

CITY OF INDIANOLA

General and Statistical Information

**Financial Statements and Supplemental Information
(With Independent Auditor's Report Thereon)**

**Independent Auditor's Report on Compliance
and Internal Control over Financial Reporting**

Schedule of Findings

Year Ended June 30, 2017



**Shull, Schrum, McClafin
& Co., Inc.**
certified public accountants

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Independent Auditor's Report on Internal Control over

Financial Reporting and on Compliance and Other Matters

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CITY OF INDIANOLA
Chief Accounting Officer's Report

March 1, 2018

To the Honorable Mayor, Members of the Council, and Citizens of the City of Indianola,

This comprehensive annual financial report consists of management's representations concerning the finances of the City of Indianola. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Indianola has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Indianola's financial statements. Because the cost of internal controls should not outweigh their benefits, the City of Indianola's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. Management asserts to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Indianola's financial statements have been audited by Shull, Schrum, McClafin & Co., Inc., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Indianola for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Indianola's financial statements for the fiscal year ended June 30, 2017 are fairly presented on the cash basis of accounting. The independent auditor's report is presented as the first component of the financial section of this report.

Rules promulgated by the Iowa State Auditor's Office require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Indianola's MD&A can be found immediately following the statistical section of this report.

Profile of the Government

The City of Indianola, incorporated in 1864, is the county seat of Warren County and is located in the central part of Iowa approximately 17 miles south of the state capital, Des Moines. Indianola is considered part of the Des Moines MSA, one of the top growth areas in the state. The City of Indianola encompasses an area of approximately nine square miles and a population of 14,782. The City of Indianola is empowered to levy a property tax on real properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

CITY OF INDIANOLA
Chief Accounting Officer's Report (Continued)

City Council: The City of Indianola operates under a mayor-council form of government. Policy-making and legislative authority are vested in a governing body consisting of the mayor and six council members. The city council is responsible, among other things, for passing ordinances; adopting the budget; appointing commission and committee members; and, hiring the government's manager. The government's manager, whose duties are set by local ordinance, is responsible for carrying out the policies of the city council; overseeing day-to-day operations; and, appointing the employees of the various departments for the governmental functions under the management control of the governing council. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three of the members elected every two years. Four council members are elected by districts or wards while the two remaining council members and the mayor are elected at large. The mayor is elected to serve a four-year term.

The City of Indianola provides a full range of services, including police and fire protection; ambulance service; the construction and maintenance of highways, streets, and other infrastructure; recycling and organic material removal; and recreational activities and cultural events. The City of Indianola also operates a water pollution control (sewer) department as a utility under the management and control of the city council. The city participates in several non-related jointly governed organizations that provide goods or services including the South Central Iowa Landfill Agency, the Central Iowa Regional Transportation Alliance, and the Community Athletic Facility.

Board of Trustees: The City of Indianola provides electric, water and telecommunications services as a discretely reported component unit under the management and control of a board of trustees. The board operates these three utilities as Indianola Municipal Utilities (IMU). The authority for management and control of each utility was established by a majority vote of the electorate as provided in the Iowa Code. The trustees are vested with the authorities of the city in relation to these utilities with the exceptions that the board may not: certify taxes to be levied; pass ordinances or amendments; or, issue general obligation or special assessment bonds. Real property is held in the name of the city; however, the utility board has all the powers and authorities of the city with respect to the acquisition or disposition of such property and the management, control, and operation associated with said property is subject to provisions of any outstanding obligations which are payable from the revenues of the city utility. Separate funds are maintained for each utility and operating budgets are subject to final approval by the city council. Utility fund balances deemed by the board of trustees to be in excess of the needs of a utility may be transferred to the city's general fund or other city funds as approved by the city council.

Five trustees serve staggered six-year terms and are appointed by the mayor and approved by the city council. The board of trustees appoints a general manager to oversee the day-to-day management of the electric, water and telecommunications utilities. The general manager appoints the employees of each of these utilities; carries out the policies of the board of trustees; and, performs other duties as determined by resolution of the board.

CITY OF INDIANOLA
Chief Accounting Officer's Report (Continued)

Other officials: The director of finance and administrative services serves as the chief accounting officer for all city services and submits the budget and year-end financial reports required of the city. The director of finance and administrative services has other financial duties and the city clerk has custodial duties as prescribed in Iowa Code, local ordinances, board resolutions, and by management discretion. An appointed treasurer serves as custodian for all funds. An attorney is also appointed to represent the city, its boards, and its commissions and performs certain functions prescribed in local ordinances and in the Iowa Code.

Budgeting process: The annual budget serves as the foundation for the City of Indianola's financial planning and control. The budget process, in general, is as follows:

- The city council sets its budget objectives and reviews major known factors.
- The city manager and the general manager each submit 5-year capital improvement project budgets to the respective managing authority for review and adoption.
- Departments submit operating budget requests to the city manager or general manager as appropriate.
- The city manager and the general manager compile their respective annual budgets for review. Budgets are prepared by fund (e.g. general), function (e.g. public safety), and department (e.g. police).
- The board of trustees adopts budgets for the electric, water and telecommunications utilities. These are compiled with governmental services and sewer utility budgets and are provided to the public by publication.
- The city council sets and conducts a public hearing on the budget.
- The city council adopts the budget and the budget is filed with the county auditor and the State of Iowa no later than March 15 of each year.

The State of Iowa limits expenditures to the total amount budgeted by function. Expenditures for individual departments, services or line items may exceed those budgeted as long as total expenditures by function are not exceeded. Budget amendments are permitted under provisions similar to the adoption of the original budget. In this report, the current year's budget is compared to the actual expenses by function.

Cash management policies and practices: The city annually reviews and adopts an investment policy outlining the roles and responsibilities in making investments using available cash balances. The director of finance and administrative services and the treasurer are jointly responsible for the investment of funds with oversight by the council and board of trustees.

Cash, which is temporarily idle during the year, is invested in bank deposits; money market funds; repurchase agreements; and/or the Iowa Public Agency Investment Trust. These temporary cash deposits were maintained in stable value investments with an average rate of return of 1.20%.

CITY OF INDIANOLA
Chief Accounting Officer's Report (Continued)

The city invests reserve funds (those not intended to be expended within 365 days) in a portfolio with the assistance of an investment advisement firm. The investment portfolio includes mortgage-backed securities; preferred stock; obligations of the U.S. Treasury or its agencies; and, cash held in a public entity money market fund. At fiscal year end, the effective duration of the portfolio is 3.6 years with a current yield of 2.03%. Reported returns may include changes in fair value during the year but do not necessarily represent continuing returns; therefore, it is not always possible to realize changes in fair value, especially in the case of temporary changes for securities the city intends to hold until maturity.

Additional information on the City of Indianola's cash management can be found in notes to the financial statements.

Risk management: The City of Indianola participates in the Iowa Communities Assurance Pool (ICAP), a local government risk-sharing pool with over 500 members throughout Iowa. The city makes annual contributions to ICAP recorded as disbursements from its operating funds for vehicle, property, casualty and liability coverage. The city maintains reserve funds to meet deductibles. The city also participates as a member of the Iowa Municipal Workers' Compensation Association (IMWCA) and pays the associate premiums from its operating funds. The city purchases boiler and machinery insurance from a private carrier. In addition, the city has an ongoing safety program to maintain a safe environment for employees and the public. Additional information on the City of Indianola's risk management activity can be found in notes to the financial statements.

Pension and other post-employment benefits: The City of Indianola provides pension benefits for its employees. With the exception of Police officers, these benefits are provided through a statewide plan managed by the Iowa Public Employees Retirement System (IPERS). Benefits for police officers are provided through a statewide plan managed by the Municipal Fire & Police Retirement System of Iowa (MFPRSI). The city makes periodic payments based on earned compensation by active employees; however, the city has no obligation in connection with employee benefits offered through these plans.

The City of Indianola also provides post-retirement access to its medical insurance plan until age 65 as required under Iowa Code. Retirees contribute an amount equal to the premium amount charged to the city on a monthly basis.

The City of Indianola maintains a health reimbursement arrangement (HRA) for the benefit of employees. In July 2017, the City modified its health insurance program which includes a health savings account. The city makes contributions that allows each employee to pay for any medical expense allowed under IRS Code. Under the previous HRA program, if the employee did not utilize the full amount provided in any fiscal year, the balance is carried forward for use in a future period, even after retirement. Disbursements are paid out of operating funds and not held in trust. They are, however, accounted for in a sub-fund that is separate from other operating funds for budgetary control. Unpaid HRA balances totaled \$251,216 as of June 30, 2017.

Additional information on the City of Indianola's pension arrangements and other post-employment benefits can be found in notes to the financial statements.

CITY OF INDIANOLA
Chief Accounting Officer's Report (Continued)

Closing

State law requires that all general-purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. As allowed under Iowa Code and administrative rules, the City of Indianola issues its financial statements on the basis of cash receipts and disbursements. Cash basis is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). Pursuant to these requirements, I hereby issue the comprehensive annual financial report of the City of Indianola for the fiscal year ended June 30, 2017.

Ryan Waller
City Manager

**CITY OF INDIANOLA
CITY OFFICIALS AND BOARD OF TRUSTEES
JUNE 30, 2017**

<u>Name of Official</u>	<u>Official Title</u>	<u>Term Expires December 31</u>	<u>Amount Of Bond</u>
Kelly Shaw	Mayor	2017	300,000
John Parker Jr.	Councilperson First Ward	2019	300,000
Joe Gezel	Councilperson Third Ward	2019	300,000
Shirley Clark	Councilperson At-Large	2019	300,000
Pam Pepper	Councilperson At-Large	2017	300,000
Greta Southall	Councilperson Fourth Ward	2017	300,000
Brad Ross	Councilperson Second Ward	2017	300,000
Ryan Waller	City Manager		300,000
Chris DesPlanques	Director of Finance		300,000
Melissa McCoy	Director of Human Resources		300,000
Diana Bowlin	City Clerk		300,000
Doug Shull	City Treasurer		300,000
Ryan Ellis	City Solicitor		300,000

Indianola Municipal Utilities Board of Trustees
Authority: Indianola Code of Ordinances Section 25.02

<u>Name</u>	<u>Term Expires January 2</u>	<u>Amount Of Bond</u>
Adam Voigts	2018	300000
Mike Rozga	2019	300,000
Deb White	2020	300,000
Jim McClymond	2021	300,000
Lesley Forbush	2021	300,000
Vacant	General Manager of Utilities	300,000

All other city employees are bonded under the Cincinnati Insurance Employee Loss Coverage, "Faithful Performance Blanket Position Bond," # B0359727 in the amount of \$300,000.

<u>Council Study Committee</u>	Council Committee
	Shirley Clark
	Joe Gezel
	John Parker Jr.
	Pam Pepper
	Brad Ross
	Greta Southall

**CITY OF INDIANOLA
CITY BOARD AND COMMISSIONS
JUNE 30, 2017**

LIBRARY BOARD

Authority: Indianola Ordinance Chapter 17.3

Term - 6 Years

Meeting: 2nd Tuesday of every month

<u>Name</u>	<u>Term Expires</u>
Mary Jane Cassady	July 1, 2018
Rhonda Sayler	July 1, 2018
Jim Lee	July 1, 2020
Pat Hicks	July 1, 2020
Betsy Freese	July 1, 2021
Thomas Smith	July 1, 2021
Andrew Brittingham	July 1, 2021

PARK AND RECREATION COMMISSION

Authority: Indianola Ordinance No. 520

Term - 3 Years

Meeting: 1st Wednesday of every month

Roger Nestch	January 1, 2019
Joel Hoger	January 1, 2020
Drew Brazie	January 1, 2020
Jessica Guthrie	January 1, 2020
Kate Walton	January 1, 2020
Colleen Willmott	January 1, 2021

PLANNING AND ZONING COMMISSION

Authority: Indianola Ordinance Chapter 16.2

Term - 5 Years

Meeting: 2nd Tuesday of every month

Bob Ormsby	February 1, 2018
Joe Butler	February 1, 2018
Al Farris	February 1, 2019
Misty Soldwisch	February 1, 2019
Doug Opie	February 1, 2020
Cindy Johnson	February 1, 2020
Becky Needles	February 1, 2021
Ron Fridley	February 1, 2021
Josh Rabe	February 1, 2022
Sarah Ritchie	February 1, 2022

**CITY OF INDIANOLA
CITY BOARDS AND COMMISSIONS
JUNE 30, 2017**

BOARD OF ADJUSTMENT

Authority: Indianola Ordinance No. 341 - Code of Iowa 414.7

Term - 5 Years

Meeting: 1st Wednesday of month on call

Name

Term Expires

Reed Thacker

December 31, 2017

Aaron Rasko

December 31, 2018

Marty Miller

December 31, 2019

James Sullivan

December 31, 2020

Wes Sharp

December 31, 2021

MEMORIAL BUILDING COMMISSION

Authority: Code of Iowa Chapter 37.9

Term - 3 Years - Meeting: On Call

Ray Walton

July 1, 2017

Everett Brown

July 1, 2018

Don Sandy

July 1, 2019

Don Babcock

July 1, 2019

Bob Greener

July 1, 2019

CIVIL SERVICE COMMISSION

Authority: Indianola Ordinance No. 378

Term - 4 Years

Meeting: On Call

John Monroe

First Monday in April, 2016

Celeste Gebhart

First Monday in April, 2018

Wayne Petersen

First Monday in April, 2019

FINE ARTS & COMMUNITY BEAUTIFICATION COMMISSION

Authority: Indianola Ordinance No. 423

Term - 3 Years

Meeting: 1st Tuesday of every month

CITY OF INDIANOLA

Operational Review

City operations are divided into many departments and offices, all of which work toward the common goal of providing superior services to the citizens of Indianola. While the functions of each department may be varied, it is a cooperative effort on everyone's part that enables us to reach this goal. It's not uncommon to see two or more departments working together to solve some problem or complete a project. The Mayor, Council, boards and administrative staff encourage teamwork and it results in an enhanced quality of life for the citizens of Indianola.

The following summary provides a brief review of the various Departmental operations during the 2016-17 fiscal year.

Public Safety: The major Public Safety activities are police, fire, ambulance services and building and zoning regulation.

- **Police 2017 Accomplishments:**

- The police department replaced 17 year old radios, which was funded by approximately \$100,000 in grant revenue from a local and regional charities.
- Together with the Fire Department, HR, and the CMO research was conducted and a compensation update was recommended to ensure attraction and retention of high quality employees.
- The police department continued several community and charitable activities in 2017 through the department's IPDCOP program.
- Added one additional part time clerical position.
- Filled five officer vacancies through civil service hiring process.
- Contracted with a consultant to perform a staffing study.

- **Fire and Ambulance 2017 Accomplishments:**

- Hired three full-time firefighters with funding coming from a SAFER Grant.
- Instituted a pager pay system to ensure additional coverage during peak times.
- Contracted with a consultant to perform a staffing study.
- Together with the Police Department, HR, and the CMO research was conducted and a compensation update was recommended to ensure attraction and retention of high quality employees.
- Several apparatuses were sold and purchased to improve operational efficiencies and service delivery.

- **Building and Zoning 2017 Accomplishments:**

- A blight assessment was conducted and the City's residential abatement program reviewed.
- The construction of the East Euclid Extension was completed.
- Various sections of the City's property maintenance codes were updated.
- The 2017 sidewalk inspection program was completed.

CITY OF INDIANOLA
Operational Review (Continued)

Public Works: The street department staff members are dedicated to providing excellent service to the citizens of Indianola. The street department has kept busy by performing annual street repair, concrete and asphalt replacement/repair, crack sealing, street sweeping, and snow plowing. These are the major functions which occupy a substantial amount of time for the department. In addition, several storm sewer intakes were replaced or repaired along with maintaining the hundreds of street and traffic signs throughout the city.

Culture and Recreation: Culture and Recreation: Parks and Recreation programs, events, parks and facilities continued to be very important to the majority of Indianola residents. Participation and use were at high levels and many opportunities and enhancements were provided to help keep the quality of life at a high level.

• **Culture and Recreation 2017 Accomplishments:**

- Completed the north Hwy 65/69 Medians Plantings and Beautification.
- Began construction of a new community Greenhouse and concession stand and storage building at the City's most utilized community park – Pickard.
- Studied operational efficiencies and cost impacts for the maintenance of City parks.
- Removed Ash Trees while replanting 35 new trees of multiple varieties.
- Maintained for public enjoyment over 260 acres.

The following table details the park system:

	Acres
Barker Park	1.20
Buxton Park	5.43
Dayton Park	1.08
DeNelsky Park	22.9
Downey Memorial Park	10.62
Easton Park	2.39
Indianola Activity Center	9.60
McCord Park	16.85
McVay Trail	13.30
Memorial Park	13.72
Moats Park	4.14
Pickard Park	160.00
South Park	4.47
Veterans Memorial Pool	3.50
Willow Creek Totlot	0.65
	269.85

CITY OF INDIANOLA
Operational Review (Continued)

- **Veterans Memorial Aquatic Center 2017 Accomplishments:**

- Served over 29,000 visitors. An increase from the 2015 and 2016 seasons.
- Shallow pool demolished and reconstructed before the 2017 season.
- Sandpit and children's play equipment area refurbished into a shaded, grassy area for families near the shallow pool.
- Three valves repaired in the mechanical building.
- New diving board platform and diving board installed.
- Large pool completely re-caulked.
- Security camera system installed adding four high definition cameras. Fiber network capabilities were installed by IMU and IT services to allow camera access and streamlined water chemistry record storage.
- Over 400 youth served by the swim lesson program.
- Grant funding secured for six new park benches located in, and around, the facility.
- Continued to make lifeguard staffing a priority by hosting our very own lifeguard certification course and recertification courses, while reimbursing the cost of the class to employees who work one full season with the City.
- Continue to receive valuable support from Indianola Fire/Ems who conduct periodic staff in-service trainings that cover topics such as: CPR, AED, emergency action plans, chemical spill response, etc.
- Fifty seasonal staff assisted in operation of the facility, as well as assistance from all City and IMU departments in some capacity.

- **Indianola Public Library 2017 Accomplishments:**

- Developed a multi-step plan to identify and solve interior space needs.
- Completed new children's area, new teen area, and made progress on adult area. Will complete project in spring of FY19.

Business-type or proprietary: Indianola has four services that are classified as business-type services. Although the utility operations are divided into departments, they all work toward the common goal of providing superior services to the citizens of Indianola. The electric, water, and telecommunication departments are a discretely reported component unit. However, given their degree of importance to the overall services received by citizens, this operational review contains information pertaining to these activities in the next section of this report. The following summary provides a brief review of the various departmental operations during the 2016-17 fiscal year.

CITY OF INDIANOLA
Operational Review (Continued)

- **Water Pollution Control Department 2017 Accomplishments:**

- Morlock Lift Station Upgrade (controls, new pump, upsizing piping, new generator).
- Replacement of the McCord Lift Station Generator.
- Lift Station Study with Engineer to prioritize needed repairs.
- Upgrade the controls and install VFD's at Plainview and McCord Lift stations for reliability and improved pumping efficiency.
- Installing new sewer along HWY 92 to eliminate the sewer that runs through the trailer park on N 15th St.
- Cleaned and Televised 48,878 feet of sewer.
- Smoked Tested 19,883 feet of sewer.
- Staff repaired 11 manholes by replacing broken riser rings with new rings, lids and castings to reduce I&I.
- Hired a contractor to seal the inside of 10 manholes to reduce I&I.
- Lining approximately 1,352 feet of sewer main to reduce I&I. The distance is 6 sections of pipe between manholes.
- Bypassed the Fixed Film Reactor to increase the efficiency of the treatment process.
- Placed sheeting, dirt and rip rap over exposed sewer main in the golf course next to the 7th Green.

- **Electric Utility.** The Electric Utility provides electricity to the homes and businesses located in the City of Indianola through purchases of electricity from the Joint Action Agency; MEAN [Municipal Electric Agency of Nebraska]. Additionally, IMU has in place local generation to provide electric service during emergencies, or when called upon by MEAN. Items of significant interest that occurred during 2017 include:

- Completed the Martensdale Intersection Department of Transportation Project.
- Purchased a New Dodge Dump Truck.
- SCADA [Supervisory Control and Data Acquisition] Upgrade Project Started.
- Ashton Park Housing Development Electric Service Infrastructure Installed.
- Summer Crest Commercial Development Electric Service Infrastructure Installed.
- Replacement of High Pressure Sodium [HPS] Street Lights with Light Emitting Diode [LED] Lights.

- **Water Utility.** The Water Utility provides reliable water service to Indianola's residential, commercial and industrial customers by pumping water from a series of wells, treating it at our Water Treatment Plant, keeping a sufficient supply in storage to meet daily needs, and distributing the water to its customers. Items of significant interest during this fiscal period include:

CITY OF INDIANOLA

Operational Review (Continued)

- West Iowa Street and West Euclid Street Project.
 - CO2 Upgrade at Water Treatment Plant.
 - Major Plant and Water Tower Maintenance.
 - Major Well Maintenance.
 - Gatevalve and Hydrant Replacement.
- **Communications Utility.** The Communications Utility started down the road towards becoming a Telecommunications Utility for Indianola Municipal Utilities during this fiscal period. While maintaining its existing working relationship with Mahaska Communications Group [MCG] to provide Cable TV, Internet and Land Line Telephone services to customers, mostly located on the east side of Indianola, IMU accomplished the following:
 - The Magellan Advisors Fiber To The Home [FTTH] Business Plan was completed in May 2017.
 - Engineering and Design work was begun by NewCom Technologies.
 - **Administration.** All three utilities are administered by a combination of the IMU Board of Trustees, IMU staff, and third-party contractors.
 - In January 2017, the IMU Board of Trustees and Indianola City Council approved a resolution approving an administrative staff consolidation and restructure due to the expansion of the fiber utility forming the IMU Utility Services Department.

The restructure increased employee headcount by only one and a half full-time equivalent positions as opposed to the four positions originally recommended in the fiber expansion business plan. The employees and department budget are now under the authority of the Utility and the cost-sharing arrangement between the Utility and City has shifted to where the City now transfers funds to the Utility for billing and customer service operations.

General Government: The City of Indianola supports a proactive stance toward economic development, enhancing the local economy, and promoting efficiency. Major programs and events are:

- Continuation of a citywide residential urban revitalization (tax abatement) program that has encouraged development and continues to strengthen the tax base.
- An aggressive schedule of improvements to infrastructure and facilities including lift station improvements, roadway improvement and reconstruction, and beautification along northern corridor.
- Continuation of an aggressive inspection/maintenance program for sewers meant to keep storm water from entering the sanitary sewer system (I&I program). The entire community will benefit through decreased operation and maintenance expenses, decreased capital expenses, and increased sewer plant capacity.

CITY OF INDIANOLA
Operational Review (Continued)

City staff takes a proactive role in communicating community events with staff and citizens. The Government Access Channel, provides agendas, schedules, public safety and promotional information for government sponsored programs. Meetings are broadcast live to cable subscribers and re-broadcast throughout the week. The City of Indianola also regularly invests resources to enhance communications through its web sites which includes programming information, links to other community resources, and minutes of meetings. Utility payments, recreation program fees, parking tickets and certain other fees can be paid online.

Departments have learned to utilize electronic information systems to improve services. Each building is connected by a high-speed data network over fiber optic lines. Internet access and e-mail systems are also shared. In addition, the City Clerk's Office has improved its document imaging system to improve the retrieval of information and eventually additional features.

The following table summarizes the activities of the Clerk's Office (calendar year):

Permits/Licenses	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Water	11	38	35	21	33	40	38	58	61
Plumbing	75	42	62	59	31	54	42	79	90
Electric	93	103	99	88	36	80	103	118	132
Mechanical	42	56	97	53	14	58	56	114	101
Sewer	19	66	39	20	27	44	66	58	60
Warrants Written	8,921	9,257	9,237	9,304	9,852	8,813	9,257	7,901	7,922
Ordinance Adopted	24	23	26	16	22	13	23	12	22
Cigarette	20	17	17	16	15	16	17	17	17
Bicycle	2	2	2	2	7	9	2	5	0
Beer	15	15	16	16	16	15	15	15	16
Beer-Liquor	15	17	18	18	18	18	17	18	19
Sunday Beer & Liquor	29	29	28	29	29	30	29	28	29
Beer-Wine	3	3	3	3	3	3	3	3	6

Internal Service: The City of Indianola maintains a fund for employees' health insurance with premiums paid from each departmental fund. Premiums are targets at expected exposure levels. Reserves are targeted at 25% of annual claims plus 2 times the difference between expected claims and maximum costs.

CITY OF INDIANOLA
Statistical Section

To compliment the financial review of the City of Indianola, the following statistical tables are attached. Below you will find a list of tables with some explanatory information:

Government-Wide Expenditures. These are the cash-based expenditures for the past 10 fiscal years. Capital projects are expensed in the function in which they occur, not solely in capital projects funds.

Governmental Revenues by Source. These are the sources of revenue for the non-proprietary activities of the City of Indianola.

Tax Revenues by Source. These are the sources of tax revenue for the City of Indianola.

Tax Collection Trend. This table shows how effective Warren County collects the property taxes levied for the City of Indianola.

Separate & Consolidated Rates. This table lists the property tax rates of the taxing authorities that govern the citizens within the City of Indianola. Agricultural land within cities is taxed at a different rate than other types of property.

100% Valuations. These are the approximate market values of the different types of property within the City of Indianola. The Operating Levy Total and Debt Levy Total do not contain Agricultural property values, since these values are taxed at a different rate. The Debt Capacity Total does contain the Agricultural property value.

Taxable Valuations. These are the property values that are subject to the property tax levies.

Debt Margin. Iowa Code limits cities' General Obligation debt to 5% of the total valuation of property. This table shows the amount of debt outstanding subject to this limitation and the capacity of the City of Indianola to assume more debt.

Building permits. This table shows the trend of new construction in the City of Indianola, the number of new housing units, and the amount of commercial or industrial construction.

Demographics. This is an attempt to show the growth of the community, its level of prosperity, and economic conditions over various historical periods.

CITY OF INDIANOLA
Statistical Section (Continued)

History of Government-Wide Expenditures

Fiscal Year	Public Safety	Public Works	Health & Social Services	Culture & Recreation	Community Economic Development	General Government (Adm.)	Debt Service	Capital Projects	(Business- type) Enterprises	Total
2006	3,098,730	1,338,627	-	1,937,224	65,386	972,894	1,623,792	958,781	16,858,260	26,853,694
2007	3,085,938	1,256,816	-	1,943,116	617,772	965,144	1,974,772	3,035,031	13,936,478	26,815,067
2008	3,173,199	1,348,228	-	1,904,951	83,781	995,408	1,956,788	966,952	13,123,248	23,552,555
2009	3,269,051	1,282,170	-	2,316,774	104,155	1,037,373	2,219,139	1,678,814	13,608,628	25,516,104
2010	3,356,420	1,151,365	-	1,970,347	146,617	1,144,193	2,276,338	2,713,018	15,766,541	28,524,839
2011	3,534,467	1,177,500	-	1,978,160	123,554	1,187,419	5,553,409	1,904,709	22,949,882	38,409,100
2012	3,893,610	1,320,362	-	2,097,728	1,295,997	1,292,181	3,368,178	2,778,035	24,171,255	40,217,346
2013	3,902,002	1,416,552	-	2,130,514	704,168	1,411,552	2,622,940	16,012,963	18,646,956	46,847,647
2014	4,267,845	1,341,786	-	2,092,304	430,585	1,509,360	3,000,167	2,860,272	20,645,747	36,148,066
2015	4,045,737	1,301,206	-	2,022,946	557,205	1,404,657	3,003,458	5,220,131	20,232,091	37,787,431
2016	4,095,846	1,600,292	-	2,037,571	165,075	1,401,940	2,838,250	249,880	19,141,972	31,530,826
2017	5,014,894	1,483,031	-	2,137,909	935,587	1,461,226	2,655,684	400,336	18,492,141	32,580,808

Notes:

Transfers not included as expenditures.

CITY OF INDIANOLA
Statistical Section (Continued)

Governmental Revenues by Source

Fiscal Year	Taxes	Licenses & Permits	Inter- governmental	Charges for Services	Fines	Use of Money & Property	Special Assessment	Misc.*	Total
2006	4,549,048	163,875	1,366,839	897,130	115,328	163,875	148,054	1,226,974	8,631,123
2007	4,832,068	198,689	2,255,915	867,211	110,906	362,480	284,420	1,465,204	10,376,893
2008	5,152,853	187,498	1,813,521	1,033,928	92,912	320,015	331,949	1,495,550	10,428,226
2009	5,488,299	66,923	1,648,354	1,117,293	81,114	339,169	161,882	270,351	9,173,385
2010	5,657,732	96,392	2,337,365	888,562	67,589	366,428	197,299	351,202	9,962,569
2011	5,839,564	197,339	1,825,570	980,350	77,951	318,802	92,034	545,225	9,876,835
2012	6,229,085	144,940	1,651,642	987,982	81,150	298,088	139,226	334,909	9,867,022
2013	6,738,674	117,693	2,060,498	993,286	57,955	326,083	144,055	295,066	10,733,310
2014	7,150,122	164,364	1,692,398	1,024,228	54,590	335,498	109,522	1,926,196	12,456,918
2015	7,819,189	132,554	4,575,268	1,024,782	64,041	400,099	118,173	413,108	14,547,214
2016	7,930,012	192,408	2,384,472	949,420	31,679	469,188	112,573	510,127	12,579,879
2017	10,314,290	154,991	2,109,788	1,006,626	53,673	504,619	163,044	550,032	14,857,063

*Excludes self-insurance pool (classified as business-type internal service fund beginning in 2003) proceeds from fixed asset sales, and issuance of debt. Includes only transfers in for utility payment in lieu of taxes and administrative office cost allocations from utilities.

Tax Revenues By Source

Fiscal Year	Property	TIF	Local Option Sales Tax	Franchise Fees	Hotel/Motel	Total
2006	4,193,386	242,399	-	54,120	59,143	4,549,048
2007	4,302,701	414,117	-	54,605	60,645	4,832,068
2008	4,380,621	652,572	-	57,417	62,243	5,152,853
2009	4,739,284	632,566	-	58,208	58,241	5,488,299
2010	4,826,350	712,476	-	61,406	57,500	5,657,732
2011	4,836,322	865,761	-	81,666	55,815	5,839,564
2012	4,929,376	1,146,801	-	85,196	67,712	6,229,085
2013	5,163,954	1,368,810	-	144,189	61,721	6,738,674
2014	5,472,196	1,383,060	-	225,916	68,950	7,150,122
2015	6,155,219	1,365,455	-	223,510	75,005	7,819,189
2016	6,122,001	1,542,524	-	186,339	79,148	7,930,012
2017	6,392,934	1,955,534	1,690,405	195,286	80,131	10,314,290

CITY OF INDIANOLA
Statistical Section (Continued)

Tax Collection Trend

(Collection) Fiscal Year	Total Levied	Amount Collected*	% Collected
2006	4,186,938	4,193,386	100.2%
2007	4,322,757	4,302,701	99.5%
2008	4,348,256	4,380,621	100.7%
2009	4,717,671	4,739,284	100.5%
2010	4,786,023	4,826,350	100.8%
2011	4,788,677	4,836,322	101.0%
2012	4,916,871	4,929,376	100.3%
2013	5,147,991	5,163,954	100.3%
2014	5,339,600	5,472,196	102.5%
2015	6,042,358	6,155,219	101.9%
2016	6,128,541	6,122,001	99.9%
2017	6,221,072	6,392,934	102.8%

* includes delinquent taxes, if any.

CITY OF INDIANOLA
Statistical Section (Continued)

Property Tax Rates
Separate and Consolidated
Levy Rate per \$1,000 Taxable Valuation

	City of Indianola				County			School District				
Fiscal Year	Operating	Benefits & Ins.	Debt Service	Total	Operating	Other	Total	Operating	Debt Service	Total	Other	Total
2006	8.10	1.70	2.10	11.90	5.69	0.34	6.03	15.53	2.87	18.40	1.11	37.44
2007	8.10	1.75	2.10	11.95	6.08	0.35	6.43	16.19	2.70	18.89	1.14	38.41
2008	8.10	1.75	2.00	11.85	6.45	0.34	6.79	16.56	3.63	20.19	1.05	39.88
2009	8.10	1.55	2.00	11.65	6.11	0.30	6.41	16.81	3.24	20.05	1.05	39.16
2010	8.10	1.35	1.90	11.35	3.50	2.64	6.14	15.25	4.74	19.99	0.95	38.43
2011	8.10	1.30	1.90	11.30	3.50	2.48	5.98	16.22	4.67	20.89	0.95	39.12
2012	8.10	1.25	1.85	11.20	3.50	2.28	5.78	16.04	4.85	20.89	0.99	38.86
2013	8.10	1.15	1.95	11.20	3.50	2.22	5.72	15.57	2.09	17.66	1.07	35.65
2014	8.10	2.60	2.00	12.70	3.50	2.22	5.72	15.09	4.05	19.14	1.03	38.59
2015	8.10	2.85	1.75	12.70	3.50	2.19	5.69	15.24	4.05	19.29	1.14	38.82
2016	8.10	2.85	1.75	12.70	3.50	2.18	5.68	15.26	4.05	19.31	1.27	38.96
2017	8.10	3.35	1.25	12.70	3.50	2.14	5.64	15.26	4.05	19.31	1.27	38.92

Ag Land

2006	3.00
2007	3.00
2008	3.00
2009	3.00
2010	3.00
2011	3.00
2012	3.00
2013	3.00
2014	3.00
2015	3.00
2016	3.00
2017	3.00

CITY OF INDIANOLA
Statistical Section (Continued)

100% Valuations

Fiscal Year	Residential	Ag/Bldgs	Commercial	Industrial	Multi Residential	Personal Property	Rail & Utilities*	Gross Valuation	Exemptions	Total Valuation
2006	461,811,540	1,044,700	123,584,680	9,514,780	-	-	5,266,201	601,221,901	1,415,928	599,805,973
2007	491,599,280	1,117,600	130,585,000	13,051,885	-	-	5,609,331	641,963,096	1,439,904	640,523,192
2008	518,949,280	1,195,800	132,933,300	13,084,925	-	-	5,197,890	671,361,195	1,433,422	669,927,773
2009	600,967,220	1,344,000	141,538,420	14,231,700	-	-	5,354,152	763,435,492	1,499,194	761,936,298
2010	617,326,560	1,342,200	142,844,860	15,142,160	-	-	5,369,669	782,025,449	1,476,970	780,548,479
2011	610,354,360	1,874,500	143,432,485	15,163,880	-	-	5,582,297	776,407,522	1,493,638	774,913,884
2012	625,085,080	1,839,975	145,851,590	15,799,955	-	-	5,777,351	794,353,951	1,486,230	792,867,721
2013	646,903,900	4,447,700	156,223,760	15,475,490	-	-	2,389,713	825,440,563	1,451,042	823,989,521
2014	655,164,820	3,081,278	162,035,585	15,666,500	-	-	4,104,432	840,052,615	1,426,040	838,626,575
2015	667,165,608	3,442,125	122,927,016	16,849,580	48,995,144	-	3,667,352	863,046,825	1,367,612	861,679,213
2016	679,711,368	3,456,837	126,448,130	17,178,400	49,400,760	-	5,598,329	881,793,824	1,199,078	880,594,746
2017	748,721,868	3,133,268	131,983,156	17,441,900	54,023,679	-	5,804,394	961,108,265	1,274,048	959,834,217

*includes gas & electric valuations at rates levied by the State of Iowa

CITY OF INDIANOLA
Statistical Section (Continued)

Taxable Valuations

Fiscal Year	Residential	Ag/Bldgs	Commercial	Industrial	Multi Residential	Personal Property	Rail & Utilities*	Gross Valuation	Exemptions	Total Taxable Valuation
2006	221,243,341	1,044,700	120,608,343	4,641,582	-	-	5,065,357	352,603,323	1,415,928	351,187,395
2007	224,958,069	1,117,600	122,612,610	7,773,332	-	-	5,211,239	361,672,850	1,439,904	360,232,946
2008	255,353,906	1,195,800	120,608,343	4,641,582	-	-	5,354,152	387,153,783	1,499,194	385,654,589
2009	262,021,987	1,207,178	127,874,259	10,422,723	-	-	4,780,591	406,306,738	1,499,194	404,807,544
2010	278,482,876	1,258,303	127,591,097	10,578,951	-	-	4,818,592	422,729,819	1,476,970	421,252,849
2011	282,264,068	1,196,187	128,329,005	7,442,455	-	-	4,559,534	423,791,249	1,493,638	422,297,611
2012	297,423,424	1,222,266	127,240,836	4,649,639	-	-	4,812,221	435,348,386	1,486,230	433,862,156
2013	317,835,762	1,148,540	127,934,078	2,613,568	-	-	4,861,537	454,393,485	1,469,562	452,923,923
2014	365,146,253	1,200,820	145,832,027	14,103,850	-	-	4,104,432	530,387,382	1,426,040	528,961,342
2015	371,116,849	1,407,597	110,634,315	15,164,622	42,258,339	-	3,667,352	544,249,074	1,367,612	542,881,462
2016	387,021,562	1,493,506	113,803,317	15,460,560	40,755,671	-	3,416,183	561,950,799	1,199,078	560,751,721
2017	416,445,712	1,587,143	118,784,841	15,697,710	42,543,675	-	3,223,619	598,282,700	1,274,048	597,008,652

*includes gas & electric valuations at rates levied by the State of Iowa

**military

	Operating Levy Total	TIF District Valuation	Debt Levy Total	100% Valuation Total	Ratio of Taxable to 100%
2006	350,142,695	8,110,407	358,253,102	599,805,973	59.7%
2007	359,115,346	13,303,403	372,418,749	640,523,192	58.1%
2008	384,458,789	20,144,573	404,603,362	669,927,773	60.4%
2009	403,600,366	19,978,653	423,579,019	761,936,298	55.6%
2010	419,994,546	22,769,004	442,763,550	780,548,479	56.7%
2011	421,101,424	26,874,547	447,975,971	774,913,884	57.8%
2012	432,639,890	35,690,858	468,330,748	792,867,721	59.1%
2013	451,775,383	42,652,063	494,427,446	823,989,521	60.0%
2014	527,760,522	52,745,764	580,506,286	838,626,575	69.2%
2015	541,473,865	59,727,678	601,201,543	861,679,213	69.8%
2016	559,258,215	66,681,130	625,939,345	880,594,746	71.1%
2017	595,421,509	72,340,746	667,762,255	959,834,217	69.6%

CITY OF INDIANOLA
Statistical Section (Continued)

Computation of Legal Debt Margin

Fiscal Year	5% of Debt Capacity Valuation	Less: Outstanding G.O. Debt	Legal Debt Margin	Debt Capacity Used
2006	32,098,155	13,018,000	19,080,155	40.6%
2007	33,568,060	11,248,000	22,320,060	33.5%
2008	38,171,775	11,318,165	26,853,610	29.7%
2009	39,101,272	9,440,000	29,661,272	24.1%
2010	38,820,376	11,268,384	27,551,992	29.0%
2011	39,717,698	13,362,456	26,355,242	33.6%
2012	41,272,028	21,823,249	19,448,779	52.9%
2013	42,002,631	25,255,000	16,747,631	60.1%
2014	43,152,341	24,190,000	18,962,341	56.1%
2015	42,002,631	19,795,000	22,207,631	47.1%
2016	44,089,691	17,825,000	26,264,691	40.4%
2017	44,029,737	15,500,000	28,529,737	35.2%

CITY OF INDIANOLA
Statistical Section (Continued)

Building Permit Trends

Construction			Construction			Total		Construction		Total
Value of new			Value of			New	Total	Value of		Residential
Calendar	Single Family	No. of	Multi-Family	No. of	No. of	Residential	No. of	Alterations &	No. of	Construction
Year	Dwellings	Permits	Dwellings	Permits	Units	Construction	Units	Additions	Permits	Value
2006	12,603,520	71	5,847,400	12	27	18,450,920	98	539,100	66	18,990,020
2007	10,568,484	63	2,687,887	9	19	13,256,371	82	743,942	63	14,000,313
2008	3,617,146	22	8,355,796	34	68	11,972,942	90	670,221	59	12,643,163
2009	3,676,598	23	4,417,800	1	62	8,094,398	85	278,426	35	8,372,824
2010	5,022,118	35	8,144,766	44	84	13,166,884	119	1,459,209	45	14,626,093
2011	3,362,600	21	223,000	1	2	3,585,600	23	540,643	46	4,126,243
2012	2,035,200	14	6,251,000	4	45	8,286,200	59	262,201	42	8,548,401
2013	8,052,802	47	6,245,150	13	62	14,297,952	109	262,850	40	14,560,802
2014	5,330,909	29	2,631,850	8	24	7,962,759	53	475,127	38	8,437,886
2015	7,040,310	40	1,827,700	6	16	8,868,010	56	386,665	43	9,254,675
2016	7,250,532	40	13,741,553	10	138	20,992,085	178	456,089	56	21,448,174
2017	6,760,380	39	3,258,375	11	23	10,018,755	62	394,088	56	10,412,843
Construction			Construction			Total				
Value of			Value of			Construction	Total			
Commercial/			Non-taxable			Value of	No. of			
Industrial			Construction			Construction	Permits			
Permits			Permits							
2006	4,788,835	37	2,293,717		2	26,072,572	188			
2007	11,405,065	9	14,262,433		2	34,729,175	193			
2008	3,764,616	22	71,000		2	16,718,743	157			
2009	4,399,823	21	1,616,980		6	12,975,239	101			
2010	5,439,383	9	4,025,121		9	20,273,820	179			
2011	40,613,859	39	30,565,682		9	44,897,710	136			
2012	19,690,301	29	18,436,157		14	28,522,468	115			
2013	10,846,316	18	4,857,530		1	25,488,473	140			
2014	12,535,812	23	10,149,235		3	21,130,498	120			
2015	11,510,521	61	10,532,327		7	20,935,297	136			
2016	8,701,276	24	127,000		1	30,457,132	162			
2017	4,881,703	24	139,433		3	15,672,532	154			

CITY OF INDIANOLA
Statistical Section (Continued)

Demographic Information

Trends:	<u>Calendar Year</u>	<u>Iowa Unemployment</u>		
	2006	3.9%		
	2007	3.6%		
	2008	3.8%		
	2009	5.6%		
	2010	6.2%		
	2011	6.0%		
	2012	5.1%		
	2013	4.6%		
	2014	4.4%		
	2015	3.5%		
	2016	3.5%		
	2017	3.0%		
History:	<u>Calendar Year</u>	<u>Population</u>	<u>10 year % increase</u>	<u>Median Family Income</u>
	1930	3,488		
	1940	4,100	17.5%	
	1950	5,145	25.5%	
	1960	7,062	37.3%	
	1970	8,976	27.1%	
Special	1975	9,611		
	1980	10,843	20.8%	
	1990	11,340	4.6%	\$ 34,684
Special	1995	12,339		
	2000	12,998	14.6%	\$ 52,235
Annexation	2004	13,044		
Special	2005	14,156	14.7%	
	2010	14,782	13.7%	\$ 52,238



Shull, Schrum, McClaflin
& Co., Inc.
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

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 City of Indianola, Iowa, as of and for the year ended June 30, 2017, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards of 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 of 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 of the City of Indianola as of June 30, 2017, and the respective changes in cash basis financial position for the year then ended in conformity 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 the generally accepted accounting principles of the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Indianola's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 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 generally accepted auditing standards of 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.

The other information, the Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 28 through 33 and 68 through 75, as well as the chief accounting officer's report, city officials, operational review and statistical section on pages 1 through 24, 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 12, 2018 on our consideration of the City of Indianola'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 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 Indianola's internal control over financial reporting and compliance.

Shull, Schrum, McClellan & Co., Inc.

March 12, 2018

CITY OF INDIANOLA

Management Discussion and Analysis (MD&A)

The City of Indianola offers readers of the City of Indianola's financial statements this narrative overview and analysis of the financial activities of the City of Indianola for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the chief accounting officer's report and operational review, which can be found in this report.

2017 Financial Highlights

- The City of Indianola has an ending cash balance of \$26,417,491 to meet the government's ongoing obligations to citizens and creditors. Of this, \$17,087,598 is under the direct management and control of the primary government with \$13,579,848 for governmental activities and \$3,507,750 for business-type activities. The remaining \$9,329,893 is under the control of the component unit, Indianola Municipal Utilities.
- Total cash balances increased \$4,869,371 for the primary government and increased \$1,582,515 for the component unit. The primary reason for the increase is to accumulate funds for capital expenditures in the future without borrowing.

Using this Annual Report

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

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

The Government-wide Financial Statement consists of a 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 balance). 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 that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

Reporting the City's Financial Activities

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

Government-wide Financial Statement: The Combined Statement of Cash Transactions presents information on all of the City of Indianola's cash balances. Over time, increases or decreases in balances may serve as a useful indicator of whether the financial position of the City of Indianola is improving or deteriorating. This statement details how cash balances changed during the most recent fiscal year.

This statement distinguishes functions of the City of Indianola that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities).

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

Business type activities of the City include both internal service funds and sanitary sewer system funds.

The component unit of the City of Indianola is the combined transactions of the electric, water, and telecommunications utilities. Separate financial statements are issued for these activities under the report of Indianola Municipal Utilities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about individual, significant funds—not the City as a whole. Some funds are required to be established in Iowa Code and by bond covenants. The City of Indianola has established other funds to help it control and manage financial resources for particular purposes. The city has two types of funds:

1. Governmental funds account for most of the City of Indianola's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) Special Revenue Funds, 3) the Debt Service Fund, and 4) Capital Projects Funds. The Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds 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 less, financial resources available.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

2. Business type funds account for the City of Indianola's Enterprise Funds and Internal Services Funds. As shown on the "Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds" Enterprise Funds are maintained for the sanitary sewer funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among various functions. The City of Indianola uses Internal Service Funds to account for employee group health & short-term disability insurance and property & liability deductibles.

Financial Analysis

The following condensed financial information serves as summarized financial data and indicators for management, monitoring, and planning.

Net position: The table below shows restricted and unrestricted net assets on a cash basis. These net assets exclude those of the component unit, which are under the management and control of a board of trustees.

Net Position (Cash Basis)

	Year ended June 30,		
	2017	2016	Change
Governmental Activities			
Restricted	\$ 6,627,472	3,525,382	3,102,090
Unrestricted	6,952,376	6,202,988	749,388
Total	<u>13,579,848</u>	<u>9,728,370</u>	<u>3,851,478</u>
Business Type Activities			
Restricted	55,161	54,997	164
Unrestricted	3,452,589	2,434,860	1,017,729
Total	<u>3,507,750</u>	<u>2,489,857</u>	<u>1,017,893</u>
Total Primary Government			
Restricted	6,682,633	3,580,379	3,102,254
Unrestricted	10,404,965	8,637,848	1,767,117
Total	<u>17,087,598</u>	<u>12,218,227</u>	<u>4,869,371</u>
Component Unit			
Restricted	143,751	439,500	(295,749)
Unrestricted	9,186,142	7,307,878	1,878,264
Total	<u>\$ 9,329,893</u>	<u>7,747,378</u>	<u>1,582,515</u>

Sources and uses of funds: The following table summarizes how the operations of the city were financed and the programs in which they were expended.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

Changes in Net Position Governmental Funds

	Year ended June 30,					
	2017		2016		Change	
Receipts						
Property tax	\$ 6,392,934	43%	6,122,001	49%	270,933	4%
Tax increment financing collections	1,955,534	13%	1,542,524	12%	413,010	27%
Other city tax	1,965,822	13%	265,487	2%	1,700,335	640%
Licenses and permits	154,991	1%	192,408	2%	(37,417)	-19%
Use of money and property	504,619	3%	469,188	4%	35,431	8%
Intergovernmental	2,109,788	14%	2,384,472	19%	(274,684)	-12%
Charges for service	1,006,626	7%	949,420	8%	57,206	6%
Special assessments	163,044	1%	112,573	1%	50,471	45%
Miscellaneous	603,705	4%	541,806	4%	61,899	11%
Total Receipts	14,857,063	100%	12,579,879	100%	2,277,184	18%
Disbursements						
Public safety	5,014,894	36%	4,095,846	33%	919,048	22%
Public works	1,483,031	11%	1,600,292	13%	(117,261)	-7%
Culture and recreation	2,137,909	15%	2,037,571	16%	100,338	5%
Community and economic development	935,587	7%	165,075	1%	770,512	467%
General government	1,461,226	10%	1,401,940	11%	59,286	4%
Debt service	2,655,684	19%	2,838,250	23%	(182,566)	-6%
Capital projects	400,336	3%	249,880	2%	150,456	60%
Total disbursements	14,088,667	100%	12,388,854	100%	1,699,813	14%
Other financing sources						
Sale of capital assets	1,159,374		111,845			
Operating transfers in	1,969,323		2,042,424			
Total other financing sources	3,128,697		2,154,269			
Net change in cash balances	3,897,093		2,345,294			
Cash balances, beginning of year	8,958,549		6,613,255			
Cash balances, end of year	\$12,855,642		8,958,549			

Property tax revenues increased due to taxable valuation growth in FY17 and other City taxes increased due to passage of a local option sales tax. The majority of the remaining revenues held relatively stable in comparison to total receipts.

Public safety and community and economic development had the largest increase in spending, attributed to equipment purchases and development agreements.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

Governmental funds: Governmental funds ended the fiscal year with a balance of \$13,579,848 an increase of \$3,851,478 over the prior year.

Business type funds: Business type funds ended the fiscal year with \$3,507,750 in cash basis fund balances, an increase of \$1,017,893 over the prior year.

Budgetary Highlights

In accordance with Iowa Code, the city council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. None of the amendments made, if any, negatively affect the following year's budget.

Capital Asset and Debt Administration

In FY 2017, the City issued no General Obligation Bonds.

Factors Affecting Financial Condition

Local economy: The City of Indianola currently has a stable economic environment and local indicators point to slight growth. Although a primarily residential community, the varied nature of the educational, light manufacturing, agriculture services, and retail sectors of the local economy provides employment stability. Close proximity to the Des Moines metro area, the state capital with a combined population of approximately 460,000, provides employment for approximately 60% of Indianola's available workforce. Over the past 5 years single-family dwellings have been constructed at an average rate of 21 units.

The region (which includes the City of Indianola and the surrounding unincorporated area within Warren County) has a relatively stable employment outlook over the next several years. New commercial construction is occurring along the four-lane highway between the City of Indianola and the Des Moines metropolitan area. New utility services to recently annexed areas along its highway corridors have been installed to open new ground for development in these areas where commercial or industrial growth has started. A four-lane bypass to the south of the Des Moines metro, completed in 2002, provides increased commercial development opportunities for the community as it improved traffic flow from Indianola to the western Des Moines suburbs and the interstate highway system. The city makes annual financial commitments to the Warren County Economic Development Corporation and Greater Des Moines Partnership to support economic development in the region. The component unit also offers its own revolving loan program to spur economic development.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

Long-term financial planning: The city has adopted a Comprehensive Plan, last updated in 2011 to help determine future infrastructure needs. City authorities annually adopt capital improvement budgets that prioritize foreseen projects. Those with potential long-term significant impacts to the financial operations of the city are:

- The city continues inspect and maintain the waste water system. The main objective of the program is to reduce storm water from entering the sanitary sewer system.

Regulatory changes: It is expected that the State of Iowa will enact new regulations on waste water treatment quality that could take effect within 5 years. Plant upgrades and gravity line improvements, which will reduce infiltration and inflow of storm water, will help the City of Indianola meet these regulations. Although a new waste water treatment plant is in the planning stages, the city is currently performing necessary rehabilitation to the sewer plant to extend its service life until work on a new system can be completed.

Other regulatory impacts under consideration by the State of Iowa also include increased monitoring and controlling storm water pollution levels.

The City Council makes a concerted effort to maintain effective services while keeping tax rates affordable, especially in light of current economic conditions. Indianola continues to have growth in population, retail sales, and commercial construction, which is above the norm for the state as a whole. The city property tax rate for FY 2017 stayed flat at \$12.70 per \$1,000 in taxable valuation.

Requests for Information

This financial report is designed to provide a general overview of the City of Indianola's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 110 N. First St., PO Box 299, Indianola, IA 50125. City Hall's telephone number is 515-961-9410.

BASIC FINANCIAL STATEMENTS

CITY OF INDIANOLA

Cash Basis Statement of Activities and Net Position
As of and for the Year Ended June 30, 2017

		Program	
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest
Functions / Programs			
Primary Government:			
Governmental activities:			
Public safety	\$ 5,037,707	905,282	291,036
Public works	1,491,774	181,740	1,842,893
Culture and recreation	2,145,800	389,229	298,733
Community and economic development	935,587	3,000	66,246
General government	1,467,674	76,803	7,282
Debt service	2,655,684	-	5,375
Capital projects	400,336	526	-
Total governmental activities	14,134,562	1,556,580	2,511,565
Business type activities:			
Sewer	1,724,865	3,070,080	55,403
Other nonmajor	222,154	426,386	-
Total business type activities	1,947,019	3,496,466	55,403
Total Primary Government	\$ 16,081,581	5,053,046	2,566,968
Component Unit:			
Municipal Utilities	\$ 16,545,122	18,058,619	1,178,973
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Employee benefits			
Tax increment financing			
Utility tax replacement excise tax			
Local option sales tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Rent			
Sale of capital assets			
Transfers			
Total general receipts and transfers			

Receipts	Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Primary Government			Component Unit
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	Municipal Utilities
-	(3,841,389)	-	(3,841,389)	-
-	532,859	-	532,859	-
-	(1,457,838)	-	(1,457,838)	-
-	(866,341)	-	(866,341)	-
-	(1,383,589)	-	(1,383,589)	-
-	(2,650,309)	-	(2,650,309)	-
35,540	(364,270)	-	(364,270)	-
35,540	(10,030,877)	-	(10,030,877)	-
-	-	1,400,618	1,400,618	-
-	-	204,232	204,232	-
-	-	1,604,850	1,604,850	-
35,540	(10,030,877)	1,604,850	(8,426,027)	-
-	-	-	-	2,692,470
	3,930,471	-	3,930,471	-
	1,002,720	-	1,002,720	-
	1,459,743	-	1,459,743	-
	1,955,534	-	1,955,534	-
	195,285	-	195,285	18,190
	1,690,405	-	1,690,405	-
	80,131	-	80,131	-
	184,628	27,491	212,119	116,403
	254,741	46,646	301,387	43,575
	1,159,374	106	1,159,480	20,000
	1,969,323	(661,200)	1,308,123	(1,308,123)
	13,882,355	(586,957)	13,295,398	(1,109,955)

CITY OF INDIANOLA

Cash Basis Statement of Activities and Net Position
As of and for the Year Ended June 30, 2017

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Expendable:

Streets

Urban renewal purposes

Debt service

Local option sales tax

Capital projects

Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Municipal Utilities</u>
3,851,478	1,017,893	4,869,371	1,582,515
<u>9,728,370</u>	<u>2,489,857</u>	<u>12,218,227</u>	<u>7,747,378</u>
<u>\$ 13,579,848</u>	<u>3,507,750</u>	<u>17,087,598</u>	<u>9,329,893</u>
1,595,615	-	1,595,615	-
942,917	-	942,917	-
1,603,076	55,161	1,658,237	143,751
1,690,405	-	1,690,405	-
697,121	-	697,121	-
98,338	-	98,338	-
<u>6,952,376</u>	<u>3,452,589</u>	<u>10,404,965</u>	<u>9,186,142</u>
<u>\$ 13,579,848</u>	<u>3,507,750</u>	<u>17,087,598</u>	<u>9,329,893</u>

CITY OF INDIANOLA

Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2017

	General	Special Road Use Tax
Receipts		
Property tax	\$ 4,012,644	-
Tax increment financing	-	-
Other city tax	275,417	-
Licenses and permits	154,991	-
Use of money and property	503,467	-
Intergovernmental	251,691	1,835,347
Charges for service	1,006,626	-
Special assessments	-	-
Miscellaneous	573,230	12,310
Total receipts	<u>6,778,066</u>	<u>1,847,657</u>
Disbursements		
Operating		
Public safety	5,014,894	-
Public works	228,751	1,254,280
Culture and recreation	2,137,909	-
Community and economic development	935,320	-
General government	1,461,226	-
Debt service	79,875	-
Capital projects	-	-
Total disbursements	<u>9,857,975</u>	<u>1,254,280</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(3,079,909)</u>	<u>593,377</u>
Other financing sources (uses)		
Sale of capital assets	1,159,374	-
Operating transfers in (out)	3,198,300	(222,981)
Total other financing sources (uses)	<u>4,357,674</u>	<u>(222,981)</u>

Revenue			
Local Option Sales Tax	Debt Service	Nonmajor	Total
-	920,547	1,459,743	6,392,934
-	-	1,955,534	1,955,534
1,690,405	-	-	1,965,822
-	-	-	154,991
-	-	1,152	504,619
-	-	22,750	2,109,788
-	-	-	1,006,626
-	162,518	526	163,044
-	5,375	12,790	603,705
<u>1,690,405</u>	<u>1,088,440</u>	<u>3,452,495</u>	<u>14,857,063</u>
-	-	-	5,014,894
-	-	-	1,483,031
-	-	-	2,137,909
-	-	267	935,587
-	-	-	1,461,226
-	2,575,809	-	2,655,684
-	-	400,336	400,336
-	<u>2,575,809</u>	<u>400,603</u>	<u>14,088,667</u>
<u>1,690,405</u>	<u>(1,487,369)</u>	<u>3,051,892</u>	<u>768,396</u>
-	-	-	1,159,374
-	1,849,911	(2,855,907)	1,969,323
-	<u>1,849,911</u>	<u>(2,855,907)</u>	<u>3,128,697</u>

CITY OF INDIANOLA

Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2017

	General	Special Road Use Tax
Change in cash balances	1,277,765	370,396
Cash balances beginning of year	4,950,405	1,225,219
Cash balances end of year	\$ 6,228,170	1,595,615
Cash Basis Fund Balances		
Restricted for:		
Streets	\$ -	1,595,615
Urban renewal purposes	-	-
Debt service	-	-
Local option sales tax	-	-
Capital projects	-	-
Other purposes	-	-
Unassigned	6,228,170	-
Total cash basis fund balances	\$ 6,228,170	1,595,615



See notes to financial statements.

Exhibit B
(Continued)

Revenue			
<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
1,690,405	362,542	195,985	3,897,093
-	1,240,534	1,542,391	8,958,549
<u>1,690,405</u>	<u>1,603,076</u>	<u>1,738,376</u>	<u>12,855,642</u>
	-	-	1,595,615
-	-	942,917	942,917
-	1,603,076	-	1,603,076
1,690,405	-	-	1,690,405
-	-	697,121	697,121
-	-	98,338	98,338
-	-	-	6,228,170
<u>1,690,405</u>	<u>1,603,076</u>	<u>1,738,376</u>	<u>12,855,642</u>

CITY OF INDIANOLA

Exhibit C

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash
Balances to the Cash Basis Statement of Activities and Net Position -
Governmental Funds
As of and for the Year Ended June 30, 2017

Total government funds cash balances	\$ 12,855,642
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*Amounts reported for governmental activities in the Cash Basis
Statement of Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

	<u>724,206</u>
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Cash basis net position of governmental activities	\$ <u>13,579,848</u>
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Change in cash balances	\$ 3,897,093
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*Amounts reported for governmental activities in the Cash Basis
Statement of Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

	<u>(45,615)</u>
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Change in cash basis net position of governmental activities	\$ <u>3,851,478</u>
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See notes to financial statements.

CITY OF INDIANOLA

Statement of Cash Receipts, Disbursements and Changes in Cash Balances -
Proprietary Funds
As of and for the Year Ended June 30, 2017

		Enterprise Funds
	Sewer	Nonmajor
Operating receipts		
Charges for service	\$ 3,002,358	426,386
Miscellaneous	43,260	-
Total operating receipts	<u>3,045,618</u>	<u>426,386</u>
Operating disbursements		
Governmental activities		
Public safety	-	-
Public works	-	-
Culture and recreation	-	-
General government	-	-
Business type activities	1,004,363	218,871
Component Unit:		
Municipal Utilities	-	-
Total operating disbursements	<u>1,004,363</u>	<u>218,871</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>2,041,255</u>	<u>207,515</u>
Non-operating receipts (disbursements)		
Interest on investments	27,421	-
Special assessments	24,462	-
Miscellaneous	102,049	-
Sale of capital assets	106	-
Debt Service	(624,469)	-
Capital projects	(91,048)	(3,283)
Net non-operating receipts (disbursements)	<u>(561,479)</u>	<u>(3,283)</u>
Excess (deficiency) of receipts over (under) disbursements	1,479,776	204,232
Operating transfers in (out)	<u>(582,100)</u>	<u>(79,100)</u>
Change in cash balances	897,676	125,132
Cash balances beginning of year	1,787,929	592,466
Cash balances end of year	<u>\$ 2,685,605</u>	<u>717,598</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ 55,161	-
Unrestricted	2,630,444	717,598
Total cash basis fund balances	<u>\$ 2,685,605</u>	<u>717,598</u>

See notes to financial statements.

Total	Internal Service Funds
3,428,744	1,548,182
43,260	40,659
3,472,004	1,588,841
-	511,733
-	148,867
-	205,367
-	189,454
1,223,234	125,332
-	479,250
1,223,234	1,660,003
2,248,770	(71,162)
27,421	350
24,462	-
102,049	-
106	-
(624,469)	-
(94,331)	-
(564,762)	350
1,684,008	(70,812)
(661,200)	-
1,022,808	(70,812)
2,380,395	1,166,445
3,403,203	1,095,633
55,161	-
3,348,042	1,095,633
3,403,203	1,095,633

CITY OF INDIANOLA

Exhibit E

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash
Balances to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds
As of and for the Year Ended June 30, 2017

Total enterprise funds cash balances	\$	3,403,203
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***Amounts reported for business type activities in the Cash Basis
Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

		104,547
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Cash basis net position of business type activities	\$	3,507,750
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Change in cash balances	\$	1,022,808
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***Amounts reported for business type activities in the Cash Basis
Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

		(4,915)
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Change in cash basis net position of business type activities	\$	1,017,893
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See notes to financial statements.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Indianola is a political subdivision of the State of Iowa located in Warren County. It was incorporated in 1864 and operates under the home rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides a sewer utility for its citizens.

A. REPORTING ENTITY

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

These financial statements present the City of Indianola (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit - The financial information for the Indianola Municipal Utilities is presented as a Component Unit to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utilities are governed by a five-member board appointed by the City Council and the Utilities' operating budget is subject to the approval of the City Council.

Jointly Governed Organizations - The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: South Central Iowa Landfill Agency Board, Central Iowa Regional Transportation Planning Alliance Board, Metropolitan Planning Organization Committee, Marion/Warren County Drug Task Force, Community Athletic Facilities Board.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 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 service.

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

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.

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

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

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

The City reports the following major governmental 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 that are not paid from other funds.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued) –

Special Revenue:

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

Local Option Sales Tax Fund is used to account for local option sales tax collections.

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

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary funds:

Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The City of Indianola 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, property and equipment, accounts payable, accrued items and debt. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with generally accepted accounting principles of 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 is both restricted and unrestricted cash basis net position 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.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

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:

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

Unassigned – All amounts not included in the preceding classifications.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the public safety function.

2. **CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED Year Ended June 30, 2017

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 pooled investments of the City and Indianola Municipal Utilities at June 30, 2017 were as follows:

	CARRYING AMOUNT	FAIR VALUE
Money market accounts	\$ 1,039,416	1,039,416
U.S. treasury bills	498,769	500,605
U.S. government obligations	4,148,582	4,157,618
U.S. agency mortgage pass-through	654,500	661,255
U.S. agency bonds and notes	12,967,471	12,819,639
U.S. agency collateralized mortgage obligations	1,429,517	1,404,640
U.S. agency asset backed securities	747,268	768,185
	<u>\$ 21,485,523</u>	<u>21,351,358</u>

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the City's investments were determined using quoted market prices. (Level 1 inputs)

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$111,376 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There are no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

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.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

2. **CASH AND POOLED INVESTMENTS (CONTINUED)**

Credit risk – The City's investments are held by a bank's trust department in the City's name. Investments with a carrying amount of \$10,665,060 and \$5,539,177 are rated Aaa and AAA, respectively. The balance of the investments is not rated.

3. **BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for the City's general obligation bonds and notes, capital loan notes, revenue capital loan notes, and other long-term debt as of June 30, 2017 are as follows:

YEAR ENDING June 30,	GENERAL OBLIGATION BONDS & NOTES		CAPITAL LOAN NOTES		REVENUE CAPITAL LOAN NOTES		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2018	\$ 2,045,000	290,507	75,000	2,437	385,000	286,945	2,505,000	579,889
2019	1,800,000	262,045	-	-	395,000	277,195	2,195,000	539,240
2020	1,835,000	235,145	-	-	405,000	267,175	2,240,000	502,320
2021	1,560,000	206,340	-	-	416,000	256,895	1,976,000	463,235
2022	1,465,000	179,733	-	-	428,000	246,325	1,893,000	426,058
2023-2027	5,235,000	510,907	-	-	2,315,000	1,062,285	7,550,000	1,573,192
2028-2032	1,485,000	77,440	-	-	2,035,000	759,745	3,520,000	837,185
2033-2037	-	-	-	-	1,766,000	500,225	1,766,000	500,225
2038-2041	-	-	-	-	1,630,000	142,885	1,630,000	142,885
	<u>\$ 15,425,000</u>	<u>1,762,117</u>	<u>75,000</u>	<u>2,437</u>	<u>9,775,000</u>	<u>3,799,675</u>	<u>25,275,000</u>	<u>5,564,229</u>

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$9,090,000 of Sewer Revenue Capital Loan Notes, Series 2009, issued in May 2009. Proceeds from the notes provided financing for the costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping of the municipal sewer system utility. The notes are payable solely from sewer customer net receipts and are payable through 2041. Annual principal and interest payments on the notes are expected to require less than 46% of net receipts. The total principal and interest remaining to be paid on the notes is \$10,728,055. For the current year, principal and interest paid and total customer net receipts were \$422,220 and \$2,041,255, respectively.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

3. **BONDS AND NOTES PAYABLE (CONTINUED)**

Revenue Notes - continued

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$4,036,000 of Sewer Revenue Capital Loan Notes, Series 2013, issued in April 2013. Proceeds from the notes provided financing for the costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping of the municipal sewer system utility. The notes are payable solely from sewer customer net receipts and are payable through 2033. Annual principal and interest payments on the notes are expected to require less than 25% of net receipts. The total principal and interest remaining to be paid on the notes is \$2,846,620. For the current year, principal and interest paid and total customer net receipts were \$183,563 and \$2,041,255, respectively.

The resolution providing for the issuance of the revenue capital loan notes include the following provisions:

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a separate water revenue sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.
- c. All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to retire any subordinate obligations, to pay for extraordinary repairs or replacements to the water system, or to pay or redeem the notes or parity obligations, and then can be used for any lawful purpose.

4. **PENSION PLANS**

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 P.O. Box 9117, Des Moines, Iowa 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 informational purposes only. Refer to the plan documents for more information.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

4. **PENSION PLANS (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, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

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

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

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

4. **PENSION PLANS (CONTINUED)**

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$453,754.

At June 30, 2017, the City had a liability of \$3,485,660 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's proportion was .0553867%, which was a decrease of .001303% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017 the City pension expense, deferred outflows and deferred inflows totaled \$440,193, \$551,799 and \$116,165 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation
Wage Growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

4. **PENSION PLANS (CONTINUED)**

The actuarial assumptions used in the June 30, 2016 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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28%	1.90%
Domestic Equity	24	5.85
International Equity	16	6.32
Private Equity/debt	11	10.31
Real Estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. 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, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

4. **PENSION PLANS (CONTINUED)**

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%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) 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	\$ 6,008,042	\$ 3,485,660	\$1,357,213

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

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, Iowa 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.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

4. **PENSION PLANS (CONTINUED)**

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

Active members at least 55 years of age with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period.

During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

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

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

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa, which provides a standard formula for the increases.

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

4. **PENSION PLANS (CONTINUED)**

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2017.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 25.92% for the year ended June 30, 2017.

The City's contributions to MFPRSI for the year ended June 30, 2017 was \$334,617.

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

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2017.

At June 30, 2017, the City had a liability of \$2,791,690 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was .4464840% which was a decrease of .0038910% from its proportions measured as of June 30, 2015.

For the year ended June 30, 2017, the City's collective pension expense totaled \$382,037.

Actuarial Assumptions - The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00%
Rates of salary increase	4.50 to 15.110%, including inflation.
Investment rate of return	7.50%, net of investment expense, including inflation

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED Year Ended June 30, 2017

4. PENSION PLANS (CONTINUED)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Postretirement mortality changed to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

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

Asset Class	Long-Term Expected Real Rate of Return
Large Cap	6.0%
Small Cap	5.8%
International Large Cap	7.0%
Emerging Markets	8.8%
Emerging Market Debt	6.5%
Private Non-Core Real Estate	9.3%
Master Limited Partnerships	8.5%
Private Equity	9.8%
Core Plus Fixed Income	3.8%
Private Core Real Estate	6.8%
Treasury Inflation Protected Securities	2.8%
Tactical Asset Allocation	6.0%

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

4. **PENSION PLANS (CONTINUED)**

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.5%) 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	\$ 4,381,416	\$ 2,791,690	\$ 1,467,788

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

5. **OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 91 active and 1 retired members in the plan. Participants must be 55 or older at retirement. Some Fire/Rescue participants qualify at age 50 with 22 years of service.

The medical/prescription drug benefits are provided through a self-funded plan. 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 \$538 for single coverage and \$1,311 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2017, the City contributed \$0 and plan members eligible for benefits contributed approximately \$12,150 to the plan.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

6. **COMPENSATED ABSENCES**

City employees accumulate vacation hours and sick leave for subsequent use. Unused vacation hours are payable upon termination, retirement or death. Sick leave hours are payable only when used and not upon separation of service. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits as of June 30, 2017, primarily relating to the General Fund, was as follows:

Vacation	\$ 378,668
Sick leave	<u>836,256</u>
	\$ <u>1,214,924</u>

This liability has been computed based on rates of pay as of June 30, 2017.

7. **HEALTH INSURANCE AND HEALTH REIMBURSEMENT ARRANGEMENT**

The City self-funds its health insurance plan as permitted by Iowa Code Section 509A using an internal service fund. Transfers to the fund are made at pre-established rates for single or family coverage by each city department on a monthly basis. Disbursements from the fund are made to pay administrative fees, stop loss insurance premiums and payment of claims. As of June 30, 2017, the actuarially determined reserve necessary for claims incurred but not yet paid was \$177,621 (2016 - \$196,625) and the internal service fund balance was \$607,235 (2016 - \$690,402).

The City also maintains a health reimbursement arrangement (HRA) for the benefit of employees. The City makes a fixed annual commitment that employees may use to offset premium contributions or cash payments for any medical expense allowed under current income tax provisions. If the employee does not utilize the full amount provided in the fiscal year, the balance is carried forward to the following year and is available in any future period, including after retirement. Disbursements are paid out of operating funds and not held in trust. They are, however, accounted for in a sub-fund that is separate from other operating funds for budgetary control. Unpaid HRA balances totaled \$251,216 as of June 30, 2017.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

8. **INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 222,981
	Employee Benefits Levy	1,459,743
	Downtown Tax Increment	550,000
	Police Retirement	12,500
	Enterprise:	
	Sewer	444,300
	Recycling	18,500
	Component Unit	<u>1,150,023</u>
		<u>3,858,047</u>
Debt Service	General	81,133
	Special Revenue:	
	Downtown Tax Increment	1,412,278
	Enterprise:	
	Sewer	137,800
	Stormwater Utility	60,600
	Component Unit	<u>158,100</u>
		<u>1,849,911</u>
Capital Projects:		
Capital Projects Fund	General	<u>578,614</u>
		<u>\$ 6,286,572</u>

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

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 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

9. **RISK MANAGEMENT (CONTINUED)**

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2017 were \$118,915 (2016 - \$113,030).

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

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

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims 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.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

9. **RISK MANAGEMENT (CONTINUED)**

The City is a member of the Iowa Municipalities Workers' Compensation Association (the "Association"). The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdiction. The City has executed a Worker's Compensation Coverage Agreement with the Association which extends through June 30, 2017 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2017, the City paid workers' compensation insurance premiums of \$143,786 (2016 - \$120,561) to the Association.

10. **TAX ABATEMENTS**

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

City Tax Abatements

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

For the year ended June 30, 2017, the City abated \$508,750 of property tax under the urban renewal and economic development projects.

11. **DOWNTOWN BUSINESS INCENTIVE PROGRAM**

The City offers an incentive program for renovation and repair of existing commercial building structures and facades in certain blocks of the Original Town Plat. Property owners in the program are eligible for grants for a portion of the costs incurred and obtain a loan from a local lender for the balance of the costs. In order to provide the loans to property owners at 0% interest, the City places a non-interest bearing deposit with the lender. As property owners pay down the loans, the non-interest bearing funds are returned to the City. During the year ended June 30, 2017, grants of \$14,513 and loan deposits of \$21,770 had been made under the program. As of June 30, 2017, remaining non-interest bearing deposits totaled \$189,701.

12. **COMMITMENTS**

The City has entered into contracts for street and highway improvements, a waste water treatment plant project, and other projects totaling approximately \$580,167. The remaining commitment on these contracts at June 30, 2017 is \$458,482.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2017

13. **DEFICIT BALANCE**

The Community Redevelopment capital project fund had a deficit balance of \$57,471, at June 30, 2017. The deficit balance was a result project costs incurred prior to availability of funds.

14. **NEW ACCOUNTING PRONOUNCEMENT**

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements and tax abatements of other entities which impact the City.

15. **PROSPECTIVE ACCOUNTING CHANGE**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

OTHER INFORMATION

CITY OF INDIANOLA

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) -

All Governmental Funds and Proprietary Funds

Other Information

Year Ended June 30, 2017

	Governmental Funds Actual	Proprietary Funds and Internal Service Funds Actual
Receipts		
Property tax	\$ 6,392,934	-
Tax increment financing collections	1,955,534	-
Other city tax	1,965,822	-
Licenses and permits	154,991	-
Use of money and property	504,619	27,771
Intergovernmental	2,109,788	-
Charges for service	1,006,626	4,976,926
Special assessments	163,044	24,462
Miscellaneous	603,705	185,968
Total receipts	<u>14,857,063</u>	<u>5,215,127</u>
Disbursements		
Public safety	5,014,894	511,733
Public works	1,483,031	148,867
Culture and recreation	2,137,909	205,367
Community and economic development	935,587	-
General government	1,461,226	189,454
Debt service	2,655,684	-
Capital projects	400,336	-
Business type activities	-	2,546,616
Total disbursements	<u>14,088,667</u>	<u>3,602,037</u>
Excess (deficiency) of receipts over (under) disbursements	768,396	1,613,090
Other financing sources, net	<u>3,128,697</u>	<u>(661,094)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,897,093	951,996
Balances beginning of year	<u>8,958,549</u>	<u>3,546,840</u>
Balances end of year	<u>\$ 12,855,642</u>	<u>4,498,836</u>

See accompanying independent auditor's report.

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	6,392,934	6,196,650	6,196,650	196,284
-	1,955,534	1,845,000	1,845,000	110,534
-	1,965,822	304,422	1,704,422	261,400
-	154,991	150,400	150,400	4,591
350	532,040	514,300	829,300	(297,260)
-	2,109,788	2,278,800	2,378,800	(269,012)
1,548,182	4,435,370	4,445,700	5,294,755	(859,385)
-	187,506	93,900	93,900	93,606
40,659	749,014	2,636,110	3,000,560	(2,251,546)
1,589,191	18,482,999	18,465,282	21,493,787	(3,010,788)
511,733	5,014,894	4,785,110	4,869,400	(145,494)
148,867	1,483,031	1,706,500	1,827,850	344,819
205,367	2,137,909	2,186,300	2,331,500	193,591
-	935,587	1,184,000	1,184,000	248,413
189,454	1,461,226	1,593,850	1,608,850	147,624
-	2,655,684	2,671,700	2,671,700	16,016
-	400,336	640,000	2,980,033	2,579,697
604,582	1,942,034	4,293,250	5,235,703	3,293,669
1,660,003	16,030,701	19,060,710	22,709,036	6,678,335
(70,812)	2,452,298	(595,428)	(1,215,249)	3,667,547
-	2,467,603	86,500	2,623,000	(155,397)
(70,812)	4,919,901	(508,928)	1,407,751	3,512,150
1,166,445	11,338,944	6,956,857	6,956,857	4,382,087
1,095,633	16,258,845	6,447,929	8,364,608	7,894,237

CITY OF INDIANOLA

Notes to Other Information – Budgetary Reporting

June 30, 2017

The budgetary comparison is presented in accordance with Governmental 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 Internal Service Funds and 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. 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 and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$3,648,326. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the public safety function.

CITY OF INDIANOLA

Schedule of the City's Proportionate Share of the Net Pension Liability

For the Last Three Years*

Other Information				
<u>Iowa Public Employees' Retirement System</u>		<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability		0.055387%	0.056689%	0.057425%
City's proportionate share of the net pension liability		\$3,485,660	\$2,800,726	\$2,277,403
City's covered-employee payroll		\$5,000,005	\$4,659,081	\$4,712,732
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		69.71%	60.11%	48.32%
IPERS' net position as a percentage of the total pension liability		81.82%	85.19%	87.61%
<u>Municipal Fire and Police Retirement System of Iowa</u>		<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability		0.4464840%	0.4503750%	0.4678200%
City's proportionate share of the net pension liability		\$2,791,690	\$2,115,926	\$1,695,838
City's covered-employee payroll		\$1,290,953	\$1,209,940	\$1,181,090
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		216.25%	174.88%	143.58%
MFPRSI's net position as a percentage of the total pension liability		78.20%	83.04%	86.27%

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

See accompanying independent auditor's report.

CITY OF INDIANOLA

Schedule of City Contributions

For the Last 10 Years

Other Information

Iowa Public Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 453,754	423,224	429,312	437,236
Contributions in relation to the statutorily required contribution	<u>(453,754)</u>	<u>(423,224)</u>	<u>(429,312)</u>	<u>(437,236)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$5,000,005	4,659,081	4,712,732	4,796,576
Contributions as a percentage of covered-employee payroll	9.08%	9.08%	9.11%	9.12%

Municipal Fire and Police Retirement System of Iowa

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 334,617	336,000	359,159	359,824
Contributions in relation to the statutorily required contribution	<u>(334,617)</u>	<u>(336,000)</u>	<u>(359,159)</u>	<u>(359,824)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$1,290,953	1,209,940	1,181,090	1,194,671
Contributions as a percentage of covered-employee payroll	25.92%	27.77%	30.41%	30.12%

See accompanying independent auditor's report.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
413,609	366,270	309,971	283,588	258,142	237,406
<u>(413,609)</u>	<u>(366,270)</u>	<u>(309,971)</u>	<u>(283,588)</u>	<u>(258,142)</u>	<u>(237,406)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4,622,402	4,374,874	4,178,301	4,024,153	3,860,006	3,694,371
8.95%	8.37%	7.42%	7.05%	6.69%	6.43%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
292,321	275,284	205,493	165,526	186,950	231,966
<u>(292,321)</u>	<u>(275,284)</u>	<u>(205,493)</u>	<u>(165,526)</u>	<u>(186,950)</u>	<u>(231,966)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,119,635	1,111,810	1,032,628	973,684	997,058	910,412
26.11%	24.76%	19.90%	17.00%	18.75%	25.48%

CITY OF INDIANOLA

Notes to Other Information – Pension Liability

Year Ended June 30, 2017

Iowa Public Employees' Retirement System

Changes of benefit terms:

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

Legislative action in 2008 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.

Changes of assumptions:

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

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

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

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

CITY OF INDIANOLA

Notes to Other Information – Pension Liability

Year Ended June 30, 2017

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Postretirement mortality changed to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

SUPPLEMENTARY INFORMATION

CITY OF INDIANOLA

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2017

	Special		
	Employee Benefits Levy	Downtown Tax Increment	Police Retirement
Receipts			
Property tax	\$ 1,459,743	-	-
Tax increment financing collections	-	1,955,534	-
Use of money and property	-	-	1,137
Intergovernmental	-	-	-
Special assessments	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>1,459,743</u>	<u>1,955,534</u>	<u>1,137</u>
Disbursements			
Operating			
Community and economic development	-	267	-
Capital projects	-	-	-
Total disbursements	<u>-</u>	<u>267</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,459,743</u>	<u>1,955,267</u>	<u>1,137</u>
Other financing uses			
Operating transfers in (out)	<u>(1,459,743)</u>	<u>(1,962,278)</u>	<u>(12,500)</u>
Total other financing sources (uses)	<u>(1,459,743)</u>	<u>(1,962,278)</u>	<u>(12,500)</u>
Change in cash balances	-	(7,011)	(11,363)
Cash balances beginning of year	-	949,928	89,871
Cash balances end of year	<u>-</u>	<u>942,917</u>	<u>78,508</u>
Cash Basis Fund Balances			
Restricted for:			
Urban renewal purposes	-	942,917	-
Capital projects	-	-	-
Other purposes	-	-	78,508
Total cash basis fund balances	<u>\$ -</u>	<u>942,917</u>	<u>78,508</u>

See accompanying independent auditor's report.

Revenue	Capital Projects				
			Community		
Police	Capital	Street	Athletic	Community	Total
Seizures	Projects	Construction	Facility	Redevelopment	
-	-	-	-	-	1,459,743
-	-	-	-	-	1,955,534
-	-	-	15	-	1,152
-	-	22,750	-	-	22,750
-	-	526	-	-	526
-	10,060	2,730	-	-	12,790
-	10,060	26,006	15	-	3,452,495
-	-	-	-	-	267
-	359,041	33,463	2,556	5,276	400,336
-	359,041	33,463	2,556	5,276	400,603
-	(348,981)	(7,457)	(2,541)	(5,276)	3,051,892
-	578,614	-	-	-	(2,855,907)
-	578,614	-	-	-	(2,855,907)
-	229,633	(7,457)	(2,541)	(5,276)	195,985
19,830	406,192	126,164	2,601	(52,195)	1,542,391
19,830	635,825	118,707	60	(57,471)	1,738,376
-	-	-	-	-	942,917
-	635,825	118,707	60	(57,471)	697,121
19,830	-	-	-	-	98,338
19,830	635,825	118,707	60	(57,471)	1,738,376

CITY OF INDIANOLA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds
As of and for the Year Ended June 30, 2017

	Enterprise			Internal
	Recycling	Stormwater Utility	Total	Health Insurance Reserve
Operating receipts				
Charges for service	\$ 222,669	203,717	426,386	11,926
Miscellaneous	-	-	-	40,659
Total operating receipts	<u>222,669</u>	<u>203,717</u>	<u>426,386</u>	<u>52,585</u>
Operating disbursements				
Governmental activities				
Public safety	-	-	-	14,476
Public works	-	-	-	3,240
Culture and recreation	-	-	-	5,231
General government	-	-	-	5,616
Business type activities				
Sewer	-	-	-	2,410
Other	193,127	25,744	218,871	-
Component Unit:				
Municipal Utilities	-	-	-	11,381
Total disbursements	<u>193,127</u>	<u>25,744</u>	<u>218,871</u>	<u>42,354</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>29,542</u>	<u>177,973</u>	<u>207,515</u>	<u>10,231</u>
Non-operating receipts (disbursements)				
Interest on investments	-	-	-	-
Capital projects	-	(3,283)	(3,283)	-
Net non-operating receipts (disbursements)	-	(3,283)	(3,283)	-
Excess of receipts over disbursements	29,542	174,690	204,232	10,231
Operating transfers in (out)	(18,500)	(60,600)	(79,100)	-
Change in cash balances	11,042	114,090	125,132	10,231
Cash balances beginning of year	90,333	502,133	592,466	204,708
Cash balances end of year	<u>\$ 101,375</u>	<u>616,223</u>	<u>717,598</u>	<u>214,939</u>
Cash Basis Fund Balances				
Unrestricted	<u>101,375</u>	<u>616,223</u>	<u>717,598</u>	<u>214,939</u>
Total cash basis fund balances	<u>\$ 101,375</u>	<u>616,223</u>	<u>717,598</u>	<u>214,939</u>

See accompanying independent auditor's report.

Service

Property Insurance Council	Health Pool	Health Reimbursement Arrangement	Total
-	1,430,456	105,800	1,548,182
-	-	-	40,659
-	1,430,456	105,800	1,588,841
3,960	462,110	31,187	511,733
1,943	135,923	7,761	148,867
-	188,143	11,993	205,367
-	171,342	12,496	189,454
-	117,154	5,768	125,332
-	-	-	-
-	438,951	28,918	479,250
5,903	1,513,623	98,123	1,660,003
(5,903)	(83,167)	7,677	(71,162)
350	-	-	350
-	-	-	-
350	-	-	350
(5,553)	(83,167)	7,677	(70,812)
-	-	-	-
(5,553)	(83,167)	7,677	(70,812)
27,796	690,402	243,539	1,166,445
22,243	607,235	251,216	1,095,633
22,243	607,235	251,216	1,095,633
22,243	607,235	251,216	1,095,633
22,243	607,235	251,216	1,095,633

CITY OF INDIANOLA

Schedule of Indebtedness
Year Ended June 30, 2017

OBLIGATION	DATE OF ISSUE	INTEREST RATES	AMOUNT ORIGINALLY ISSUED
2011 General Obligation Refunding	1/13/2011	1.00-2.50	3,915,000
2011 General Obligation	10/19/2011	0.55-2.25	850,000
2011 General Obligation Urban Renewal	12/28/2011	1.30-2.95	2,410,000
2012 General Obligation Urban Renewal	5/1/2012	2.00-2.95	4,580,000
2012 General Obligation	5/1/2012	0.50-2.40	3,875,000
2013 General Obligation	1/9/2013	0.50-1.55	1,865,000
2013 General Obligation	1/9/2013	1.25-2.00	5,510,000
2013 General Obligation Refunding	7/13/2013	1.00-1.50	2,070,000
Capital Loan Notes			
2009 Sewer Revenue	5/20/2009	3.00	9,090,000
2009 General Obligation	8/31/2009	1.25-3.25	620,000
2011 General Obligation	12/20/2011	1.30	700,000
2013 Sewer Revenue	4/19/2013	2.00	4,036,000
Total City of Indianola			
Indianola Municipal Utilities			
Revenue Bonds and Notes			
2011 Water Revenue Refunding	12/29/2011	0.50-1.30	1,350,000
2015 Electric Revenue Refunding Capital Loan Note	3/26/2015	2.6	7,241,000

See accompanying independent auditor's report.

BALANCE BEGINNING OF YEAR	ISSUED DURING YEAR	REDEEMED DURING YEAR	BALANCE END OF YEAR	INTEREST PAID	INTEREST DUE AND UNPAID
\$ 280,000	-	180,000	100,000	6,100	-
575,000	-	105,000	470,000	10,750	-
2,110,000	-	100,000	2,010,000	52,300	-
4,100,000	-	485,000	3,615,000	92,370	-
2,890,000	-	310,000	2,580,000	52,995	-
1,740,000	-	150,000	1,590,000	19,755	-
4,380,000	-	325,000	4,055,000	68,402	-
1,455,000	-	450,000	1,005,000	17,000	-
<u>17,530,000</u>	<u>-</u>	<u>2,105,000</u>	<u>15,425,000</u>	<u>319,672</u>	<u>-</u>
7,474,000	-	198,000	7,276,000	224,220	-
150,000	-	75,000	75,000	4,875	-
145,000	-	145,000	-	201	-
<u>2,629,964</u>	<u>-</u>	<u>130,964</u>	<u>2,499,000</u>	<u>52,600</u>	<u>-</u>
<u>10,398,964</u>	<u>-</u>	<u>548,964</u>	<u>9,850,000</u>	<u>281,896</u>	<u>-</u>
<u>\$ 27,928,964</u>	<u>-</u>	<u>2,653,964</u>	<u>25,275,000</u>	<u>601,568</u>	<u>-</u>
\$ 275,000	-	275,000	-	1,788	-
<u>6,258,000</u>	<u>-</u>	<u>700,000</u>	<u>5,558,000</u>	<u>162,215</u>	<u>-</u>
<u>\$ 6,533,000</u>	<u>-</u>	<u>975,000</u>	<u>5,558,000</u>	<u>164,003</u>	<u>-</u>

CITY OF INDIANOLA

Bond and Note Maturities
June 30, 2017

YEAR ENDING JUNE 30,	GENERAL			
	GENERAL OBLIGATION REFUNDING		GENERAL OBLIGATION	
	ISSUED JANUARY 13, 2011		ISSUED OCTOBER 19, 2011	
	INTEREST		INTEREST	
	RATE	AMOUNT	RATE	AMOUNT
2018	2.50	\$ 100,000	1.65	\$ 110,000
2019		-	1.90	115,000
2020		-	2.10	120,000
2021		-	2.25	125,000
		<u>\$ 100,000</u>		<u>\$ 470,000</u>

YEAR ENDING JUNE 30,	GENERAL			
	GENERAL OBLIGATION URBAN RENEWAL		GENERAL OBLIGATION URBAN RENEWAL	
	ISSUED DECEMBER 28, 2011		ISSUED MAY 1, 2012	
	INTEREST		INTEREST	
	RATE	AMOUNT	RATE	AMOUNT
2018	1.50	\$ 100,000	2.00	\$ 380,000
2019	1.65	100,000	2.00	390,000
2020	1.90	150,000	2.00	350,000
2021	2.05	150,000	2.00	335,000
2022	2.20	150,000	2.05	345,000
2023	2.30	150,000	2.20	355,000
2024	2.40	150,000	2.35	370,000
2025	2.60	150,000	2.50	195,000
2026	2.75	150,000	2.65	205,000
2027	2.90	150,000	2.75	220,000
2028	3.00	150,000	2.85	230,000
2029	3.05	150,000	2.95	240,000
2030	3.15	150,000		-
2031	3.25	160,000		-
		<u>\$ 2,010,000</u>		<u>\$ 3,615,000</u>

OBLIGATION	
GENERAL OBLIGATION	
REFUNDING	
ISSUED JULY 17, 2013	
INTEREST	
RATE	AMOUNT
1.05	\$ 450,000
1.30	275,000
1.50	280,000
	-
	<u>\$ 1,005,000</u>

OBLIGATION						
GENERAL OBLIGATION		GENERAL OBLIGATION		GENERAL OBLIGATION		
ISSUED MAY 1, 2012		ISSUED JANUARY 9, 2013		ISSUED JANUARY 9, 2013		
INTEREST		INTEREST		INTEREST		TOTAL
RATE	AMOUNT	RATE	AMOUNT	RATE	AMOUNT	
1.30	\$ 315,000	0.80	\$ 255,000	1.25	\$ 335,000	\$ 2,045,000
1.50	320,000	0.95	260,000	1.30	340,000	1,800,000
1.70	325,000	1.10	265,000	1.10	345,000	1,835,000
1.90	330,000	1.25	265,000	1.25	355,000	1,560,000
2.10	340,000	1.40	270,000	1.40	360,000	1,465,000
2.20	345,000	1.55	275,000	1.55	370,000	1,495,000
2.30	355,000		-	1.70	375,000	1,250,000
2.40	250,000		-	1.80	380,000	975,000
	-		-	1.90	390,000	745,000
	-		-	2.00	400,000	770,000
	-		-	2.00	405,000	785,000
	-		-		-	390,000
	-		-		-	150,000
	-		-		-	160,000
	<u>\$ 2,580,000</u>		<u>\$ 1,590,000</u>		<u>\$ 4,055,000</u>	<u>\$ 15,425,000</u>

CITY OF INDIANOLA

Bond and Note Maturities
June 30, 2017

CAPITAL						
YEAR ENDING JUNE 30,	SEWER REVENUE ISSUED MAY 20, 2009		GENERAL OBLIGATION ISSUED AUGUST 31, 2009		SEWER REVENUE ISSUED APRIL 19, 2013	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2018	3.00	\$ 205,000	3.25	\$ 75,000	2.00	\$ 180,000
2019	3.00	212,000		-	2.00	183,000
2020	3.00	218,000		-	2.00	187,000
2021	3.00	225,000		-	2.00	191,000
2022	3.00	233,000		-	2.00	195,000
2023	3.00	240,000		-	2.00	198,000
2024	3.00	248,000		-	2.00	202,000
2025	3.00	256,000		-	2.00	207,000
2026	3.00	265,000		-	2.00	211,000
2027	3.00	273,000		-	2.00	215,000
2028	3.00	282,000		-	2.00	219,000
2029	3.00	291,000		-	2.00	224,000
2030	3.00	301,000		-	2.00	87,000
2031	3.00	310,000		-		-
2032	3.00	321,000		-		-
2033	3.00	331,000		-		-
2034	3.00	342,000		-		-
2035	3.00	353,000		-		-
2036	3.00	364,000		-		-
2037	3.00	376,000		-		-
2038	3.00	388,000		-		-
2039	3.00	401,000		-		-
2040	3.00	414,000		-		-
2041	3.00	427,000		-		-
		<u>\$ 7,276,000</u>		<u>\$ 75,000</u>		<u>\$ 2,499,000</u>

See accompanying independent auditor's report.

LOAN NOTES

TOTAL	
\$	460,000
	395,000
	405,000
	416,000
	428,000
	438,000
	450,000
	463,000
	476,000
	488,000
	501,000
	515,000
	388,000
	310,000
	321,000
	331,000
	342,000
	353,000
	364,000
	376,000
	388,000
	401,000
	414,000
	427,000
\$	<u>9,850,000</u>

CITY OF INDIANOLA

Schedule of Receipts By Source
and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Receipts					
Property tax	\$ 6,122,001	6,122,001	6,155,219	5,472,196	5,163,954
Tax increment financing collections	1,542,524	1,542,524	1,365,455	1,383,060	1,368,810
Other city tax	265,487	265,487	298,515	294,866	205,910
Licenses and permits	192,408	192,408	132,554	164,364	117,693
Use of money and property	469,188	469,188	400,099	335,498	326,083
Intergovernmental	2,384,472	2,384,472	4,575,268	1,692,398	2,060,498
Charges for service	949,420	949,420	1,024,782	1,024,228	993,286
Special assessments	112,573	112,573	118,173	109,522	144,055
Miscellaneous	<u>541,806</u>	<u>541,806</u>	<u>477,149</u>	<u>1,980,786</u>	<u>353,021</u>
Total	<u>\$ 12,579,879</u>	<u>12,579,879</u>	<u>14,547,214</u>	<u>12,456,918</u>	<u>10,733,310</u>
Disbursements					
Operating					
Public safety	\$ 4,095,846	4,095,846	4,018,718	4,257,526	3,902,002
Public works	1,600,292	1,600,292	1,293,247	1,336,452	1,416,552
Culture and recreation	2,037,571	2,037,571	2,009,849	2,085,707	2,130,514
Community and economic development	165,075	165,075	557,205	430,585	704,168
General government	1,401,940	1,401,940	1,394,110	1,505,152	1,411,552
Debt service	2,838,250	2,838,250	3,003,458	3,000,167	2,622,940
Capital projects	<u>249,880</u>	<u>249,880</u>	<u>5,220,131</u>	<u>2,860,272</u>	<u>16,012,963</u>
Total	<u>\$ 12,388,854</u>	<u>12,388,854</u>	<u>17,496,718</u>	<u>15,475,861</u>	<u>28,200,691</u>

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
4,929,375	4,836,322	4,826,350	4,739,284	4,380,621
1,146,801	865,761	712,476	632,566	652,571
152,908	137,481	118,906	116,449	119,660
144,940	197,339	96,392	66,923	187,498
298,072	318,803	366,427	339,169	320,015
1,651,642	1,825,569	2,337,365	1,648,354	1,813,522
983,827	982,632	888,563	1,117,293	1,033,928
139,226	92,034	197,299	161,882	331,949
<u>416,059</u>	<u>623,383</u>	<u>418,791</u>	<u>351,465</u>	<u>648,262</u>
<u>9,862,850</u>	<u>9,879,324</u>	<u>9,962,569</u>	<u>9,173,385</u>	<u>9,488,026</u>
3,953,821	3,574,355	3,356,421	3,269,051	3,173,199
1,329,010	1,185,798	1,151,366	1,282,170	1,348,228
2,113,184	1,992,708	2,020,345	2,316,774	1,904,951
1,295,997	123,554	96,617	104,155	83,781
1,303,284	1,196,933	1,144,194	1,037,373	995,407
3,368,178	5,718,378	2,276,339	2,219,139	1,956,788
<u>2,778,034</u>	<u>1,904,710</u>	<u>2,713,016</u>	<u>1,678,814</u>	<u>966,954</u>
<u>16,141,508</u>	<u>15,696,436</u>	<u>12,758,298</u>	<u>11,907,476</u>	<u>10,429,308</u>



Shull, Schrum, McClaflin & Co., Inc.

certified public accountants

INDEPENDENT AUDITOR'S 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

To the Honorable Mayor and
Members of the City Council

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 City of Indianola, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 12, 2018. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Indianola's internal control over financial reporting 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 of Indianola's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Indianola's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the 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 of Indianola's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of control deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 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.

The City of Indianola's Responses to Findings

The City of Indianola's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Indianola's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, 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 of Indianola 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.

Shull, Schrum, McClellan & Co., Inc.

March 12, 2018

CITY OF INDIANOLA

Schedule of Findings
Year Ended June 30, 2017

Part I: Findings Related to the Financial Statements:

None

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-17 Certified Budget - Disbursements during the year ended June 30, 2017, exceeded the amounts budgeted in the public safety function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."
- Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response – The budget will be amended in the future, if applicable.
- Conclusion – Response accepted.
- II-B-17 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-17 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-17 Business Transactions - No business transactions between the City and City officials or employees were noted.
- II-E-17 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 coverage is adequate for current operations.
- II-F-17 City Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-17 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-17 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

CITY OF INDIANOLA

Schedule of Findings
Year Ended June 30, 2017

Part II: Other Findings Related to Required Statutory Reporting (Continued):

II-I-17 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

II-J-17 Financial Condition – The Community Redevelopment capital project funds had a deficit balance of \$57,471 at June 30, 2017.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return this fund to a sound financial position.

Response – The deficit balance was a result of project costs incurred prior to availability of funds. If any of this programs property currently being held is sold those funds will improve this financial position; and FY18 20,000 is being allocated to this program to improve this fund's financial position.

Conclusion – Response accepted.

II-K-17 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trust and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

Response – Current processes and procedures to review, report annually and remit amounts over two years old to the State Treasurer will be reviewed for accuracy and if necessary change will be made to the process.

Conclusion – Response accepted.