

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

JUNE 30, 2023

CITY OF SPENCER
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CITY OF SPENCER
DIRECTORY OF CITY OFFICIALS
AS OF JUNE 30, 2023

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
Mary Beth Breidinger

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

DIRECTOR OF PUBLIC WORKS
Mark White

CHIEF OF POLICE
Mark Warburton

FIRE CHIEF - INTERIM
Mark Stover

PLANNING DIRECTOR
Adam Severson

PARK DIRECTOR
Bob Fullhart

LIBRARY DIRECTOR
Sarah Beth Red Wing-Fuchsen

DIRECTOR GOLF OPERATIONS
Brian Mohr

CITY ATTORNEY
Donald J. Hemphill



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Certified Public Accountants

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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, 2023, 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, 2023, 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, 2023, 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 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 judgment 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 judgment 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 judgment, 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 this 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 January 12, 2024 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 solely 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 effectiveness of the City's 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, LLC

January 12, 2024
Spencer, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

The City of Spencer provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2023. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2023 Financial Highlights

- The City's total cash basis net position increased \$692,831 from June 30, 2022 to June 30, 2023. Of this amount, the cash basis net position of the governmental activities increased by \$624,142 and the cash basis net position of the business type activities increased \$68,689.
- The cash basis net position of fiduciary (custodial) funds increased by \$11,329.

Using this Annual Report

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

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

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

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

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

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

Basis of Accounting

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

Reporting The City'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, (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 increased from a year ago, increasing from \$21,283,240 to \$21,907,382. 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, 2023</u>	For the Year Ended <u>June 30, 2022</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services	\$ 868,979	\$ 885,202	\$ (16,223)
Operating grants and contributions	2,063,108	2,037,240	25,868
Capital grants and contributions	985,003	109,841	875,162
General receipts:			
Property and other city taxes	7,451,952	7,069,856	382,096
Tax increment financing	1,207,513	1,302,907	(95,394)
Commercial and industrial replacement	218,156	253,440	(35,284)
American Rescue Plan Act	818,787	818,788	(1)
Payments in lieu of tax	625,565	625,565	-
Local option sales tax	2,369,477	2,363,144	6,333
Hotel/motel tax	378,730	345,473	33,257
Use of money and property	387,590	168,365	219,225
Proceeds from sale of assets	18,596	28,870	(10,274)
Unrestricted miscellaneous	761,407	710,642	50,765
Debt proceeds	<u>1,747,269</u>	<u>1,555,189</u>	<u>192,080</u>
Total receipts	<u>19,902,132</u>	<u>18,274,522</u>	<u>1,627,610</u>
Disbursements:			
Public safety	4,858,296	5,134,677	(276,381)
Public works	1,910,129	2,047,314	(137,185)
Culture and recreation	3,245,596	3,033,155	212,441
Community and economic development	2,179,093	2,199,409	(20,316)
General government	2,197,602	2,063,198	134,404
Debt service	932,700	1,042,390	(109,690)
Capital projects	<u>7,181,859</u>	<u>5,865,076</u>	<u>1,316,783</u>
Total disbursements	<u>22,505,275</u>	<u>21,385,219</u>	<u>1,120,056</u>
Change in cash basis net position before transfers	(2,603,143)	(3,110,697)	507,554
Net transfers	<u>3,227,285</u>	<u>2,560,611</u>	<u>666,674</u>
Change in cash basis net position	624,142	(550,086)	1,174,228
Cash basis net position - beginning of year	<u>21,283,240</u>	<u>21,833,326</u>	<u>(550,086)</u>
Cash basis net position - end of year	<u>\$21,907,382</u>	<u>\$21,283,240</u>	<u>\$ 624,142</u>

The total business type activities cash balance increased from a year ago, increasing from \$20,379,991 to \$20,448,680. 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

	<u>For the Year Ended June 30, 2023</u>	<u>For the Year Ended June 30, 2022</u>	<u>Increase (Decrease)</u>
Receipts:			
Program receipts:			
Charges for services:			
Sanitary sewer	\$ 3,329,180	\$ 3,118,158	\$ 211,022
Solid waste	2,374,024	2,299,399	74,625
Landfill	2,019,726	2,401,537	(381,811)
Operating grants and contributions	52,726	176,194	(123,468)
Capital grants and contributions	93,410	22,011	71,399
General receipts:			
Use of money and property	687,887	323,630	364,257
Proceeds from sale of assets	28,830	-	28,830
Unrestricted miscellaneous	<u>186,856</u>	<u>301,144</u>	<u>(114,288)</u>
Total receipts	<u>8,772,639</u>	<u>8,642,073</u>	<u>130,566</u>
Disbursements:			
Sanitary sewer	2,261,845	1,942,053	319,792
Solid waste	1,400,892	1,708,393	(307,501)
Landfill	1,669,465	1,057,686	611,779
Airport	<u>144,463</u>	<u>299,624</u>	<u>(155,161)</u>
Total disbursements	<u>5,476,665</u>	<u>5,007,756</u>	<u>468,909</u>
Change in cash basis net position before transfers	3,295,974	3,634,317	(338,343)
Net transfers	<u>(3,227,285)</u>	<u>(2,560,611)</u>	<u>(666,674)</u>
Change in cash basis net position	68,689	1,073,706	(1,005,017)
Cash basis net position - beginning of year	<u>20,379,991</u>	<u>19,306,285</u>	<u>1,073,706</u>
Cash basis net position - end of year	<u>\$20,448,680</u>	<u>\$20,379,991</u>	<u>\$ 68,689</u>

Individual Major Governmental Fund Analysis

The City's governmental funds showed a combined cash basis fund balance of \$21,907,382 at June 30, 2023 which was 624,142 more than last year. A summary of the changes is as follows:

	<u>Cash Balances June 30, 2023</u>	<u>Cash Balances June 30, 2022</u>	<u>Increase (Decrease)</u>
General	\$ 9,769,712	\$13,594,635	\$(3,824,923)
Road use tax	2,064,287	1,898,287	166,000
Local option sales tax	608,586	478,132	130,454
Tax increment financing	2,852,651	2,482,696	369,955
Debt service	334,274	272,521	61,753
Capital projects	4,425,652	861,674	3,563,978
Total nonmajor governmental funds	<u>1,852,220</u>	<u>1,695,295</u>	<u>156,925</u>
Total	<u>\$21,907,382</u>	<u>\$21,283,240</u>	<u>\$ 624,142</u>

Individual Major Business Type Fund Analysis

The City's business type funds showed a combined cash basis fund balance of \$20,448,680 at June 30, 2023 which was \$68,689 more than last year. A summary of the changes is as follows:

	<u>Cash Balances</u> <u>June 30, 2023</u>	<u>Cash Balances</u> <u>June 30, 2022</u>	<u>Increase</u> <u>(Decrease)</u>
Sanitary sewer	\$ 4,021,612	\$ 4,552,898	\$ (531,286)
Solid waste	3,161,074	3,068,396	92,678
Landfill	12,615,965	12,202,816	413,149
Nonmajor proprietary funds	<u>650,029</u>	<u>555,881</u>	<u>94,148</u>
Total	<u>\$20,448,680</u>	<u>\$20,379,991</u>	<u>\$ 68,689</u>

Budgetary Highlights

The City amended the budget on November 7, 2022 and May 1, 2023. The amendments were to budget for increased capital project disbursements, equipment repairs, emerald ash borer tree removal, and insurance premiums

The City's receipts were \$2,694,061 more than budgeted receipts.

The City's total disbursements were \$2,405,071 under the budgeted amounts.

Debt Administration

At June 30, 2023, the City had \$14,695,434 of debt outstanding, compared to \$14,541,064 last year as shown below:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
General obligation bonds and notes	\$ 4,728,000	\$ 5,488,000
Other long-term debt	72,000	108,000
Revenue bonds and notes	<u>9,895,434</u>	<u>8,945,064</u>
Total all debt	<u>\$14,695,434</u>	<u>\$14,541,064</u>

Economic Factors

The budget for fiscal year ending June 30, 2024 saw an increase in overall expenditures of \$813,883 (a 3.24% increase). This increase is mainly derived by higher capital expenditures in fiscal year 2024 compared to fiscal year 2023.

The property tax rate increased to \$13.18964 per \$1,000 of taxable valuation for fiscal year 2024. 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.

**CITY OF SPENCER
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Program Receipts</u> <u>Operating Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 4,858,296	\$ 137,248	\$ 261,486
Public works	1,910,129	20,468	1,558,447
Culture and recreation	3,245,596	533,191	68,705
Community and economic development	2,179,093	-	47,713
General government	2,197,602	18,645	126,757
Debt service	932,700	-	-
Capital projects	7,181,859	159,427	-
Total governmental activities	<u>22,505,275</u>	<u>868,979</u>	<u>2,063,108</u>
Business type activities:			
Sanitary sewer	2,261,845	3,329,180	-
Solid waste	1,400,892	2,374,024	29,610
Landfill	1,669,465	2,019,726	116
Airport	144,463	-	23,000
Total business type activities	<u>5,476,665</u>	<u>7,722,930</u>	<u>52,726</u>
TOTAL	<u>\$ 27,981,940</u>	<u>\$ 8,591,909</u>	<u>\$ 2,115,834</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

<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Position</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ -	\$ (4,459,562)	\$ -	\$ (4,459,562)
-	(331,214)	-	(331,214)
-	(2,643,700)	-	(2,643,700)
-	(2,131,380)	-	(2,131,380)
30,000	(2,022,200)	-	(2,022,200)
-	(932,700)	-	(932,700)
955,003	(6,067,429)	-	(6,067,429)
<u>985,003</u>	<u>(18,588,185)</u>	<u>-</u>	<u>(18,588,185)</u>
-	-	1,067,335	1,067,335
-	-	1,002,742	1,002,742
34,410	-	384,787	384,787
<u>59,000</u>	<u>-</u>	<u>(62,463)</u>	<u>(62,463)</u>
93,410	-	2,392,401	2,392,401
<u>\$ 1,078,413</u>	<u>(18,588,185)</u>	<u>2,392,401</u>	<u>(16,195,784)</u>
	6,894,382	-	6,894,382
	557,570	-	557,570
	218,156	-	218,156
	818,787	-	818,787
	1,207,513	-	1,207,513
	625,565	-	625,565
	2,369,477	-	2,369,477
	378,730	-	378,730
	387,590	687,887	1,075,477
	761,407	186,856	948,263
	18,596	28,830	47,426
	1,747,269	-	1,747,269
	<u>3,227,285</u>	<u>(3,227,285)</u>	<u>-</u>
	<u>19,212,327</u>	<u>(2,323,712)</u>	<u>16,888,615</u>
	624,142	68,689	692,831
	<u>21,283,240</u>	<u>20,379,991</u>	<u>41,663,231</u>
	<u>\$ 21,907,382</u>	<u>\$ 20,448,680</u>	<u>\$ 42,356,062</u>

CITY OF SPENCER
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

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>
\$ 463,640	\$ -	\$ 463,640
334,274	307,237	641,511
4,425,652	-	4,425,652
2,852,651	-	2,852,651
614,902	-	614,902
1,304,864	-	1,304,864
2,064,287	-	2,064,287
1,414,974	-	1,414,974
-	4,253,233	4,253,233
-	764,581	764,581
<u>8,432,138</u>	<u>15,123,629</u>	<u>23,555,767</u>
<u>\$ 21,907,382</u>	<u>\$ 20,448,680</u>	<u>\$ 42,356,062</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, 2023**

		Special Revenue	
	General	Road Use	Local Option Sales Tax
RECEIPTS:			
Property tax	\$ 4,551,669	\$ -	\$ -
Tax increment financing	-	-	-
Other city taxes	564,067	-	2,369,477
Licenses and permits	60,596	-	-
Use of money and property	257,304	-	8,609
Intergovernmental	1,945,254	1,558,447	-
Charges for service	599,339	-	-
Special assessments	10,756	-	-
Miscellaneous	370,154	-	-
TOTAL RECEIPTS	8,359,139	1,558,447	2,378,086
DISBURSEMENTS:			
Public safety	3,407,999	-	-
Public works	1,516,620	-	-
Culture and recreation	2,730,052	-	-
Community and economic development	437,881	-	1,024,798
General government	1,454,596	-	-
Debt service	-	-	-
Capital projects	-	-	-
TOTAL DISBURSEMENTS	9,547,148	-	1,024,798
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,188,009)	1,558,447	1,353,288
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of assets	18,596	-	-
Debt proceeds net of fees	-	-	-
Operating transfers in	2,828,598	-	54,227
Operating transfers out	(5,484,108)	(1,392,447)	(1,277,061)
TOTAL OTHER FINANCING SOURCES (USES)	(2,636,914)	(1,392,447)	(1,222,834)
NET CHANGE IN CASH BALANCES	(3,824,923)	166,000	130,454
CASH BALANCES - BEGINNING OF YEAR	13,594,635	1,898,287	478,132
CASH BALANCES - END OF YEAR	\$ 9,769,712	\$ 2,064,287	\$ 608,586
CASH BASIS FUND BALANCE:			
Nonspendable:			
Permanent fund principal	\$ -	\$ -	\$ -
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Urban renewal purposes	-	-	-
Community and economic development purposes	-	-	608,586
Employee benefits	-	-	-
Streets	-	2,064,287	-
America Rescue Plan Act projects	1,337,575	-	-
Other purposes	-	-	-
Committed for:			
Public safety purposes	23,889	-	-
Public work purposes	885,636	-	-
Culture and recreation purposes	21,161	-	-
Community and economic development purposes	2,208,956	-	-
General government purposes	591,438	-	-
Unassigned	4,701,057	-	-
TOTAL CASH BASIS FUND BALANCES	\$ 9,769,712	\$ 2,064,287	\$ 608,586

See Notes to Financial Statements

<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 552,358	\$ -	\$ 2,136,936	\$ 7,240,963
1,207,513	-	-	-	1,207,513
-	5,212	-	20,440	2,959,196
-	-	-	-	60,596
48,850	6,880	60,092	5,855	387,590
-	16,603	955,003	171,247	4,646,554
-	-	-	-	599,339
-	-	159,427	-	170,183
-	-	20,115	474,065	864,334
<u>1,256,363</u>	<u>581,053</u>	<u>1,194,637</u>	<u>2,808,543</u>	<u>18,136,268</u>
-	-	-	1,450,297	4,858,296
-	-	-	393,509	1,910,129
-	-	-	515,545	3,245,597
527,258	-	-	189,156	2,179,093
-	-	-	743,006	2,197,602
-	932,700	-	-	932,700
-	-	7,181,859	-	7,181,859
<u>527,258</u>	<u>932,700</u>	<u>7,181,859</u>	<u>3,291,513</u>	<u>22,505,276</u>
<u>729,105</u>	<u>(351,647)</u>	<u>(5,987,222)</u>	<u>(482,970)</u>	<u>(4,369,008)</u>
-	-	-	-	18,596
-	72,900	1,674,369	-	1,747,269
-	340,500	8,605,736	654,895	12,483,956
<u>(359,150)</u>	<u>-</u>	<u>(728,905)</u>	<u>(15,000)</u>	<u>(9,256,671)</u>
<u>(359,150)</u>	<u>413,400</u>	<u>9,551,200</u>	<u>639,895</u>	<u>4,993,150</u>
369,955	61,753	3,563,978	156,925	624,142
<u>2,482,696</u>	<u>272,521</u>	<u>861,674</u>	<u>1,695,295</u>	<u>21,283,240</u>
<u>\$ 2,852,651</u>	<u>\$ 334,274</u>	<u>\$ 4,425,652</u>	<u>\$ 1,852,220</u>	<u>\$ 21,907,382</u>
\$ -	\$ -	\$ -	\$ 463,640	\$ 463,640
-	334,274	-	-	334,274
-	-	4,425,652	-	4,425,652
2,852,651	-	-	-	2,852,651
-	-	-	5,000	613,586
-	-	-	1,304,865	1,304,865
-	-	-	-	2,064,287
-	-	-	-	1,337,575
-	-	-	78,715	78,715
-	-	-	-	23,889
-	-	-	-	885,636
-	-	-	-	21,161
-	-	-	-	2,208,956
-	-	-	-	591,438
-	-	-	-	4,701,057
<u>\$ 2,852,651</u>	<u>\$ 334,274</u>	<u>\$ 4,425,652</u>	<u>\$ 1,852,220</u>	<u>\$ 21,907,382</u>

**CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>
OPERATING RECEIPTS:			
Charges for services	\$ 3,329,180	\$ 2,374,024	\$ 2,019,726
Miscellaneous	82,153	87,563	3,792
TOTAL OPERATING RECEIPTS	<u>3,411,333</u>	<u>2,461,587</u>	<u>2,023,518</u>
OPERATING DISBURSEMENTS:			
Salaries	74,910	569,995	264,894
Payroll taxes and employee benefits	11,289	94,730	41,524
Repairs and maintenance	53,217	152,882	105,665
Utilities	11,630	18,467	20,202
Contract services	957,091	4,758	65,045
Insurance premiums	-	-	16,154
Gas and oil	6,633	140,538	115,771
Supplies	7,765	25,361	21,382
Miscellaneous	20,093	174,622	29,879
Statewide ASR fees	-	-	18,471
Collection fee	50,270	50,270	-
Sales tax paid	73,867	48,905	-
Tipping tax	-	-	78,308
TOTAL OPERATING DISBURSEMENTS	<u>1,266,765</u>	<u>1,280,528</u>	<u>777,295</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>2,144,568</u>	<u>1,181,059</u>	<u>1,246,223</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments and rental income	145,047	58,365	242,027
Intergovernmental	-	29,610	34,526
Sale of equipment	28,480	-	350
Capital outlay	(123,870)	(120,364)	(892,170)
Revenue bonds/notes principal	(724,000)	-	-
Revenue bonds/notes interest and fees	(147,210)	-	-
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(821,553)</u>	<u>(32,389)</u>	<u>(615,267)</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>1,323,015</u>	<u>1,148,670</u>	<u>630,956</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	66,648	-	510,018
Operating transfers out	(1,920,949)	(1,055,992)	(727,825)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,854,301)</u>	<u>(1,055,992)</u>	<u>(217,807)</u>
NET CHANGE IN CASH BALANCES	(531,286)	92,678	413,149
CASH BALANCES - BEGINNING OF YEAR	<u>4,552,898</u>	<u>3,068,396</u>	<u>12,202,816</u>
CASH BALANCES - END OF YEAR	<u>\$ 4,021,612</u>	<u>\$ 3,161,074</u>	<u>\$ 12,615,965</u>

<u>Airport</u>	<u>Total</u>
\$ -	\$ 7,722,930
<u>13,348</u>	<u>186,856</u>
<u>13,348</u>	<u>7,909,786</u>
20,781	930,580
3,490	151,033
21,186	332,950
41,129	91,428
41,215	1,068,109
9,499	25,653
1,264	264,206
444	54,952
5,455	230,049
-	18,471
-	100,540
-	122,772
-	<u>78,308</u>
<u>144,463</u>	<u>3,469,051</u>
<u>(131,115)</u>	<u>4,440,735</u>
242,448	687,887
82,000	146,136
-	28,830
-	(1,136,404)
-	(724,000)
-	<u>(147,210)</u>
<u>324,448</u>	<u>(1,144,761)</u>
<u>193,333</u>	<u>3,295,974</u>
36,616	613,282
<u>(135,801)</u>	<u>(3,840,567)</u>
<u>(99,185)</u>	<u>(3,227,285)</u>
94,148	68,689
<u>555,881</u>	<u>20,379,991</u>
<u>\$ 650,029</u>	<u>\$ 20,448,680</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, 2023**

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>
CASH BASIS FUND BALANCES:			
Restricted, expendable for:			
Debt service	\$ 307,237	\$ -	\$ -
Closure and/or postclosure care	-	20,619	4,232,614
Landfill recycling and planning	-	-	764,581
Unrestricted	<u>3,714,375</u>	<u>3,140,455</u>	<u>7,618,770</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 4,021,612</u>	<u>\$ 3,161,074</u>	<u>\$ 12,615,965</u>

<u>Airport</u>	<u>Total</u>
\$ -	\$ 307,237
-	4,253,233
-	764,581
<u>650,029</u>	<u>15,123,629</u>
<u>\$ 650,029</u>	<u>\$ 20,448,680</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, 2023**

ADDITIONS:	
Use of money and property	\$ 5,663
Intergovernmental	435,755
Miscellaneous	<u>37,665</u>
TOTAL ADDITIONS	<u>479,083</u>
DEDUCTIONS:	
General government	<u>467,754</u>
TOTAL DEDUCTIONS	<u>467,754</u>
NET CHANGE IN CASH BALANCES	11,329
CASH BALANCES - BEGINNING OF YEAR	<u>291,034</u>
CASH BALANCES - END OF YEAR	<u><u>\$ 302,363</u></u>

**CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2023

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 this 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, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2023, disbursements exceeded the amount budgeted in the capital project function.

2. CASH AND POOLED INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2023 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, 2023**

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, 2023:

Cash on hand	\$ 5,300
Demand deposits	19,641,427
Money market account	13,011,698
Certificates of deposit	<u>10,000,000</u>
Total cash and investments	42,658,425
Less Fiduciary Funds	<u>(302,363)</u>
 City's Cash and Investments	 <u>\$42,356,062</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, 2023 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	\$5,488,000	\$ -	\$ 760,000	\$4,728,000	\$ 573,000
Spencer Municipal Utilities - E-911 Communication loan	<u>108,000</u>	<u>-</u>	<u>36,000</u>	<u>72,000</u>	<u>36,000</u>
Governmental Activities Total	<u>\$5,596,000</u>	<u>\$ -</u>	<u>\$ 796,000</u>	<u>\$4,800,000</u>	<u>\$ 609,000</u>
Business-Type Activities:					
Sewer revenue bonds	<u>\$8,945,065</u>	<u>\$1,674,369</u>	<u>\$ 724,000</u>	<u>\$9,895,434</u>	<u>\$ 735,000</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2023

3. BONDS AND NOTES PAYABLE - Continued

General Obligation Bonds

A summary of the City's June 30, 2023 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
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	2.00	78,000	17,000	3.00	145,000	4,350
2029-2033	2.00	412,000	61,060		-	-
2034-2038		<u>360,000</u>	<u>18,200</u>		-	-
Total		<u>\$1,145,000</u>	<u>\$179,140</u>		<u>\$ 690,000</u>	<u>\$ 63,150</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
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		-	-	2.00	77,000	18,720
2029-2033		-	-	2.00	408,000	69,920
2034-2038		<u>-</u>	<u>-</u>	2.00	<u>451,000</u>	<u>27,420</u>
Total		<u>\$ 45,000</u>	<u>\$ 1,350</u>		<u>\$1,228,000</u>	<u>\$205,680</u>

Year Ending June 30,	General Obligation Bond - Series 2019 Issued December 2, 2019			Total		
	Interest Rates*	Principal	Interest & Fees	Principal	Interest & Fees	Total
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	17,990	561,000	65,280	626,280
2028	1.70	280,000	9,890	580,000	49,960	629,960
2029-2033	1.80	285,000	5,130	1,105,000	136,110	1,241,110
2034-2038		<u>-</u>	<u>-</u>	<u>811,000</u>	<u>45,620</u>	<u>856,620</u>
Total		<u>\$1,620,000</u>	<u>\$134,380</u>	<u>\$4,728,000</u>	<u>\$583,700</u>	<u>\$5,311,700</u>

* Including .25% service fee

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2023

3. BONDS AND NOTES PAYABLE - Continued

General Obligation Bonds - Continued

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, 2023, the City paid \$70,000 of principal and \$24,300 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, 2023, the City paid \$125,000 of principal and \$25,050 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, 2023, the City paid \$245,000 of principal and \$11,750 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, 2023, the City paid \$70,000 of principal and \$25,960 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, 2023, the City paid \$250,000 principal and \$49,640 of interest on the bonds.

General Obligation Bonds/Notes

General obligation bonds and notes to be serviced by the Debt Service Fund totaled \$4,728,000 at June 30, 2023. 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>\$ 72,000</u>
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The loan has annual payments of \$36,000. 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, 2023

3. BONDS AND NOTES PAYABLE - Continued

Revenue Notes

A summary of the City's June 30, 2023 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
2024	2.00%	\$ 387,000	\$ 79,420	1.04%	\$ 190,000	\$ 29,557
2025	2.00	399,000	71,680	1.04	191,000	27,581
2026	2.00	412,000	63,700	1.04	193,000	25,594
2027	2.00	426,000	55,460	1.04	196,000	23,587
2028	2.00	440,000	46,940	1.04	198,000	21,549
2029-2033	2.00	1,907,000	96,880	1.04	1,020,000	76,440
2034-2038		-	-	1.04	854,000	22,329
Total		<u>\$3,971,000</u>	<u>\$414,080</u>		<u>\$2,842,000</u>	<u>\$226,637</u>

Year Ending June 30,	Sewer Issued August 13, 2021			Total		
	Interest Rates*	Principal	Interest & Fees	Principal	Interest & Fees	Total
2024	1.00%	\$ 158,000	\$ 30,825	\$ 735,000	\$139,802	\$ 874,802
2025	1.00	160,000	29,244	750,000	128,505	878,505
2026	1.00	162,000	27,644	767,000	116,938	883,938
2027	1.00	163,000	26,025	785,000	105,072	890,072
2028	1.00	165,000	24,394	803,000	92,883	895,883
2029-2033	1.00	850,000	96,882	3,777,000	270,202	4,047,202
2034-2038	1.00	893,000	53,531	1,747,000	75,860	1,822,860
2039-2043	1.00	531,434	10,403	531,434	10,403	541,837
Total		<u>\$3,082,434</u>	<u>\$298,948</u>	<u>\$9,895,434</u>	<u>\$939,665</u>	<u>\$10,835,099</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 2041. Annual principal and interest payments are expected to require less than 50% of net receipts. Total principal and interest remaining to be paid on the bonds is \$10,835,099. For the current year, principal and interest paid on the bonds was \$871,210 and customer net receipts were \$2,144,568. The bonds bear interest ranging from 1.04% to 2.00% including a .25% loan service fee.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2023

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, 2023, 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 \$11,363 during the year ended June 30, 2023. See item 2023-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, 2023 is as follows:

Governmental activities:		
General fund		<u>\$663,971</u>
Business type activities:		
Proprietary:		
Enterprise:		
Solid waste		72,486
Landfill		<u>18,859</u>
Total business type activities		<u>91,345</u>
 TOTAL		 <u>\$755,316</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2023

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, 2023

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 2023, 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, 2023 were \$363,237.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the City reported a liability of \$1,699,531 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the City's proportion was .0456260% which was an increase of .068918% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City's pension expense (benefit), deferred outflows of resources, and deferred inflows of resources totaled \$(24,794), \$1,739,672, and \$1,869,071, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2023

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%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	<u>8.0</u>	3.63
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.

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

	1% Decrease <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	\$3,179,220	\$1,699,531	\$ 395,556

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, 2023

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, 2023**

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, 2023.

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 23.90% for the year ended June 30, 2023.

The City's contributions to MFPRSI for the year ended June 30, 2023 totaled \$419,508.

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, 2023.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the City reported a liability of \$2,909,031 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the City's proportion was .518018% which was an increase of .028439% from its proportions measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense, deferred outflows of resources, and deferred inflows of resources totaling \$275,022, \$1,999,965, and \$1,849,369, respectively.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2023

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

Actuarial Assumptions - The total pension liability in the June 30, 2022, 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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2010 through June 30, 2020.

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>
Broad fixed income	3.5%
Broad U.S. equity	6.7
Global equity	6.8
Broad Non-U.S. equity	7.0
Managed futures	5.1
Emerging market	7.2
Real estate - core	6.4
Opportunistic real estate	11.0
Global infrastructure	6.8
Private credit	8.6
Private equity	12.0

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed 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, 2023**

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 would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$5,264,803	\$2,909,031	\$ 957,241

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

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, 2023, the City contributed \$1,262,355 and plan members eligible for benefits contributed \$410,520 to the plan. In addition, Clay County contributed \$51,312 to the plan for communication center employees. At June 30, 2023 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, 2023, there were 86 active and seven 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 800 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, employment practices liability, public officials liability, cyber liability, law enforcement liability, and property. 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, 2023

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, 2023 were \$322,009.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber, 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, 2023, 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. CONTRACT AND OTHER COMMITMENTS

The City has entered into contracts totaling \$7,727,000 for various construction projects. As of June 30, 2023, disbursements on those contracts totaled \$1,624,000. The remaining \$6,103,000 will be paid as the work on the projects is completed. In addition, contracts totaling \$2,792,000 were signed but work had not been started.

**CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2023**

11. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

Transfer to	Transfer from	Amount
General Fund	Local Option Sales Tax	\$ 116,667
	Road Use Tax	1,308,196
	Capital Projects	692,271
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	218,870
	Solid Waste	246,324
	Landfill	222,222
	Airport	9,048
	Nonmajor Governmental:	
	Special Revenue:	
	SSMID	<u>15,000</u>
Total General Fund		<u>2,828,598</u>
Local Option Sales Tax	General	<u>54,227</u>
Debt Service	Proprietary:	
	Enterprise:	
	Sanitary sewer	83,750
	Tax Increment Financing	<u>256,750</u>
Total Debt Service		<u>340,500</u>
Capital Projects	General	5,429,881
	Road Use Tax	84,251
	Local Option Sales Tax	1,160,394
	Tax Increment Financing	102,400
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	1,496,257
	Landfill	205,867
	Airport	<u>126,686</u>
Total Capital Projects		<u>8,605,736</u>
Nonmajor Governmental:		
Special Revenue:		
Federal and State Retirement	Proprietary:	
	Enterprise:	
	Sanitary Sewer	20,615
	Solid Waste	37,861
	Landfill	<u>29,306</u>
Total Federal and State Retirement		<u>87,782</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2023

11. INTERFUND TRANSFERS - Continued

Transfer to	Transfer from	Amount
Nonmajor Governmental - Continued:		
Special Revenue - Continued:		
Workers' Compensation Insurance	Proprietary:	
	Enterprise:	
	Sanitary Sewer	\$ 1,457
	Solid Waste	61,807
	Landfill	3,782
	Airport	<u>67</u>
Total Workers' Compensation Insurance		<u>67,113</u>
Group Medical/Life Insurance	Proprietary:	
	Enterprise:	
	Sanitary Sewer	100,000
	Solid Waste	200,000
	Landfill	<u>200,000</u>
Total Group Medical/Life Insurance		<u>500,000</u>
Total Nonmajor Governmental		<u>654,895</u>
Total Governmental Funds		<u>12,483,956</u>
Proprietary:		
Enterprise:		
Sanitary Sewer	Proprietary:	
	Enterprise:	
	Landfill	<u>66,648</u>
Landfill	Capital Projects	18
	Proprietary:	
	Enterprise:	
	Solid Waste	<u>510,000</u>
Total Landfill		<u>510,018</u>
Airport	Capital Projects	<u>36,616</u>
Total Proprietary Funds		<u>613,282</u>
TOTAL OPERATING TRANSFERS		<u>\$13,097,238</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, 2023

12. 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 \$1,813,722 for closure and \$2,535,270 for postclosure, for a total of \$4,348,992 as of June 30, 2023. In the current year, no disbursements were made for landfill closure costs. Currently the estimated remaining life of the landfill is 9 months with approximately 59% of the landfill's capacity used at June 30, 2023.

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, 2023, assets of \$4,232,614 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, 2023

12. 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.

13. DEVELOPMENT AGREEMENTS

The City has entered into various development agreements for construction. Under these agreements, the City has agreed to pay the developers an amount not to exceed \$8,599,003, 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, 2023, the City rebated \$502,619 of incremental property tax to the developers. At June 30, 2023, the remaining balances to be paid on the agreements totaled \$8,096,384.

14. 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, 2023, the City abated \$502,619 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.

**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, 2023**

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
RECEIPTS:			
Property tax	\$ 2,136,936	\$ -	\$ 2,136,936
Other city taxes	20,440	-	20,440
Use of money and property	2,748	3,107	5,855
Intergovernmental	171,247	-	171,247
Miscellaneous	454,615	19,450	474,065
TOTAL RECEIPTS	<u>2,785,986</u>	<u>22,557</u>	<u>2,808,543</u>
DISBURSEMENTS:			
Public safety	1,450,297	-	1,450,297
Public works	393,509	-	393,509
Culture and recreation	515,313	232	515,545
Community and economic development	174,156	15,000	189,156
General government	743,006	-	743,006
TOTAL DISBURSEMENTS	<u>3,276,281</u>	<u>15,232</u>	<u>3,291,513</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(490,295)</u>	<u>7,325</u>	<u>(482,970)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	654,895	-	654,895
Operating transfers out	(15,000)	-	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>639,895</u>	<u>-</u>	<u>639,895</u>
NET CHANGE IN CASH BALANCES	149,600	7,325	156,925
CASH BALANCES - BEGINNING OF YEAR	<u>1,194,955</u>	<u>500,340</u>	<u>1,695,295</u>
CASH BALANCES - END OF YEAR	<u>\$ 1,344,555</u>	<u>\$ 507,665</u>	<u>\$ 1,852,220</u>
CASH BASIS FUND BALANCES:			
Nonspendable:			
Permanent fund principal	\$ -	\$ 463,640	\$ 463,640
Restricted for:			
Community and economic development purposes	5,000	1,316	6,316
Employee benefits	1,304,865	-	1,304,865
Police purposes	34,690	-	34,690
Cemetery purposes	-	21,581	21,581
Park purposes	-	21,128	21,128
TOTAL CASH BASIS FUND BALANCES	<u>\$ 1,344,555</u>	<u>\$ 507,665</u>	<u>\$ 1,852,220</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, 2023**

	<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	\$ 104,352	\$ 300,280	\$ 13,625	\$ -	\$ 76,314
Other city taxes	-	3,020	137	-	768
Use of money and property	-	1,349	373	559	467
Intergovernmental	3,603	18,214	410	-	2,298
Miscellaneous	-	-	3,794	-	-
TOTAL RECEIPTS	<u>107,955</u>	<u>322,863</u>	<u>18,339</u>	<u>559</u>	<u>79,847</u>
DISBURSEMENTS:					
Public safety	-	337,554	17,546	-	82,549
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	174,156	-	-	-	-
General government	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>174,156</u>	<u>337,554</u>	<u>17,546</u>	<u>-</u>	<u>82,549</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(66,201)</u>	<u>(14,691)</u>	<u>793</u>	<u>559</u>	<u>(2,702)</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>(81,201)</u>	<u>(14,691)</u>	<u>793</u>	<u>559</u>	<u>(2,702)</u>
CASH BALANCES - BEGINNING OF YEAR	<u>86,201</u>	<u>92,550</u>	<u>20,116</u>	<u>34,131</u>	<u>32,161</u>
CASH BALANCES - END OF YEAR	<u>\$ 5,000</u>	<u>\$ 77,859</u>	<u>\$ 20,909</u>	<u>\$ 34,690</u>	<u>\$ 29,459</u>
CASH BASIS FUND BALANCES:					
Restricted for:					
Community and economic development purposes	\$ 5,000	\$ -	\$ -	\$ -	\$ -
Employee benefits	-	77,859	20,909	-	29,459
Police purposes	-	-	-	34,690	-
TOTAL CASH BASIS FUND BALANCES	<u>\$ 5,000</u>	<u>\$ 77,859</u>	<u>\$ 20,909</u>	<u>\$ 34,690</u>	<u>\$ 29,459</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>
\$ 488,973	\$ 168,737	\$ 29,726	\$ 954,929	\$ 2,136,936
5,066	1,697	150	9,602	20,440
-	-	-	-	2,748
49,204	5,081	895	91,542	171,247
-	27,821	-	423,000	454,615
<u>543,243</u>	<u>203,336</u>	<u>30,771</u>	<u>1,479,073</u>	<u>2,785,986</u>
139,207	100,107	-	773,334	1,450,297
119,661	50,031	-	223,817	393,509
180,123	25,044	-	310,146	515,313
-	-	-	-	174,156
102,597	74,048	21,926	544,435	743,006
<u>541,588</u>	<u>249,230</u>	<u>21,926</u>	<u>1,851,732</u>	<u>3,276,281</u>
<u>1,655</u>	<u>(45,894)</u>	<u>8,845</u>	<u>(372,659)</u>	<u>(490,295)</u>
87,782	67,113	-	500,000	654,895
-	-	-	-	(15,000)
<u>87,782</u>	<u>67,113</u>	<u>-</u>	<u>500,000</u>	<u>639,895</u>
89,437	21,219	8,845	127,341	149,600
-	321,039	31,799	576,958	1,194,955
<u>\$ 89,437</u>	<u>\$ 342,258</u>	<u>\$ 40,644</u>	<u>\$ 704,299</u>	<u>\$ 1,344,555</u>
\$ -	\$ -	\$ -	\$ -	\$ 5,000
89,437	342,258	40,644	704,299	1,304,865
-	-	-	-	34,690
<u>\$ 89,437</u>	<u>\$ 342,258</u>	<u>\$ 40,644</u>	<u>\$ 704,299</u>	<u>\$ 1,344,555</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, 2023**

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund
RECEIPTS:				
Use of money and property	\$ -	\$ 345	\$ 100	\$ 1,290
Miscellaneous.....	4,050	-	100	300
TOTAL RECEIPTS	<u>4,050</u>	<u>345</u>	<u>200</u>	<u>1,590</u>
DISBURSEMENTS:				
Culture and recreation	-	232	-	-
Community and economic development	-	-	-	-
TOTAL DISBURSEMENTS	<u>-</u>	<u>232</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	4,050	113	200	1,590
CASH BALANCES - BEGINNING OF YEAR	<u>309,754</u>	<u>21,468</u>	<u>6,880</u>	<u>78,166</u>
CASH BALANCES - END OF YEAR	<u>\$ 313,804</u>	<u>\$ 21,581</u>	<u>\$ 7,080</u>	<u>\$ 79,756</u>
CASH BASIS FUND BALANCES:				
Nonspendable:				
Permanent fund principal	\$ 313,804	\$ -	\$ 7,080	\$ 79,756
Restricted for:				
Cemetery purposes	-	21,581	-	-
Community development purposes	-	-	-	-
Park purposes	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	<u>\$ 313,804</u>	<u>\$ 21,581</u>	<u>\$ 7,080</u>	<u>\$ 79,756</u>

Griffin Trust Fund	Hoepner Trust Fund	Leach Park Fund	Total
\$ 1,038	\$ -	\$ 334	\$ 3,107
-	15,000	-	19,450
<u>1,038</u>	<u>15,000</u>	<u>334</u>	<u>22,557</u>
-	-	-	232
-	15,000	-	15,000
-	<u>15,000</u>	-	<u>15,232</u>
1,038	-	334	7,325
<u>63,278</u>	-	<u>20,794</u>	<u>500,340</u>
<u>\$ 64,316</u>	<u>\$ -</u>	<u>\$ 21,128</u>	<u>\$ 507,665</u>
\$ 63,000	\$ -	\$ -	\$ 463,640
-	-	-	21,581
1,316	-	-	1,316
-	-	<u>21,128</u>	<u>21,128</u>
<u>\$ 64,316</u>	<u>\$ -</u>	<u>\$ 21,128</u>	<u>\$ 507,665</u>

**CITY OF SPENCER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2023**

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount of Original Issue</u>	<u>Final Due Date</u>
GOVERNMENTAL ACTIVITIES:				
GENERAL OBLIGATION BONDS/NOTES:				
Sewer improvement bond - 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 - 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⁾	3,262,000 ⁽²⁾	6-01-2041
TOTAL BUSINESS TYPE ACTIVITIES				

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

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>
\$1,215,000	\$ -	\$ 70,000	\$1,145,000	\$ 24,300	-
815,000	-	125,000	690,000	25,050	-
290,000	-	245,000	45,000	11,750	-
1,298,000	-	70,000	1,228,000	25,960	-
<u>1,870,000</u>	<u>-</u>	<u>250,000</u>	<u>1,620,000</u>	<u>49,640</u>	<u>-</u>
5,488,000		760,000	4,728,000	136,700	
<u>108,000</u>	<u>-</u>	<u>36,000</u>	<u>72,000</u>	<u>-</u>	<u>-</u>
<u>\$5,596,000</u>	<u>\$ -</u>	<u>\$ 796,000</u>	<u>\$4,800,000</u>	<u>\$136,700</u>	<u>\$ -</u>
\$4,346,000	\$ -	\$ 375,000	\$3,971,000	\$ 86,920	\$ -
3,030,000	-	188,000	2,842,000	31,512	-
<u>1,569,065</u>	<u>1,674,369</u>	<u>161,000</u>	<u>3,082,434</u>	<u>28,778</u>	<u>-</u>
<u>\$8,945,065</u>	<u>\$1,674,369</u>	<u>\$ 724,000</u>	<u>\$9,895,434</u>	<u>\$147,210</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, 2023**

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property tax	\$ 7,240,963	\$ -	\$ 7,240,963
Tax increment financing revenues	1,207,513	-	1,207,513
Other city taxes	2,959,196	-	2,959,196
Licenses and permits	60,596	-	60,596
Use of money and property	387,590	687,887	1,075,477
Intergovernmental	4,646,554	146,136	4,792,690
Charges for service	599,339	7,722,930	8,322,269
Special assessments	170,183	-	170,183
Miscellaneous	<u>864,334</u>	<u>186,856</u>	<u>1,051,190</u>
TOTAL RECEIPTS	<u>18,136,268</u>	<u>8,743,809</u>	<u>26,880,077</u>
DISBURSEMENTS:			
Public safety	4,858,296	-	4,858,296
Public works	1,910,129	-	1,910,129
Culture and recreation	3,245,597	-	3,245,597
Community and economic development	2,179,093	-	2,179,093
General government	2,197,602	-	2,197,602
Debt service	932,700	-	932,700
Capital projects	7,181,859	-	7,181,859
Business type	-	<u>5,476,665</u>	<u>5,476,665</u>
TOTAL DISBURSEMENTS	<u>22,505,276</u>	<u>5,476,665</u>	<u>27,981,941</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(4,369,008)</u>	<u>3,267,144</u>	<u>(1,101,864)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of assets	18,596	28,830	47,426
Proceeds from bonds	1,747,269	-	1,747,269
Operating transfers in	12,483,956	613,282	13,097,238
Operating transfers out	<u>(9,256,671)</u>	<u>(3,840,567)</u>	<u>(13,097,238)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,993,150</u>	<u>(3,198,455)</u>	<u>1,794,695</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	624,142	68,689	692,831
BALANCE - BEGINNING OF YEAR	<u>21,283,240</u>	<u>20,379,991</u>	<u>41,663,231</u>
BALANCE - END OF YEAR	<u>\$ 21,907,382</u>	<u>\$ 20,448,680</u>	<u>\$ 42,356,062</u>

	Original Budget	Final Budget	Final to Actual Variance
\$	7,226,607	7,226,607	\$ 14,356
	1,197,150	1,197,150	10,363
	2,594,052	2,594,052	365,144
	58,600	58,600	1,996
	406,620	406,620	668,857
	3,494,050	3,494,050	1,298,640
	7,846,085	7,846,085	476,184
	5,000	5,000	165,183
	<u>1,357,852</u>	<u>1,357,852</u>	<u>(306,662)</u>
	<u>24,186,016</u>	<u>24,186,016</u>	<u>2,694,061</u>
	4,973,984	5,055,093	196,797
	2,657,933	2,743,830	833,701
	3,100,769	3,572,109	326,512
	2,014,553	2,504,775	325,682
	2,142,508	2,203,901	6,299
	932,840	932,840	140
	3,033,475	6,687,475	(494,384)
	<u>6,203,548</u>	<u>6,686,989</u>	<u>1,210,324</u>
	<u>25,059,610</u>	<u>30,387,012</u>	<u>2,405,071</u>
	<u>(873,594)</u>	<u>(6,200,996)</u>	<u>5,099,132</u>
	-	-	47,426
	-	-	1,747,269
	10,072,921	10,072,921	3,024,317
	<u>(10,072,921)</u>	<u>(10,072,921)</u>	<u>(3,024,317)</u>
	-	-	<u>1,794,695</u>
	(873,594)	(6,200,996)	<u>\$ 6,893,827</u>
	<u>41,267,754</u>	<u>41,267,754</u>	
\$	<u>40,394,160</u>	<u>35,066,758</u>	

**CITY OF SPENCER
NOTES TO SCHEDULE 5 - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2023**

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 \$5,327,402. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements exceeded the amount budgeted in the capital projects function.

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

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

OTHER INFORMATION (UNAUDITED)

	<u>2023</u>	<u>2022</u>
City's proportion of the net pension liability0456260%	(.0232917)%
City's proportionate share of the net pension liability	\$ 1,700	\$ 48
City's covered-employee payroll	\$ 3,647	\$ 3,545
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.61%	1.35%
Plan fiduciary net position as a percentage of the total pension liability	91.40%	100.81%

* 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 NINE YEARS *
(IN THOUSANDS)**

OTHER INFORMATION (UNAUDITED)

	<u>2023</u>	<u>2022</u>
City's proportion of the net pension liability518018%	.489579%
City's proportionate share of the net pension liability	\$ 2,909	\$ 1,099
City's covered-employee payroll	\$ 1,750	\$ 1,614
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	166.23%	68.09%
Plan fiduciary net position as a percentage of the total pension liability	84.62%	93.62%

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

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
.0437533%	.0439483%	.0421934%	.043928%	.042388%	.042779%	.043983%
\$ 3,066	\$ 2,549	\$ 2,669	\$ 2,908	\$ 2,652	\$ 2,108	\$ 1,746
\$ 3,488	\$ 3,368	\$ 3,217	\$ 3,289	\$ 3,072	\$ 2,963	\$ 2,921
87.90%	75.68%	92.97%	88.42%	86.33%	71.14%	59.77%
82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
.499062%	.475515%	.490919%	.509766%	.503138%	.495032%	.504315%
\$ 3,981	\$ 3,119	\$ 2,922	\$ 2,990	\$ 3,146	\$ 2,326	\$ 1,828
\$ 1,586	\$ 1,433	\$ 1,427	\$ 1,444	\$ 1,363	\$ 1,298	\$ 1,287
251.01%	217.66%	204.77%	207.06%	230.81%	179.20%	141.95%
76.47%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 363	\$ 344	\$ 335	\$ 328	\$ 319	\$ 286
Contributions in relation to the statutorily required contribution	<u>363</u>	<u>344</u>	<u>335</u>	<u>328</u>	<u>319</u>	<u>286</u>
Contribution deficiency (excess)	<u>\$ 0</u>					
City's covered-employee payroll	\$3,848	\$3,647	\$3,545	\$3,488	\$3,368	\$3,217
Contributions as a percentage of covered-employee payroll	9.44%	9.43%	9.44%	9.42%	9.46%	8.90%

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

OTHER INFORMATION (UNAUDITED)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 420	\$ 458	\$ 409	\$ 387	\$ 374	\$ 366
Contributions in relation to the statutorily required contribution	<u>420</u>	<u>458</u>	<u>409</u>	<u>387</u>	<u>374</u>	<u>366</u>
Contribution deficiency (excess)	<u>\$ 0</u>					
City's covered-employee payroll	\$1,758	\$1,750	\$1,614	\$1,586	\$1,433	\$1,427
Contributions as a percentage of covered-employee payroll	23.89%	26.18%	25.32%	24.41%	26.14%	25.68%

Schedule 7

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 294	\$ 275	\$ 265	\$ 261
<u>294</u>	<u>275</u>	<u>265</u>	<u>261</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$3,289	\$3,072	\$2,963	\$2,921
8.94%	8.94%	8.94%	8.94%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 374	\$ 379	\$ 395	\$ 388
<u>374</u>	<u>379</u>	<u>395</u>	<u>388</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$1,444	\$1,383	\$1,298	\$1,287
25.92%	27.77%	30.41%	30.12%

**CITY OF SPENCER
NOTES TO OTHER INFORMATION - PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2023**

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members
- Adjusted termination rates for all membership groups.

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, 2023**

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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
RECEIPTS:				
Property taxes	\$ 7,240,963	\$ 6,696,627	\$ 6,610,142	\$ 5,923,396
Tax increment financing revenues	1,207,513	1,302,907	1,272,474	1,245,743
Other city taxes	2,959,196	3,081,846	3,016,075	2,976,347
Licenses and permits	60,596	73,806	59,354	69,984
Use of money and property	387,590	168,365	182,026	289,292
Intergovernmental	4,646,554	3,784,068	3,835,432	3,547,194
Charges for services	599,339	585,753	560,073	196,264
Special assessments	170,183	172,678	394,766	412,255
Miscellaneous	<u>864,334</u>	<u>824,413</u>	<u>1,167,626</u>	<u>983,885</u>
TOTAL RECEIPTS	<u>\$18,136,268</u>	<u>\$16,690,463</u>	<u>\$17,097,968</u>	<u>\$15,644,360</u>
DISBURSEMENTS:				
Public safety	\$ 4,858,296	\$ 5,134,677	\$ 4,407,620	\$ 4,325,942
Public works	1,910,129	2,047,383	2,054,269	2,091,885
Culture and recreation	3,245,597	3,032,786	2,664,520	2,035,328
Community and economic development	2,179,093	2,199,409	2,700,238	2,158,082
General government	2,197,602	2,063,498	2,148,323	1,842,547
Debt service	932,700	1,042,390	1,051,670	1,149,648
Capital projects	<u>7,181,859</u>	<u>5,865,076</u>	<u>2,571,962</u>	<u>7,106,070</u>
TOTAL DISBURSEMENTS	<u>\$22,505,276</u>	<u>\$21,385,219</u>	<u>\$17,598,602</u>	<u>\$20,709,502</u>

Schedule 8

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 5,881,627	\$ 5,657,567	\$ 5,624,241	\$ 5,085,638	\$ 5,079,366	\$ 4,972,177
1,285,662	976,405	835,048	687,244	695,254	524,142
2,651,486	2,912,127	2,727,248	2,615,039	2,478,156	2,309,189
66,892	81,145	62,666	70,121	63,500	66,000
274,165	176,350	139,064	131,492	120,978	137,076
4,605,519	3,557,441	3,154,713	2,752,796	2,633,718	3,104,374
243,845	214,718	195,541	276,423	245,956	259,864
287,971	333,632	408,425	161,268	148,630	219,308
<u>836,903</u>	<u>711,491</u>	<u>788,070</u>	<u>627,625</u>	<u>1,174,940</u>	<u>685,782</u>
<u>\$16,134,070</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>
\$ 4,001,585	\$ 3,110,546	\$ 3,186,696	\$ 3,010,045	\$ 3,289,444	\$ 2,893,767
1,829,178	1,632,301	1,528,724	1,482,858	1,386,951	1,382,115
1,883,716	1,561,764	1,610,387	1,516,305	1,514,083	1,359,564
1,974,563	2,104,508	1,718,764	1,617,387	1,933,571	1,671,969
1,735,802	2,900,710	2,720,445	2,295,139	2,314,559	2,519,300
843,553	978,849	1,763,497	1,544,948	1,159,849	1,226,883
<u>7,252,704</u>	<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>\$19,521,101</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>



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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, 2023, 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 January 12, 2024. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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, and 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, 2023 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.

Wintner, Stave & Co., LLP

January 12, 2024
Spencer, Iowa

**CITY OF SPENCER
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

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

2023-A Certified Budget - Disbursements during the year ended June 30, 2023 exceeded the amount budgeted in the capital projects functions.

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

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

Conclusion - Response accepted.

2023-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.

2023-C Travel Expense - No expenditures of the City for travel expenses of spouses of City officials or employees were noted.

2023-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>
Donavon Wunschel, Council Member		
Partial owner of Midwestern Mechanical	Supplies	\$ 8,443
Partial owner of Copper Cottage	Supplies	\$ 2,920

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. 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, 2023**

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

2023-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.

2023-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.

2023-G Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

2023-H Deposits and Investments - We noted one instance of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy. The balance at one financial institution exceeded the maximum balance as established by the depository resolution.

Recommendation - The City should adopt new limits for depository amounts that exceed the current resolution amount.

Response - The City council will discuss the necessary changes and adopt a new resolution for depositories.

Conclusion - Response accepted.

2023-I Revenue Notes - No instances of noncompliance with the revenue bond and note resolutions were noted.

2023-J Financial Assurance - As of June 30, 2023, 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.

2023-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.