

**CITY OF SPENCER, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006**

Prepared by the Office of the City Clerk

**CITY OF SPENCER, IOWA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2006**

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**INTRODUCTORY
SECTION**

November 26, 2006

To: Citizens of Spencer, Iowa

The Comprehensive Annual Financial Report of the City of Spencer, Iowa, (City) for the fiscal year ended June 30, 2006, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The financial statements and schedules included in this report reflect all the funds of the City in accordance with standards set by the Governmental Accounting Standards Board.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, the City's organizational chart, and a directory of City Officials. The financial section includes the independent auditors report, management's discussion and analysis, the basic financial statements, required supplementary information and other supplementary information. The statistical section includes selected, unaudited financial and demographic information, generally presented on a multi-year basis.

The City has applied criteria for this reporting entity in light of GASB Statement 14. Included in this report are all funds of the City. The report includes the operations administered by the City Council, the Airport Board of Trustees, the Park Board, Library Board and the Golf Course Board, all of which are deemed to be dependent on the City. Dependence on the City was determined through evaluation of the areas of budget adoption, taxing authority, and outstanding debt secured by general obligations of the City. Based on this information, the Spencer Municipal Hospital has been presented as a discretely presented component unit. The Spencer Municipal Utilities and Spencer Community School District are separate governmental entities and have not met the established criteria for inclusion in the reporting entity, and accordingly, are excluded from this report.

SPENCER'S CURRENT ECONOMIC CONDITION

The progressive City of Spencer, Iowa, consists of nine square miles of stores, factories, warehouses, and homes. It has a prosperous central shopping district and an enclosed shopping mall. Annual retail sales have grown from \$21 million in 1960 to \$194.2 million in 2005, with retail establishments totaling 507. Spencer's unique location results in a rich trading area encompassing Northwest Iowa. Spencer takes pride in its progressive civic leadership. An aggressive, friendly atmosphere prevails in Spencer, Iowa.

Since 1964, Spencer, Iowa, has attracted more than 40 new industries. The City is served by I & M Rail Link, and several modern trucking firms. U. S. Highways 71 and 18 intersect at the north and south edges of the City limits and pass through Spencer's beautiful business and residential district. The Daily Reporter, Mediacom, Spencer Municipal Communications Utility, KICD AM/FM, KIGL FM, AND KDWD FM serve Spencer, Iowa, Northwest Iowa, and Southwest Minnesota.

Spencer is in the midst of a period of considerable construction activity. Menard Inc. opened in February, 2006 in the southwest part of the City. Major Highway 71 improvements to facilitate traffic flow to the new store are now completed. The Spencer Fire Station Expansion is near completion. A new Middle School will be open for the fall school year and a new Hy-Vee store, located as an anchor to the Downtown Business District, is under construction. Long-term planning for these major improvements has allowed the City to accomplish these projects with minimal impact on the City's property tax levy.

These projects and numerous others underway will continue to make Spencer a growing service area for our region.

SPENCER'S FUTURE ECONOMIC OUTLOOK

Spencer, Iowa, and the fertile farmlands surrounding it offer unlimited opportunity. The City has made outstanding progress and is considered a city "on the move". Because Spencer meets the needs of a strong and prosperous trade area reaching over 50 miles, the retailers are constantly striving to provide shoppers with quality merchandise, fair prices, and excellent service. Spencer shoppers will continue to find a varied mix of large national chain stores and small owner-operator businesses.

Economic development has always been and will continue to be a top priority in Spencer, Iowa. Industries such as Eaton, Shine Brothers, Christians Sheet Metal, Spencer Municipal Hospital, Iowa Lakes Community College, Perry Judd, Hy-Line International, National Spencer, Morton Buildings, SPM, Tecton Industries, Freudenberg-NOK, Community Newspaper Holdings, Inc., Maurer Manufacturing, Simonsen Iron Works, Inc., Cycle Country and others exemplify the strength and diversity in the industrial base of Spencer. The City in cooperation with the Jobs Trust, facilitated new industrial businesses in Spencer in this fiscal year, along with other industries.

The City has formed a partnership for growth with area governments and utilities through the Corridor of Opportunity. The City of Spencer is a member of this area regional economic development organization. Spencer Municipal Utilities, Iowa Lakes Electric Cooperative, Aquilla, and Qwest provide reliable and competitive service and are very open to working with and assisting new business/industries. Spencer currently has two industrial parks with over 100 acres of available property, including a 20,250 sq. foot speculative building. The City also supports a strong regional medical community, with an advanced hospital, medical center and cancer treatment facility.

Spencer, Iowa, also realizes the importance of transportation for its industries. Shipping of products can be accomplished in a variety of ways. UPS has a regional terminal based in Spencer, Iowa, and can ship to major markets in Chicago, Minneapolis, Des Moines, Kansas City, Omaha, and Sioux Falls. The I & M Rail Link is an active form of transportation for grain hauling. The Northwest Iowa Regional Airport is constantly maintained and upgraded for another type of transportation. Companies can land a jet, charter a flight, utilize a conference room, or rent a car.

Spencer, Iowa, is looking ahead to the future for its citizens.

FINANCIAL INFORMATION

INTERNAL CONTROLS

The City of Spencer, Iowa, has established a system of internal control, which is designed to provide adequate control using available resources. The system is continually monitored and additions or changes in controls are made in conjunction with recommendations of external auditors. It is believed that the internal accounting controls of the City are adequate.

ACCOUNTING SYSTEM AND BUDGETING CONTROLS

The City's accounting records are maintained on a cash basis during the year with a conversion to modified accrual or accrual at year's end for annual reporting purposes. Annually, formal budgets are adopted, on a program basis, and control is maintained at both the fund and the program level. The programs are Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-type activities. Department heads purchase within the limits of program appropriations.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis provides a detailed analysis of the changes in the City's financial position. One item of particular interest is the change in reporting model to a one bottom line number approach, which is close to that of the private sector.

CASH MANAGEMENT

The City maintains an aggressive cash management strategy whereby idle cash is invested to the fullest extent and at the highest rate of return available from local financial institutions. The City has also become a part of the Iowa Public Agency Investment Trust, which is a short-term and fixed-term investment pool. Due to lower CD rates, the City's investment in certificates of deposit declined significantly. The interest-bearing checking account maintains a minimum 3.5% rate of interest per agreement with Farmer's Bank.

Interest earning history:

1995 – 96	5.80
1996 – 97	6.30
1997 – 98	5.80
1998 – 99	5.46
1999 – 00	5.65
2000 – 01	5.80
2001 – 02	4.70
2002 – 03	3.50
2003 – 04	3.50
2004 – 05	3.50
2005 – 06	4.71

PROPERTY VALUATIONS

Taxable valuations of \$322,716,651 represented an increase of 0.70% over the preceding year. Comparative valuations with the property components are presented below:

	2005-2006	2004-2005
Assessed value (including TIF levy)	\$ 522,505,767	\$ 508,432,224
Taxable value	322,716,651	320,476,404

RISK MANAGEMENT

During the fiscal year 2006, the City continued to be insured against loss from theft, injury to employees, natural disasters, and damage to the City's assets. The City is a member of the Iowa Association of Municipal Utilities Safety Group Insurance Program insured through EMC Insurance Company. In addition, the City is continually educating its employees with accident prevention training.

LITIGATION

While there are several lawsuits being defended by the City at this time, it is my understanding and belief that the City will not be found to have committed any wrongdoing, and that the financial exposure to the City will be the cost of defense, of which most is being paid by insurance.

INDEPENDENT AUDIT

In compliance with the State Code, the City contracts for an annual audit of its financial records. For the fiscal year ended June 30, 2006, the audit was performed by Certified Public Accountants from Williams & Company, P. C., Spencer, Iowa. Their written opinions appear in this report.

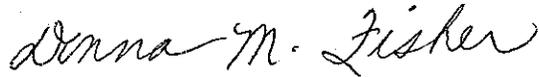
FINANCIAL CONDITION

I believe that the financial condition of the City of Spencer, Iowa, at June 30, 2006, remains strong. Planned capital improvement projects completed during the fiscal year accounted for increased spending. Long range planning has provided cash reserves to fund anticipated capital projects. Services were delivered to levels desired by citizens within the financial ability of the City. For the most part, revenue and expenditure levels were realized within the parameters established in the annual budget. The enterprise funds changed financial position at levels both anticipated and desired.

ACKNOWLEDGEMENTS

The successful completion of this report was made possible through the dedication of the City Council and City staff. It is sincerely hoped that this report accomplishes its purposes of providing financial results of City operations to all with a need and desire to know.

Respectfully Submitted,



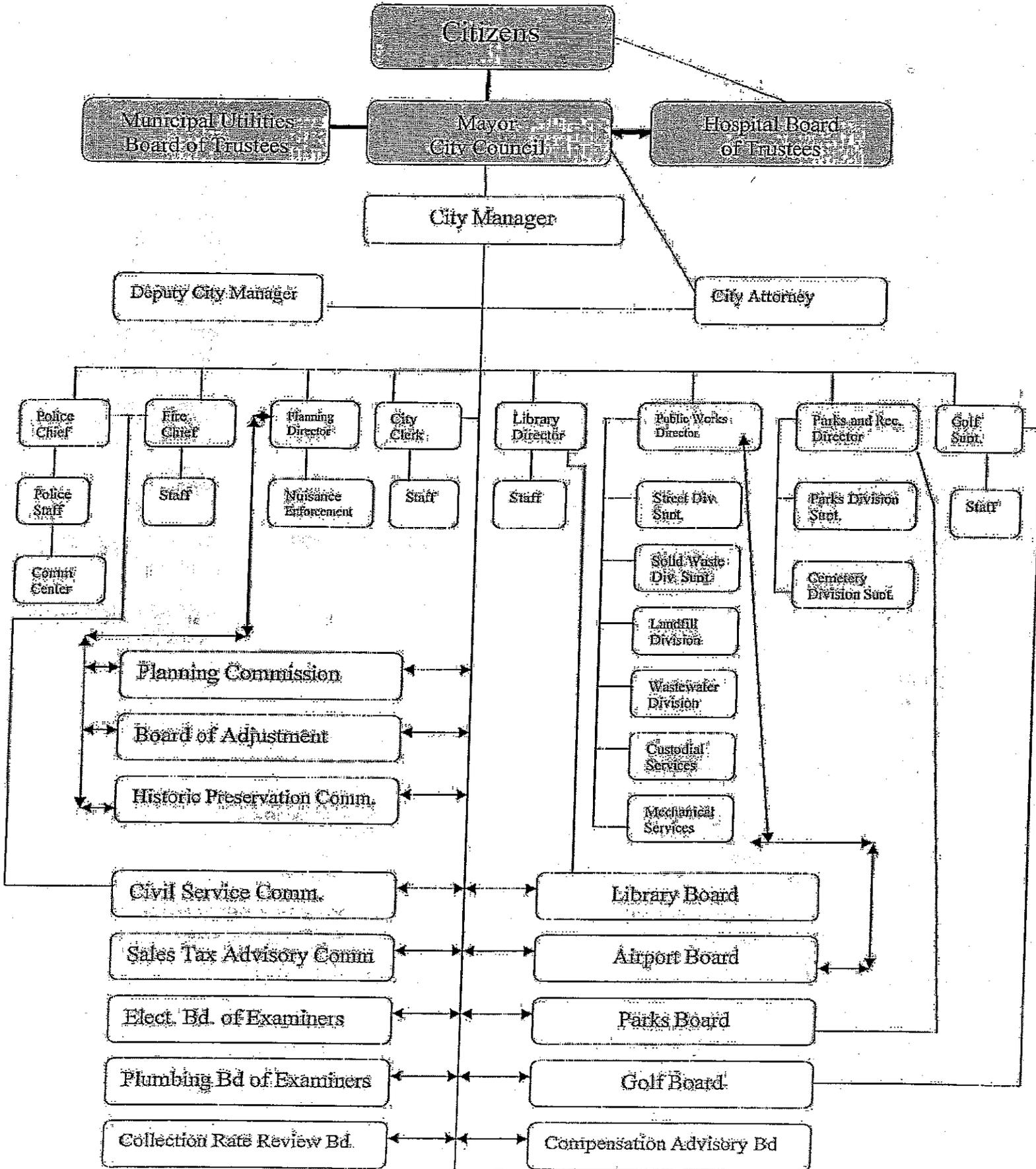
Donna M. Fisher
City Clerk/Finance Officer

ORGANIZATIONAL CHART

City of Spencer

Supervisory Authority →

Advisory Capacity →



**CITY OF SPENCER, IOWA
DIRECTORY OF CITY OFFICIALS AND RELATED ORGANIZATION' TRUSTEES
AS OF JUNE 30, 2006**

MAYOR

Reynold L. Peterson

MAYOR PRO-TEM:

Rich Prentice

COUNCIL MEMBERS

George Kruger
Randy Swanson
Rich Prentice

Edward J. Krebs
Ron Hanson

Steve Bomgaars
David A. Scott

CITY MANAGER

Dean Torreson

CITY CLERK

Donna M. Fisher

CITY ATTORNEY

Donald J. Hemphill

DIRECTOR OF PUBLIC WORKS

Mark White

CHIEF OF POLICE

Mike Lashbrook

FIRE CHIEF

Douglas Duncan

CAD OFFICER

Rick Newcomb

CEMETARY SUPT.

Irwin Martin

PARK

DelRay Bredehoeft

STREET SUPERINTENDENT

Elmer Williams

GOLF COURSE CLUB HOUSE MGR.

Stacey Caskey

GOLF COURSE SUPT.

Brian Mohr

PLANNING DIRECTOR

Kirby Schmidt

SOLID WASTE SUPERINTENDENT

Kent Herbold

LIBRARY DIRECTOR

Vicki Myron

LANDFILL

Craig Poulsen

COUNCIL STANDING COMMITTEES

PUBLIC SAFETY

Ed Krebs, Chairperson
Randy Swanson
George Kruger

PUBLIC WORKS

David Scott, Chairperson
Ron Hanson
Rich Prentice

FINANCE & PERSONNEL

Rich Prentice, Chairperson
Ron Hanson
Steve Bomgaars

PROGRESS & DEVELOPMENT

Randy Swanson, Chairperson
Steve Bomgaars
David Scott

BOARD AND COMMISSIONS

MUNICIPAL UTILITIES TRUSTEES

Gary Tolzmann
Dave Hultgren
Bruce Tamisiea
Tom Howe
Murray Hart

GOLF COURSE BOARD

Larry Slota
Steve Fox
Scott Merchant
Lavonne Peterson
Paul Brenner

PLANNING & ZONING COMMISSION

Mark Carey
Richard Thiessen
Duane Willrett
Todd Doyle
Ed Nygaard
Kathy Fueston
Marjorie Eeten

COMPENSATION ADVISORY BOARD

Jeff Bohnenkamp
Mary Rahn
Del Brockshus
Susan Zulk
Martin Koch
Vance Frommie
David Woodcock

CIVIL SERVICE COMMISSION

Michaela Sailer-Matthiesen
Kevin Robinson
Rich Mishler

COLLECTION RATE REVIEW BOARD

Bill Campbell
Marilee Betts
Dean Torreson

AIRPORT BOARD OF TRUSTEES

Dr. Harry Rasdal
Mike Peterson
Tim Steffen
Al Schmidt
Bill Hemme

PARK BOARD

Denny Phillips
Dick Montgomery
Larry Clausen
Nancy Bell
Paul Stadsvold

MUNICIPAL HOSPITAL TRUSTEES

Gary VanHofwegen
Neal Conover
Kris Van Berkum
John Cotton
John Rahn

ZONING BOARD OF ADJUSTMENT

Terry Peterson
Lance Selzer
Kirby Froehlich
Roger Green
Burdette Lorenzen
Mark Lykke
Don Baxter

LIBRARY TRUSTEES

Mary Frank
Esther Connell
Joe Conover
Sue Hitchcock
Jim Morony
Roger Littlefield
Cathy Greiner
Susan Jespersion
Jan Wrase

PLUMBERS EXAMINERS BOARD

Joe Froiland
Rick Dean
Jarold Krogman

ELECTRICAL BOARD OF EXAMINERS

Dave Nelson
Steve McAllister
Steve Nolting

COMMUNICATION CENTER BOARD

Joel Sorenson
Ken Chalstrom
Randy Swanson
Rich Prentice
Mike Lashbrook
Randy Krukow

BOARDS AND COMMISSIONS – CONTINUED

HISTORIC PRESERVATION COMMISSION

Bonnie Hoover
Harry Rasdal
Bruce Lamport
John Frans
Don Veitch
Sam Harper
Jim Morony

SALES TAX ADVISORY COMMITTEE

Randy Cauthron
Mary Jean Montgomery
John Goede
Tim Kehoe
Pete Paulsen
Tom Nelson
Clinton Jones
Larry Harden
Dick Schallau

**FINANCIAL
SECTION**

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of Spencer, Iowa

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 City of Spencer, Iowa, (the City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We did not audit the financial statements of Spencer Municipal Hospital (a discretely presented component unit), which statements reflect total assets of \$78,246,474 as of June 30, 2006, and total operating revenues of \$50,191,453 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Spencer Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, the financial statements and the report of the other auditors referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2006 on our consideration of the City of Spencer, Iowa's internal control over financial reporting and 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*, and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section and Statistical Section is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Spencer, Iowa. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The accompanying combining non-major fund financial statements is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams + Company, P.C.

Certified Public Accountants

Spencer, Iowa
August 29, 2006

Management Discussion and Analysis

June 30, 2006

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, 2006. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report.

Financial Highlights:

- The assets of the City of Spencer exceeded liabilities at June 30, 2006, by \$36,890,521. Of this amount, \$12,578,500 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1,254,181 during the year. Of this amount, the assets of our Governmental Activities increased \$544,050 and the assets of our Business Activities increased \$710,131.
- The largest factor in the increase in fund balance was the amount by which capital outlays exceeded depreciation in the current period. In fiscal year 2006, that excess was \$ 2,071,706.
- The City's long-term debt decreased \$1,213,510 due repayment of bond principal. Outstanding General Obligation debt totals \$8,220,000 and other outstanding long-term debt totals \$2,019,229.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is "*Is the City of Spencer in a better financial position at the end of this fiscal year, compared to last year?*" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City’s basic services are reported here, such as Police, Fire, Public Works and Parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the Waste Water Treatment Plant, Solid Waste and Landfill funds.

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 revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City’s basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the “modified accrual basis” of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City’s general governmental operations and 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 City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

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 Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparison chart shows the changes in net assets for the years ended June 30, 2006 and 2005:

	General Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Current & Other Assets	\$ 17,797,128	\$ 19,980,831	\$ 3,958,585	\$ 3,399,606	\$ 21,755,713	\$ 23,380,437
Capital Assets	<u>26,899,103</u>	<u>24,895,660</u>	<u>5,783,215</u>	<u>5,157,546</u>	<u>32,682,318</u>	<u>30,053,206</u>
Total Assets	44,696,231	44,876,491	9,741,800	8,557,152	54,438,031	53,433,643
Long-Term Liabilities						
Outstanding	8,708,900	9,804,941	1,926,502	2,232,591	10,635,402	12,037,532
Other Liabilities	<u>5,780,624</u>	<u>5,408,893</u>	<u>1,131,484</u>	<u>350,878</u>	<u>6,912,108</u>	<u>5,759,771</u>
Total Liabilities	14,489,524	15,213,834	3,057,986	2,583,469	17,547,510	17,797,303
Net Assets:						
Invested in Capital Assets, Net of Related Debt	18,539,874	15,437,921	3,903,215	3,162,546	22,443,089	18,600,467
Restricted	1,214,263	946,381	654,669	300,737	1,868,932	1,247,118
Unrestricted	<u>10,452,570</u>	<u>13,278,355</u>	<u>2,125,930</u>	<u>2,510,400</u>	<u>12,578,500</u>	<u>15,788,755</u>
Total Net Assets	<u>\$ 30,206,707</u>	<u>\$ 29,662,657</u>	<u>\$ 6,683,814</u>	<u>\$ 5,973,683</u>	<u>\$ 36,890,521</u>	<u>\$ 35,636,340</u>

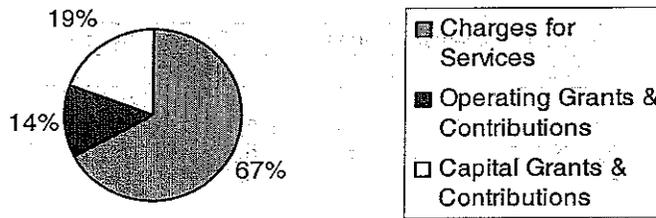
This summary reflects a increase of 1.8% for the Governmental Activities and an increase of 11.9 % in the Business-Type Activities.

Total revenue reported in Fiscal 2006 was \$11,544,309. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Years 2006 and 2005:

	General Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Program Revenues:						
Charges for Services	\$ 1,341,758	\$ 1,561,436	\$ 4,174,479	\$ 3,648,900	\$ 5,516,237	\$ 5,210,336
Operating Grants and Contributions	1,130,486	1,128,995	-	-	1,130,486	1,128,995
Capital Grants and Contributions	<u>1,591,507</u>	<u>512,823</u>	-	-	<u>1,591,507</u>	<u>512,823</u>
Total Program Revenues	4,063,751	3,203,254	4,174,479	3,648,900	8,238,230	6,852,154
General Revenues and Transfers:						
Taxes	5,542,002	5,489,874	-	-	5,542,002	5,489,874
In Lieu of Tax	442,466	406,822	-	-	442,466	406,822
Interest	522,461	404,507	119,700	111,978	642,161	516,485
Revenue from Use of Property	18,560	10,464	5,800	5,863	24,360	16,327
Gain (Loss) on Sale of Assets	64,889	127,929	1,000	(10,450)	65,889	117,479
Miscellaneous	711,680	1,212,045	32,218	21,374	743,898	1,233,419
Interfund Transfers	<u>178,500</u>	<u>546,930</u>	<u>(178,500)</u>	<u>(546,930)</u>	<u>-</u>	<u>-</u>
Total General Revenues and Interfund Transfers	<u>7,480,558</u>	<u>8,198,571</u>	<u>(19,782)</u>	<u>(418,165)</u>	<u>7,460,776</u>	<u>7,780,406</u>
Total Revenues and Interfund Transfers	<u>\$ 11,544,309</u>	<u>\$ 11,401,825</u>	<u>\$ 4,154,697</u>	<u>\$ 3,230,735</u>	<u>\$ 15,699,006</u>	<u>\$ 14,632,560</u>

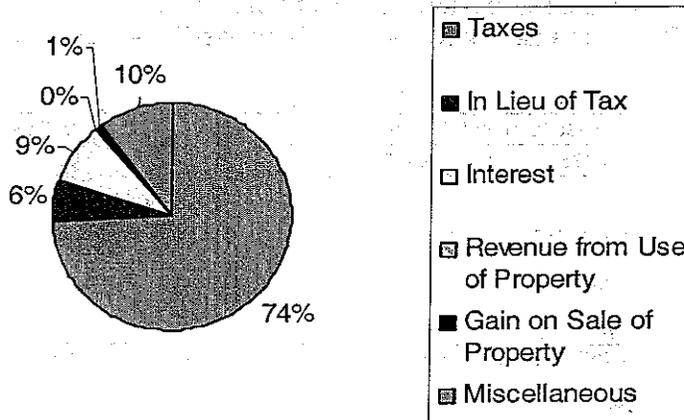
Program revenues totaled \$8,238,230 for fiscal year 2006. Governmental Activities provided \$4,063,751 and Business-Type Activities provided \$4,174,479. Revenue collected for Charges for Services during fiscal year 2006 was \$5,516,237, accounting for 67% of the total program revenues. The following chart breaks down program revenues by source:

Program Revenues



General Revenues for fiscal year 2006 totaled \$7,460,776. Governmental Activities provided \$7,480,558 and Business-Type Activities provided \$(19,782). Tax Revenues for fiscal year 2006 totaled \$5,542,002, accounting for 74% of General Revenues. The following chart breaks down General Revenues by source:

General Revenues



Expenditures for Fiscal 2006 totaled \$14,444,825. Expenditures for General Governmental Activities totaled \$11,000,259, accounting for 76% of total expenditures. Business-Type Activity expenditures totaled \$3,444,566, for 24% of the total. The following table shows total expenditures by Function/Program:

	General Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Public Safety	\$ 2,222,582	\$ 2,096,812	\$ -	\$ -	\$ 2,222,582	\$ 2,096,812
Public Works	2,439,714	2,573,831	-	-	2,439,714	2,573,831
Culture and Recreation	1,924,826	1,893,631	-	-	1,924,826	1,893,631
Community and Economic Development	890,671	1,218,917	-	-	890,671	1,218,917
General Government	1,303,984	1,082,938	-	-	1,303,984	1,082,938
Debt Service	341,029	278,012	-	-	341,029	278,012
Capital Projects	1,877,453	1,629,188	-	-	1,877,453	1,629,188
Waste Water Treatment Plant	-	-	1,176,874	1,190,416	1,176,874	1,190,416
Solid Waste	-	-	1,467,320	1,438,095	1,467,320	1,438,095
Landfill	-	-	800,372	649,166	800,372	649,166
Total Expenditures	\$ 11,000,259	\$ 10,773,329	\$ 3,444,566	\$ 3,277,677	\$ 14,444,825	\$ 14,051,006

The following table shows the activities included within each program level:

Program Level	Activity
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning & Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest and Related Fees
Capital Projects	Construction of Capital Facilities
Waste Water Treatment Plant	Operation of the waste water treatment plant
Solid Waste	Operation of garbage collection and disposal
Landfill	Operation of landfill

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$2,222,582 and received \$295,089 in revenue, thus leaving a cost to the taxpayer of \$1,927,493 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid,
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$11,000,259. Of these costs, \$1,341,758 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution was \$2,721,993, leaving a Net Expense of \$6,936,508 for Governmental Activities. These expenses of \$6,506,929 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2006	2005
Governmental Activities:		
Public Safety	\$ (1,927,493)	\$ (1,788,618)
Public Works	(1,068,751)	(795,724)
Culture and Recreation	(1,262,757)	(1,119,084)
Community and Economic Development	(823,461)	(1,060,239)
General Government	(1,041,284)	(899,210)
Debt Service	(341,029)	(278,012)
Capital Projects	<u>(471,733)</u>	<u>(1,629,188)</u>
Total Net (Expense) Revenue		
Governmental Activities	(6,936,508)	(7,570,075)
General Revenues & Interfund Transfers	<u>7,480,558</u>	<u>8,198,571</u>
Change in Net Assets	\$ 544,050	\$ 628,496

Total resources available during the year to finance governmental operations were \$41,206,966, consisting of Net Assets at July 1, 2005 of \$29,662,657, Program Revenues of \$4,063,751 and General Revenues of \$7,480,558. Total Governmental Activities during the year expended \$11,000,259; thus, Net Assets were increased by \$544,050, to \$30,206,707.

Business Type Activities

Business Type Activities increased the City's net assets by \$710,131.

The cost of all Proprietary Activities this year was \$3,444,566. As shown in the Statement of Activities, the amounts paid by users of the systems was \$4,174,479, resulting in total Net Income for Business Type Activities of \$729,913. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2006	2005
Waste Water Treatment Plant	\$ 377,354	\$ (160,893)
Solid Waste	26,202	109,392
Landfill	<u>326,357</u>	<u>422,724</u>
Total Net (Expense) Revenue		
Business Type Activities	729,913	371,223
General Revenues & Interfund Transfers	<u>(19,782)</u>	<u>(418,165)</u>
Change in Net Assets	\$ 710,131	\$ (46,942)

Total resources available during the year to finance Proprietary Fund activities were \$10,128,380, consisting of Net Assets at July 1, 2005 of \$5,973,683, Program Revenues of \$4,174,479 and General Revenues of \$(19,782). Total Proprietary Fund Activities during the year expended \$3,444,566; thus Net Assets were increased by \$710,131, to \$6,683,814.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$11,325,601 (87% unreserved). The combined Governmental Funds balance decreased \$2,554,172 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General Fund by \$382,075.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the fiscal year 2006 original (adopted) General Fund amount of \$4,629,582 to the final budget amount of \$4,935,582 shows a net increase of \$306,000.

Original Budget	Supplemental Changes	Amended Budget
\$ 4,629,582	\$ 306,000	\$ 4,935,582

The following table shows the General Fund budget variances by program structure:

Expenditures	Amended Budget	Actual	Variance
Public Safety	\$ 1,904,163	\$ 1,812,776	\$ 91,387
Public Works	382,025	361,914	20,111
Culture and Recreation	1,594,543	1,603,175	(8,632)
Community and Economic Development	148,500	124,671	23,829
General Government	906,351	836,611	69,740
Total Expenditures	\$ 4,935,582	\$ 4,739,147	\$ 196,435

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2006, was \$22,443,089 (net of accumulated depreciation and outstanding financings). This is an increase of \$ 3,842,622 (20.6%) over FY2005. The gross additions to capital assets for Fiscal 2006 and 2005 are as follows:

	General Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	\$ 186,907	\$ -	\$ -	\$ 107,627	\$ 186,907	\$ 107,627
Infrastructure	1,246,656	2,655,950	-	-	1,246,656	2,655,950
Buildings	-	34,077	433,996	-	433,996	34,077
Improvements – Other than Buildings	24,000	-	-	-	24,000	-
Equipment	333,293	427,396	152,308	510,662	485,601	938,058
Construction in Progress	<u>3,139,553</u>	<u>2,324,549</u>	<u>832,763</u>	<u>718,494</u>	<u>3,972,316</u>	<u>3,043,043</u>
Total Gross Additions	<u>\$ 4,930,409</u>	<u>\$ 5,441,972</u>	<u>\$ 1,419,067</u>	<u>\$ 1,336,783</u>	<u>\$ 6,349,476</u>	<u>\$ 6,778,755</u>

Construction in Progress and Infrastructure was the major capital outlay for Governmental Activities in Fiscal 2006. These outlays included work on the following projects: Pederson Park Trail Extension, paving of, 11th Ave West, West 8th St, 10th Ave SE, Deerfield 1st and 2nd Addition, Country Club Drive, West 11th street and streets near the new Middle School, Highway 71 South Traffic Signals, Fire Station Expansion, and airport improvements. The majority of expenditures for construction in progress are incurred by the Capital Project Funds.

For Business-Type Activities, the \$ 1,419,067 of additions results mainly from the construction of an additional landfill cell, the transfers station building and new equipment.

See Note 4 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end the City had \$10,239,229 of debt outstanding. This is a decrease of \$1,213,510, (11%) from the prior year.

Debt administration is quite conservative, with over 90% of all City debt repaid within the next 10 years. This rapid repayment, when combined with the use of TIF and Local Option Sales Tax Revenue, has allowed the City to maintain our 1A rating. This rating is good and reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$26,125,288. With outstanding General Obligation Debt applicable to this limit of \$8,362,987, we are utilizing 32% of this limit. More detailed information on debt administration is provided in Note 5 of the financial statements.

ECONOMIC FACTORS

Spencer is in the midst of a period of considerable construction activity. Building permits in fiscal year 2006 totaled \$21,252,975. This amount shows a continuing trend of growth in the community. Construction underway includes two housing developments, a New Middle School, Fire Station Expansion and a New HyVee store. These developments should have a significant impact on sales tax collections and increased property tax base for Spencer, Clay County and the Spencer Community School District.

New housing developments in the city include private development, including water, sewer and paving improvements. The City has also taken a significant role in development by developing housing lots in the area of the expanded Spencer Municipal Golf Course.

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 demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the office of the City Clerk at 712-580-7200.

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CITY OF SPENCER, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Spencer Municipal Hospital
Assets				
Cash and Cash Equivalents	\$ 10,194,003	\$ 2,214,785	\$ 12,408,788	\$ 12,211,671
Investments	800,000	300,000	1,100,000	4,490,989
Receivables:				
Property Tax	53,460	-	53,460	-
Property Tax - Succeeding Year	4,344,400	-	4,344,400	-
Special Assessments	803,078	-	803,078	-
Interest	56,700	16,734	73,434	-
In-lieu of Tax	116,640	-	116,640	-
Accounts	61,638	415,959	477,597	7,665,876
Notes	148,866	-	148,866	-
Interfund Receivable	525,000	-	525,000	-
Due from Other Governmental Agencies	509,171	-	509,171	-
Grants	7,399	-	7,399	-
Estimated Unbilled Usage	-	102,168	102,168	-
Prepaid Insurance	127,602	70,655	198,257	-
Other Assets	-	-	-	2,874,408
Restricted Assets:				
Cash and Cash Equivalents	-	793,089	793,089	4,198,141
Deferred Bond Costs	49,171	45,195	94,366	-
Other	-	-	-	258,770
Land	1,923,473	1,663,492	3,586,965	1,558,997
Construction in Progress	3,156,708	1,009,634	4,166,342	5,379,624
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	21,818,922	3,110,089	24,929,011	39,607,998
Total Assets	44,696,231	9,741,800	54,438,031	78,246,474
Liabilities				
Accounts Payable	977,251	361,351	1,338,602	2,523,576
Accrued Wages and Compensated Absences	341,981	55,385	397,366	2,545,638
Accrued Interest Payable	33,664	6,253	39,917	-
Interfund Payable	-	525,000	525,000	-
Deferred Revenue	4,427,728	-	4,427,728	-
Estimated Liability for Landfill Closure	-	183,495	183,495	-
Other Liabilities	-	-	-	1,546,969
Noncurrent Liabilities:				
Due Within One Year				
Notes Payable	112,604	-	112,604	-
General Obligation Bonds	3,510,000	-	3,510,000	-
Revenue Bonds	-	115,000	115,000	1,407,408
Capital Lease Payable	-	-	-	43,194
Due in More Than One Year				
Compensated Absences and Benefits	349,671	46,502	396,173	-
Notes Payable	26,625	-	26,625	-
General Obligation Bonds	4,710,000	-	4,710,000	-
Revenue Bonds	-	1,765,000	1,765,000	16,185,176
Total Liabilities	14,489,524	3,057,986	17,547,510	24,251,961
Net Assets				
Invested in Capital Assets, Net of Related Debt	18,539,874	3,903,215	22,443,089	29,001,056
Restricted for:				
Debt Service	843,866	-	843,866	-
Endowments	370,397	-	370,397	-
Transfer Station Closure	-	9,641	9,641	-
Revenue Bond Retirement	-	246,653	246,653	-
Closure and Postclosure Care	-	234,037	234,037	-
Local Planning	-	12,802	12,802	-
Waste Reduction	-	106,017	106,017	-
Landfill Improvement	-	45,519	45,519	-
Component Unit	-	-	-	780,462
Unrestricted	10,452,570	2,125,930	12,578,500	24,212,995
Total Net Assets	\$ 30,206,707	\$ 6,683,814	\$ 36,890,521	\$ 53,994,513

**CITY OF SPENCER, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 2,222,582	\$ 145,097	\$ 146,168	\$ 3,824
Public Works	2,439,714	399,391	947,667	23,905
Culture and Recreation	1,924,826	599,790	36,651	25,628
Community and Economic Development	890,671	67,210	-	-
General Government	1,209,837	130,270	-	132,430
Debt Service	341,029	-	-	-
Capital Projects	1,877,453	-	-	1,405,720
Total Governmental Activities	<u>10,906,112</u>	<u>1,341,758</u>	<u>1,130,486</u>	<u>1,591,507</u>
Business-Type Activities:				
Waste Water Treatment Plant	1,176,874	1,554,228	-	-
Solid Waste	1,467,320	1,493,522	-	-
Landfill	800,372	1,126,729	-	-
Total Business-Type Activities	<u>3,444,566</u>	<u>4,174,479</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 14,350,678</u>	<u>\$ 5,516,237</u>	<u>\$ 1,130,486</u>	<u>\$ 1,591,507</u>
Component Unit:				
Spencer Municipal Hospital	\$ 47,349,817	\$ 50,191,453	\$ -	\$ 211,140

General Revenues and Transfers:

Taxes
 In Lieu of Tax
 Interest
 Revenue from Use of Property
 Gain on Sale of Assets
 Miscellaneous
 Interfund Transfers
Total General Revenues and Transfers
 Change in Net Assets

Net Assets - Beginning
Prior Period Adjustment
Net Assets - Beginning, Restated
Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Governmental Activities	Business-Type Activities	Total	Spencer Municipal Hospital
\$ (1,927,493)		\$ (1,927,493)	
(1,068,751)		(1,068,751)	
(1,262,757)		(1,262,757)	
(823,461)		(823,461)	
(947,137)		(947,137)	
(341,029)		(341,029)	
(471,733)		(471,733)	
<u>(6,842,361)</u>		<u>(6,842,361)</u>	
	\$ 377,354	377,354	
	26,202	26,202	
	<u>326,357</u>	<u>326,357</u>	
	<u>729,913</u>	<u>729,913</u>	
<u>(6,842,361)</u>	<u>729,913</u>	<u>(6,112,448)</u>	
			\$ 3,052,776
5,542,002	-	5,542,002	-
442,466	-	442,466	-
522,461	119,700	642,161	732,460
18,560	5,800	24,360	-
64,889	1,000	65,889	28,371
617,533	32,218	649,751	399,998
178,500	(178,500)	-	-
<u>7,386,411</u>	<u>(19,782)</u>	<u>7,366,629</u>	<u>1,160,829</u>
544,050	710,131	1,254,181	4,213,605
31,291,845	5,973,683	37,265,528	49,780,908
<u>(1,629,188)</u>	-	<u>(1,629,188)</u>	-
<u>29,662,657</u>	<u>5,973,683</u>	<u>35,636,340</u>	<u>49,780,908</u>
\$ 30,206,707	\$ 6,683,814	\$ 36,890,521	\$ 53,994,513

CITY OF SPENCER, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	TIF Districts	Local Option Sales Tax	2005 Hwy 71 S Reconstruction
Assets				
Cash and Cash Equivalents	\$ 7,138,582	\$ -	\$ 237,452	\$ 330,184
Investments	700,000	-	-	-
Receivables:				
Property Taxes	38,183	-	-	-
Property Taxes - Succeeding Year	2,808,144	404,656	-	-
Special Assessments	803,078	-	-	-
Interest	48,601	-	1,019	1,390
In-lieu of Tax	116,640	-	-	-
Accounts	49,882	-	-	-
Notes	148,866	-	-	-
Due from Other Governmental Agencies	6,043	-	234,737	163,005
Due from Other Funds	1,002,703	-	-	-
Grants	1,011	-	-	-
Prepaid Insurance	66,116	-	-	-
Total Assets	<u>12,927,849</u>	<u>404,656</u>	<u>473,208</u>	<u>494,579</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	181,882	-	11,737	219,373
Accrued Wages and Compensated Absences	335,130	-	-	-
Due to Other Funds	-	343,703	-	-
Deferred Revenue	3,483,540	404,656	-	-
Total Liabilities	<u>4,000,552</u>	<u>748,359</u>	<u>11,737</u>	<u>219,373</u>
Fund Balances				
Reserved For:				
Debt Service	-	-	-	-
Prepaid Insurance	66,116	-	-	-
Note Receivable	148,866	-	-	-
Endowment	-	-	-	-
Unreserved:				
Designated	5,053,584	-	-	-
Undesignated				
Reported In:				
General Fund	3,658,731	-	-	-
Special Revenue Funds	-	(343,703)	461,471	-
Capital Project Funds	-	-	-	275,206
Total Fund Balances	<u>8,927,297</u>	<u>(343,703)</u>	<u>461,471</u>	<u>275,206</u>
Total Liabilities and Equity	<u>\$ 12,927,849</u>	<u>\$ 404,656</u>	<u>\$ 473,208</u>	<u>\$ 494,579</u>

Fire Station Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 103,952	\$ 835,266	\$ 1,548,567	\$ 10,194,003
-	-	100,000	800,000
-	5,179	10,098	53,460
-	443,140	688,460	4,344,400
-	-	-	803,078
443	3,421	1,826	56,700
-	-	-	116,640
-	-	11,756	61,638
-	-	-	148,866
-	-	105,386	509,171
-	-	-	1,002,703
-	-	6,388	7,399
-	-	61,486	127,602
<u>104,395</u>	<u>1,287,006</u>	<u>2,533,967</u>	<u>18,225,660</u>
157,102	-	407,157	977,251
-	-	6,851	341,981
-	-	134,000	477,703
-	443,140	771,788	5,103,124
<u>157,102</u>	<u>443,140</u>	<u>1,319,796</u>	<u>6,900,059</u>
-	843,866	-	843,866
-	-	61,485	127,601
-	-	-	148,866
-	-	370,397	370,397
-	-	-	5,053,584
-	-	-	3,658,731
-	-	798,866	916,634
(52,707)	-	(16,577)	205,922
<u>(52,707)</u>	<u>843,866</u>	<u>1,214,171</u>	<u>11,325,601</u>
<u>\$ 104,395</u>	<u>\$ 1,287,006</u>	<u>\$ 2,533,967</u>	<u>\$ 18,225,660</u>

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**CITY OF SPENCER, IOWA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 24)	\$ 11,325,601
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	26,899,103
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	49,171
Deferred revenues that provide current financial resources for governmental activities	675,396
Accrued interest expense that does not require current financial resources	(33,664)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(8,708,900)</u>
Total Net Assets - Governmental Activities (page 20)	<u>\$ 30,206,707</u>

CITY OF SPENCER, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General	TIF Districts	Local Option Sales Tax	2005 Hwy 71 S Reconstruction
Revenue				
Taxes	\$ 2,712,484	\$ 302,176	\$ 1,376,002	\$ -
Special Assessments	242,265	-	-	-
Licenses and Permits	601,049	-	-	-
Intergovernmental Revenue	324,835	-	-	751,564
Rent	31,060	-	-	-
Charges for Services	813,833	-	-	-
Fines	68,379	-	-	-
Interest	411,463	-	7,865	25,957
Contributions	5,994	-	-	-
Miscellaneous	406,979	-	-	115,602
Total Revenue	<u>5,618,341</u>	<u>302,176</u>	<u>1,383,867</u>	<u>893,123</u>
Expenditures				
Public Safety	1,769,531	-	-	-
Public Works	389,381	-	-	-
Culture and Recreation	1,601,746	-	-	-
Community and Economic Development	109,668	-	602,769	-
General Government	831,900	-	-	-
Debt Service	-	-	-	-
Capital Projects	-	-	-	1,860,621
Total Expenditures	<u>4,702,226</u>	<u>-</u>	<u>602,769</u>	<u>1,860,621</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>916,115</u>	<u>302,176</u>	<u>781,098</u>	<u>(967,498)</u>
Other Financing Sources (Uses)				
Interfund Transfers In	469,119	-	-	-
Interfund Transfers Out	(1,003,159)	(280,271)	(744,975)	-
Total Other Financing Sources (Uses)	<u>(534,040)</u>	<u>(280,271)</u>	<u>(744,975)</u>	<u>-</u>
Net Change in Fund Balance	382,075	21,905	36,123	(967,498)
Fund Balances-Beginning of Year	8,179,614	-	425,348	1,242,704
Prior Period Adjustment	365,608	(365,608)	-	-
Fund Balances (Deficits)- Beginning of Year, As Restated	8,545,222	(365,608)	425,348	1,242,704
Fund Balances (Deficits)-End of Year	<u>\$ 8,927,297</u>	<u>\$ (343,703)</u>	<u>\$ 461,471</u>	<u>\$ 275,206</u>

Fire Station Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 356,546	\$ 794,794	\$ 5,542,002
-	-	14,837	257,102
-	-	-	601,049
-	-	1,376,221	2,452,620
-	-	-	31,060
-	-	6,300	820,133
-	-	-	68,379
16,020	34,049	27,107	522,461
-	-	11,750	17,744
-	-	357,940	880,521
<u>16,020</u>	<u>390,595</u>	<u>2,588,949</u>	<u>11,193,071</u>
-	-	347,938	2,117,469
-	-	1,044,444	1,433,825
-	-	90,482	1,692,228
-	-	212,515	924,952
-	-	471,807	1,303,707
-	1,406,556	-	1,406,556
1,440,494	-	1,745,891	5,047,006
<u>1,440,494</u>	<u>1,406,556</u>	<u>3,913,077</u>	<u>13,925,743</u>
<u>(1,424,474)</u>	<u>(1,015,961)</u>	<u>(1,324,128)</u>	<u>(2,732,672)</u>
300,000	1,272,764	480,723	2,522,606
-	-	(315,701)	(2,344,106)
<u>300,000</u>	<u>1,272,764</u>	<u>165,022</u>	<u>178,500</u>
(1,124,474)	256,803	(1,159,106)	(2,554,172)
1,071,767	587,063	2,373,277	13,879,773
-	-	-	-
1,071,767	587,063	2,373,277	13,879,773
<u>\$ (52,707)</u>	<u>\$ 843,866</u>	<u>\$ 1,214,171</u>	<u>\$ 11,325,601</u>

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CITY OF SPENCER, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental funds (page 27)	\$ (2,554,172)
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,071,706
The net effect of sale transactions involving capital assets is to decrease net assets.	(68,263)
Revenues not reported in the funds that are available to provide current financial resources	5,096
Accrued interest expense that does not require current financial resources	11,401
Bond issuance costs, premiums, discounts and similar items are deferred and amortized in the Statement of Activities:	(17,759)
Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was:	(2,469)
The retirement and repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The Statement of Activities does not reflect the payment of principal on long-term debt or the retirement of long-term debt. The principal paid on long-term debt and long-term debt retired during the year was:	<u>1,098,510</u>
Change in Net Assets of Governmental Activities (page 22)	<u>\$ 544,050</u>

CITY OF SPENCER, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business Type Activities			
	Sanitary Sewer	Solid Waste	Landfill	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 1,070,138	\$ 830,988	\$ 313,659	\$ 2,214,785
Investments	200,000	100,000	-	300,000
Accrued Interest	6,732	5,837	4,165	16,734
Accounts Receivable	146,009	129,881	140,069	415,959
Estimated Unbilled Usage	70,297	31,871	-	102,168
Due From Other Funds	-	100,000	-	100,000
Prepaid Insurance	15,972	43,061	11,622	70,655
Total Current Assets	1,509,148	1,241,638	469,515	3,220,301
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	-	10,032	783,057	793,089
Bond Issue Costs	-	-	45,195	45,195
Land	30,842	16,000	1,616,650	1,663,492
Construction in Progress	357,372	-	652,262	1,009,634
Infrastructure, Property and Equipment; Net of Accumulated Depreciation	2,112,147	806,446	191,496	3,110,089
Total Noncurrent Assets	2,500,361	832,478	3,288,660	6,621,499
Total Assets	4,009,509	2,074,116	3,758,175	9,841,800
Liabilities				
Current Liabilities:				
Accounts Payable	19,541	44,641	297,169	361,351
Due To Other Funds	-	-	625,000	625,000
Accrued Wages and Compensated Absences	2,107	43,210	10,068	55,385
Accrued Interest Payable	-	-	6,253	6,253
Current Portion of Revenue Bonds	-	-	115,000	115,000
Total Current Liabilities	21,648	87,851	1,053,490	1,162,989
Noncurrent Liabilities:				
Estimated Liability for Landfill Closure	-	-	183,495	183,495
Compensated Absences and Benefits	-	42,887	3,615	46,502
Revenue Bonds Payable	-	-	1,765,000	1,765,000
Total Noncurrent Liabilities	-	42,887	1,952,110	1,994,997
Total Liabilities	21,648	130,738	3,005,600	3,157,986
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,500,361	822,446	580,408	3,903,215
Restricted for:				
Transfer Station Closure	-	9,641	-	9,641
Revenue Bond Retirement	-	-	246,653	246,653
Closure and Postclosure Care	-	-	234,037	234,037
Local Planning	-	-	12,802	12,802
Waste Reduction	-	-	106,017	106,017
Landfill Improvement	-	-	45,519	45,519
Unrestricted	1,487,500	1,111,291	(472,861)	2,125,930
Total Net Assets	\$ 3,987,861	\$ 1,943,378	\$ 752,575	\$ 6,683,814

CITY OF SPENCER, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business Type Activities			Total
	Sanitary Sewer	Solid Waste	Landfill	
Operating Revenues:				
Charges for Services	\$ 1,554,228	\$ 1,493,522	\$ 1,126,729	\$ 4,174,479
Use of Property	-	-	5,800	5,800
Miscellaneous	9,611	19,847	2,760	32,218
Total Operating Revenue	<u>1,563,839</u>	<u>1,513,369</u>	<u>1,135,289</u>	<u>4,212,497</u>
Operating Expenses:				
Salaries	102,713	518,458	200,660	821,831
Payroll Taxes	15,501	66,399	24,600	106,500
Repairs and Maintenance	53,481	103,686	136,044	293,211
Utilities	1,260	19,283	5,461	26,004
Contract Services	647,984	-	10,574	658,558
Insurance Premiums	35,397	161,631	45,876	242,904
Gas and Oil	2,372	87,921	55,572	145,865
Supplies	6,839	31,294	10,367	48,500
Other Expense	76,984	24,908	32,185	134,077
Depreciation	218,943	57,089	83,370	359,402
Landfill Charges	-	378,795	113,443	492,238
Collection Fee	15,400	17,856	-	33,256
Total Operating Expenses	<u>1,176,874</u>	<u>1,467,320</u>	<u>718,152</u>	<u>3,362,346</u>
Operating Income	386,965	46,049	417,137	850,151
Non-Operating Revenue (Expense):				
Interest Income	41,100	40,432	38,168	119,700
Interest Expense	-	-	(78,721)	(78,721)
Bond Issuance Costs	-	-	(3,499)	(3,499)
Gain on Sale of Fixed Assets	-	1,000	-	1,000
Total Non-Operating Revenue (Expense)	<u>41,100</u>	<u>41,432</u>	<u>(44,052)</u>	<u>38,480</u>
Income before Transfers	428,065	87,481	373,085	888,631
Transfers (Out)	(178,500)	-	-	(178,500)
Change in Net Assets	249,565	87,481	373,085	710,131
Net Assets - Beginning	<u>3,738,296</u>	<u>1,855,897</u>	<u>379,490</u>	<u>5,973,683</u>
Net Assets - Ending	<u>\$ 3,987,861</u>	<u>\$ 1,943,378</u>	<u>\$ 752,575</u>	<u>\$ 6,683,814</u>

CITY OF SPENCER, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business Type Activities			
	Sanitary Sewer	Solid Waste	Landfill	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 1,472,117	\$ 1,513,380	\$ 1,167,651	4,153,148
Cash Paid to Suppliers for Goods and Services	(887,951)	(882,361)	(208,501)	(1,978,813)
Cash Paid to Employees for Services	(124,034)	(602,015)	(235,644)	(961,693)
Net Cash Provided by Operating Activities	460,132	29,004	723,506	1,212,642
Cash Flows from Non-Capital Financing Activities				
Operating Transfers to Other Funds	(178,500)	-	-	(178,500)
Net Cash (Used) by Non-Capital Financing Activities	(178,500)	-	-	(178,500)
Cash Flows from Capital and Related Financing Activities				
Principal Payments on Bonds	-	-	(115,000)	(115,000)
Interest Expense on Bonds	-	-	(78,958)	(78,958)
Short Term Borrowings from Other Funds	-	-	525,000	525,000
Proceeds from Sale of Equipment	-	1,000	-	1,000
Purchase of Capital Assets	(167,613)	(145,196)	(672,261)	(985,070)
Net Cash (Used) by Capital Related Financing Activities	(167,613)	(144,196)	(341,219)	(653,028)
Cash Flows from Investing Activities				
Purchase of Investments	(200,000)	(100,000)	-	(300,000)
Interest and Dividends on Investments	37,577	37,636	36,011	111,224
Net Cash Provided by Investing Activities	(162,423)	(62,364)	36,011	(188,776)
Net Increase (Decrease) in Cash and Cash Equivalents	(48,404)	(177,556)	418,298	192,338
Cash and Cash Equivalents at Beginning of Year	1,118,542	1,018,576	678,417	2,815,535
Cash and Cash Equivalents at End of Year	<u>\$ 1,070,138</u>	<u>\$ 841,020</u>	<u>\$ 1,096,715</u>	<u>\$ 3,007,873</u>
Cash and Cash Equivalents				
Unrestricted	\$ 1,070,138	\$ 830,988	\$ 313,659	2,214,785
Restricted Assets	-	10,032	783,057	793,089
Total Cash and Cash Equivalents	<u>\$ 1,070,138</u>	<u>\$ 841,020</u>	<u>\$ 1,096,716</u>	<u>\$ 3,007,874</u>

CITY OF SPENCER, IOWA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business Type Activities			
	Sanitary Sewer	Solid Waste	Landfill	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 386,965	\$ 46,049	\$ 417,137	\$ 850,151
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities				
Depreciation Expense	218,943	57,089	83,370	359,402
(Increase) Decrease in Operating Assets:				
Accounts Receivable	(52,290)	977	32,362	(18,951)
Unbilled Usage	(39,432)	(966)	-	(40,398)
Due from Other Funds	-	-	6,241	6,241
Prepaid Insurance	(4,385)	(2,301)	(1,869)	(8,555)
Increase (Decrease) in Operating Liabilities				
Accounts Payable	(43,849)	(54,686)	196,650	98,115
Accrued Wages	(5,820)	(14,945)	(5,003)	(25,768)
Accrued Compensated Absences	-	(2,213)	(5,381)	(7,594)
Total Adjustments	<u>73,167</u>	<u>(17,045)</u>	<u>306,370</u>	<u>362,492</u>
Net Cash Provided By Operating Activities	<u>\$ 460,132</u>	<u>\$ 29,004</u>	<u>\$ 723,507</u>	<u>\$ 1,212,643</u>

CITY OF SPENCER, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2006

Assets	
Cash and Pooled Investments	\$ 626,187
Interest Receivable	2,668
Total Assets	<u>628,855</u>
Liabilities	
Due to Other Governments	<u>628,855</u>
Total Liabilities	<u>628,855</u>
Net Assets	
Unrestricted	-
Total Net Assets	<u>\$ -</u>

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. 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 provides numerous services to citizens, including public safety, public works, culture, recreation, public improvements, and general administrative services.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Standards Board.

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.

These financial statements present the City of Spencer (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit -- The Spencer Municipal Hospital (SMH) is a city public hospital, organized under Chapter 347 of the Code of Iowa and governed by a five-member board of trustees elected by the voters. The Hospital is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City, but financially accountable to the City. Complete financial statements for SMH may be obtained at their administrative offices.

The Spencer Municipal Utilities (SMU) provides electric and water utility services to the citizens of Spencer. SMU is not considered a component unit of the City because it does not meet the criteria stated above. Currently, SMU made voluntary payments of \$442,466 in lieu of property tax payments to the City.

The Northwest Iowa Regional Airport, Spencer Municipal Golf Course, Spencer Public Library, and various recreational parks are not legally separate from the City and have been included in the funds and account groups of the City.

Jointly Governed Organizations -- 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 Statements -- The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

activities as either governmental or business-type. The City's general, special revenue, debt service, capital projects, and permanent funds are classified as governmental activities. The City's internal service fund is classified as a governmental-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets results when constraints place on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Government-wide Statement of Activities, reports both the gross and net cost of each of the City's functions (public safety, public works, culture and recreation, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City does not allocate indirect costs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

- C. Fund Accounting -- The accounting policies of the City of Spencer, Iowa conform to U.S. generally accepted accounting principles applicable to governmental units. The accounting system is organized and operated on the basis of funds. Each fund is considered to be a separate fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulation, restrictions, or limitations.

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 funds are aggregated and reported as nonmajor governmental funds. The City reports the following major governmental and proprietary funds:

General Fund -- The General Fund is used to account for all financial transactions not properly included in other funds. It serves as the general operating fund of the City and derives its major revenues from property taxes, licenses and permits, state allocation, and charges for services. The expenditures of the General Fund are categorized as follows:

Public Safety -- Activities related to public safety include police protection, fire protection, and the communication center.

Public Works -- Activities related to public works include roadway construction and maintenance, transportation services, street lighting, and airport operations.

Culture and Recreation -- Activities related to culture and recreation include parks and recreation, aquatic center, library, and golf course operations.

Community and Economic Development -- Activities related to community and economic development include community beautification, housing and urban renewal, planning and zoning, and economic development operations.

General Government -- Activities related to general government include City Council activities, legal services, and executive and financial administration and support services.

Special Revenue Fund – TIF Districts -- The TIF Districts Fund is used to account for the revenues and expenses related to tax increment financing projects.

Special Revenue Fund – Local Option Sales Tax -- The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment, community programs and services.

Capital Project Fund – Highway 71 South Reconstruction -- The Highway 71 South Reconstruction Capital Project Fund is used to account for financial resources used in the reconstruction of Highway 71 South in the area of Menards and Southpark Mall.

Capital Project Fund – Fire Station Improvement -- The Fire Station Improvement Capital Project Fund is used to account for financial resources used in the expansion of the Fire Station.

Debt Service Fund -- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. General property taxes or tax increment financing and fund transfers are to provide the revenues for the debt service payments.

Enterprise Funds -- The Enterprise Funds are used to finance and account for the acquisition, operation, and maintenance of governmental facilities and services that are supported by user charges. The following are the Enterprise Funds:

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sanitary Sewer – To account for the operation of a municipally owned waste water treatment plant and collection system. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, waste water treatment, handling and supporting services, capital outlay, and debt service.

Solid Waste – To account for the operation of municipally owned garbage collection and disposal service.

Landfill – To account for the operation of municipally owned landfill.

D. Measure Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option, sales tax, special assessments, intergovernmental revenues, interest and charges for services are considered to be susceptible to accrual. All other revenues are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statement and Interpretations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City's accounting records are maintained on a cash basis during the year with a conversion to modified accrual or accrual at year's end for financial statement purposes.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the Culture and Recreation Program and the Debt Service Program.

F. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents -- Cash on hand, cash in bank, and temporary cash investments with original maturities of three months or less are considered cash and cash equivalents for purposes of the statement of cash flows.

Temporary Cash -- Non-negotiable certificates of deposits with original maturities of more than three months are stated at cost.

Investments -- Investments are recorded at fair value, except for pooled investments operated in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which are valued at amortized cost.

Inventories -- The City's inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The amounts are not material and therefore not recorded on the balance sheet. Since inventory balances are immaterial, the costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Prepaid Items -- Payments made to vendors for services that will benefit periods beyond June 30, 2006 are recorded as prepaid items.

Property Tax Receivable – Succeeding Year -- Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Council to the appropriate County Auditors. Current year property taxes receivable represents unpaid taxes and taxes collected by the County but not remitted to the City at June 30, 2006. The succeeding year property tax receivable represents taxes certified by the Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Council is required to certify its budget to the County Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Customer Accounts and Unbilled Usage -- Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Restricted Assets – Funds set aside for payment of landfill revenue bonds, closure and postclosure care costs, local planning, and waste reduction are classified as restricted assets since their use is restricted.

Fixed Assets – Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimate lives:

Buildings & Structures	40 Years
Land Improvements.....	20 Years
Machinery & Equipment	5–10 Years
Infrastructure.....	15-70 Years

Accrued Compensated Absences -- Accrued compensated absences represent the unpaid vacation and sick leave costs as of the end of the year. Also included in this account are the related payroll costs associated with the unpaid vacation. All uncompensated amounts not paid within 60 days after year end for governmental fund types are recorded as long-term liabilities in the General Fund and the Enterprise Funds because they represent amounts that are not expected to be liquidated with expendable available financial resources. The uncompensated amounts paid within 60 days after year end are recorded as liabilities in the funds in incurring the salaries and payroll taxes.

Encumbrances -- The City does not employ encumbrance accounting.

Deferred Revenues -- The government reports deferred revenue on its statement of net assets. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period.

Fund Balances

Reserved Fund Balance -- Reserved Fund Balance indicates that portion of fund equity which has been legally restricted for specific purposes.

Undesignated Fund Balance -- Undesignated Fund Balance indicates that portion of fund equity which has been designated by the Council for a specific purpose.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 2 – CASH AND CASH EQUIVALENTS AND POOLED INVESTMENTS

The City deposits in banks at June 30, 2006, 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 depositories to insure there will be no loss of public funds.

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 reconciliation of cash and cash equivalents and temporary cash and pooled investments for the City is as follows:

Cash and Cash Equivalents	\$ 12,408,788
Certificates of Deposit	1,100,000
Restricted Cash and Cash Equivalents	<u>793,089</u>
	<u>\$ 14,301,877</u>

The City had no investments that are subject to risk categorization. The City had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$341,408 and are also not subject to risk categorization. IPAIT had been established under Iowa law pursuant to Iowa Code Chapter 28E and Sections 331.555 and 384.21, which authorize Iowa cities, counties, city utilities, and other eligible participants to jointly invest monies pursuant to a joint investment agreement. IPAIT is exempt from registration under the Securities Act of 1933, and the Iowa Uniform Securities Act. IPAIT operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. IPAIT uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in IPAIT is the same as the value of the IPAIT shares.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 3 – FIXED ASSETS

A summary of the changes in the fixed assets for the year ended June 30, 2006, is as follows:

Governmental Activities:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
Capital Assets, Not Being Depreciated:				
Land	\$ 1,796,815	\$ 186,908	\$ 60,250	\$ 1,923,473
Construction in Progress	<u>1,263,811</u>	<u>3,139,553</u>	<u>1,246,656</u>	<u>3,156,708</u>
Total Capital Assets, Not Being Depreciated	<u>\$ 3,060,626</u>	<u>\$ 3,326,461</u>	<u>\$ 1,306,906</u>	<u>\$ 5,080,181</u>
Capital Assets, Being Depreciated:				
Infrastructure	21,643,700	1,246,656	-	22,890,356
Buildings	7,012,030	-	-	7,012,030
Improvements other than Buildings	7,057,042	24,000	-	7,081,042
Equipment	<u>5,976,922</u>	<u>333,293</u>	<u>47,202</u>	<u>6,263,013</u>
Total Assets, Being Depreciated	41,689,694	1,603,949	47,202	43,246,441
Less Accumulated Depreciation for:				
Infrastructure	9,585,546	820,283	-	10,405,829
Buildings	3,348,764	149,654	-	3,498,418
Improvements other than Buildings	2,768,014	242,141	-	3,010,155
Equipment	<u>4,152,336</u>	<u>399,970</u>	<u>39,189</u>	<u>4,513,117</u>
Total Accumulated Depreciation	<u>19,854,660</u>	<u>1,612,048</u>	<u>39,189</u>	<u>21,427,519</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 21,835,034</u>	<u>\$ (8,099)</u>	<u>\$ 8,013</u>	<u>\$ 21,818,922</u>

The following is included in construction in progress:

Infrastructure	\$ 1,098,142
Fire Station Expansion	1,831,385
Airport Hangar/Apron Extension	<u>227,181</u>
	<u>\$ 3,156,708</u>

Depreciation expense was charges to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 120,991
Public Works	1,131,245
Culture and Recreation	314,282
General Government	<u>45,530</u>
Total Depreciation Expense	<u>\$ 1,612,048</u>

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 3 – FIXED ASSETS (Continued)

Business-Type Activities:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
Capital Assets, Not Being Depreciated:				
Land	\$ 1,663,492	\$ -	\$ -	\$ 1,663,492
Construction in Progress	<u>610,867</u>	<u>832,763</u>	<u>433,996</u>	<u>1,009,634</u>
Total Capital Assets, Not Being Depreciated	<u>\$ 2,274,359</u>	<u>\$ 832,763</u>	<u>\$ 433,996</u>	<u>\$ 2,673,126</u>
Capital Assets, Being Depreciated:				
Buildings	5,146,859	433,996	-	5,580,855
Equipment	<u>5,577,010</u>	<u>152,308</u>	-	<u>5,729,318</u>
Total Assets, Being Depreciated	10,723,869	586,304	-	11,310,173
Less Accumulated Depreciation for:				
Buildings	3,624,662	133,990	-	3,758,652
Equipment	<u>4,216,020</u>	<u>225,412</u>	-	<u>4,441,432</u>
Total Accumulated Depreciation	<u>7,840,682</u>	<u>359,402</u>	-	<u>8,200,084</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 2,883,187</u>	<u>\$ 226,902</u>	<u>\$ -</u>	<u>\$ 3,110,089</u>

The following is included in construction in progress:

Menards Sanitary Sewer Force Main Project	\$ 185,569
Landfill Cell A Expansion	<u>171,803</u>
	<u>652,262</u>
	<u>\$ 1,009,634</u>

Depreciation expense was charges to functions/programs of the primary government as follows:

Business-type Activities:	
Sanitary Sewer	\$ 218,943
Solid Waste	57,089
Landfill	<u>83,370</u>
Total Depreciation Expense	<u>\$ 359,402</u>

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business Type Activities
Capital Assets (Net of Accumulated Depreciation)	\$ 26,899,103	\$ 5,783,215
Less: G.O. Bonds Payable	8,220,000	-
Revenue Bonds Payable	-	1,880,000
Notes Payable	<u>139,229</u>	-
Investment in Capital Assets, Net of Related Debt	<u>\$ 18,539,874</u>	<u>\$ 3,903,215</u>

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 4 – LONG-TERM DEBT

General Obligation Bonds

The City's computed legal debt limit as of June 30, 2006 is \$26,125,288 of which \$8,362,987 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2006:

	General Obligation
Bonds Payable – July 1, 2005	\$ 9,210,000
Less Bonds Retired	(990,000)
Bonds Payable – June 30, 2006	\$ 8,220,000

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Issuance	Date Of Issuance	Interest Rate	Final Due Date	Amount Originally Issued	Outstanding 06/30/06
Bond E	5/2001	4.68 %	2012	\$1,170,000	\$ 760,000
Bond D	2/1999	4.038 %	2009	\$1,175,000	\$ 160,000
Bond T	2/1999	5.85 %	2010	\$ 310,000	\$ 145,000
Bond G	11/2003	3.98 %	2018	\$1,900,000	\$1,675,000
Bond C Refunding Improvement Bond	9/2004	3.28 %	2012	\$1,520,000	\$1,205,000
Construction Notes	5/2005	4.02 %	2018	\$1,485,000	\$1,395,000
	5/2005	2.85 %	2006	\$2,880,000	\$2,880,000

The annual requirements to amortize the general obligations bonds outstanding as of June 30, 2006, are as follows:

	General Obligation	
	Principal	Interest
2007	\$ 3,510,000	\$ 222,493
2008	675,000	177,077
2009	820,000	155,131
2010	690,000	126,014
2011	410,000	100,958
2012 -2016	1,505,000	298,281
2017 -2019	610,000	39,520
	\$ 8,220,000	\$ 1,119,474

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 4 – **LONG-TERM DEBT** (Continued)

The Debt Service Fund has \$843,866 available to service the General Obligation Bonds.

Revenue Bonds

The following is a summary of revenue bond transactions of the City for the year ended June 30, 2006:

	Revenue Bonds
Revenue Bonds Payable – July 1, 2005	\$ 1,995,000
Less Bonds Retired	(115,000)
Revenue Bonds Payable – June 30, 2006	\$ 1,880,000

Issuance	Date Of Issuance	Interest Rate	Final Due Date	Amount Originally Issued	Outstanding 06/30/06
Bond L	11/2004	4.48 %	2008	\$2,120,000	\$1,880,000

Details of SMH's revenue bonds payable at June 30, 2006, are as follows

Issuance	Date Of Issuance	Interest Rate	Final Due Date	Monthly Principal Payment	Amount Originally Issued	Outstanding 06/30/06
Series A Revenue Bonds	Various	4.31 %	11/2018	\$61,728	\$10,000,000	\$9,259,264
Series B Revenue Bonds	12/2003	4.02 %	12/2018	\$55,556	\$10,000,000	\$8,333,320

The revenue bonds were issued under the provisions of Chapter 384.24A of the Code of Iowa and as such the principal and interest payments are payable solely from the revenues of the Hospital and do not constitute a liability or obligation of the City of Spencer.

The annual requirements to amortize the revenue bonds outstanding as of June 30, 2006, are as follows:

	Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest
2007	\$ 115,000	\$ 76,083	\$ 1,407,408	\$ 845,120
2008	120,000	72,863	1,407,408	774,937
2009	125,000	69,203	1,407,408	704,754
2010	125,000	65,078	1,407,408	634,571
2011	130,000	60,703	1,407,408	564,388
2012 -2016	735,000	222,472	7,037,040	1,769,197
2017 -2019	530,000	50,910	3,518,504	226,634
	\$ 1,880,000	\$ 617,312	\$ 17,592,584	\$ 5,519,601

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 4 – **LONG-TERM DEBT** (Continued)

Other Long-Term Debt

On June 30, 2006, the City had the following other long-term debt:

	Spencer Municipal Utilities	Wal-Mart Loan Agreement	Totals
Date of Issue	11-19-96	10-01-99	
Date of Maturity	2007	2006	
Interest Rate	0%	5%	
Original Issue	\$ 266,250	\$ 390,857	\$ 657,107
Balance July 1, 2005	79,875	167,864	247,739
Issued	-	-	-
Redeemed	(26,625)	(81,885)	(108,510)
Balance June 30, 2006	\$ <u>53,250</u>	\$ <u>85,979</u>	\$ <u>139,229</u>

The Spencer Municipal Utilities loan is retired through storm sewer fees.

The Wal-Mart loan is retired through tax increment financing revenues.

Spencer Municipal Hospital (component unit) entered into a capital lease to finance the purchase of medical equipment. Details of SMH's capital lease payable at June 30, 2006, are as follows:

Issuance	Date Of Issuance	Interest Rate	Final Due Date	Annual Payment	Amount Originally Issued	Outstanding 06/30/06
Capital Lease for Medical equipment	09/2001	5.25%	09/2006	\$260,868	\$1,150,000	\$ 43,194

The maturities and payment components of the long-term debt as of June 30, 2006, are as follows:

	<u>Governmental Activities</u>		<u>Component Unit</u>	
	Principal	Interest	Principal	Interest
2007	\$ 112,604	\$ 4,299	\$ 43,194	\$ 284
2008	<u>26,625</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 139,229</u>	<u>\$ 4,299</u>	<u>\$ 43,194</u>	<u>\$ 284</u>

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 4 – **LONG-TERM DEBT** (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
General Obligation	\$ 9,210,000	\$ -	\$ 990,000	\$ 8,220,000	\$ 3,510,000
Notes Payable	247,739	-	108,510	139,229	112,604
Compensated Absences	<u>347,202</u>	<u>2,469</u>	-	<u>349,671</u>	-
Governmental Activity Long-Term Liabilities	<u>\$ 9,804,941</u>	<u>\$ 2,469</u>	<u>\$ 1,098,510</u>	<u>\$ 8,708,900</u>	<u>\$ 3,622,604</u>
Business-Type Activities:					
Revenue Bonds	\$ 1,995,000	\$ -	\$ 115,000	\$ 1,880,000	\$ 115,000
Business-Type Activity Long-Term Liabilities	<u>\$ 1,995,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ 1,880,000</u>	<u>\$ 115,000</u>
Component Unit:					
Revenue Bonds	\$ 18,999,992	\$ -	\$ 1,407,408	\$ 17,592,584	\$ 1,407,408
Capital Leas Obligations	<u>294,588</u>	-	<u>251,394</u>	<u>43,194</u>	<u>43,194</u>
Component Unit Long-Term Liabilities	<u>\$ 19,294,580</u>	<u>\$ -</u>	<u>\$ 1,658,802</u>	<u>\$ 17,635,778</u>	<u>\$ 1,450,602</u>

Note 5 – **TRANSFERS, INTERFUND RECEIVABLES, AND PAYABLES**

Transfers:

	Governmental Fund Types					Proprietary Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Permanent	Enterprise	Transfer Out
General	\$ -	\$ 102,294	\$ 222,435	\$ 678,430	\$ -	\$ -	\$ 1,003,159
Special Revenue	290,301	-	734,946	-	-	-	1,025,247
Debt Service	-	-	-	-	-	-	-
Capital Projects	318	-	315,383	-	-	-	315,701
Permanent	-	-	-	-	-	-	-
Enterprise	<u>178,500</u>	-	-	-	-	-	<u>178,500</u>
Total Transfers In	<u>\$ 469,119</u>	<u>\$ 102,294</u>	<u>\$ 1,272,764</u>	<u>\$ 678,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,522,607</u>

Transfers are used to:

1. Move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.
3. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 5 – TRANSFERS, INTERFUND RECEIVABLES, AND PAYABLES (Continued)

Interfund Activity:

	Interfund Receivable	Interfund Payable
General	\$ 525,000	\$ -
Proprietary	<u>-</u>	<u>525,000</u>
Total	<u>\$ 525,000</u>	<u>\$ 525,000</u>

Note 6 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively. Contribution requirements are established by state statute.

The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were as follows:

	June 30, 2006	June 30, 2005	June 30, 2004
City's Contribution	\$ 140,287	\$ 128,042	\$ 119,063
Percentage Funded of Required Contribution	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earned compensation and the City's contribution rate may not be less than 17.00% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2006, 2005, and 2004 were as follows:

	June 30, 2006	June 30, 2005	June 30, 2004
City's Contribution	\$ 313,532	\$ 256,767	\$ 218,769
Percentage Funded of Required Contribution	100.0%	100.0%	100.0%

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 7 – AIRPORT LEASE AGREEMENTS

The City of Spencer and Randy Vander Weide entered into a five-year fixed based operator lease agreement to provide service at the airport, beginning July 1, 2004. Either party may terminate the lease, effective six months after notification. The terms of the lease include monthly rent of \$2,416.67 for use of various facilities and a per-gallon of fuel sold fee.

The City of Spencer and Spencer Avionics, Inc. have entered into a facilities lease agreement under which Spencer Avionics, Inc. leases from the City certain space in the north hangar at the Spencer Municipal Airport for \$1,500 per month. The lease is effective for April 1, 2001 through March 31, 2006. During the year ended June 30, 2006, rent income totaled \$18,000.

On March 13, 2006, the City of Spencer and CAMM Air entered into a facilities lease agreement under which CAMM Air leases from the City certain space at the Spencer Municipal Airport for \$1,200 per year. The lease is effective for March 13, 2006 through June 2105. During the year ended June 30, 2006, rent income totaled \$1,200.

The City of Spencer and Maurer Manufacturing, Inc. have entered into a facilities lease agreement under which Maurer Manufacturing, Inc. leases from the City certain space in the east-facing hangar at the Spencer Municipal Airport for \$2,240 per month. The lease is effective for September 1, 2004 through February 28, 2005 at which time it becomes a month-to-month lease terminable by either party upon one month's advance notice to the other party. During the year ended June 30, 2006, rent income totaled \$26,880.

The minimum future rentals on the above operating leases for the next twelve months as of June 30, 2006, is \$75,080.

Note 8 – DUE FROM OTHER GOVERNMENTS AND GRANTS RECEIVABLE

At June 30, 2006, amounts due from other governments and grants receivable included the following:

Due from Other Governments:	
Due from State of Iowa for Local Option Sales Tax	\$ 234,737
Due from State of Iowa for Hotel/Motel Sales Tax	31,597
Due from State of Iowa for Road Use Tax Allocations	73,789
Due from State of Iowa for Highway 71 S Reconstruction	163,005
Due from Clay County for June Police Court Fees and Fines	<u>6,043</u>
 Due from Other Governments	 <u>509,171</u>
 Grants Receivable:	
Due from State of Iowa for STEP Grant	911
Due from State of Iowa for Cops in Shops	100
Other Grants for Capital Projects	<u>6,388</u>
 Grants Receivable	 <u>\$ 7,399</u>

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 9 – FUND BALANCE

A reconciliation of Fund Balance is as follows:

	General	Special Revenue	Debt Service	Capital Projects	Permanent
RESERVED FUND BALANCE					
Reserved for Note Receivable	\$ 148,866	\$ -	\$ -	\$ -	\$ -
Reserved for Prepaid Insurance	66,116	61,485	-	-	-
Reserved for Endowment	-	-	-	-	370,397
Reserved for Debt Service	-	-	843,866	-	-
Total Reserved Fund Balance	214,982	61,485	843,866	-	370,397
UNRESERVED DESIGNATED					
Storm Water District	42,878	-	-	-	-
Storm Sewer District	636	-	-	-	-
Renaissance Initiative	29,819	-	-	-	-
City Hall	46,875	-	-	-	-
Police Capital Improvement	247,085	-	-	-	-
Fire Department Capital Improvement	212,523	-	-	-	-
Parks Special Projects	4,174	-	-	-	-
Parks Equipment	626,550	-	-	-	-
Parks Acquisition	38,395	-	-	-	-
Golf Course Capital Improvement	10,405	-	-	-	-
Street Improvement Reserve	1,117,661	-	-	-	-
Capital Improvements	993,229	-	-	-	-
Storm Sewer	714,004	-	-	-	-
Cable System	91,798	-	-	-	-
Public Works	614,933	-	-	-	-
Bridge	143,898	-	-	-	-
Airport Improvements	9,742	-	-	-	-
D.A.R.E.	18,425	-	-	-	-
Riverside Columbarium	10,450	-	-	-	-
Renters Deposit	1,360	-	-	-	-
Economic Development	57,450	-	-	-	-
Cemetery	21,294	-	-	-	-
Total Unreserved Designated Fund Balance	5,053,584	-	-	-	-
UNRESERVED UNDESIGNATED					
General	3,658,731	-	-	-	-
L.O.S.T.	-	461,471	-	-	-
TIF Districts	-	(343,703)	-	-	-
Road Use	-	116,847	-	-	-
S.S.M.I.D.	-	10,032	-	-	-
Hotel/Motel Tax – Event Center	-	24,194	-	-	-
Hotel/Motel Tax – Soccer	-	64,949	-	-	-
Police Retirement System	-	257,331	-	-	-
Civil Service	-	11,146	-	-	-
Police Special Proceeds	-	8,417	-	-	-
Fire Pension Accumulation	-	75,921	-	-	-
City's Contribution to Retirement	-	20,008	-	-	-
Workers' Compensation Insurance	-	19,523	-	-	-
Trees Forever	-	12,370	-	-	-
Unemployment Insurance	-	11,403	-	-	-
Group Medical/Life Insurance	-	166,725	-	-	-
Capital Projects	-	-	-	205,922	-
Total Unreserved Undesignated Fund Balance	3,658,731	916,634	-	205,922	-
TOTAL FUND BALANCE	\$ 8,927,297	\$ 978,119	\$ 843,866	\$ 205,922	\$ 370,397

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 10 – RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$22,640,000 of industrial development revenue bonds in prior years under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding at June 30, 2006, 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 does not constitute liabilities of the City.

Note 12 – CONSTRUCTION COMMITMENTS

The City has entered into contracts totaling \$7,872,910 for various capital projects. As of June 30, 2006, the City has future construction commitments of \$1,883,809.

Note 13 – LANDFILL CLOSURE/POST CLOSURE CARE COSTS

State and federal laws and regulations require the City's Solid Waste System to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Solid Waste System reports a capacity used as of each balance sheet date. The \$183,495 reported as landfill closure and post-closure care liability at June 30, 2006, represents the cumulative amount reported to date based on the use of 6% percent of the estimated remaining capacity of the landfill. The estimate for costs as of June 30, 2006 is \$2,258,580. The Solid Waste System will recognize the remaining estimated cost of closure and post-closure care of \$2,075,085 as the remaining estimated capacity is filled. The Solid Waste System expects to close the landfill in approximately 30 years. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The State of Iowa specifies financial assurance requirements in Code Section 567-Chapter 111. The Iowa Code enumerates various allowable financial assurance mechanisms to meet the costs of closure and post-closure care. The City has met the financial assurance requirement by meeting the Local Government Financial Test. The City has begun to accumulate resources to fund the costs of closure and post-closure care. At June 30, 2006, deposits of \$ 409,372 are held for these purposes.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 14 – PRIOR PERIOD ADJUSTMENT

In the financial statement for the year ended June 30, 2005, an error was made in accounting for the expenditures related to the reconstruction of Highway 71 South. The project was incorrectly reported as an asset of the City and recorded as construction in progress. The error has been corrected and has had the following effect on the beginning net assets.

	Governmental Activities
Beginning Net Assets, As Previously Reported	\$ 31,291,845
Prior Period Adjustment	(1,629,188)
Beginning Net Assets, As Restated	\$ 29,662,657

In addition, a loan made from the General Fund to the Tax Increment Financing Districts Special Revenue Fund prior to June 30, 2006 was incorrectly recorded as an expenditure in the General Fund. The loan was for costs related to the Fairview Housing TIF and the Country Club Housing TIF. The error has been corrected and has had the following effect on the beginning fund balances.

	General Fund	TIF Districts
Beginning Fund Balance, As Previously Reported	\$ 8,179,614	\$ -
Prior Period Adjustment	365,608	(365,608)
Beginning Fund Balance, As Restated	\$ 8,545,222	\$ (365,608)

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SPENCER, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2006

The budgetary comparison is presented as Required Supplementary Information 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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 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 disbursement for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project 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, one budget amendment increased budgeted disbursements by \$1,592,000. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements in the Culture and Recreation function and Debt Service function exceeded the amount budgeted.

During the fiscal year 2006, the City had one budget amendment. The amendment was as follows:

Program Structure	Original Budget	5/15/06 Amendment	Amended Budget
Public Safety	\$ 2,243,898	\$ 25,000	\$ 2,268,898
Public Works	1,309,829	326,000	1,635,829
Culture and Recreation	1,680,525	-	1,680,525
Community and Economic Development	839,793	256,000	1,095,793
General Government	1,308,283	350,000	1,658,283
Debt Service	1,073,772	250,000	1,323,772
Capital Projects	7,462,819	-	7,462,819
Business-Type	<u>3,224,527</u>	<u>385,000</u>	<u>3,609,527</u>
Total	\$ <u>19,143,446</u>	\$ <u>1,592,000</u>	\$ <u>20,735,446</u>

The following schedule demonstrates the City's legal compliance to the budget.

Program Structure	Amended Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Public Safety	\$ 2,268,898	\$ 2,160,489	\$ 108,409
Public Works	1,635,829	1,427,667	208,162
Culture and Recreation	1,680,525	1,705,492	(24,967)
Community and Economic Development	1,095,793	960,966	134,827
General Government	1,658,283	1,591,953	66,330
Debt Service	1,323,772	1,406,656	(82,884)
Capital Projects	7,462,819	5,657,655	1,805,164
Business-Type	<u>3,609,527</u>	<u>3,075,679</u>	<u>533,848</u>
Total	\$ <u>20,735,446</u>	\$ <u>17,986,557</u>	\$ <u>2,748,889</u>

CITY OF SPENCER, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS)
GENERAL FUND AND OTHER MAJOR SPECIAL REVENUE FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			Variance Amended Budget Favorable (Unfavorable)
	Budget		Actual	
	Adopted	Amended		
Receipts				
Taxes	\$ 2,701,427	\$ 2,701,427	\$ 2,695,169	\$ (6,258)
Special Assessments	15,000	15,000	237,302	222,302
Licenses and Permits	503,750	503,750	588,333	84,583
Intergovernmental	183,004	323,004	319,059	(3,945)
Charges for Services	708,008	708,008	795,910	87,902
Fines	99,500	99,500	66,878	(32,622)
Interest on Investments	172,000	172,000	390,877	218,877
Miscellaneous	135,000	235,000	470,430	235,430
Contributions	4,250	4,250	5,994	1,744
Rent	21,000	21,000	29,520	8,520
Total Receipts	<u>4,542,939</u>	<u>4,782,939</u>	<u>5,599,472</u>	<u>816,533</u>
Disbursements				
Public Safety	1,879,163	1,904,163	1,812,776	91,387
Public Works	307,025	382,025	361,914	20,111
Culture and Recreation	1,594,543	1,594,543	1,603,175	(8,632)
Community and Economic Development	122,500	148,500	124,671	23,829
General Government	726,351	906,351	836,611	69,740
Total Disbursements	<u>4,629,582</u>	<u>4,935,582</u>	<u>4,739,147</u>	<u>196,435</u>
Excess (Deficiency) of Receipts Over Disbursements	(86,643)	(152,643)	860,325	1,012,968
Other Financing Sources (Uses)				
Operating Transfers From Other Funds	402,250	402,250	634,332	232,082
Operating Transfers to Other Funds	(672,075)	(672,075)	(1,804,318)	(1,132,243)
Total Other Financing Sources (Uses)	<u>(269,825)</u>	<u>(269,825)</u>	<u>(1,169,986)</u>	<u>(900,161)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>\$ (356,468)</u>	<u>\$ (422,468)</u>	(309,661)	<u>\$ 112,807</u>
Balances at Beginning of Year			<u>8,148,243</u>	
Balances at End of Year			<u>\$ 7,838,582</u>	

Local Option Sales Tax				TIF Districts			
Budget		Actual	Variance Amended Budget Favorable (Unfavorable)	Budget		Actual	Variance Amended Budget Favorable (Unfavorable)
Adopted	Amended			Adopted	Amended		
\$ 1,200,000	\$ 1,200,000	\$ 1,353,818	\$ 153,818	\$ 305,271	\$ 305,271	\$ 302,176	\$ (3,095)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	7,498	7,498	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,200,000</u>	<u>1,200,000</u>	<u>1,361,316</u>	<u>161,316</u>	<u>305,271</u>	<u>305,271</u>	<u>302,176</u>	<u>(3,095)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
535,300	635,300	594,033	41,267	-	-	-	-
<u>535,300</u>	<u>635,300</u>	<u>594,033</u>	<u>41,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
664,700	564,700	767,283	202,583	305,271	305,271	302,176	(3,095)
-	-	-	-	-	-	-	-
(664,700)	(664,700)	(744,975)	(80,275)	(305,271)	(305,271)	(302,176)	3,095
<u>(664,700)</u>	<u>(664,700)</u>	<u>(744,975)</u>	<u>(80,275)</u>	<u>(305,271)</u>	<u>(305,271)</u>	<u>(302,176)</u>	<u>3,095</u>
<u>\$ -</u>	<u>\$ (100,000)</u>	22,308	<u>\$ 122,308</u>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
		215,144				-	
		<u>\$ 237,452</u>				<u>\$ -</u>	

**CITY OF SPENCER, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

As noted previously, the actual results of operations are presented in accordance with generally accepted accounting principles which differ in certain respects from those practices used in preparation of the 2005-06 budget. For purposes of preparing the budget comparison above, the actual expenses have been adjusted to the cash basis which is consistent with the City's budgeted expenditures/expenses. The adjustments required to convert the expenses to cash basis at the end of the year are as follows:

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Permanent	Fiduciary
GAAP Basis	\$ 382,075	\$ (204,421)	\$ 256,803	\$ (2,999,708)	\$ 710,131	\$ 11,079	\$ 34,018
(Increase) Decrease due to Revenue:							
Taxes Receivable	(17,315)	(5,373)	(2,658)	-	-	-	-
Taxes Receivable - Succeeding Year	(128,181)	(127,266)	(91,410)	-	-	-	-
Interest Receivable	(18,405)	(105)	(1,631)	4,605	(8,476)	(172)	(884)
Grants Receivable	18,129	-	-	12,270	-	-	7,134
Miscellaneous Receivable	(670,320)	(35,350)	-	699,757	6,241	-	-
Charges for Service	-	-	-	-	(59,349)	-	-
Increase (Decrease) due to Expenditures/Expenses:							
Prepaid Insurance	6,977	3,511	-	-	(8,555)	-	-
Accounts Payable	61,595	(38,868)	(6,341)	138,444	623,116	-	(7,134)
Accrued Expenses	(77,493)	(16,773)	-	(1,766)	(33,599)	-	-
Deferred Revenue	133,277	127,266	91,410	83,327	-	-	-
Bond Related Expenses	-	-	-	-	(115,000)	-	-
Amortization	-	-	-	-	3,499	-	-
Depreciation	-	-	-	-	359,402	-	-
Acquisition and Disposal of Assets	-	-	-	-	(985,071)	-	-
Budget Basis	\$ (309,661)	\$ (297,379)	\$ 246,173	\$ (2,063,071)	\$ 492,339	\$ 10,907	\$ 33,134

OTHER SUPPLEMENTARY INFORMATION

**CITY OF SPENCER, IOWA
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total Governmental Nonmajor Funds
Assets				
Cash and Cash Equivalents	622,301	\$ 556,425	\$ 369,841	\$ 1,548,567
Investments	100,000	-	-	100,000
Property Tax Receivable	10,098	-	-	10,098
Property Tax Receivable - Succeeding Year	688,460	-	-	688,460
Grants Receivable	-	6,388	-	6,388
Interest Receivable	1,270	-	556	1,826
Accounts Receivable	11,439	317	-	11,756
Due From Other Governments	105,386	-	-	105,386
Prepaid Insurance	61,486	-	-	61,486
Total Assets	<u>1,600,440</u>	<u>563,130</u>	<u>370,397</u>	<u>2,533,967</u>
Liabilities				
Accounts Payable	44,808	362,349	-	407,157
Accrued Wages	6,821	30	-	6,851
Due to Other Funds	-	134,000	-	134,000
Deferred Revenue - Grants	-	83,328	-	83,328
Deferred Revenue - Property Taxes Succeeding Year	688,460	-	-	688,460
Total Liabilities	<u>740,089</u>	<u>579,707</u>	<u>-</u>	<u>1,319,796</u>
Fund Balance				
Reserved	61,485	-	370,397	431,882
Unreserved - Undesignated	798,866	(16,577)	-	782,289
Total Fund Balance	<u>860,351</u>	<u>(16,577)</u>	<u>370,397</u>	<u>1,214,171</u>
Total Liabilities and Fund Balance	<u>\$ 1,600,440</u>	<u>\$ 563,130</u>	<u>\$ 370,397</u>	<u>\$ 2,533,967</u>

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total Governmental Nonmajor Funds
Revenues				
Taxes	\$ 794,794	\$ -	\$ -	\$ 794,794
Intergovernmental Revenue	947,667	428,554	-	1,376,221
Special Assessments	-	14,837	-	14,837
Charges for Services	-	-	6,300	6,300
Interest	20,288	-	6,819	27,107
Contributions	11,750	-	-	11,750
Miscellaneous	25,505	332,035	400	357,940
Total Revenues	<u>1,800,004</u>	<u>775,426</u>	<u>13,519</u>	<u>2,588,949</u>
Expenditures				
Public Safety	347,938	-	-	347,938
Public Works	1,044,444	-	-	1,044,444
Culture and Recreation	90,432	-	50	90,482
Community and Economic Development	210,125	-	2,390	212,515
General Government	471,807	-	-	471,807
Capital Projects	-	1,745,891	-	1,745,891
Total Expenditures	<u>2,164,746</u>	<u>1,745,891</u>	<u>2,440</u>	<u>3,913,077</u>
Excess (Deficiency) of Revenues Over Expenditures	(364,742)	(970,465)	11,079	(1,324,128)
Other Financing Sources (Uses)				
Operating Transfers From Other Funds	102,293	378,430	-	480,723
Operating Transfers To Other Funds	-	(315,701)	-	(315,701)
Total Other Financing Sources (Uses)	<u>102,293</u>	<u>62,729</u>	<u>-</u>	<u>165,022</u>
Net Change in Fund Balance	(262,449)	(907,736)	11,079	(1,159,106)
Fund Balance at Beginning of Year	<u>1,122,800</u>	<u>891,159</u>	<u>359,318</u>	<u>2,373,277</u>
Fund Balance at End of Year	<u>\$ 860,351</u>	<u>\$ (16,577)</u>	<u>\$ 370,397</u>	<u>\$ 1,214,171</u>

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**CITY OF SPENCER, IOWA
SPECIAL REVENUE FUNDS**

MAJOR

TAX INCREMENT FINANCING (TIF) DISTRICT

To account for tax increment financing projects.

LOCAL OPTION SALES TAX

To account for the local option sales tax proceeds and the required distributions to other entities.

NONMAJOR

ROAD USE TAX FUND

To account for the City's share of motor fuel tax revenue received from the State.

SELF-SUPPORTED MUNICIPAL IMPROVEMENT DISTRICT (SSMID)

To account for the self-supported municipal improvement district in Spencer's downtown area, which was established in 1989.

HOTEL MOTEL TAX

To account for the City's share of Hotel Motel tax revenue received from the State.

POLICE RETIREMENT SYSTEMS

A statewide civil service retirement system was created July 1, 1992. This account is used to account for the contributions made to the civil service police fund for the City police employees.

CIVIL SERVICE EXPENSE

To account for expenses of the civil service activities, i.e., expenses related to hiring police and fire employees.

POLICE SPECIAL PROCEEDS

To account for federal allocation of forfeited drug-related assets. This is a separate account at Farmers Trust and Savings Bank, not included in the regular City checking account.

FIRE PENSION ACCUMULATION

To account for the fire department's contribution to the civil service fund.

FEDERAL AND STATE RETIREMENT

To account for the FICA and IPERS funds for the City of Spencer employees. Financed with a separate property tax levy.

WORKERS' COMPENSATION INSURANCE

To account for the expense of workers' compensation insurance and claims. Financed with a separate property tax levy.

TREES FOREVER

To account for grants and donations to be used to beautify Spencer through tree plantings.

UNEMPLOYMENT INSURANCE CLAIMS

To account for the expense of self-funded unemployment claims. Financed with a separate property tax levy.

GROUP MEDICAL/LIFE INSURANCE

To account for the expense of group medical and life insurance premiums.

CITY OF SPENCER, IOWA
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS - SPECIAL REVENUE FUNDS
JUNE 30, 2006

	Road Use Tax	SSMID	Hotel Motel Tax- Event Center	Hotel Motel Tax- Soccer	Police Retirement Systems	Civil Service Expenses
Assets						
Cash and Cash Equivalents	\$ 71,480	\$ 7,500	\$ 15,679	\$ 55,675	\$ 154,069	\$ 11,517
Investments	-	-	-	-	100,000	-
Taxes Receivable	-	2,532	-	-	2,599	94
Subsequent Year - Taxes Receivable	-	68,188	-	-	189,137	-
Interest Receivable	-	-	-	237	663	-
Accounts Receivable	-	-	-	-	-	-
Due From Other Governments	73,789	-	22,560	9,037	-	-
Prepaid Insurance	34,196	-	-	-	-	-
Total Assets	<u>179,465</u>	<u>78,220</u>	<u>38,239</u>	<u>64,949</u>	<u>446,468</u>	<u>11,611</u>
Liabilities						
Accounts Payable	21,601	-	14,045	-	-	465
Accrued Wages	6,821	-	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	68,188	-	-	189,137	-
Total Liabilities	<u>28,422</u>	<u>68,188</u>	<u>14,045</u>	<u>-</u>	<u>189,137</u>	<u>465</u>
Fund Balance						
Reserves	34,196	-	-	-	-	-
Unreserved - Undesignated	116,847	10,032	24,194	64,949	257,331	11,146
Total Fund Balance	<u>151,043</u>	<u>10,032</u>	<u>24,194</u>	<u>64,949</u>	<u>257,331</u>	<u>11,146</u>
Total Liabilities and Fund Balance	<u>\$ 179,465</u>	<u>\$ 78,220</u>	<u>\$ 38,239</u>	<u>\$ 64,949</u>	<u>\$ 446,468</u>	<u>\$ 11,611</u>

Police Special Proceeds	Fire Pension Accumulation	Federal and State Retirement	Workers' Compensation Insurance	Trees Forever	Unemployment Insurance Claims	Group Medical/Life Insurance	Total
\$ 8,417	\$ 74,954	\$ 19,491	\$ 17,796	\$ 12,318	\$ 11,067	\$ 162,338	\$ 622,301
-	-	-	-	-	-	-	100,000
-	649	517	-	-	336	3,371	10,098
-	58,101	38,237	-	-	26,616	308,181	688,460
-	318	-	-	52	-	-	1,270
-	-	-	10,239	-	-	1,200	11,439
-	-	-	-	-	-	-	105,386
-	-	-	27,290	-	-	-	61,486
<u>8,417</u>	<u>134,022</u>	<u>58,245</u>	<u>55,325</u>	<u>12,370</u>	<u>38,019</u>	<u>475,090</u>	<u>1,600,440</u>
-	-	-	8,513	-	-	184	44,808
-	-	-	-	-	-	-	6,821
-	58,101	38,237	-	-	26,616	308,181	688,460
-	58,101	38,237	8,513	-	26,616	308,365	740,089
-	-	-	27,289	-	-	-	61,485
8,417	75,921	20,008	19,523	12,370	11,403	166,725	798,866
<u>8,417</u>	<u>75,921</u>	<u>20,008</u>	<u>46,812</u>	<u>12,370</u>	<u>11,403</u>	<u>166,725</u>	<u>860,351</u>
<u>\$ 8,417</u>	<u>\$ 134,022</u>	<u>\$ 58,245</u>	<u>\$ 55,325</u>	<u>\$ 12,370</u>	<u>\$ 38,019</u>	<u>\$ 475,090</u>	<u>\$ 1,600,440</u>

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS - SPECIAL REVENUE FUNDS
JUNE 30, 2006

	Road Use Tax	SSMID	Hotel Motel Tax - Event Center	Hotel Motel Tax - Soccer	Police Retirement Systems	Civil Service Expenses
Revenues						
Taxes	\$ -	\$ 69,285	\$ 91,370	\$ 36,599	\$ 177,942	\$ 7,180
Intergovernmental Revenue	947,667	-	-	-	-	-
Interest	-	-	451	2,181	11,735	-
Contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	295
Total Revenues	<u>947,667</u>	<u>69,285</u>	<u>91,821</u>	<u>38,780</u>	<u>189,677</u>	<u>7,475</u>
Expenditures						
Public Safety	-	-	-	-	253,728	9,783
Public Works	1,041,982	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Community and Economic Development	-	72,235	90,242	47,648	-	-
General Government	-	-	-	-	-	-
Total Expenditures	<u>1,041,982</u>	<u>72,235</u>	<u>90,242</u>	<u>47,648</u>	<u>253,728</u>	<u>9,783</u>
Excess (Deficiency) of Revenues Over Expenditures	(94,315)	(2,950)	1,579	(8,868)	(64,051)	(2,308)
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfer Out	(53,445)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(53,445)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(147,760)	(2,950)	1,579	(8,868)	(64,051)	(2,308)
Fund Balance at Beginning of Year	298,803	12,982	22,615	73,817	321,382	13,454
Fund Balance at End of Year	<u>\$ 151,043</u>	<u>\$ 10,032</u>	<u>\$ 24,194</u>	<u>\$ 64,949</u>	<u>\$ 257,331</u>	<u>\$ 11,146</u>

Police Special Proceeds	Fire Pension Accumulation	Federal and State Retirement	Workers' Compensation Insurance	Trees Forever	Unemployment Insurance Claims	Group Medical/Life Insurance	Total
\$ -	\$ 47,287	\$ 74,497	\$ -	\$ -	\$ 23,362	\$ 267,272	\$ 794,794
-	-	-	-	-	-	-	947,667
1,975	3,236	-	-	710	-	-	20,288
-	-	-	-	11,750	-	-	11,750
-	-	-	146	-	-	25,064	25,505
<u>1,975</u>	<u>50,523</u>	<u>74,497</u>	<u>146</u>	<u>12,460</u>	<u>23,362</u>	<u>292,336</u>	<u>1,800,004</u>
3,547	59,804	21,076	-	-	-	-	347,938
-	-	2,462	-	-	-	-	1,044,444
-	-	77,276	-	13,156	-	-	90,432
-	-	-	-	-	-	-	210,125
-	-	41,271	42,256	-	20,593	367,687	471,807
<u>3,547</u>	<u>59,804</u>	<u>142,085</u>	<u>42,256</u>	<u>13,156</u>	<u>20,593</u>	<u>367,687</u>	<u>2,164,746</u>
(1,572)	(9,281)	(67,588)	(42,110)	(696)	2,769	(75,351)	(364,742)
-	-	64,615	-	-	-	91,123	155,738
-	-	-	-	-	-	-	(53,445)
-	-	64,615	-	-	-	91,123	102,293
(1,572)	(9,281)	(2,973)	(42,110)	(696)	2,769	15,772	(262,449)
9,989	85,202	22,981	88,922	13,066	8,634	150,953	1,122,800
<u>\$ 8,417</u>	<u>\$ 75,921</u>	<u>\$ 20,008</u>	<u>\$ 46,812</u>	<u>\$ 12,370</u>	<u>\$ 11,403</u>	<u>\$ 166,725</u>	<u>\$ 860,351</u>

**CITY OF SPENCER, IOWA
CAPITAL PROJECT FUNDS**

MAJOR

HIGHWAY 71 SOUTH RECONSTRUCTION

To account for costs associated with widening and ditch work along Highway 71 in the area of Menards and Southpark Mall and east along Highway 71.

FIRE STATION IMPROVEMENT

To account for costs associated with the Fire Station Expansion

NONMAJOR

2006 LITTLE SIOUX RIVER TRAIL

To account for costs associated with the trail along the Little Sioux River

2006 10TH AVE E/FAIRVIEW TRAIL

To account for costs associated with the trail in Fairview Park and along 10th Ave. E.

H.O.M.E. REHABILITATION

To account for costs associated with the housing/rehabilitation program through the H.O.M.E. grant.

2003 DOWNTOWN RENOVATIONS

To account for costs of the Downtown Renovation including new street lights, sidewalks, curbs, and amenities.

2003 STIP PCC PAVING PROJECT

To account costs of resurfacing 11th Ave West and West 8th Street.

2002 TREE ENHANCEMENT PROJECT

To account for costs of trees planted along East Highway 18.

2003 PEDERSON PARK TRAIL EXTENSION

To account for the costs of constructing a trail between East 9th and East 14th Street.

2004 PCC PAVING #2

To account for costs associated with resurfacing 10th Avenue SE and a Downtown Alley.

2004 ACC OVERLAY #1

To account for costs of asphalt overlay on various Downtown streets.

2005 PCC PAVING #1

To account for costs associated with paving streets in Deerfield Park 1st Addition and Dettmer's 1st Addition.

2005 PCC PAVING #2

To account for costs associated with paving in the area of the new middle school.

2005 DOWNTOWN CITY PARKING LOTS

To account for costs associated with improving existing downtown parking lots.

2006 PCC PAVING #1

To account for costs associated with paving Country Club Drive – South end and West 11th Street.

2006 PCC PAVING #2

To account for costs associated with paving Country Club Drive – North end.

2006 PCC PAVING #3

To account for costs associated with paving streets in Deerfield Park 2nd Addition.

2005 AIRPORT 12-PLEX EXPANSION

To account for costs associated with adding three hangar stalls to the 12-Plex Hangar.

2006 FAA APRON EXPANSION

To account for costs associated with expanding the apron area.

2005 11TH AVE SW DITCH IMPROVEMENT

To account for costs associated with ditch improvement along south end of 11th Avenue S.W.

2005 HIGHWAY 71 SOUTH TRAFFIC SIGNAL

To account for costs associated with traffic signal at south entrance of Southpark Mall.

CITY OF SPENCER, IOWA
 COMBINING BALANCE SHEET
 GOVERNMENTAL NONMAJOR FUNDS - CAPITAL PROJECT FUNDS
 JUNE 30, 2006

	2006 Little Stoux River Trail	2006 10th Ave E/Fairview Trail	Home Rehab	2003 Downtown Renovation	2003 STIP Paving
Assets					
Cash and Cash Equivalents	\$ 80,682	\$ 1,659	\$ 965	\$ -	\$ -
Accounts Receivable	-	-	317	-	-
Grants Receivable	-	-	-	-	-
Total Assets	<u>80,682</u>	<u>1,659</u>	<u>1,282</u>	<u>-</u>	<u>-</u>
Liabilities					
Accounts Payable	381	-	-	-	-
Accrued Wages	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Deferred Revenue	83,328	-	-	-	-
Total Liabilities	<u>83,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance					
Unreserved - Undesignated	(3,027)	1,659	1,282	-	-
Total Fund Balance	<u>(3,027)</u>	<u>1,659</u>	<u>1,282</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 80,682</u>	<u>\$ 1,659</u>	<u>\$ 1,282</u>	<u>\$ -</u>	<u>\$ -</u>

2002 Tree Enhancement	2002 Pederson Park Trail Ext.	2004 PCC Paving Project #2	2004 ACC Overlay Project #1	2005 PCC Paving Project #1	2005 PCC Paving Project #2	2005 Downtown City Lots
\$ -	\$ -	\$ 70,272	\$ -	\$ -	\$ 139,348	\$ 115,293
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	70,272	-	-	139,348	115,293
-	-	41,700	-	-	36,243	651
-	-	-	-	-	-	30
-	-	-	-	-	-	-
-	-	41,700	-	-	36,243	681
-	-	28,572	-	-	103,105	114,612
-	-	28,572	-	-	103,105	114,612
\$ -	\$ -	\$ 70,272	\$ -	\$ -	\$ 139,348	\$ 115,293

(Continued on Following Page)

CITY OF SPENCER, IOWA
 COMBINING BALANCE SHEET (CONTINUED)
 GOVERNMENTAL NONMAJOR FUNDS - CAPITAL PROJECT FUNDS
 JUNE 30, 2006

	2006 PCC Paving Project #1	2006 PCC Paving Project #2	2006 PCC Paving Project #3	2005 Airport 12-Plex Expansion	2006 FAA Apron Expansion
Assets					
Cash and Cash Equivalents	\$ 84,464	\$ 1,396	\$ 1,084	\$ 16,504	\$ 3,993
Accounts Receivable	-	-	-	-	-
Grants Receivable	-	-	-	6,388	-
Total Assets	<u>84,464</u>	<u>1,396</u>	<u>1,084</u>	<u>22,892</u>	<u>3,993</u>
Liabilities					
Accounts Payable	267,940	-	1,961	8,925	-
Accrued Wages	-	-	-	-	-
Due to Other Funds	103,000	18,500	12,500	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>370,940</u>	<u>18,500</u>	<u>14,461</u>	<u>8,925</u>	<u>-</u>
Fund Balance					
Unreserved - Undesignated	<u>(286,476)</u>	<u>(17,104)</u>	<u>(13,377)</u>	<u>13,967</u>	<u>3,993</u>
Total Fund Balance	<u>(286,476)</u>	<u>(17,104)</u>	<u>(13,377)</u>	<u>13,967</u>	<u>3,993</u>
Total Liabilities and Fund Balance	<u>\$ 84,464</u>	<u>\$ 1,396</u>	<u>\$ 1,084</u>	<u>\$ 22,892</u>	<u>\$ 3,993</u>

2005 11th Ave SW Ditch Improvement	2005 S Hwy 71 Traffic Signal	Total
\$ 15,429	\$ 25,336	\$ 556,425
-	-	317
-	-	6,388
<u>15,429</u>	<u>25,336</u>	<u>563,130</u>
1,211	3,337	362,349
-	-	30
-	-	134,000
-	-	83,328
<u>1,211</u>	<u>3,337</u>	<u>579,707</u>
14,218	21,999	(16,577)
<u>14,218</u>	<u>21,999</u>	<u>(16,577)</u>
<u>\$ 15,429</u>	<u>\$ 25,336</u>	<u>\$ 563,130</u>

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS - CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	2006 Little Sioux River Trail	2006 10th Ave E/Fairview Trail	Home Rehab	2003 Downtown Renovation	2003 STIP Paving
Revenues					
Intergovernmental Revenue	\$ 32,322	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-
Miscellaneous	-	-	317	1,795	14,813
Total Revenues	<u>32,322</u>	<u>-</u>	<u>317</u>	<u>1,795</u>	<u>14,813</u>
Expenditures					
Engineering Fees	3,027	6,690	-	-	-
Construction Costs	30,000	-	-	-	-
Miscellaneous	2,322	151	35	-	-
Total Expenditures	<u>35,349</u>	<u>6,841</u>	<u>35</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,027)	(6,841)	282	1,795	14,813
Other Financing Sources (Uses)					
Transfers In	-	8,500	1,000	-	1,343
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>8,500</u>	<u>1,000</u>	<u>-</u>	<u>1,343</u>
Net Change in Fund Balance	(3,027)	1,659	1,282	1,795	16,156
Fund Balance at Beginning of Year	-	-	-	(1,795)	(16,156)
Fund Balance at End of Year	<u>\$ (3,027)</u>	<u>\$ 1,659</u>	<u>\$ 1,282</u>	<u>\$ -</u>	<u>\$ -</u>

2002 Tree Enhancement	2003 Pederson Park Trail Ext.	2004 PCC Paving Project #2	2004 ACC Overlay Project #1	2005 PCC Paving Project #1	2005 PCC Paving Project #2	2005 Downtown City Lots
\$ 46,407	\$ 151,137	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	14,837	-	-
-	-	-	-	-	315,110	-
<u>46,407</u>	<u>151,137</u>	<u>-</u>	<u>-</u>	<u>14,837</u>	<u>315,110</u>	<u>-</u>
-	15,195	6,498	-	9,673	22,002	-
46,407	190,934	165,684	390	214,948	375,146	3,080
-	190	-	-	514	-	28,125
<u>46,407</u>	<u>206,319</u>	<u>172,182</u>	<u>390</u>	<u>225,135</u>	<u>397,148</u>	<u>31,205</u>
-	(55,182)	(172,182)	(390)	(210,298)	(82,038)	(31,205)
-	-	103,000	-	65,087	-	64,000
-	(218,406)	-	(319)	(96,976)	-	-
-	<u>(218,406)</u>	<u>103,000</u>	<u>(319)</u>	<u>(31,889)</u>	<u>-</u>	<u>64,000</u>
-	(273,588)	(69,182)	(709)	(242,187)	(82,038)	32,795
-	273,588	97,754	709	242,187	185,143	81,817
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,105</u>	<u>\$ 114,612</u>

(Continued on Following Page)

CITY OF SPENCER, IOWA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)
 GOVERNMENTAL NONMAJOR FUNDS - CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	2006 PCC Paving Project #1	2006 PCC Paving Project #2	2006 PCC Paving Project #3	2005 Airport 12-Plex Expansion	2006 FAA Apron Expansion
Revenues					
Intergovernmental Revenue	\$ -	\$ -	\$ -	\$ 198,688	\$ -
Special Assessments	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,688</u>	<u>-</u>
Expenditures					
Engineering Fees	29,298	16,733	13,164	5,619	5,007
Construction Costs	255,793	-	-	204,569	-
Miscellaneous	1,385	371	213	-	-
Total Expenditures	<u>286,476</u>	<u>17,104</u>	<u>13,377</u>	<u>210,188</u>	<u>5,007</u>
Excess (Deficiency) of Revenues Over Expenditures	(286,476)	(17,104)	(13,377)	(11,500)	(5,007)
Other Financing Sources (Uses)					
Transfers In	-	-	-	25,000	9,000
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>9,000</u>
Net Change in Fund Balance	(286,476)	(17,104)	(13,377)	13,500	3,993
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>467</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ (286,476)</u>	<u>\$ (17,104)</u>	<u>\$ (13,377)</u>	<u>\$ 13,967</u>	<u>\$ 3,993</u>

2005 11th Ave SW Ditch Improvement	2005 S Hwy 71 Traffic Signal	Total
\$ -	\$ -	\$ 428,554
-	-	14,837
-	-	332,035
-	-	775,426
571	-	133,477
24,212	66,740	1,577,903
-	1,205	34,511
24,783	67,945	1,745,891
(24,783)	(67,945)	(970,465)
16,500	85,000	378,430
-	-	(315,701)
16,500	85,000	62,729
(8,283)	17,055	(907,736)
22,501	4,944	891,159
\$ 14,218	\$ 21,999	\$ (16,577)

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CITY OF SPENCER, IOWA

PERMANENT FUNDS

NONMAJOR

CEMETERY PERPETUAL CARE FUND

To account for the portion of the cemetery plot sales restricted for perpetual care upon the closing of the cemetery.

RIVERSIDE CEMETERY MEMORIAL TRUST

To account for donations and related maintenance of the Riverside Cemetery.

COLUMBARIUM VAULT FUND

To account for donations and related maintenance of the Columbarium Vault.

NORTHLAWN PERPETUAL CARE FUND

During 1995, Warner Funeral Home gave the Northlawn Cemetery to the City. This fund was created to account for and hold the principal as directed by the agreement between the City and the Warner Funeral Home.

GRIFFIN TRUST FUND

To account for and hold the principal as directed by the will of M. E. Griffin, who died in 1925. The income of the investment is to be used for holiday gifts for worthy and deserving poor of Spencer at Christmas time.

LEACH PARK TRUST FUND

To account for and hold the principal as directed by the will of Charles E. Leach, who died in 1916, for the maintenance of Leach Park.

**CITY OF SPENCER, IOWA
 COMBINING BALANCE SHEET
 GOVERNMENTAL NONMAJOR FUNDS - PERMANENT FUNDS
 JUNE 30, 2006**

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund	Griffin Trust Fund
Assets					
Cash and Cash Equivalents	\$ 228,640	\$ 8,937	\$ 1,700	\$ 50,102	\$ 64,754
Interest Receivable	-	-	-	215	276
Total Assets	<u>228,640</u>	<u>8,937</u>	<u>1,700</u>	<u>50,317</u>	<u>65,030</u>
Fund Balance - Reserved	<u>228,640</u>	<u>8,937</u>	<u>1,700</u>	<u>50,317</u>	<u>65,030</u>
Total Fund Balance	<u>\$ 228,640</u>	<u>\$ 8,937</u>	<u>\$ 1,700</u>	<u>\$ 50,317</u>	<u>\$ 65,030</u>

Leach Park Trust Fund	Total
\$ 15,708	\$ 369,841
65	556
<u>15,773</u>	<u>370,397</u>
<u>15,773</u>	<u>370,397</u>
<u>\$ 15,773</u>	<u>\$ 370,397</u>

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS - PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund	Griffin Trust Fund
Revenues					
Charges for Services	\$ 6,100	\$ -	\$ -	\$ 200	\$ -
Interest	-	1,550	-	2,019	2,629
Contributions	-	-	400	-	-
Total Revenues	<u>6,100</u>	<u>1,550</u>	<u>400</u>	<u>2,219</u>	<u>2,629</u>
Expenditures					
Culture and Recreation	-	50	-	-	-
Community and Economic Development	-	-	-	-	2,390
Total Expenditures	<u>-</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>2,390</u>
Excess of Revenues Over Expenditures	6,100	1,500	400	2,219	239
Fund Balance at Beginning of Year	<u>222,540</u>	<u>7,437</u>	<u>1,300</u>	<u>48,098</u>	<u>64,791</u>
Fund Balance at End of Year	<u>\$ 228,640</u>	<u>\$ 8,937</u>	<u>\$ 1,700</u>	<u>\$ 50,317</u>	<u>\$ 65,030</u>

Leach Park Trust Fund	Total
\$ -	\$ 6,300
621	6,819
-	400
<u>621</u>	<u>13,519</u>
-	50
-	2,390
<u>-</u>	<u>2,440</u>
621	11,079
<u>15,152</u>	<u>359,318</u>
<u>\$ 15,773</u>	<u>\$ 370,397</u>

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**CITY OF SPENCER, IOWA
FIDUCIARY FUNDS**

AGENCY FUNDS:

FUEL EQUIPMENT TRUST FUND

To account for a joint funding with Spencer Community School for fueling equipment located at central garage.

DRUG TASK FORCE FUND

To account for disbursement of a state grant to local communities to pay for overtime of officers in the drug task force.

HOEPPNER TRUST FUND

To account for a bequest to hold the principal as directed by the will of Hazel Hoepner. The income of the investment is to be distributed at the direction of an appointed committee.

CITY OF SPENCER, IOWA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Fuel Equipment Trust Fund	Drug Task Force Fund	Hoeppler Trust Fund	Total
Assets				
Cash and Cash Equivalents	\$ 181,101	\$ 3,473	\$ 441,613	\$ 626,187
Interest Receivable	770	-	1,898	2,668
Total Assets	<u>181,871</u>	<u>3,473</u>	<u>443,511</u>	<u>628,855</u>
Liabilities				
Due to Other Governments	181,871	3,473	443,511	628,855
Total Liabilities	<u>181,871</u>	<u>3,473</u>	<u>443,511</u>	<u>628,855</u>
Net Assets				
Unrestricted	-	-	-	-
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Fuel Equipment Trust Fund				
Assets				
Cash and Cash Equivalents	\$ 150,646	\$ 30,455	\$ -	\$ 181,101
Due from Other Government	-	-	-	-
Interest Receivable	453	317	-	770
Total Assets	<u>151,099</u>	<u>30,772</u>	<u>-</u>	<u>181,871</u>
Liabilities				
Due to Other Governments	151,099	30,772	-	181,871
Total Liabilities	<u>\$ 151,099</u>	<u>\$ 30,772</u>	<u>\$ -</u>	<u>\$ 181,871</u>
Drug Task Force Fund				
Assets				
Cash and Cash Equivalents	\$ 3,473	\$ 18,880	\$ 18,880	\$ 3,473
Due from Other Government	7,134	-	7,134	-
Interest Receivable	-	-	-	-
Total Assets	<u>10,607</u>	<u>18,880</u>	<u>26,014</u>	<u>3,473</u>
Liabilities				
Due to Other Governments	10,607	18,880	26,014	3,473
Total Liabilities	<u>\$ 10,607</u>	<u>\$ 18,880</u>	<u>\$ 26,014</u>	<u>\$ 3,473</u>
Hoepfner Trust Fund				
Assets				
Cash and Cash Equivalents	\$ 438,934	\$ 17,679	\$ 15,000	\$ 441,613
Due from Other Government	-	-	-	-
Interest Receivable	1,331	567	-	1,898
Total Assets	<u>440,265</u>	<u>18,246</u>	<u>15,000</u>	<u>443,511</u>
Liabilities				
Due to Other Governments	440,265	18,246	15,000	443,511
Total Liabilities	<u>\$ 440,265</u>	<u>\$ 18,246</u>	<u>\$ 15,000</u>	<u>\$ 443,511</u>
Total - All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 593,053	\$ 67,014	\$ 33,880	626,187
Due from Other Government	7,134	-	7,134	-
Interest Receivable	1,784	884	-	2,668
Total Assets	<u>601,971</u>	<u>67,898</u>	<u>41,014</u>	<u>628,855</u>
Liabilities				
Due to Other Governments	601,971	67,898	41,014	628,855
Total Liabilities	<u>\$ 601,971</u>	<u>\$ 67,898</u>	<u>\$ 41,014</u>	<u>\$ 628,855</u>

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STATISTICAL SECTION

TABLE I

CITY OF SPENCER, IOWA
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
 GOVERNMENTAL FUNDS
 LAST TEN YEARS

Fiscal Year	Public Safety/ Community Protection	Public Works/ Home and Community Environment	Culture and Recreation/ Human Development	Community and Economic Development	General Government/ Policy and Administration	Debt Service	Capital Projects	Total
1996-97	\$ 1,520,275	\$ 6,335,272	\$ 887,640	\$ -	\$ 688,361	\$ -	\$ -	\$ 9,431,548
1997-98	1,439,106	3,619,870	1,370,625	-	678,401	-	-	7,108,002
1998-99	1,562,455	5,229,008	1,357,515	-	751,432	-	-	8,900,410
1999-00	1,662,904	4,659,407	2,098,182	-	824,894	-	-	9,245,387
2000-01	1,799,146	6,797,639	1,722,370	-	882,719	-	-	11,201,874
2001-02	2,377,524	4,275,878	1,253,442	-	839,641	-	-	8,746,485
2002-03	1,820,298	1,286,453	1,501,855	907,477	¹ 1,055,886	817,401	¹ 2,846,127	¹ 10,235,497
2003-04	2,026,905	1,291,125	1,554,507	1,466,591	¹ 1,343,886	852,275	¹ 1,934,353	¹ 10,469,642
2004-05	1,978,717	1,416,025	1,617,789	1,218,917	¹ 1,124,274	3,871,429	¹ 4,336,342	¹ 15,563,493
2005-06	\$ 2,117,469	\$ 1,433,825	\$ 1,692,228	\$ 924,952	¹ \$ 1,303,707	\$ 1,406,556	¹ \$ 5,047,006	¹ \$ 13,925,743

¹ New columns are due a change in the chart of accounts. Information is not available for previous years.

CITY OF SPENCER, IOWA
 GENERAL GOVERNMENTAL REVENUES BY SOURCE
 GOVERNMENTAL FUNDS
 LAST TEN YEARS

Fiscal Year	Taxes	Inter-Governmental	Charges for Services	Miscellaneous	Total
1996-97	\$ 2,929,992	\$ 2,089,832	\$ 564,638	\$ 1,302,201	\$ 6,886,663
1997-98	3,063,886	1,943,955	590,252	831,764	6,429,857
1998-99	3,122,377	3,261,565	567,694	1,136,487	8,088,123
1999-00	3,461,293	3,436,135	430,869	1,434,253	8,762,550
2000-01	3,311,031	3,269,724	613,802	1,168,907	8,363,464
2001-02	3,626,340	3,284,360	715,605	1,304,644	8,930,949
2002-03	5,377,766	2,186,001	660,553	1,222,856	9,447,176
2003-04	5,773,995	2,149,987	689,447	1,698,517	10,311,946
2004-05	5,945,570	1,995,646	709,362	2,122,712	10,773,290
2005-06	\$ 5,799,104	\$ 2,452,620	\$ 820,133	\$ 2,121,214	\$ 11,193,071

TABLE III

**CITY OF SPENCER, IOWA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Collections as Percent of Current Levy
1996-97	\$ 2,746,649	\$ 2,731,565	99.45%	\$ 59,110	\$ 2,790,675	101.60%
1997-98	2,796,215	2,795,358	99.97%	40,812	2,836,170	101.43%
1998-99	2,952,422	2,905,189	98.40%	24,038	2,929,227	99.21%
1999-00	3,056,317	3,026,576	99.03%	27,725	3,054,301	99.93%
2000-01	3,215,447	3,225,149	100.30%	28,708	3,253,857	101.19%
2001-02	3,400,880	3,301,854	97.09%	28,778	3,330,632	97.93%
2002-03	3,485,163	3,363,960	96.52%	29,468	3,393,428	97.37%
2003-04	3,568,016	3,575,870	100.22%	26,661	3,602,531	100.97%
2004-05	3,598,639	3,571,797	99.25%	29,716	3,601,513	100.08%
2005-06	\$ 3,721,216	\$ 3,706,983	99.62%	\$ 28,872	\$ 3,735,855	100.39%

**CITY OF SPENCER, IOWA
TAXABLE AND ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN YEARS**

Payable Year	Real Property		Utilities		Total	
	Taxable Value	Assessed Value	Taxable Value	Assessed Value	Taxable Value	Assessed Value
1996-97	\$219,650,506	--	\$ 6,747,609	--	\$ 226,398,115	--
1997-98	239,629,693	282,360,120	6,083,475	6,941,342	245,713,168	289,301,462
1998-99	244,176,548	338,686,682	6,106,496	6,088,078	250,283,044	344,774,760
1999-00	260,489,504	344,047,823	6,431,642	6,106,496	266,921,146	350,154,319
2000-01	281,720,411	385,875,753	2,677,192	6,437,227	284,397,603	392,312,980
2001-02	307,073,876	418,397,846	2,585,629	2,671,192	309,659,505	421,069,038
2002-03	309,383,244	441,480,443	2,483,465	2,585,629	311,866,709	444,066,072
2003-04	316,918,800	477,395,455	2,426,076	2,483,465	319,344,876	479,878,920
2004-05	317,886,216	491,790,397	2,590,188	2,426,076	320,476,404	494,216,473
2005-06	\$320,172,089	\$461,972,302	\$ 2,544,562	\$ 2,565,631	\$ 322,716,651	\$464,537,933

Fiscal Year	Ratio of Total Taxable Value To Total Assessed Value
1996-97	--
1997-98	84.9
1998-99	72.6
1999-00	76.2
2000-01	72.5
2001-02	73.5
2002-03	70.2
2003-04	66.5
2004-05	64.8
2005-06	69.5

Note:

Taxable Value does not include the Tax Increment Levy.

**CITY OF SPENCER, IOWA
PROPERTY TAX RATES AND DEBT
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS
PER \$1,000 ASSESSED VALUATION**

Fiscal Year	City	School District	County Consolidated	Vocational School	Total
1996-97	11.43253	11.54961	4.43089	0.58471	27.99774
1997-98	11.43500	11.61300	4.73300	0.60000	28.38100
1998-99	11.17200	11.50900	4.75800	0.61400	28.05300
1999-00	11.15300	11.09500	4.78300	0.59500	27.62600
2000-01	11.16447	11.63238	5.05126	0.68552	28.53363
2001-02	10.80566	11.36772	5.05015	0.68550	27.90903
2002-03	11.03983	12.42898	4.77727	0.77150	29.01758
2003-04	11.02005	12.43699	5.32886	0.73807	29.52397
2004-05	11.09976	13.40352	5.73764	0.71942	30.96034
2005-06	11.37501	14.30408	6.32206	0.77966	32.78081

Name of Governmental Unit	Net Bonded Debt Outstanding	Percentage Applicable to This Governmental Unit
City of Spencer, Iowa	\$ 7,519,121	100%
Clay County	-	N/A
Spencer Community School District	-	N/A
	<u>\$ 7,519,121</u>	

CITY OF SPENCER, IOWA
PRINCIPAL TAXPAYERS
JUNE 30, 2006

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Sequoia Investments, Inc LLC	Mall	\$ 7,768,940	1.49%
Menard Inc.	Retail	7,196,370	1.38
Wal-Mart	Retail	6,280,140	1.20
St Luke Lutheran Home, Inc.	Assisted Living	6,168,420	1.18
Jacobsen Homes Corporation	Rental Property	4,326,000	0.83
Lake Mills Investors, Ltd.	Doctor's Office	3,988,000	0.76
GF Land Partnership	Commercial Property	3,840,050	0.73
Shine Brothers Corporation	Manufacturing	3,629,240	0.69
The Highlands Independent Living	Apartments & Dwelling	3,567,480	0.68
Cycle Country Accessories Corporation	Manufacturing	3,166,450	0.61
		<u>\$ 49,931,090</u>	<u>9.57%</u>

Source:

Clay County Assessor

**CITY OF SPENCER, IOWA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2006**

Total Assessed Value		<u>\$ 522,505,767</u>
Debt Limit (5% of Total Assessed Value)		26,125,288
Amount of Debt Applicable to Debt Limit	8,362,987	
Less Assets in Debt Service Fund Available for Payment of Principal	<u>843,866</u>	
Total Debt Applicable to Debt Limit		<u>7,519,121</u>
 LEGAL DEBT MARGIN		 <u>\$ 18,606,167</u>

TABLE VIII

CITY OF SPENCER, IOWA
 RATIO OF NET GENERAL BONDED DEBT
 TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
 LAST TEN YEARS

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996-97	11,066	--	\$ 3,225,000	\$ 67,523	\$ 3,157,477	--	285
1997-98	11,066	289,301,462	2,775,000	138,760	2,636,240	0.91	238
1998-99	11,066	344,774,760	3,920,000	192,195	3,727,805	1.08	337
1999-00	11,066	350,154,319	3,475,000	206,042	3,268,958	0.93	295
2000-01	11,317	392,312,980	4,350,000	225,112	4,124,888	1.05	364
2001-02	11,317	421,069,038	6,275,000	311,427	5,963,573	1.42	527
2002-03	11,317	444,066,072	9,385,000	294,397	9,090,603	2.05	803
2003-04	11,317	479,878,920	8,330,000	614,421	7,715,579	1.61	682
2004-05	11,317	494,216,473	9,210,000	587,063	8,622,937	1.74	762
2005-06	11,317	\$ 464,537,933	\$ 8,220,000	\$ 843,866	\$ 7,376,134	1.59	652

**CITY OF SPENCER, IOWA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS**

Fiscal Year	Principal	Interest	Total Debt Services	Total General Expenditures	Ratio of Debt Service to General Expenditures
1996-97	\$ 550,000	\$ 199,860	\$ 749,860	\$ 9,431,548 ¹	8.0
1997-98	450,000	166,570	616,570	7,108,002 ¹	8.7
1998-99	340,000	141,155	481,155	8,900,410 ¹	5.4
1999-00	445,000	208,558	653,558	9,245,387 ¹	7.1
2000-01	295,000	164,393	459,393	11,201,874 ¹	4.1
2001-02	300,000	207,513	507,513	8,759,736 ¹	5.8
2002-03	410,000	292,796	702,796	7,386,427 ²	9.5
2003-04	435,000	321,727	756,727	8,532,484 ²	8.9
2004-05	410,000	289,177	699,177	11,224,858 ²	6.2
2005-06	\$ 900,000	\$ 341,029	\$ 1,241,029	\$ 8,876,297 ²	14.0

¹ Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds

² Includes General, Special Revenue and Debt Service Funds.

**CITY OF SPENCER, IOWA
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN YEARS**

Fiscal Year	Commercial Construction ¹		Residential Construction ¹		Bank Deposits ²	Assessed Property Value ³
	Units	Value	Units	Value		
1996-97	50	\$ 2,903,438	208	\$ 3,672,703	\$ 270,828,000	--
1997-98	37	6,358,175	219	6,732,790	297,934,000	289,301,462
1998-99	52	11,677,601	208	5,505,246	317,988,000	344,774,760
1999-00	34	1,417,498	155	9,848,122	319,374,000	350,154,319
2000-01	49	4,398,229	139	6,275,140	336,326,000	392,312,980
2001-02	29	3,287,602	190	4,994,002	332,744,000	421,069,038
2002-03	29	27,572,359	193	5,330,054	344,265,000	444,066,072
2003-04	38	4,786,168	168	6,172,450	352,891,000	479,878,920
2004-05	11	1,268,456	39	5,628,400	390,521,000	494,216,473
2005-06	11	\$ 5,042,500	22	\$ 4,063,350	\$ 419,848,000	\$ 464,537,933

Source:

¹ City Building Inspector

² FDIC

³ Clay County Auditor

**CITY OF SPENCER, IOWA
MISCELLANEOUS STATISTICS
JUNE 30, 2006**

Date of Incorporation	1880
Form of Government	Mayor/Council
Total Number of Employees (all departments)	137
Area in Square Miles	10.73
City of Spencer, Iowa, Facilities and Services:	
Miles of Streets	99.5
Culture and Recreation:	
City Parks	14
Golf Courses	2
Swimming Pools	1
Fire Protection:	
Number of Stations	1
Number of Fire Personnel and Officers	31
Police Protection:	
Number of Stations	1
Number of Police Personnel and Officers	27
Number of Law Violations:	
Physical Arrests	503
Citations	2,140
Sewerage System:	
Number of Treatment Plants	1
Daily Average Treatment in Gallons	2,000,000
Maximum Daily Capacity of Treatment Plant in Gallons	10,000,000
Water System	
Elevated Storage Capacity	1,500,000
Capacity of Water Plant	3,000,000
Daily Average Consumption in Gallons	1,700,000
Hospitals:	
Number of Hospitals	1
Number of Patient Beds	99
Number of Medical Personnel in County (M.D., D.O., D.C., D.D.S.)	60

CITY OF SPENCER, IOWA
DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Fiscal Year	Net Bonded Population	School Enrollment	Unemployment Rate %
1996-97	11,066	2,388	2.6
1997-98	11,066	2,384	2.8
1998-99	11,066	2,303	2.3
1999-00	11,066	2,208	2.0
2000-01	11,317	2,165	2.2
2001-02	11,317	2,138	3.2
2002-03	11,317	2,119	3.6
2003-04	11,317	2,005	4.1
2004-05	11,317	2,040	4.2
2005-06	11,317	2,029	3.3

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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 City of Spencer, (City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 29, 2006. We did not audit the financial statements of Spencer Municipal Hospital (a discretely presented component unit). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our report on these financial statements, insofar as it relates to the amounts included for Spencer Municipal Hospital, was based solely on reports of other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006, 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. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees is the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not

- necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
August 29, 2006

**CITY OF SPENCER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance, which is material to the financial statements.

Part II: Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards*

No matters were reported.

Part III: Other Findings Related to Required Statutory Reporting

III-A-06 Certified Budget – Disbursements during the year ended June 30, 2006, exceeded the amount budgeted in the Culture and Recreation Program and Debt Service.

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 budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-06: 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.

III-C-06: Travel Expense – No expenditures of the City were for travel expenses of spouses of the City officials or employees.

III-D-06: Business Transactions – No business transactions between the City officials or employees were noted.

III-E-06: 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 insure that the coverage is adequate for current operation.

III-F-06: Council Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

- III-G-06: Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 128 and 12C of the Code of Iowa and the City's investment policy were noted.
- III-H-06: Revenue Notes – The City has complied with the landfill revenue note provisions.
- III-I-06: Financial Assurance – The City has demonstrated financial assurance for closure and postclosure care costs of the landfill as required by Chapter 111.6(8) of the Iowa Administrative Code.