

CITY OF SPENCER

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

JUNE 30, 2019

CITY OF SPENCER

TABLE OF CONTENTS

		<u>Page No.</u>
Directory of City Officials		1
Independent Auditors' Report		2 - 4
Management's Discussion and Analysis		5 - 10
BASIC FINANCIAL STATEMENTS:		
	<u>Exhibit</u>	
Government-wide Financial Statements:		
Cash Basis Statement of Activities and Net Position	A	11 - 14
Governmental Funds Financial Statements:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances .	B	15 - 16
Proprietary Funds Financial Statements:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances .	C	17 - 20
Fiduciary Funds Financial Statements:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances .	D	21
Notes to Financial Statements		22 - 40
OTHER INFORMATION:		
	<u>Schedule</u>	
Combining Schedule of Receipts, Disbursements, and Changes in		
Cash Balances - Nonmajor Governmental Funds	1	41
Combining Schedule of Receipts, Disbursements, and Changes in		
Cash Balances - Nonmajor Governmental Funds - Special Revenue Funds	2	42 - 43
Combining Schedule of Receipts, Disbursements, and Changes in		
Cash Balances - Nonmajor Government Funds - Permanent Funds	3	44 - 45
Combining Schedule of Receipts, Disbursements, and Changes in		
Cash Balances - Nonmajor Proprietary Funds	4	46
Schedule of Indebtedness	5	47 - 48
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in		
Balances - Budget and Actual (Cash Basis) - All Governmental and Proprietary		
Funds	6	49 - 50
Notes to Schedule 6 - Budgetary Reporting		51
Schedules of the City's Proportionate Share of the Net Pension Liability	7	52 - 53
Schedules of City Contributions	8	54 - 55
Notes to Other Information - Pension Liability		56 - 57
Schedule of Receipts by Source and Disbursements by Function	9	58 - 59
SUPPLEMENTARY INFORMATION:		
Schedule of Expenditures of Federal Awards	10	60
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 <i>Government Auditing Standards</i>		61 - 62
Independent Auditors' Report on Compliance for Each Major Federal Program,		
Program, and on Internal Control over Compliance Required by the		
Uniform Guidance		63 - 64
Schedule of Findings and Questioned Costs		65 - 68

CITY OF SPENCER
DIRECTORY OF CITY OFFICIALS
AS OF JUNE 30, 2019

MAYOR

Kevin Robinson

MAYOR PRO-TEM

Steve Bomgaars

COUNCIL MEMBERS

Leann Jacobsen
Rich Prentice
William Orrison

Ron Hanson
Tom Nelson

Steve Bomgaars
George Moriarty

CITY MANAGER

Amanda Mack

CITY CLERK

Theresa Reardon

FINANCE DIRECTOR

Brian Weuve

DIRECTOR OF PUBLIC WORKS

Mark White

CHIEF OF POLICE

Mark Warburton

FIRE CHIEF

John Conyn

PLANNING DIRECTOR

Kirby Schmidt

CEMETERY SUPT.

Tim Hamrick

PARK DIRECTOR

DelRay Bredehoeft

STREET SUPERINTENDENT

Mark Glander

CITY ATTORNEY

Donald J. Hemphill

GOLF COURSE SUPT.

Brian Mohr

LANDFILL SUPT.

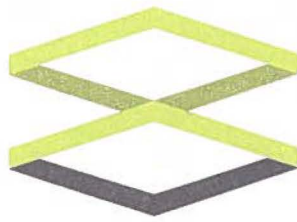
Chuck Duhn

SOLID WASTE SUPT.

Thomas Clark

LIBRARY DIRECTOR

Mandie Muelhausen



WINTHER STAVE & CO | LLP
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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Spencer, Iowa, (the City) as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Basis for Adverse Opinion on Discretely Presented Component Unit

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

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Spencer, Iowa as of June 30, 2019, or the changes in financial position thereon for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Spencer, Iowa as of June 30, 2019, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information included in Schedule 10, the Schedule of Expenditures of Federal Awards required by Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. However, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph above, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, Management's Discussion and Analysis, on pages 5 through 10, and Schedules 1 through 9, on pages 41 through 59, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 on our consideration of the City of Spencer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spencer's internal control over financial reporting and compliance.

Winter, Starn & Co, LLP

December 10, 2019
Spencer, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

This discussion and analysis of the City of Spencer's financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2019. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2019 Financial Highlights

- The City's total cash basis net position increased \$2,655,989 from June 30, 2018 to June 30, 2019. Of this amount, the cash basis net position of the governmental activities increased by \$2,072,734 and the cash basis net position of the business type activities increased \$583,255.

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.

Supplementary information provides details of various federal programs benefiting the City.

Basis of Accounting

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

Reporting The City as a Whole

The Cash Basis Statement of Activities and Net Position

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

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

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

Government-Wide Financial Analysis

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$18,218,874 to \$18,802,128. 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, 2019</u>	For the Year Ended <u>June 30, 2018</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services	\$ 1,236,130	\$ 717,491	\$ 518,639
Operating grants and contributions	1,805,746	1,750,699	55,047
Capital grants and contributions	1,539,525	987,847	551,678
General receipts:			
Property and other city taxes	6,169,146	6,338,024	(168,878)
Tax increment financing	1,285,662	976,405	309,257
Commercial and industrial replacement	244,597	246,838	(2,241)
Payments in lieu of tax	625,565	625,565	
Local option sales tax	2,003,284	1,922,325	80,959
Hotel/motel tax	360,683	310,844	49,839
Use of money and property	274,165	176,350	97,815
Unrestricted miscellaneous	589,566	568,488	21,078
Debt proceeds	<u>2,018,991</u>	<u>3,129,680</u>	<u>(1,110,689)</u>
Total receipts	<u>18,153,060</u>	<u>17,750,556</u>	<u>402,504</u>
Disbursements:			
Public safety	4,001,585	3,110,546	891,039
Public works	1,829,178	1,632,301	196,877
Culture and recreation	1,883,716	1,561,764	321,952
Community and economic development	1,974,563	2,104,508	(129,945)
General government	1,735,802	2,900,710	(1,164,908)
Debt service	843,553	978,849	(135,296)
Capital projects	<u>7,252,704</u>	<u>5,120,509</u>	<u>2,132,195</u>
Total disbursements	<u>19,521,101</u>	<u>17,409,187</u>	<u>2,111,914</u>
Change in cash basis net position before transfers	(1,368,041)	341,369	(1,709,410)
Net transfers	<u>1,951,295</u>	<u>1,598,181</u>	<u>353,114</u>
Change in cash basis net position	583,254	1,939,550	(1,356,296)
Cash basis net position - beginning of year	<u>18,218,874</u>	<u>16,279,324</u>	<u>1,939,550</u>
Cash basis net position - end of year	<u>\$18,802,128</u>	<u>\$18,218,874</u>	<u>\$ 583,254</u>

The total business type activities cash balance increased from a year ago, increasing from \$14,128,599 to \$16,201,333. The analysis that follows focuses on the changes in cash basis net position of business type activities.

Changes in Cash Basis Net Position of Business Type Activities

	For the Year Ended <u>June 30, 2019</u>	For the Year Ended <u>June 30, 2018</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services:			
Sanitary sewer	\$ 3,175,725	\$ 2,778,415	\$ 397,310
Solid waste	2,265,559	2,195,833	69,726
Landfill	2,351,152	1,728,040	623,112
Airport	173,117	170,250	2,867
Golf course	344,226	352,525	(8,299)
Operating grants and contributions	188,991	59,323	129,668
Capital grants and contributions	31,288	141,552	(110,264)
General receipts:			
Bond proceeds		570,864	(570,864)
Use of money and property	259,865	197,311	62,554
Unrestricted miscellaneous	<u>125,771</u>	<u>142,033</u>	<u>(16,262)</u>
Total receipts	<u>8,915,694</u>	<u>8,336,146</u>	<u>579,548</u>
Disbursements:			
Sanitary sewer	1,985,496	2,364,434	(378,938)
Solid waste	1,106,933	933,031	173,902
Landfill	1,288,490	845,789	442,701
Airport	114,527	124,071	(9,544)
Golf course	389,769	349,733	40,036
Capital projects:			
Sanitary sewer		631,245	(631,245)
Landfill		666,901	(666,901)
Airport		63,329	(63,329)
Golf Course	<u>6,450</u>	<u>4,256</u>	<u>2,194</u>
Total disbursements	<u>4,891,665</u>	<u>5,982,789</u>	<u>(1,091,124)</u>
Change in cash basis net position before transfers	4,024,029	2,353,357	1,670,672
Net transfers	<u>(1,951,295)</u>	<u>(1,598,181)</u>	<u>(353,114)</u>
Change in cash basis net position	2,072,734	755,176	1,317,558
Cash basis net position - beginning of year	<u>14,128,599</u>	<u>13,373,423</u>	<u>755,176</u>
Cash basis net position - end of year	<u>\$16,201,333</u>	<u>\$14,128,599</u>	<u>\$2,072,734</u>

Individual Major Governmental Fund Analysis

The City's governmental funds showed a combined cash basis fund balance of \$18,802,128 at June 30, 2019 which was \$583,254 more than last year. A summary of the changes is as follows:

	Cash Balances <u>June 30, 2019</u>	Cash Balances <u>June 30, 2018</u>	Increase (Decrease)
General	\$12,100,975	\$13,885,653	\$(1,784,678)
Road use tax	1,159,349	1,000,893	158,456
Local option sales tax	530,610	346,060	184,550
Debt service	297,879	476,161	(178,282)
Capital projects	2,193,854	153,131	2,040,723
Total nonmajor governmental funds	<u>2,519,461</u>	<u>2,356,976</u>	<u>162,485</u>
Total	<u>\$18,802,128</u>	<u>\$18,218,874</u>	<u>\$ 583,254</u>

Individual Major Business Type Fund Analysis

The City's business type funds showed a combined cash basis fund balance of \$16,201,333 at June 30, 2019 which was \$2,072,734 more than last year. A summary of the changes is as follows:

	Cash Balances <u>June 30, 2019</u>	Cash Balances <u>June 30, 2018</u>	Increase <u>(Decrease)</u>
Sanitary sewer	\$ 4,725,585	\$ 4,197,320	\$ 528,265
Solid waste	2,417,106	2,143,208	273,898
Landfill	8,396,637	7,060,540	1,336,097
Enterprise capital projects		19,338	(19,338)
Nonmajor proprietary funds	<u>662,005</u>	<u>708,193</u>	<u>(46,188)</u>
Total	<u>\$16,201,333</u>	<u>\$14,128,599</u>	<u>\$2,072,734</u>

Budgetary Highlights

The City amended the budget on May 20, 2019. The amendment was to budget for changes related to unanticipated grants and reimbursements, increase in operational expenses, and reallocation of property insurance expense.

The City's receipts were \$896,460 more than budgeted receipts.

The City's total disbursements were \$5,404,537 under the budgeted amounts.

Debt Administration

At June 30, 2019, the City had \$14,956,518 of debt outstanding, compared to \$14,305,387 last year as shown below:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
General obligation bonds and notes	\$ 4,804,518	\$ 3,514,387
Other long-term debt	291,000	352,000
Revenue bonds and notes	<u>9,861,000</u>	<u>10,439,000</u>
Total all debt	<u>\$14,956,518</u>	<u>\$14,305,387</u>

Economic Factors

The City of Spencer continues to see a strong local economy through the receipt of local option sales taxes, local hotel/motel tax receipts, the number of recent inquiries regarding business location and development and the number of new businesses coming to town. Receipts of local options sales tax have increased slightly, but the result may be primarily as a result of the State Legislature passing legislation in the 2018 legislative session that will begin to tax online sales beginning in January 2019. The local farm economy has slowed in recent months as uncertainty in the farm markets persists. The strength of the local farm economy has a direct impact as to the vitality of the overall local economy. Housing continues to play an important part in the City's economic development program. There are several employers in the general area of Spencer in strong hiring patterns which may entice these employees to remain in the community. Business inquiries remain strong for those wanting to move or expand in the Spencer area.

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

The City of Spencer has always been financially conservative, as is demonstrated in our available fund balances, debt ratio, and user fees and will continue to do so in the future. In doing so, five-year revenue and expense projections are prepared for each of our major enterprise funds; and we model our debt service levy for the next ten years to show when additional debt can be issued without having an impact to the taxpayers.

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

CITY OF SPENCER
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

			Program Receipts
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 4,001,585	\$ 134,705	\$ 181,261
Public works	1,829,178	18,433	1,459,262
Culture and recreation	1,883,716	158,862	31,651
Community and economic development	1,974,563	-	37,600
General government	1,735,802	18,289	95,972
Debt service	843,553	36,000	-
Capital projects	7,252,704	869,841	-
Total governmental activities	<u>19,521,101</u>	<u>1,236,130</u>	<u>1,805,746</u>
Business type activities:			
Sanitary sewer	1,985,496	3,175,725	63,132
Solid waste	1,106,933	2,265,559	81,594
Landfill	1,288,490	2,351,152	43,551
Airport	114,527	173,117	-
Golf course	389,769	344,226	714
Capital projects:			
Golf course	6,450	-	-
Total business type activities	<u>4,891,665</u>	<u>8,309,779</u>	<u>188,991</u>
 TOTAL	 <u>\$ 24,412,766</u>	 <u>\$9,545,909</u>	 <u>\$ 1,994,737</u>
General receipts and transfers:			
Property and other city taxes levied for:			
General purposes			
Debt service			
Commercial and industrial replacement			
Tax increment financing			
Payments in lieu of tax			
Local option sales tax			
Hotel/motel tax			
Use of money and property			
Unrestricted miscellaneous			
Debt proceeds			
Operating transfers			
Total general receipts and transfers			
 CHANGE IN CASH BASIS NET POSITION			
 CASH BASIS NET POSITION - BEGINNING OF YEAR			
 CASH BASIS NET POSITION - END OF YEAR			

<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Position</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ -	\$ (3,685,619)	\$ -	\$ (3,685,619)
-	(351,483)	-	(351,483)
-	(1,693,203)	-	(1,693,203)
-	(1,936,963)	-	(1,936,963)
30,000	(1,591,541)	-	(1,591,541)
-	(807,553)	-	(807,553)
1,509,525	(4,873,338)	-	(4,873,338)
<u>1,539,525</u>	<u>(14,939,700)</u>	<u>-</u>	<u>(14,939,700)</u>
-	-	1,253,361	1,253,361
-	-	1,240,220	1,240,220
31,288	-	1,137,501	1,137,501
-	-	58,590	58,590
-	-	(44,829)	(44,829)
-	-	(6,450)	(6,450)
<u>31,288</u>	<u>-</u>	<u>3,638,393</u>	<u>3,638,393</u>
<u>\$ 1,570,813</u>	<u>(14,939,700)</u>	<u>3,638,393</u>	<u>(11,301,307)</u>
	5,597,143	-	5,597,143
	572,003	-	572,003
	244,597	-	244,597
	1,285,662	-	1,285,662
	625,565	-	625,565
	2,003,284	-	2,003,284
	360,683	-	360,683
	274,165	259,865	534,030
	589,566	125,771	715,337
	2,018,991	-	2,018,991
	1,951,295	(1,951,295)	-
	<u>15,522,954</u>	<u>(1,565,659)</u>	<u>13,957,295</u>
	583,254	2,072,734	2,655,988
	<u>18,218,874</u>	<u>14,128,599</u>	<u>32,347,473</u>
	<u>\$ 18,802,128</u>	<u>\$ 16,201,333</u>	<u>\$ 35,003,461</u>

CITY OF SPENCER
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

CASH BASIS NET POSITION:

Nonexpendable:

Permanent fund principal

Restricted, expendable for:

Debt service

Capital projects

Urban renewal purposes

Community and economic development purposes

Employee benefits

Police purposes

Cementary purposes

Streets

Park purposes

Closure and/or postclosure care

Landfill recycling and planning

Unrestricted

TOTAL CASH BASIS NET POSITION

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 437,858	\$ -	\$ 437,858
297,879	1,011,126	1,309,005
410,237	-	410,237
1,215,765	-	1,215,765
536,941	-	536,941
784,448	-	784,448
33,171	-	33,171
21,677	-	21,677
1,159,349	-	1,159,349
20,211	-	20,211
-	3,120,164	3,120,164
-	529,955	529,955
<u>13,884,592</u>	<u>11,540,088</u>	<u>25,424,680</u>
<u>\$ 18,802,128</u>	<u>\$ 16,201,333</u>	<u>\$ 35,003,461</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, 2019

	<u>General</u>	<u>Road Use</u>	<u>Local Option Sales Tax</u>
RECEIPTS:			
Property tax	\$ 4,013,948	\$ -	\$ -
Tax increment financing	-	-	-
Other city taxes	579,868	-	2,003,284
Licenses and permits	66,892	-	-
Use of money and property	204,626	-	5,543
Intergovernmental	1,053,296	1,451,272	-
Charges for service	243,845	-	-
Special assessments	7,890	-	-
Miscellaneous	317,772	-	-
TOTAL RECEIPTS	<u>6,488,137</u>	<u>1,451,272</u>	<u>2,008,827</u>
DISBURSEMENTS:			
Public safety	2,780,291	-	-
Public works	1,471,657	-	-
Culture and recreation	1,515,972	-	-
Community and economic development	321,484	-	809,871
General government	1,135,766	-	-
Debt service	-	-	-
Capital projects	-	-	-
TOTAL DISBURSEMENTS	<u>7,225,170</u>	<u>-</u>	<u>809,871</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(737,033)</u>	<u>1,451,272</u>	<u>1,198,956</u>
OTHER FINANCING SOURCES (USES):			
Debt proceeds - includes \$42,861 bond prem. & fees	-	-	-
Operating transfers in	3,449,331	-	-
Operating transfers out	<u>(4,496,976)</u>	<u>(1,292,816)</u>	<u>(1,014,406)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,047,645)</u>	<u>(1,292,816)</u>	<u>(1,014,406)</u>
NET CHANGE IN CASH BALANCES	(1,784,678)	158,456	184,550
CASH BALANCES - BEGINNING OF YEAR	<u>13,885,653</u>	<u>1,000,893</u>	<u>346,060</u>
CASH BALANCES - END OF YEAR	<u>\$ 12,100,975</u>	<u>\$ 1,159,349</u>	<u>\$ 530,610</u>
CASH BASIS FUND BALANCE:			
Nonspendable:			
Permanent fund principal	\$ -	\$ -	\$ -
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Urban renewal purposes	-	-	-
Community and economic development purposes	-	-	530,610
Employee benefits	-	-	-
Police purposes	-	-	-
Cemetery purposes	-	-	-
Streets	-	1,159,349	-
Park purposes	-	-	-
Committed for:			
Public safety purposes	1,075,306	-	-
Public work purposes	4,342,131	-	-
Culture and recreation purposes	325,597	-	-
Community and economic development purposes	2,446,617	-	-
General government purposes	702,248	-	-
Unassigned	<u>3,209,076</u>	<u>-</u>	<u>-</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 12,100,975</u>	<u>\$ 1,159,349</u>	<u>\$ 530,610</u>

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 564,855	\$ -	\$ 1,302,824	\$ 5,881,627
-	-	1,285,662	1,285,662
7,148	-	61,186	2,651,486
-	-	-	66,892
9,796	34,479	19,721	274,165
57,222	1,919,160	124,569	4,605,519
-	-	-	243,845
-	280,081	-	287,971
-	180,126	339,005	836,903
<u>639,021</u>	<u>2,413,846</u>	<u>3,132,967</u>	<u>16,134,070</u>
-	-	1,221,294	4,001,585
-	-	357,521	1,829,178
-	-	367,744	1,883,716
-	-	843,208	1,974,563
-	-	600,036	1,735,802
843,553	-	-	843,553
-	7,252,704	-	7,252,704
<u>843,553</u>	<u>7,252,704</u>	<u>3,389,803</u>	<u>19,521,101</u>
<u>(204,532)</u>	<u>(4,838,858)</u>	<u>(256,836)</u>	<u>(3,387,031)</u>
-	2,018,991	-	2,018,991
26,250	6,293,512	802,373	10,571,466
-	(1,432,922)	(383,052)	(8,620,172)
<u>26,250</u>	<u>6,879,581</u>	<u>419,321</u>	<u>3,970,285</u>
(178,282)	2,040,723	162,485	583,254
<u>476,161</u>	<u>153,131</u>	<u>2,356,976</u>	<u>18,218,874</u>
<u>\$ 297,879</u>	<u>\$ 2,193,854</u>	<u>\$ 2,519,461</u>	<u>\$ 18,802,128</u>
\$ -	\$ -	\$ 437,858	\$ 437,858
297,879	-	-	297,879
-	2,193,854	-	2,193,854
-	-	1,215,765	1,215,765
-	-	6,331	536,941
-	-	784,448	784,448
-	-	33,171	33,171
-	-	21,677	21,677
-	-	-	1,159,349
-	-	20,211	20,211
-	-	-	1,075,306
-	-	-	4,342,131
-	-	-	325,597
-	-	-	2,446,617
-	-	-	702,248
-	-	-	3,209,076
<u>\$ 297,879</u>	<u>\$ 2,193,854</u>	<u>\$ 2,519,461</u>	<u>\$ 18,802,128</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, 2019

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>	<u>Enterprise Capital Projects</u>
OPERATING RECEIPTS:				
Charges for services	\$ 3,175,725	\$ 2,265,559	\$ 2,351,152	\$ -
Miscellaneous	7,626	58,902	49,853	-
TOTAL OPERATING RECEIPTS	<u>3,183,351</u>	<u>2,324,461</u>	<u>2,401,005</u>	<u>-</u>
OPERATING DISBURSEMENTS:				
Salaries	67,052	520,690	257,847	-
Payroll taxes and employee benefits	11,090	85,321	42,110	-
Repairs and maintenance	34,187	117,500	67,913	-
Utilities	8,098	18,441	15,227	-
Contract services	865,204	5,790	67,970	-
Insurance premiums	-	-	-	-
Gas and oil	4,316	95,621	80,412	-
Supplies	6,266	18,052	11,066	-
Miscellaneous	9,148	66,003	104,501	-
Statewide ASR fees	-	-	20,000	-
Collection fee	26,250	26,250	-	-
Sales tax paid	87,048	39,184	-	-
Tipping tax	-	-	80,669	-
TOTAL OPERATING DISBURSEMENTS	<u>1,118,659</u>	<u>992,852</u>	<u>747,715</u>	<u>-</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>2,064,692</u>	<u>1,331,609</u>	<u>1,653,290</u>	<u>-</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments and rental income	82,392	37,238	131,096	-
Interest subsidy on Build American Bonds	56,435	-	-	-
Intergovernmental.....	6,697	81,594	74,529	-
Capital outlay	(27,253)	(114,081)	(540,776)	-
Revenue bonds/notes principal	(583,000)	-	-	-
Revenue bonds/notes interest and fees	(256,584)	-	-	-
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(721,313)</u>	<u>4,751</u>	<u>(335,151)</u>	<u>-</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>1,343,379</u>	<u>1,336,360</u>	<u>1,318,139</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	135,604	-	540,000	-
Operating transfers out	(950,718)	(1,062,462)	(522,042)	(19,338)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(815,114)</u>	<u>(1,062,462)</u>	<u>17,958</u>	<u>(19,338)</u>
NET CHANGE IN CASH BALANCES	528,265	273,898	1,336,097	(19,338)
CASH BALANCES - BEGINNING OF YEAR	<u>4,197,320</u>	<u>2,143,208</u>	<u>7,060,540</u>	<u>19,338</u>
CASH BALANCES - END OF YEAR	<u>\$ 4,725,585</u>	<u>\$ 2,417,106</u>	<u>\$ 8,396,637</u>	<u>\$ -</u>

<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
\$ 344,747	\$ 8,137,183
10,414	126,795
<u>355,161</u>	<u>8,263,978</u>
210,530	1,056,119
27,132	165,653
54,374	273,974
49,932	91,698
47,070	986,034
3,156	3,156
13,236	193,585
69,125	104,509
18,087	197,739
-	20,000
-	52,500
11,654	137,886
-	80,669
<u>504,296</u>	<u>3,363,522</u>
<u>(149,135)</u>	<u>4,900,456</u>
181,735	432,461
-	56,435
-	162,820
(6,450)	(688,560)
-	(583,000)
-	(256,584)
<u>175,285</u>	<u>(876,428)</u>
<u>26,150</u>	<u>4,024,028</u>
3,519	679,123
<u>(75,857)</u>	<u>(2,630,417)</u>
<u>(72,338)</u>	<u>(1,951,294)</u>
(46,188)	2,072,734
<u>708,193</u>	<u>14,128,599</u>
<u>\$ 662,005</u>	<u>\$ 16,201,333</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, 2019

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>	<u>Enterprise Capital Projects</u>
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Debt service	\$ 1,011,126	\$ -	\$ -	\$ -
Closure and/or postclosure care	-	17,849	3,102,315	-
Landfill recycling and planning	-	-	529,955	-
Unrestricted	<u>3,714,459</u>	<u>2,399,257</u>	<u>4,764,367</u>	<u>-</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 4,725,585</u>	<u>\$ 2,417,106</u>	<u>\$ 8,396,637</u>	<u>\$ -</u>

Nonmajor <u>Proprietary Funds</u>		<u>Total</u>
\$	-	\$ 1,011,126
	-	3,120,164
	-	529,955
	<u>662,005</u>	<u>11,540,088</u>
<u>\$</u>	<u>662,005</u>	<u>\$ 16,201,333</u>

**CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - FIDUCIARY FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

ADDITIONS:	
Use of money and property	\$ 3,798
Intergovernmental	324,762
Miscellaneous	<u>50,927</u>
TOTAL ADDITIONS	<u>379,487</u>
DEDUCTIONS:	
Community and economic development	13,500
General government	<u>334,155</u>
TOTAL DEDUCTIONS	<u>347,655</u>
NET CHANGE IN CASH BALANCES	31,832
CASH BALANCES - BEGINNING OF YEAR	<u>235,945</u>
CASH BALANCES - END OF YEAR	<u><u>\$ 267,777</u></u>

**CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 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. In addition, SMU paid the City \$16,000 for the storefront initiative.

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

B. Basis of Presentation

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

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

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

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

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

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

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

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

The City reports the following major proprietary funds:

Enterprise:

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

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

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

The Enterprise Capital Projects Fund was previously used to account for all resources used in the acquisition and construction of capital facilities used by enterprise activities. The balance of this fund was transferred into the Capital Projects Fund during the year ended June 30, 2019.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

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, 2019, disbursements exceeded the amount budgeted in the public safety, culture and recreation, and debt service functions.

2. CASH AND POOLED INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2019 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

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, 2019:

Cash on hand	\$ 5,300
Demand deposits	22,265,938
Money market account	<u>13,000,000</u>
Total cash and investments	35,271,238
Less Agency Funds	<u>(267,777)</u>

City's Cash and Investments	<u>\$35,003,461</u>
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Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Bonds/Notes		Governmental Activities Other Long-Term Debt		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 567,000	\$123,540	\$ 61,000	-	\$ 628,000	\$123,540
2021	579,000	108,750	61,000	-	640,000	108,750
2022	598,000	92,120	61,000	-	659,000	92,120
2023	510,000	74,711	36,000	-	546,000	74,711
2024	318,000	58,360	36,000	-	354,000	58,360
2025-2029	1,319,000	179,962	36,000	-	1,355,000	179,962
2030-2034	640,518	61,171	-	-	640,518	61,171
2035-2037	<u>273,000</u>	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>273,000</u>	<u>11,000</u>
Total	<u>\$4,804,518</u>	<u>\$709,614</u>	<u>\$ 291,000</u>	<u>\$ -</u>	<u>\$5,095,518</u>	<u>\$709,614</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

3. BONDS AND NOTES PAYABLE - Continued

Year Ending June 30,	Business-Type Activities Revenue Bonds Notes		Total All Bonds and Notes	
	Principal	Interest	Principal	Interest
2020	\$ 598,000	\$ 241,320	\$ 1,226,000	\$ 364,860
2021	613,000	225,907	1,253,000	334,657
2022	630,000	210,051	1,289,000	302,171
2023	646,000	193,687	1,192,000	268,398
2024	663,000	176,847	1,017,000	235,207
2025-2029	3,584,000	613,458	4,939,000	793,420
2030-2034	2,483,000	161,285	3,123,518	222,456
2035-2037	644,000	13,448	917,000	24,448
Total	<u>\$9,861,000</u>	<u>\$1,836,003</u>	<u>\$14,956,518</u>	<u>\$2,545,617</u>

General Obligation Bonds/Notes

General obligation bonds and notes to be serviced by the Debt Service Fund totaled \$4,804,517 at June 30, 2019. A portion of these bonds and notes are anticipated to be repaid by transfers from other funds. In compliance with statutory requirements, all payments on these bonds and notes are recorded as disbursements from the Debt Service Fund; and any payments from other funds are recorded as transfers into the Debt Service Fund.

Other Long-Term Debt

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

1) Shine Brothers loan	\$ 75,000
2) E-911 Communication loan	<u>216,000</u>
Total	<u>\$ 291,000</u>

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

Revenue Notes

The City has pledged future sanitary sewer customer receipts, net of specific operating disbursements, to repay the \$1,520,000 sewer revenue bonds issued in October 2009, the \$7,500,000 sewer revenue bonds issued in December 2010, and the \$3,960,000 sewer revenue bonds issued in October 2016. Proceeds from the bonds provided financing for wastewater treatment plant improvements. The bonds are payable solely from the sanitary sewer customer net receipts and are payable through June 2037. Annual principal and interest payments are expected to require less than 50% of net receipts. Total principal and interest remaining to be paid on the bonds is \$11,697,003. For the current year, principal and interest paid on the bonds was \$817,876 and customer net receipts were \$2,064,692. The bonds bear interest ranging from 1.04% to 3.25% including a .25% loan service fee.

The resolution providing for the issuance of the three 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.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

3. BONDS AND NOTES PAYABLE - Continued

(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, 2019, the City was in compliance with the revenue bond resolutions.

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

4. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials, totaling \$5,802 during the year ended June 30, 2019. See item IV-D-19 in the Schedule of Findings and Questioned Costs.

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, 2019 is as follows:

Governmental activities:	
General fund	\$ 794,364
Business type activities:	
Proprietary:	
Enterprise:	
Solid waste	118,474
Landfill	39,183
Golf course	21,706
Total business type activities	<u>179,363</u>
TOTAL	<u>\$ 973,727</u>

6. IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

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.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

6. IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS) - Continued

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.

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 2019, 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 6.81% of covered payroll, and the City contributed 10.21% for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2019 were \$318,603.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

6. IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS) - Continued

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the City reported a liability of \$2,668,512 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's proportion was .0421934% which was a decrease of .001734% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$364,491, \$713,047, and \$449,370, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 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, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

6. IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS) - Continued

Actuarial Assumptions - Continued

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	<u>3.0</u>	3.11
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	\$4,548,390	\$2,668,512	\$1,091,601

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, 2019

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, 2019

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, 2019.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 26.02% for the year ended June 30, 2019.

The City's contributions to MFPRSI for the year ended June 30, 2019 totaled \$374,498.

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, 2019.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the City reported a liability of \$2,922,949 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's proportion was .490919% which was a decrease of .018847% from its proportions measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense, deferred outflows of resources, and deferred inflows of resources totaling \$440,845, \$759,881, and \$351,799, respectively.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

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

Actuarial Assumptions - The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00%.
Salary increases	4.50 to 15.00%, including inflation.
Investment rate of return	7.50%, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2007 through June 30, 2017.

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

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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

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	\$4,876,840	\$2,922,949	\$1,305,192

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

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$1,011,843 and plan members eligible for benefits contributed \$298,282 to the plan. In addition, Clay County contributed \$40,207 to the plan for communication center employees. At June 30, 2019 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, 2019, there were 80 active and 4 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 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

9. RISK MANAGEMENT - Continued

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

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2019 were \$181,724.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss, or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued industrial development revenue bonds in prior years under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding at June 30, 2019 cannot be approximated since the various companies do not provide this information to the City. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

11. CONTRACT AND OTHER COMMITMENTS

The City has entered into contracts totaling \$10,196,344 for various construction projects. As of June 30, 2019, disbursements on those contracts totaled \$4,937,332. The remaining \$5,259,012 will be paid as the work on the projects is completed.

12. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
General Fund	Local Option Sales Tax	\$ 25,000
	Road Use Tax	1,127,373
	Capital Projects	1,427,058
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	176,300
	Solid Waste	145,176
	Landfill	212,243
	Nonmajor Governmental:	
	Special Revenue:	
	Federal & State Retirement	328,468
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	4,391
	Golf Course	3,322
Total General Fund		<u>3,449,331</u>
Debt Service	Nonmajor Governmental:	
	Special Revenue:	
	Tax Increment Financing	<u>26,250</u>
Capital Projects	General	4,154,074
	Road Use Tax	165,443
	Local Option Sales Tax	989,406
	Nonmajor Governmental:	
	Special Revenue:	
	Tax Increment Financing	28,334
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	720,694
	Solid Waste	144,545
	Landfill	24,424
	Enterprise Capital Projects	19,338
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	47,254
Total Capital Projects		<u>6,293,512</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

12. INTERFUND TRANSFERS - Continued

Transfer to	Transfer from	Amount
Nonmajor Governmental:		
Special Revenue:		
Federal and State Retirement	General	\$ 339,383
	Enterprise:	
	Sanitary Sewer	22,911
	Solid Waste	20,991
	Landfill	<u>32,332</u>
Total Federal and State Retirement		<u>415,617</u>
Workers' Compensation Insurance		
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	1,668
	Solid Waste	40,370
	Landfill	14,138
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	740
	Golf Course	<u>2,906</u>
Total Workers' Compensation Insurance		<u>59,822</u>
Group Medical/Life Insurance		
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	29,145
	Solid Waste	171,380
	Landfill	109,165
	Nonmajor Proprietary:	
	Enterprise:	
	Golf Course	<u>17,244</u>
Total Group Medical/Life Insurance		<u>326,934</u>
Total Nonmajor Governmental		<u>802,373</u>
Total Governmental Funds		<u>10,571,466</u>
Proprietary:		
Enterprise:		
Sanitary Sewer	Capital Projects	5,864
	Proprietary:	
	Enterprise:	
	Landfill	<u>129,740</u>
Total Sanitary Sewer		<u>135,604</u>
Landfill		
	Proprietary:	
	Enterprise:	
	Solid Waste	<u>540,000</u>
Nonmajor Proprietary:		
Golf Course	General	<u>3,519</u>
Total Proprietary Funds		<u>679,123</u>
TOTAL OPERATING TRANSFERS		<u>\$11,250,589</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, 2019

13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS

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

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

These costs for the City have been estimated to be \$1,221,291 for closure and \$2,081,700 for postclosure, for a total of \$3,302,991 as of June 30, 2019. In the current year, no disbursements were made for landfill closure costs. Currently the estimated remaining life of the landfill is 26 months with approximately 32% of the landfill's capacity used at June 30, 2019.

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, 2019, assets of \$3,102,315 are restricted for these purposes and reported as restricted cash balance in the Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Proprietary Funds.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS - Continued

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

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

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

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

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

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

14. DEVELOPMENT AGREEMENTS

The City has entered into various development agreement for construction. Under these agreements, the City has agreed to pay the developers an amount not to exceed \$9,067,420, 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, 2019, the City rebated \$656,141 of incremental property tax to the developers. At June 30, 2019, the remaining balances to be paid on the agreements totaled \$8,411,279.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2019

15. TAX ABATEMENTS

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

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

For the year ended June 30, 2019, the City abated \$656,141 of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

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

16. SUBSEQUENT EVENTS

In July and August 2019, the City entered into construction contracts totaling approximately \$720,000. In November 2019, the City issued \$2,735,000 of general obligation corporate purpose bonds.

OTHER INFORMATION

CITY OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
RECEIPTS:			
Property tax	\$ 1,302,824	\$ -	\$ 1,302,824
Tax increment financing	1,285,662	-	1,285,662
Other city taxes	61,186	-	61,186
Use of money and property	17,174	2,547	19,721
Intergovernmental	124,569	-	124,569
Miscellaneous	334,605	4,400	339,005
TOTAL RECEIPTS	<u>3,126,020</u>	<u>6,947</u>	<u>3,132,967</u>
DISBURSEMENTS:			
Public safety	1,221,294	-	1,221,294
Public works	357,521	-	357,521
Culture and recreation	367,569	175	367,744
Community and economic development	842,436	772	843,208
General government	600,036	-	600,036
TOTAL DISBURSEMENTS	<u>3,388,856</u>	<u>947</u>	<u>3,389,803</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(262,836)</u>	<u>6,000</u>	<u>(256,836)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	802,373	-	802,373
Operating transfers out	(383,052)	-	(383,052)
TOTAL OTHER FINANCING SOURCES (USES)	<u>419,321</u>	<u>-</u>	<u>419,321</u>
NET CHANGE IN CASH BALANCES	156,485	6,000	162,485
CASH BALANCES - BEGINNING OF YEAR	<u>1,882,650</u>	<u>474,326</u>	<u>2,356,976</u>
CASH BALANCES - END OF YEAR	<u>\$ 2,039,135</u>	<u>\$ 480,326</u>	<u>\$ 2,519,461</u>
CASH BASIS FUND BALANCES:			
Nonspendable:			
Permanent fund principal	\$ -	\$ 437,858	\$ 437,858
Restricted for:			
Urban renewal purposes	1,215,765	-	1,215,765
Community and economic development purposes	5,751	580	6,331
Employee benefits	784,448	-	784,448
Police purposes	33,171	-	33,171
Cemetery purposes	-	21,677	21,677
Park purposes	-	20,211	20,211
TOTAL CASH BASIS FUND BALANCES	<u>\$ 2,039,135</u>	<u>\$ 480,326</u>	<u>\$ 2,519,461</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, 2019

	Tax Increment <u>Financing</u>	<u>SSMID</u>	Police Retirement <u>Systems</u>	Civil Service <u>Expenses</u>	Police Special <u>Proceeds</u>
RECEIPTS:					
Property tax	\$ -	\$ 93,495	\$ 263,584	\$ 6,990	\$ -
Tax increment financing	1,285,662	-	-	-	-
Other city taxes	44,429	-	3,652	97	-
Use of money and property	14,275	-	1,960	53	453
Intergovernmental	-	8,798	10,842	287	-
Miscellaneous	-	-	-	5,013	-
TOTAL RECEIPTS	<u>1,344,366</u>	<u>102,293</u>	<u>280,038</u>	<u>12,440</u>	<u>453</u>
DISBURSEMENTS:					
Public safety	-	-	292,965	18,352	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	656,141	186,295	-	-	-
General government	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>656,141</u>	<u>186,295</u>	<u>292,965</u>	<u>18,352</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>688,225</u>	<u>(84,002)</u>	<u>(12,927)</u>	<u>(5,912)</u>	<u>453</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(54,584)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(54,584)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH BALANCES	<u>633,641</u>	<u>(84,002)</u>	<u>(12,927)</u>	<u>(5,912)</u>	<u>453</u>
CASH BALANCES - BEGINNING OF YEAR	<u>582,124</u>	<u>89,753</u>	<u>151,330</u>	<u>8,633</u>	<u>32,718</u>
CASH BALANCES - END OF YEAR	<u>\$ 1,215,765</u>	<u>\$ 5,751</u>	<u>\$ 138,403</u>	<u>\$ 2,721</u>	<u>\$ 33,171</u>
CASH BASIS FUND BALANCES:					
Restricted for:					
Urban renewal purposes	\$ 1,215,765	\$ -	\$ -	\$ -	\$ -
Community and economic development purposes	-	5,751	-	-	-
Employee benefits	-	-	138,403	2,721	-
Police purposes	-	-	-	-	33,171
TOTAL CASH BASIS FUND BALANCES	<u>\$ 1,215,765</u>	<u>\$ 5,751</u>	<u>\$ 138,403</u>	<u>\$ 2,721</u>	<u>\$ 33,171</u>

<u>Fire Pension Accumulation</u>	<u>Federal and State Retirement</u>	<u>Workers' Compensation Insurance</u>	<u>Unemployment Insurance Claims</u>	<u>Group Medical/Life Insurance</u>	<u>Total</u>
\$ 72,980	\$ -	\$ 182,370	\$ 29,957	\$ 653,448	\$ 1,302,824
-	-	-	-	-	1,285,662
1,011	-	2,527	415	9,055	61,186
433	-	-	-	-	17,174
3,002	25,816	7,502	1,232	67,090	124,569
-	-	27,075	-	302,517	334,605
<u>77,426</u>	<u>25,816</u>	<u>219,474</u>	<u>31,604</u>	<u>1,032,110</u>	<u>3,126,020</u>
81,580	119,306	104,482	-	604,609	1,221,294
-	106,983	41,647	-	208,891	357,521
-	127,013	24,517	-	216,039	367,569
-	-	-	-	-	842,436
-	87,739	59,508	54,351	398,438	600,036
<u>81,580</u>	<u>441,041</u>	<u>230,154</u>	<u>54,351</u>	<u>1,427,977</u>	<u>3,388,856</u>
<u>(4,154)</u>	<u>(415,225)</u>	<u>(10,680)</u>	<u>(22,747)</u>	<u>(395,867)</u>	<u>(262,836)</u>
-	415,617	59,822	-	326,934	802,373
-	<u>(328,468)</u>	-	-	-	<u>(383,052)</u>
-	87,149	59,822	-	326,934	419,321
(4,154)	(328,076)	49,142	(22,747)	(68,933)	156,485
<u>35,219</u>	<u>328,076</u>	<u>139,067</u>	<u>56,853</u>	<u>458,877</u>	<u>1,882,650</u>
<u>\$ 31,065</u>	<u>\$ -</u>	<u>\$ 188,209</u>	<u>\$ 34,106</u>	<u>\$ 389,944</u>	<u>\$ 2,039,135</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,215,765
-	-	-	-	-	5,751
31,065	-	188,209	34,106	389,944	784,448
-	-	-	-	-	33,171
<u>\$ 31,065</u>	<u>\$ -</u>	<u>\$ 188,209</u>	<u>\$ 34,106</u>	<u>\$ 389,944</u>	<u>\$ 2,039,135</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, 2019**

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund
RECEIPTS:				
Use of money and property	\$ -	\$ 294	\$ 70	\$ 1,024
Miscellaneous.....	<u>3,700</u>	<u>-</u>	<u>-</u>	<u>700</u>
TOTAL RECEIPTS	<u>3,700</u>	<u>294</u>	<u>70</u>	<u>1,724</u>
DISBURSEMENTS:				
Culture and recreation	-	175	-	-
Community and economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DISBURSEMENTS	<u>-</u>	<u>175</u>	<u>-</u>	<u>-</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>3,700</u>	<u>119</u>	<u>70</u>	<u>1,724</u>
CASH BALANCES - BEGINNING OF YEAR	<u>291,454</u>	<u>21,558</u>	<u>5,252</u>	<u>72,658</u>
CASH BALANCES - END OF YEAR	<u>\$ 295,154</u>	<u>\$ 21,677</u>	<u>\$ 5,322</u>	<u>\$ 74,382</u>
CASH BASIS FUND BALANCES:				
Nonspendable:				
Permanent fund principal	\$ 295,154	\$ -	\$ 5,322	\$ 74,382
Restricted for:				
Cemetery purposes	-	21,677	-	-
Community development purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Park purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 295,154</u>	<u>\$ 21,677</u>	<u>\$ 5,322</u>	<u>\$ 74,382</u>

Griffin Trust Fund	Leach Park Fund	Total
\$ 883	\$ 276	\$ 2,547
-	-	4,400
883	276	6,947
-	-	175
772	-	772
772	-	947
111	276	6,000
63,469	19,935	474,326
<u>\$ 63,580</u>	<u>\$ 20,211</u>	<u>\$ 480,326</u>
\$ 63,000	\$ -	\$ 437,858
-	-	21,677
580	-	580
-	20,211	20,211
<u>\$ 63,580</u>	<u>\$ 20,211</u>	<u>\$ 480,326</u>

CITY OF SPENCER
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Funds		
	Airport	Golf Course	Total Nonmajor Proprietary Funds
OPERATING RECEIPTS:			
Charges for services	\$ 173,117	\$ 344,226	\$ 517,343
Miscellaneous	-	10,414	10,414
TOTAL OPERATING RECEIPTS	173,117	354,640	527,757
OPERATING DISBURSEMENTS:			
Salaries	20,643	189,887	210,530
Payroll taxes and employee benefits	3,202	23,930	27,132
Repairs and maintenance	12,776	41,598	54,374
Utilities	31,139	18,793	49,932
Contract services	40,354	6,716	47,070
Insurance premiums	1,617	1,539	3,156
Gas and oil	1,769	11,467	13,236
Supplies	224	68,901	69,125
Miscellaneous	2,803	15,284	18,087
Sales tax paid	-	11,654	11,654
TOTAL OPERATING DISBURSEMENTS	114,527	389,769	504,296
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	58,590	(35,129)	23,461
NON-OPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	8,795	344	9,139
Capital outlay	-	(6,450)	(6,450)
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	8,795	(6,106)	2,689
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	67,385	(41,235)	26,150
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	3,519	3,519
Operating transfers out	(52,385)	(23,472)	(75,857)
TOTAL OTHER FINANCING SOURCES (USES)	(52,385)	(19,953)	(72,338)
NET CHANGE IN CASH BALANCES	15,000	(61,188)	(46,188)
CASH BALANCES - BEGINNING OF YEAR	610,521	97,672	708,193
CASH BALANCES - END OF YEAR	\$ 625,521	\$ 36,484	\$ 662,005
CASH BASIS FUND BALANCES:			
Unrestricted	\$ 625,521	\$ 36,484	\$ 662,005

**CITY OF SPENCER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2019**

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

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

⁽²⁾ It is anticipated that 35% of the interest (excluding the .25% service fee) will be refunded per the terms of Build America Bonds.

Schedule 5

<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Repayments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 570,000	\$ -	\$ 270,000	\$ 300,000	\$ 6,700	\$ -
1,476,999	5,000	64,999	1,417,000	29,704	-
1,300,000	-	120,000	1,180,000	36,600	-
	1,190,000	225,000	965,000	27,635	-
<u>167,388</u>	<u>776,130</u>	<u>1,000</u>	<u>942,518</u>	<u>14,715</u>	<u>-</u>
3,514,387	1,971,130	680,999	4,804,518	115,354	-
100,000	-	25,000	75,000	-	-
<u>252,000</u>	<u>-</u>	<u>36,000</u>	<u>216,000</u>	<u>-</u>	<u>-</u>
<u>\$ 3,866,387</u>	<u>\$1,971,130</u>	<u>\$ 741,999</u>	<u>\$5,095,518</u>	<u>\$115,354</u>	<u>\$ -</u>
\$ 952,000	\$ -	\$ 73,000	\$ 879,000	\$ 30,940	\$ -
5,730,000	-	330,000	5,400,000	186,225	-
<u>3,757,000</u>	<u>5,000</u>	<u>180,000</u>	<u>3,582,000</u>	<u>39,119</u>	<u>-</u>
<u>\$10,439,000</u>	<u>\$ 5,000</u>	<u>\$ 583,000</u>	<u>\$9,861,000</u>	<u>\$256,284</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, 2019

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property tax	\$ 5,881,627	\$ -	\$ 5,881,627
Tax increment financing revenues	1,285,662	-	1,285,662
Other city taxes	2,651,486	-	2,651,486
Licenses and permits	66,892	-	66,892
Use of money and property	274,165	432,461	706,626
Intergovernmental	4,605,519	219,255	4,824,774
Charges for service	243,845	8,137,183	8,381,028
Special assessments	287,971	-	287,971
Miscellaneous	<u>836,903</u>	<u>126,795</u>	<u>963,698</u>
TOTAL RECEIPTS	<u>16,134,070</u>	<u>8,915,694</u>	<u>25,049,764</u>
DISBURSEMENTS:			
Public safety	4,001,585	-	4,001,585
Public works	1,829,178	-	1,829,178
Culture and recreation	1,883,716	-	1,883,716
Community and economic development	1,974,563	-	1,974,563
General government	1,735,802	-	1,735,802
Debt service	843,553	-	843,553
Capital projects	7,252,704	-	7,252,704
Business type	<u>-</u>	<u>4,891,666</u>	<u>4,891,666</u>
TOTAL DISBURSEMENTS	<u>19,521,101</u>	<u>4,891,666</u>	<u>24,412,767</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(3,387,031)</u>	<u>4,024,028</u>	<u>636,997</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from bonds	2,018,991	-	2,018,991
Operating transfers in	10,571,466	679,123	11,250,589
Operating transfers out	<u>(8,620,172)</u>	<u>(2,630,417)</u>	<u>(11,250,589)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,970,285</u>	<u>(1,951,294)</u>	<u>2,018,991</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	583,254	2,072,734	2,655,988
BALANCE - BEGINNING OF YEAR	<u>18,218,874</u>	<u>14,128,599</u>	<u>32,347,473</u>
BALANCE - END OF YEAR	<u>\$ 18,802,128</u>	<u>\$ 16,201,333</u>	<u>\$ 35,003,461</u>

Original Budget	Final Budget	Final to Actual Variance
\$ 5,816,078	\$ 5,816,078	\$ 65,549
1,301,797	1,301,797	(16,135)
2,538,724	2,594,724	56,762
75,650	75,650	(8,758)
379,095	599,095	107,531
4,464,133	4,542,133	282,641
7,451,525	8,395,025	(13,997)
195,803	252,803	35,168
418,999	575,999	387,699
<u>22,641,804</u>	<u>24,153,304</u>	<u>896,460</u>
3,732,281	3,796,281	(205,304)
1,762,277	1,890,277	61,099
1,762,746	1,805,746	(77,970)
2,339,484	2,514,484	539,921
3,258,605	3,136,605	1,400,803
721,772	722,772	(120,781)
8,360,589	8,710,589	1,457,885
<u>6,536,050</u>	<u>7,240,550</u>	<u>2,348,884</u>
<u>28,473,804</u>	<u>29,817,304</u>	<u>5,404,537</u>
<u>(5,832,000)</u>	<u>(5,664,000)</u>	<u>6,300,997</u>
4,055,000	4,055,000	(2,036,009)
11,970,243	11,970,243	(719,654)
<u>(11,970,243)</u>	<u>(11,970,243)</u>	<u>719,654</u>
<u>4,055,000</u>	<u>4,055,000</u>	<u>(2,036,009)</u>
(1,777,000)	(1,609,000)	<u>\$ 4,264,988</u>
<u>31,020,753</u>	<u>32,583,418</u>	
<u>\$ 29,243,753</u>	<u>\$ 30,974,418</u>	

**CITY OF SPENCER
NOTES TO SCHEDULE 6 - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2019**

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, a budget amendment increased budgeted disbursements by \$1,343,500. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the public safety, culture and recreation, and debt service functions.

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

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

OTHER INFORMATION (UNAUDITED)

	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability0421934%	.043928%
City's proportionate share of the net pension liability	\$ 2,669	\$ 2,908
City's covered-employee payroll	\$ 3,217	\$ 3,289
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	82.97%	88.42%
Plan fiduciary net position as a percentage of the total pension liability	83.62%	82.21%

* 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 FIVE YEARS *
(IN THOUSANDS)**

OTHER INFORMATION (UNAUDITED)

	<u>2019</u>	<u>201</u>
City's proportion of the net pension liability490919%	.509766%
City's proportionate share of the net pension liability	\$ 2,922	\$ 2,990
City's covered-employee payroll	\$ 1,427	\$ 1,444
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	204.77%	207.06%
Plan fiduciary net position as a percentage of the total pension liability	81.07%	80.60%

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

Schedule 7

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

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

**CITY OF SPENCER
SCHEDULE OF CITY CONTRIBUTIONS**

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

OTHER INFORMATION (UNAUDITED)

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

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

OTHER INFORMATION (UNAUDITED)

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

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Schedule 8

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

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

**CITY OF SPENCER
NOTES TO OTHER INFORMATION - PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2019**

Changes of Benefit Terms

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of Assumptions

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

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

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

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

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

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

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

**CITY OF SPENCER
NOTES TO OTHER INFORMATION - PENSION LIABILITY - Continued
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
YEAR ENDED JUNE 30, 2019**

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 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
RECEIPTS:				
Property taxes	\$ 5,881,627	\$ 5,657,567	\$ 5,624,241	\$ 5,085,638
Tax increment financing revenues	1,285,662	976,405	835,048	687,244
Other city taxes	2,651,486	2,912,127	2,727,248	2,615,039
Licenses and permits	66,892	81,145	62,666	70,121
Use of money and property	274,165	176,350	139,064	131,492
Intergovernmental	4,605,519	3,557,441	3,154,713	2,752,796
Charges for services	243,845	214,718	195,541	276,423
Special assessments	287,971	333,632	408,425	161,268
Miscellaneous	<u>836,903</u>	<u>711,491</u>	<u>788,070</u>	<u>627,625</u>
 TOTAL RECEIPTS	 <u>\$16,134,070</u>	 <u>\$14,620,876</u>	 <u>\$13,935,016</u>	 <u>\$12,407,646</u>
 DISBURSEMENTS:				
Public safety	\$ 4,001,585	\$ 3,110,546	\$ 3,186,696	\$ 3,010,045
Public works.....	1,829,178	1,632,301	1,528,724	1,482,858
Culture and recreation	1,883,716	1,561,764	1,610,387	1,516,305
Community and economic development	1,974,563	2,104,508	1,718,764	1,617,387
General government	1,735,802	2,900,710	2,720,445	2,295,139
Debt service	843,553	978,849	1,763,497	1,544,948
Capital projects	<u>7,252,704</u>	<u>5,120,509</u>	<u>1,823,307</u>	<u>1,385,932</u>
 TOTAL DISBURSEMENTS	 <u>\$19,521,101</u>	 <u>\$17,409,187</u>	 <u>\$14,351,820</u>	 <u>\$12,852,614</u>

Schedule 9

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$5,079,366	\$ 4,972,177	\$ 4,930,379	\$ 4,664,393	\$ 4,474,342	\$ 4,419,065
695,254	524,142	442,736	685,113	708,215	730,804
2,478,156	2,309,189	2,345,925	2,193,063	2,069,431	1,620,843
63,500	66,000	58,659	53,417	49,076	61,752
120,978	137,076	160,088	216,400	299,985	366,406
2,633,718	3,104,374	2,670,257	2,096,682	2,627,643	2,789,625
245,956	259,864	278,030	314,719	277,177	304,060
148,630	219,308	190,218	240,557	283,385	493,349
<u>1,174,940</u>	<u>685,782</u>	<u>1,004,429</u>	<u>1,275,826</u>	<u>2,320,639</u>	<u>2,270,949</u>
<u>\$12,640,498</u>	<u>\$12,277,912</u>	<u>\$12,080,721</u>	<u>\$11,740,170</u>	<u>\$13,109,893</u>	<u>\$13,056,853</u>
\$ 3,289,444	\$ 2,893,767	\$ 2,628,742	\$ 2,549,797	\$ 2,343,685	\$ 2,285,294
1,386,951	1,382,115	1,488,739	1,194,773	1,249,718	1,420,977
1,514,083	1,359,564	1,426,172	1,430,033	1,415,736	1,425,791
1,933,571	1,671,969	1,716,338	1,964,859	2,384,116	2,289,495
2,314,559	2,519,300	1,883,162	2,073,102	2,065,131	1,478,420
1,159,849	1,226,883	2,691,798	3,193,101	2,106,313	2,584,260
<u>2,609,423</u>	<u>3,078,688</u>	<u>3,131,125</u>	<u>662,897</u>	<u>3,299,247</u>	<u>5,828,337</u>
<u>\$14,207,880</u>	<u>\$14,132,286</u>	<u>\$14,966,076</u>	<u>\$13,068,562</u>	<u>\$14,863,946</u>	<u>\$17,312,574</u>

SUPPLEMENTARY INFORMATION

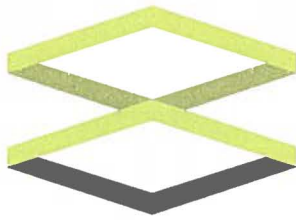
**CITY OF SPENCER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0086-24-2017	\$ 301,980
Total Direct			<u>301,980</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grant	14.228	17-HSG-018	139,933
		17-WS-031	<u>453,294</u>
			<u>593,227</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	16-TAP-116	57,276
		18-TAP-114	<u>692,856</u>
			<u>750,132</u>
U.S. Department of Transportation:			
Iowa Department of Public Safety/Governor's			
Traffic Safety Bureau:			
State and Community Highway Safety Cluster:			
State and Community Highway Safety	20.600	PAP 19-402, Task 34	<u>4,200</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and			
Emergency Management:			
Disaster Grants - Public Assistance	97.036	FEMA-4836-DR-IA	<u>54,749</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and			
Emergency Management:			
Hazard Mitigation Grant	97.039	FEMA-DR-4234-IA	<u>169,019</u>
Total Indirect			<u>1,571,327</u>
TOTAL			<u>\$1,873,307</u>

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirement, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - The City has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



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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, 2019, and the related Notes to Financial Statements, which collectively comprise the basic financial statements of the City's primary government, and have issued our report thereon dated December 10, 2019. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to Findings

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

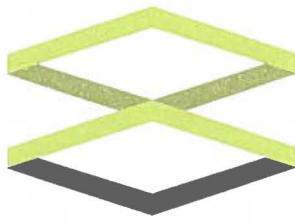
Purpose of this Report

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

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

Winter, Starn & Co., LLA

December 10, 2019
Spencer, Iowa



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Major Federal Program

We have audited the City of Spencer, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2019. The City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on The Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wenther, Starnes & Co., LLP

December 10, 2019
Spencer, Iowa

**CITY OF SPENCER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Part I: Summary of the Independent Auditors' Results:

- a. Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America.
- b. No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- e. An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- g. The major program was CFDA Number 20.205 - Highway Planning and Construction.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. The City of Spencer did not qualify as a low-risk auditee.

**CITY OF SPENCER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019**

Part II: Findings Related to the Financial Statements

Internal Control Deficiency:

No findings were noted.

Instances of Non-Compliance:

No findings were noted.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No findings were noted.

Internal Control Deficiency:

No findings were noted.

CITY OF SPENCER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-19 Certified Budget - Disbursements during the year ended June 30, 2019 exceeded the amounts budgeted in the public safety, culture and recreation, and debt service functions. In addition, disbursements in the public safety, public works, culture and recreation, and debt service functions exceeded the amounts budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion - Response accepted.

IV-B-19 Questionable Disbursements - No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

IV-C-19 Travel Expense - No expenditures of the City for travel expenses of spouses of City officials or employees were noted.

IV-D-19 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kevin Robinson, Mayor, Partial owner of Blue Lakes Ammo	Supplies	\$2,450
Partial owner of Spencer Auto Parts	Supplies	\$3,352

The transactions with Blue Lakes Ammo and Spencer Auto Parts may represent a conflict of interest since total transactions exceeded \$1,500 and the transactions were not entered into through competitive bidding in accordance with Chapter 331.342(2)(c) of the Code of Iowa.

Recommendation - The City should go through the bidding process for transactions that could exceed \$1,500.

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.

IV-E-19 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-19 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-19 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

**CITY OF SPENCER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2019**

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

- IV-H-19 Revenue Notes - No instances of noncompliance with the revenue bond and note resolutions were noted.
- IV-I-19 Financial Assurance - As of June 30, 2019, 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.
- IV-J-19 Urban Renewal Annual Report - The urban renewal annual report for the fiscal year ended June 30, 2018 was approved and certified to the Iowa Department of Management on or before December 1, 2018.