

CITY OF SPENCER

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

JUNE 30, 2018

CITY OF SPENCER

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CITY OF SPENCER
DIRECTORY OF CITY OFFICIALS
AS OF JUNE 30, 2018

MAYOR

Kevin Robinson

MAYOR PRO-TEM

George Moriarty

COUNCIL MEMBERS

Leann Jacobsen
Rich Prentice
William Orrison

Ron Hanson
Frank Petska

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.

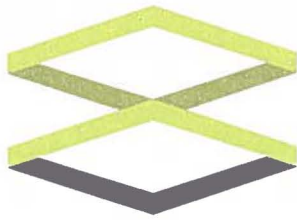
Chuck Duhn

SOLID WASTE SUPT.

Kent Herbold

LIBRARY DIRECTOR

Mandie Muelhausen



WINTHER STAVE & CO | LLP
Certified Public Accountants

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

www.winther-stave.com

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Spencer, Iowa, (the City) as of and for the year ended June 30, 2018, 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 Aggregate Discretely Presented Component Unit

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

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the City of Spencer, Iowa as of June 30, 2018, 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, 2018, 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.

Emphasis of a Matter

As discussed in Note 8 to the financial statements, the City adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis on pages 5 through 10 and the information included in Schedules 1 through 9, 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 3, 2018 on our consideration of the City of Spencer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spencer's internal control over financial reporting and compliance.

Wintner, Stave & Co., LLA

December 3, 2018
Spencer, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2018 Financial Highlights

- The City's total cash basis net position increased \$2,694,726 from June 30, 2017 to June 30, 2018. Of this amount, the cash basis net position of the governmental activities increased by \$1,939,550 and the cash basis net position of the business type activities increased \$755,176.

Overview of the Financial Statements

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

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

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

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

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

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

Basis of Accounting

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

Reporting The City as a Whole

The Cash Basis Statement of Activities and Net Position

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

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

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

Government-Wide Financial Analysis

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$16,279,324 to \$18,218,874. 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, 2018</u>	For the Year Ended <u>June 30, 2017</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services	\$ 717,491	\$ 746,385	\$ (28,894)
Operating grants and contributions	1,750,699	1,700,275	50,424
Capital grants and contributions	987,847	560,235	427,612
General receipts:			
Property and other city taxes	6,338,024	5,882,959	455,065
Tax increment financing	976,405	835,048	141,357
Commercial and industrial replacement	246,838	243,538	3,300
Payments in lieu of tax	625,565	625,565	
Local option sales tax	1,922,325	2,132,055	(209,730)
Hotel/motel tax	310,844	336,475	(25,631)
Use of money and property	176,350	139,064	37,286
Unrestricted miscellaneous	568,488	733,417	(164,929)
Debt proceeds	<u>3,129,680</u>	<u>460,768</u>	<u>2,668,912</u>
Total receipts	<u>17,750,556</u>	<u>14,395,784</u>	<u>3,354,772</u>
Disbursements:			
Public safety	3,110,546	3,186,696	(76,150)
Public works	1,632,301	1,528,724	103,577
Culture and recreation	1,561,764	1,610,387	(48,623)
Community and economic development	2,104,508	1,718,764	385,744
General government	2,900,710	2,720,445	180,265
Debt service	978,849	1,763,497	(784,648)
Capital projects	<u>5,120,509</u>	<u>1,823,307</u>	<u>3,297,202</u>
Total disbursements	<u>17,409,187</u>	<u>14,351,820</u>	<u>3,057,367</u>
Change in cash basis net position before transfers	341,369	43,964	297,405
Net transfers	<u>1,598,181</u>	<u>2,129,967</u>	<u>(531,786)</u>
Change in cash basis net position	1,939,550	2,173,931	(234,381)
Cash basis net position - beginning of year	<u>16,279,324</u>	<u>14,105,393</u>	<u>2,173,931</u>
Cash basis net position - end of year	<u>\$18,218,874</u>	<u>\$16,279,324</u>	<u>\$ 1,939,550</u>

The total business type activities cash balance increased from a year ago, increasing from \$13,373,423 to \$14,128,599. The analysis that follows focuses on the changes in cash basis net position of business type activities.

Changes in Cash Basis Net Position of Business Type Activities

	For the Year Ended June 30, 2018	For the Year Ended June 30, 2017	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services:			
Sanitary sewer	\$ 2,778,415	\$ 2,876,124	\$ (97,709)
Solid waste	2,195,833	2,193,866	1,967
Landfill	1,728,040	1,890,127	(162,087)
Airport	170,250	167,469	2,781
Golf course	352,525	391,987	(39,462)
Operating grants and contributions	59,323	62,153	(2,830)
Capital grants and contributions	141,552	1,493,201	(1,351,649)
General receipts:			
Bond proceeds	570,864	2,993,136	(2,422,272)
Use of money and property	197,311	190,435	6,876
Unrestricted miscellaneous	142,033	174,945	(32,912)
Total receipts	<u>8,336,146</u>	<u>12,433,443</u>	<u>(4,097,297)</u>
Disbursements:			
Sanitary sewer	2,364,434	1,729,323	635,111
Solid waste	933,031	1,121,066	(188,035)
Landfill	845,789	652,912	192,877
Airport	124,071	112,343	11,728
Golf course	349,733	458,389	(108,656)
Capital projects:			
Sanitary sewer	631,245	4,363,104	(3,731,859)
Landfill	666,901	39,920	626,981
Airport	63,329	69,152	(5,823)
Golf Course	4,256		4,256
Total disbursements	<u>5,982,789</u>	<u>8,546,209</u>	<u>(2,563,420)</u>
Change in cash basis net position before transfers	2,353,357	3,887,234	(1,533,877)
Net transfers	<u>(1,598,181)</u>	<u>(2,129,967)</u>	<u>531,786</u>
Change in cash basis net position	755,176	1,757,267	(1,002,091)
Cash basis net position - beginning of year	<u>13,373,423</u>	<u>11,616,156</u>	<u>1,757,267</u>
Cash basis net position - end of year	<u>\$14,128,599</u>	<u>\$13,373,423</u>	<u>\$ 755,176</u>

Individual Major Governmental Fund Analysis

The City's governmental funds showed a combined cash basis fund balance of \$18,218,874 at June 30, 2018 which was \$1,939,550 more than last year. A summary of the changes is as follows:

	Cash Balances June 30, 2018	Cash Balances June 30, 2017	Increase
General	\$13,885,653	\$12,445,780	\$ 1,439,873
Road use tax	1,000,893	897,097	103,796
Local option sales tax	346,060	178,483	167,577
Debt service	476,161	476,615	(454)
Capital projects	153,131	134,301	18,830
Total nonmajor governmental funds	<u>2,356,976</u>	<u>2,147,048</u>	<u>209,928</u>
Total	<u>\$18,218,874</u>	<u>\$16,279,324</u>	<u>\$ 1,939,550</u>

Individual Major Business Type Fund Analysis

The City's business type funds showed a combined cash basis fund balance of \$14,128,599 at June 30, 2018 which was \$755,176 more than last year. A summary of the changes is as follows:

	Cash Balances <u>June 30, 2018</u>	Cash Balances <u>June 30, 2017</u>	Increase (Decrease)
Sanitary sewer	\$ 4,197,320	\$ 4,536,579	\$ (339,259)
Solid waste	2,143,208	1,596,319	546,889
Landfill	7,060,540	6,925,449	135,091
Enterprise capital projects	19,338	(368,506)	387,844
Nonmajor proprietary funds	<u>708,193</u>	<u>683,582</u>	<u>24,611</u>
Total	<u>\$14,128,599</u>	<u>\$13,373,423</u>	<u>\$ 755,176</u>

Budgetary Highlights

The City amended the budget on May 21, 2018. The amendment was to budget for changes related to realigning the chart of accounts to follow the State chart of accounts.

The City's receipts were \$114,179 more than budgeted receipts.

The City's total disbursements were \$2,932,292 under the budgeted amounts.

Debt Administration

At June 30, 2018, the City had \$14,305,387 of debt outstanding, compared to \$12,108,429 last year as shown below:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
General obligation bonds and notes	\$ 3,514,387	\$ 1,612,293
Other long-term debt	352,000	413,000
Revenue bonds and notes	<u>10,439,000</u>	<u>10,083,136</u>
Total all debt	<u>\$14,305,387</u>	<u>\$12,108,429</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. In recent years, the City's local option sales tax receipts have been slowly declining; however, the FY18 true-up payment that the City received in November 2018 was approximately 70% more than the FY17 true-up payment. This may signal an increase in local retail sales. The State Legislature also passed legislation in the 2018 legislative session that will begin to tax online sales beginning in January 2019. 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 expend in the Spencer area. The City also saw a new 69 unit market rate apartment complex open in early FY18.

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.

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, 2018

			Program Receipts
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 3,110,546	\$ 151,254	\$ 193,477
Public works	1,632,301	21,989	1,433,348
Culture and recreation	1,561,764	157,146	30,284
Community and economic development	2,104,508	326,720	19,048
General government	2,900,710	22,966	74,542
Debt service	978,849	36,000	-
Capital projects	5,120,509	1,416	-
Total governmental activities	<u>17,409,187</u>	<u>717,491</u>	<u>1,750,699</u>
Business type activities:			
Sanitary sewer	2,364,434	2,778,415	59,323
Solid waste	933,031	2,195,833	-
Landfill	845,789	1,728,040	-
Airport	124,071	170,250	-
Golf course	349,733	352,525	-
Capital projects:			
Sanitary sewer	631,245	-	-
Landfill	666,901	-	-
Airport	63,329	-	-
Golf course	4,256	-	-
Total business type activities	<u>5,982,789</u>	<u>7,225,063</u>	<u>59,323</u>
 TOTAL	 <u>\$ 23,391,976</u>	 <u>\$ 7,942,554</u>	 <u>\$ 1,810,022</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			

Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ -	\$ (2,765,815)	\$ -	\$ (2,765,815)
-	(176,964)	-	(176,964)
-	(1,374,334)	-	(1,374,334)
-	(1,758,740)	-	(1,758,740)
62,500	(2,740,702)	-	(2,740,702)
-	(942,849)	-	(942,849)
925,347	(4,193,746)	-	(4,193,746)
<u>987,847</u>	<u>(13,953,150)</u>	<u>-</u>	<u>(13,953,150)</u>
-	-	473,304	473,304
-	-	1,262,802	1,262,802
52,729	-	934,980	934,980
-	-	46,179	46,179
-	-	2,792	2,792
-	-	(631,245)	(631,245)
-	-	(666,901)	(666,901)
88,823	-	25,494	25,494
-	-	(4,256)	(4,256)
<u>141,552</u>	<u>-</u>	<u>1,443,149</u>	<u>1,443,149</u>
<u>\$ 1,129,399</u>	<u>(13,953,150)</u>	<u>1,443,149</u>	<u>(12,510,001)</u>
	5,797,901	-	5,797,901
	540,123	-	540,123
	246,838	-	246,838
	976,405	-	976,405
	625,565	-	625,565
	1,922,325	-	1,922,325
	310,844	-	310,844
	176,350	197,311	373,661
	568,488	142,033	710,521
	3,129,680	570,864	3,700,544
	1,598,181	(1,598,181)	-
	<u>15,892,700</u>	<u>(687,973)</u>	<u>15,204,727</u>
	1,939,550	755,176	2,694,726
	<u>16,279,324</u>	<u>13,373,423</u>	<u>29,652,747</u>
	<u>\$ 18,218,874</u>	<u>\$ 14,128,599</u>	<u>\$ 32,347,473</u>

CITY OF SPENCER
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

CASH BASIS NET POSITION:

Nonexpendable:
 Permanent fund principal

Restricted, expendable for:
 Debt service

 Capital projects

 Urban renewal purposes

 Community and economic development purposes

 Employee benefits

 Police purposes

 Cementary purposes

 Streets

 Park purposes

 Closure and/or postclosure care

 Landfill recycling and planning

Unrestricted

TOTAL CASH BASIS NET POSITION

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 443,114	\$ -	\$ 443,114
476,161	202,602	678,763
153,131	-	153,131
582,124	-	582,124
436,282	-	436,282
1,178,055	-	1,178,055
32,718	-	32,718
19,008	-	19,008
1,000,893	-	1,000,893
11,735	-	11,735
-	2,959,071	2,959,071
-	463,469	463,469
<u>13,885,653</u>	<u>10,503,457</u>	<u>24,389,110</u>
<u>\$ 18,218,874</u>	<u>\$ 14,128,599</u>	<u>\$ 32,347,473</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, 2018

	<u>General</u>	<u>Road Use</u>	<u>Local Option Sales Tax</u>
RECEIPTS:			
Property tax	\$ 3,870,678	\$ -	\$ -
Tax increment financing	-	-	-
Other city taxes	513,958	-	1,922,325
Licenses and permits	81,145	-	-
Use of money and property	148,014	-	2,414
Intergovernmental	1,075,089	1,433,348	-
Charges for service	214,718	-	-
Special assessments	332,216	-	-
Miscellaneous	319,047	-	-
TOTAL RECEIPTS	<u>6,554,865</u>	<u>1,433,348</u>	<u>1,924,739</u>
DISBURSEMENTS:			
Public safety	2,613,038	-	-
Public works	1,533,849	-	-
Culture and recreation	1,443,541	-	-
Community and economic development	212,129	-	852,381
General government	1,185,391	-	-
Debt service	-	-	-
Capital projects	-	-	-
TOTAL DISBURSEMENTS	<u>6,987,948</u>	<u>-</u>	<u>852,381</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(433,083)</u>	<u>1,433,348</u>	<u>1,072,358</u>
OTHER FINANCING SOURCES (USES):			
Debt proceeds - includes \$40,266 bond prem. & fees	-	-	-
Operating transfers in	4,053,004	-	-
Operating transfers out	(2,180,048)	(1,329,552)	(904,781)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,872,956</u>	<u>(1,329,552)</u>	<u>(904,781)</u>
NET CHANGE IN CASH BALANCES	1,439,873	103,796	167,577
CASH BALANCES - BEGINNING OF YEAR	12,445,780	897,097	178,483
CASH BALANCES - END OF YEAR	<u>\$ 13,885,653</u>	<u>\$ 1,000,893</u>	<u>\$ 346,060</u>
CASH BASIS FUND BALANCE:			
Nonspendable:			
Permanent fund principal	\$ -	\$ -	\$ -
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Urban renewal purposes	-	-	-
Community and economic development purposes	-	-	346,060
Employee benefits	-	-	-
Police purposes	-	-	-
Cemetery purposes	-	-	-
Streets	-	1,000,893	-
Park purposes	-	-	-
Committed for:			
Public safety purposes	988,512	-	-
Public work purposes	6,985,064	-	-
Culture and recreation purposes	278,073	-	-
Community and economic development purposes	1,651,344	-	-
General government purposes	508,442	-	-
Unassigned	<u>3,474,218</u>	<u>-</u>	<u>-</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 13,885,653</u>	<u>\$ 1,000,893</u>	<u>\$ 346,060</u>

Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
\$ 534,313	\$ -	\$ 1,252,576	\$ 5,657,567
-	-	976,405	976,405
5,810	-	470,034	2,912,127
-	-	-	81,145
8,656	5,200	12,066	176,350
57,415	864,557	127,032	3,557,441
-	-	-	214,718
-	1,416	-	333,632
-	60,790	331,654	711,491
<u>606,194</u>	<u>931,963</u>	<u>3,169,767</u>	<u>14,620,876</u>
-	-	497,508	3,110,546
-	-	98,452	1,632,301
-	-	118,223	1,561,764
-	-	1,039,998	2,104,508
-	-	1,715,319	2,900,710
978,849	-	-	978,849
-	5,120,509	-	5,120,509
<u>978,849</u>	<u>5,120,509</u>	<u>3,469,500</u>	<u>17,409,187</u>
<u>(372,655)</u>	<u>(4,188,546)</u>	<u>(299,733)</u>	<u>(2,788,311)</u>
1,530,926	1,598,754	-	3,129,680
341,275	2,611,695	918,399	7,924,373
<u>(1,500,000)</u>	<u>(3,073)</u>	<u>(408,738)</u>	<u>(6,326,192)</u>
<u>372,201</u>	<u>4,207,376</u>	<u>509,661</u>	<u>4,727,861</u>
(454)	18,830	209,928	1,939,550
<u>476,615</u>	<u>134,301</u>	<u>2,147,048</u>	<u>16,279,324</u>
<u>\$ 476,161</u>	<u>\$ 153,131</u>	<u>\$ 2,356,976</u>	<u>\$ 18,218,874</u>
\$ -	\$ -	\$ 443,114	\$ 443,114
476,161	-	-	476,161
-	153,131	-	153,131
-	-	582,124	582,124
-	-	90,222	436,282
-	-	1,178,055	1,178,055
-	-	32,718	32,718
-	-	19,008	19,008
-	-	-	1,000,893
-	-	11,735	11,735
-	-	-	988,512
-	-	-	6,985,064
-	-	-	278,073
-	-	-	1,651,344
-	-	-	508,442
-	-	-	3,474,218
<u>\$ 476,161</u>	<u>\$ 153,131</u>	<u>\$ 2,356,976</u>	<u>\$ 18,218,874</u>

See Notes to Financial Statements

CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>	<u>Enterprise Capital Projects</u>
OPERATING RECEIPTS:				
Charges for services	\$ 2,778,415	\$ 2,195,833	\$ 1,728,040	\$ -
Miscellaneous	<u>32,259</u>	<u>94,247</u>	<u>5,702</u>	<u>-</u>
TOTAL OPERATING RECEIPTS	<u>2,810,674</u>	<u>2,290,080</u>	<u>1,733,742</u>	<u>-</u>
OPERATING DISBURSEMENTS:				
Salaries	67,041	496,258	245,424	-
Payroll taxes and employee benefits	10,555	78,835	39,472	-
Repairs and maintenance	40,515	108,092	78,374	-
Utilities	6,013	16,976	16,472	-
Contract services	864,730	3,970	43,409	-
Insurance premiums	-	-	-	-
Gas and oil	2,892	83,030	68,835	-
Supplies	2,970	41,399	12,201	-
Miscellaneous	18,629	21,106	171,917	-
Statewide ASR fees	-	-	20,000	-
Collection fee	26,238	26,238	-	-
Sales tax paid	53,239	39,951	-	-
Tipping tax	-	-	74,603	-
TOTAL OPERATING DISBURSEMENTS	<u>1,092,822</u>	<u>915,855</u>	<u>770,707</u>	<u>-</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>1,717,852</u>	<u>1,374,225</u>	<u>963,035</u>	<u>-</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	70,940	22,215	97,189	-
Interest subsidy on Build American Bonds	59,323	-	-	-
Intergovernmental grants	-	-	52,729	88,823
Capital outlay	(432,737)	(17,176)	(75,082)	(1,361,475)
Revenue bonds/notes principal	(570,000)	-	-	-
Revenue bonds/notes interest and fees	<u>(268,875)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(1,141,349)</u>	<u>5,039</u>	<u>74,836</u>	<u>(1,272,652)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>576,503</u>	<u>1,379,264</u>	<u>1,037,871</u>	<u>(1,272,652)</u>
OTHER FINANCING SOURCES (USES):				
Bond proceeds.....	-	-	-	570,864
Operating transfers in	105,999	50,820	540,000	1,095,676
Operating transfers out	<u>(1,021,761)</u>	<u>(883,195)</u>	<u>(1,442,780)</u>	<u>(6,044)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(915,762)</u>	<u>(832,375)</u>	<u>(902,780)</u>	<u>1,660,496</u>
NET CHANGE IN CASH BALANCES	<u>(339,259)</u>	<u>546,889</u>	<u>135,091</u>	<u>387,844</u>
CASH BALANCES - BEGINNING OF YEAR	<u>4,536,579</u>	<u>1,596,319</u>	<u>6,925,449</u>	<u>(368,506)</u>
CASH BALANCES - END OF YEAR	<u>\$ 4,197,320</u>	<u>\$ 2,143,208</u>	<u>\$ 7,060,540</u>	<u>\$ 19,338</u>

<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
\$ 522,775	\$ 7,225,063
9,825	142,033
<u>532,600</u>	<u>7,367,096</u>
199,069	1,007,792
25,149	154,011
46,456	273,437
54,256	93,717
40,915	953,024
7,182	7,182
8,910	163,667
64,625	121,195
14,560	226,212
-	20,000
-	52,476
12,682	105,872
-	74,603
<u>473,804</u>	<u>3,253,188</u>
<u>58,796</u>	<u>4,113,908</u>
6,967	197,311
-	59,323
-	141,552
(4,256)	(1,890,726)
-	(570,000)
-	(268,875)
<u>2,711</u>	<u>(2,331,415)</u>
<u>61,507</u>	<u>1,782,493</u>
-	570,864
22,363	1,814,858
<u>(59,259)</u>	<u>(3,413,039)</u>
<u>(36,896)</u>	<u>(1,027,317)</u>
24,611	755,176
<u>683,582</u>	<u>13,373,423</u>
<u>\$ 708,193</u>	<u>\$ 14,128,599</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, 2018

	<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	\$ 202,602	\$ -	\$ -	\$ -
Closure and/or postclosure care	-	17,611	2,941,460	-
Landfill recycling and planning	-	-	463,469	-
Unrestricted	<u>3,994,718</u>	<u>2,125,597</u>	<u>3,655,611</u>	<u>19,338</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 4,197,320</u>	<u>\$ 2,143,208</u>	<u>\$ 7,060,540</u>	<u>\$ 19,338</u>

Nonmajor		
<u>Proprietary Funds</u>		<u>Total</u>
\$ -	\$	202,602
-		2,959,071
-		463,469
<u>708,193</u>		<u>10,503,457</u>
<u>\$ 708,193</u>	<u>\$</u>	<u>14,128,599</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, 2018**

ADDITIONS:	
Use of money and property	\$ 2,409
Intergovernmental	284,355
Miscellaneous	<u>57,429</u>
TOTAL ADDITIONS	<u>344,193</u>
DEDUCTIONS:	
Community and economic development	13,499
General government	<u>339,427</u>
TOTAL DEDUCTIONS	<u>352,926</u>
NET CHANGE IN CASH BALANCES	(8,733)
CASH BALANCES - BEGINNING OF YEAR	<u>244,678</u>
CASH BALANCES - END OF YEAR	<u>\$ 235,945</u>

**CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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 \$32,500 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 revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

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

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, 2018

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 is used to account for all resources used in the acquisition and construction of capital facilities used by enterprise activities.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

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, 2018, disbursements exceeded the amount budgeted in the debt service function.

2. CASH AND POOLED INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2018 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, 2018

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, 2018:

Cash on hand	\$ 5,300
Demand deposits	19,572,475
Money market account	<u>13,005,643</u>
Total cash and investments	32,583,418
Less Agency Funds	<u>(235,945)</u>

City's Cash and Investments	<u>\$32,347,473</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
2019	\$ 456,000	\$ 97,793	\$ 61,000	\$ -	\$ 517,000	\$ 97,793
2020	353,000	69,768	61,000	-	414,000	69,768
2021	356,000	63,558	61,000	-	417,000	63,558
2022	328,388	55,887	61,000	-	389,388	55,887
2023	196,000	48,570	36,000	-	232,000	48,570
2024-2028	1,069,000	161,790	72,000	-	1,141,000	161,790
2029-2033	418,000	59,220	-	-	418,000	59,220
2034-2038	<u>337,999</u>	<u>16,260</u>	<u>-</u>	<u>-</u>	<u>337,999</u>	<u>16,260</u>
Total	<u>\$3,514,387</u>	<u>\$572,846</u>	<u>\$ 352,000</u>	<u>\$ -</u>	<u>\$3,866,387</u>	<u>\$572,846</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

3. BONDS AND NOTES PAYABLE - Continued

Year Ending June 30,	Business-Type Activities		Total All Bonds and Notes	
	Revenue	Notes	Principal	Interest
	Principal	Interest		
2019	\$ 585,000	\$ 256,260	\$ 1,102,000	\$ 354,053
2020	599,000	241,248	1,013,000	311,016
2021	614,000	225,824	1,031,000	289,382
2022	631,000	209,958	1,020,388	265,845
2023	647,000	193,583	879,000	242,153
2024-2028	3,499,000	704,827	4,640,000	866,617
2029-2033	3,031,000	236,186	3,449,000	295,406
2034-2038	<u>833,000</u>	<u>21,404</u>	<u>1,170,999</u>	<u>37,664</u>
Total	<u>\$10,439,000</u>	<u>\$2,089,290</u>	<u>\$14,305,387</u>	<u>\$2,662,136</u>

General Obligation Bonds/Notes

General obligation bonds and notes to be serviced by the Debt Service Fund totaled \$3,514,387 at June 30, 2018. 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	\$ 100,000
2) E-911 Communication loan	<u>252,000</u>
Total	<u>\$ 352,000</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 \$12,528,290. For the current year, principal and interest paid on the bonds was \$821,194 and customer net receipts were \$1,717,852. 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, 2018

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, 2018, 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 \$1,081 during the year ended June 30, 2018. See item II-D-18 in the Schedule of Findings.

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, holiday, and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2018 is as follows:

Governmental activities:	
General fund	\$ 606,781
Business type activities:	
Proprietary:	
Enterprise:	
Solid waste	88,123
Landfill	26,374
Golf course	17,168
Total business type activities	<u>131,665</u>
TOTAL	<u>\$ 738,446</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, 2018

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. 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 starting 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 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll, and the City contributed 9.84% for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2018 were \$286,151.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

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, 2018, the City reported a liability of \$2,907,892 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was .043928% which was an increase of .001540% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City's pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$402,827, \$1,069,356, and \$589,645, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	3.60% 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, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

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	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	<u>3.0</u>	4.25
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	\$4,808,455	\$2,907,892	\$1,311,071

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, 2018

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, 2018

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, 2018.

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 27.68% for the year ended June 30, 2018.

The City's contributions to MFPRSI for the year ended June 30, 2018 totaled \$366,430.

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, 2018.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the City reported a liability of \$2,989,650 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was .509766% which was an increase of .006628% from its proportions measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense, deferred outflows of resources, and deferred inflows of resources totaling \$454,822, \$1,091,915, and \$636,409, respectively.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

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

Actuarial Assumptions - The total pension liability in the June 30, 2017, 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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 through June 30, 2012.

Postretirement mortality rates were based on 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 five years projection of future mortality improvement with Scale BB.

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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap	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, 2018

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	\$4,913,310	\$2,989,650	\$1,389,656

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. The most recent active member monthly premiums for the City and plan members are \$762 for single and \$1,795 for family coverage. For the year ended June 30, 2018, the City contributed \$993,072 and plan members eligible for benefits contributed \$294,581 to the plan. In addition, Clay County contributed \$40,245 to the plan for communication center employees. At June 30, 2018 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, 2018, there were 78 active and 5 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 775 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, 2018

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, 2018 were \$183,218.

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, 2018 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, 2018

11. CONTRACT AND OTHER COMMITMENTS

The City has entered into contracts totaling \$4,725,348 for various construction projects. As of June 30, 2018, disbursements on those contracts totaled \$1,058,804. The remaining \$3,666,544 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, 2018 is as follows:

Transfer to	Transfer from	Amount
General Fund	Local Option Sales Tax	\$ 904,781
	Road Use Tax	1,180,675
	Capital Projects	3,073
	Debt Service	800,000
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	436,718
	Solid Waste	140,509
	Landfill	187,586
	Nonmajor Governmental:	
	Special Revenue:	
	Tax Increment Financing	343,520
	Federal & State Retirement	37,481
	Trees Forever	1,237
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	5,405
	Golf Course	12,019
Total General Fund		<u>4,053,004</u>
Debt Service	Proprietary:	
	Enterprise:	
	Landfill	314,775
	Nonmajor Governmental:	
	Special Revenue:	
	Tax Increment Financing	26,500
Total Debt Service		<u>341,275</u>
Capital Projects	General	1,633,444
	Road Use Tax	148,877
	Debt Service	700,000
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	129,374
Total Capital Projects		<u>2,611,695</u>
Nonmajor Governmental:		
Special Revenue:		
Federal and State Retirement	General	345,285
	Enterprise:	
	Sanitary Sewer	20,840
	Solid Waste	18,572
	Landfill	29,078
Total Federal and State Retirement		<u>413,775</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

12. INTERFUND TRANSFERS - Continued

Transfer to	Transfer from	Amount
Nonmajor Governmental - Continued:		
Special Revenue - Continued:		
Workers' Compensation Insurance	Proprietary:	
	Enterprise:	
	Sanitary Sewer	\$ 899
	Solid Waste	29,204
	Landfill	11,157
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	518
	Golf Course	2,146
Total Workers' Compensation Insurance		<u>43,924</u>
Group Medical/Life Insurance	General	185,000
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	25,651
	Solid Waste	142,141
	Landfill	89,233
	Nonmajor Proprietary:	
	Enterprise:	
	Golf Course	18,675
Total Group Medical/Life Insurance		<u>460,700</u>
Total Nonmajor Governmental		<u>918,399</u>
Total Governmental Funds		<u>7,924,373</u>
Proprietary:		
Enterprise:		
Sanitary Sewer	Proprietary:	
	Enterprise:	
	Landfill	<u>105,999</u>
Landfill	Proprietary:	
	Enterprise:	
	Solid Waste	<u>540,000</u>
Solid Waste	Proprietary:	
	Enterprise:	
	Landfill	<u>50,820</u>
Enterprise Capital Projects	Proprietary:	
	Enterprise:	
	Sanitary Sewer	408,279
	Solid Waste	12,769
	Landfill	654,132
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	20,496
Total Enterprise Capital Projects		<u>1,095,676</u>

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

12. INTERFUND TRANSFERS - Continued

Transfer to	Transfer from	Amount
Proprietary - Continued:		
Golf Course	General	\$ 16,320
Nonmajor Proprietary:		
Airport	Proprietary:	
	Enterprise:	
	Enterprise capital projects	6,043
Total Proprietary Funds		<u>1,814,858</u>
TOTAL OPERATING TRANSFERS		<u>\$9,739,231</u>

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

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 \$1,195,000 for closure and \$2,025,600 for postclosure, for a total of \$3,220,600 as of June 30, 2018. In the current year, no disbursements were made for landfill closure costs. Currently the estimated remaining life of the landfill is 38 months with approximately 24% of the landfill's capacity used at June 30, 2018.

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, 2018, assets of \$2,941,460 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, 2018

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 \$7,794,600, 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, 2018, the City rebated \$465,893 of incremental property tax to the developers. At June 30, 2018, the remaining balances to be paid on the agreements totaled \$6,517,191.

CITY OF SPENCER
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

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, 2018, the City abated \$465,893 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 2018, the City entered into construction contracts totaling approximately \$2,546,000. The City also approved the issuance of \$1,190,000 of general obligation urban renewal bonds in October 2018.

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, 2018**

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
RECEIPTS:			
Property tax	\$ 1,252,576	\$ -	\$ 1,252,576
Tax increment financing	976,405	-	976,405
Other city taxes	470,034	-	470,034
Use of money and property	10,223	1,843	12,066
Intergovernmental	127,032	-	127,032
Miscellaneous	328,754	2,900	331,654
TOTAL RECEIPTS	<u>3,165,024</u>	<u>4,743</u>	<u>3,169,767</u>
DISBURSEMENTS:			
Public safety	497,508	-	497,508
Public works	98,452	-	98,452
Culture and recreation	117,998	225	118,223
Community and economic development	1,039,417	581	1,039,998
General government	1,715,319	-	1,715,319
TOTAL DISBURSEMENTS	<u>3,468,694</u>	<u>806</u>	<u>3,469,500</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>(303,670)</u>	<u>3,937</u>	<u>(299,733)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	918,399	-	918,399
Operating transfers out	(408,738)	-	(408,738)
TOTAL OTHER FINANCING SOURCES (USES)	<u>509,661</u>	<u>-</u>	<u>509,661</u>
NET CHANGE IN CASH BALANCES	205,991	3,937	209,928
CASH BALANCES - BEGINNING OF YEAR	<u>1,676,659</u>	<u>470,389</u>	<u>2,147,048</u>
CASH BALANCES - END OF YEAR	<u>\$ 1,882,650</u>	<u>\$ 474,326</u>	<u>\$ 2,356,976</u>
CASH BASIS FUND BALANCES:			
Nonspendable:			
Permanent fund principal	\$ -	\$ 443,114	\$ 443,114
Restricted for:			
Urban renewal purposes	582,124	-	582,124
Community and economic development purposes	89,753	469	90,222
Employee benefits	1,178,055	-	1,178,055
Police purposes	32,718	-	32,718
Cemetery purposes	-	19,008	19,008
Park purposes	-	11,735	11,735
TOTAL CASH BASIS FUND BALANCES	<u>\$ 1,882,650</u>	<u>\$ 474,326</u>	<u>\$ 2,356,976</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, 2018**

	Tax Increment Financing	SSMID	Police Retirement Systems	Civil Service Expenses	Police Special Proceeds
RECEIPTS:					
Property tax	\$ -	\$ 85,046	\$ 256,857	\$ 6,888	\$ -
Tax increment financing	976,405	-	-	-	-
Other city taxes	456,415	-	2,996	80	-
Use of money and property	7,780	-	1,642	74	328
Intergovernmental	-	9,059	11,044	296	-
Miscellaneous	-	-	-	5,666	-
TOTAL RECEIPTS	1,440,600	94,105	272,539	13,004	328
DISBURSEMENTS:					
Public safety	-	-	285,208	16,576	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	931,671	107,746	-	-	-
General government	-	-	-	-	-
TOTAL DISBURSEMENTS	931,671	107,746	285,208	16,576	-
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	508,929	(13,641)	(12,669)	(3,572)	328
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(370,020)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(370,020)	-	-	-	-
NET CHANGE IN CASH BALANCES	138,909	(13,641)	(12,669)	(3,572)	328
CASH BALANCES - BEGINNING OF YEAR	443,215	103,394	163,999	12,205	32,390
CASH BALANCES - END OF YEAR	\$ 582,124	\$ 89,753	\$ 151,330	\$ 8,633	\$ 32,718
CASH BASIS FUND BALANCES:					
Restricted for:					
Urban renewal purposes	\$ 582,124	\$ -	\$ -	\$ -	\$ -
Community and economic development purposes	-	89,753	-	-	-
Employee benefits	-	-	151,330	8,633	-
Police purposes	-	-	-	-	32,718
Park purposes	-	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	\$ 582,124	\$ 89,753	\$ 151,330	\$ 8,633	\$ 32,718

<u>Fire Pension Accumulation</u>	<u>Federal and State Retirement</u>	<u>Workers' Compensation Insurance</u>	<u>Trees Forever</u>	<u>Unemployment Insurance Claims</u>	<u>Group Medical/Life Insurance</u>	<u>Total</u>
\$ 70,869	\$ -	\$ 175,713	\$ -	\$ 29,422	\$ 627,781	\$ 1,252,576
-	-	-	-	-	-	976,405
827	-	2,050	-	343	7,323	470,034
391	-	-	8	-	-	10,223
3,047	27,527	7,555	-	1,265	67,239	127,032
-	-	12,187	-	-	310,901	328,754
<u>75,134</u>	<u>27,527</u>	<u>197,505</u>	<u>8</u>	<u>31,030</u>	<u>1,013,244</u>	<u>3,165,024</u>
81,222	114,502	-	-	-	-	497,508
-	98,452	-	-	-	-	98,452
-	117,997	-	1	-	-	117,998
-	-	-	-	-	-	1,039,417
-	74,296	271,140	-	7,660	1,362,223	1,715,319
<u>81,222</u>	<u>405,247</u>	<u>271,140</u>	<u>1</u>	<u>7,660</u>	<u>1,362,223</u>	<u>3,468,694</u>
<u>(6,088)</u>	<u>(377,720)</u>	<u>(73,635)</u>	<u>7</u>	<u>23,370</u>	<u>(348,979)</u>	<u>(303,670)</u>
-	413,775	43,924	-	-	460,700	918,399
-	(37,481)	-	(1,237)	-	-	(408,738)
-	376,294	43,924	(1,237)	-	460,700	509,661
(6,088)	(1,426)	(29,711)	(1,230)	23,370	111,721	205,991
<u>41,307</u>	<u>329,502</u>	<u>168,778</u>	<u>1,230</u>	<u>33,483</u>	<u>347,156</u>	<u>1,676,659</u>
<u>\$ 35,219</u>	<u>\$ 328,076</u>	<u>\$ 139,067</u>	<u>\$ -</u>	<u>\$ 56,853</u>	<u>\$ 458,877</u>	<u>\$ 1,882,650</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 582,124
-	-	-	-	-	-	89,753
35,219	328,076	139,067	-	56,853	458,877	1,178,055
-	-	-	-	-	-	32,718
-	-	-	-	-	-	-
<u>\$ 35,219</u>	<u>\$ 328,076</u>	<u>\$ 139,067</u>	<u>\$ -</u>	<u>\$ 56,853</u>	<u>\$ 458,877</u>	<u>\$ 1,882,650</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, 2018**

	Cemetery Perpetual Care <u>Fund</u>	Riverside Cemetery Memorial <u>Trust</u>	Columbarium Vault <u>Fund</u>	Northlawn Perpetual Care <u>Fund</u>
RECEIPTS:				
Use of money and property	\$ -	\$ 216	\$ 51	\$ 735
Miscellaneous.....	<u>2,500</u>	<u>-</u>	<u>100</u>	<u>300</u>
TOTAL RECEIPTS	<u>2,500</u>	<u>216</u>	<u>151</u>	<u>1,035</u>
DISBURSEMENTS:				
Culture and recreation	-	225	-	-
Community and economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DISBURSEMENTS	<u>-</u>	<u>225</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>2,500</u>	<u>(9)</u>	<u>151</u>	<u>1,035</u>
CASH BALANCES - BEGINNING OF YEAR	<u>288,954</u>	<u>21,567</u>	<u>5,101</u>	<u>71,623</u>
CASH BALANCES - END OF YEAR	<u>\$ 291,454</u>	<u>\$ 21,558</u>	<u>\$ 5,252</u>	<u>\$ 72,658</u>
CASH BASIS FUND BALANCES:				
Nonspendable:				
Permanent fund principal	\$ 291,454	\$ 2,550	\$ 5,252	\$ 72,658
Restricted for:				
Cemetery purposes	-	19,008	-	-
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>\$ 291,454</u>	<u>\$ 21,558</u>	<u>\$ 5,252</u>	<u>\$ 72,658</u>

Griffin Trust Fund	Leach Park Fund	Total
\$ 646	\$ 195	\$ 1,843
<u>-</u>	<u>-</u>	<u>2,900</u>
<u>646</u>	<u>195</u>	<u>4,743</u>
-	-	225
<u>581</u>	<u>-</u>	<u>581</u>
<u>581</u>	<u>-</u>	<u>806</u>
<u>65</u>	<u>195</u>	<u>3,937</u>
<u>63,404</u>	<u>19,740</u>	<u>470,389</u>
<u>\$ 63,469</u>	<u>\$ 19,935</u>	<u>\$ 474,326</u>
\$ 63,000	\$ 8,200	\$ 443,114
-	-	19,008
469	-	469
<u>-</u>	<u>11,735</u>	<u>11,735</u>
<u>\$ 63,469</u>	<u>\$ 19,935</u>	<u>\$ 474,326</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, 2018

	Enterprise Funds		
	<u>Airport</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
OPERATING RECEIPTS:			
Charges for services	\$ 170,250	\$ 352,525	\$ 522,775
Miscellaneous	942	8,883	9,825
TOTAL OPERATING RECEIPTS	<u>171,192</u>	<u>361,408</u>	<u>532,600</u>
OPERATING DISBURSEMENTS:			
Salaries	17,289	181,780	199,069
Payroll taxes and employee benefits	2,519	22,630	25,149
Repairs and maintenance	23,834	22,622	46,456
Utilities	32,919	21,337	54,256
Contract services	34,146	6,769	40,915
Insurance premiums	7,182	-	7,182
Gas and oil	180	8,730	8,910
Supplies	1,558	63,067	64,625
Miscellaneous	4,444	10,116	14,560
Sales tax paid	-	12,682	12,682
TOTAL OPERATING DISBURSEMENTS	<u>124,071</u>	<u>349,733</u>	<u>473,804</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>47,121</u>	<u>11,675</u>	<u>58,796</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	6,176	791	6,967
Capital outlay	-	(4,256)	(4,256)
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>6,176</u>	<u>(3,465)</u>	<u>2,711</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>53,297</u>	<u>8,210</u>	<u>61,507</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	6,043	16,320	22,363
Operating transfers out	(26,419)	(32,840)	(59,259)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,376)</u>	<u>(16,520)</u>	<u>(36,896)</u>
NET CHANGE IN CASH BALANCES	32,921	(8,310)	24,611
CASH BALANCES - BEGINNING OF YEAR	<u>577,600</u>	<u>105,982</u>	<u>683,582</u>
CASH BALANCES - END OF YEAR	<u>\$ 610,521</u>	<u>\$ 97,672</u>	<u>\$ 708,193</u>
CASH BASIS FUND BALANCES:			
Unrestricted	<u>\$ 610,521</u>	<u>\$ 97,672</u>	<u>\$ 708,193</u>

**CITY OF SPENCER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2018**

	<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:				
Landfill facility refunding bonds	4-2010		\$1,455,000	
Street improvement bonds	12-2010		575,000	
West beltway, fire station refunding bonds	4-2012		1,565,000	
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
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>
\$ 305,000	\$ -	\$ 305,000	\$ -	\$ 8,775	\$ -
85,000	-	85,000	-	2,333	-
135,000	-	135,000	-	2,025	-
695,000	-	125,000	570,000	7,950	-
392,293	1,085,706	1,000	1,476,999	20,658	-
-	1,500,000	200,000	1,300,000	9,586	-
<u>-</u>	<u>167,388</u>	<u>-</u>	<u>167,388</u>	<u>-</u>	<u>-</u>
1,612,293	2,753,094	851,000	3,514,387	51,327	-
125,000	-	25,000	100,000	-	-
<u>288,000</u>	<u>-</u>	<u>36,000</u>	<u>252,000</u>	<u>-</u>	<u>-</u>
<u>\$ 2,025,293</u>	<u>\$2,753,094</u>	<u>\$ 912,000</u>	<u>\$ 3,866,387</u>	<u>\$ 51,327</u>	<u>\$ -</u>
\$ 1,023,000	\$ -	\$ 71,000	\$ 952,000	\$ 33,248	\$ -
6,049,000	-	319,000	5,730,000	196,592	-
<u>3,011,136</u>	<u>925,864</u>	<u>180,000</u>	<u>3,757,000</u>	<u>39,035</u>	<u>-</u>
<u>\$10,083,136</u>	<u>\$ 925,864</u>	<u>\$ 570,000</u>	<u>\$10,439,000</u>	<u>\$268,875</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, 2018

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property tax	\$ 5,657,567	\$ -	\$ 5,657,567
Tax increment financing revenues	976,405	-	976,405
Other city taxes	2,912,127	-	2,912,127
Licenses and permits	81,145	-	81,145
Use of money and property	176,350	197,311	373,661
Intergovernmental	3,557,441	200,875	3,758,316
Charges for service	214,718	7,225,063	7,439,781
Special assessments	333,632	-	333,632
Miscellaneous	711,491	142,033	853,524
TOTAL RECEIPTS	<u>14,620,876</u>	<u>7,765,282</u>	<u>22,386,158</u>
DISBURSEMENTS:			
Public safety	3,110,546	-	3,110,546
Public works	1,632,301	-	1,632,301
Culture and recreation	1,561,764	-	1,561,764
Community and economic development	2,104,508	-	2,104,508
General government	2,900,710	-	2,900,710
Debt service	978,849	-	978,849
Capital projects	5,120,509	-	5,120,509
Business type	-	5,982,789	5,982,789
TOTAL DISBURSEMENTS	<u>17,409,187</u>	<u>5,982,789</u>	<u>23,391,976</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(2,788,311)</u>	<u>1,782,493</u>	<u>(1,005,818)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from bonds	3,129,680	570,864	3,700,544
Operating transfers in	7,924,373	1,814,858	9,739,231
Operating transfers out	(6,326,192)	(3,413,039)	(9,739,231)
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,727,861</u>	<u>(1,027,317)</u>	<u>3,700,544</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	1,939,550	755,176	2,694,726
BALANCE - BEGINNING OF YEAR	<u>16,279,324</u>	<u>13,373,423</u>	<u>29,652,747</u>
BALANCE - END OF YEAR	<u>\$ 18,218,874</u>	<u>\$ 14,128,599</u>	<u>\$ 32,347,473</u>

Original Budget	Final Budget	Final to Actual Variance
\$ 5,703,684	\$ 5,703,684	\$ (46,117)
993,748	993,748	(17,343)
2,529,038	2,529,038	383,089
68,850	73,450	7,695
377,020	384,520	(10,859)
4,525,898	4,993,678	(1,235,362)
6,880,725	6,903,925	535,856
147,738	147,738	185,894
536,398	542,198	311,326
<u>21,763,099</u>	<u>22,271,979</u>	<u>114,179</u>
3,556,818	3,556,818	446,272
1,841,025	1,841,025	208,724
1,762,634	1,697,634	135,870
1,154,695	2,257,899	153,391
2,960,056	3,101,306	200,596
708,930	968,930	(9,919)
5,868,347	7,894,347	2,773,838
<u>6,602,309</u>	<u>5,006,309</u>	<u>(976,480)</u>
<u>24,454,814</u>	<u>26,324,268</u>	<u>2,932,292</u>
<u>(2,691,715)</u>	<u>(4,052,289)</u>	<u>3,046,471</u>
3,814,976	3,814,976	(114,432)
13,024,204	13,024,204	(3,284,973)
<u>(13,024,204)</u>	<u>(13,024,204)</u>	<u>3,284,973</u>
<u>3,814,976</u>	<u>3,814,976</u>	<u>(114,432)</u>
1,123,261	(237,313)	<u>\$ 2,932,039</u>
<u>24,571,421</u>	<u>29,897,492</u>	
<u>\$ 25,694,682</u>	<u>\$ 29,660,179</u>	

**CITY OF SPENCER
NOTES TO SCHEDULE 6 - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,869,454. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the debt service function.

CITY OF SPENCER
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR YEARS *
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2018</u>	<u>2017</u>
City's proportion of the net pension liability043928%	.042388%
City's proportionate share of the net pension liability	\$ 2,908	\$ 2,652
City's covered-employee payroll	\$ 3,289	\$ 3,072
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.42%	86.33%
Plan fiduciary net position as a percentage of the total pension liability	82.21%	81.82%

* 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 FOUR YEARS *
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2018</u>	<u>2017</u>
City's proportion of the net pension liability509766%	.503138%
City's proportionate share of the net pension liability	\$ 2,990	\$ 3,146
City's covered-employee payroll	\$ 1,444	\$ 1,363
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	207.06%	230.81%
Plan fiduciary net position as a percentage of the total pension liability	80.60%	78.20%

* 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>2016</u>	<u>2015</u>
.042779%	.043983%
\$ 2,108	\$ 1,746
\$ 2,963	\$ 2,921
71.14%	59.77%
85.19%	87.61%

<u>2016</u>	<u>2015</u>
.495032%	.504315%
\$ 2,326	\$ 1,828
\$ 1,298	\$ 1,287
179.20%	141.95%
83.04%	86.27%

**CITY OF SPENCER
SCHEDULE OF CITY CONTRIBUTIONS**

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 8 FISCAL YEARS
(IN THOUSANDS)**

OTHER INFORMATION (UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 286	\$ 294	\$ 275	\$ 265	\$ 261
Contributions in relation to the statutorily required contribution	<u>286</u>	<u>294</u>	<u>275</u>	<u>265</u>	<u>261</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$3,217	\$3,289	\$3,072	\$2,963	\$2,921
Contributions as a percentage of covered-employee payroll	8.90%	8.94%	8.94%	8.94%	8.94%

**MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
LAST 8 FISCAL YEARS
(IN THOUSANDS)**

OTHER INFORMATION (UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 366	\$ 374	\$ 379	\$ 395	\$ 388
Contributions in relation to the statutorily required contribution	<u>366</u>	<u>374</u>	<u>379</u>	<u>395</u>	<u>391</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$1,427	\$1,444	\$1,383	\$1,298	\$1,287
Contributions as a percentage of covered-employee payroll	25.68%	25.92%	27.77%	30.41%	30.12%

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

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

**CITY OF SPENCER
NOTES TO OTHER INFORMATION - PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2018**

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 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, 2018**

Changes of Benefit Terms

There were no significant changes of benefit terms.

Changes of Assumptions

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.

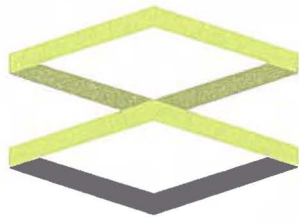
The 2014 valuation phased in the 1994 Group Annuity Mortality Table for post-retirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
RECEIPTS:				
Property taxes	\$ 5,657,567	\$ 5,624,241	\$ 5,085,638	\$ 5,079,366
Tax increment financing revenues	976,405	835,048	687,244	695,254
Other city taxes	2,912,127	2,727,248	2,615,039	2,478,156
Licenses and permits	81,145	62,666	70,121	63,500
Use of money and property	176,350	139,064	131,492	120,978
Intergovernmental	3,557,441	3,154,713	2,752,796	2,633,718
Charges for services	214,718	195,541	276,423	245,956
Special assessments	333,632	408,425	161,268	148,630
Miscellaneous	<u>711,491</u>	<u>788,070</u>	<u>627,625</u>	<u>1,174,940</u>
 TOTAL RECEIPTS	 <u>\$14,620,876</u>	 <u>\$13,935,016</u>	 <u>\$12,407,646</u>	 <u>\$12,640,498</u>
 DISBURSEMENTS:				
Public safety	\$ 3,110,546	\$ 3,186,696	\$ 3,010,045	\$ 3,289,444
Public works.....	1,632,301	1,528,724	1,482,858	1,386,951
Culture and recreation	1,561,764	1,610,387	1,516,305	1,514,083
Community and economic development	2,104,508	1,718,764	1,617,387	1,933,571
General government	2,900,710	2,720,445	2,295,139	2,314,559
Debt service	978,849	1,763,497	1,544,948	1,159,849
Capital projects	<u>5,120,509</u>	<u>1,823,307</u>	<u>1,385,932</u>	<u>2,609,423</u>
 TOTAL DISBURSEMENTS	 <u>\$17,409,187</u>	 <u>\$14,351,820</u>	 <u>\$12,852,614</u>	 <u>\$14,207,880</u>

Schedule 9

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 4,972,177	\$ 4,930,379	\$ 4,664,393	\$ 4,474,342	\$ 4,419,065	\$ 4,240,304
524,142	442,736	685,113	708,215	730,804	706,603
2,309,189	2,345,925	2,193,063	2,069,431	1,620,843	1,879,749
66,000	58,659	53,417	49,076	61,752	53,830
137,076	160,088	216,400	299,985	366,406	479,729
3,104,374	2,670,257	2,096,682	2,627,643	2,789,625	2,073,283
259,864	278,030	314,719	277,177	304,060	311,873
219,308	190,218	240,557	283,385	493,349	236,308
<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>2,007,211</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>	<u>\$11,988,890</u>
\$ 2,893,767	\$ 2,628,742	\$ 2,549,797	\$ 2,343,685	\$ 2,285,294	\$ 2,461,524
1,382,115	1,488,739	1,194,773	1,249,718	1,420,977	1,459,165
1,359,564	1,426,172	1,430,033	1,415,736	1,425,791	1,369,796
1,671,969	1,716,338	1,964,859	2,384,116	2,289,495	2,776,842
2,519,300	1,883,162	2,073,102	2,065,131	1,478,420	1,465,448
1,226,883	2,691,798	3,193,101	2,106,313	2,584,260	1,485,111
<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>1,820,672</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>	<u>\$12,838,558</u>



WINTHER STAVE & CO | LLPTM
Certified Public Accountants

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

www.winther-stave.com

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Spencer, Iowa, as of and for the year ended June 30, 2018, 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 3, 2018. 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to Findings

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

Purpose of this Report

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

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

Winter, Starnes Co., LLP

December 3, 2018
Spencer, Iowa

**CITY OF SPENCER
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

No findings were noted.

Instances of Non-Compliance:

No findings were noted.

CITY OF SPENCER
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2018

Part II: Other Findings Related to Required Statutory Reporting

- II-A-18 Certified Budget - Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the debt service function. 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.

- II-B-18 Questionable Disbursements - No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

- II-C-18 Travel Expense - No expenditures of the City for travel expenses of spouses of City officials or employees were noted.

- II-D-18 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 All Star Pro Golf	Supplies	\$ 407
Leann Jacobsen, Council Member, Owner of The Bear	Meeting	674

The transactions do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

- II-E-18 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-F-18 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

- II-G-18 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

- II-H-18 Revenue Notes - No instances of noncompliance with the revenue bond and note resolutions were noted.

- II-I-18 Financial Assurance - As of June 30, 2018, the City has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567.113.14(6) of the Iowa Administrative Code.

**CITY OF SPENCER
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2018**

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

- II-J-18 Urban Renewal Annual Report - The urban renewal annual report for the fiscal year ended June 30, 2016 was approved and certified to the Iowa Department of Management on or before December 1, 2016.