

CITY OF SPENCER

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

JUNE 30, 2020

CITY OF SPENCER
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CITY OF SPENCER
DIRECTORY OF CITY OFFICIALS
AS OF JUNE 30, 2020

MAYOR

Kevin Robinson

MAYOR PRO-TEM

Ron Hanson

COUNCIL MEMBERS

Loren Reit
Tracey Larsen
William Orrison

Ron Hanson
Tom Nelson

Donavon Wunschel
George Moriarty

CITY MANAGER

Amanda Mack

CITY CLERK

Theresa Reardon

FINANCE DIRECTOR

Brian Weuve

DIRECTOR OF PUBLIC WORKS

Mark White

CHIEF OF POLICE

Mark Warburton

FIRE CHIEF

John Conyn

PLANNING DIRECTOR

Vacant

PARK DIRECTOR

Jared Elbert

LIBRARY DIRECTOR

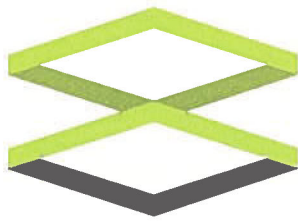
Mandie Muelhausen

DIRECTOR GOLF OPERATIONS

Brian Mohr

CITY ATTORNEY

Donald J. Hemphill



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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, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements 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 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 discretely presented component unit have not been determined.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Spencer, Iowa as of June 30, 2020, 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, 2020, 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

Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other information, Management's Discussion and Analysis, on pages 5 through 10, and Schedules 1 through 9, on pages 44 through 62, 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 November 25, 2020 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

November 25, 2020
Spencer, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 Financial Highlights

- The City's total cash basis net position increased \$2,119,901 from June 30, 2019 to June 30, 2020. Of this amount, the cash basis net position of the governmental activities increased by \$1,119,903 and the cash basis net position of the business type activities increased \$999,998.

Using this Annual Report

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

Other Information provides detailed information about the nonmajor funds and the City's indebtedness and further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

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 sanitary sewer, solid waste, 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 increased from a year ago, increasing from \$18,802,128 to \$19,922,031. 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, 2020</u>	For the Year Ended <u>June 30, 2019</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services	\$ 1,145,398	\$ 1,236,130	\$ (90,732)
Operating grants and contributions	1,936,429	1,805,746	130,683
Capital grants and contributions	684,273	1,539,525	(855,252)
General receipts:			
Property and other city taxes	6,257,709	6,169,146	88,563
Tax increment financing	1,245,743	1,285,662	(39,919)
Commercial and industrial replacement	240,186	244,597	(4,411)
Payments in lieu of tax	626,966	625,565	1,401
Local option sales tax	2,304,051	2,003,284	300,767
Hotel/motel tax	337,983	360,683	(22,700)
Use of money and property	289,292	274,165	15,127
Proceeds from sale of assets	445,000	-	445,000
Unrestricted miscellaneous	576,330	589,566	(13,236)
Debt proceeds	<u>3,411,754</u>	<u>2,018,991</u>	<u>1,392,763</u>
Total receipts	<u>19,501,114</u>	<u>18,153,060</u>	<u>1,348,054</u>
Disbursements:			
Public safety	4,325,942	4,001,585	324,357
Public works	2,091,885	1,829,178	262,707
Culture and recreation	2,035,328	1,883,716	151,612
Community and economic development	2,158,082	1,974,563	183,519
General government	1,842,547	1,735,802	106,745
Debt service	1,149,648	843,553	306,095
Capital projects	<u>7,106,070</u>	<u>7,252,704</u>	<u>(146,634)</u>
Total disbursements	<u>20,709,502</u>	<u>19,521,101</u>	<u>1,188,401</u>
Change in cash basis net position before transfers	(1,208,388)	(1,368,041)	159,653
Net transfers	<u>2,328,291</u>	<u>1,951,295</u>	<u>376,996</u>
Change in cash basis net position	1,119,903	583,254	536,649
Cash basis net position - beginning of year	<u>18,802,128</u>	<u>18,218,874</u>	<u>583,254</u>
Cash basis net position - end of year	<u>\$19,922,031</u>	<u>\$18,802,128</u>	<u>\$1,119,903</u>

The total business type activities cash balance increased from a year ago, increasing from \$16,201,333 to \$17,201,331. 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, 2020	For the Year Ended June 30, 2019	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services:			
Sanitary sewer	\$ 3,318,807	\$ 3,175,725	\$ 143,082
Solid waste	2,265,707	2,265,559	148
Landfill	2,155,651	2,351,152	(195,501)
Airport	126,517	173,117	(46,600)
Golf course	251,742	344,226	(92,484)
Operating grants and contributions	161,700	188,991	(27,291)
Capital grants and contributions	4,737	31,288	(26,551)
General receipts:			
Use of money and property	317,913	259,865	58,048
Unrestricted miscellaneous	306,253	125,771	180,482
Total receipts	<u>8,909,027</u>	<u>8,915,694</u>	<u>(6,667)</u>
Disbursements:			
Sanitary sewer	2,944,538	1,985,496	959,042
Solid waste	1,369,625	1,106,933	262,692
Landfill	760,964	1,288,490	(527,526)
Airport	142,019	114,527	27,492
Golf course	363,592	389,769	(26,177)
Capital projects:			
Golf Course	-	6,450	(6,450)
Total disbursements	<u>5,580,738</u>	<u>4,891,665</u>	<u>689,073</u>
Change in cash basis net position before transfers	3,328,289	4,024,029	(695,740)
Net transfers	<u>(2,328,291)</u>	<u>(1,951,295)</u>	<u>(376,996)</u>
Change in cash basis net position	999,998	2,072,734	(1,072,736)
Cash basis net position - beginning of year	<u>16,201,333</u>	<u>14,128,599</u>	<u>2,072,734</u>
Cash basis net position - end of year	<u>\$17,201,331</u>	<u>\$16,201,333</u>	<u>\$ 999,998</u>

Individual Major Governmental Fund Analysis

The City's governmental funds showed a combined cash basis fund balance of \$19,922,031 at June 30, 2020 which was \$1,119,903 more than last year. A summary of the changes is as follows:

	Cash Balances June 30, 2020	Cash Balances June 30, 2019	Increase (Decrease)
General	\$12,483,384	\$12,100,975	\$ 382,409
Road use tax	1,303,577	1,159,349	144,228
Local option sales tax	603,273	530,610	72,663
Debt service	217,974	297,879	(79,905)
Capital projects	2,306,883	2,193,854	113,029
Total nonmajor governmental funds	<u>3,006,940</u>	<u>2,519,461</u>	<u>487,479</u>
Total	<u>\$19,922,031</u>	<u>\$18,802,128</u>	<u>\$1,119,903</u>

Individual Major Business Type Fund Analysis

The City's business type funds showed a combined cash basis fund balance of \$17,201,331 at June 30, 2020 which was \$999,998 more than last year. A summary of the changes is as follows:

	Cash Balances June 30, 2020	Cash Balances June 30, 2019	Increase (Decrease)
Sanitary sewer	\$ 4,559,751	\$ 4,725,585	\$ (165,834)
Solid waste	2,518,791	2,417,106	101,685
Landfill	9,454,437	8,396,637	1,057,800
Nonmajor proprietary funds	<u>668,352</u>	<u>662,005</u>	<u>6,347</u>
Total	<u>\$17,201,331</u>	<u>\$16,201,333</u>	<u>\$ 999,998</u>

Budgetary Highlights

The City amended the budget on October 21, 2019 and May 4, 2020. The amendments were to budget for changes related to various capital projects, aquatic center repairs, compensation study, vacation and sick pay, and pay off of bonds.

The City's receipts were \$2,020,635 more than budgeted receipts.

The City's total disbursements were \$5,582,936 under the budgeted amounts.

Debt Administration

At June 30, 2020, the City had \$15,844,000 of debt outstanding, compared to \$14,956,518 last year as shown below:

	June 30, 2020	June 30, 2019
General obligation bonds and notes	\$ 7,154,000	\$ 4,804,518
Other long-term debt	230,000	291,000
Revenue bonds and notes	<u>8,460,000</u>	<u>9,861,000</u>
Total all debt	<u>\$15,844,000</u>	<u>\$14,956,518</u>

Economic Factors

The City of Spencer continues to monitor the impacts of the COVID-19 pandemic. The pandemic impacted the last quarter of the fiscal year covered by this audit. The true impacts of the pandemic will continue into Fiscal Year 2021 and could impact Fiscal Year 2022. Already in FY 2021, the City is starting to see an increase in economic development activity and inquiries. The local farm economy has slowed in recent months as uncertainty in the farm markets persists. The strength of the local farm economy has a direct impact as to the vitality of the overall local economy. Housing continues to play an important part in the City's economic development program. A new housing development was approved in the fall.

The growth seen in the tax base is key in allowing the City to continue to offer the level of services our citizens have come to expect. The City continues to monitor the State's financial condition as it is closely tied to the anticipated backfill of Commercial/Industrial tax rollback program that was implemented several years ago. In the coming years, the City will have to monitor how the implementation of the multi-residential property tax rollback affects the revenues generated for the City. These rollbacks do not have state revenue backfilling the losses, and any substantial decrease due to multi-residential property may have an impact on future budgets. In the 2019 legislative session, the State adopted new rules and limitation on the City's budget and capability of raising revenue. The first budget that these new rules will impact will be the FY 2021 budget.

The City of Spencer has always been financially conservative, as is demonstrated in our available fund balances, debt ratio, and user fees; and 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 for the next ten years to show when additional debt can be issued without having an impact 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.

BASIC FINANCIAL STATEMENTS

CITY OF SPENCER
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

			Program Receipts
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 4,325,942	\$ 130,427	\$ 210,526
Public works	2,091,885	19,985	1,483,139
Culture and recreation	2,035,328	132,638	83,805
Community and economic development	2,158,082	-	23,418
General government	1,842,547	21,546	135,541
Debt service	1,149,648	36,000	-
Capital projects	7,106,070	804,802	-
Total governmental activities	<u>20,709,502</u>	<u>1,145,398</u>	<u>1,936,429</u>
Business type activities:			
Sanitary sewer	2,944,538	3,318,807	53,354
Solid waste	1,369,625	2,265,707	103,741
Landfill	760,964	2,155,651	301
Airport	142,019	126,517	3,524
Golf course	<u>363,592</u>	<u>251,742</u>	<u>780</u>
Total business type activities	<u>5,580,738</u>	<u>8,118,424</u>	<u>161,700</u>
 TOTAL	 <u>\$ 26,290,240</u>	 <u>\$ 9,263,822</u>	 <u>\$ 2,098,129</u>

General receipts and transfers:	
Property and other city taxes levied for:	
General purposes	
Debt service	
Commercial and industrial replacement	
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 assets	
Debt proceeds	
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

<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Position</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 31,280	\$ (3,953,709)	\$ -	\$ (3,953,709)
-	(588,761)	-	(588,761)
-	(1,818,885)	-	(1,818,885)
-	(2,134,664)	-	(2,134,664)
30,000	(1,655,460)	-	(1,655,460)
-	(1,113,648)	-	(1,113,648)
622,993	(5,678,275)	-	(5,678,275)
<u>684,273</u>	<u>(16,943,402)</u>	<u>-</u>	<u>(16,943,402)</u>
-	-	427,623	427,623
-	-	999,823	999,823
4,737	-	1,399,725	1,399,725
-	-	(11,978)	(11,978)
<u>-</u>	<u>-</u>	<u>(111,070)</u>	<u>(111,070)</u>
<u>4,737</u>	<u>-</u>	<u>2,704,123</u>	<u>2,704,123</u>
<u>\$ 689,010</u>	<u>(16,943,402)</u>	<u>2,704,123</u>	<u>(14,239,279)</u>
	5,683,147	-	5,683,147
	574,562	-	574,562
	240,186	-	240,186
	1,245,743	-	1,245,743
	626,966	-	626,966
	2,304,051	-	2,304,051
	337,983	-	337,983
	289,292	317,913	607,205
	576,330	306,253	882,583
	445,000	-	445,000
	3,411,754	-	3,411,754
	<u>2,328,291</u>	<u>(2,328,291)</u>	<u>-</u>
	<u>18,063,305</u>	<u>(1,704,125)</u>	<u>16,359,180</u>
	1,119,903	999,998	2,119,901
	<u>18,802,128</u>	<u>16,201,333</u>	<u>35,003,461</u>
	<u>\$ 19,922,031</u>	<u>\$ 17,201,331</u>	<u>\$ 37,123,362</u>

CITY OF SPENCER
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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

Cementary purposes

Streets

Park purposes

Closure and/or postclosure care

Landfill recycling and planning

Unrestricted

TOTAL CASH BASIS NET POSITION

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 443,229	\$ -	\$ 443,229
217,974	286,973	504,947
2,306,883	-	2,306,883
1,619,163	-	1,619,163
609,489	-	609,489
862,111	-	862,111
33,657	-	33,657
22,056	-	22,056
1,303,577	-	1,303,577
20,508	-	20,508
-	3,430,538	3,430,538
-	580,590	580,590
<u>12,483,384</u>	<u>12,903,230</u>	<u>25,386,614</u>
<u>\$ 19,922,031</u>	<u>\$ 17,201,331</u>	<u>\$ 37,123,362</u>

CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

		Special Revenue	
	General	Road Use	Local Option Sales Tax
RECEIPTS:			
Property tax	\$ 4,030,670	\$ -	\$ -
Tax increment financing	-	-	-
Other city taxes	555,921	-	2,304,051
Licenses and permits	69,984	-	-
Use of money and property	211,227	-	7,784
Intergovernmental	1,165,536	1,444,000	-
Charges for service	196,264	-	-
Special assessments	13,907	-	-
Miscellaneous	369,371	-	-
TOTAL RECEIPTS	<u>6,612,880</u>	<u>1,444,000</u>	<u>2,311,835</u>
DISBURSEMENTS:			
Public safety	3,046,330	-	-
Public works	1,697,535	-	-
Culture and recreation	1,638,068	-	-
Community and economic development	435,137	-	1,060,957
General government	1,280,344	-	-
Debt service	-	-	-
Capital projects	-	-	-
TOTAL DISBURSEMENTS	<u>8,097,414</u>	<u>-</u>	<u>1,060,957</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(1,484,534)</u>	<u>1,444,000</u>	<u>1,250,878</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of assets	-	-	-
Debt proceeds - includes \$120,272 bond prem. & fees	-	-	-
Operating transfers in	3,539,661	-	-
Operating transfers out	<u>(1,672,718)</u>	<u>(1,299,772)</u>	<u>(1,178,215)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,866,943</u>	<u>(1,299,772)</u>	<u>(1,178,215)</u>
NET CHANGE IN CASH BALANCES	382,409	144,228	72,663
CASH BALANCES - BEGINNING OF YEAR	<u>12,100,975</u>	<u>1,159,349</u>	<u>530,610</u>
CASH BALANCES - END OF YEAR	<u>\$ 12,483,384</u>	<u>\$ 1,303,577</u>	<u>\$ 603,273</u>
CASH BASIS FUND BALANCE:			
Nonspendable:			
Permanent fund principal	\$ -	\$ -	\$ -
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Urban renewal purposes	-	-	-
Community and economic development purposes	-	-	603,273
Employee benefits	-	-	-
Police purposes	-	-	-
Cemetery purposes	-	-	-
Streets	-	1,303,577	-
Park purposes	-	-	-
Committed for:			
Public safety purposes	896,135	-	-
Public work purposes	4,812,633	-	-
Culture and recreation purposes	384,046	-	-
Community and economic development purposes	2,343,044	-	-
General government purposes	760,491	-	-
Unassigned	<u>3,287,035</u>	<u>-</u>	<u>-</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 12,483,384</u>	<u>\$ 1,303,577</u>	<u>\$ 603,273</u>

See Notes to Financial Statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 566,570	\$ -	\$ 1,326,156	\$ 5,923,396
-	-	1,245,743	1,245,743
7,992	-	108,383	2,976,347
-	-	-	69,984
9,038	30,640	30,603	289,292
56,851	747,530	133,277	3,547,194
-	-	-	196,264
-	398,348	-	412,255
-	281,917	332,597	983,885
<u>640,451</u>	<u>1,458,435</u>	<u>3,176,759</u>	<u>15,644,360</u>
-	-	1,279,612	4,325,942
-	-	394,350	2,091,885
-	-	397,260	2,035,328
-	-	661,988	2,158,082
-	-	562,203	1,842,547
1,149,648	-	-	1,149,648
-	7,106,070	-	7,106,070
<u>1,149,648</u>	<u>7,106,070</u>	<u>3,295,413</u>	<u>20,709,502</u>
<u>(509,197)</u>	<u>(5,647,635)</u>	<u>(118,654)</u>	<u>(5,065,142)</u>
-	445,000	-	445,000
2,827,921	583,833	-	3,411,754
279,450	6,700,358	1,004,987	11,524,456
<u>(2,678,079)</u>	<u>(1,968,527)</u>	<u>(398,854)</u>	<u>(9,196,165)</u>
<u>429,292</u>	<u>5,760,664</u>	<u>606,133</u>	<u>6,185,045</u>
(79,905)	113,029	487,479	1,119,903
<u>297,879</u>	<u>2,193,854</u>	<u>2,519,461</u>	<u>18,802,128</u>
<u>\$ 217,974</u>	<u>\$ 2,306,883</u>	<u>\$ 3,006,940</u>	<u>\$ 19,922,031</u>
\$ -	\$ -	\$ 443,229	\$ 443,229
217,974	-	-	217,974
-	2,306,883	-	2,306,883
-	-	1,619,163	1,619,163
-	-	6,216	609,489
-	-	864,603	864,603
-	-	33,657	33,657
-	-	22,056	22,056
-	-	-	1,303,577
-	-	20,508	20,508
-	-	-	896,135
-	-	-	4,812,633
-	-	-	384,046
-	-	-	2,343,044
-	-	-	760,491
-	-	(2,492)	3,284,543
<u>\$ 217,974</u>	<u>\$ 2,306,883</u>	<u>\$ 3,006,940</u>	<u>\$ 19,922,031</u>

See 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, 2020

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>
OPERATING RECEIPTS:			
Charges for services	\$ 3,318,807	\$ 2,265,707	\$ 2,155,651
Miscellaneous	49,634	66,080	41,691
TOTAL OPERATING RECEIPTS	<u>3,368,441</u>	<u>2,331,787</u>	<u>2,197,342</u>
OPERATING DISBURSEMENTS:			
Salaries	61,035	527,520	265,279
Payroll taxes and employee benefits	9,469	84,873	39,097
Repairs and maintenance	40,095	160,653	87,499
Utilities	7,417	15,538	16,096
Contract services	889,229	5,482	74,072
Insurance premiums	-	-	30,763
Gas and oil	2,586	79,972	62,392
Supplies	2,713	17,269	10,296
Miscellaneous	7,691	135,491	36,042
Statewide ASR fees	-	-	20,000
Collection fee	29,137	29,137	-
Sales tax paid	82,266	42,454	-
Tipping tax	-	-	83,497
TOTAL OPERATING DISBURSEMENTS	<u>1,131,638</u>	<u>1,098,389</u>	<u>725,033</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>2,236,803</u>	<u>1,233,398</u>	<u>1,472,309</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments and rental income	122,129	37,321	149,608
Interest subsidy on Build American Bonds	53,354	-	-
Intergovernmental.....	-	103,741	4,737
Capital outlay	(175,772)	(271,236)	(35,931)
Revenue bonds/notes principal	(1,401,000)	-	-
Revenue bonds/notes interest and fees	(236,128)	-	-
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(1,637,417)</u>	<u>(130,174)</u>	<u>118,414</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>599,386</u>	<u>1,103,224</u>	<u>1,590,723</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	376,624	-	540,000
Operating transfers out	(1,141,844)	(1,001,539)	(1,072,923)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(765,220)</u>	<u>(1,001,539)</u>	<u>(532,923)</u>
NET CHANGE IN CASH BALANCES	(165,834)	101,685	1,057,800
CASH BALANCES - BEGINNING OF YEAR	<u>4,725,585</u>	<u>2,417,106</u>	<u>8,396,637</u>
CASH BALANCES - END OF YEAR	<u>\$ 4,559,751</u>	<u>\$ 2,518,791</u>	<u>\$ 9,454,437</u>

Nonmajor Proprietary Funds	Total
\$ 251,742	\$ 7,991,907
149,929	307,334
<u>401,671</u>	<u>8,299,241</u>
192,654	1,046,488
25,450	158,889
75,550	363,797
49,517	88,568
45,266	1,014,049
18,935	49,698
10,005	154,955
63,779	94,057
13,127	192,351
-	20,000
-	58,274
10,590	135,310
-	83,497
<u>504,873</u>	<u>3,459,933</u>
<u>(103,202)</u>	<u>4,839,308</u>
135,372	444,430
-	53,354
3,524	112,002
(738)	(483,677)
-	(1,401,000)
-	(236,128)
<u>138,158</u>	<u>(1,511,019)</u>
<u>34,956</u>	<u>3,328,289</u>
117,025	1,033,649
<u>(145,634)</u>	<u>(3,361,940)</u>
<u>(28,609)</u>	<u>(2,328,291)</u>
6,347	999,998
<u>662,005</u>	<u>16,201,333</u>
<u>\$ 668,352</u>	<u>\$ 17,201,331</u>

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, 2020

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>
CASH BASIS FUND BALANCES:			
Restricted, expendable for:			
Debt service	\$ 286,973	\$ -	\$ -
Closure and/or postclosure care	-	18,107	3,412,431
Landfill recycling and planning	-	-	580,590
Unrestricted	<u>4,272,778</u>	<u>2,500,684</u>	<u>5,461,416</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 4,559,751</u>	<u>\$ 2,518,791</u>	<u>\$ 9,454,437</u>

<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
\$ -	\$ 286,973
-	3,430,538
-	580,590
<u>668,352</u>	<u>12,903,230</u>
<u>\$ 668,352</u>	<u>\$ 17,201,331</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, 2020**

ADDITIONS:	
Use of money and property	\$ 4,338
Intergovernmental	248,575
Miscellaneous	<u>48,151</u>
TOTAL ADDITIONS	<u>301,064</u>
DEDUCTIONS:	
Community and economic development	13,500
General government	<u>266,436</u>
TOTAL DEDUCTIONS	<u>279,936</u>
NET CHANGE IN CASH BALANCES	21,128
CASH BALANCES - BEGINNING OF YEAR	<u>267,777</u>
CASH BALANCES - END OF YEAR	<u>\$ 288,905</u>

**CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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. The City also provides sewer, solid waste, and landfill services for its citizens.

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 \$626,966 in lieu of property tax payments to the City. In addition, SMU paid the City \$8,000 for the storefront initiative.

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 receipts, 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:

Nonexpendable restricted 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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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 major 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 from general and emergency levies 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 Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

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 property taxes and other receipts to be used 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 with the exception of those financed through enterprise funds.

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.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

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.

2. CASH AND POOLED INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2020 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, 2020

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, 2020:

Cash on hand	\$ 5,300
Demand deposits	24,413,895
Money market account	<u>12,993,072</u>
Total cash and investments	37,412,267
Less Fiduciary Funds	<u>(288,905)</u>
 City's Cash and Investments	 <u><u>\$37,123,362</u></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

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$4,804,518	\$3,291,482	\$ 942,000	\$7,154,000	\$ 824,000
Spencer Municipal Utilities - Shine Brothers loan	75,000		25,000	50,000	25,000
Spencer Municipal Utilities - E-911 Communication loan	<u>216,000</u>		<u>36,000</u>	<u>180,000</u>	<u>36,000</u>
 Governmental Activities Total	 <u><u>\$5,095,518</u></u>	 <u><u>\$3,291,482</u></u>	 <u><u>\$1,003,000</u></u>	 <u><u>\$7,384,000</u></u>	 <u><u>\$ 885,000</u></u>
Business-Type Activities:					
Sewer revenue bonds	\$9,861,000	\$ -	\$1,401,000	\$8,460,000	\$ 535,000
 Business-type Activities Total	 <u><u>\$9,861,000</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$1,401,000</u></u>	 <u><u>\$8,460,000</u></u>	 <u><u>\$ 535,000</u></u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

3. BONDS AND NOTES PAYABLE - Continued

General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	Corporate Purpose & Refunding Issued May 22, 2013			Sewer Improvement Bond - Series 2017 Issued June 9, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest & Fees
2021	1.35%	\$ 100,000	\$ 2,850	1.75%	\$ 67,000	\$ 27,020
2022	1.50	100,000	1,500	1.75	69,000	25,680
2023		-	-	1.75	70,000	24,300
2024		-	-	1.75	72,000	22,900
2025		-	-	1.75	73,000	21,460
2026-2030		-	-	1.75	388,000	84,820
2031-2035		-	-	1.75	428,000	44,420
2036-2040		-	-	1.75	184,000	5,540
Total		<u>\$ 200,000</u>	<u>\$ 4,350</u>		<u>\$1,351,000</u>	<u>\$256,140</u>

Year Ending June 30,	General Obligation Bond - Series 2018 Issued March 6, 2018			General Obligation Bond - Series 2018B Issued October 30, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	3.00%	\$ 120,000	\$ 31,800	4.00%	\$ 225,000	\$ 29,550
2022	3.00	125,000	28,200	4.00	235,000	20,550
2023	3.00	125,000	24,450	4.00	245,000	11,150
2024	3.00	130,000	20,700	3.00	45,000	1,350
2025	3.00	135,000	16,800		-	-
2026-2030	3.00	140,000	12,750		-	-
2031-2035		285,000	12,900		-	-
2036-2040		-	-		-	-
Total		<u>\$1,060,000</u>	<u>\$147,600</u>		<u>\$ 750,000</u>	<u>\$ 62,600</u>

Year Ending June 30,	Sewer Improvement Bond - Series 2018 Issued June 22, 2018			General Obligation Bond - Series 2019 Issued December 2, 2019		
	Interest Rates	Principal	Interest & Fees	Interest Rates	Principal	Interest
2021	1.75%	\$ 67,000	\$ 28,660	4.00%	\$ 245,000	\$ 68,640
2022	1.75	68,000	27,320	4.00	245,000	58,840
2023	1.75	70,000	25,960	3.00	250,000	49,040
2024	1.75	71,000	24,560	3.00	255,000	41,540
2025	1.75	72,000	23,140	3.00	265,000	33,890
2026-2030	1.75	384,000	93,440	1.70-3.00	1,100,000	58,950
2031-2035	1.75	425,000	53,420		-	-
2036-2040	1.75	276,000	11,120		-	-
Total		<u>\$1,433,000</u>	<u>\$287,620</u>		<u>\$2,360,000</u>	<u>\$310,900</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

3. BONDS AND NOTES PAYABLE - Continued

General Obligation Bonds - Continued

Year Ending June 30,	Total		
	Principal	Interest & Fees	Total
2021	\$ 824,000	\$ 188,520	\$1,012,520
2022	842,000	162,090	1,004,090
2023	760,000	134,900	894,900
2024	573,000	111,050	684,050
2025	545,000	95,290	640,290
2026-2030	2,297,000	262,860	2,559,860
2031-2035	853,000	97,840	950,840
2036-2040	<u>460,000</u>	<u>16,660</u>	<u>476,660</u>
Total	<u>\$7,154,000</u>	<u>\$1,069,210</u>	<u>\$8,223,210</u>

On May 22, 2013, the City issued \$2,245,000 of general obligation bonds with interest rates ranging from 1.00% to 1.50% per annum. The bonds were issued for refunding of previously issued bonds. During the year ended June 30, 2020, the City paid \$100,000 of principal and \$4,000 of interest on the bonds.

On June 9, 2017, the City issued \$1,505,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued for sewer improvements. During the year ended June 30, 2020, the City paid \$66,000 of principal and \$28,340 of interest and fees on the bonds.

On March 6, 2018, the City issued \$1,500,000 of general obligation bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued for the Pederson Park Lighting project. During the year ended June 30, 2020, the City paid \$120,000 of principal and \$34,200 of interest on the bonds.

On October 30, 2018, the City issued \$1,190,000 of general obligation bonds with interest rates ranging from 3.00% to 4.00% per annum. The bonds were issued for the Great Lakes Trail Phase II project. During the year ended June 30, 2020, the City paid \$215,000 of principal and \$38,150 of interest on the bonds.

On June 22, 2018, the City issued \$1,508,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued for sewer improvements. During the year ended June 30, 2020, the City paid \$66,000 of principal and \$24,221 of interest and fees on the bonds.

On December 2, 2019, the City issued \$2,735,000 of general obligation bonds with interest rates ranging from 1.70% to 4.00% per annum. The bonds were issued for an urban renewal project and City Hall Building. During the year ended June 30, 2020, the City paid \$375,000 principal and \$41,588 of interest on the bonds.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

3. BONDS AND NOTES PAYABLE - Continued

General Obligation Bonds/Notes

General obligation bonds and notes to be serviced by the Debt Service Fund totaled \$7,154,000 at June 30, 2020. 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 loans from Spencer Municipal Utilities as follows.

1) Shine Brothers loan	\$ 50,000
2) E-911 Communication loan	<u>180,000</u>
Total	<u>\$ 230,000</u>

Both loans are interest free and will be paid from the General Fund as loan receivable payments are received from Shine Brothers Corporation and the E-911 Emergency Communications Board.

Revenue Notes

A summary of the City's June 30, 2020 revenue notes payable is as follows:

Year Ending June 30,	Sewer Issued December 22, 2010			Sewer Issued October 7, 2016		
	Interest Rates	Principal	Interest & Fees	Interest Rates	Principal	Interest & Fees
2021	3.25%	\$ 351,000	\$ 164,450	1.04%	\$ 184,000	\$ 35,360
2022	3.25	363,000	153,043	1.04	186,000	33,446
2023	3.25	375,000	141,245	1.04	188,000	31,512
2024	3.25	387,000	129,057	1.04	190,000	29,557
2025	3.25	399,000	116,480	1.04	191,000	27,581
2026-2030	3.25	2,201,000	379,113	1.04	989,000	107,630
2031-2035	3.25	984,000	48,230	1.04	1,040,000	55,120
2036-2037		-	-	1.04	432,000	6,749
Total		<u>\$5,060,000</u>	<u>\$1,131,618</u>		<u>\$3,400,000</u>	<u>\$ 326,955</u>

Year Ending June 30,	Total		
	Principal	Interest & Fees	Total
2021	\$ 535,000	\$ 199,810	\$ 734,810
2022	549,000	186,489	735,489
2023	563,000	172,757	735,757
2024	577,000	158,614	735,614
2025	590,000	144,061	734,061
2026-2030	3,190,000	486,743	3,676,743
2031-2035	2,024,000	103,350	2,127,350
2036-2037	432,000	6,749	438,749
Total	<u>\$8,460,000</u>	<u>\$1,458,573</u>	<u>\$9,918,573</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

3. BONDS AND NOTES PAYABLE - Continued

The City has pledged future sanitary sewer customer receipts, net of specific operating disbursements, to repay the \$7,500,000 sewer revenue bonds issued in December 2010 and the \$3,960,000 sewer revenue bonds issued in October 2016. 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 2037. 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 \$9,918,573. For the current year, principal and interest paid on the bonds was \$1,612,174 and customer net receipts were \$2,236,420. The bonds bear interest ranging from 1.04% to 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, 2020, the City was in compliance with the revenue bond resolutions.

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. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials, totaling \$10,878 during the year ended June 30, 2020. See item II-D-20 in the Schedule of Findings.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

5. 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, 2020 is as follows:

Governmental activities:	
General fund	\$ 774,605
Business type activities:	
Proprietary:	
Enterprise:	
Solid waste	96,918
Landfill	27,205
Golf course	17,942
Total business type activities	<u>142,065</u>
TOTAL	<u>\$ 916,670</u>

6. PENSION PLAN

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

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

6. PENSION PLAN - Continued

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

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

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

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

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll, and the City contributed 9.91% for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$328,444.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$2,548,600 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was .0439483% which was an increase of .001755% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$471,604, \$403,264, and \$502,757, respectively.

There were no non-employer contributing entities to IPERS.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

6. PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	<u>3.0</u>	3.01
Total	<u>100.0%</u>	

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

6. PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$4,540,005	\$2,548,600	\$ 878,250

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

7. MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI)

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

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

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

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

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

7. MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) - Continued

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

Disability and Death Benefits - Disability benefits may be either accidental or ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation for those with 5 or more years of service or the member's service retirement benefit calculation amount and 25% of average final compensation for those with less than 5 years of service.

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

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

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

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2020.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 24.21% for the year ended June 30, 2020.

The City's contributions to MFPRSI for the year ended June 30, 2020 totaled \$387,030.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

7. MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) - Continued

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

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2020.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$3,119,029 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2019, the City's proportion was .475515% which was a decrease of .015404% from its proportions measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense, deferred outflows of resources, and deferred inflows of resources totaling \$664,528, \$623,291, and \$230,201, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00%.
Salary increases	3.75 to 15.11%, including inflation.
Investment rate of return	7.50%, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2007 through June 30, 2017.

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set forward zero years, females set forward two years, and disabled individuals set forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB in 2017.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

7. MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) - Continued

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap	5.5%
Small cap	5.8
International large cap	7.3
Emerging markets	9.0
Emerging markets debt	6.3
Private non-core real estate	8.0
Master limited partnership	9.0
Private equity	9.0
Core plus fixed income	3.3
Private core real estate	6.0
Tactical asset allocation	6.4

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$5,078,326	\$3,119,029	\$1,496,348

Pension Plan Fiduciary Net Position - Detailed information about the MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$1,075,212 and plan members eligible for benefits contributed \$272,700 to the plan. In addition, Clay County contributed \$44,464 to the plan for communication center employees. At June 30, 2020 no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, there were 80 active and zero retired members covered by the benefit terms.

9. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$183,304.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

9. RISK MANAGEMENT - Continued

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss, or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting 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, 2020 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 \$3,923,184 for various construction projects. As of June 30, 2020, disbursements on those contracts totaled \$3,093,386. The remaining \$829,798 will be paid as the work on the projects is completed.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

12. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General Fund	Local Option Sales Tax	\$ 25,000
	Road Use Tax	1,076,966
	Capital Projects	1,604,285
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	457,472
	Solid Waste	149,047
	Landfill	215,732
	Nonmajor Governmental:	
	Special Revenue:	
	Federal & State Retirement	1,849
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	5,948
	Golf Course	3,362
Total General Fund		<u>3,539,661</u>
Debt Service	Nonmajor Governmental:	
	Special Revenue:	
	Tax Increment Financing	<u>279,450</u>
Capital Projects	General	1,192,176
	Road Use Tax	222,806
	Local Option Sales Tax	1,153,215
	Debt Service	2,678,079
	Nonmajor Governmental:	
	Special Revenue:	
	Tax Increment Financing	117,555
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	580,047
	Solid Waste	82,428
	Landfill	559,202
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	114,850
Total Capital Projects		<u>6,700,358</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

12. INTERFUND TRANSFERS - Continued

Transfer to	Transfer from	Amount
Nonmajor Governmental:		
Special Revenue:		
Federal and State Retirement	General	\$ 356,049
	Enterprise:	
	Sanitary Sewer	23,149
	Solid Waste	21,489
	Landfill	33,172
Total Federal and State Retirement		<u>433,859</u>
Workers' Compensation Insurance	Proprietary:	
	Enterprise:	
	Sanitary Sewer	1,718
	Solid Waste	41,471
	Landfill	13,591
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	753
	Golf Course	2,908
Total Workers' Compensation Insurance		<u>60,441</u>
Group Medical/Life Insurance	General	100,000
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	79,458
	Solid Waste	167,104
	Landfill	146,312
	Nonmajor Proprietary:	
	Enterprise:	
	Golf Course	17,813
Total Group Medical/Life Insurance		<u>510,687</u>
Total Nonmajor Governmental		<u>1,004,987</u>
Total Governmental Funds		<u>11,524,456</u>
Proprietary:		
Enterprise:		
Sanitary Sewer	Capital Projects	271,710
	Proprietary:	
	Enterprise:	
	Landfill	104,914
Total Sanitary Sewer		<u>376,624</u>
Landfill	Proprietary:	
	Enterprise:	
	Solid Waste	540,000
Nonmajor Proprietary:		
Airport	Capital Projects	92,532
Golf Course	General	24,493
Total Proprietary Funds		<u>1,033,649</u>
TOTAL OPERATING TRANSFERS		<u>\$12,558,105</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, 2020

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 cost 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 \$1,248,157 for closure and \$2,121,900 for postclosure, for a total of \$3,370,057 as of June 30, 2020. In the current year, no disbursements were made for landfill closure costs. Currently the estimated remaining life of the landfill is 9 months with approximately 58% of the landfill's capacity used at June 30, 2020.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care 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, 2020, assets of \$3,412,431 are restricted for these purposes and reported as restricted cash balance in the Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Proprietary Funds.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS - Continued

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 financial assurance 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

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.

14. DEVELOPMENT AGREEMENTS

The City has entered into various development agreement for construction. Under these agreements, the City has agreed to pay the developers an amount not to exceed \$8,767,807, subject to annual appropriation by the City Council. The agreements require up to ten annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2020, the City rebated \$559,625 of incremental property tax to the developers. At June 30, 2020, the remaining balances to be paid on the agreements totaled \$8,208,182.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

15. TAX ABATEMENTS

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

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

For the year ended June 30, 2020, the City abated \$559,625 of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Property tax revenues of the City were not reduced by tax abatements of other entities.

16. SUBSEQUENT EVENTS

In July and August 2020, the City entered into construction contracts totaling approximately \$794,000.

17. RISKS AND UNCERTAINTIES

At year-end, economic activity in the United States continued to experience significant disruption resulting from uncertainty caused by the world-wide coronavirus pandemic. The City's management is closely monitoring its operations, liquidity, and financial resources and is actively working to minimize the current and future impact of this unprecedented situation. Management has concluded that while it is reasonably possible there could be a material negative effect on the financial statements, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

OTHER 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, 2020

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
RECEIPTS:			
Property tax	\$ 1,326,156	\$ -	\$ 1,326,156
Tax increment financing	1,245,743	-	1,245,743
Other city taxes	108,383	-	108,383
Use of money and property	27,678	2,925	30,603
Intergovernmental	133,277	-	133,277
Miscellaneous	328,397	4,200	332,597
TOTAL RECEIPTS	<u>3,169,634</u>	<u>7,125</u>	<u>3,176,759</u>
DISBURSEMENTS:			
Public safety	1,279,612	-	1,279,612
Public works	394,350	-	394,350
Culture and recreation	397,110	150	397,260
Community and economic development	661,145	843	661,988
General government	562,203	-	562,203
TOTAL DISBURSEMENTS	<u>3,294,420</u>	<u>993</u>	<u>3,295,413</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(124,786)</u>	<u>6,132</u>	<u>(118,654)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	1,004,987	-	1,004,987
Operating transfers out	(398,854)	-	(398,854)
TOTAL OTHER FINANCING SOURCES (USES)	<u>606,133</u>	<u>-</u>	<u>606,133</u>
NET CHANGE IN CASH BALANCES	481,347	6,132	487,479
CASH BALANCES - BEGINNING OF YEAR	<u>2,039,135</u>	<u>480,326</u>	<u>2,519,461</u>
CASH BALANCES - END OF YEAR	<u>\$ 2,520,482</u>	<u>\$ 486,458</u>	<u>\$ 3,006,940</u>
CASH BASIS FUND BALANCES:			
Nonspendable:			
Permanent fund principal	\$ -	\$ 443,229	\$ 443,229
Restricted for:			
Urban renewal purposes	1,619,163	-	1,619,163
Community and economic development purposes	5,551	665	6,216
Employee benefits	864,603	-	864,603
Police purposes	33,657	-	33,657
Cemetery purposes	-	22,056	22,056
Park purposes	-	20,508	20,508
Unassigned.....	<u>(2,492)</u>	<u>-</u>	<u>(2,492)</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 2,520,482</u>	<u>\$ 486,458</u>	<u>\$ 3,006,940</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, 2020

	<u>Tax Increment Financing</u>	<u>SSMID</u>	<u>Police Retirement Systems</u>	<u>Civil Service Expenses</u>	<u>Police Special Proceeds</u>
RECEIPTS:					
Property tax	\$ -	\$ 92,813	\$ 278,004	\$ 9,144	\$ -
Tax increment financing	1,245,743	-	-	-	-
Other city taxes	89,423	-	4,274	141	-
Use of money and property	24,862	-	1,856	28	486
Intergovernmental	-	8,507	11,149	367	-
Miscellaneous	-	-	-	187	-
TOTAL RECEIPTS	<u>1,360,028</u>	<u>101,320</u>	<u>295,283</u>	<u>9,867</u>	<u>486</u>
DISBURSEMENTS:					
Public safety	-	-	307,623	10,393	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	559,625	101,520	-	-	-
General government	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>559,625</u>	<u>101,520</u>	<u>307,623</u>	<u>10,393</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>800,403</u>	<u>(200)</u>	<u>(12,340)</u>	<u>(526)</u>	<u>486</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(397,005)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(397,005)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH BALANCES	<u>403,398</u>	<u>(200)</u>	<u>(12,340)</u>	<u>(526)</u>	<u>486</u>
CASH BALANCES - BEGINNING OF YEAR	<u>1,215,765</u>	<u>5,751</u>	<u>138,403</u>	<u>2,721</u>	<u>33,171</u>
CASH BALANCES - END OF YEAR	<u>\$ 1,619,163</u>	<u>\$ 5,551</u>	<u>\$ 126,063</u>	<u>\$ 2,195</u>	<u>\$ 33,657</u>
CASH BASIS FUND BALANCES:					
Restricted for:					
Urban renewal purposes	\$ 1,619,163	\$ -	\$ -	\$ -	\$ -
Community and economic development purposes	-	5,551	-	-	-
Employee benefits	-	-	126,063	2,195	-
Police purposes	-	-	-	-	33,657
Unassigned.....	-	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	<u>\$ 1,619,163</u>	<u>\$ 5,551</u>	<u>\$ 126,063</u>	<u>\$ 2,195</u>	<u>\$ 33,657</u>

<u>Fire Pension Accumulation</u>	<u>Federal and State Retirement</u>	<u>Workers' Compensation Insurance</u>	<u>Unemployment Insurance Claims</u>	<u>Group Medical/Life Insurance</u>	<u>Total</u>
\$ 77,297	\$ -	\$ 178,181	\$ 29,029	\$ 661,688	\$ 1,326,156
-	-	-	-	-	1,245,743
1,188	-	2,739	446	10,172	108,383
446	-	-	-	-	27,678
3,100	30,843	7,146	1,164	71,001	133,277
-	-	12,489	3	315,718	328,397
<u>82,031</u>	<u>30,843</u>	<u>200,555</u>	<u>30,642</u>	<u>1,058,579</u>	<u>3,169,634</u>
79,406	134,315	104,995	-	642,880	1,279,612
-	108,418	41,903	-	244,029	394,350
-	129,695	23,537	-	243,878	397,110
-	-	-	-	-	661,145
-	92,917	59,713	32,173	377,400	562,203
<u>79,406</u>	<u>465,345</u>	<u>230,148</u>	<u>32,173</u>	<u>1,508,187</u>	<u>3,294,420</u>
<u>2,625</u>	<u>(434,502)</u>	<u>(29,593)</u>	<u>(1,531)</u>	<u>(449,608)</u>	<u>(124,786)</u>
-	433,859	60,441	-	510,687	1,004,987
-	(1,849)	-	-	-	(398,854)
-	432,010	60,441	-	510,687	606,133
2,625	(2,492)	30,848	(1,531)	61,079	481,347
<u>31,065</u>	<u>-</u>	<u>188,209</u>	<u>34,106</u>	<u>389,944</u>	<u>2,039,135</u>
<u>\$ 33,690</u>	<u>\$ (2,492)</u>	<u>\$ 219,057</u>	<u>\$ 32,575</u>	<u>\$ 451,023</u>	<u>\$ 2,520,482</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,619,163
-	-	-	-	-	5,551
33,690	-	219,057	32,575	451,023	864,603
-	-	-	-	-	33,657
-	(2,492)	-	-	-	(2,492)
<u>\$ 33,690</u>	<u>\$ (2,492)</u>	<u>\$ 219,057</u>	<u>\$ 32,575</u>	<u>\$ 451,023</u>	<u>\$ 2,520,482</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, 2020

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund
RECEIPTS:				
Use of money and property	\$ -	\$ 529	\$ 74	\$ 1,097
Miscellaneous.....	<u>3,600</u>	<u>-</u>	<u>400</u>	<u>200</u>
TOTAL RECEIPTS	<u>3,600</u>	<u>529</u>	<u>474</u>	<u>1,297</u>
DISBURSEMENTS:				
Culture and recreation	-	150	-	-
Community and economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DISBURSEMENTS	<u>-</u>	<u>150</u>	<u>-</u>	<u>-</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	3,600	379	474	1,297
CASH BALANCES - BEGINNING OF YEAR	<u>295,154</u>	<u>21,677</u>	<u>5,322</u>	<u>74,382</u>
CASH BALANCES - END OF YEAR	<u>\$ 298,754</u>	<u>\$ 22,056</u>	<u>\$ 5,796</u>	<u>\$ 75,679</u>
CASH BASIS FUND BALANCES:				
Nonspendable:				
Permanent fund principal	\$ 298,754	\$ -	\$ 5,796	\$ 75,679
Restricted for:				
Cemetery purposes	-	22,056	-	-
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>\$ 298,754</u>	<u>\$ 22,056</u>	<u>\$ 5,796</u>	<u>\$ 75,679</u>

Griffin Trust Fund	Leach Park Fund	Total
\$ 928	\$ 297	\$ 2,925
-	-	4,200
<u>928</u>	<u>297</u>	<u>7,125</u>
-	-	150
<u>843</u>	<u>-</u>	<u>843</u>
<u>843</u>	<u>-</u>	<u>993</u>
85	297	6,132
<u>63,580</u>	<u>20,211</u>	<u>480,326</u>
<u>\$ 63,665</u>	<u>\$ 20,508</u>	<u>\$ 486,458</u>
\$ 63,000	\$ -	\$ 443,229
-	-	22,056
665	-	665
<u>-</u>	<u>20,508</u>	<u>20,508</u>
<u>\$ 63,665</u>	<u>\$ 20,508</u>	<u>\$ 486,458</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, 2020

	Enterprise Funds		
	Airport	Golf Course	Total Nonmajor Proprietary Funds
OPERATING RECEIPTS:			
Charges for services	\$ -	\$ 251,742	\$ 251,742
Miscellaneous	47,770	102,159	149,929
TOTAL OPERATING RECEIPTS	47,770	353,901	401,671
OPERATING DISBURSEMENTS:			
Salaries	17,332	175,322	192,654
Payroll taxes and employee benefits	2,886	22,564	25,450
Repairs and maintenance	32,429	43,121	75,550
Utilities	30,712	18,805	49,517
Contract services	37,250	8,016	45,266
Insurance premiums	15,368	3,567	18,935
Gas and oil	171	9,834	10,005
Supplies	516	63,263	63,779
Miscellaneous	4,617	8,510	13,127
Sales tax paid	-	10,590	10,590
TOTAL OPERATING DISBURSEMENTS	141,281	363,592	504,873
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	(93,511)	(9,691)	(103,202)
NON-OPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments and rental income.....	135,352	20	135,372
Intergovernmental grants	3,524	-	3,524
Capital outlay	(738)	-	(738)
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	138,138	20	138,158
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	44,627	(9,671)	34,956
OTHER FINANCING SOURCES (USES):			
Operating transfers in	92,532	24,493	117,025
Operating transfers out	(121,551)	(24,083)	(145,634)
TOTAL OTHER FINANCING SOURCES (USES)	(29,019)	410	(28,609)
NET CHANGE IN CASH BALANCES	15,608	(9,261)	6,347
CASH BALANCES - BEGINNING OF YEAR.....	625,521	36,484	662,005
CASH BALANCES - END OF YEAR	\$ 641,129	\$ 27,223	\$ 668,352
CASH BASIS FUND BALANCES:			
Unrestricted	\$ 641,129	\$ 27,223	\$ 668,352

**CITY OF SPENCER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2020**

	<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:				
Corporate purpose and refunding bonds	5-2013	1.00 - 1.50%	\$2,245,000	6-01-2022
Sewer improvement bond - series 2017	6-2017	2.00% ⁽¹⁾	1,505,000	6-01-2037
General obligation bonds - series 2018	3-2018	2.00 - 3.00%	1,500,000	6-01-2028
General obligation bonds - series 2018-B	10-2018	3.00 - 4.00%	1,190,000	6-01-2024
Sewer improvement bond - series 2018	6-2018	2.00% ⁽¹⁾	1,508,000	6-01-2038
General obligation bonds	12-2019	1.70 - 4.00%	2,735,000	6-01-2029
TOTAL GENERAL OBLIGATION BONDS/NOTES				
OTHER LONG-TERM DEBT:				
Spencer Municipal Utilities - Shine Brothers loan (paid from General Fund)	11-2006	0.00%	375,000	12-05-2021
Spencer Municipal Utilities - E911 Communication loan	12-2014	0.00%	360,000	7-15-2024
TOTAL GOVERNMENTAL ACTIVITIES				
BUSINESS TYPE ACTIVITIES:				
REVENUE BONDS/NOTES:				
Sewer revenue bond	10-2009	3.25% ⁽¹⁾	1,520,000	6-01-2029
Sewer revenue bonds (Build America Bonds)	12-2010	3.25% ^{(1) (2)}	7,500,000	6-01-2032
Sewer revenue bond - series 2016	10-2016	1.04% ⁽¹⁾	3,960,000	6-01-2037
TOTAL BUSINESS TYPE ACTIVITIES				

⁽¹⁾ Interest rate includes .25% service fee.

⁽²⁾ 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 & Fees Paid</u>	<u>Interest Due and Unpaid</u>
\$ 300,000	\$ -	\$ 100,000	\$ 200,000	\$ 4,000	\$ -
1,417,000	-	66,000	1,351,000	28,340	-
1,180,000	-	120,000	1,060,000	34,200	-
965,000	-	215,000	750,000	38,150	-
942,518	556,482	66,000	1,433,000	24,221	-
<u>-</u>	<u>2,735,000</u>	<u>375,000</u>	<u>2,360,000</u>	<u>41,588</u>	<u>-</u>
4,804,518	3,291,482	942,000	7,154,000	170,499	-
75,000	-	25,000	50,000	-	-
<u>216,000</u>	<u>-</u>	<u>36,000</u>	<u>180,000</u>	<u>-</u>	<u>-</u>
<u>\$ 5,095,518</u>	<u>\$3,291,482</u>	<u>\$1,003,000</u>	<u>\$7,384,000</u>	<u>\$170,499</u>	<u>\$ -</u>
\$ 879,000	\$ -	\$ 879,000	\$ -	\$ 23,074	\$ -
5,400,000	-	340,000	5,060,000	175,500	-
<u>3,582,000</u>	<u>-</u>	<u>182,000</u>	<u>3,400,000</u>	<u>37,253</u>	<u>-</u>
<u>\$ 9,861,000</u>	<u>\$ -</u>	<u>\$1,401,000</u>	<u>\$8,460,000</u>	<u>\$235,827</u>	<u>\$ -</u>

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 (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property tax	\$ 5,923,396	\$ -	\$ 5,923,396
Tax increment financing revenues	1,245,743	-	1,245,743
Other city taxes	2,976,347	-	2,976,347
Licenses and permits	69,984	-	69,984
Use of money and property	289,292	444,430	733,722
Intergovernmental	3,547,194	165,356	3,712,550
Charges for service	196,264	7,991,907	8,188,171
Special assessments	412,255	-	412,255
Miscellaneous	983,885	307,334	1,291,219
TOTAL RECEIPTS	<u>15,644,360</u>	<u>8,909,027</u>	<u>24,553,387</u>
DISBURSEMENTS:			
Public safety	4,325,942	-	4,325,942
Public works	2,091,885	-	2,091,885
Culture and recreation	2,035,328	-	2,035,328
Community and economic development	2,158,082	-	2,158,082
General government	1,842,547	-	1,842,547
Debt service	1,149,648	-	1,149,648
Capital projects	7,106,070	-	7,106,070
Business type	-	5,580,738	5,580,738
TOTAL DISBURSEMENTS	<u>20,709,502</u>	<u>5,580,738</u>	<u>26,290,240</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(5,065,142)</u>	<u>3,328,289</u>	<u>(1,736,853)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of assets	445,000	-	445,000
Proceeds from bonds	3,411,754	-	3,411,754
Operating transfers in	11,524,456	1,033,649	12,558,105
Operating transfers out	(9,196,165)	(3,361,940)	(12,558,105)
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,185,045</u>	<u>(2,328,291)</u>	<u>3,856,754</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	1,119,903	999,998	2,119,901
BALANCE - BEGINNING OF YEAR	<u>18,802,128</u>	<u>16,201,333</u>	<u>35,003,461</u>
BALANCE - END OF YEAR	<u>\$ 19,922,031</u>	<u>\$ 17,201,331</u>	<u>\$ 37,123,362</u>

Original Budget	Final Budget	Final to Actual Variance
\$ 6,035,539	\$ 6,035,539	\$ (112,143)
1,292,654	1,292,654	(46,911)
2,439,201	2,439,201	537,146
74,550	74,550	(4,566)
428,550	668,550	65,172
3,357,068	3,357,068	355,482
8,117,809	8,117,809	70,362
165,181	385,281	26,974
162,100	162,100	1,129,119
<u>22,072,652</u>	<u>22,532,752</u>	<u>2,020,635</u>
4,508,857	4,664,447	338,505
2,247,004	2,441,535	349,650
2,091,852	2,246,525	211,197
2,183,944	2,650,505	492,423
2,084,794	2,106,794	264,247
738,331	1,156,119	6,471
1,936,841	10,033,841	2,927,771
<u>5,329,549</u>	<u>6,573,410</u>	<u>992,672</u>
<u>21,121,172</u>	<u>31,873,176</u>	<u>5,582,936</u>
<u>951,480</u>	<u>(9,340,424)</u>	<u>7,603,571</u>
-	-	445,000
-	4,000,000	(588,246)
9,624,942	9,624,942	2,933,163
<u>(9,624,942)</u>	<u>(9,624,942)</u>	<u>(2,933,163)</u>
<u>-</u>	<u>4,000,000</u>	<u>(143,246)</u>
951,480	(5,340,424)	<u>\$ 7,460,325</u>
<u>26,751,417</u>	<u>35,274,978</u>	
<u>\$ 27,702,897</u>	<u>\$ 29,934,554</u>	

**CITY OF SPENCER
NOTES TO SCHEDULE 6 - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2020**

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, budget amendments increased budgeted disbursements by \$10,752,004. These budget amendments are reflected in the final budgeted amounts.

**CITY OF SPENCER
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST SIX YEARS *
(IN THOUSANDS)**

OTHER INFORMATION (UNAUDITED)

	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability0439483%	.0421934%
City's proportionate share of the net pension liability	\$ 2,549	\$ 2,669
City's covered-employee payroll	\$ 3,368	\$ 3,217
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.68%	82.97%
Plan fiduciary net position as a percentage of the total pension liability	85.45%	83.62%

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

**MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
LAST SIX YEARS *
(IN THOUSANDS)**

OTHER INFORMATION (UNAUDITED)

	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability475515%	.490919%
City's proportionate share of the net pension liability	\$ 3,119	\$ 2,922
City's covered-employee payroll	\$ 1,433	\$ 1,427
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	217.66%	204.77%
Plan fiduciary net position as a percentage of the total pension liability	79.94%	81.07%

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

Schedule 7

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
.043928%	.042388%	.042779%	.043983%
\$ 2,908	\$ 2,652	\$ 2,108	\$ 1,746
\$ 3,289	\$ 3,072	\$ 2,963	\$ 2,921
88.42%	86.33%	71.14%	59.77%
82.21%	81.82%	85.19%	87.61%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
.509766%	.503138%	.495032%	.504315%
\$ 2,990	\$ 3,146	\$ 2,326	\$ 1,828
\$ 1,444	\$ 1,363	\$ 1,298	\$ 1,287
207.06%	230.81%	179.20%	141.95%
80.60%	78.20%	83.04%	86.27%

**CITY OF SPENCER
SCHEDULE OF CITY CONTRIBUTIONS**

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
(IN THOUSANDS)**

OTHER INFORMATION (UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 328	\$ 319	\$ 286	\$ 294	\$ 275	\$ 265
Contributions in relation to the statutorily required contribution	<u>328</u>	<u>319</u>	<u>286</u>	<u>294</u>	<u>275</u>	<u>265</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$3,488	\$3,368	\$3,217	\$3,289	\$3,072	\$2,963
Contributions as a percentage of covered-employee payroll	9.42%	9.46%	8.90%	8.94%	8.94%	8.94%

**MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
LAST TEN FISCAL YEARS
(IN THOUSANDS)**

OTHER INFORMATION (UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 387	\$ 374	\$ 366	\$ 374	\$ 379	\$ 395
Contributions in relation to the statutorily required contribution	<u>387</u>	<u>374</u>	<u>366</u>	<u>374</u>	<u>379</u>	<u>395</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$1,586	\$1,433	\$1,427	\$1,444	\$1,383	\$1,298
Contributions as a percentage of covered-employee payroll	24.41%	26.14%	25.68%	25.92%	27.77%	30.41%

Schedule 8

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 261	\$ 255	\$ 238	\$ 202
<u>261</u>	<u>255</u>	<u>238</u>	<u>202</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$2,921	\$2,939	\$2,938	\$2,900
8.94%	8.68%	8.10%	6.97%

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 388	\$ 330	\$ 304	\$ 237
<u>388</u>	<u>330</u>	<u>304</u>	<u>237</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$1,287	\$1,265	\$1,226	\$1,191
30.12%	26.12%	24.76%	19.90%

**CITY OF SPENCER
NOTES TO OTHER INFORMATION - PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2020**

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

CITY OF SPENCER
NOTES TO OTHER INFORMATION - PENSION LIABILITY - Continued
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
YEAR ENDED JUNE 30, 2020

Changes of Benefit Terms

There were no significant changes of benefit terms.

Changes of Assumptions

The 2018 valuation changed post retirement mortality rates to the RP-2014 Blue Collar Healthy Annuitant. Table with males set-forward zero years, females set-forward two years, and disabled individuals set forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year, and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

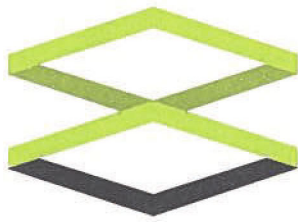
The 2014 valuation phased in the 1994 Group Annuity Mortality Table for post-retirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
RECEIPTS:				
Property taxes	\$ 5,923,396	\$ 5,881,627	\$ 5,657,567	\$ 5,624,241
Tax increment financing revenues	1,245,743	1,285,662	976,405	835,048
Other city taxes	2,976,347	2,651,486	2,912,127	2,727,248
Licenses and permits	69,984	66,892	81,145	62,666
Use of money and property	289,292	274,165	176,350	139,064
Intergovernmental	3,547,194	4,605,519	3,557,441	3,154,713
Charges for services	196,264	243,845	214,718	195,541
Special assessments	412,255	287,971	333,632	408,425
Miscellaneous	<u>983,885</u>	<u>836,903</u>	<u>711,491</u>	<u>788,070</u>
 TOTAL RECEIPTS	 <u>\$15,644,360</u>	 <u>\$16,134,070</u>	 <u>\$14,620,876</u>	 <u>\$13,935,016</u>
 DISBURSEMENTS:				
Public safety	\$ 4,325,942	\$ 4,001,585	\$ 3,110,546	\$ 3,186,696
Public works	2,091,885	1,829,178	1,632,301	1,528,724
Culture and recreation	2,035,328	1,883,716	1,561,764	1,610,387
Community and economic development	2,158,082	1,974,563	2,104,508	1,718,764
General government	1,842,547	1,735,802	2,900,710	2,720,445
Debt service	1,149,648	843,553	978,849	1,763,497
Capital projects	<u>7,106,070</u>	<u>7,252,704</u>	<u>5,120,509</u>	<u>1,823,307</u>
 TOTAL DISBURSEMENTS	 <u>\$20,709,502</u>	 <u>\$19,521,101</u>	 <u>\$17,409,187</u>	 <u>\$14,351,820</u>

Schedule 9

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 5,085,638	\$ 5,079,366	\$ 4,972,177	\$ 4,930,379	\$ 4,664,393	\$ 4,474,342
687,244	695,254	524,142	442,736	685,113	708,215
2,615,039	2,478,156	2,309,189	2,345,925	2,193,063	2,069,431
70,121	63,500	66,000	58,659	53,417	49,076
131,492	120,978	137,076	160,088	216,400	299,985
2,752,796	2,633,718	3,104,374	2,670,257	2,096,682	2,627,643
276,423	245,956	259,864	278,030	314,719	277,177
161,268	148,630	219,308	190,218	240,557	283,385
627,625	<u>1,174,940</u>	<u>685,782</u>	<u>1,004,429</u>	<u>1,275,826</u>	<u>2,320,639</u>
<u>\$12,407,646</u>	<u>\$12,640,498</u>	<u>\$12,277,912</u>	<u>\$12,080,721</u>	<u>\$11,740,170</u>	<u>\$13,109,893</u>
\$ 3,010,045	\$ 3,289,444	\$ 2,893,767	\$ 2,628,742	\$ 2,549,797	\$ 2,343,685
1,482,858	1,386,951	1,382,115	1,488,739	1,194,773	1,249,718
1,516,305	1,514,083	1,359,564	1,426,172	1,430,033	1,415,736
1,617,387	1,933,571	1,671,969	1,716,338	1,964,859	2,384,116
2,295,139	2,314,559	2,519,300	1,883,162	2,073,102	2,065,131
1,544,948	1,159,849	1,226,883	2,691,798	3,193,101	2,106,313
<u>1,385,932</u>	<u>2,609,423</u>	<u>3,078,688</u>	<u>3,131,125</u>	<u>662,897</u>	<u>3,299,247</u>
<u>\$12,852,614</u>	<u>\$14,207,880</u>	<u>\$14,132,286</u>	<u>\$14,966,076</u>	<u>\$13,068,562</u>	<u>\$14,863,946</u>



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**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 primary government of the City of Spencer, Iowa, as of and for the year ended June 30, 2020, 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 November 25, 2020. 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 (internal control) 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-20 to be a material weakness.

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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 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. 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.

Winther, Starn & Co., LLP

November 25, 2020
Spencer, Iowa

**CITY OF SPENCER
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

I-A-20 Capital Project Contracts

Criteria - An effective internal control system provides for internal controls designed to result in proper accounting for all capital project contracts, including periodic review of the contracts and to ensure the City is charged and pays the proper amount.

Condition - The City receives pay estimates on various construction contracts which are primarily submitted to the City by the engineering firm. We noted a case of a pay estimate being paid twice and a case of the final pay estimate not being paid. We also noted that in some cases the engineering fees charged were not established by the contract, but based on hourly rates.

Cause - Procedures have not been designed and implemented to ensure sufficient proper accounting for, and payment of, each pay estimate. In addition, engineering fees have not been required to be set at a specific dollar amount or percentage in the contracts.

Effect - This condition could result in unrecorded or misstated contract payments and could provide an opportunity for misappropriation of the City funds.

Recommendation - The City should establish a policy to track each contract's pay estimates to ensure the total paid agrees to the contract. The City should also establish agreements with the engineering firm to establish fees paid for the work performed.

Response - We have implemented procedures to track contract payments which will ensure the correct contract amounts are paid. We will also consider establishing a policy regarding fee agreements with the engineering firms.

Conclusion - Response accepted.

Instances of Non-Compliance:

No findings were noted.

**CITY OF SPENCER
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2020**

Part II: Other Findings Related to Required Statutory Reporting

- II-A-20 Certified Budget - Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted.
- II-B-20 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.
- II-C-20 Travel Expense - No expenditures of the City for travel expenses of spouses of City officials or employees were noted.
- II-D-20 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kevin Robinson, Mayor, Partial owner of Spencer Auto Parts	Supplies	\$10,878

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Mayor may represent a conflict of interest since total transactions with the business exceeded \$6,000 during the fiscal year.

Recommendation - The City should go through the bidding process for transactions that could exceed \$6,000.

Response - The amounts above are the cumulative total of many transactions throughout the year. We will evaluate our procedures for future related party transactions.

Conclusion - Response accepted.

- II-E-20 Restricted Donor Activity - No transactions were noted between the City, City officials, City employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-F-20 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.
- II-G-20 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-20 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.
- II-I-20 Revenue Notes - No instances of noncompliance with the revenue bond and note resolutions were noted.
- II-J-20 Financial Assurance - As of June 30, 2020, 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.
- II-K-20 Urban Renewal Annual Report - The urban renewal annual report for the fiscal year ended June 30, 2019 was approved and certified to the Iowa Department of Management on or before December 1, 2019.