

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

JUNE 30, 2022

CITY OF SPENCER
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CITY OF SPENCER
DIRECTORY OF CITY OFFICIALS
AS OF JUNE 30, 2022

MAYOR
Steve Bomgaars

MAYOR PRO-TEM
William Orrison

COUNCIL MEMBERS
Loren Reit
Tracey Larsen
William Orrison

Ron Hanson
Tom Nelson

Donavon Wunschel
Brian Balk

CITY MANAGER
Dan Gifford

CITY CLERK
Theresa Reardon

**DEPUTY CITY MANAGER/
FINANCE DIRECTOR**
Brian Weuve

DIRECTOR OF PUBLIC WORKS
Mark White

CHIEF OF POLICE
Mark Warburton

FIRE CHIEF
John Conyn

PLANNING DIRECTOR
Alek Schulz

PARK DIRECTOR
Jared Elbert

LIBRARY DIRECTOR
Sarah Beth Red Wing-Fuchsen

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 Audit of the Financial Statements

Adverse and Unmodified Opinions

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, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse and Unmodified Opinions" 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, 2022, 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 on Governmental Activities, Business Type Activities, Each Major Fund and the Aggregate Remaining Fund Information

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, 2022, 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 for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Spencer, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on Discretely Presented Component Unit

The financial statements do not include the financial data for the City's legally separate component unit, Spencer Municipal Hospital. Accounting principles for the basis of accounting described in Note 1 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Spencer's ability to continue on as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Spencer's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Spencer's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises Management's Discussion and Analysis, on pages 5 through 10, and Schedules 1 through 8, on pages 42 through 59, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2022 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.

Wintner, Stave & Co. LLP

December 27, 2022
Spencer, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

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, 2022. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2022 Financial Highlights

- The City's total cash basis net position increased \$523,620 from June 30, 2021 to June 30, 2022. Of this amount, the cash basis net position of the governmental activities decreased by \$550,086 and the cash basis net position of the business type activities increased \$1,073,706.

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 (asset) 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's Financial Activities

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 Cash Basis 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, and airport. These activities are financed primarily by user charges.

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 four Enterprise Funds to provide separate information for the sanitary sewer, solid waste, landfill, 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.

Reporting the City's Fiduciary Responsibilities

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

Government-Wide Financial Analysis

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$21,833,326 to \$21,283,240. 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, 2022</u>	For the Year Ended <u>June 30, 2021</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services	\$ 885,202	\$ 1,172,470	\$ (287,268)
Operating grants and contributions	2,037,240	2,668,406	(631,166)
Capital grants and contributions	109,841	523,943	(414,102)
General receipts:			
Property and other city taxes	7,069,856	6,990,546	79,310
Tax increment financing	1,302,907	1,272,474	30,433
Commercial and industrial replacement	253,440	253,478	(38)
American Rescue Plan Act	818,788	-	818,788
Payments in lieu of tax	625,565	625,565	-
Local option sales tax	2,363,144	2,393,498	(30,354)
Hotel/motel tax	345,473	242,173	103,300
Use of money and property	168,365	182,026	(13,661)
Proceeds from sale of assets	28,870	4,710	24,160
Unrestricted miscellaneous	710,642	768,679	(58,037)
Debt proceeds	<u>1,555,189</u>	<u>-</u>	<u>1,555,189</u>
Total receipts	<u>18,274,522</u>	<u>17,097,968</u>	<u>1,176,554</u>
Disbursements:			
Public safety	5,134,677	4,407,620	727,057
Public works	2,047,314	2,054,269	(6,955)
Culture and recreation	3,033,155	2,664,520	368,635
Community and economic development	2,199,409	2,700,238	(500,829)
General government	2,063,198	2,148,323	(85,125)
Debt service	1,042,390	1,051,670	(9,280)
Capital projects	<u>5,865,076</u>	<u>2,571,962</u>	<u>3,293,114</u>
Total disbursements	<u>21,385,219</u>	<u>17,598,602</u>	<u>3,786,617</u>
Change in cash basis net position before transfers	(3,110,697)	(500,634)	(2,610,063)
Net transfers	<u>2,560,611</u>	<u>2,384,706</u>	<u>175,905</u>
Change in cash basis net position	(550,086)	1,884,072	(2,434,158)
Cash basis net position - beginning of year	<u>21,833,326</u>	<u>19,949,254</u>	<u>1,884,072</u>
Cash basis net position - end of year	<u>\$21,283,240</u>	<u>\$21,833,326</u>	<u>\$ (550,086)</u>

The total business type activities cash balance increased from a year ago, increasing from \$19,306,285 to \$20,379,991. 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 <u>June 30, 2022</u>	For the Year Ended <u>June 30, 2021</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services:			
Sanitary sewer	\$ 3,118,158	\$ 3,182,839	\$ (64,681)
Solid waste	2,299,399	2,360,952	(61,553)
Landfill	2,401,537	2,385,379	16,158
Operating grants and contributions	176,194	141,176	35,018
Capital grants and contributions	22,011	27,008	(4,997)
General receipts:			
Use of money and property	323,630	388,119	(64,489)
Proceeds from sale of assets	-	56,500	(56,500)
Unrestricted miscellaneous	<u>301,144</u>	<u>164,755</u>	<u>136,389</u>
Total receipts	<u>8,642,073</u>	<u>8,706,728</u>	<u>(64,655)</u>
Disbursements:			
Sanitary sewer	1,942,053	1,986,090	(44,037)
Solid waste	1,708,393	1,164,238	544,155
Landfill	1,057,686	895,915	161,771
Airport	<u>299,624</u>	<u>143,602</u>	<u>156,022</u>
Total disbursements	<u>5,007,756</u>	<u>4,189,845</u>	<u>817,911</u>
Change in cash basis net position before transfers	3,634,317	4,516,883	(882,566)
Net transfers	<u>(2,560,611)</u>	<u>(2,384,706)</u>	<u>(175,905)</u>
Change in cash basis net position	1,073,706	2,132,177	(1,058,471)
Cash basis net position - beginning of year	<u>19,306,285</u>	<u>17,174,108</u>	<u>2,132,177</u>
Cash basis net position - end of year	<u>\$20,379,991</u>	<u>\$19,306,285</u>	<u>\$1,073,706</u>

Individual Major Governmental Fund Analysis

The City's governmental funds showed a combined cash basis fund balance of \$21,283,240 at June 30, 2022 which was \$550,086 less than last year. A summary of the changes is as follows:

	Cash Balances <u>June 30, 2022</u>	Cash Balances <u>June 30, 2021</u>	Increase (Decrease)
General	\$13,594,635	\$12,879,603	\$ 715,032
Road use tax	1,898,287	1,690,601	207,686
Local option sales tax	478,132	495,658	(17,526)
Tax increment financing	2,482,696	2,256,604	226,092
Debt service	272,521	250,445	22,076
Capital projects	861,674	2,843,985	(1,982,311)
Total nonmajor governmental funds	<u>1,695,295</u>	<u>1,416,430</u>	<u>278,865</u>
Total	<u>\$21,283,240</u>	<u>\$21,833,326</u>	<u>\$ (550,086)</u>

Individual Major Business Type Fund Analysis

The City's business type funds showed a combined cash basis fund balance of \$20,379,991 at June 30, 2022 which was \$1,073,706 more than last year. A summary of the changes is as follows:

	Cash Balances <u>June 30, 2022</u>	Cash Balances <u>June 30, 2020</u>	Increase (Decrease)
Sanitary sewer	\$ 4,552,898	\$ 4,790,400	\$ (237,502)
Solid waste	3,068,396	3,102,928	(34,532)
Landfill	12,202,816	10,752,318	1,450,498
Nonmajor proprietary funds	<u>555,881</u>	<u>660,639</u>	<u>(104,758)</u>
Total	<u>\$20,379,991</u>	<u>\$19,306,285</u>	<u>\$1,073,706</u>

Budgetary Highlights

The City amended the budget on May 16, 2022 and June 20, 2022. The amendments were to budget for changes related to various capital projects, repairs, and insurance premiums.

The City's receipts were \$1,338,240 less than budgeted receipts.

The City's total disbursements were \$3,331,751 under the budgeted amounts.

Debt Administration

At June 30, 2022, the City had \$14,541,064 of debt outstanding, compared to \$14,424,000 last year as shown below:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
General obligation bonds and notes	\$ 5,488,000	\$ 6,330,000
Other long-term debt	108,000	169,000
Revenue bonds and notes	<u>8,945,064</u>	<u>7,925,000</u>
Total all debt	<u>\$14,541,064</u>	<u>\$14,424,000</u>

Economic Factors

The budget for fiscal year ending June 30, 2023 saw a decrease in overall expenditures of \$1,789,746 (a 6.66% decrease). This decrease is mainly derived by lower capital expenditures in fiscal year 2023 compared to fiscal year 2022.

The property tax rate increased to \$13.08751 per \$1,000 of taxable valuation for fiscal year 2023. Due to changes in the residential rollback, the taxes actually paid by residents will be minimally impacted.

Valuation growth continues at a steady rate. Building permits are steady, although there is still a need for additional housing units with the city.

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 be conservative in the future. Consequently, 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, 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 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, 2022

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 5,134,677	\$ 94,206	\$ 225,837
Public works	2,047,314	20,301	1,563,344
Culture and recreation	3,033,155	539,496	108,674
Community and economic development	2,199,409	-	-
General government	2,063,198	24,988	139,385
Debt service	1,042,390	36,000	-
Capital projects	5,865,076	170,211	-
Total governmental activities	<u>21,385,219</u>	<u>885,202</u>	<u>2,037,240</u>
Business type activities:			
Sanitary sewer	1,942,053	3,118,158	-
Solid waste	1,708,393	2,299,399	107,194
Landfill	1,057,686	2,401,537	-
Airport	299,624	-	69,000
Total business type activities	<u>5,007,756</u>	<u>7,819,094</u>	<u>176,194</u>
TOTAL	<u>\$ 26,392,975</u>	<u>\$ 8,704,296</u>	<u>\$ 2,213,434</u>

General receipts and transfers:	
Property and other city taxes levied for:	
General purposes	
Debt service	
Commercial and industrial replacement	
American Rescue Plan Act	
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 net of fees	
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

Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ 29,994	\$ (4,784,640)	\$ -	\$ (4,784,640)
-	(463,669)	-	(463,669)
-	(2,384,985)	-	(2,384,985)
-	(2,199,409)	-	(2,199,409)
-	(1,898,825)	-	(1,898,825)
-	(1,006,390)	-	(1,006,390)
79,847	(5,615,018)	-	(5,615,018)
<u>109,841</u>	<u>(18,352,936)</u>	<u>-</u>	<u>(18,352,936)</u>
-	-	1,176,105	1,176,105
-	-	698,200	698,200
22,011	-	1,365,862	1,365,862
-	-	(230,624)	(230,624)
<u>22,011</u>	<u>-</u>	<u>3,009,543</u>	<u>3,009,543</u>
<u>\$ 131,852</u>	<u>(18,352,936)</u>	<u>3,009,543</u>	<u>(15,343,393)</u>
	6,525,850	-	6,525,850
	544,006	-	544,006
	253,440	-	253,440
	818,788	-	818,788
	1,302,907	-	1,302,907
	625,565	-	625,565
	2,363,144	-	2,363,144
	345,473	-	345,473
	168,365	323,630	491,995
	710,642	301,144	1,011,786
	28,870	-	28,870
	1,555,189	-	1,555,189
	2,560,611	(2,560,611)	-
	<u>17,802,850</u>	<u>(1,935,837)</u>	<u>15,867,013</u>
	(550,086)	1,073,706	523,620
	<u>21,833,326</u>	<u>19,306,285</u>	<u>41,139,611</u>
	<u>\$ 21,283,240</u>	<u>\$ 20,379,991</u>	<u>\$ 41,663,231</u>

CITY OF SPENCER
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

Streets

Other 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>
\$ 457,800	\$ -	\$ 457,800
272,521	306,831	579,352
861,674	-	861,674
2,482,696	-	2,482,696
564,611	-	564,611
1,074,623	-	1,074,623
1,898,287	-	1,898,287
895,181	-	895,181
-	3,806,887	3,806,887
-	701,176	701,176
<u>12,775,847</u>	<u>15,565,097</u>	<u>28,340,944</u>
<u>\$ 21,283,240</u>	<u>\$ 20,379,991</u>	<u>\$ 41,663,231</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, 2022**

		Special Revenue	
	General	Road Use	Local Option Sales Tax
RECEIPTS:			
Property tax	\$ 4,371,205	\$ -	\$ -
Tax increment financing	-	-	-
Other city taxes	539,525	-	2,363,144
Licenses and permits	73,806	-	-
Use of money and property	126,453	-	3,126
Intergovernmental	1,917,738	1,563,227	-
Charges for service	585,753	-	-
Special assessments	2,467	-	-
Miscellaneous	381,932	-	-
TOTAL RECEIPTS	<u>7,998,879</u>	<u>1,563,227</u>	<u>2,366,270</u>
DISBURSEMENTS:			
Public safety	3,711,161	-	-
Public works	1,647,926	-	-
Culture and recreation	2,582,291	-	-
Community and economic development	243,039	-	1,067,119
General government	1,407,465	-	-
Debt service	-	-	-
Capital projects	-	-	-
TOTAL DISBURSEMENTS	<u>9,591,882</u>	<u>-</u>	<u>1,067,119</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(1,593,003)</u>	<u>1,563,227</u>	<u>1,299,151</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of assets	28,870	-	-
Debt proceeds net of fees	-	-	-
Operating transfers in	3,615,674	-	-
Operating transfers out	(1,336,509)	(1,355,541)	(1,316,677)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,308,035</u>	<u>(1,355,541)</u>	<u>(1,316,677)</u>
NET CHANGE IN CASH BALANCES	715,032	207,686	(17,526)
CASH BALANCES - BEGINNING OF YEAR	<u>12,879,603</u>	<u>1,690,601</u>	<u>495,658</u>
CASH BALANCES - END OF YEAR	<u>\$ 13,594,635</u>	<u>\$ 1,898,287</u>	<u>\$ 478,132</u>
CASH BASIS FUND BALANCE:			
Nonspendable:			
Permanent fund principal	\$ -	\$ -	\$ -
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Urban renewal purposes	-	-	-
Community and economic development purposes	-	-	478,132
Employee benefits	-	-	-
Streets	-	1,898,287	-
America Rescue Plan Act projects	818,788	-	-
Other purposes	-	-	-
Committed for:			
Public safety purposes	595,225	-	-
Public work purposes	4,478,652	-	-
Culture and recreation purposes	545,004	-	-
Community and economic development purposes	2,172,332	-	-
General government purposes	664,661	-	-
Unassigned	4,319,973	-	-
TOTAL CASH BASIS FUND BALANCES	<u>\$ 13,594,635</u>	<u>\$ 1,898,287</u>	<u>\$ 478,132</u>

<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 538,324	\$ -	\$ 1,787,098	\$ 6,696,627
1,302,907	-	-	-	1,302,907
154,156	5,682	-	19,339	3,081,846
-	-	-	-	73,806
16,162	2,184	18,241	2,199	168,365
-	54,581	79,847	168,675	3,784,068
-	-	-	-	585,753
-	-	170,211	-	172,678
-	-	6,653	435,828	824,413
<u>1,473,225</u>	<u>600,771</u>	<u>274,952</u>	<u>2,413,139</u>	<u>16,690,463</u>
-	-	-	1,423,516	5,134,677
-	-	-	399,457	2,047,383
-	-	-	450,495	3,032,786
863,208	-	-	26,043	2,199,409
-	-	-	656,033	2,063,498
-	1,042,390	-	-	1,042,390
-	-	5,865,076	-	5,865,076
<u>863,208</u>	<u>1,042,390</u>	<u>5,865,076</u>	<u>2,955,544</u>	<u>21,385,219</u>
<u>610,017</u>	<u>(441,619)</u>	<u>(5,590,124)</u>	<u>(542,405)</u>	<u>(4,694,756)</u>
-	-	-	-	28,870
-	-	1,555,189	-	1,555,189
-	463,695	3,252,953	836,270	8,168,592
<u>(383,925)</u>	<u>-</u>	<u>(1,200,329)</u>	<u>(15,000)</u>	<u>(5,607,981)</u>
<u>(383,925)</u>	<u>463,695</u>	<u>3,607,813</u>	<u>821,270</u>	<u>4,144,670</u>
226,092	22,076	(1,982,311)	278,865	(550,086)
<u>2,256,604</u>	<u>250,445</u>	<u>2,843,985</u>	<u>1,416,430</u>	<u>21,833,326</u>
<u>\$ 2,482,696</u>	<u>\$ 272,521</u>	<u>\$ 861,674</u>	<u>\$ 1,695,295</u>	<u>\$ 21,283,240</u>
\$ -	\$ -	\$ -	\$ 457,800	\$ 457,800
-	272,521	-	-	272,521
-	-	861,674	-	861,674
2,482,696	-	-	-	2,482,696
-	-	-	86,479	564,611
-	-	-	1,074,623	1,074,623
-	-	-	-	1,898,287
-	-	-	-	818,788
-	-	-	76,393	76,393
-	-	-	-	595,225
-	-	-	-	4,478,652
-	-	-	-	545,004
-	-	-	-	2,172,332
-	-	-	-	664,661
-	-	-	-	4,319,973
<u>\$ 2,482,696</u>	<u>\$ 272,521</u>	<u>\$ 861,674</u>	<u>\$ 1,695,295</u>	<u>\$ 21,283,240</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, 2022

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>
OPERATING RECEIPTS:			
Charges for services	\$ 3,118,158	\$ 2,299,399	\$ 2,401,537
Miscellaneous	70,299	198,557	15,360
TOTAL OPERATING RECEIPTS	<u>3,188,457</u>	<u>2,497,956</u>	<u>2,416,897</u>
OPERATING DISBURSEMENTS:			
Salaries	87,479	572,776	256,149
Payroll taxes and employee benefits	13,441	94,100	39,852
Repairs and maintenance	49,193	138,000	104,810
Utilities	11,633	13,774	20,263
Contract services	931,220	15,983	88,287
Insurance premiums	-	-	-
Gas and oil	5,856	119,401	87,388
Supplies	4,405	17,438	20,847
Miscellaneous	4,517	134,097	57,671
Statewide ASR fees	-	-	20,000
Collection fee	31,920	31,920	-
Sales tax paid	64,372	43,090	-
Tipping tax	-	-	71,653
TOTAL OPERATING DISBURSEMENTS	<u>1,204,036</u>	<u>1,180,579</u>	<u>766,920</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>1,984,421</u>	<u>1,317,377</u>	<u>1,649,977</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments and rental income	64,353	25,138	104,783
Intergovernmental	-	107,194	22,011
Capital outlay	(42,813)	(527,814)	(290,766)
Revenue bonds/notes principal	(550,000)	-	-
Revenue bonds/notes interest and fees	(145,204)	-	-
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(673,664)</u>	<u>(395,482)</u>	<u>(163,972)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>1,310,757</u>	<u>921,895</u>	<u>1,486,005</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	56,434	-	510,000
Operating transfers out	(1,604,693)	(956,427)	(545,507)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,548,259)</u>	<u>(956,427)</u>	<u>(35,507)</u>
NET CHANGE IN CASH BALANCES	(237,502)	(34,532)	1,450,498
CASH BALANCES - BEGINNING OF YEAR	<u>4,790,400</u>	<u>3,102,928</u>	<u>10,752,318</u>
CASH BALANCES - END OF YEAR	<u>\$ 4,552,898</u>	<u>\$ 3,068,396</u>	<u>\$ 12,202,816</u>

<u>Airport</u>	<u>Total</u>
\$ -	\$ 7,819,094
<u>16,928</u>	<u>301,144</u>
<u>16,928</u>	<u>8,120,238</u>
12,270	928,674
2,041	149,434
29,686	321,689
30,664	76,334
39,246	1,074,736
7,684	7,684
225	212,870
521	43,211
11,762	208,047
-	20,000
-	63,840
-	107,462
-	71,653
<u>134,099</u>	<u>3,285,634</u>
<u>(117,171)</u>	<u>4,834,604</u>
129,356	323,630
69,000	198,205
(165,525)	(1,026,918)
-	(550,000)
-	(145,204)
<u>32,831</u>	<u>(1,200,287)</u>
<u>(84,340)</u>	<u>3,634,317</u>
-	566,434
<u>(20,418)</u>	<u>(3,127,045)</u>
<u>(20,418)</u>	<u>(2,560,611)</u>
(104,758)	1,073,706
<u>660,639</u>	<u>19,306,285</u>
<u>\$ 555,881</u>	<u>\$ 20,379,991</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, 2022

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>
CASH BASIS FUND BALANCES:			
Restricted, expendable for:			
Debt service	\$ 306,831	\$ -	\$ -
Closure and/or postclosure care	-	20,290	3,786,597
Landfill recycling and planning	-	-	701,176
Unrestricted	<u>4,246,067</u>	<u>3,048,106</u>	<u>7,715,043</u>
TOTAL CASH BASIS FUND BALANCES	<u><u>\$ 4,552,898</u></u>	<u><u>\$ 3,068,396</u></u>	<u><u>\$ 12,202,816</u></u>

<u>Airport</u>	<u>Total</u>
\$ -	\$ 306,831
-	3,806,887
-	701,176
<u>555,881</u>	<u>15,565,097</u>
<u>\$ 555,881</u>	<u>\$ 20,379,991</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, 2022**

ADDITIONS:	
Use of money and property	\$ 2,091
Intergovernmental	340,869
Miscellaneous	31,213
TOTAL ADDITIONS	<u>374,173</u>
DEDUCTIONS:	
Community and economic development	51
General government	387,619
TOTAL DEDUCTIONS	<u>387,670</u>
NET CHANGE IN CASH BALANCES	(13,497)
CASH BALANCES - BEGINNING OF YEAR	<u>304,531</u>
CASH BALANCES - END OF YEAR	<u>\$ 291,034</u>

**CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 \$625,565 in lieu of property tax payments to the City.

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. 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, 2022

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 individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental 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 Tax Increment Financial Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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 accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste collection activities.

The Landfill accounts for the operation and maintenance of the City's landfill activities.

The Airport Fund accounts for the operation and maintenance of the City's airport activities.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

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, 2022 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 ensure there will be no loss of public funds.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

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, 2022:

Cash on hand	\$ 5,300
Demand deposits	28,942,871
Money market account	<u>13,006,094</u>
Total cash and investments	41,954,265
Less Fiduciary Funds	<u>(291,034)</u>
City's Cash and Investments	<u>\$41,663,231</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, 2022 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	\$6,330,000	\$ -	\$ 842,000	\$5,488,000	\$ 760,000
Spencer Municipal Utilities -					
Shine Brothers loan	25,000	-	25,000	-	-
Spencer Municipal Utilities -					
E-911 Communication loan	<u>144,000</u>	<u>-</u>	<u>36,000</u>	<u>108,000</u>	<u>36,000</u>
Governmental Activities					
Total	<u>\$6,499,000</u>	<u>\$ -</u>	<u>\$ 903,000</u>	<u>\$5,596,000</u>	<u>\$ 796,000</u>
Business-Type Activities:					
Sewer revenue bonds	<u>\$7,925,000</u>	<u>\$1,570,064</u>	<u>\$ 550,000</u>	<u>\$8,945,064</u>	<u>\$ 692,000</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

3. BONDS AND NOTES PAYABLE - Continued

General Obligation Bonds

A summary of the City's June 30, 2022 general obligation bonds payable is as follows:

Year Ending June 30,	Sewer Impr. Bond - Series 2017 Issued June 9, 2017			General Obligation Bond - Series 2018 Issued March 6, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	2.00%	\$ 70,000	\$ 24,300	3.00%	\$ 125,000	\$ 24,450
2024	2.00	72,000	22,900	3.00	130,000	20,700
2025	2.00	73,000	21,460	3.00	135,000	16,800
2026	2.00	74,000	20,000	3.00	140,000	12,750
2027	2.00	76,000	18,520	3.00	140,000	8,550
2028-2032	2.00	404,000	69,140	3.00	145,000	4,350
2033-2037	2.00	446,000	27,120		-	-
2038		-	-		-	-
Total		<u>\$1,215,000</u>	<u>\$203,440</u>		<u>\$ 815,000</u>	<u>\$ 87,600</u>

Year Ending June 30,	General Obligation Bond - Series 2018B Issued October 30, 2018			Sewer Impr. Bond - Series 2018B Issued June 22, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	4.00%	\$ 245,000	\$ 11,150	2.00%	\$ 70,000	\$ 25,960
2024	3.00	45,000	1,350	2.00	71,000	24,560
2025		-	-	2.00	72,000	23,140
2026		-	-	2.00	74,000	21,700
2027		-	-	2.00	75,000	20,220
2028-2032		-	-	2.00	400,000	77,920
2033-2037		-	-	2.00	442,000	36,260
2038		-	-	2.00	94,000	1,880
Total		<u>\$ 290,000</u>	<u>\$ 12,500</u>		<u>\$1,298,000</u>	<u>\$231,640</u>

Year Ending June 30,	General Obligation Bond - Series 2019 Issued December 2, 2019			Total		
	Interest Rates*	Principal	Interest & Fees	Principal	Interest Rates	Total
2023	3.00%	\$ 250,000	\$ 49,040	\$ 760,000	\$134,900	\$ 894,900
2024	3.00	255,000	41,540	573,000	111,050	684,050
2025	3.00	265,000	33,890	545,000	95,290	640,290
2026	3.00	265,000	25,940	553,000	80,390	633,390
2027	3.00	270,000	15,020	561,000	62,310	623,310
2028-2032	1.70-3.00	565,000	17,990	1,514,000	169,400	1,683,400
2033-2037		-	-	888,000	63,380	951,380
2038		-	-	94,000	1,880	95,880
Total		<u>\$1,870,000</u>	<u>\$183,420</u>	<u>\$5,488,000</u>	<u>\$718,600</u>	<u>\$6,206,600</u>

* Including .25% service fee

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

3. BONDS AND NOTES PAYABLE - Continued

General Obligation Bonds - Continued

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, 2022, the City paid the remaining \$100,000 of principal and \$1,500 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, 2022, the City paid \$69,000 of principal and \$25,680 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, 2022, the City paid \$125,000 of principal and \$28,200 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, 2022, the City paid \$235,000 of principal and \$20,550 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, 2022, the City paid \$68,000 of principal and \$27,320 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, 2022, the City paid \$245,000 principal and \$58,840 of interest on the bonds.

General Obligation Bonds/Notes

General obligation bonds and notes to be serviced by the Debt Service Fund totaled \$5,488,000 at June 30, 2022. A portion of these bonds and notes are anticipated to be repaid by transfers from other funds. In compliance with statutory requirements, all payments on these bonds and notes are recorded as disbursements from the Debt Service Fund; and any payments from other funds are recorded as transfers into the Debt Service Fund.

Other Long-Term Debt

The other long-term debt represents a loan from Spencer Municipal Utilities as follows.

E-911 Communication loan	<u>\$ 108,000</u>
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Loan is interest free and will be paid from the General Fund as loan receivable payments are received from the E-911 Emergency Communications Board.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

3. BONDS AND NOTES PAYABLE - Continued

Revenue Notes

A summary of the City's June 30, 2022 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
2023	3.25%	\$ 375,000	\$ 86,920	1.04%	\$ 188,000	\$ 31,512
2024	3.25	387,000	79,420	1.04	190,000	29,557
2025	3.25	399,000	71,680	1.04	191,000	27,581
2026	3.25	412,000	63,700	1.04	193,000	25,594
2027	3.25	426,000	55,460	1.04	196,000	23,587
2028-2032	3.25	2,347,000	143,820	1.04	1,010,000	86,944
2033-2037	3.25	-	-	1.04	1,062,000	33,374
Total		<u>\$4,346,000</u>	<u>\$ 501,000</u>		<u>\$3,030,000</u>	<u>\$ 258,149</u>

Year Ending June 30,	Sewer Issued August 13, 2021			Total		
	Interest Rates*	Principal	Interest & Fees	Interest & Principal	Fees	Total
2023	2.00%	\$129,000	\$ 56,330	\$ 692,000	\$ 174,762	\$ 866,762
2024	2.00	135,000	28,802	712,000	137,779	849,779
2025	2.00	135,000	26,102	725,000	125,363	850,363
2026	2.00	140,000	23,401	745,000	112,695	857,695
2027	2.00	140,000	20,601	762,000	99,648	861,648
2028-2032	2.00	750,000	59,606	4,107,000	290,370	4,397,370
2033-2037	2.00	140,064	2,801	1,202,064	36,175	1,238,239
Total		<u>\$1,569,064</u>	<u>\$ 217,643</u>	<u>\$8,945,064</u>	<u>\$ 976,792</u>	<u>\$9,921,856</u>

* Including .25% service fee

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, the \$3,960,000 sewer revenue bonds issued in October 2016, and the sewer revenue bonds issued in August 2021. 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 \$9,921,856. For the current year, principal and interest paid on the bonds was \$694,942 and customer net receipts were \$1,984,421. The bonds bear interest ranging from 1.04% to 3.25% including a .25% loan service fee.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

3. BONDS AND NOTES PAYABLE - Continued

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, 2022, the City was in compliance with the revenue bond resolutions.

4. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials, totaling \$55,016 during the year ended June 30, 2022. See item 2022-D in the Schedule of Findings.

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, 2022 is as follows:

Governmental activities:	
General fund	<u>\$ 705,898</u>
Business type activities:	
Proprietary:	
Enterprise:	
Solid waste	75,728
Landfill	<u>22,157</u>
Total business type activities	<u>97,885</u>
 TOTAL	 <u>\$ 803,783</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

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.

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.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

6. PENSION PLAN - Continued

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 2022, 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 6.21% of covered payroll, and the City contributed 9.31% for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2022 were \$344,241.

Net Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the City reported a liability of \$47,575 for its proportionate share of the collective net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was (.0232917)% which was a decrease of .067045% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City's pension expense (benefit), deferred outflows of resources, and deferred inflows of resources totaled \$(213,293), \$404,010, and \$2,583,560, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2021 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, 2021 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 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

6. PENSION PLAN - Continued

Actuarial Assumptions - Continued - The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric 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%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	.29
Public credit	4.0	2.08
Cash	1.0	(.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	<u>3.0</u>	2.87
Total	<u>100.0%</u>	

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 (asset).

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) 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 <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$2,154,136	\$ 47,575	\$(1,717,843)

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.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

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.

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.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

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

Disability and Death Benefits - Continued - 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, 2022.

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 26.18% for the year ended June 30, 2022.

The City's contributions to MFPRSI for the year ended June 30, 2022 totaled \$458,041.

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, 2022.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the City reported a liability of \$1,099,481 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the City's proportion was .489579% which was a decrease of .009483% from its proportions measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense, deferred outflows of resources, and deferred inflows of resources totaling \$30,424, \$660,565, and \$2,341,091, respectively.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

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

Actuarial Assumptions - The total pension liability in the June 30, 2021, 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, 2021 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 beginning in 2017.

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 geometric 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	7.4%
Small cap	8.1
International large cap	7.2
Emerging markets	7.9
Global infrastructure	7.5
Private non-core real estate	11.5
Private credit	6.4
Private equity	10.8
Core plus fixed income	4.0
Private core real estate	7.2

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.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

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

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability (asset) 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 <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
City's proportionate share of the net pension liability (asset)	\$3,253,596	\$1,099,481	\$ (688,309)

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.

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, 2022, the City contributed \$1,163,822 and plan members eligible for benefits contributed \$298,129 to the plan. In addition, Clay County contributed \$50,815 to the plan for communication center employees. At June 30, 2022 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, 2022, there were 81 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 794 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.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

9. RISK MANAGEMENT - Continued

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, 2022 were \$257,344.

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, 2022, 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, 2022 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.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

11. CONTRACT AND OTHER COMMITMENTS

The City has entered into contracts totaling \$4,804,000 for various construction projects. As of June 30, 2022, disbursements on those contracts totaled \$3,797,000. The remaining \$1,007,000 will be paid as the work on the projects is completed.

12. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer to	Transfer from	Amount
General Fund	Local Option Sales Tax	\$ 137,687
	Road Use Tax	1,172,978
	Capital Projects	1,200,329
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	685,746
	Solid Waste	166,077
	Landfill	230,925
	Airport	6,932
	Nonmajor Governmental:	
	Special Revenue:	
	SSMID	<u>15,000</u>
Total General Fund		<u>3,615,674</u>
Debt Service	Proprietary:	
	Enterprise:	
	Sanitary sewer	182,170
	Tax Increment Financing	<u>281,525</u>
Total Debt Service		<u>463,695</u>
Capital Projects	General	1,127,661
	Road Use Tax	182,563
	Local Option Sales Tax	1,178,990
	Tax Increment Financing	102,400
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	627,468
	Solid Waste	6,034
	Landfill	15,210
	Airport	<u>12,627</u>
Total Capital Projects		<u>3,252,953</u>
Nonmajor Governmental:		
Special Revenue:		
Federal and State Retirement	General	178,848
	Enterprise:	
	Sanitary Sewer	22,523
	Solid Waste	26,745
	Landfill	<u>31,647</u>
Total Federal and State Retirement		<u>259,763</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

12. INTERFUND TRANSFERS - Continued

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Workers' Compensation Insurance	Proprietary:	
	Enterprise:	
	Sanitary Sewer	\$ 1,786
	Solid Waste	47,571
	Landfill	11,291
	Airport	859
Total Workers' Compensation Insurance		<u>61,507</u>
Nonmajor Governmental - Continued:		
Special Revenue - Continued:		
Unemployment	General	<u>30,000</u>
Group Medical/Life Insurance	Proprietary:	
	Enterprise:	
	Sanitary Sewer	85,000
	Solid Waste	200,000
	Landfill	200,000
Total Group Medical/Life Insurance		<u>485,000</u>
Total Nonmajor Governmental		<u>836,270</u>
Total Governmental Funds		<u>8,168,592</u>
Proprietary:		
Enterprise:		
Sanitary Sewer	Proprietary:	
	Enterprise:	
	Landfill	<u>56,434</u>
Landfill	Proprietary:	
	Enterprise:	
	Solid Waste	<u>510,000</u>
Total Proprietary Funds		<u>566,434</u>
TOTAL OPERATING TRANSFERS		<u>\$8,735,026</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, 2022

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 \$1,706,230 for closure and \$2,385,000 for postclosure, for a total of \$4,091,230 as of June 30, 2022. In the current year, no disbursements were made for landfill closure costs. Currently the estimated remaining life of the landfill is 15 months with approximately 45% of the landfill's capacity used at June 30, 2022.

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, 2022, assets of \$3,786,597 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.

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

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2022

13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS - Continued

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

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 \$6,885,527, 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, 2022, the City rebated \$863,208 of incremental property tax to the developers. At June 30, 2022, the remaining balances to be paid on the agreements totaled \$6,022,319.

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, 2022, the City abated \$863,208 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 2022, the City entered into construction contracts totaling approximately \$3,980,000.

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, 2022**

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
RECEIPTS:			
Property tax	\$ 1,787,098	\$ -	\$ 1,787,098
Other city taxes	19,339	-	19,339
Use of money and property	1,064	1,135	2,199
Intergovernmental	168,675	-	168,675
Miscellaneous	414,128	21,700	435,828
TOTAL RECEIPTS	<u>2,390,304</u>	<u>22,835</u>	<u>2,413,139</u>
DISBURSEMENTS:			
Public safety	1,423,516	-	1,423,516
Public works	399,457	-	399,457
Culture and recreation	449,906	589	450,495
Community and economic development	10,595	15,448	26,043
General government	656,033	-	656,033
TOTAL DISBURSEMENTS	<u>2,939,507</u>	<u>16,037</u>	<u>2,955,544</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(549,203)</u>	<u>6,798</u>	<u>(542,405)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	836,270	-	836,270
Operating transfers out	(15,000)	-	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>821,270</u>	<u>-</u>	<u>821,270</u>
NET CHANGE IN CASH BALANCES	272,067	6,798	278,865
CASH BALANCES - BEGINNING OF YEAR	<u>922,888</u>	<u>493,542</u>	<u>1,416,430</u>
CASH BALANCES - END OF YEAR	<u>\$ 1,194,955</u>	<u>\$ 500,340</u>	<u>\$ 1,695,295</u>
CASH BASIS FUND BALANCES:			
Nonspendable:			
Permanent fund principal	\$ -	\$ 457,800	\$ 457,800
Restricted for:			
Community and economic development purposes	86,201	278	86,479
Employee benefits	1,074,623	-	1,074,623
Police purposes	34,131	-	34,131
Cemetery purposes	-	21,468	21,468
Park purposes	-	20,794	20,794
TOTAL CASH BASIS FUND BALANCES	<u>\$ 1,194,955</u>	<u>\$ 500,340</u>	<u>\$ 1,695,295</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, 2022

	<u>SSMID</u>	<u>Police Retirement Systems</u>	<u>Civil Service Expenses</u>	<u>Police Special Proceeds</u>	<u>Fire Pension Accumulation</u>
RECEIPTS:					
Property tax	\$ 98,175	\$ 321,827	\$ 13,679	\$ -	\$ 84,188
Other city taxes	-	3,685	157	-	964
Use of money and property	-	574	92	203	195
Intergovernmental	8,236	19,873	512	-	3,152
Miscellaneous	-	-	3,475	-	-
TOTAL RECEIPTS	<u>106,411</u>	<u>345,959</u>	<u>17,915</u>	<u>203</u>	<u>88,499</u>
DISBURSEMENTS:					
Public safety	-	366,089	10,169	-	91,951
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	10,595	-	-	-	-
General government	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>10,595</u>	<u>366,089</u>	<u>10,169</u>	<u>-</u>	<u>91,951</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>95,816</u>	<u>(20,130)</u>	<u>7,746</u>	<u>203</u>	<u>(3,452)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(15,000)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH BALANCES	<u>80,816</u>	<u>(20,130)</u>	<u>7,746</u>	<u>203</u>	<u>(3,452)</u>
CASH BALANCES - BEGINNING OF YEAR	<u>5,385</u>	<u>112,680</u>	<u>12,370</u>	<u>33,928</u>	<u>35,613</u>
CASH BALANCES - END OF YEAR	<u>\$ 86,201</u>	<u>\$ 92,550</u>	<u>\$ 20,116</u>	<u>\$ 34,131</u>	<u>\$ 32,161</u>
CASH BASIS FUND BALANCES:					
Restricted for:					
Community and economic development purposes	\$ 86,201	\$ -	\$ -	\$ -	\$ -
Employee benefits	-	92,550	20,116	-	32,161
Police purposes	-	-	-	34,131	-
TOTAL CASH BASIS FUND BALANCES	<u>\$ 86,201</u>	<u>\$ 92,550</u>	<u>\$ 20,116</u>	<u>\$ 34,131</u>	<u>\$ 32,161</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>
\$ 212,941	\$ 163,895	\$ -	\$ 892,393	\$ 1,787,098
2,438	1,877	-	10,218	19,339
-	-	-	-	1,064
37,357	6,137	-	93,408	168,675
-	31,005	-	379,648	414,128
<u>252,736</u>	<u>202,914</u>	<u>-</u>	<u>1,375,667</u>	<u>2,390,304</u>
134,272	104,589	-	716,446	1,423,516
107,989	39,224	-	252,244	399,457
168,939	24,667	-	256,300	449,906
-	-	-	-	10,595
<u>98,907</u>	<u>63,065</u>	<u>23,112</u>	<u>470,949</u>	<u>656,033</u>
<u>510,107</u>	<u>231,545</u>	<u>23,112</u>	<u>1,695,939</u>	<u>2,939,507</u>
<u>(257,371)</u>	<u>(28,631)</u>	<u>(23,112)</u>	<u>(320,272)</u>	<u>(549,203)</u>
259,763	61,507	30,000	485,000	836,270
-	-	-	-	(15,000)
<u>259,763</u>	<u>61,507</u>	<u>30,000</u>	<u>485,000</u>	<u>821,270</u>
2,392	32,876	6,888	164,728	272,067
<u>(2,392)</u>	<u>288,163</u>	<u>24,911</u>	<u>412,230</u>	<u>922,888</u>
<u>\$ -</u>	<u>\$ 321,039</u>	<u>\$ 31,799</u>	<u>\$ 576,958</u>	<u>\$ 1,194,955</u>
\$ -	\$ -	\$ -	\$ -	\$ 86,201
-	321,039	31,799	576,958	1,074,623
-	-	-	-	34,131
<u>\$ -</u>	<u>\$ 321,039</u>	<u>\$ 31,799</u>	<u>\$ 576,958</u>	<u>\$ 1,194,955</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, 2022

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund
RECEIPTS:				
Use of money and property	\$ -	\$ 127	\$ 37	\$ 466
Miscellaneous.....	5,300	-	400	1,000
TOTAL RECEIPTS	5,300	127	437	1,466
DISBURSEMENTS:				
Culture and recreation	-	589	-	-
Community and economic development	-	-	-	-
TOTAL DISBURSEMENTS	-	589	-	-
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	5,300	(462)	437	1,466
CASH BALANCES - BEGINNING OF YEAR	304,454	21,930	6,443	76,700
CASH BALANCES - END OF YEAR	\$ 309,754	\$ 21,468	\$ 6,880	\$ 78,166
CASH BASIS FUND BALANCES:				
Nonspendable:				
Permanent fund principal	\$ 309,754	\$ -	\$ 6,880	\$ 78,166
Restricted for:				
Cemetery purposes	-	21,468	-	-
Community development purposes	-	-	-	-
Park purposes	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	\$ 309,754	\$ 21,468	\$ 6,880	\$ 78,166

<u>Griffin Trust Fund</u>	<u>Hoepner Trust Fund</u>	<u>Leach Park Fund</u>	<u>Total</u>
\$ 383	\$ -	\$ 122	\$ 1,135
-	15,000	-	21,700
<u>383</u>	<u>15,000</u>	<u>122</u>	<u>22,835</u>
-	-	-	589
448	15,000	-	15,448
<u>448</u>	<u>15,000</u>	<u>-</u>	<u>16,037</u>
(65)	-	122	6,798
<u>63,343</u>	<u>-</u>	<u>20,672</u>	<u>493,542</u>
<u>\$ 63,278</u>	<u>\$ -</u>	<u>\$ 20,794</u>	<u>\$ 500,340</u>
\$ 63,000	\$ -	\$ -	\$ 457,800
-	-	-	21,468
278	-	-	278
<u>-</u>	<u>-</u>	<u>20,794</u>	<u>20,794</u>
<u>\$ 63,278</u>	<u>\$ -</u>	<u>\$ 20,794</u>	<u>\$ 500,340</u>

**CITY OF SPENCER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2022**

	<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	1.50%	\$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	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 - series 2019	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 bonds (Build America Bonds)	12-2010	3.25% ⁽¹⁾	7,500,000	6-01-2032
Sewer revenue bond - series 2016	10-2016	1.04% ⁽¹⁾	3,960,000	6-01-2037
Sewer revenue bond - series 2021	8-2021	2.00%	1,570,064 ⁽²⁾	6-01-2041
TOTAL BUSINESS TYPE ACTIVITIES				

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

⁽²⁾ Represents cumulative advances on \$2,975,000 bond issue.

Schedule 4

<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>
\$ 100,000	\$ -	\$ 100,000	\$ -	\$ 2,000	\$ -
1,284,000	-	69,000	1,215,000	25,680	-
940,000	-	125,000	815,000	28,800	-
525,000	-	235,000	290,000	21,150	-
1,366,000	-	68,000	1,298,000	27,320	-
<u>2,115,000</u>	<u>-</u>	<u>245,000</u>	<u>1,870,000</u>	<u>59,440</u>	<u>-</u>
6,330,000	-	842,000	5,488,000	164,390	-
25,000	-	25,000	-	-	-
<u>144,000</u>	<u>-</u>	<u>36,000</u>	<u>108,000</u>	<u>-</u>	<u>-</u>
<u>\$6,499,000</u>	<u>\$ -</u>	<u>\$ 903,000</u>	<u>\$5,596,000</u>	<u>\$164,390</u>	<u>\$ -</u>
\$4,709,000	\$ -	\$ 363,000	\$4,346,000	\$ 94,443	\$ -
3,216,000	-	186,000	3,030,000	33,446	-
<u>-</u>	<u>1,570,064</u>	<u>1,000</u>	<u>1,569,064</u>	<u>17,316</u>	<u>-</u>
<u>\$7,925,000</u>	<u>\$1,570,064</u>	<u>\$ 550,000</u>	<u>\$8,945,064</u>	<u>\$145,205</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, 2022

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property tax	\$ 6,696,627	\$ -	\$ 6,696,627
Tax increment financing revenues	1,302,907	-	1,302,907
Other city taxes	3,081,846	-	3,081,846
Licenses and permits	73,806	-	73,806
Use of money and property	168,365	323,630	491,995
Intergovernmental	3,784,068	198,205	3,982,273
Charges for service	585,753	7,819,094	8,404,847
Special assessments	172,678	-	172,678
Miscellaneous	824,413	301,144	1,125,557
TOTAL RECEIPTS	<u>16,690,463</u>	<u>8,642,073</u>	<u>25,332,536</u>
DISBURSEMENTS:			
Public safety	5,134,677	-	5,134,677
Public works	2,047,383	-	2,047,383
Culture and recreation	3,032,786	-	3,032,786
Community and economic development	2,199,409	-	2,199,409
General government	2,063,498	-	2,063,498
Debt service	1,042,390	-	1,042,390
Capital projects	5,865,076	-	5,865,076
Business type	-	5,007,756	5,007,756
TOTAL DISBURSEMENTS	<u>21,385,219</u>	<u>5,007,756</u>	<u>26,392,975</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(4,694,756)</u>	<u>3,634,317</u>	<u>(1,060,439)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of assets	28,870	-	28,870
Proceeds from bonds	1,555,189	-	1,555,189
Operating transfers in	8,168,592	566,434	8,735,026
Operating transfers out	<u>(5,607,981)</u>	<u>(3,127,045)</u>	<u>(8,735,026)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,144,670</u>	<u>(2,560,611)</u>	<u>1,584,059</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	(550,086)	1,073,706	523,620
BALANCE - BEGINNING OF YEAR	<u>21,833,326</u>	<u>19,306,285</u>	<u>41,139,611</u>
BALANCE - END OF YEAR	<u>\$ 21,283,240</u>	<u>\$ 20,379,991</u>	<u>\$ 41,663,231</u>

<u>Original Budget</u>	<u>Final Budget</u>	<u>Final to Actual Variance</u>
\$ 6,662,904	\$ 6,662,904	\$ 33,723
1,382,907	1,382,907	(80,000)
2,603,444	2,603,444	478,402
61,400	61,400	12,406
396,650	396,650	95,345
3,029,766	3,029,766	952,507
7,893,255	7,893,255	511,592
132,612	132,612	40,066
<u>4,507,838</u>	<u>4,507,838</u>	<u>(3,382,281)</u>
<u>26,670,776</u>	<u>26,670,776</u>	<u>(1,338,240)</u>
5,008,345	5,562,846	428,169
2,776,701	2,842,814	795,431
2,946,947	3,289,132	256,346
2,297,216	2,575,046	375,637
2,133,628	2,180,374	116,876
1,043,550	1,068,550	26,160
5,690,120	6,453,116	588,040
<u>4,952,849</u>	<u>5,752,848</u>	<u>745,092</u>
<u>26,849,356</u>	<u>29,724,726</u>	<u>3,331,751</u>
<u>(178,580)</u>	<u>(3,053,950)</u>	<u>1,993,511</u>
-	-	28,870
-	-	1,555,189
10,848,411	10,848,411	(2,113,385)
<u>(10,848,411)</u>	<u>(10,848,411)</u>	<u>2,113,385</u>
<u>-</u>	<u>-</u>	<u>1,584,059</u>
(178,580)	(3,053,950)	<u>\$ 3,577,570</u>
<u>35,238,933</u>	<u>35,238,933</u>	
<u>\$ 35,060,353</u>	<u>\$ 32,184,983</u>	

**CITY OF SPENCER
NOTES TO SCHEDULE 5 - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2022**

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 \$2,875,370. 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 EIGHT YEARS *
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2022</u>	<u>2021</u>
City's proportion of the net pension liability	(.0232917)%	.0437533%
City's proportionate share of the net pension liability	\$ 48	\$ 3,066
City's covered-employee payroll	\$ 3,545	\$ 3,488
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.35%	87.90%
Plan fiduciary net position as a percentage of the total pension liability	100.81%	82.90%

* 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 EIGHT YEARS *
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2022</u>	<u>2021</u>
City's proportion of the net pension liability489579%	.499062%
City's proportionate share of the net pension liability	\$ 1,099	\$ 3,981
City's covered-employee payroll	\$ 1,614	\$ 1,586
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	68.09%	251.01%
Plan fiduciary net position as a percentage of the total pension liability	93.62%	76.47%

* 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 6

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
.0439483%	.0421934%	.043928%	.042388%	.042779%	.043983%
\$ 2,549	\$ 2,669	\$ 2,908	\$ 2,652	\$ 2,108	\$ 1,746
\$ 3,368	\$ 3,217	\$ 3,289	\$ 3,072	\$ 2,963	\$ 2,921
75.68%	92.97%	88.42%	86.33%	71.14%	59.77%
85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
.475515%	.490919%	.509766%	.503138%	.495032%	.504315%
\$ 3,119	\$ 2,922	\$ 2,990	\$ 3,146	\$ 2,326	\$ 1,828
\$ 1,433	\$ 1,427	\$ 1,444	\$ 1,363	\$ 1,298	\$ 1,287
217.66%	204.77%	207.06%	230.81%	179.20%	141.95%
79.94%	81.07%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 344	\$ 335	\$ 328	\$ 319	\$ 286	\$ 294
Contributions in relation to the statutorily required contribution	<u>344</u>	<u>335</u>	<u>328</u>	<u>319</u>	<u>286</u>	<u>294</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	\$3,647	\$3,545	\$3,488	\$3,368	\$3,217	\$3,289
Contributions as a percentage of covered-employee payroll	9.43%	9.44%	9.42%	9.46%	8.90%	8.94%

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

OTHER INFORMATION (UNAUDITED)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 458	\$ 409	\$ 387	\$ 374	\$ 366	\$ 374
Contributions in relation to the statutorily required contribution	<u>458</u>	<u>409</u>	<u>387</u>	<u>374</u>	<u>366</u>	<u>374</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	\$1,750	\$1,614	\$1,586	\$1,433	\$1,427	\$1,444
Contributions as a percentage of covered-employee payroll	26.18%	25.32%	24.41%	26.14%	25.68%	25.92%

Schedule 7

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 275	\$ 265	\$ 261	\$ 255
<u>275</u>	<u>265</u>	<u>261</u>	<u>255</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$3,072	\$2,963	\$2,921	\$2,939
8.94%	8.94%	8.94%	8.68%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 379	\$ 395	\$ 388	\$ 330
<u>379</u>	<u>395</u>	<u>388</u>	<u>330</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$1,383	\$1,298	\$1,287	\$1,265
27.77%	30.41%	30.12%	26.12%

**CITY OF SPENCER
NOTES TO OTHER INFORMATION - PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2022**

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 (unfunded actuarial liability) 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, 2022**

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
RECEIPTS:				
Property taxes	\$ 6,696,627	\$ 6,610,142	\$ 5,923,396	\$ 5,881,627
Tax increment financing revenues	1,302,907	1,272,474	1,245,743	1,285,662
Other city taxes	3,081,846	3,016,075	2,976,347	2,651,486
Licenses and permits	73,806	59,354	69,984	66,892
Use of money and property	168,365	182,026	289,292	274,165
Intergovernmental	3,784,068	3,835,432	3,547,194	4,605,519
Charges for services	585,753	560,073	196,264	243,845
Special assessments	172,678	394,766	412,255	287,971
Miscellaneous	<u>824,413</u>	<u>1,167,626</u>	<u>983,885</u>	<u>836,903</u>
 TOTAL RECEIPTS	 <u>\$16,690,463</u>	 <u>\$17,097,968</u>	 <u>\$15,644,360</u>	 <u>\$16,134,070</u>
 DISBURSEMENTS:				
Public safety	\$ 5,134,677	\$ 4,407,620	\$ 4,325,942	\$ 4,001,585
Public works.....	2,047,383	2,054,269	2,091,885	1,829,178
Culture and recreation	3,032,786	2,664,520	2,035,328	1,883,716
Community and economic development	2,199,409	2,700,238	2,158,082	1,974,563
General government	2,063,498	2,148,323	1,842,547	1,735,802
Debt service	1,042,390	1,051,670	1,149,648	843,553
Capital projects	<u>5,865,076</u>	<u>2,571,962</u>	<u>7,106,070</u>	<u>7,252,704</u>
 TOTAL DISBURSEMENTS	 <u>\$21,385,219</u>	 <u>\$17,598,602</u>	 <u>\$20,709,502</u>	 <u>\$19,521,101</u>

Schedule 8

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 5,657,567	\$ 5,624,241	\$ 5,085,638	\$ 5,079,366	\$ 4,972,177	\$ 4,930,379
976,405	835,048	687,244	695,254	524,142	442,736
2,912,127	2,727,248	2,615,039	2,478,156	2,309,189	2,345,925
81,145	62,666	70,121	63,500	66,000	58,659
176,350	139,064	131,492	120,978	137,076	160,088
3,557,441	3,154,713	2,752,796	2,633,718	3,104,374	2,670,257
214,718	195,541	276,423	245,956	259,864	278,030
333,632	408,425	161,268	148,630	219,308	190,218
<u>711,491</u>	<u>788,070</u>	<u>627,625</u>	<u>1,174,940</u>	<u>685,782</u>	<u>1,004,429</u>
<u>\$14,620,876</u>	<u>\$13,935,016</u>	<u>\$12,407,646</u>	<u>\$12,640,498</u>	<u>\$12,277,912</u>	<u>\$12,080,721</u>
\$ 3,110,546	\$ 3,186,696	\$ 3,010,045	\$ 3,289,444	\$ 2,893,767	\$ 2,628,742
1,632,301	1,528,724	1,482,858	1,386,951	1,382,115	1,488,739
1,561,764	1,610,387	1,516,305	1,514,083	1,359,564	1,426,172
2,104,508	1,718,764	1,617,387	1,933,571	1,671,969	1,716,338
2,900,710	2,720,445	2,295,139	2,314,559	2,519,300	1,883,162
978,849	1,763,497	1,544,948	1,159,849	1,226,883	2,691,798
<u>5,120,509</u>	<u>1,823,307</u>	<u>1,385,932</u>	<u>2,609,423</u>	<u>3,078,688</u>	<u>3,131,125</u>
<u>\$17,409,187</u>	<u>\$14,351,820</u>	<u>\$12,852,614</u>	<u>\$14,207,880</u>	<u>\$14,132,286</u>	<u>\$14,966,076</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, 2022, 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 December 27, 2022. 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.

Report on 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.

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

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

Report on 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 financial statements. 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, 2022 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 Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Winter, Stave & Co., LLA

December 27, 2022
Spencer, Iowa

**CITY OF SPENCER
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

No findings were noted.

Instances of Non-Compliance:

No findings were noted.

Part II: Other Findings Related to Required Statutory Reporting

2022-A Certified Budget - Disbursements during the year ended June 30, 2022 did not exceed the amounts budgeted.

2022-B Questionable Disbursements - We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

2022-C Travel Expense - No expenditures of the City for travel expenses of spouses of City officials or employees were noted.

2022-D 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 through 12-31-2021 Partial owner of Spencer Auto Parts	Supplies	\$ 5,044
Donavon Wunschel, Council Member Partial owner of Midwestern Mechanical	Supplies, pool repairs	\$47,106
Partial owner of Copper Cottage	Supplies	\$ 2,866

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Council Member may represent a conflict of interest since total transactions with one of the businesses 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 which included \$26,796 for a pool heater that went through the bidding process. We will evaluate our procedures for future related party transactions.

Conclusion - Response accepted.

CITY OF SPENCER
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2022

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

- 2022-E 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.
- 2022-F 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.
- 2022-G Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- 2022-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- 2022-I Revenue Notes - No instances of noncompliance with the revenue bond and note resolutions were noted.
- 2022-J Financial Assurance - As of June 30, 2022, 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.
- 2022-K Urban Renewal Annual Report - The urban renewal annual report for the fiscal year ended June 30, 2021 was approved and certified to the Iowa Department of Management on or before December 1, 2021.
- 2022-L Donations to Private Non-profit Corporations - During the year ended June 30, 2022, the City donated to various private non-profit corporations, including payments for renaissance grants to four entities.

Recommendation - The City may not have statutory authority to donate public funds to private non-profit organizations. However, public funds may be provided to a non-profit entity when the payment is for certain economic development purposes or when the City enters into a contract for services with the non-profit entity. The City should develop applicable documentation to support the compliance of such donations with applicable statutes as they have done for other non-profit transactions.

Response - The City's administrative staff and City council will discuss the necessary documentation detailing the public purpose of the disbursements to all entities.

Conclusion - Response accepted.