMITTEE

Randy Cauthron
Mary Jean Montgomery
John Goede
Dick Schallau
Tom Nelson
Clinton Jones
Jill Barr
Jane Campbell
Erin Rominger



WINTHER STAVE & CO | LLP

1004 21st Street #4
Milford, Iowa 51351-0187

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

www.winther-stave.com

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351-0187
Phone 712-338-2488
FAX 712-338-2510

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Spencer
Spencer, IA 51301

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Spencer, Iowa, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government 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 the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit

The financial statements referred to above do not include the financial data for the City's legally separate component unit, Spencer Municipal Hospital. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because Spencer Municipal Hospital reports in accordance with accounting principles generally accepted in the United States of America, a different reporting framework than the City's basis of accounting described in Note 1, the amounts by which this departure would affect the receipts, disbursements, and cash balances of the aggregate discretely presented component unit have not been determined.

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the City of Spencer, Iowa as of June 30, 2014, or the changes in financial position thereon for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Spencer, Iowa as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Spencer's basic financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis on pages 7 through 12 and the other information included in Schedules 7 through 17 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2015 on our consideration of the City of Spencer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spencer's internal control over financial reporting and compliance.

Winther, Stave & Co., LLP

March 10, 2015
Spencer, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

This discussion and analysis of the City of Spencer's financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 Financial Highlights

- The City's total cash basis net position decreased \$17,902 from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased by \$748,746 and the cash basis net position of the business type activities increased by \$730,844.

Overview of the Financial Statements

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information provides detailed information about the nonmajor funds and on the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and provides selected statistical information.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting The City as a Whole

The Cash Basis Statement of Activities and Net Position

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property taxes and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer, solid waste, landfill, golf course, and airport. These activities are financed primarily by user charges.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain receipts (such as Sales Tax Receipts). The City has the following types of funds:

- Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as the Local Option Sales Tax, (c) the Debt Service Fund, (d) the Capital Projects Fund, and (e) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

- Proprietary Funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains five Enterprise Funds to provide separate information for the sanitary sewer, solid waste, landfill, golf course, and airport funds. The City also maintains an enterprise capital projects fund to account for the acquisition and construction of capital assets to be used by the enterprise funds. The sanitary sewer, solid waste, enterprise capital projects, and landfill funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Fiduciary Funds. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Government-Wide Financial Analysis

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$14,671,542 to \$13,922,796. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	For the Year Ended <u>June 30, 2014</u>	For the Year Ended <u>June 30, 2013</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services	\$ 629,242	\$ 638,411	\$ (9,169)
Operating grants and contributions	1,441,682	1,336,024	105,658
Capital grants and contributions	1,184,325	1,179,096	5,229
General receipts:			
Property and other city taxes	5,244,587	5,146,388	98,199
Tax increment financing	524,142	442,736	81,406
Payments in lieu of tax	552,348	544,941	7,407
Local option sales tax	1,821,002	1,937,781	(116,779)
Hotel/motel tax	215,777	192,135	23,642
Use of money and property	137,076	160,088	(23,012)
Unrestricted miscellaneous	527,731	503,121	24,610
Proceeds from sales of capital asset	100,000		100,000
Debt proceeds		2,258,695	(2,258,695)
Total receipts	<u>12,377,912</u>	<u>14,339,416</u>	<u>(1,961,504)</u>
Disbursements:			
Public safety	2,893,767	2,628,742	265,025
Public works	1,382,115	1,488,739	(106,624)
Culture and recreation	1,359,564	1,426,172	(66,608)
Community and economic development	1,671,969	1,716,338	(44,369)
General government	2,519,300	1,883,162	636,138
Debt service	1,226,883	2,691,798	(1,464,915)
Capital projects	<u>3,078,688</u>	<u>3,131,125</u>	<u>(52,437)</u>
Total disbursements	<u>14,132,286</u>	<u>14,966,076</u>	<u>(833,790)</u>
Change in cash basis net position before transfers	(1,754,374)	(626,660)	(1,127,714)
Net transfers	<u>1,005,628</u>	<u>1,201,749</u>	<u>(196,121)</u>
Change in cash basis net position	(748,746)	575,089	(1,323,835)
Cash basis net position - beginning of year	<u>14,671,542</u>	<u>14,096,453</u>	<u>575,089</u>
Cash basis net position - end of year	<u>\$13,922,796</u>	<u>\$14,671,542</u>	<u>\$ (748,746)</u>

The total business type activities cash balance increased from a year ago, increasing from \$8,829,108 to \$9,559,952. The analysis that follows focuses on the changes in cash basis net position of business type activities.

Changes in Cash Basis Net Position of Business Type Activities

	For the Year Ended June 30, 2014	For the Year Ended June 30, 2013	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services:			
Sanitary sewer	\$ 2,620,670	\$ 2,391,273	\$ 229,397
Solid waste	1,945,088	1,905,511	39,577
Landfill	1,390,127	1,350,381	39,746
Airport	127,071	120,057	7,014
Golf course	380,117	374,634	5,483
Operating grants and contributions	70,430	75,324	(4,894)
Capital grants and contributions	390,014	118,355	271,659
General receipts:			
Use of money and property	268,199	321,937	(53,738)
Unrestricted miscellaneous	111,935	115,812	(3,877)
Total receipts	<u>7,303,651</u>	<u>6,773,284</u>	<u>530,367</u>
Disbursements:			
Sanitary sewer	1,898,550	1,872,717	25,833
Solid waste	1,038,832	2,104,960	(1,066,128)
Landfill	796,772	801,844	(5,072)
Airport	179,128	119,464	59,664
Golf course	316,638	320,342	(3,704)
Capital projects:			
Sanitary sewer	371,829	3,202,955	(2,831,126)
Landfill	606,452	20,892	585,560
Airport	358,978	28,299	330,679
Total disbursements	<u>5,567,179</u>	<u>8,471,473</u>	<u>(2,904,294)</u>
Change in cash basis net position before transfers	1,736,472	(1,698,189)	3,434,661
Net transfers	<u>(1,005,628)</u>	<u>(1,201,749)</u>	<u>196,121</u>
Change in cash basis net position	730,844	(2,899,938)	3,630,782
Cash basis net position - beginning of year	<u>8,829,108</u>	<u>11,729,046</u>	<u>(2,899,938)</u>
Cash basis net position - end of year	<u>\$ 9,559,952</u>	<u>\$ 8,829,108</u>	<u>\$ 730,844</u>

Individual Major Governmental Fund Analysis

The City's governmental funds showed a combined cash basis fund balance of \$13,922,796 at June 30, 2014 which was \$748,746 less than last year. A summary of the changes is as follows:

	Cash Balances June 30, 2014	Cash Balances June 30, 2013	Increase (Decrease)
General	\$11,503,008	\$10,271,621	\$1,231,387
Local option sales tax	23,928	805,958	(782,030)
Debt service	483,405	518,912	(35,507)
Capital projects	187,414	1,649,202	(1,461,788)
Total nonmajor governmental funds	<u>1,725,041</u>	<u>1,425,849</u>	<u>299,192</u>
Total	<u>\$13,922,796</u>	<u>\$14,671,542</u>	<u>\$ (748,746)</u>

The City transferred \$1,794,732 from the local option sales tax fund to the general fund. This is the amount of the local option sales tax fund that is to be used for capital improvements. This resulted in an increase in the general fund and a decrease in the local option sales tax fund. The capital project fund showed a decrease in cash balances due to the City completing capital projects that were funded with a bond issue received last fiscal year.

Individual Major Business Type Fund Analysis

The City's business type funds showed a combined cash basis fund balance of \$9,559,952 at June 30, 2014 which was \$730,844 more than last year. A summary of the changes is as follows:

	Cash Balances <u>June 30, 2014</u>	Cash Balances <u>June 30, 2013</u>	Increase <u>(Decrease)</u>
Sanitary sewer	\$ 3,516,677	\$ 3,244,389	\$ 272,288
Solid waste	1,358,149	1,101,962	256,187
Landfill	4,089,505	3,921,424	168,081
Enterprise capital projects	(33,636)	20,292	(53,928)
Nonmajor proprietary funds	<u>629,257</u>	<u>541,041</u>	<u>88,216</u>
Total	<u>\$ 9,559,952</u>	<u>\$ 8,829,108</u>	<u>\$ 730,844</u>

The business type funds all showed modest increases in cash balances with the exception of the enterprise capital project fund which showed a slight decrease in cash balance.

Budgetary Highlights

The City amended the budget twice. The last amendment was adopted May 19, 2014. The amendments were to budget for grant revenues that were not expected this fiscal year and to budget for projects approved by the City Council after the original budget was prepared.

Even after the budget amendments, actual disbursements exceeded the budgeted amounts in the debt service function.

The City's receipts were \$781,810 less than budgeted receipts due to anticipated intergovernmental receipts not being received in the current year.

The City's total disbursements were \$2,497,175 under the budgeted amounts.

Debt Administration

At June 30, 2014, the City had \$14,017,430 of debt outstanding, compared to \$15,480,430 last year as shown below:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
General obligation bonds and notes	\$ 5,648,430	\$ 6,743,430
Other long-term debt	200,000	225,000
Revenue bonds and notes	<u>8,169,000</u>	<u>8,512,000</u>
Total all debt	<u>\$14,017,430</u>	<u>\$15,480,430</u>

Economic Factors

The City of Spencer continues to see improvement in the local economy through the receipt of local option sales taxes, the number of inquiries regarding business opportunities and the number of new businesses coming to town. With the recent renovations at the South Park Mall, including the expansion of Dunham's and the addition of Hobby Lobby, the construction of a new Holiday Inn Express Hotel and the upcoming construction of Noteboom Implement, the City is experiencing growth in commercial opportunities. From a residential growth side, the City currently has one active subdivision that was started in calendar year 2014 with the infrastructure anticipated to be completed early summer of 2015 and ground will break on another new housing subdivision in 2015. Housing starts will continue to play a key role in the growth of our tax base.

This growth is key in allowing the city to continue to offer the level of services our citizens have come to expect and is more important given the implementation of the State's Commercial/Industrial property tax reductions. Currently, the State is reimbursing the City for the lost revenue due to the rollback in Commercial/Industrial property. The City will continue to monitor the State's financial condition as we go forward to anticipate any potential reduction in the backfill the State has promised. If that occurs, the City may have to find new revenue sources, re-evaluate service levels, or do both.

As we go forward, the City is anticipating low interest rates on borrowing which will assist in the financing of several large capital projects. The Fiscal Year 2016 budgets will anticipate the issuance of \$3.7 million in Sewer Revenue debt. In addition, the City's current plan is to increase the Debt Service Levy in Fiscal Year 2017 to generate funds to pay for storm water improvements as well as continued sidewalk improvements.

The City of Spencer has always been financially conservative, as is demonstrated in our available fund balances, debt ratio, and user fees; and we will continue to do so in the future. In doing so, five-year revenue and expense projections are prepared for each of our major enterprise funds; and we model our Debt Service levy out for up to ten years to show where additional debt could be issued without causing a burden to the taxpayers.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Officer at the office of the City Clerk at 712-580-7200.

CITY OF SPENCER
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

			Program Receipts
	Disbursements	Charges for Service	Operating Grants and Contributions
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 2,893,767	\$ 148,763	\$ 193,535
Public works	1,382,115	34,615	1,121,657
Culture and recreation	1,359,564	153,291	41,382
Community and economic development	1,671,969	126,302	1,189
General government	2,519,300	36,822	83,919
Debt service	1,226,883	4,711	
Capital projects	3,078,688	124,738	
Total governmental activities	<u>14,132,286</u>	<u>629,242</u>	<u>1,441,682</u>
Business type activities:			
Sanitary sewer	1,898,550	2,620,670	70,430
Solid waste	1,038,832	1,945,088	
Landfill	796,772	1,390,127	
Airport	179,128	127,071	
Golf course	316,638	380,117	
Capital projects:			
Sanitary sewer	371,829		
Landfill	606,452		
Airport	358,978		
Total business type activities	<u>5,567,179</u>	<u>6,463,073</u>	<u>70,430</u>
TOTAL	<u>\$19,699,465</u>	<u>\$7,092,315</u>	<u>\$1,512,112</u>
General Receipts and Transfers:			
Property and other city taxes levied for:			
General purposes			
Debt service			
Tax increment financing			
Payments in lieu of tax			
Local option sales tax			
Hotel/motel tax			
Use of money and property			
Unrestricted miscellaneous			
Proceeds from sale of capital assets			
Operating transfers			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET POSITION			
CASH BASIS NET POSITION - BEGINNING OF YEAR			
CASH BASIS NET POSITION - END OF YEAR			
CASH BASIS NET POSITION:			
Nonexpendable:			
Permanent fund principal			
Restricted, expendable for:			
Debt service			
Capital projects			
Urban renewal purposes			
Community and economic development purposes			
Employee benefits			
Police purposes			
Cemetery purposes			
Streets			
Park purposes			
Closure and/or postclosure care			
Landfill recycling and planning			
Unrestricted			
TOTAL CASH BASIS NET POSITION			

See Accompanying Notes to Financial Statements

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
\$ 5,879	\$ (2,545,590)		\$ (2,545,590)
	(225,843)		(225,843)
	(1,164,891)		(1,164,891)
56,000	(1,488,478)		(1,488,478)
3,810	(2,394,749)		(2,394,749)
	(1,222,172)		(1,222,172)
<u>1,118,636</u>	<u>(1,835,314)</u>		<u>(1,835,314)</u>
<u>1,184,325</u>	<u>(10,877,037)</u>		<u>(10,877,037)</u>
		\$ 792,550	792,550
50,000		956,256	956,256
2,375		595,730	595,730
17,600		(34,457)	(34,457)
		63,479	63,479
		(371,829)	(371,829)
		(606,452)	(606,452)
		(38,939)	(38,939)
<u>320,039</u>		<u>1,356,338</u>	<u>1,356,338</u>
<u>390,014</u>			
<u>\$1,574,339</u>	<u>(10,877,037)</u>	<u>1,356,338</u>	<u>(9,520,699)</u>
	4,818,710		4,818,710
	425,877		425,877
	524,142		524,142
	552,348		552,348
	1,821,002		1,821,002
	215,777		215,777
	137,076	268,199	405,275
	527,731	111,935	639,666
	100,000		100,000
	<u>1,005,628</u>	<u>(1,005,628)</u>	
	<u>10,128,291</u>	<u>(625,494)</u>	<u>9,502,797</u>
	(748,746)	730,844	(17,902)
	<u>14,671,542</u>	<u>8,829,108</u>	<u>23,500,650</u>
	<u>\$13,922,796</u>	<u>\$ 9,559,952</u>	<u>\$23,482,748</u>
	\$ 423,942		\$ 423,942
	483,405	\$ 412,598	896,003
	187,414		187,414
	86,812		86,812
	35,391		35,391
	837,274		837,274
	14,413		14,413
	19,072		19,072
	314,858		314,858
	17,207		17,207
		2,119,429	2,119,429
		255,770	255,770
	<u>11,503,008</u>	<u>6,772,155</u>	<u>18,275,163</u>
	<u>\$13,922,796</u>	<u>\$ 9,559,952</u>	<u>\$23,482,748</u>

See Accompanying Notes to Financial Statements

CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>
RECEIPTS:			
Property tax	\$ 3,457,891		\$ 421,405
Tax increment financing			
Other city taxes	459,442	\$1,821,002	4,472
Licenses and permits	66,000		
Use of money and property	115,388	8,273	7,586
Intergovernmental	868,587		
Charges for service	252,139		
Special assessments	158,744		4,711
Miscellaneous	352,929		
TOTAL RECEIPTS	<u>5,731,120</u>	<u>1,829,275</u>	<u>438,174</u>
DISBURSEMENTS:			
Public safety	2,408,316		
Public works	1,307,638		
Culture and recreation	1,247,283		
Community and economic development	673,090	816,573	
General government	1,136,370		14,817
Debt service			1,226,883
Capital projects			
TOTAL DISBURSEMENTS	<u>6,772,697</u>	<u>816,573</u>	<u>1,241,700</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(1,041,577)</u>	<u>1,012,702</u>	<u>(803,526)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of capital asset			
Operating transfers in	3,381,681		768,019
Operating transfers out	(1,108,717)	(1,794,732)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,272,964</u>	<u>(1,794,732)</u>	<u>768,019</u>
NET CHANGE IN CASH BALANCES	1,231,387	(782,030)	(35,507)
CASH BALANCES - BEGINNING OF YEAR	<u>10,271,621</u>	<u>805,958</u>	<u>518,912</u>
CASH BALANCES - END OF YEAR	<u>\$11,503,008</u>	<u>\$ 23,928</u>	<u>\$ 483,405</u>
CASH BASIS FUND BALANCE:			
Nonspendable:			
Permanent fund principal			
Restricted for:			
Debt service			\$ 483,405
Capital projects			
Urban renewal purposes			
Community and economic development purposes		\$ 23,928	
Employee benefits			
Police purposes			
Cemetery purposes			
Streets			
Park purposes			
Committed for:			
Public safety purposes	\$ 1,245,547		
Public works purposes	5,604,237		
Culture and recreation purposes	787,788		
Community and economic development purposes	1,506,601		
General government purposes	128,601		
Unassigned	<u>2,230,234</u>		
TOTAL CASH BASIS FUND BALANCES	<u>\$11,503,008</u>	<u>\$ 23,928</u>	<u>\$ 483,405</u>

See Accompanying Notes to Financial Statements

Exhibit B

Capital Projects	Total Nonmajor Governmental Funds	Total
	\$1,092,881	\$ 4,972,177
	524,142	524,142
	24,273	2,309,189
		66,000
	5,829	137,076
\$1,045,574	1,190,213	3,104,374
	7,725	259,864
55,853		219,308
<u>73,062</u>	<u>259,791</u>	<u>685,782</u>
<u>1,174,489</u>	<u>3,104,854</u>	<u>12,277,912</u>
	485,451	2,893,767
	74,477	1,382,115
	112,281	1,359,564
	182,306	1,671,969
	1,368,113	2,519,300
		1,226,883
<u>3,078,688</u>		<u>3,078,688</u>
<u>3,078,688</u>	<u>2,222,628</u>	<u>14,132,286</u>
<u>(1,904,199)</u>	<u>882,226</u>	<u>(1,854,374)</u>
100,000		100,000
569,492	848,051	5,567,243
<u>(227,081)</u>	<u>(1,431,085)</u>	<u>(4,561,615)</u>
<u>442,411</u>	<u>(583,034)</u>	<u>1,105,628</u>
(1,461,788)	299,192	(748,746)
<u>1,649,202</u>	<u>1,425,849</u>	<u>14,671,542</u>
<u>\$ 187,414</u>	<u>\$1,725,041</u>	<u>\$13,922,796</u>
	\$ 423,942	\$ 423,942
\$ 187,414		483,405
		187,414
	86,812	86,812
	11,463	35,391
	837,274	837,274
	14,413	14,413
	19,072	19,072
	314,858	314,858
	17,207	17,207
		1,245,547
		5,604,237
		787,788
		1,506,601
		128,601
		<u>2,230,234</u>
<u>\$ 187,414</u>	<u>\$1,725,041</u>	<u>\$13,922,796</u>

See Accompanying Notes to Financial Statements

**CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>	<u>Enterprise Capital Projects</u>
OPERATING RECEIPTS:				
Charges for services	\$2,620,670	\$1,945,088	\$1,390,127	
Miscellaneous	11,094	61,886	21,965	
TOTAL OPERATING RECEIPTS	<u>2,631,764</u>	<u>2,006,974</u>	<u>1,412,092</u>	
OPERATING DISBURSEMENTS:				
Salaries	214,453	567,177	323,212	
Payroll taxes and employee benefits	33,998	90,627	51,972	
Repairs and maintenance	31,092	99,273	43,785	
Utilities	5,899	18,043	6,776	
Contract services	804,655		55,897	
Insurance premiums	15,264	31,123	24,542	
Gas and oil	6,554	124,403	90,978	
Supplies	3,362	26,618	21,567	
Miscellaneous	26,519	15,507	23,726	
Statewide ASR fees			20,000	
Collection fee	22,700	22,700		
Sales tax paid	39,922	34,796		
Tipping tax			65,923	
TOTAL OPERATING DISBURSEMENTS	<u>1,204,418</u>	<u>1,030,267</u>	<u>728,378</u>	
EXCESS OF OPERATING RECEIPTS OVER DISBURSEMENTS	<u>1,427,346</u>	<u>976,707</u>	<u>683,714</u>	
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	34,588	11,874	40,644	\$ 82
Farm income	40,000		30,830	
Interest subsidy on Build America Bonds...	70,430			
Intergovernmental grants		50,000	2,375	309,130
Reimbursements				10,909
Capital outlay	(73,812)	(8,565)	(68,394)	(1,337,259)
Debt service payments:				
Revenue bonds/notes principal	(343,000)			
Revenue bonds/notes interest	(277,320)			
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(549,114)</u>	<u>53,309</u>	<u>5,455</u>	<u>(1,017,138)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>878,232</u>	<u>1,030,016</u>	<u>689,169</u>	<u>(1,017,138)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	9,447		554,045	963,210
Operating transfers out	(615,391)	(773,829)	(1,075,133)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(605,944)</u>	<u>(773,829)</u>	<u>(521,088)</u>	<u>963,210</u>
NET CHANGE IN CASH BALANCES	272,288	256,187	168,081	(53,928)
CASH BALANCES - BEGINNING OF YEAR	<u>3,244,389</u>	<u>1,101,962</u>	<u>3,921,424</u>	<u>20,292</u>
CASH BALANCES - END OF YEAR	<u>\$3,516,677</u>	<u>\$1,358,149</u>	<u>\$4,089,505</u>	<u>\$ (33,636)</u>

EXHIBIT C

<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
\$ 507,188	\$ 6,463,073
<u>16,990</u>	<u>111,935</u>
<u>524,178</u>	<u>6,575,008</u>
163,315	1,268,157
22,709	199,306
59,203	233,353
51,936	82,654
35,065	895,617
24,446	95,375
14,150	236,085
64,083	115,630
16,520	82,272
	20,000
	45,400
14,099	88,817
<u> </u>	<u>65,923</u>
<u>465,526</u>	<u>3,428,589</u>
<u>58,652</u>	<u>3,146,419</u>
5,181	92,369
105,000	175,830
	70,430
17,600	379,105
	10,909
(30,240)	(1,518,270)
	(343,000)
<u> </u>	<u>(277,320)</u>
<u>97,541</u>	<u>(1,409,947)</u>
<u>156,193</u>	<u>1,736,472</u>
27,500	1,554,202
<u>(95,477)</u>	<u>(2,559,830)</u>
<u>(67,977)</u>	<u>(1,005,628)</u>
88,216	730,844
<u>541,041</u>	<u>8,829,108</u>
<u>\$ 629,257</u>	<u>\$ 9,559,952</u>

See Accompanying Notes to Financial Statements

CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS - Continued
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>	<u>Enterprise Capital Projects</u>
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Debt service	\$ 412,598			
Closure and/or postclosure care		\$ 16,977	\$2,102,452	
Landfill recycling and planning			255,770	
Unrestricted	<u>3,104,079</u>	<u>1,341,172</u>	<u>1,731,283</u>	<u>\$ (33,636)</u>
 TOTAL CASH BASIS FUND BALANCES	 <u>\$3,516,677</u>	 <u>\$1,358,149</u>	 <u>\$4,089,505</u>	 <u>\$ (33,636)</u>

EXHIBIT C

<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
	\$ 412,598
	2,119,429
	255,770
<u>\$ 629,257</u>	<u>6,772,155</u>
 <u>\$ 629,257</u>	 <u>\$ 9,559,952</u>

**CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - FIDUCIARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

ADDITIONS:	
Use of money and property	\$ 5,937
Intergovernmental	3,004
Miscellaneous	<u>12,647</u>
TOTAL ADDITIONS	<u>21,588</u>
DEDUCTIONS:	
Community and economic development	<u>21,022</u>
TOTAL DEDUCTIONS	<u>21,022</u>
NET CHANGE IN CASH BALANCES	566
CASH BALANCES - BEGINNING OF YEAR	<u>640,133</u>
CASH BALANCES - END OF YEAR	<u>\$ 640,699</u>

**CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Spencer, Iowa is a political subdivision of the State of Iowa located in Clay County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Spencer provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, public improvements, and general government services.

A. Reporting Entity

For financial reporting purposes, the 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.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Spencer Municipal Hospital (SMH) is a component unit of the City. Financial information for SMH has not been reported in the City's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with accounting principles generally accepted in the United States of America as they relate to the exclusion of component units. Spencer Municipal Hospital's financial statements can be obtained at their administrative offices or at City Hall.

Spencer Municipal Utilities (SMU) provides electric, communication, and water utility services to the citizens of Spencer. SMU is not considered a component unit of the primary government of the City because it does not meet the criteria stated above. Currently, SMU made voluntary payments of \$552,348 in lieu of property tax payments to the City. In addition, SMU paid the City \$56,000 for the storefront initiative and \$105,205 for capital projects.

Jointly Governed Organization - The City also participates in several jointly governed organizations for which the city is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. The City's net position is reported in the following categories/components:

Nonexpendable net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and to be used for various purposes.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities other than those used by enterprise activities.

The City reports the following major proprietary funds:

Enterprise:

The Sanitary Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Solid Waste Fund is used to account for the operation and maintenance of the City's solid waste collection activities.

The Landfill Fund is used to account for the operation and maintenance of the City's landfill activities.

The Enterprise Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities used by enterprise activities.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting

The City of Spencer maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

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

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

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

Nonspendable - Amounts which cannot be spent 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 purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service function.

2. CASH AND POOLED INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2014 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

2. CASH AND POOLED 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; 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 cash and investments consisted of the following at June 30, 2014:

Cash on hand	\$ 5,250
Demand deposits	11,118,197
Money market account	<u>13,000,000</u>
Total cash and investments	24,123,447
Less Agency Funds	<u>640,699</u>
City's Cash and Investments	<u>\$23,482,748</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.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's bonds and notes payable are as follows:

Year Ending June 30,	General Obligation Bonds/Notes		Governmental Activities Other Long-Term Debt		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$1,046,000	\$ 112,566	\$ 25,000		\$1,071,000	\$ 112,566
2016	1,066,000	106,650	25,000		1,091,000	106,650
2017	1,092,000	86,899	25,000		1,117,000	86,899
2018	727,000	64,971	25,000		752,000	64,971
2019	483,000	45,987	25,000		508,000	45,987
2020-2024	1,019,430	99,178	75,000		1,094,430	99,178
2025-2029	215,000	15,345			215,000	15,345
2030-2032						
Total	<u>\$5,648,430</u>	<u>\$ 531,596</u>	<u>\$ 200,000</u>	<u>\$</u>	<u>\$5,848,430</u>	<u>\$ 531,596</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

3. BONDS AND NOTES PAYABLE - Continued

Year Ending June 30,	Business-Type Activities			
	Revenue Bonds Notes		Total Long-Term Debt	
	Principal	Interest	Principal	Interest
2015	\$ 354,000	\$ 265,493	\$ 1,425,000	\$ 378,059
2016	365,000	253,987	1,456,000	360,637
2017	378,000	242,125	1,495,000	329,024
2018	390,000	229,840	1,142,000	294,811
2019	403,000	217,165	911,000	263,152
2020-2024	2,220,000	880,685	3,314,430	979,863
2025-2029	2,606,000	495,657	2,821,000	511,002
2030-2032	1,453,000	95,453	1,453,000	95,453
Total	<u>\$8,169,000</u>	<u>\$2,680,405</u>	<u>\$14,017,430</u>	<u>\$3,212,001</u>

General Obligation Bonds/Notes

General obligation bonds and notes to be serviced by the Debt Service Fund totaled \$5,648,430 at June 30, 2014. A portion of these bonds and notes are anticipated to be repaid by transfers from other funds. In compliance with statutory requirements, all payments on these bonds and notes are recorded as disbursements from the Debt Service Fund; and any payments from other funds are recorded as transfers into the Debt Service Fund.

Other Long-Term Debt

The other long-term debt represents a loan from Spencer Municipal Utilities with a balance of \$200,000 at June 30, 2014. The loan is interest free and will be paid from the General Fund from loan receivable payments received from Shine Brothers Corporation.

Revenue Notes

The City has pledged future sanitary sewer customer receipts, net of specific operating disbursements, to repay the \$1,520,000 sewer revenue bonds issued in October 2009 and the \$7,500,000 sewer revenue bonds issued in December 2010. Proceeds from the bonds provided financing for wastewater treatment plant improvements. The bonds are payable solely from the sanitary sewer customer net receipts and are payable through June 2032. Annual principal and interest payments are expected to require less than 50% of net receipts. Total principal and interest remaining to be paid on the bonds is \$10,849,405. For the current year, principal and interest paid on the bonds was \$620,320 and customer net receipts were \$1,427,346. The bonds bear interest at 3.25% including a .25% loan service fee.

The resolution providing for the issuance of the two sewer revenue bonds include the following provisions:

- (A) The bonds will only be redeemed from the future earnings of the sanitary sewer activity and bond holders hold a lien on future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate sewer sinking fund for the purpose of making principal and interest payments when due.
- (C) User rates shall be established which produce and maintain net receipts at a level not less than 110% of the principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2014, the City was in compliance with the revenue bond resolutions.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

3. BONDS AND NOTES PAYABLE - Continued

The \$7,500,000 sewer revenue bonds issued December 2010 have been designated by the City as Build America Bonds. Under the terms of the Build America Bonds, it is anticipated that 35% of the interest paid on the bonds (net of the loan service fee) will be refunded to the City by the Federal government.

4. AIRPORT LEASE AGREEMENTS

The City has entered into several lease agreements for hangar and facilities space at the Spencer Municipal Airport. A summary of the leases at June 30, 2014 is as follows:

<u>Tenant</u>	<u>Lease Term</u>	<u>Lease Amount</u>
1. Spencer Avionics	7-1-2008 to 6-30-2048	\$1,935 per year, until 6-30-2018
2. Leading Edge Aviation, Inc.	1-1-2010 to 6-30-2014 May be terminated with 6 months notice	\$4,600 per month
3. Superior Lubrication Products, Inc.	Indefinite, may be terminated with 60 days notice	\$1,406 per month
4. CAMM Air	3-13-2006 to 6-30-2105	\$1,200 per year, until 6-30-2016
5. Wilbur Ellis Air	12-1-2013 to 12-1-2016	\$1,550 per month

5. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials, totaling \$1,381 during the year ended June 30, 2014. See item IV-D-14 in the Schedule of Findings and Questioned Costs.

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, holiday, and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2014 is as follows:

Governmental activities:	
General fund	<u>\$ 566,358</u>
Business type activities:	
Proprietary:	
Enterprise:	
Solid waste	63,138
Landfill	22,581
Golf course	<u>14,253</u>
Total business type activities	<u>99,972</u>
TOTAL	<u>\$ 666,330</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

7. PENSION AND RETIREMENT BENEFITS

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, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered salaries. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were as follows:

	Year Ended June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
City's contribution	\$261,141	\$255,299	\$237,656
Percentage funded of required contribution	100.0%	100.0%	100.0%

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Plan members are required to contribute 9.4% of earned compensation and the City's contribution rate, based on actuarially determined normal contribution rate, is 30.12% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the year ended June 30, 2014, 2013, and 2012 were as follows:

	Year Ended June 30,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
City's contribution	\$387,518	\$330,460	\$303,650
Percentage funded of required contribution	100.0%	100.0%	100.0%

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 76 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Employee Benefit Systems (EBS). Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately \$629 for single coverage and \$1,507 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$849,584 (for active members only); and plan members eligible for benefits contributed \$226,419 (both active and retired members) to the plan. In addition, Clay County contributed \$31,662 to the plan for communication center employees.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued industrial development revenue bonds in prior years under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding at June 30, 2014 cannot be approximated since the various companies do not provide this information to the City. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

11. CONTRACT AND OTHER COMMITMENTS

The City has entered into contracts totaling \$1,929,677 for various construction projects. As of June 30, 2014, disbursements on those contracts totaled \$860,380. The remaining \$1,069,297 will be paid as the work on the projects is completed.

The City has also entered into several tax increment financing developer agreements with local businesses. The City has agreed to rebate the taxes paid by the business over a period of years. The City will expense the rebates as the taxes are collected and returned to the businesses.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

12. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Local Option Sales Tax	\$1,794,732
	Capital Projects	217,634
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	250,000
	Solid Waste	5,000
	Landfill	5,000
	Nonmajor Governmental:	
	Special Revenue:	
	Road Use Tax	1,018,275
	Tax Increment Financing	66,040
	Nonmajor Proprietary:	
	Enterprise:	
	Golf Course	25,000
Total General Fund		<u>3,381,681</u>
Debt Service	Proprietary:	
	Enterprise:	
	Sanitary Sewer	52,491
	Landfill	368,758
	Nonmajor Governmental:	
	Special Revenue:	
	Tax Increment Financing	346,770
Total Debt Service		<u>768,019</u>
Capital Projects	General	<u>569,492</u>
Nonmajor Governmental:		
Special Revenue:		
Road Use Tax	General	27,725
Federal and State Retirement	General	316,059
Workers' Compensation Insurance	Proprietary:	
	Enterprise:	
	Sanitary Sewer	33,538
	Solid Waste	72,124
	Landfill	34,500
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	2,436
	Golf Course	1,968
Total Workers' Compensation Insurance		<u>144,566</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

12. INTERFUND TRANSFERS - Continued

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Nonmajor Governmental - Continued:		
Special Revenue - Continued:		
Group Medical/Life Insurance	General	\$ 101,946
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	38,357
	Solid Waste	142,660
	Landfill	60,513
	Nonmajor Proprietary:	
	Enterprise:	
	Golf Course	<u>16,225</u>
Total Group Medical/Life Insurance		<u>359,701</u>
Total Nonmajor Governmental		<u>848,051</u>
Total Governmental Funds		<u>5,567,243</u>
Proprietary:		
Enterprise:		
Sanitary Sewer	Capital Projects	<u>9,447</u>
Landfill	Enterprise	
	Solid Waste	<u>554,045</u>
Enterprise Capital Projects	General	65,995
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	241,005
	Landfill	606,362
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	<u>49,848</u>
Total Enterprise Capital Projects		<u>963,210</u>
Nonmajor Proprietary:		
Golf course	General	<u>27,500</u>
Total Proprietary Funds		<u>1,554,202</u>
TOTAL OPERATING TRANSFERS		<u>\$7,121,445</u>

Transfers generally move resources from the fund statutorily required to collect the resources to fund the statutorily required to disburse the resources.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS

To comply with federal and state regulations, the City is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collection and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the close of monitoring the landfill during the postclosure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the City have been estimated to be \$882,116 for closure and \$1,494,484 for postclosure, for a total of \$2,376,600 as of June 30, 2014. In the current year, no disbursements were made for landfill closure costs. Currently the estimated remaining life of the landfill is 48 months with approximately 8% of the landfill's capacity used at June 30, 2014.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The City has begun to accumulate resources to fund these costs; and at June 30, 2014, assets of \$2,102,452 are restricted for these purposes.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), since the estimated closure and post closure care costs are not fully funded, the City is required to demonstrate financial assurance for the unfunded costs. The City has adopted the dedicated fund mechanism. Under this mechanism, the City must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS - Continued

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the City is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

As of June 30, 2014, the City had a balance in the closure/postclosure dedicated fund in the amount of \$2,102,452.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2014, the City entered into construction contracts totaling \$496,377 for various capital projects.

The City also issued a \$360,000 general obligation communication equipment acquisition loan. The loan is from Spencer Municipal Utilities payable over ten years with no interest.

Subsequent events were evaluated by management for disclosure up to the date of the independent auditors' report, which is the date the financial statements were available to be issued.

15. PROSPECTIVE ACCOUNTING CHANGE

The Government Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

**CITY OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds	Permanent Funds	Total Governmental Nonmajor Funds
RECEIPTS:			
Property tax	\$1,092,881		\$1,092,881
Tax increment financing	524,142		524,142
Other city taxes	24,273		24,273
Use of money and property	4,201	\$ 1,628	5,829
Intergovernmental	1,190,213		1,190,213
Charges for services		7,725	7,725
Miscellaneous	259,791		259,791
TOTAL RECEIPTS	<u>3,095,501</u>	<u>9,353</u>	<u>3,104,854</u>
DISBURSEMENTS:			
Public safety	485,451		485,451
Public works	74,477		74,477
Culture and recreation	112,156	125	112,281
Community and economic development	181,658	648	182,306
General government	1,368,113		1,368,113
TOTAL DISBURSEMENTS	<u>2,221,855</u>	<u>773</u>	<u>2,222,628</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>873,646</u>	<u>8,580</u>	<u>882,226</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	848,051		848,051
Operating transfers out	(1,431,085)		(1,431,085)
TOTAL OTHER FINANCING USES	<u>(583,034)</u>		<u>(583,034)</u>
NET CHANGE IN CASH BALANCES	290,612	8,580	299,192
CASH BALANCES - BEGINNING OF YEAR	<u>980,011</u>	<u>445,838</u>	<u>1,425,849</u>
CASH BALANCES - END OF YEAR	<u>\$1,270,623</u>	<u>\$ 454,418</u>	<u>\$1,725,041</u>
CASH BASIS FUND BALANCE:			
Nonspendable:			
Permanent fund principal		\$ 423,942	\$ 423,942
Restricted for:			
Urban renewal purposes	\$ 86,812		86,812
Community and economic development purposes	11,083	380	11,463
Employee benefits	837,274		837,274
Police purposes	14,413		14,413
Cemetery purposes		19,072	19,072
Park purposes	6,183	11,024	17,207
Streets	314,858		314,858
TOTAL CASH BASIS FUND BALANCE	<u>\$1,270,623</u>	<u>\$ 454,418</u>	<u>\$1,725,041</u>

**CITY OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Road Use Tax</u>	<u>Tax Increment Financing</u>	<u>SSMID</u>	<u>Police Retirement Systems</u>	<u>Civil Service Expenses</u>
RECEIPTS:					
Property tax			\$ 81,087	\$253,555	\$ 6,880
Tax increment financing		\$524,142			
Other city taxes				6,083	165
Use of money and property		1,551		1,987	103
Intergovernmental	\$1,121,657				
Miscellaneous					2,857
TOTAL RECEIPTS	<u>1,121,657</u>	<u>525,693</u>	<u>81,087</u>	<u>261,625</u>	<u>10,005</u>
DISBURSEMENTS:					
Public safety				300,276	11,408
Public works					
Culture and recreation					
Community and economic development		97,140	84,518		
General government					
TOTAL DISBURSEMENTS		<u>97,140</u>	<u>84,518</u>	<u>300,276</u>	<u>11,408</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>1,121,657</u>	<u>428,553</u>	<u>(3,431)</u>	<u>(38,651)</u>	<u>(1,403)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	27,725				
Operating transfers out	(1,018,275)	(412,810)			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(990,550)</u>	<u>(412,810)</u>			
NET CHANGE IN CASH BALANCES	131,107	15,743	(3,431)	(38,651)	(1,403)
CASH BALANCES - BEGINNING OF YEAR	<u>183,751</u>	<u>71,069</u>	<u>14,514</u>	<u>238,897</u>	<u>11,221</u>
CASH BALANCES - END OF YEAR	<u>\$ 314,858</u>	<u>\$ 86,812</u>	<u>\$ 11,083</u>	<u>\$200,246</u>	<u>\$ 9,818</u>
CASH BASIS FUND BALANCES:					
Restricted for:					
Urban renewal purposes		\$ 86,812			
Economic development purposes			\$ 11,083		
Employee benefits				\$200,246	\$ 9,818
Police purposes					
Streets	\$ 314,858				
Park purposes					
TOTAL CASH BASIS FUND BALANCES	<u>\$ 314,858</u>	<u>\$ 86,812</u>	<u>\$ 11,083</u>	<u>\$200,246</u>	<u>\$ 9,818</u>

Schedule 2

<u>Police Special Proceeds</u>	<u>Fire Pension Accumulation</u>	<u>Federal and State Retirement</u>	<u>Workers' Compensation Insurance</u>	<u>Trees Forever</u>	<u>Unemployment Insurance Claims</u>	<u>Group Medical/Life Insurance</u>	<u>Total</u>
	\$ 76,391		\$ 86,508		\$ 29,444	\$ 559,016	\$1,092,881
							524,142
	1,833		2,075		706	13,411	24,273
\$ 134	387			\$ 39			4,201
		\$ 26,894		10,000		31,662	1,190,213
669			20,845	3,717		231,703	259,791
803	78,611	26,894	109,428	13,756	30,150	835,792	3,095,501
1,613	87,242	84,912					485,451
		74,477					74,477
		104,583		7,573			112,156
							181,658
		39,481	188,884		27,719	1,112,029	1,368,113
1,613	87,242	303,453	188,884	7,573	27,719	1,112,029	2,221,855
(810)	(8,631)	(276,559)	(79,456)	6,183	2,431	(276,237)	873,646
		316,059	144,566			359,701	848,051
							(1,431,085)
		316,059	144,566			359,701	(583,034)
(810)	(8,631)	39,500	65,110	6,183	2,431	83,464	290,612
15,223	47,981	161,307	46,908		10,508	178,632	980,011
<u>\$ 14,413</u>	<u>\$ 39,350</u>	<u>\$200,807</u>	<u>\$112,018</u>	<u>\$ 6,183</u>	<u>\$ 12,939</u>	<u>\$ 262,096</u>	<u>\$1,270,623</u>
							\$ 86,812
							11,083
\$ 14,413	\$ 39,350	\$200,807	\$112,018		\$ 12,939	\$ 262,096	837,274
							14,413
				\$ 6,183			314,858
							6,183
<u>\$ 14,413</u>	<u>\$ 39,350</u>	<u>\$200,807</u>	<u>\$112,018</u>	<u>\$ 6,183</u>	<u>\$ 12,939</u>	<u>\$ 262,096</u>	<u>\$1,270,623</u>

**CITY OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund
RECEIPTS:				
Use of money and property		\$ 196	\$ 36	\$ 629
Charges for services	<u>\$ 6,025</u>	<u> </u>	<u>700</u>	<u>1,000</u>
TOTAL RECEIPTS	<u>6,025</u>	<u>196</u>	<u>736</u>	<u>1,629</u>
DISBURSEMENTS:				
Culture and recreation		125		
Community and economic development	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL DISBURSEMENTS	<u> </u>	<u>125</u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	6,025	71	736	1,629
CASH BALANCES - BEGINNING OF YEAR	<u>271,054</u>	<u>21,551</u>	<u>3,847</u>	<u>66,901</u>
CASH BALANCES - END OF YEAR	<u>\$277,079</u>	<u>\$ 21,622</u>	<u>\$ 4,583</u>	<u>\$ 68,530</u>
CASH BASIS FUND BALANCE:				
Nonspendable:				
Permanent fund principal	\$277,079	\$ 2,550	\$ 4,583	\$ 68,530
Restricted for:				
Cemetery purposes		19,072		
Community development purposes	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Park purposes	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL CASH BASIS FUND BALANCES	<u>\$277,079</u>	<u>\$ 21,622</u>	<u>\$ 4,583</u>	<u>\$ 68,530</u>

Schedule 3

Griffin Trust Fund	Leach Park Trust Fund	Total
\$ 589	\$ 178	\$ 1,628
<u>589</u>	<u>178</u>	<u>7,725</u>
		<u>9,353</u>
		125
<u>648</u>	<u> </u>	<u>648</u>
<u>648</u>	<u> </u>	<u>773</u>
(59)	178	8,580
<u>63,439</u>	<u>19,046</u>	<u>445,838</u>
<u>\$ 63,380</u>	<u>\$ 19,224</u>	<u>\$454,418</u>
\$ 63,000	\$ 8,200	\$423,942
		19,072
380		380
<u> </u>	<u>11,024</u>	<u>11,024</u>
<u>\$ 63,380</u>	<u>\$ 19,224</u>	<u>\$454,418</u>

**CITY OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

	Enterprise Funds		Total Nonmajor Proprietary Funds
	Airport	Golf Course	
OPERATING RECEIPTS:			
Charges for service	\$127,071	\$380,117	\$ 507,188
Miscellaneous	<u>8,501</u>	<u>8,489</u>	<u>16,990</u>
TOTAL OPERATING RECEIPTS	<u>135,572</u>	<u>388,606</u>	<u>524,178</u>
OPERATING DISBURSEMENTS:			
Salaries	14,267	149,048	163,315
Payroll taxes and employee benefits	2,296	20,413	22,709
Repairs and maintenance	38,079	21,124	59,203
Utilities	32,445	19,491	51,936
Contract services	35,065		35,065
Insurance premiums	20,224	4,222	24,446
Gas and oil	232	13,918	14,150
Supplies	900	63,183	64,083
Miscellaneous	5,380	11,140	16,520
Sales tax paid		<u>14,099</u>	<u>14,099</u>
TOTAL OPERATING DISBURSEMENTS	<u>148,888</u>	<u>316,638</u>	<u>465,526</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>(13,316)</u>	<u>71,968</u>	<u>58,652</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	4,442	739	5,181
Farm income	105,000		105,000
Intergovernmental grants	17,600		17,600
Capital outlay	<u>(30,240)</u>		<u>(30,240)</u>
TOTAL NON-OPERATING RECEIPTS	<u>96,802</u>	<u>739</u>	<u>97,541</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>83,486</u>	<u>72,707</u>	<u>156,193</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in		27,500	27,500
Operating transfers out	<u>(52,284)</u>	<u>(43,193)</u>	<u>(95,477)</u>
TOTAL OTHER FINANCING USES	<u>(52,284)</u>	<u>(15,693)</u>	<u>(67,977)</u>
NET CHANGE IN CASH BALANCES	31,202	57,014	88,216
CASH BALANCES - BEGINNING OF YEAR	<u>454,639</u>	<u>86,402</u>	<u>541,041</u>
CASH BALANCES - END OF YEAR	<u>\$485,841</u>	<u>\$143,416</u>	<u>\$629,257</u>
CASH BASIS FUND BALANCES:			
Unrestricted	<u>\$485,841</u>	<u>\$143,416</u>	<u>\$629,257</u>

**CITY OF SPENCER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2014**

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount of Original Issue</u>	<u>Final Due Date</u>
GOVERNMENTAL ACTIVITIES:				
GENERAL OBLIGATION BONDS/NOTES:				
Sewer improvement bond	1-2007	4.41%	\$ 655,000	6-01-2026
Landfill facility improvement bonds	12-2008	3.40 - 4.00%	1,350,000	6-01-2018
Green Industrial Center spec building loan	7-2009	0.00 - 3.00% ⁽¹⁾	383,430	7-01-2019
Landfill facility refunding bonds	4-2010	2.00 - 3.00%	1,455,000	6-01-2019
Landfill closure bonds	2-2009	3.00%	426,645	6-01-2028
Street improvement bonds	12-2010	1.80 - 2.80%	575,000	6-01-2018
West beltway, fire station refunding bonds	4-2012	.90 - 1.50%	1,565,000	6-01-2018
Corporate purpose and refunding bonds	5-2013	1.00 - 1.50%	2,245,000	6-01-2022
TOTAL GENERAL OBLIGATION BONDS/NOTES				
OTHER LONG-TERM DEBT:				
Spencer Municipal Utilities - Shine Brothers loan	11-2006	0.00%	375,000	12-05-2021
TOTAL GOVERNMENTAL ACTIVITIES				
BUSINESS TYPE ACTIVITIES:				
REVENUE BONDS/NOTES:				
Sewer revenue bonds	10-2009	3.25% ⁽²⁾	1,520,000	6-01-2029
Sewer revenue bonds (Build America Bonds)	12-2010	3.25% ^{(2) (3)}	7,500,000	6-01-2032
TOTAL BUSINESS TYPE ACTIVITIES				

⁽¹⁾ Interest begins to accrue at 3.00% on 7-1-2014.

⁽²⁾ Interest rate includes .25% service fee.

⁽³⁾ It is anticipated that 35% of the interest (excluding the .25% service fee) will be refunded per the terms of Build America Bonds.

Schedule 5

<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Repayments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 1,200,000		\$1,200,000		\$ 47,450	
540,000		30,000	\$ 510,000	23,946	
125,000		125,000		5,050	
950,000		140,000	810,000	34,070	
383,430			383,430		
1,010,000		135,000	875,000	23,988	
389,000		19,000	370,000	11,670	
495,000		80,000	415,000	10,215	
1,565,000		430,000	1,135,000	15,520	
	<u>\$2,245,000</u>		<u>2,245,000</u>		
<u>6,657,430</u>	<u>2,245,000</u>	<u>2,159,000</u>	<u>6,743,430</u>	<u>171,909</u>	
315,000		315,000		19,005	
250,000		25,000	225,000		
<u>565,000</u>		<u>340,000</u>	<u>225,000</u>	<u>19,005</u>	
<u>\$ 7,222,430</u>	<u>\$2,245,000</u>	<u>\$2,499,000</u>	<u>\$ 6,968,430</u>	<u>\$190,914</u>	
\$ 1,344,000		\$ 60,000	\$1,284,000	\$ 43,680	
<u>7,500,000</u>		<u>272,000</u>	<u>7,228,000</u>	<u>243,750</u>	
<u>\$ 8,844,000</u>		<u>\$ 332,000</u>	<u>\$8,512,000</u>	<u>\$287,430</u>	

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

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0086-021-2013	<u>\$302,117</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii .	14.228	11-WS-057	<u>2,336</u>
Department of Homeland Security:			
Iowa Homeland Security and Emergency Management:			
Hazard Mitigation Grant	97.039	DR-1998-0005-01	<u>10,445</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	SRTS-U-7170(622)-8U-21	84,134
		STP-E-7170(623)-8V-21	<u>327,542</u>
			<u>411,676</u>
Total Indirect			<u>424,457</u>
TOTAL			<u>\$726,574</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Spencer and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF SPENCER
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes	\$ 4,972,177		\$ 4,972,177
Tax increment financing revenues	524,142		524,142
Other city taxes	2,309,189		2,309,189
Licenses and permits	66,000		66,000
Use of money and property	137,076	\$ 268,199	405,275
Intergovernmental	3,104,374	449,535	3,553,909
Charges for services	259,864	6,463,073	6,722,937
Special assessments	219,308		219,308
Miscellaneous	685,782	122,844	808,626
TOTAL RECEIPTS	<u>12,277,912</u>	<u>7,303,651</u>	<u>19,581,563</u>
DISBURSEMENTS:			
Public safety	2,893,767		2,893,767
Public works	1,382,115		1,382,115
Culture and recreation	1,359,564		1,359,564
Community and economic development	1,671,969		1,671,969
General government	2,519,300		2,519,300
Debt service	1,226,883		1,226,883
Capital projects	3,078,688		3,078,688
Business-type activities		5,567,179	5,567,179
TOTAL DISBURSEMENTS	<u>14,132,286</u>	<u>5,567,179</u>	<u>19,699,465</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(1,854,374)</u>	<u>1,736,472</u>	<u>(117,902)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds for sale of capital asset	100,000		100,000
Operating transfer in	5,567,243	1,554,202	7,121,445
Operating transfer out	(4,561,615)	(2,559,830)	(7,121,445)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,105,628</u>	<u>(1,005,628)</u>	<u>100,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	<u>(748,746)</u>	<u>730,844</u>	<u>(17,902)</u>
BALANCE - BEGINNING OF YEAR	<u>14,671,542</u>	<u>8,829,108</u>	<u>23,500,650</u>
BALANCE - END OF YEAR	<u>\$13,922,796</u>	<u>\$ 9,559,952</u>	<u>\$23,482,748</u>

Schedule 7

Budget		Final to
Original	Final	Actual
		Variance
\$ 5,009,091	\$ 5,009,091	\$ (36,914)
524,447	524,447	(305)
2,195,735	2,195,735	113,454
48,850	60,850	5,150
339,322	479,793	(74,518)
3,236,805	4,856,685	(1,302,776)
6,418,479	6,680,665	42,272
118,121	165,450	53,858
<u>260,857</u>	<u>390,657</u>	<u>417,969</u>
<u>18,151,707</u>	<u>20,363,373</u>	<u>(781,810)</u>
3,335,084	3,385,084	491,317
1,898,916	1,898,916	516,801
1,566,040	1,566,040	206,476
1,527,413	2,272,585	600,616
2,192,294	2,639,986	120,686
1,148,094	1,148,094	(78,789)
2,516,311	3,685,098	606,410
<u>5,536,165</u>	<u>5,600,837</u>	<u>33,658</u>
<u>19,720,317</u>	<u>22,196,640</u>	<u>2,497,175</u>
<u>(1,568,610)</u>	<u>(1,833,267)</u>	<u>1,715,365</u>
7,184,570	7,184,570	100,000
<u>(7,184,570)</u>	<u>(7,184,570)</u>	<u>(63,125)</u>
		<u>63,125</u>
		<u>100,000</u>
(1,568,610)	(1,833,267)	1,815,365
<u>22,760,791</u>	<u>24,140,794</u>	<u>(640,144)</u>
<u>\$21,192,181</u>	<u>\$22,307,527</u>	<u>\$1,175,221</u>

**CITY OF SPENCER
NOTES TO SCHEDULE 7 - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2014**

The budgetary comparison is presented in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,476,323. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service function.

CITY OF SPENCER
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
RECEIPTS:				
Property taxes	\$ 4,972,177	\$ 4,930,379	\$ 4,664,393	\$4,474,342
Tax increment financing revenues	524,142	442,736	685,113	708,215
Other city taxes	2,309,189	2,345,925	2,193,063	2,069,431
Licenses and permits	66,000	58,659	53,417	49,076
Use of money and property	137,076	160,088	216,400	299,985
Intergovernmental	3,104,374	2,670,257	2,096,682	2,627,643
Charges for services	259,864	278,030	314,719	277,177
Special assessments	219,308	190,218	240,557	283,385
Miscellaneous	<u>685,782</u>	<u>1,004,429</u>	<u>1,275,826</u>	<u>2,320,639</u>
 TOTAL RECEIPTS	 <u>\$12,277,912</u>	 <u>\$12,080,721</u>	 <u>\$11,740,170</u>	 <u>\$13,109,893</u>
 DISBURSEMENTS:				
Public safety	\$ 2,893,767	\$ 2,628,742	\$ 2,549,797	\$ 2,343,685
Public works.....	1,382,115	1,488,739	1,194,773	1,249,718
Culture and recreation	1,359,564	1,426,172	1,430,033	1,415,736
Community and economic development	1,671,969	1,716,338	1,964,859	2,384,116
General government	2,519,300	1,883,162	2,073,102	2,065,131
Debt service	1,226,883	2,691,798	3,193,101	2,106,313
Capital projects	<u>3,078,688</u>	<u>3,131,125</u>	<u>662,897</u>	<u>3,299,247</u>
 TOTAL DISBURSEMENTS	 <u>\$14,132,286</u>	 <u>\$14,966,076</u>	 <u>\$13,068,562</u>	 <u>\$14,863,946</u>

Schedule 8

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 4,419,065	\$ 4,240,304	\$ 4,019,998	\$ 3,952,695
730,804	706,603	527,404	394,841
1,620,843	1,879,749	2,201,724	1,405,882
61,752	53,830	67,745	570,987
366,406	479,729	474,723	585,348
2,789,625	2,073,283	2,004,270	2,351,703
304,060	311,873	882,840	867,074
493,349	236,308	310,385	487,153
<u>2,270,949</u>	<u>2,007,211</u>	<u>830,300</u>	<u>925,570</u>
 <u>\$13,056,853</u>	 <u>\$11,988,890</u>	 <u>\$11,319,389</u>	 <u>\$11,541,253</u>
\$ 2,285,294	\$ 2,461,524	\$ 2,175,503	\$ 2,162,810
1,420,977	1,459,165	1,523,922	1,389,023
1,425,791	1,369,796	1,656,305	1,833,548
2,289,495	2,776,842	1,578,325	2,239,552
1,478,420	1,465,448	1,409,325	1,693,350
2,584,260	1,485,111	1,413,780	4,899,641
<u>5,828,337</u>	<u>1,820,672</u>	<u>1,630,181</u>	<u>2,589,128</u>
 <u>\$17,312,574</u>	 <u>\$12,838,558</u>	 <u>\$11,387,341</u>	 <u>\$16,807,052</u>

**CITY OF SPENCER
TAXABLE AND ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN YEARS**

<u>Payable Year</u>	<u>Real Property</u>		<u>Utilities</u>		<u>Total</u>	
	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>
2004-05	\$317,886,216	\$491,790,397	\$2,590,188	\$2,426,076	\$320,476,404	\$494,216,473
2005-06	320,172,089	461,972,302	2,544,562	2,565,631	322,716,651	464,537,933
2006-07	333,287,512	557,257,067	2,843,717	2,619,711	336,131,229	559,876,778
2007-08	349,624,211	561,803,499	2,260,676	2,930,865	351,884,887	564,734,364
2008-09	354,156,680	598,779,919	2,434,206	2,831,174	356,590,886	601,611,093
2009-10	369,955,950	614,883,975	2,423,771	4,181,187	372,379,721	619,065,162
2010-11	376,448,740	618,121,056	2,120,021	4,979,517	378,568,761	623,100,573
2011-12	387,681,728	624,496,525	4,742,729	9,461,423	392,424,457	633,957,948
2012-13	408,051,910	637,183,057	4,343,795	9,473,493	412,395,705	646,656,550
2013-14	416,417,732	636,901,294	4,248,110	9,504,765	420,665,842	646,406,059

<u>Fiscal Year</u>	<u>Ratio of Total Taxable Value to Total Assessed Value</u>
2005	64.8
2006	69.5
2007	60.0
2008	62.3
2009	59.3
2010	60.2
2011	60.8
2012	61.9
2013	63.8
2014	65.1

NOTE: Taxable Value does not include the Tax Increment Levy.

**CITY OF SPENCER
PROPERTY TAX RATES AND DEBT
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS
PER \$1,000 ASSESSED VALUATION**

<u>Fiscal Year</u>	<u>City</u>	<u>School District</u>	<u>County Consolidated</u>	<u>Vocational School</u>	<u>Total</u>
2005	11.09976	13.40352	5.73764	0.71942	30.96034
2006	11.37501	14.30408	6.32206	0.77966	32.78081
2007	11.65737	13.96943	6.22273	0.83196	32.68149
2008	11.65137	13.96983	6.12751	0.73979	32.4885
2009	11.72583	14.59188	6.46980	0.75850	33.54601
2010	11.71943	14.59187	6.42130	0.77796	33.51056
2011	11.71683	14.59046	6.38216	0.78134	33.47079
2012	11.84324	14.59709	6.36360	0.76886	33.57279
2013	11.83301	14.59935	6.36986	0.76795	33.57017
2014	11.83087	14.65434	6.35217	1.05055	33.88793

<u>Name of Governmental Unit</u>	<u>Bonded Debt Outstanding</u>	<u>Percentage Applicable To This Governmental Unit</u>
City of Spencer, Iowa	\$5,648,430	100%
Clay County	Not available	N/A
Spencer Community School District	Not available	N/A

**CITY OF SPENCER
PRINCIPAL TAXPAYERS
JUNE 30, 2014**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Menard, Inc.	Retail	\$ 9,819,500	1.52%
St. Luke Lutheran Home, Inc.	Assisted living	6,965,650	1.08
Sequoia Investments I, LLC	Mall	6,512,110	1.01
Wal-Mart	Retail	6,427,580	.99
Spencer RP Realty, LLP	Commercial property	5,718,560	.88
Shine Brothers Corporation	Manufacturing	5,070,580	.78
Hy-Vee, Inc.	Retail	4,464,280	.69
St. Luke Lutheran Home-Remainderman	Retirement housing	4,354,100	.67
Jacobsen Homes Corporation	Real estate	4,103,760	.63
Lake Mills Investors, Ltd	Doctors' office	3,462,950	.54

Source:
Clay County Auditor

**CITY OF SPENCER
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2014**

Total Assessed Value (including Tax Increment Levy)		<u>\$661,232,289</u>
Debt Limit (5% of total assessed value)		\$ 33,061,614
Bonded debt	\$ 5,648,430	
Internal loan	270,000	
Tax increment financing development agreements *	<u>2,424,265</u>	
Total debt applicable to debt limit	8,342,695	
Less assets in Debt Service Fund available for payment of principal	<u>(483,405)</u>	
Net debt applicable to debt limit		<u>7,859,290</u>
LEGAL DEBT MARGIN		<u>\$25,202,324</u>

* \$1,315,000 of these development agreements are subject to annual appropriation by the City Council. Only the amount appropriated for the next fiscal year is subject to the debt limit. This schedule does not reflect the annual appropriation provisions.

**CITY OF SPENCER
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2005	11,317	\$494,216,473	\$9,210,000	\$587,063	\$8,622,937	1.74	762
2006	11,317	464,537,933	8,220,000	843,866	7,376,134	1.59	652
2007	11,317	559,876,778	8,535,000	598,201	7,936,799	1.42	701
2008	11,317	564,734,364	7,990,000	710,378	7,279,622	1.29	643
2009	11,317	601,611,093	8,945,000	348,205	8,596,795	1.43	760
2010	11,317	619,065,162	9,416,245	322,569	9,093,676	1.47	804
2011	11,233	623,100,573	8,321,430	452,182	7,869,248	1.26	701
2012	11,233	633,957,948	6,972,430	635,990	6,336,440	1.00	564
2013	11,233	646,656,550	6,743,430	518,912	6,224,518	.96	554
2014	11,233	646,406,059	5,648,430	483,405	5,165,025	.80	460

**CITY OF SPENCER
RATIO OF ANNUAL DEBT SERVICE DISBURSEMENTS FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL DISBURSEMENTS
LAST SIX YEARS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Disbursements</u>	<u>Ratio of Debt Service to General Disbursements</u>
2009	\$1,145,000	\$347,330	\$1,492,330	\$11,015,597	13.5
2010	2,290,000	338,067	2,628,067	9,961,936	26.4
2011	1,763,645	324,280	2,087,925	11,562,830	18.1
2012	2,874,000	228,075	3,102,075	12,404,093	25.0
2013	2,159,000	171,909	2,330,909	11,833,922	19.7
2014	1,095,000	129,883	1,224,883	11,052,825	11.1

General disbursements include general, special revenue, and debt service funds.

**CITY OF SPENCER
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN YEARS**

Calendar Year	Commercial Construction ¹		Residential Construction ¹		As of June 30,	Bank Deposits ²	Assessed Property Value ³
	Units	Value	Units	Value			
2004	11	\$ 1,268,456	39	\$ 5,628,400	2005	\$390,521,000	\$494,216,473
2005	11	5,042,500	22	4,063,350	2006	419,848,000	464,537,933
2006	11	5,240,000	24	3,659,000	2007	446,865,000	559,876,778
2007	10	3,795,000	14	2,596,000	2008	480,373,000	564,734,364
2008	5	231,000	13	2,842,000	2009	475,472,000	601,611,093
2009	4	94,200	13	2,645,000	2010	501,443,000	619,065,162
2010	11	3,173,000	9	2,096,000	2011	524,129,000	623,100,573
2011	5	462,000	4	815,000	2012	553,995,000	633,957,948
2012	6	647,500	32	4,771,000	2013	565,274,000	646,656,550
2013	8	3,391,235	40	5,466,500	2014	594,689,000	646,406,059

Source:

¹ City Building Inspector

² FDIC

³ Clay County Auditor

**CITY OF SPENCER
MISCELLANEOUS STATISTICS
JUNE 30, 2014**

Date of Incorporation	1880
Form of Government	Mayor/Council
Total Number of Employees (all departments)	185
Area in Square Miles	10.98
City of Spencer, Iowa, Facilities and Services:	
Miles of streets	98.7
Culture and Recreation:	
City parks	15
Golf courses	2
Swimming pools	1
Fire Protection:	
Number of stations	1
Number of fire personnel and officers	27
Police Protection:	
Number of stations	1
Number of police personnel and officers	29
Sewerage System:	
Number of treatment plants	1
Daily average treatment in gallons	2,000,000
Maximum daily capacity of treatment plant in gallons	10,000,000
Water System:	
Elevated storage capacity	1,500,000
Capacity of water plant	2,100,000
Daily average consumption in gallons	1,440,000
Hospitals:	
Number of hospitals	1
Number of patient beds	91
Number of medical personnel in County (MD, DO, DC, DDS)	51

**CITY OF SPENCER
DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Unemployment Rate %</u>
2005	11,317	2,057	4.2
2006	11,317	2,058	3.3
2007	11,317	2,058	3.1
2008	11,317	2,097	3.1
2009	11,317	1,987	6.2
2010	11,317	1,905	6.5
2011	11,233	1,946	5.4
2012	11,233	1,946	5.2
2013	11,233	2,033	4.2
2014	11,233	2,033	3.8



WINTHER STAVE & CO | LLP

Chartered in the State of Iowa

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

www.winther-stave.com

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351-0187
Phone 712-338-2488
FAX 712-338-2510

**INDEPENDENT AUDITORS' 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**

The Honorable Mayor and
Members of the City Council
City of Spencer
Spencer, IA 51301

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, each major fund and the aggregate remaining fund information of the City of Spencer, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the basic financial statements of the City's primary government, and have issued our report thereon dated March 10, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wintner, Stare & Co., LLP

March 10, 2015
Spencer, Iowa



WINTHER STAVE & CO | LLP

Certified Public Accountants

1316 West 18th Street
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER
COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

The Honorable Mayor and
Members of the City Council
City of Spencer
Spencer, IA 51301

Report on Compliance for Each Major Federal Program

We have audited the City of Spencer, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in Part I of the accompanying Schedule of Finding and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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's compliance.

Opinion on The Major Federal Program

In our opinion, the city complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City'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 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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

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.

Winther, Staver & Co., LLP

March 10, 2015
Spencer, Iowa

**CITY OF SPENCER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Part I: Summary of the Independent Auditors' Results:

- a. Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- b. No material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- e. An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major programs were CFDA Number 20.106 - Airport Improvement Program and CFDA Number 20.205 - Highway Planning and Construction.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The City of Spencer did not qualify as a low-risk auditee.

**CITY OF SPENCER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014**

Part II: Findings Related to the Financial Statements

Internal Control Deficiency:

No findings were noted.

Instances of Non-Compliance:

No findings were noted.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No findings were noted.

Reportable Conditions:

No material weaknesses in internal control over the major programs were reported.

**CITY OF SPENCER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014**

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The City will make an effort to amend the budget before disbursements are exceeded, if applicable in the future.

Conclusion - Response accepted.

- IV-B-14 Questionable Disbursements - No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

- IV-C-14 Travel Expense - No expenditures of the City for travel expenses of spouses of City officials or employees were noted.

- IV-D-14 Business Transactions - The City purchased supplies totaling \$1,381 from Audio Video Connection, a business owned by Council Member Randy Swanson. The transactions do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

- IV-E-14 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 ensure that the coverage is adequate for current operations.

- IV-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

- IV-G-14 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

- IV-H-14 Revenue Notes - No instances of noncompliance with the revenue bond and note resolutions were noted.

- IV-I-14 Financial Assurance - As of June 30, 2014, the City has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567.113.14(6) of the Iowa Administrative Code.

**CITY OF SPENCER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2014**

Part IV: Other Findings Related to Required Statutory Reporting - Continued

- IV-J-14 Urban Renewal Annual Report - The urban renewal annual report for the fiscal year ended June 30, 2013 was approved and certified to the Iowa Department of Management on or before December 1, 2013.