CITY OF SPENCER

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

JUNE 30, 2015

CITY OF SPENCER

TABLE OF CONTENTS

		Page No.
Directory of City Officials		1
Independent Auditors' Report		2 - 4
Management's Discussion and Analysis		5 - 10
BASIC FINANCIAL STATEMENTS:	Exhibit	
Government-wide Financial Statements:		
Cash Basis Statement of Activities and Net Position	A	11 - 14
Governmental Funds Financial Statements:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	B	15 - 16
Proprietary Funds Financial Statements:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	C	17 - 20
Fiduciary Funds Financial Statements:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	D	21
Notes to Financial Statements		22 - 39
SUPPLEMENTARY INFORMATION:	Schedule	
Combining Schedule of Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Governmental Funds	1	40
Combining Schedule of Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Governmental Funds - Special Revenue Funds	2	41 - 42
Combining Schedule of Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Government Funds - Permanent Funds	3	43 - 44
Combining Schedule of Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Proprietary Funds	4	45
Schedule of Indebtedness	5	46 - 47
Schedule of Expenditures of Federal Awards	6	48
OTHER INFORMATION:		
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental and Proprietary Funds	7	49 - 50
Notes to Schedule 7 - Budgetary Reporting		51
Schedules of the City's Proportionate Share of the Net Pension Liability	8	52 - 53
Schedules of City Contributions	9	54 - 55
Notes to Other Information - Pension Liability		56 - 57
Schedule of Receipts by Source and Disbursements by Function	10	58 - 59
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*		60 - 61
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133		62 - 63
Schedule of Findings and Questioned Costs		64 - 66

CITY OF SPENCER

DIRECTORY OF CITY OFFICIALS AND RELATED ORGANIZATIONS' TRUSTEES

AS OF JUNE 30, 2015

MAYOR
Reynold L. Peterson

MAYOR PRO-TEM
Steve Bomgaars

COUNCIL MEMBERS
Randy Swanson
Rich Prentice
William Orrison
Ron Hanson
Frank Petska
Steve Bomgaars
George Moriarty

CITY MANAGER
Bob Fagen

CITY CLERK
Theresa Reardon

FINANCE DIRECTOR
Brian Weuve

DIRECTOR OF PUBLIC WORKS
Mark White

CHIEF OF POLICE
Mark Warburton

FIRE CHIEF
Douglas Duncan

PLANNING DIRECTOR
Kirby Schmidt

CEMETERY SUPT.
Tim Hamrick

PARK DIRECTOR
DelRay Bredehoeft

STREET SUPERINTENDENT
Dwayne Sebby

CITY ATTORNEY
Donald J. Hemphill

GOLF COURSE SUPT.
Brian Mohr

LANDFILL SUPT.
Chuck Duhn

SOLID WASTE SUPT.
Kent Herbold

LIBRARY DIRECTOR
Mandie Roberts

WINTHER STAVE & CO | LLP
Certified Public Accountants

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P.O. Box 175
Spencer, Iowa 51301-0175
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Spencer, Iowa, (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Member Private Companies Practice Section,
American Institute of Certified Public Accountants

Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit

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

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the City of Spencer, Iowa as of June 30, 2015, or the changes in financial position thereon for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Spencer, Iowa as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Emphasis of a Matter

As disclosed in Notes 6 and 7 to the financial statements, the City adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.* Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the primary government of the City of Spencer. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to

the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis on pages 5 through 10 and the other information included in Schedules 7 through 10 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2016 on our consideration of the City of Spencer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spencer's internal control over financial reporting and compliance.

Wiinther, Stave & Co., LLP

March 16, 2016
Spencer, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 Financial Highlights

- The City's total cash basis net position increased $930,068 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased by $719,767 and the cash basis net position of the business type activities increased by $1,649,835.

Overview of the Financial Statements

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor funds and on the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Basis of Accounting

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

Reporting The City as a Whole

The Cash Basis Statement of Activities and Net Position

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property taxes and state and federal grants finance most of these activities.

- Business Type Activities include the sanitary sewer, solid waste, landfill, golf course, and airport. These activities are financed primarily by user charges.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

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

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

Government-Wide Financial Analysis

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from $13,922,796 to $13,203,029. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	For the Year Ended June 30, 2015	For the Year Ended June 30, 2014	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services	$ 551,973	$ 629,242	$ (77,269)
Operating grants and contributions	1,521,864	1,441,682	80,182
Capital grants and contributions	487,861	1,184,325	(696,464)
General receipts:			
Property and other city taxes	5,306,165	5,244,587	61,578
Tax increment financing	695,254	524,142	171,112
Commercial and industrial replacement	114,312		114,312
Payments in lieu of tax	598,407	552,348	46,059
Local option sales tax	2,006,098	1,821,002	185,096
Hotel/motel tax	245,259	215,777	29,482
Use of money and property	120,978	137,076	(16,098)
Unrestricted miscellaneous	992,327	627,731	364,596
Debt proceeds	360,000		360,000
Total receipts	13,000,498	12,377,912	622,586
Disbursements:			
Public safety	3,289,444	2,893,767	395,677
Public works	1,386,951	1,382,115	4,836
Culture and recreation	1,514,083	1,359,564	154,519
Community and economic development	1,933,571	1,671,969	261,602
General government	2,314,559	2,519,300	(204,741)
Debt service	1,159,849	1,226,883	(67,034)
Capital projects	2,609,423	3,078,688	(469,265)
Total disbursements	14,207,880	14,132,286	75,594
Change in cash basis net position before transfers	(1,207,382)	(1,754,374)	546,992
Net transfers	487,615	1,005,628	(518,013)
Change in cash basis net position	(719,767)	(748,746)	28,979
Cash basis net position - beginning of year	13,922,796	14,671,542	(748,746)
Cash basis net position - end of year	$13,203,029	$13,922,796	$ (719,767)

The total business type activities cash balance increased from a year ago, increasing from $9,559,952 to $11,209,787. The analysis that follows focuses on the changes in cash basis net position of business type activities.

Changes in Cash Basis Net Position of Business Type Activities

	For the Year Ended June 30, 2015	For the Year Ended June 30, 2014	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services:			
Sanitary sewer	$ 2,500,961	$ 2,620,670	$ (119,709)
Solid waste	2,059,933	1,945,088	114,845
Landfill	1,650,098	1,390,127	259,971
Airport	118,942	127,071	(8,129)
Golf course	392,415	380,117	12,298
Operating grants and contributions	67,619	70,430	(2,811)
Capital grants and contributions	209,018	390,014	(180,996)
General receipts:			
Use of money and property	253,333	268,199	(14,866)
Unrestricted miscellaneous	65,773	111,935	(46,162)
Total receipts	7,318,092	7,303,651	14,441
Disbursements:			
Sanitary sewer	1,927,118	1,898,550	28,568
Solid waste	1,240,802	1,038,832	201,970
Landfill	765,101	796,772	(31,671)
Airport	118,994	179,128	(60,134)
Golf course	368,346	316,638	51,708
Capital projects:			
Sanitary sewer	535,017	371,829	163,188
Landfill	3,250	606,452	(603,202)
Airport	222,014	358,978	(136,964)
Total disbursements	5,180,642	5,567,179	(386,537)
Change in cash basis net position before transfers	2,137,450	1,736,472	400,978
Net transfers	(487,615)	(1,005,628)	518,013
Change in cash basis net position	1,649,835	730,844	918,991
Cash basis net position - beginning of year	9,559,952	8,829,108	730,844
Cash basis net position - end of year	$11,209,787	$ 9,559,952	$1,649,835

Individual Major Governmental Fund Analysis

The City's governmental funds showed a combined cash basis fund balance of $13,203,029 at June 30, 2015 which was $719,767 less than last year. A summary of the changes is as follows:

	Cash Balances June 30, 2015	Cash Balances June 30, 2014	Increase (Decrease)
General	$10,002,900	$11,503,008	$(1,500,108)
Local option sales tax	45,574	23,928	21,646
Debt service	802,086	483,405	318,681
Capital projects	365,240	187,414	177,826
Total nonmajor governmental funds	1,987,229	1,725,041	262,188
Total	$13,203,029	$13,922,796	$ (719,767)

The general fund showed a decrease in cash primarily due to transfers out. All other funds showed modest increases in cash.

Individual Major Business Type Fund Analysis

The City's business type funds showed a combined cash basis fund balance of $11,209,787 at June 30, 2015 which was $1,649,835 more than last year. A summary of the changes is as follows:

	Cash Balances June 30, 2015	Cash Balances June 30, 2014	Increase (Decrease)
Sanitary sewer	$ 3,756,191	$ 3,516,677	$ 239,514
Solid waste	1,382,022	1,358,149	23,873
Landfill	5,255,505	4,089,505	1,166,000
Enterprise capital projects	42,068	(33,636)	75,704
Nonmajor proprietary funds	774,001	629,257	144,744
Total	$11,209,787	$ 9,559,952	$1,649,835

Budgetary Highlights

The City amended the budget twice. The last amendment was adopted April 6, 2015. The amendments were to budget for grant revenues that were not expected this fiscal year and to budget for projects approved by the City Council after the original budget was prepared.

The City's receipts were $1,932,761 less than budgeted receipts due to anticipated intergovernmental receipts not being received in the current year.

The City's total disbursements were $6,222,700 under the budgeted amounts.

Debt Administration

At June 30, 2015, the City had $12,569,000 of debt outstanding, compared to $14,017,430 last year as shown below:

	June 30, 2015	June 30, 2014
General obligation bonds and notes	$ 4,219,000	$ 5,648,430
Other long-term debt	535,000	200,000
Revenue bonds and notes	7,815,000	8,169,000
Total all debt	$12,569,000	$14,017,430

Spencer Municipal Utilities loaned the City $360,000 on behalf of the E-911 Communications Board. The loan will be repaid from payments by the Communications Board.

Economic Factors

The City of Spencer continues to see a strong local economy through the receipt of local option sales taxes, local hotel/motel tax receipts, and the number of recent inquiries regarding business location and development and the number of new businesses coming to town. In fiscal year 2015, the City entered into four new development agreements with businesses for either expansion of current facilities or the construction of new facilities all together. Since the end of the fiscal year, the City has welcomed a new O'Reilly Auto Parts store, and the renovation of an unused building into an expanded used cars sales business. Housing starts continue to be strong. In the past year, two new housing developments were started or entered into the second phase of development. Housing continues to play an important part in the City's economic development program.

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

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

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

CITY OF SPENCER
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

		Program Receipts	
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	$ 3,289,444	$ 150,701	$ 172,091
Public works	1,386,951	38,316	1,168,035
Culture and recreation	1,514,083	156,485	29,567
Community and economic development	1,933,571	127,084	72,501
General government	2,314,559	22,978	79,670
Debt service	1,159,849	1,638	-
Capital projects	2,609,423	54,771	-
Total governmental activities	14,207,880	551,973	1,521,864
Business type activities:			
Sanitary sewer	1,927,118	2,500,961	67,619
Solid waste	1,240,802	2,059,933	-
Landfill	765,101	1,650,098	-
Airport	118,994	118,942	-
Golf course	368,346	392,415	-
Capital projects:			
Sanitary sewer	535,017	-	-
Landfill	3,250	-	-
Airport	222,014	-	-
Total business type activities	5,180,642	6,722,349	67,619
TOTAL	$ 19,388,522	$ 7,274,322	$ 1,589,483
General receipts and transfers:			
Property and other city taxes levied for:			
General purposes			
Debt service			
Commercial and industrial replacement			
Tax increment financing			
Payments in lieu of tax			
Local option sales tax			
Hotel/motel tax			
Use of money and property			
Unrestricted miscellaneous			
Debt proceeds			
Operating transfers			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET POSITION			
CASH BASIS NET POSITION - BEGINNING OF YEAR			
CASH BASIS NET POSITION - END OF YEAR			

See Notes to Financial Statements

Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
$ 650	$ (2,966,002)	$ -	$ (2,966,002)
-	(180,600)	-	(180,600)
-	(1,328,031)	-	(1,328,031)
60,000	(1,673,986)	-	(1,673,986)
3,423	(2,208,488)	-	(2,208,488)
-	(1,158,211)	-	(1,158,211)
423,788	(2,130,864)	-	(2,130,864)
487,861	(11,646,182)	-	(11,646,182)
-	-	641,462	641,462
-	-	819,131	819,131
35,058	-	920,055	920,055
6,800	-	6,748	6,748
-	-	24,069	24,069
148,857	-	(386,160)	(386,160)
-	-	(3,250)	(3,250)
18,303	-	(203,711)	(203,711)
209,018	-	1,818,344	1,818,344
$ 696,879	(11,646,182)	1,818,344	(9,827,838)
	4,875,341	-	4,875,341
	430,824	-	430,824
	114,312	-	114,312
	695,254	-	695,254
	598,407	-	598,407
	2,006,098	-	2,006,098
	245,259	-	245,259
	120,978	253,333	374,311
	992,327	65,773	1,058,100
	360,000	-	360,000
	487,615	(487,615)	-
	10,926,415	(168,509)	10,757,906
	(719,767)	1,649,835	930,068
	13,922,796	9,559,952	23,482,748
	$ 13,203,029	$ 11,209,787	$ 24,412,816

See Notes to Financial Statements

CITY OF SPENCER
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

CASH BASIS NET POSITION:	
Nonexpendable:	
Permanent fund principal	
Restricted, expendable for:	
Debt service	
Capital projects	
Urban renewal purposes	
Community and economic development purposes	
Employee benefits	
Police purposes	
Cementary purposes	
Streets	
Park purposes	
Closure and/or postclosure care	
Landfill recycling and planning	
Unrestricted	
TOTAL CASH BASIS NET POSITION	

Governmental Activities	Business Type Activities	Total
$ 429,469	$ -	$ 429,469
802,086	397,257	802,086
365,240	-	365,240
152,640	-	152,640
59,812	-	59,812
888,514	-	888,514
14,443	-	14,443
19,253	-	19,253
453,722	-	453,722
14,950	-	14,950
-	2,248,463	2,248,463
-	308,443	308,443
10,002,900	8,255,624	18,258,524
$ 13,203,029	$ 11,209,787	$ 24,015,559

See Notes to Financial Statements

CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	General	Local Option Sales Tax	Debt Service
RECEIPTS:			
Property tax	$ 3,492,836	$ -	$ 426,331
Tax increment financing	-	-	-
Other city taxes	449,038	2,006,098	4,493
Licenses and permits	63,500	-	-
Use of money and property	107,214	480	7,771
Intergovernmental	961,699	-	9,111
Charges for service	241,056	-	-
Special assessments	129,539	-	1,638
Miscellaneous	801,120	-	-
TOTAL RECEIPTS	6,246,002	2,006,578	449,344
DISBURSEMENTS:			
Public safety	2,790,626	-	-
Public works	1,314,516	-	-
Culture and recreation	1,406,602	-	-
Community and economic development	691,811	906,883	-
General government	898,308	-	319
Debt service	-	-	1,159,849
Capital projects	-	-	-
TOTAL DISBURSEMENTS	7,101,863	906,883	1,160,168
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(855,861)	1,099,695	(710,824)
OTHER FINANCING SOURCES (USES):			
Debt proceeds	-	-	360,000
Operating transfers in	2,561,831	-	733,005
Operating transfers out	(3,206,078)	(1,078,049)	(63,500)
TOTAL OTHER FINANCING SOURCES (USES)	(644,247)	(1,078,049)	1,029,505
NET CHANGE IN CASH BALANCES	(1,500,108)	21,646	318,681
CASH BALANCES - BEGINNING OF YEAR	11,503,008	23,928	483,405
CASH BALANCES - END OF YEAR	$ 10,002,900	$ 45,574	$ 802,086
CASH BASIS FUND BALANCE:			
Nonspendable:			
Permanent fund principal	$ -	$ -	$ -
Restricted for:			
Capital projects	-	-	802,086
Capital projects	-	-	-
Urban renewal purposes	-	-	-
Community and economic development purposes	-	45,574	-
Employee benefits	-	-	-
Police purposes	-	-	-
Cemetery purposes	-	-	-
Streets	-	-	-
Park purposes	-	-	-
Committed for:			
Public safety purposes	810,637	-	-
Public work purposes	4,554,358	-	-
Culture and recreation purposes	749,367	-	-
Community and economic development purposes	1,137,746	-	-
General government purposes	231,725	-	-
Unassigned	2,519,067	-	-
TOTAL CASH BASIS FUND BALANCES	$ 10,002,900	$ 45,574	$ 802,086

See Notes to Financial Statements

Capital Projects	Nonmajor Governmental Funds	Total
$ -	$ 1,160,199	$ 5,079,366
-	695,254	695,254
-	18,527	2,478,156
-	-	63,500
-	5,513	120,978
412,046	1,250,862	2,633,718
-	4,900	245,956
17,453	-	148,630
111,422	262,398	1,174,940
540,921	3,397,653	12,640,498
-	498,818	3,289,444
-	72,435	1,386,951
-	107,481	1,514,083
-	334,877	1,933,571
-	1,415,932	2,314,559
-	-	1,159,849
2,609,423	-	2,609,423
2,609,423	2,429,543	14,207,880
(2,068,502)	968,110	(1,567,382)
-	-	360,000
2,246,328	704,202	6,245,366
-	(1,410,124)	(5,757,751)
2,246,328	(705,922)	847,615
177,826	262,188	(719,767)
187,414	1,725,041	13,922,796
$ 365,240	$ 1,987,229	$ 13,203,029
$ -	$ 429,469	$ 429,469
-	-	802,086
365,240	-	365,240
-	152,640	152,640
-	14,238	59,812
-	888,514	888,514
-	14,443	14,443
-	19,253	19,253
-	453,722	453,722
-	14,950	14,950
-	-	810,637
-	-	4,554,358
-	-	749,367
-	-	1,137,746
-	-	231,725
-	-	2,519,067
$ 365,240	$ 1,987,229	$ 13,203,029

See Notes to Financial Statements

CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Sanitary Sewer	Solid Waste	Landfill	Enterprise Capital Projects
OPERATING RECEIPTS:				
Charges for services	$ 2,500,961	$ 2,059,933	$ 1,650,098	$ -
Miscellaneous	3,027	49,358	7,877	-
TOTAL OPERATING RECEIPTS	2,503,988	2,109,291	1,657,975	-
OPERATING DISBURSEMENTS:				
Salaries	228,003	609,361	352,594	-
Payroll taxes and employee benefits	36,318	97,520	56,015	-
Repairs and maintenance	39,303	102,893	59,705	-
Utilities	5,467	15,876	9,018	-
Contract services	803,003	1,296	50,908	-
Insurance premiums	-	-	-	-
Gas and oil	3,370	102,156	79,841	-
Supplies	5,639	41,400	12,403	-
Miscellaneous	34,685	13,531	24,487	-
Statewide ASR fees	-	-	5,000	-
Collection fee	26,025	26,025	-	-
Sales tax paid	40,201	34,713	-	-
Tipping tax	-	-	87,383	-
TOTAL OPERATING DISBURSEMENTS	1,222,014	1,044,771	737,354	-
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	1,281,974	1,064,520	920,621	-
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	34,732	11,569	40,234	-
Farm income	35,000	-	26,330	-
Interest subsidy on Build American Bonds	67,619	-	-	-
Intergovernmental grants	-	-	35,058	167,160
Capital outlay	(83,616)	(196,031)	(27,747)	(760,281)
Debt service payments:				
Revenue bonds/notes principal	(354,000)	-	-	-
Revenue bonds/notes interest and fees	(267,488)	-	-	-
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	(567,753)	(184,462)	73,875	(593,121)
EXCESS (DEFIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	714,221	880,058	994,496	(593,121)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	634,684	668,825
Operating transfers out	(474,707)	(856,185)	(463,180)	-
TOTAL OTHER FINANCING SOURCES (USES)	(474,707)	(856,185)	171,504	668,825
NET CHANGE IN CASH BALANCES	239,514	23,873	1,166,000	75,704
CASH BALANCES - BEGINNING OF YEAR	3,516,677	1,358,149	4,089,505	(33,636)
CASH BALANCES - END OF YEAR	$ 3,756,191	$ 1,382,022	$ 5,255,505	$ 42,068

See Notes to Financial Statements

Nonmajor Proprietary Funds	Total
$ 511,357	$ 6,722,349
5,511	65,773
516,868	6,788,122
165,300	1,355,258
20,623	210,476
42,397	244,298
50,872	81,233
36,549	891,756
7,560	7,560
13,138	198,505
76,628	136,070
16,656	89,359
-	5,000
-	52,050
14,617	89,531
-	87,383
444,340	3,448,479
72,528	3,339,643
5,468	92,003
100,000	161,330
-	67,619
6,800	209,018
(43,000)	(1,110,675)
-	(354,000)
-	(267,488)
69,268	(1,202,193)
141,796	2,137,450
53,500	1,357,009
(50,552)	(1,844,624)
2,948	(487,615)
144,744	1,649,835
629,257	9,559,952
$ 774,001	$ 11,209,787

CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS - Continued
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Sanitary Sewer	Solid Waste	Landfill	Enterprise Capital Projects
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Debt service	$ 397,257	$ -	$ -	$ -
Closure and/or postclosure care	-	17,122	2,231,341	-
Landfill recyling and planning	-	-	308,443	-
Unrestricted	3,358,934	1,364,900	2,715,721	42,068
TOTAL CASH BASIS FUND BALANCES	$ 3,756,191	$ 1,382,022	$ 5,255,505	$ 42,068

Nonmajor Proprietary Funds	Total
$ -	$ 397,257
-	2,248,463
-	308,443
774,001	8,255,624
$ 774,001	$ 11,209,787

Exhibit D

CITY OF SPENCER
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES - FIDUCIARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

ADDITIONS:	
Use of money and property	$ 5,495
Miscellaneous	14,019
TOTAL ADDITIONS	19,514
DEDUCTIONS:	
Community and economic development	12,250
NET CHANGE IN CASH BALANCES	7,264
CASH BALANCES - BEGINNING OF YEAR	640,699
CASH BALANCES - END OF YEAR	$ 647,963

See Accompanying Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Spencer, Iowa is a political subdivision of the State of Iowa located in Clay County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Spencer provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, public improvements, and general government services.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Spencer Municipal Hospital (SMH) is a component unit of the City. Financial information for SMH has not been reported in the City's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with accounting principles generally accepted in the United States of America as they relate to the exclusion of component units. Spencer Municipal Hospital's financial statements can be obtained at their administrative offices or at City Hall.

Spencer Municipal Utilities (SMU) provides electric, communication, and water utility services to the citizens of Spencer. SMU is not considered a component unit of the primary government of the City because it does not meet the criteria stated above. Currently, SMU made voluntary payments of $598,407 in lieu of property tax payments to the City. In addition, SMU paid the City $60,000 for the storefront initiative and $279,552 for a land purchase.

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

B. Basis of Presentation

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The City reports the following major proprietary funds:

Enterprise:

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

2. CASH AND POOLED INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2015 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

2. CASH AND POOLED INVESTMENTS - Continued

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments consisted of the following at June 30, 2015:

Cash on hand	$ 5,250
Demand deposits	12,055,529
Money market account	13,000,000
Total cash and investments	25,060,779
Less Agency Funds	647,963
City's Cash and Investments	$24,412,816

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

3. BONDS AND NOTES PAYABLE

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

Year Ending June 30,	Governmental Activities: General Obligation Bonds/Notes Principal	General Obligation Bonds/Notes Interest	Governmental Activities: Other Long-Term Debt Principal	Other Long-Term Debt Interest	Total Governmental Activities Principal	Total Governmental Activities Interest
2016	$1,066,000	$ 95,148	$ 61,000		$1,127,000	$ 95,148
2017	1,092,000	75,397	61,000		1,153,000	75,397
2018	727,000	53,468	61,000		788,000	53,468
2019	483,000	34,485	61,000		544,000	34,485
2020	164,000	24,901	61,000		225,000	24,901
2021-2025	550,000	70,634	230,000		780,000	70,634
2026-2030	137,000	7,485			137,000	7,485
2031-2032						
Total	$4,219,000	$ 361,518	$ 535,000		$4,754,000	$ 361,518

3. BONDS AND NOTES PAYABLE - Continued

Year Ending June 30,	Business-Type Activities Revenue Bonds Notes Principal	Business-Type Activities Revenue Bonds Notes Interest	Total All Bonds and Notes Principal	Total All Bonds and Notes Interest
2016	$ 365,000	$ 253,987	$ 1,492,000	$ 349,135
2017	378,000	242,125	1,531,000	317,522
2018	390,000	229,840	1,178,000	283,308
2019	403,000	217,165	947,000	251,650
2020	416,000	204,068	641,000	228,969
2021-2025	2,292,000	808,535	3,072,000	879,169
2026-2030	2,587,000	410,962	2,724,000	418,447
2031-2032	984,000	48,230	984,000	48,230
Total	$7,815,000	$2,414,912	$12,569,000	$2,776,430

General Obligation Bonds/Notes
General obligation bonds and notes to be serviced by the Debt Service Fund totaled $4,219,000 at June 30, 2015. A portion of these bonds and notes are anticipated to be repaid by transfers from other funds. In compliance with statutory requirements, all payments on these bonds and notes are recorded as disbursements from the Debt Service Fund; and any payments from other funds are recorded as transfers into the Debt Service Fund.

Other Long-Term Debt
The other long-term debt represents loans from Spencer Municipal Utilities as follows.

1) Shine Brothers loan	$ 175,000
2) E-911 Communication loan	360,000
Total	$ 535,000

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

Revenue Notes
The City has pledged future sanitary sewer customer receipts, net of specific operating disbursements, to repay the $1,520,000 sewer revenue bonds issued in October 2009 and the $7,500,000 sewer revenue bonds issued in December 2010. Proceeds from the bonds provided financing for wastewater treatment plant improvements. The bonds are payable solely from the sanitary sewer customer net receipts and are payable through June 2032. Annual principal and interest payments are expected to require less than 50% of net receipts. Total principal and interest remaining to be paid on the bonds is $10,229,912. For the current year, principal and interest paid on the bonds was $619,493 and customer net receipts were $1,281,974. The bonds bear interest at 3.25% including a .25% loan service fee.

The resolution providing for the issuance of the two sewer revenue bonds include the following provisions:

(A) The bonds will only be redeemed from the future earnings of the sanitary sewer activity and bond holders hold a lien on future earnings of the funds.

(B) Sufficient monthly transfers shall be made into a separate sewer sinking fund for the purpose of making principal and interest payments when due.

3. BONDS AND NOTES PAYABLE - Continued

(C) User rates shall be established which produce and maintain net receipts at a level not less than 110% of the principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2015, the City was in compliance with the revenue bond resolutions.

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

4. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials, totaling $2,766 during the year ended June 30, 2015. See item IV-D-15 in the Schedule of Findings and Questioned Costs.

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, holiday, and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2015 is as follows:

Governmental activities:	
General fund	$ 556,029
Business type activities:	
Proprietary:	
Enterprise:	
Solid waste	68,659
Landfill	26,834
Golf course	16,358
Total business type activities	111,851
TOTAL	$ 667,880

6. IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement system (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, IA 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

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

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay, and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were $264,968.

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

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension totaled $1,745,688. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was .043983 percent which was a decrease of .000079 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows, and collective deferred inflows totaled $131,818, $96,396, and $675,241, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

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

Actuarial Assumptions - Continued

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	$3,318,897	$1,745,688	$ 417,760

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

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

Plan Description - MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, IA 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chose plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50 percent surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP, the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits - Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50 percent of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25 percent of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50 percent of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40 percent of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

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

Disability and Death Benefits - Continued - Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a $100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was $394,783.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67- Financial Reporting for Pension Plans, (GASB 67).

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of $1,828,132 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was .504315% which was a decrease of .001534% from its proportions measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of $151,737. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of $135,117 and $864,528, respectively.

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

Actuarial Assumptions - The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00 percent.
Salary increases	4.50 to 15.11 percent, including inflation.
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

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

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return
Core Plus Fixed Income	7.0%		3.8%
Emerging Markets Debt	3.0		6.5
Domestic Equities	12.5		6.0
Master Limited Partnerships (MLP)	5.0		8.5
International Equities	12.5		7.0
Core Investments		40.0%	
Tactical Asset Allocation		35.0	6.0
Private Equity		15.0	9.8
Private Non-Core Real Estate	5.0		9.3
Private Core Real Estate	5.0		6.8
Real Estate		10.0	
Total		100.0%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50 percent) or 1-percent higher 8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	$3,505,296	$1,828,132	$ 434,559

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

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 79 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Employee Benefit Systems (EBS). Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately $628 for single coverage and $1,522 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed $880,284 (for active members only); and plan members eligible for benefits contributed $241,071 (both active and retired members) to the plan. In addition, Clay County contributed $31,658 to the plan for communication center employees.

9. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

9. RISK MANAGEMENT - Continued

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were $171,696.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

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

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

10. INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued industrial development revenue bonds in prior years under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding at June 30, 2015 cannot be approximated since the various companies do not provide this information to the City. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

11. CONTRACT AND OTHER COMMITMENTS

The City has entered into contracts totaling $5,283,550 for various construction projects. As of June 30, 2015, disbursements on those contracts totaled $1,287,853. The remaining $3,995,697 will be paid as the work on the projects is completed.

The City has also entered into several tax increment financing developer agreements with local businesses. The City has agreed to rebate the taxes paid by the business over a period of years. The City will expense the rebates as the taxes are collected and returned to the businesses.

12. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General Fund	Local Option Sales Tax	$1,078,049
	Debt Service	63,500
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	220,143
	Solid Waste	37,971
	Landfill	19,292
	Nonmajor Governmental:	
	Special Revenue:	
	Road Use Tax	1,029,172
	Tax Increment Financing	90,359
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	13,440
	Golf Course	9,905
Total General Fund		2,561,831
Debt Service	General	19,686
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	51,568
	Landfill	371,158
	Nonmajor Governmental:	
	Special Revenue:	
	Tax Increment Financing	290,593
Total Debt Service		733,005
Capital Projects	General	2,184,164
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	62,164
Total Capital Projects		2,246,328
Nonmajor Governmental:		
Special Revenue:		
Federal and State Retirement	General	318,480

12. INTERFUND TRANSFERS - Continued

Transfer to	Transfer from	Amount
Nonmajor Governmental - Continued:		
Special Revenue - Continued:		
Workers' Compensation Insurance	Proprietary:	
	Enterprise:	
	Sanitary Sewer	$ 1,422
	Solid Waste	41,030
	Landfill	12,948
	Nonmajor Proprietary:	
	Enterprise:	
	Golf Course	2,217
Total Workers' Compensation Insurance		57,617
Group Medical/Life Insurance	General	81,246
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	32,843
	Solid Waste	142,500
	Landfill	56,532
	Nonmajor Proprietary:	
	Enterprise:	
	Golf Course	14,984
Total Group Medical/Life Insurance		328,105
Total Nonmajor Governmental		704,202
Total Governmental Funds		6,245,366
Proprietary:		
Enterprise:		
Landfill	Enterprise:	
	Solid Waste	634,684
Enterprise Capital Projects	General	549,002
	Proprietary:	
	Enterprise:	
	Sanitary Sewer	106,567
	Landfill	3,250
	Nonmajor Proprietary:	
	Enterprise:	
	Airport	10,006
Total Enterprise Capital Projects		668,825
Nonmajor Proprietary:		
Golf course	General	53,500
Total Proprietary Funds		1,357,009
TOTAL OPERATING TRANSFERS		$7,602,375

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

13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS

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

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

These costs for the City have been estimated to be $904,169 for closure and $1,531,846 for postclosure, for a total of $2,436,015 as of June 30, 2015. In the current year, no disbursements were made for landfill closure costs. Currently the estimated remaining life of the landfill is 40 months with approximately 22% of the landfill's capacity used at June 30, 2015.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The City has begun to accumulate resources to fund these costs; and at June 30, 2015, assets of $2,231,341 are restricted for these purposes.

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

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

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

NP = next payment
CE = total required financial assurance
CB = current balance of the fund
Y = number of years remaining in the pay-in period

13. LANDFILL CLOSURE/POST CLOSURE CARE COSTS - Continued

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

As of June 30, 2015, the City had a balance in the closure/postclosure dedicated fund in the amount of $2,231,341

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2015, the City entered into construction contracts totaling $305,338 for various capital projects.

Subsequent events were evaluated by management for disclosure up to the date of the independent auditors' report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CITY OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds	Permanent Funds	Total Governmental Nonmajor Funds
RECEIPTS:			
Property tax	$ 1,160,199	$ -	$ 1,160,199
Tax increment financing	695,254	-	695,254
Other city taxes	18,527	-	18,527
Use of money and property	3,999	1,514	5,513
Intergovernmental	1,250,862	-	1,250,862
Charges for services	-	4,900	4,900
Miscellaneous	262,398	-	262,398
TOTAL RECEIPTS	3,391,239	6,414	3,397,653
DISBURSEMENTS:			
Public safety	498,818	-	498,818
Public works	72,435	-	72,435
Culture and recreation	107,481	-	107,481
Community and economic development	334,318	559	334,877
General government	1,415,932	-	1,415,932
TOTAL DISBURSEMENTS	2,428,984	559	2,429,543
EXCESS OF RECEIPTS OVER DISBURSEMENTS	962,255	5,855	968,110
OTHER FINANCING SOURCES (USES):			
Operating transfers in	704,202	-	704,202
Operating transfers out	(1,410,124)	-	(1,410,124)
TOTAL OTHER FINANCING SOURCES (USES)	(705,922)	-	(705,922)
NET CHANGE IN CASH BALANCES	256,333	5,855	262,188
CASH BALANCES - BEGINNING OF YEAR	1,270,623	454,418	1,725,041
CASH BALANCES - END OF YEAR	$ 1,526,956	$ 460,273	$ 1,987,229
CASH BASIS FUND BALANCES:			
Nonspendable:			
Permanent fund principal	$ -	$ 429,469	$ 429,469
Restricted for:			
Urban renewal purposes	152,640	-	152,640
Community and economic development purposes	13,875	363	14,238
Employee benefits	888,514	-	888,514
Police purposes	14,443	-	14,443
Cemetery purposes	-	19,253	19,253
Park purposes	3,762	11,188	14,950
Streets	453,722	-	453,722
TOTAL CASH BASIS FUND BALANCES	$ 1,526,956	$ 460,273	$ 1,987,229

See Notes to Financial Statements

CITY OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Road Use Tax	Tax Increment Financing	SSMID	Police Retirement Systems	Civil Service Expenses
RECEIPTS:					
Property tax	$ -	$ -	$ 78,159	$ 267,264	$ 6,925
Tax increment financing	-	695,254	-	-	-
Other city taxes	-	6,482	-	2,975	77
Use of money and property	-	1,898	-	1,584	76
Intergovernmental	1,168,036	-	2,097	6,032	156
Miscellaneous	-	-	-	-	2,806
TOTAL RECEIPTS	1,168,036	703,634	80,256	277,855	10,040
DISBURSEMENTS:					
Public safety	-	-	-	303,648	9,256
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	256,854	77,464	-	-
General government	-	-	-	-	-
TOTAL DISBURSEMENTS	-	256,854	77,464	303,648	9,256
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	1,168,036	446,780	2,792	(25,793)	784
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(1,029,172)	(380,952)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,029,172)	(380,952)	-	-	-
NET CHANGE IN CASH BALANCES	138,864	65,828	2,792	(25,793)	784
CASH BALANCES - BEGINNING OF YEAR	314,858	86,812	11,083	200,246	9,818
CASH BALANCES - END OF YEAR	$ 453,722	$ 152,640	$ 13,875	$ 174,453	$ 10,602
CASH BASIS FUND BALANCES:					
Restricted for:					
Urban renewal purposes	$ -	$ 152,640	$ -	$ -	$ -
Community and economic development purposes	-	-	13,875	-	-
Employee benefits	-	-	-	174,453	10,602
Police purposes	-	-	-	-	-
Streets	453,722	-	-	-	-
Park purposes	-	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	$ 453,722	$ 152,640	$ 13,875	$ 174,453	$ 10,602

Police Special Proceeds	Fire Pension Accumulation	Federal and State Retirement	Workers' Compenstation Insurance	Trees Forever	Unemployment Insurance Claims	Group Medical/Life Insurance	Total
$ -	$ 77,041	$ -	$ 141,423	$ -	$ 29,648	$ 559,739	$ 1,160,199
-	-	-	-	-	-	-	695,254
-	858	-	1,574	-	330	6,231	18,527
120	269	-	-	52	-	-	3,999
-	1,739	24,649	3,192	-	669	44,292	1,250,862
-	-	-	12,680	2,347	-	244,565	262,398
120	79,907	24,649	158,869	2,399	30,647	854,827	3,391,239
90	91,135	94,689	-	-	-	-	498,818
-	-	72,435	-	-	-	-	72,435
-	-	102,661	-	4,820	-	-	107,481
-	-	-	-	-	-	-	334,318
-	-	33,847	170,624	-	30,894	1,180,567	1,415,932
90	91,135	303,632	170,624	4,820	30,894	1,180,567	2,428,984
30	(11,228)	(278,983)	(11,755)	(2,421)	(247)	(325,740)	962,255
-	-	318,480	57,617	-	-	328,105	704,202
-	-	-	-	-	-	-	(1,410,124)
-	-	318,480	57,617	-	-	328,105	(705,922)
30	(11,228)	39,497	45,862	(2,421)	(247)	2,365	256,333
14,413	39,350	200,807	112,018	6,183	12,939	262,096	1,270,623
$ 14,443	$ 28,122	$ 240,304	$ 157,880	$ 3,762	$ 12,692	$ 264,461	$ 1,526,956
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 152,640
-	-	-	-	-	-	-	13,875
-	28,122	240,304	157,880	-	12,692	264,461	888,514
14,443	-	-	-	-	-	-	14,443
-	-	-	-	-	-	-	453,722
-	-	-	-	3,762	-	-	3,762
$ 14,443	$ 28,122	$ 240,304	$ 157,880	$ 3,762	$ 12,692	$ 264,461	$ 1,526,956

See Notes to Financial Statements

CITY OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund
RECEIPTS:				
Use of money and property	$ -	$ 181	$ 35	$ 592
Charges for services	4,400	-	-	500
TOTAL RECEIPTS	4,400	181	35	1,092
DISBURSEMENTS:				
Community and economic development	-	-	-	-
TOTAL DISBURSEMENTS	-	-	-	-
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	4,400	181	35	1,092
CASH BALANCES - BEGINNING OF YEAR	277,079	21,622	4,583	68,530
CASH BALANCES - END OF YEAR	$ 281,479	$ 21,803	$ 4,618	$ 69,622
CASH BASIS FUND BALANCES:				
Nonspendable:				
Permanent fund principal	$ 281,479	$ 2,550	$ 4,618	$ 69,622
Restricted for:				
Cemetery purposes	-	19,253	-	-
Community development purposes	-	-	-	-
Park purposes	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	$ 281,479	$ 21,803	$ 4,618	$ 69,622

Griffin Trust Fund	Leach Park Fund	Total
$ 542	$ 164	$ 1,514
-	-	4,900
542	164	6,414
559	-	559
559	-	559
(17)	164	5,855
63,380	19,224	454,418
$ 63,363	$ 19,388	$ 460,273
$ 63,000	$ 8,200	$ 429,469
-	-	19,253
363	-	363
-	11,188	11,188
$ 63,363	$ 19,388	$ 460,273

CITY OF SPENCER
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	Airport	Golf Course	Total Nonmajor Proprietary Funds
OPERATING RECEIPTS:			
Charges for services	$ 118,942	$ 392,415	$ 511,357
Miscellaneous	1,009	4,502	5,511
TOTAL OPERATING RECEIPTS	119,951	396,917	516,868
OPERATING DISBURSEMENTS:			
Salaries	11,126	154,174	165,300
Payroll taxes and employee benefits	1,726	18,897	20,623
Repairs and maintenance	17,967	24,430	42,397
Utilities	31,891	18,981	50,872
Contract services	35,129	1,420	36,549
Insurance premiums	7,560	-	7,560
Gas and oil	-	13,138	13,138
Supplies	783	75,845	76,628
Miscellaneous	4,812	11,844	16,656
Sales tax paid	-	14,617	14,617
TOTAL OPERATING DISBURSEMENTS	110,994	333,346	444,340
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	8,957	63,571	72,528
NON-OPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	4,546	922	5,468
Farm income	100,000	-	100,000
Intergovernmental grants	6,800	-	6,800
Capital outlay	(8,000)	(35,000)	(43,000)
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	103,346	(34,078)	69,268
EXCESS OF RECEIPTS OVER DISBURSEMENTS	112,303	29,493	141,796
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	53,500	53,500
Operating transfers out	(23,446)	(27,106)	(50,552)
TOTAL OTHER FINANCING SOURCES (USES)	(23,446)	26,394	2,948
NET CHANGE IN CASH BALANCES	88,857	55,887	144,744
CASH BALANCES - BEGINNING OF YEAR	485,841	143,416	629,257
CASH BALANCES - END OF YEAR	$ 574,698	$ 199,303	$ 774,001
CASH BASIS FUND BALANCES:			
Unrestricted	$ 574,698	$ 199,303	$ 774,001

See Notes to Financial Statements

CITY OF SPENCER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2015

	Date of Issue	Interest Rates	Amount of Original Issue	Final Due Date
GOVERNMENTAL ACTIVITIES:				
GENERAL OBLIGATION BONDS/NOTES:				
Sewer improvement bond	1-2007	4.41%	$ 655,000	6-01-2026
Landfill facility improvement bonds	12-2008	3.75 - 4.00%	1,350,000	6-01-2018
Green Industrial Center spec building loan	7-2009		383,430	
Landfill facility refunding bonds	4-2010	2.25 - 3.00%	1,455,000	6-01-2019
Landfill closure bonds	2-2009	3.00%	426,645	6-01-2028
Street improvement bonds	12-2010	2.20 - 2.80%	575,000	6-01-2018
West beltway, fire station refunding bonds	4-2012	1.10 - 1.50%	1,565,000	6-01-2018
Corporate purpose and refunding bonds	5-2013	1.00 - 1.50%	2,245,000	6-01-2022
TOTAL GENERAL OBLIGATION BONDS/NOTES				
OTHER LONG-TERM DEBT:				
Spencer Municipal Utilities - Shine Brothers loan	11-2006	0.00%	375,000	12-05-2021
Spencer Municipal Utilities - E911 Communication loan	12-2014	0.00%	360,000	7-15-2024
TOTAL GOVERNMENTAL ACTIVITIES				
BUSINESS TYPE ACTIVITIES:				
REVENUE BONDS/NOTES:				
Sewer revenue bonds	10-2009	3.25% (1)	1,520,000	6-01-2029
Sewer revenue bonds (Build America Bonds)	12-2010	3.25% (1) (2)	7,500,000	6-01-2032
TOTAL BUSINESS TYPE ACTIVITIES				

(1) Interest rate includes .25% service fee.
(2) It is anticipated that 35% of the interest (excluding the .25% service fee) will be refunded per the terms of Build America Bonds.
(3) The $83,430 will be repaid to Spencer Municipal Utilities by the Spencer Industries Foundation, Inc. The City has no further responsibility.

Schedule 5

Balance Beginning of Year	New Issues	Forgiven	Repayments	Balance End of Year	Interest Paid	Interest Due and Unpaid
$ 480,000			$ 30,000	$ 450,000	$ 21,172	
660,000			155,000	505,000	25,070	
383,430		$ 83,430 [3]	300,000			
740,000			140,000	600,000	18,587	
350,000			21,000	329,000	10,500	
335,000			80,000	255,000	7,095	
875,000			245,000	630,000	10,175	
1,825,000			375,000	1,450,000	19,250	
5,648,430		83,430	1,346,000	4,219,000	111,849	
200,000			25,000	175,000		
	$ 360,000			360,000		
$ 5,848,430	$ 360,000	$ 83,430	$1,371,000	$4,754,000	$111,849	
$ 1,222,000			$ 64,000	$1,158,000	$ 39,715	
6,947,000			290,000	6,657,000	225,778	
$ 8,169,000			$ 354,000	$7,815,000	$265,493	

CITY OF SPENCER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0086-022-2014	$181,222
Indirect:			
Department of Homeland Security:			
Iowa Homeland Security and Emergency Management:			
Hazard Mitigation Grant	97.039	DR-1998-0005-01	273,605
Disaster Grants - Public Assistance Grants	97.036	PA-041-74280-00	52,180
			325,785
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-7170(621)-70-21	104,647
TOTAL			$611,654

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Spencer and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

OTHER INFORMATION

CITY OF SPENCER
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
RECEIPTS:			
Property taxes	$ 5,079,366		$ 5,079,366
Tax increment financing revenues	695,254		695,254
Other city taxes	2,478,156		2,478,156
Licenses and permits	63,500		63,500
Use of money and property	120,978	$ 253,333	374,311
Intergovernmental	2,633,718	276,637	2,910,355
Charges for services	245,956	6,722,349	6,968,305
Special assessments	148,630		148,630
Miscellaneous	1,174,940	65,773	1,240,713
TOTAL RECEIPTS	12,640,498	7,318,092	19,958,590
DISBURSEMENTS:			
Public safety	3,289,444		3,289,444
Public works	1,386,951		1,386,951
Culture and recreation	1,514,083		1,514,083
Community and economic development	1,933,571		1,933,571
General government	2,314,559		2,314,559
Debt service	1,159,849		1,159,849
Capital projects	2,609,423		2,609,423
Business-type activities		5,180,642	5,180,642
TOTAL DISBURSEMENTS	14,207,880	5,180,642	19,388,522
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,567,382)	2,137,450	570,068
OTHER FINANCING SOURCES (USES):			
Debt proceeds	360,000		360,000
Operating transfer in	6,245,366	1,357,009	7,602,375
Operating transfer out	(5,757,751)	(1,844,624)	(7,602,375)
TOTAL OTHER FINANCING SOURCES (USES)	847,615	(487,615)	360,000
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	(719,767)	1,649,835	930,068
BALANCE - BEGINNING OF YEAR	13,922,796	9,559,952	23,482,748
BALANCE - END OF YEAR	$13,203,029	$11,209,787	$24,412,816

Schedule 7

Budget		Final to Actual
Original	Final	Variance
$ 5,087,653	$ 5,087,653	$ (8,287)
698,381	698,381	(3,127)
2,203,602	2,603,602	(125,446)
45,850	45,850	17,650
205,065	205,065	169,246
4,689,025	5,719,025	(2,808,670)
6,559,916	6,559,916	408,389
96,714	96,714	51,916
348,145	875,145	365,568
19,934,351	21,891,351	(1,932,761)
3,083,472	3,613,472	324,028
1,613,481	1,658,481	271,530
1,709,423	1,734,423	220,340
1,708,713	2,493,713	560,142
2,294,809	2,514,809	200,250
1,160,966	1,160,966	1,117
1,685,000	3,720,000	1,110,577
8,444,826	8,715,358	3,534,716
21,700,690	25,611,222	6,222,700
(1,766,339)	(3,719,871)	4,289,939
	390,000	(30,000)
8,180,542	8,180,542	(578,167)
(8,180,542)	(8,180,542)	578,167
	390,000	(30,000)
(1,766,339)	(3,329,871)	4,259,939
22,910,936	22,910,936	571,812
$21,144,597	$19,581,065	$4,831,751

CITY OF SPENCER
NOTES TO SCHEDULE 7 - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2015

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by $3,910,532. These budget amendments are reflected in the final budgeted amounts.

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

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

OTHER INFORMATION (UNAUDITED)

	2015
City's proportion of the net pension liability	.043983%
City's proportionate share of the net pension liability	$1,746
City's covered-employee payroll	$2,921
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.77%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

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

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

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

OTHER INFORMATION (UNAUDITED)

	2015
City's proportion of the net pension liability	.504315%
City's proportionate share of the net pension liability	$1,828
City's covered-employee payroll	$1,287
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.95%
Plan fiduciary net position as a percentage of the total pension liability	86.27%

* The amounts presented for each fiscal year were determined as of June 30.

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

CITY OF SPENCER
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	2015	2014	2013	2012	2011
Statutorily required contribution	$ 265	$ 261	$ 255	$ 238	$ 202
Contributions in relation to the statutorily required contribution	265	261	255	238	202
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
City's covered-employee payroll	$ 2,963	$ 2,921	$ 2,939	$ 2,938	$ 2,900
Contributions as a percentage of covered-employee payroll	8.94%	8.94%	8.68%	8.10%	6.97%

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

CITY OF SPENCER
SCHEDULE OF CITY CONTRIBUTIONS - Continued

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
LAST 10 FISCAL YEARS
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	2015	2014	2013	2012	2011
Statutorily required contribution	$ 395	$ 388	$ 330	$ 304	$ 237
Contributions in relation to the statutorily required contribution	395	388	330	304	237
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
City's covered-employee payroll	$ 1,298	$ 1,287	$ 1,265	$ 1,226	$ 1,191
Contributions as a percentage of covered-employee payroll	30.41%	30.12%	26.12%	24.76%	19.90%

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

CITY OF SPENCER
NOTES TO OTHER INFORMATION - PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2015

Changes of Benefit Terms

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

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Changes of Benefit Terms

There were no significant changes of benefit terms.

Changes of Assumptions

Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

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

	2015	2014	2013	2012
RECEIPTS:				
Property taxes	$ 5,079,366	$ 4,972,177	$ 4,930,379	$ 4,664,393
Tax increment financing revenues	695,254	524,142	442,736	685,113
Other city taxes	2,478,156	2,309,189	2,345,925	2,193,063
Licenses and permits	63,500	66,000	58,659	53,417
Use of money and property	120,978	137,076	160,088	216,400
Intergovernmental	2,633,718	3,104,374	2,670,257	2,096,682
Charges for services	245,956	259,864	278,030	314,719
Special assessments	148,630	219,308	190,218	240,557
Miscellaneous	1,174,940	685,782	1,004,429	1,275,826
TOTAL RECEIPTS	$12,640,498	$12,277,912	$12,080,721	$11,740,170
DISBURSEMENTS:				
Public safety	$ 3,289,444	$ 2,893,767	$ 2,628,742	$ 2,549,797
Public works	1,386,951	1,382,115	1,488,739	1,194,773
Culture and recreation	1,514,083	1,359,564	1,426,172	1,430,033
Community and economic development	1,933,571	1,671,969	1,716,338	1,964,859
General government	2,314,559	2,519,300	1,883,162	2,073,102
Debt service	1,159,849	1,226,883	2,691,798	3,193,101
Capital projects	2,609,423	3,078,688	3,131,125	662,897
TOTAL DISBURSEMENTS	$14,207,880	$14,132,286	$14,966,076	$13,068,562

Schedule 10

2011	2010	2009	2008	2007
$ 4,474,342	$ 4,419,065	$ 4,240,304	$ 4,019,998	$ 3,952,695
708,215	730,804	706,603	527,404	394,841
2,069,431	1,620,843	1,879,749	2,201,724	1,405,882
49,076	61,752	53,830	67,745	570,987
299,985	366,406	479,729	474,723	585,348
2,627,643	2,789,625	2,073,283	2,004,270	2,351,703
277,177	304,060	311,873	882,840	867,074
283,385	493,349	236,308	310,385	487,153
2,320,639	2,270,949	2,007,211	830,300	925,570
$13,109,893	$13,056,853	$11,988,890	$11,319,389	$11,541,253
$ 2,343,685	$ 2,285,294	$ 2,461,524	$ 2,175,503	$ 2,162,810
1,249,718	1,420,977	1,459,165	1,523,922	1,389,023
1,415,736	1,425,791	1,369,796	1,656,305	1,833,548
2,384,116	2,289,495	2,776,842	1,578,325	2,239,552
2,065,131	1,478,420	1,465,448	1,409,325	1,693,350
2,106,313	2,584,260	1,485,111	1,413,780	4,899,641
3,299,247	5,828,337	1,820,672	1,630,181	2,589,128
$14,863,946	$17,312,574	$12,838,558	$11,387,341	$16,807,052

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Spencer, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the basic financial statements of the City's primary government, and have issued our report thereon dated March 16, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Member Private Companies Practice Section,
American Institute of Certified Public Accountants

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to Findings

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

Purpose of this Report

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

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

Winther, Stave & Co., LLP

March 16, 2016
Spencer, Iowa

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Spencer, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2015. The City's major federal program is identified in Part I of the accompanying Schedule of Finding and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on The Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

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Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wintheiser, Stamer & Co., LLP

March 16, 2016
Spencer, Iowa

CITY OF SPENCER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditors' Results:

a. Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

b. No material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.

c. The audit did not disclose any noncompliance which is material to the financial statements.

d. No material weakness in internal control over the major programs was disclosed by the audit of the financial statements.

e. An unmodified opinion was issued on compliance with requirements applicable to the major program.

f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

g. The major program was CFDA Number 97.039 - Hazard Mitigation Grant.

h. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

i. The City of Spencer qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements

Internal Control Deficiency:

No findings were noted.

Instances of Non-Compliance:

No findings were noted.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No findings were noted.

Reportable Conditions:

No material weaknesses in internal control over the major program were reported.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-15 Certified Budget - Disbursements during the year ended June 30, 2015 did not exceed budgeted amounts.

IV-B-15 Questionable Disbursements - No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

IV-C-15 Travel Expense - No expenditures of the City for travel expenses of spouses of City officials or employees were noted.

IV-D-15 Business Transactions - The City purchased supplies totaling $2,766 from Audio Video Connection, a business owned by Council Member Randy Swanson. The transactions may represent a conflict of interest since total transactions were more than $1,500 during the fiscal year and competitive bidding was not used.

Recommendation - The City should use the competitive bidding process when practical.

Response - These transactions were for normal expenses. The City will monitor spending and use competitive bidding when practical.

Conclusion - Response accepted.

IV-E-15 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-15 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-15 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

IV-H-15 Revenue Notes - No instances of noncompliance with the revenue bond and note resolutions were noted.

IV-I-15 Financial Assurance - As of June 30, 2015, the City has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567.113.14(6) of the Iowa Administrative Code.

IV-J-15 Urban Renewal Annual Report - The urban renewal annual report for the fiscal year ended June 30, 2014 was approved and certified to the Iowa Department of Management on or before December 1, 2014.