

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, 2015



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

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Independent Auditor's Report on Internal Control over

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CITY OF INDIANOLA
Chief Accounting Officer's Report

March 1, 2015

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 & Co., 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, 2015 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, 2015 are fairly presented. 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 15,108. 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, the Marion/Warren County Drug Task Force, 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 0.35%.

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 2.3 years with a current yield of 2.15%. 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. The city makes a fixed annual contribution that allows each employee to be reimbursed for any medical expense allowed under IRS Code. If the employee does 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 \$229,857 as of June 30, 2015.

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, 2015.

Christopher DesPlanques, CPA
Director of Finance and Administrative Services

**CITY OF INDIANOLA
CITY OFFICIALS AND BOARD OF TRUSTEES
JUNE 30, 2015**

<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	2015	300,000
Eric Mathieu	Councilperson Third Ward	2015	300,000
Greg Marchant	Councilperson At-Large	2015	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
Eric Hanson	City Manager		300,000
Christopher Des Planques	Director of Finance & Community Services		300,000
RoxAnne Hunerdosse	Human Resource Director		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>
Deb White	2016	300000
Pat Reding	2018	300,000
Heather Hulen	2020	300,000
Jim McClymond	2021	300,000
Todd Kielkopf	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>	<u>Council Committee</u>
	Greg Marchant
	Eric Mathieu
	John Parker Jr.
	Pam Pepper
	Brad Ross
	Greta Southall

**CITY OF INDIANOLA
CITY BOARD AND COMMISSIONS
JUNE 30, 2015**

LIBRARY BOARD

Authority: Indianola Ordinance Chapter 17.3

Term - 6 Years

Meeting: 2nd Tuesday of every month

<u>Name</u>	<u>Term Expires</u>
Dick Kerr	July 1, 2016
Kathy Farris	July 1, 2016
Mark Juffernbruch	July 1, 2016
Mary Jane Cassady	July 1, 2018
Rhonda Saylor	July 1, 2018
Jim Lee	July 1, 2020
Pat Hicks	July 1, 2020

PARK AND RECREATION COMMISSION

Authority: Indianola Ordinance No. 520

Term - 3 Years

Meeting: 1st Wednesday of every month

Jennifer Leech	January 1, 2016
Roger Netsch	January 1, 2016
Jon Hagener	January 1, 2017
John Anderson	January 1, 2017
Cyd Dyer	January 1, 2018

PLANNING AND ZONING COMMISSION

Authority: Indianola Ordinance Chapter 16.2

Term - 5 Years

Meeting: 2nd Tuesday of every month

Mary Donaghy	February 1, 2016
Joe Gezel	February 1, 2016
Tiffany Coleman	February 1, 2017
Josh Rabe	February 1, 2017
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

**CITY OF INDIANOLA
CITY BOARDS AND COMMISSIONS
JUNE 30, 2015**

BOARD OF ADJUSTMENT

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

Term - 5 Years

Meeting: 1st Wednesday of month on call

<u>Name</u>	<u>Term Expires</u>
James Sullivan	December 31, 2015
Dennis Parker	December 31, 2016
Reed Thacker	December 31, 2017
Aaron Rasko	December 31, 2018
Marty Miller	December 31, 2019

MEMORIAL BUILDING COMMISSION

Authority: Code of Iowa Chapter 37.9

Term - 3 Years - Meeting: On Call

Everett Brown	July 1, 2015
Rick Branson	July 1, 2016
Darwin Brown	July 1, 2016
Bob Greener	July 1, 2016
Ray Walton	July 1, 2017

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 2014-15 fiscal year.

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

- **Police:** The Indianola Police Department is currently at its full strength contingent of nineteen sworn and seven civilian employees, which includes three crossing guards. In 2015, calls for service increased 12.8%, from 10,234 in 2014 to 11,547 in 2015. The department emphasized increasing our visibility and traffic safety in 2015 and saw traffic citations and warnings increase 43.2%, from 2498 to 3579.

The department operates five fully marked squad cars and three unmarked vehicles. A new fully marked SUV was placed in service in 2015 bearing the new black and white color scheme. Two new in-car video cameras replaced the outdated cameras in two of the marked squad cars. The department also added five new scanners and three new printers for use in the patrol vehicles.

The Iowa Law Enforcement Academy establishes a minimum number of hours of training required of each law enforcement officer in the state. The department exceeded the minimum, and the department collectively received 831 hours of training. The department partnered with the FBI and hosted an Advanced Law Enforcement Rapid Response Training session attended by officers from surrounding agencies as well as Indianola school personnel.

Community outreach is very important to the department. The department's charity, IPDCOP, provided thanksgiving meals and Christmas meals to community families in need, took children Christmas shopping, provided breakfast to local veterans, and took a group of children on a fishing outing during 2015.

- **Fire and Ambulance:** The Indianola Fire Department experienced a slight increase in calls for 2015 for a new record year. There was an increase in dollar loss with one major loss at Harvest Innovations losing 2.5 million in equipment and inventory total loss for the year \$2,951,000. In addition to the regular activities that the full and part-time staff are task to complete each day, staff responded to 2,099 fire and EMS incidents. This is an increase of 2.25% over the previous year. The 2,099 alarms consisted of: 149 fires; 61 investigations; 101 false alarms; 48 Stills and 3 other. The balance accounts for 1,837 EMS calls which is where most of the 2.25% increase was seen.

CITY OF INDIANOLA
Operational Review (Continued)

As of January 1, 2016, the department had one full-time chief, one full-time training officer, six full-time firefighters/medics, 1 full-time billing specialist, 17 part-time firefighter/medics, 21 paid on call for a total staff of 46 with no members on leave. Staff coverage continues with full-time staff working 24/48 shifts and part-time staff covering 7-days a week from 8:00 a.m. to 5:00 p.m.

Training is a big part of the department's time. Training is conducted every Monday night and several attend training on their own including nights and weekends. Some attend area fire training and EMS conferences to keep their certifications current. The total hours that POC staff give for training held within our department was 2738 hours and responses were 8416 hours for a total of 11,154 hours. This equates to the average paid on call staff giving over 371 hours toward regular training and calls each year. These calculations exclude the time the full-time staff puts towards calls and training.

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.

We had another great year offering many new program opportunities and completing several improvements to the city parks. All that we are able to accomplish is largely due to the support and assistance we get from the Indianola citizens, volunteers, businesses, organizations, Indianola Community Schools, City Council, IMU, city departments and the parks and recreation commission.

New and strengthened cooperative partnerships and volunteer involvement allowed us to add or expand new programs and facilities including a Butterfly Flourish Sculpture and Drinking Fountain at Buxton Park. Over 30 free community events were offered including 2 Story Walks and "The Zone" – a free after school program for youth in 6th-8th grades. With the help of our partners, grants, sponsorships, advertising and grants totaled over \$60,000 to offset the costs of facilities and programs.

Thanks to community involvement, we had 500 volunteers donate 4,400 program registrations in just over 200 programs, over 2,400 games and practices played on the Pickard Softball Fields, 1,700 facility reservations and served over 2,000 different families.

- **Veterans Memorial Aquatic Center:** The facility served over 6,000 visitors. An increase from the 2014 season. Over 400 youth were served by the swim lesson program. Overall operations were efficient and effective, especially ensuring facility safety. An Early Bird Season Pass Special was implemented, with 51% of season pass holders taking advantage of the special. A new event, Mayor's Night Out was also implemented, with over 250 guests attending, donating over 200 non-perishable – food items to Helping Hands Food Pantry. Half Price Admission after 5:00pm was a new perk for non-

CITY OF INDIANOLA
Operational Review (Continued)

pass holders to encourage evening swimming. Over 900 guests took advantage. 80 new lounge chairs were put into service. The pool was re-painted for the first time in many years. And a new pool heater has been installed for the 2016 season! Two new umbrella shades were donated by Iowa Realty and Indianola Park Friends. Another has been donated by Indianola Post 165 American Legion for this season. Fresh, new signage was installed at the front desk/admissions area and the entire bathhouse will be repainted this spring by Parks and Recreation staff. Many programs/activities were revamped and a text communication closing/weather update tool was created for guests. The facility hosted a mock Emergency Action Plan (EAP) with the Indianola Fire/EMS Department to review skills and better prepare for an emergency.

Forty seasonal staff assisted in operation of the facility, as well as assistance from the Veteran's Memorial Building Commission, City Council, Parks Department, IMU, City Clerk's office, and IT Services.

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

- **Indianola Public Library:** Library patrons checked out 114,901 items which equals 7.7 items checked out by each resident. Attendance at 409 programs totaled 7,817. Library computers were used 9,009 times. Each item in the Library's collection was checked out an average of 2.00 times.

In addition to ebooks and eaudio, library patrons can now download songs with a valid library card. Patrons also have access to a variety of online resources from car repair manuals to reference topics.

CITY OF INDIANOLA
Operational Review (Continued)

- **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 2014-15 fiscal year.
- **Water Pollution Control Department:** Full staff includes the Superintendent, 6 operators and a part-time office manager. We are no longer under Consent Order from the Iowa Department of Natural Resources. This Consent Order was lifted in May of 2014.

Construction was completed on Phase IV (final phase) in March of 2014. All punch list items were completed and final pay has been processed.

Residential I&I inspections and testing are being completed only by request.

The treatment plant issues this year are going to be the lack of CBOD into the plant. We have found that we are about 50% lower in the influent CBOD. This creates issue with the treatment process. We will be working on identifying the reduction in CBOD. We will also need to have a plan to provide a good nitrogen source for the plant if this cannot be identified.

HR Green assisted the city in completing a site plan and several Waste Water Treatment Plant projects including: facility rehab projects on the RAS station, the south final clarifier equipment and general building maintenance.

There are several rehabilitation projects that are underway at the WPC plant. They are designed to remedy some capacity issues and extend the life of the current plant until a new plant can be constructed. The WPC department and HR Green have also completed the collection system Hydraulic Study.

HR Green will be proposing a contract to design a new facility plan. This will determine the future of Wastewater Treatment Plant for the City of Indianola.

- **Electric Utility.** The electric utility provides reliable service by purchasing wholesale energy for the community as a whole, receiving it over the transmission system, generating electricity within Indianola as needed, and distributing it safely to customers. Significant progress toward implementing operational strategies include:
 - Completed the Hwy 65/69 Conversion Project
 - Completed the W Hwy 92/I-35 Transmission Relocation Project
 - Completed the W Hwy 92 Transmission Relocation Project
 - Continued re-designing the W Hwy 92 Distribution Relocation project and re-negotiating IDOT reimbursement estimates due to continued changes to IDOT roadway specifications

CITY OF INDIANOLA
Operational Review (Continued)

- Installed wiring and new decorative street lights on The Square
- Construction commenced on the W. Hwy 92 Distribution Relocation
- **Water Utility.** The water utility provides reliable water service by pumping it from wells, treating it, keeping enough in storage to meet daily needs, and distributing it to customers. Significant progress towards implementing operational strategies include:
 - Contracted for engineering services for proactive maintenance and planning for improvements at the water plant
 - Completed work on the aerator replacement project at the water plant
 - Relocated a section of water main for the N. Hwy 65/69 highway relocation project
 - Completed work on the W. IA Ave. and Ann Parkway water main projects; drafted supplemental agreement for a small amount of restoration work
 - Completed repairs to Well #12
 - Demolished the old water treatment plant
 - Started design work on the IA Ave. water main project
 - Designed and contracted to relocate a water main at W. Hwy 92 and Y Street
- **Communications Utility.** The communications utility provides the infrastructure that transmits affordable, competitive, and technologically advanced telecommunications service for both retail and other public uses. Telephone and Internet services are offered to commercial customers through a contractual private/public partnership. Significant progress towards implementing operational strategies include:
 - Continued to connect new residential & commercial customers and address operational issues with MCG
 - Approved plans to proceed with the North Howard extension
 - Completed cutovers from older aerial fiber to underground fiber associated with the Hwy 65/69 electric project
 - Worked on conceptual plans with Verizon to extend fiber to small-cellular sites on power poles in congested areas
 - Relocated the Iowa Network Services feed connection at the IMU Westside Substation
 - Installation of the fiber cabinet and fiber strands (into existing conduit) was completed for the North Howard project
 - Worked to finalize plans for W. Hwy 92 project
- **Administration.** All three utilities are administered by a combination of the IMU Board of Trustees and their staff, services provided by the City of Indianola through cost-sharing arrangements, and third-party contractors.

Public works activities primarily involve co-managing the public right of way. IMU also supports economic development and community betterment activities. Third, there are utility-specific services such as technical activities, safety, and utility programming. Last are the governance and professional services associated with oversight, regulatory actions, general management, human resources, fiduciary controls, public notifications and information systems, and legal compliance & risk management.

CITY OF INDIANOLA
Operational Review (Continued)

Public Works:

- Continued removing IMU poles from underground conversion areas
- Mediacom bored conduit in priority areas; cable installation is progressing
- Century Link installed facilities in its existing conduit north of The Square; IMU removed the poles

Economic Development & Community Betterment:

- Continued EMERGE Hub planning with design team
- Completed IMU Partners Program scope of management services agreement with the IDA for FY 2015
- Simpson College planning to dedicate Dunn Library space for the EMERGE@Simpson program (Gerald R. Edwards Center) and allocate that endowment for continuing on-campus support
- A prospect working with the IDA, and another with WCEDC, approached IMU about developing a local co-working, data center, and business incubator center
- Continued involvement with the WCEDC Business Retention and Expansion Committee
- Planning commenced for extending utilities into Summercrest Hills Plat 5
- IMU staff helped WCEDC plan and hold its business awards event at Simpson College

Technical Services & Programs

- Held meeting of IMU Partners, reviewed draft program guides, and discussed potential FY 2015 activities
- Worked with MCG on new marketing materials
- Continued participating as a member of the design team on an IAMU community solar (proposed to US Dept. of Energy, local match by the IA Energy Center) grant project
- Worked to develop an advertising video in conjunction with a project spearheaded by the Indianola Chamber
- Developed and distributed a press release pertaining to MCG's announcement that "Gigabit" service will be available on the IMU network in January, 2015
- Received designation (again) as having "Best Practices" by the Iowa Municipalities Workers' Compensation Association
- Compiled information for, and revised, the Electric Transmission and Distribution Systems Inspection and Maintenance Plan
- IMU received a Hazard Recognition Award from the Iowa-Illinois Safety Council
- The Indianola Sustainability Committee began research and work on the STAR certification process for Indianola

CITY OF INDIANOLA
Operational Review (Continued)

Governance and Professional Services:

- Implemented a Cost of Power Adjustment for bills issued starting July 1, 2014
- Conducted required public meeting pertaining to MISO filings for transmission ownership credits
- Prepared information pertaining to wholesale energy contract terms; received a presentation from NMPP Energy staff about wholesale energy challenges
- Drafted and reviewed the annual Strategic Plan, information about the status of Underground & Voltage conversion projects, and fiber network extension planning
- Performed analysis of past Annual Disclosure activities and made appropriate filings
- Analyzed options and refinanced Electric Utility debt
- Participated with MMTG in Federal Energy Regulatory Commission filings related to rates of return on transmission assets
- Amended the Management Guide as part of structural changes to the Indianola Health Plan; included vision and dental insurance

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 sewer main extensions along highway corridors.
- Purchase and sale of real estate for redevelopment under the Dangerous & Dilapidated building program.
- Promotion and financing of the Downtown Business Incentive program to enhance the aesthetics of the area.
- Removal of 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 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.

CITY OF INDIANOLA
Operational Review (Continued)

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Water	90	11	38	35	21	33	40
Plumbing	62	75	42	62	59	31	54
Electric	60	93	103	99	88	36	80
Mechanical	62	42	56	97	53	14	58
Sewer	61	19	66	39	20	27	44
Warrants Written	8,883	8,921	9,257	9,237	9,304	9,852	8,813
Ordinance Adopted	22	24	23	26	16	22	13
Cigarette	18	20	17	17	16	15	16
Bicycle	5	2	2	2	2	7	9
Beer	15	15	15	16	16	16	15
Beer-Liquor	15	15	17	18	18	18	18
Sunday Beer & Liquor	29	29	29	28	29	29	30
Beer-Wine	3	3	3	3	3	3	3

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
2004	2,575,157	1,236,314	-	1,681,481	109,684	838,593	1,412,173	194,328	12,433,507	20,481,237
2005	3,064,420	1,159,047	-	1,661,909	90,030	931,371	1,538,643	1,790,458	12,716,343	22,952,221
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

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
2004	3,880,373	209,890	1,540,566	720,225	78,004	160,430	101,884	1,002,420	7,693,792
2005	4,269,106	194,540	2,082,365	765,904	100,226	161,169	310,620	940,741	8,824,671
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

*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	Franchise			Total
	Property	TIF	Fees	
2004	3,657,046	104,611	55,079	3,880,373
2005	3,953,157	188,396	55,505	4,269,106
2006	4,193,386	242,399	54,120	4,549,048
2007	4,302,701	414,117	54,605	4,832,068
2008	4,380,621	652,572	57,417	5,152,853
2009	4,739,284	632,566	58,208	5,488,299
2010	4,826,350	712,476	61,406	5,657,732
2011	4,836,322	865,761	81,666	5,839,564
2012	4,929,376	1,146,801	85,196	6,229,085
2013	5,163,954	1,368,810	144,189	6,738,674
2014	5,472,196	1,383,060	225,916	7,150,122
2015	6,155,219	1,365,455	223,510	7,819,189

CITY OF INDIANOLA
Statistical Section (Continued)

Tax Collection Trend

(Collection) Fiscal Year	Total Levied	Amount Collected*	% Collected
2004	3,664,800	3,657,046	99.8%
2005	3,921,085	3,953,157	100.8%
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%

* includes delinquent taxes, if any.

**CITY OF INDIANOLA
Statistical Section (Continued)**

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

Fiscal Year	City of Indianola			County			School District					
	Operating	Benefits & Ins.	Debt Service	Total	Operating	Other	Total	Operating	Debt Service	Total	Other	Total
2005	8.10	1.38	2.17	11.65	5.66	0.36	6.02	15.02	3.38	18.40	1.06	37.13
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

Ag Land

2005	3.00
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

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
2005	445,274,397	1,035,300	114,196,095	5,004,142	-	-	5,063,217	570,573,151	1,464,932	569,108,219
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

*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
2005	215,594,811	1,035,300	113,325,316	5,004,142	-	-	5,009,405	339,968,974	1,464,932	338,504,042
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

*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%
2005	337,468,742	7,369,169	344,837,911	569,108,219	60.6%
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%

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
2005	28,528,658	8,940,000	19,588,658	31.3%
2006	30,061,095	13,018,000	17,043,095	43.3%
2007	32,098,155	11,248,000	20,850,155	35.0%
2008	33,568,060	11,318,165	22,249,895	33.7%
2009	38,171,775	9,440,000	28,731,775	24.7%
2010	39,101,272	11,268,384	27,832,888	28.8%
2011	38,820,376	13,362,456	25,457,920	34.4%
2012	39,717,698	21,823,249	17,894,449	54.9%
2013	41,272,028	25,255,000	16,017,028	61.2%
2014	42,002,631	24,190,000	17,812,631	57.6%
2015	42,002,631	19,795,000	22,207,631	47.1%

CITY OF INDIANOLA
Statistical Section (Continued)

Building Permit Trends

Calendar Year	Construction Value of new		Construction Value of			Total New Residential Construction	Total No. of Units	Construction Value of		Total Residential Construction Value
	Single Family Dwellings	No. of Permits	Multi-Family Dwellings	No. of Permits	No. of Units			Alterations & Additions	No. of Permits	
2004	13,307,271	77	7,025,148	12	36	20,332,419	113	985,626	78	21,318,045
2005	10,029,458	70	1,956,509	7	14	11,985,967	84	826,263	82	12,812,230
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	60	262,850	40	14,560,802
2014	5,330,909	29	2,631,850	8	24	7,962,759	37	475,127	38	8,437,886

Calendar Year	Construction Value of		Construction Value of		Total Construction	
	Commercial/Industrial	No. of Permits	Non-taxable Construction	No. of Permits	Value of Construction	Total No. of Permits
2004	6,908,368	23	6,090,500	2	34,316,913	192
2005	3,876,148	31	1,325,200	1	18,013,578	191
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

CITY OF INDIANOLA
Statistical Section (Continued)

Demographic Information

Trends:	<u>Calendar Year</u>	<u>Iowa Unemployment</u>		
	2004		4.5%	
	2005		4.5%	
	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%	

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, McClafline & 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, 2015, 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.

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Osceola, Iowa 50213
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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, 2015, 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.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Indianola adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

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, 2014 (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 City's 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 30 through 36 and 70 through 77 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 February 19, 2016 on our consideration of the City of Indianola's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

Stull, Schrum, McClellan & Co., Inc.

February 19, 2016

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in this report.

2015 Financial Highlights

- The City of Indianola has an ending cash balance of \$17,658,395 to meet the government's ongoing obligations to citizens and creditors. Of this, \$9,875,360 is under the direct management and control of the primary government with \$6,613,256 for governmental activities and \$3,262,104 for business-type activities. The remaining \$7,343,203 from the component unit, Indianola Municipal Utilities.
- Total cash balances decreased \$688,461 for the primary government and decreased \$1,342,631 for the component unit. The primary reason for the decrease is capital expenditures and Highway 92 projects for the Utility that were paid for out of fund balances.

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 Assets. 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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, accounts payable and accrued items.

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, health and social services, 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 assets: 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 Assets (Cash Basis)

	<u>Year ended June 30,</u>		<u>Change</u>
	<u>2015</u>	<u>2014</u>	
Governmental Activities			
Restricted	3,018,309	2,910,811	107,498
Unrestricted	4,543,535	5,512,213	(968,678)
Total	7,561,844	8,423,024	(861,180)
Business Type Activities			
Restricted	54,979	75,073	(20,094)
Unrestricted	1,901,587	1,674,201	227,386
Total	1,956,566	1,749,274	207,292
Total Primary Government			
Restricted	3,073,288	2,985,884	87,404
Unrestricted	6,445,122	7,186,414	(741,292)
Total	9,518,410	10,172,298	(653,888)
Component Unit			
Restricted	436,956	1,513,615	(1,076,659)
Unrestricted	7,263,195	7,563,740	(300,545)
Total	7,700,151	9,077,355	(1,377,204)

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 Assets Governmental Funds

	<u>Year ended June 30,</u>				<u>Change</u>	
	<u>2015</u>		<u>2014</u>			
Receipts						
Property tax	\$ 6,155,219	42%	5,472,196	44%	683,023	12%
Tax increment financing collections	1,365,455	9%	1,383,060	11%	(17,605)	-1%
Other city tax	298,515	2%	294,866	2%	3,649	1%
Licenses and permits	132,554	1%	164,364	1%	(31,810)	-19%
Use of money and property	400,099	3%	335,498	3%	64,601	19%
Intergovernmental	4,575,268	31%	1,692,398	14%	2,882,870	170%
Charges for service	1,024,782	7%	1,024,228	8%	554	0%
Special assessments	118,173	1%	109,522	1%	8,651	8%
Miscellaneous	477,149	3%	1,980,786	16%	(1,503,637)	-76%
Total Receipts	<u>14,547,214</u>	<u>100%</u>	<u>12,456,918</u>	<u>100%</u>	<u>2,090,296</u>	<u>17%</u>
Disbursements						
Public safety	4,018,718	23%	4,257,526	28%	(238,808)	-6%
Public works	1,293,247	7%	1,336,452	9%	(43,205)	-3%
Culture and recreation	2,009,849	11%	2,085,707	13%	(75,858)	-4%
Community and economic development	557,205	3%	430,585	3%	126,620	29%
General government	1,394,110	8%	1,505,152	10%	(111,042)	-7%
Debt service	3,003,458	17%	3,000,167	19%	3,291	0%
Capital projects	5,220,131	30%	2,860,272	18%	2,359,859	83%
Total disbursements	<u>17,496,718</u>	<u>100%</u>	<u>15,475,861</u>	<u>100%</u>	<u>2,020,857</u>	<u>13%</u>
Other financing sources (uses)						
Bond proceeds	-		11,560			
Sale of capital assets	54,239		248,501			
Operating transfers in (out)	<u>2,092,328</u>		<u>2,150,621</u>			
Total other financing sources (uses)	<u>2,146,567</u>		<u>2,410,682</u>			
Net change in cash balances	(802,937)		(608,261)			
Cash balances, beginning of year	<u>7,416,192</u>		<u>8,024,453</u>			
Cash balances, end of year	<u>\$ 6,613,255</u>		<u>7,416,192</u>			

Property tax revenues increased due to taxable valuation growth in FY15. The majority of the remaining revenues held relatively stable in comparison to total receipts. Capital Projects had the largest increase in spending for FY15. Public safety and General Government Operations, public works, culture & recreation and capital projects decreased.

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

Governmental funds: Governmental funds ended the fiscal year with a balance of \$8,423,024 a decrease of \$608,261 over the prior year. This is mainly due to use of fund balances for capital improvements.

Business type funds: Business type funds ended the fiscal year with \$1,970,791 in cash basis fund balances, an increase of \$426,404 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.

The FY 2015 budget was amended in September of 2014 to reflect the following items:

Below is an explanation of the amendments on the attached budget form.

- Revenues:
 - Intergovernmental – Grants from State Agencies

- Expenditures:
 - Capital Improvement – Highway 65/69 construction

Capital Asset and Debt Administration

In FY 2015, 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.

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

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.

Long-term financial planning: The city has adopted a Comprehensive Plan, last updated in 2015 to help determine future infrastructure needs. City authorities annually adopt 5-year 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. The total program consists of four project phases at a cost of over \$12.5 million. The city continues inspect and maintain the waste water system.
- The city continues to support the Community Redevelopment (D&D) fund to improve the aesthetics of the community especially on the main highway corridors. This fund is being maintained using TIF from the Downtown district.

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.

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

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 2015 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, 2015

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Operating Grants, Contributions, and Restricted Interest</u>
Functions / Programs			
Primary Government:			
Governmental activities:			
Public safety	\$ 4,045,737	892,054	132,497
Public works	1,301,206	137,941	1,541,307
Culture and recreation	2,022,946	385,442	247,492
Community and economic development	557,205	3,750	63,809
General government	1,404,657	87,664	24,132
Debt service	3,003,458	-	7,692
Capital projects	<u>5,220,131</u>	<u>11,218</u>	<u>-</u>
Total governmental activities	<u>17,555,340</u>	<u>1,518,069</u>	<u>2,016,929</u>
Business type activities:			
Sewer	2,529,140	3,128,806	64,516
Other nonmajor	<u>184,323</u>	<u>418,654</u>	<u>-</u>
Total business type activities	<u>2,713,463</u>	<u>3,547,460</u>	<u>64,516</u>
Total Primary Government	<u>\$ 20,268,803</u>	<u>5,065,529</u>	<u>2,081,445</u>
Component Unit:			
Municipal Utilities	<u>\$ 17,518,628</u>	<u>16,313,770</u>	<u>1,865,928</u>
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			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Bond, note and loan proceeds			
Payments to refunding bond agent			
Rent			
Sale of assets			
Miscellaneous			
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
-	(3,021,186)	-	(3,021,186)	-
-	378,042	-	378,042	-
-	(1,390,012)	-	(1,390,012)	-
-	(489,646)	-	(489,646)	-
-	(1,292,861)	-	(1,292,861)	-
-	(2,995,766)	-	(2,995,766)	-
<u>2,841,320</u>	<u>(2,367,593)</u>	-	<u>(2,367,593)</u>	-
<u>2,841,320</u>	<u>(11,179,022)</u>	-	<u>(11,179,022)</u>	-
-	-	664,182	664,182	-
-	-	234,331	234,331	-
-	-	898,513	898,513	-
<u>2,841,320</u>	<u>(11,179,022)</u>	<u>898,513</u>	<u>(10,280,509)</u>	-
<u>157,725</u>	-	-	-	<u>818,795</u>
	3,812,756	-	3,812,756	-
	1,124,863	-	1,124,863	-
	1,217,600	-	1,217,600	-
	1,365,455	-	1,365,455	-
	223,511	-	223,511	37,638
	75,006	-	75,006	-
	144,079	24,560	168,639	146,007
	-	154,591	154,591	7,241,000
	-	-	-	(8,516,481)
	200,298	55,928	256,226	41,865
	54,239	-	54,239	20,000
	7,707	-	7,707	-
	<u>2,092,328</u>	<u>(926,300)</u>	<u>1,166,028</u>	<u>(1,166,028)</u>
	<u>10,317,842</u>	<u>(691,221)</u>	<u>9,626,621</u>	<u>(2,195,999)</u>

CITY OF INDIANOLA
Cash Basis Statement of Activities and Net Position
As of and for the Year Ended June 30, 2015

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

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>
(861,180)	207,292	(653,888)	(1,377,204)
<u>8,423,024</u>	<u>1,749,274</u>	<u>10,172,298</u>	<u>9,077,355</u>
<u>\$ 7,561,844</u>	<u>1,956,566</u>	<u>9,518,410</u>	<u>7,700,151</u>
1,099,501	-	1,099,501	-
492,228	-	492,228	-
1,305,887	54,979	1,360,866	436,956
120,693	-	120,693	-
<u>4,543,535</u>	<u>1,901,587</u>	<u>6,445,122</u>	<u>7,263,195</u>
<u>\$ 7,561,844</u>	<u>1,956,566</u>	<u>9,518,410</u>	<u>7,700,151</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, 2015

	General	Special Revenue Road Use Tax
Receipts		
Property tax	\$ 3,908,965	-
Tax increment financing	-	-
Other city tax	298,515	-
Licenses and permits	132,554	-
Use of money and property	398,342	-
Intergovernmental	210,054	1,537,069
Charges for service	1,024,782	-
Special assessments	-	-
Miscellaneous	432,657	14,485
Total receipts	<u>6,405,869</u>	<u>1,551,554</u>
Disbursements		
Operating		
Public safety	4,018,718	-
Public works	196,183	1,097,064
Culture and recreation	2,009,849	-
Community and economic development	307,205	-
General government	1,394,110	-
Debt service	78,795	-
Capital projects	-	-
Total disbursements	<u>8,004,860</u>	<u>1,097,064</u>
Excess of receipts over disbursements	<u>(1,598,991)</u>	<u>454,490</u>
Other financing sources (uses)		
Sale of capital assets	29,592	-
Operating transfers in (out)	2,364,944	(180,600)
Total other financing sources (uses)	<u>2,394,536</u>	<u>(180,600)</u>

Debt Service	Capital Projects		Nonmajor	Total
	General Capital Projects	Street Construction		
1,028,654	-	-	1,217,600	6,155,219
-	-	-	1,365,455	1,365,455
-	-	-	-	298,515
-	-	-	-	132,554
-	-	-	1,757	400,099
-	-	2,828,145	-	4,575,268
-	-	-	-	1,024,782
106,955	-	11,218	-	118,173
15,400	10,000	3,175	1,432	477,149
<u>1,151,009</u>	<u>10,000</u>	<u>2,842,538</u>	<u>2,586,244</u>	<u>14,547,214</u>
-	-	-	-	4,018,718
-	-	-	-	1,293,247
-	-	-	-	2,009,849
-	-	-	250,000	557,205
-	-	-	-	1,394,110
2,924,663	-	-	-	3,003,458
-	179,694	4,971,696	68,741	5,220,131
<u>2,924,663</u>	<u>179,694</u>	<u>4,971,696</u>	<u>318,741</u>	<u>17,496,718</u>
<u>(1,773,654)</u>	<u>(169,694)</u>	<u>(2,129,158)</u>	<u>2,267,503</u>	<u>(2,949,504)</u>
-	-	-	24,647	54,239
1,568,178	(291,216)	900,000	(2,268,978)	2,092,328
<u>1,568,178</u>	<u>(291,216)</u>	<u>900,000</u>	<u>(2,244,331)</u>	<u>2,146,567</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, 2015

	<u>General</u>	<u>Special Revenue Use Tax</u>
Net change in cash balances	795,545	273,890
Cash balances beginning of year	<u>2,879,946</u>	<u>825,611</u>
Cash balances end of year	<u>\$ 3,675,491</u>	<u>1,099,501</u>
Cash Basis Fund Balances		
Restricted for:		
Streets	\$ -	1,099,501
Urban renewal purposes	-	-
Debt service	-	-
Other purposes	-	-
Committed	-	-
Unassigned	<u>3,675,491</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 3,675,491</u>	<u>1,099,501</u>

See notes to financial statements.

Debt Service	Capital Projects		Nonmajor	Total
	General Capital Projects	Street Construction		
(205,476)	(460,910)	(1,229,158)	23,172	(802,937)
<u>1,511,363</u>	<u>581,800</u>	<u>1,065,326</u>	<u>552,146</u>	<u>7,416,192</u>
<u>1,305,887</u>	<u>120,890</u>	<u>(163,832)</u>	<u>575,318</u>	<u>6,613,255</u>
-	-	-	-	1,099,501
-	-	-	492,228	492,228
1,305,887	-	-	-	1,305,887
-	-	-	120,693	120,693
-	120,890	(163,832)	(37,603)	(80,545)
-	-	-	-	3,675,491
<u>1,305,887</u>	<u>120,890</u>	<u>(163,832)</u>	<u>575,318</u>	<u>6,613,255</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, 2015

Total government funds cash balances \$ 6,613,255

*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 948,589

Cash basis net position of governmental activities \$ 7,561,844

Change in cash balances \$ (802,937)

*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. (58,243)

Change in cash basis net position of governmental activities \$ (861,180)

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, 2015

	Enterprise Funds	
	Sewer	Nonmajor
Operating receipts		
Charges for service	\$ 2,972,746	418,653
Miscellaneous	-	-
Total operating receipts	<u>2,972,746</u>	<u>418,653</u>
Operating disbursements		
Governmental activities		
Public safety	-	-
Public works	-	-
Culture and recreation	-	-
General government	-	-
Business type activities	1,135,535	184,323
Component Unit:		
Municipal Utilities	-	-
Total operating disbursements	<u>1,135,535</u>	<u>184,323</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>1,837,211</u>	<u>234,330</u>
Non-operating receipts (disbursements)		
Interest on investments	24,466	-
Special assessments	156,060	-
Miscellaneous	120,444	-
Capital loan note proceeds	154,591	-
Debt Service	(694,596)	-
Capital projects	(695,086)	-
Net non-operating receipts (disbursements)	<u>(934,121)</u>	<u>-</u>
Excess of receipts over disbursements	903,090	234,330
Operating transfers in (out)	<u>(847,100)</u>	<u>(79,200)</u>
Net change in cash balances	55,990	155,130
Cash balances beginning of year	<u>1,271,593</u>	<u>349,689</u>
Cash balances end of year	<u>\$ 1,327,583</u>	<u>504,819</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ 54,979	-
Unrestricted	<u>1,272,604</u>	<u>504,819</u>
Total cash basis fund balances	<u>\$ 1,327,583</u>	<u>504,819</u>

See notes to financial statements.

<u>Total</u>	<u>Internal Service Funds</u>
3,391,399	1,285,026
-	319,701
<u>3,391,399</u>	<u>1,604,727</u>
-	549,979
-	146,890
-	224,510
-	216,338
1,319,858	153,925
-	410,203
<u>1,319,858</u>	<u>1,701,845</u>
<u>2,071,541</u>	<u>(97,118)</u>
24,466	474
156,060	-
120,444	-
154,591	-
(694,596)	-
(695,086)	-
<u>(934,121)</u>	<u>474</u>
1,137,420	(96,644)
<u>(926,300)</u>	<u>-</u>
211,120	(96,644)
<u>1,621,282</u>	<u>1,526,346</u>
<u>1,832,402</u>	<u>1,429,702</u>
54,979	-
<u>1,777,423</u>	<u>1,429,702</u>
<u>1,832,402</u>	<u>1,429,702</u>

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, 2015

Total enterprise funds cash balances \$ 1,832,402

*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.

124,164

Cash basis net position of business type activities \$ 1,956,566

Change in cash balances \$ 211,120

*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.

(3,828)

Change in cash basis net position of business type activities \$ 207,292

See notes to financial statements.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

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.

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, 2015

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 services.

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, 2015

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

B. **BASIS OF PRESENTATION (Continued)**

Fund Financial Statements (Continued) –

The 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.

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 Capital Projects Funds are used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

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 fund:

An Internal Service Fund is 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, accounts payable and accrued items. 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, 2015

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:

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

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

Assigned – Amounts the Council intends to use for specific purposes.

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, 2015, disbursements did not exceed the amounts budgeted as amended. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the community and economic development function.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2015

2. **CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's investments at June 30, 2015 were as follows:

	CARRYING AMOUNT	MARKET VALUE
Money market accounts	\$ 1,378,073	1,378,073
U.S. government obligations	260,205	254,805
U.S. agency mortgage pass-through	643,008	695,445
U.S. agency bonds and notes	10,063,800	10,135,611
U.S. agency collateralized mortgage obligations	2,000,992	2,046,756
U.S. agency asset backed securities	819,562	843,604
Corporate Bonds	251,787	251,390
	<u>\$15,417,427</u>	<u>15,605,684</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$111,117 pursuant to Rule 2a-7 under the Investment Company Act of 1940. 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.

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 \$10,025,651 are rated Aaa. The balance of the investments are not rated.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2015

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, 2015 are as follows:

YEAR ENDING June 30,	GENERAL OBLIGATION		CAPITAL		REVENUE CAPITAL		TOTAL	
	BONDS & NOTES		LOAN NOTES		LOAN NOTES			
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2016	\$ 2,265,000	394,670	210,000	10,540	365,000	276,341	2,840,000	681,551
2017	2,105,000	355,433	220,000	6,760	374,000	267,554	2,699,000	629,747
2018	2,045,000	318,597	75,000	2,437	385,000	258,533	2,505,000	579,567
2019	1,800,000	281,655	-	-	395,000	249,234	2,195,000	530,889
2020	1,835,000	245,405	-	-	405,000	239,671	2,240,000	485,076
2021	1,560,000	206,340	-	-	416,000	229,859	1,976,000	436,199
2022	1,465,000	179,733	-	-	428,000	219,766	1,893,000	399,499
2023	1,495,000	153,400	-	-	438,000	209,363	1,933,000	362,763
2024	1,250,000	124,552	-	-	450,000	198,699	1,700,000	323,251
2025	975,000	97,718	-	-	463,000	187,723	1,438,000	285,441
2026	745,000	76,102	-	-	476,000	176,421	1,221,000	252,523
2027	770,000	59,135	-	-	488,000	164,778	1,258,000	223,913
2028	785,000	40,735	-	-	501,000	152,826	1,286,000	193,561
2029	390,000	21,580	-	-	403,203	140,534	793,203	162,114
2030	150,000	9,925	-	-	301,000	129,840	451,000	139,765
2031	160,000	5,200	-	-	310,000	120,810	470,000	126,010
2032	-	-	-	-	321,000	111,510	321,000	111,510
2033	-	-	-	-	331,000	101,880	331,000	101,880
2034	-	-	-	-	342,000	91,950	342,000	91,950
2035	-	-	-	-	353,000	81,690	353,000	81,690
2036	-	-	-	-	364,000	71,100	364,000	71,100
2037	-	-	-	-	376,000	60,180	376,000	60,180
2038	-	-	-	-	388,000	48,900	388,000	48,900
2039	-	-	-	-	401,000	37,260	401,000	37,260
2040	-	-	-	-	414,000	25,230	414,000	25,230
2041	-	-	-	-	427,000	12,810	427,000	12,810
	<u>\$ 19,795,000</u>	<u>2,570,180</u>	<u>505,000</u>	<u>19,737</u>	<u>10,315,203</u>	<u>3,864,462</u>	<u>30,615,203</u>	<u>6,454,379</u>

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2015

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

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 23% of net receipts. The total principal and interest remaining to be paid on the notes is \$11,179,180. For the current year, principal and interest paid and total customer net receipts were \$421,560 and \$1,837,211, respectively.

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 17% of net receipts. The total principal and interest remaining to be paid on the notes is \$2,999,795. For the current year, principal and interest paid and total customer net receipts were \$303,653 and \$1,837,211, 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.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2015

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

General Obligation Bonds and Notes

In July 2013 the City issued \$2,070,000 of General Obligation Refunding Bonds for a crossover refunding of a portion of the General Obligation Bonds dated May 2008 and August 2009. The City entered in to an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying \$670,000 principal on the refunded general obligation bonds dated May 2008 when they became callable on June 1, 2014 and \$1,335,000 principal on the refunded general obligation bonds dated August when they become callable on June 1, 2015 and the interest from June 1, 2013 to and including June 1, 2015 on the refunding bonds. After the principal and interest on all of the outstanding bonds was paid, all remaining funds in the escrow account, together with any interest thereon, was returned to the City.

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.

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

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2015

4. **PENSION PLANS (CONTINUED)**

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

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

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

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

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$429,312.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2015

4. PENSION PLANS (CONTINUED)

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$2,277,403. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was .0574245 percent, which was a decrease of .003596 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$200,532, \$135,197 and \$1,131,740 respectively.

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

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

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

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

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2015

4. PENSION PLANS (CONTINUED)

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 4,835,052	\$ 2,277,403	\$ 119,027

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2015

4. **PENSION PLANS (CONTINUED)**

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 Sample GAAP 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.

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

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2015

4. **PENSION PLANS (CONTINUED)**

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

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

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

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

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

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

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$359,159.

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2015

4. **PENSION PLANS (CONTINUED)**

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

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's proportionate share of the net pension liability totaled \$1,695,838. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was .467820% which was an increase of .020156% from its proportions measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense totaled \$160,696.

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

Rate of inflation	3.00 percent
Rates of salary increase	4.00 to 15.11 percent, including inflation.
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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

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

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2015

4. PENSION PLANS (CONTINUED)

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 3,251,636	\$ 1,695,838	\$ 403,112

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2015

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 \$510 for single coverage and \$1,260 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$0 and plan members eligible for benefits contributed approximately \$12,150 to the plan.

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, 2015, primarily relating to the General Fund, was as follows:

Vacation	\$ 373,414
Sick leave	<u>885,041</u>
	\$ <u>1,258,455</u>

This liability has been computed based on rates of pay as of June 30, 2015.

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, 2015 the actuarially determined reserve necessary for claims incurred but not yet paid was \$177,621 (2014 - \$182,982) and the internal service fund balance was \$944,766 (2014 - \$1,068,506).

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 \$229,857 as of June 30, 2015.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2015

8. **INTERFUND TRANSFERS**

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 174,600
	Employee Benefits Levy	1,217,600
	Downtown Tax Increment	200,000
	Police Retirement	12,500
	Enterprise:	
	Sewer	411,700
	Recycling	17,300
	Component Unit	<u>1,005,528</u>
		<u>3,039,228</u>
Debt Service	General	65,500
	Special Revenue:	
	Industrial Park Urban Renewal Tax Increment	748,410
	Downtown Tax Increment	90,468
	Enterprise:	
	Sewer	429,400
	Stormwater Utility	61,900
	Component Unit	<u>172,500</u>
		<u>1,568,178</u>
Capital Projects:		
General Capital Projects	General	<u>608,784</u>
Street Construction	General Capital Projects	<u>900,000</u>
Component Unit	Special Revenue:	
	Road Use Tax	6,000
	Enterprise:	
	Sewer	<u>6,000</u>
		<u>12,000</u>
		<u>\$ 6,128,190</u>

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2015

9. **RISK MANAGEMENT**

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

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual 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, 2015 were \$108,881 (2014 - \$143,022).

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the 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. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2015

9. **RISK MANAGEMENT (CONTINUED)**

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.

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, 2015 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2015, the City paid workers' compensation insurance premiums of \$127,872 (2014 - \$133,365) to the Association.

10. **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, 2015, grants of \$74,160 and loan deposits of \$86,770 had been made under the program. As of June 30, 2015 remaining non interest bearing deposits totaled \$333,410.

11. **COMMITMENTS**

The City has entered into contracts for street and highway improvements, a waste water treatment plant project, and other projects totaling approximately \$5,343,000. The remaining commitment on these contracts at June 30, 2015 is \$264,592.

12. **DEFICIT BALANCE**

The Street Construction and Community Redevelopment capital project funds had deficit balances of \$163,832 and \$43,590, respectively, at June 30, 2015. The deficit balances were a result project costs incurred prior to availability of funds. The deficit in the Street Construction fund will be eliminated by transfer in the next fiscal year.

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, 2015

	Governmental Funds Actual	Proprietary Funds Actual
Receipts		
Property tax	\$ 6,155,219	-
Tax increment financing collections	1,365,455	-
Other city tax	298,515	-
Licenses and permits	132,554	-
Use of money and property	400,099	24,940
Intergovernmental	4,575,268	-
Charges for service	1,024,782	4,676,425
Special assessments	118,173	156,060
Miscellaneous	<u>477,149</u>	<u>440,145</u>
Total receipts	<u>14,547,214</u>	<u>5,297,570</u>
Disbursements		
Public safety	4,018,718	549,979
Public works	1,293,247	146,890
Culture and recreation	2,009,849	224,510
Community and economic development	557,205	-
General government	1,394,110	216,338
Debt service	3,003,458	-
Capital projects	5,220,131	-
Business type activities	-	<u>3,273,668</u>
Total disbursements	<u>17,496,718</u>	<u>4,411,385</u>
Excess of receipts over disbursements	(2,949,504)	886,185
Other financing sources, net	<u>2,146,567</u>	<u>(771,709)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(802,937)	114,476
Balances beginning of year	<u>7,416,192</u>	<u>3,147,628</u>
Balances end of year	<u>\$ 6,613,255</u>	<u>3,262,104</u>

See accompanying independent auditor's report.

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	6,155,219	6,013,183	6,013,183	142,036
-	1,365,455	1,308,600	1,308,600	56,855
-	298,515	29,175	29,175	269,340
-	132,554	124,700	124,700	7,854
474	424,565	390,100	390,100	34,465
-	4,575,268	1,819,124	5,434,124	(858,856)
1,285,026	4,416,181	4,229,700	4,229,700	186,481
-	274,233	82,000	82,000	192,233
<u>319,701</u>	<u>597,593</u>	<u>1,880,400</u>	<u>1,880,400</u>	<u>(1,282,807)</u>
<u>1,605,201</u>	<u>18,239,583</u>	<u>15,876,982</u>	<u>19,491,982</u>	<u>(1,252,399)</u>
549,979	4,018,718	4,343,900	4,343,900	325,182
146,890	1,293,247	1,429,800	1,439,800	146,553
224,510	2,009,849	2,091,400	2,091,400	81,551
-	557,205	259,000	259,000	(298,205)
216,338	1,394,110	1,396,700	1,396,700	2,590
-	3,003,458	3,030,500	3,030,500	27,042
-	5,220,131	764,800	6,164,800	944,669
<u>564,128</u>	<u>2,709,540</u>	<u>3,102,500</u>	<u>3,302,500</u>	<u>592,960</u>
<u>1,701,845</u>	<u>20,206,258</u>	<u>16,418,600</u>	<u>22,028,600</u>	<u>1,822,342</u>
(96,644)	(1,966,675)	(541,618)	(2,536,618)	569,943
<u>-</u>	<u>1,374,858</u>	<u>1,219,100</u>	<u>1,219,100</u>	<u>155,758</u>
(96,644)	(591,817)	677,482	(1,317,518)	725,701
<u>1,526,346</u>	<u>9,037,474</u>	<u>6,857,900</u>	<u>6,857,900</u>	<u>2,179,574</u>
<u>1,429,702</u>	<u>8,445,657</u>	<u>7,535,382</u>	<u>5,540,382</u>	<u>2,905,275</u>

CITY OF INDIANOLA

Notes to Other Information – Budgetary Reporting

June 30, 2015

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, two budget amendments increased budgeted disbursements by \$5,610,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the community and economic development function.

CITY OF INDIANOLA

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

Last Fiscal Year*

Other Information

<u>Iowa Public Employees' Retirement System</u>	<u>2015</u>
City's proportion of the net pension liability	0.057425%
City's proportionate share of the net pension liability	\$ 2,277,403
City's covered-employee payroll	\$ 4,712,732
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	48.32%
Plan fiduciary net position as a percentage of the total pension liability	87.61%
<u>Municipal Fire and Police Retirement System of Iowa</u>	<u>2015</u>
City's proportion of the net pension liability	0.4678200%
City's proportionate share of the net pension liability	\$ 1,695,838
City's covered-employee payroll	\$ 1,181,090
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	143.58%
Plan fiduciary net position as a percentage of the total pension liability	86.27%

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

See accompanying independent auditor's report.

CITY OF INDIANOLA

Schedule of City Contributions

Last 10 Fiscal Years

Other Information

Iowa Public Employees' Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 429,312	437,236	413,609	366,270
Contributions in relation to the statutorily required contribution	<u>(429,312)</u>	<u>(437,236)</u>	<u>(413,609)</u>	<u>(366,270)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$4,712,732	4,796,576	4,622,402	4,374,874
Contributions as a percentage of covered-employee payroll	9.11%	9.12%	8.95%	8.37%

Municipal Fire and Police Retirement System of Iowa

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 359,159	359,824	292,321	275,284
Contributions in relation to the statutorily required contribution	<u>(359,159)</u>	<u>(359,824)</u>	<u>(292,321)</u>	<u>(275,284)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$1,181,090	1,194,671	1,119,635	1,111,810
Contributions as a percentage of covered-employee payroll	30.41%	30.12%	26.11%	24.76%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
309,971	283,588	258,142	237,406	216,879	218,403
<u>(309,971)</u>	<u>(283,588)</u>	<u>(258,142)</u>	<u>(237,406)</u>	<u>(216,879)</u>	<u>(218,403)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4,178,301	4,024,153	3,860,006	3,694,371	3,460,999	3,484,956
7.42%	7.05%	6.69%	6.43%	6.27%	6.27%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
205,493	165,526	186,950	231,966	240,170	239,692
<u>(205,493)</u>	<u>(165,526)</u>	<u>(186,950)</u>	<u>(231,966)</u>	<u>(240,170)</u>	<u>(239,692)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,032,628	973,684	997,058	910,412	865,475	849,670
19.90%	17.00%	18.75%	25.48%	27.75%	28.21%

CITY OF INDIANOLA

Notes to Other Information – Pension Liability

Year Ended June 30, 2015

Iowa Public Employees' Retirement System

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

CITY OF INDIANOLA

Notes to Other Information – Pension Liability

Year Ended June 30, 2015

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

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

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

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

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

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, 2015

	Special			
	Industrial Park Urban Renewal Tax Increment	Employee Benefits Levy	Downtown Tax Increment	Police Retirement
Receipts				
Property tax	\$ -	1,217,600	-	-
Tax increment financing collections	1,040,157	-	325,298	-
Use of money and property	-	-	-	1,634
Miscellaneous	-	-	-	-
Total receipts	<u>1,040,157</u>	<u>1,217,600</u>	<u>325,298</u>	<u>1,634</u>
Disbursements				
Operating				
Community and economic development	250,000	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>790,157</u>	<u>1,217,600</u>	<u>325,298</u>	<u>1,634</u>
Other financing uses				
Sale of capital assets	-	-	-	-
Operating transfers in (out)	<u>(748,410)</u>	<u>(1,217,600)</u>	<u>(290,468)</u>	<u>(12,500)</u>
Total other financing sources (uses)	<u>(748,410)</u>	<u>(1,217,600)</u>	<u>(290,468)</u>	<u>(12,500)</u>
Net change in cash balances	41,747	-	34,830	(10,866)
Cash balances beginning of year	<u>47,293</u>	<u>-</u>	<u>368,358</u>	<u>111,729</u>
Cash balances end of year	<u>\$ 89,040</u>	<u>-</u>	<u>403,188</u>	<u>100,863</u>
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	\$ 89,040	-	403,188	-
Other purposes	-	-	-	100,863
Committed	-	-	-	-
Total cash basis fund balances	<u>\$ 89,040</u>	<u>-</u>	<u>403,188</u>	<u>100,863</u>

See accompanying independent auditor's report.

<u>Revenue</u>	<u>Capital Projects</u>		
	Community		
Police	Athletic	Community	
<u>Seizures</u>	<u>Facility</u>	<u>Redevelopment</u>	<u>Total</u>
-	-	-	1,217,600
-	-	-	1,365,455
-	120	3	1,757
<u>1,432</u>	<u>-</u>	<u>-</u>	<u>1,432</u>
<u>1,432</u>	<u>120</u>	<u>3</u>	<u>2,586,244</u>
-	-	-	250,000
<u>-</u>	<u>4,193</u>	<u>64,548</u>	<u>68,741</u>
<u>-</u>	<u>4,193</u>	<u>64,548</u>	<u>318,741</u>
<u>1,432</u>	<u>(4,073)</u>	<u>(64,545)</u>	<u>2,267,503</u>
-	-	24,647	24,647
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,268,978)</u>
<u>-</u>	<u>-</u>	<u>24,647</u>	<u>(2,244,331)</u>
1,432	(4,073)	(39,898)	23,172
<u>18,398</u>	<u>10,060</u>	<u>(3,692)</u>	<u>552,146</u>
<u>19,830</u>	<u>5,987</u>	<u>(43,590)</u>	<u>575,318</u>
-	-	-	492,228
19,830	-	-	120,693
<u>-</u>	<u>5,987</u>	<u>(43,590)</u>	<u>(37,603)</u>
<u>19,830</u>	<u>5,987</u>	<u>(43,590)</u>	<u>575,318</u>

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, 2015

	Enterprise			Internal
	Recycling	Stormwater Utility	Total	Health Insurance Reserve
Operating receipts				
Charges for service	\$ 215,938	202,715	418,653	16,732
Miscellaneous	-	-	-	28,215
Total operating receipts	215,938	202,715	418,653	44,947
Operating disbursements				
Governmental activities				
Public safety	-	-	-	17,834
Public works	-	-	-	3,955
Culture and recreation	-	-	-	7,216
General government	-	-	-	7,215
Business type activities				
Sewer	-	-	-	3,608
Other	184,323	-	184,323	-
Component Unit:				
Municipal Utilities	-	-	-	14,426
Total disbursements	184,323	-	184,323	54,254
Excess (deficiency) of operating receipts over (under) operating disbursements	31,615	202,715	234,330	(9,307)
Non-operating receipts (disbursements)				
Interest on investments	-	-	-	-
Net non-operating receipts (disbursements)	-	-	-	-
Excess of receipts over disbursements	31,615	202,715	234,330	(9,307)
Operating transfers in (out)	(17,300)	(61,900)	(79,200)	-
Net change in cash balances	14,315	140,815	155,130	(9,307)
Cash balances beginning of year	63,115	286,574	349,689	227,878
Cash balances end of year	\$ 77,430	427,389	504,819	218,571
Cash Basis Fund Balances				
Unrestricted	77,430	427,389	504,819	218,571
Total cash basis fund balances	\$ 77,430	427,389	504,819	218,571

See accompanying independent auditor's report.

Service

Property Insurance Council	Health Pool	Health Reimbursement Arrangement	Total
-	1,161,844	106,450	1,285,026
144,608	146,878	-	319,701
<u>144,608</u>	<u>1,308,722</u>	<u>106,450</u>	<u>1,604,727</u>
39,649	460,680	31,816	549,979
16,321	115,170	11,444	146,890
14,706	189,801	12,787	224,510
16,332	180,490	12,301	216,338
21,432	122,046	6,839	153,925
-	-	-	-
-	364,275	31,502	410,203
<u>108,440</u>	<u>1,432,462</u>	<u>106,689</u>	<u>1,701,845</u>
<u>36,168</u>	<u>(123,740)</u>	<u>(239)</u>	<u>(97,118)</u>
474	-	-	474
474	-	-	474
36,642	(123,740)	(239)	(96,644)
-	-	-	-
36,642	(123,740)	(239)	(96,644)
(134)	1,068,506	230,096	1,526,346
<u>36,508</u>	<u>944,766</u>	<u>229,857</u>	<u>1,429,702</u>
<u>36,508</u>	<u>944,766</u>	<u>229,857</u>	<u>1,429,702</u>
<u>36,508</u>	<u>944,766</u>	<u>229,857</u>	<u>1,429,702</u>

CITY OF INDIANOLA

Schedule of Indebtedness
Year Ended June 30, 2015

OBLIGATION	DATE OF ISSUE	INTEREST RATES	AMOUNT ORIGINALLY ISSUED
2009 Street Improvements & Equipment	8/31/2009	2.00-3.60	2,500,000
2011 General Obligation Refunding	1/13/2011	1.00-2.50	3,915,000
2011 Refunding & Sewer Improvements	1/13/2011	1.00-2.00	1,300,000
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			
1995 Sewer Revenue	6/21/1995	3.00	383,000
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	1.75	4,036,000
Total City of Indianola			
Indianola Municipal Utilities			
Revenue Bonds and Notes			
2010 Electric Revenue Capital Loan Notes	6/15/2010	2.00-4.00	9,040,000
2011 Electric Revenue Bonds	12/29/2011	2.00-2.30	1,800,000
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
\$ 1,580,000	-	1,580,000	-	48,760	-
1,590,000	-	775,000	815,000	32,300	-
280,000	-	280,000	-	5,600	-
685,000	-	55,000	630,000	12,042	-
2,310,000	-	100,000	2,210,000	55,100	-
4,580,000	-	100,000	4,480,000	101,970	-
3,500,000	-	305,000	3,195,000	57,875	-
1,865,000	-	-	1,865,000	20,380	-
5,015,000	-	315,000	4,700,000	76,340	-
<u>2,070,000</u>	<u>-</u>	<u>170,000</u>	<u>1,900,000</u>	<u>23,150</u>	<u>-</u>
<u>23,475,000</u>	<u>-</u>	<u>3,680,000</u>	<u>19,795,000</u>	<u>433,517</u>	<u>-</u>
28,000	-	28,000	-	434	-
7,598,881	253,119	186,000	7,666,000	235,560	-
290,000	-	70,000	220,000	8,795	-
425,000	-	140,000	285,000	5,545	-
<u>2,896,884</u>	<u>-</u>	<u>247,681</u>	<u>2,649,203</u>	<u>55,972</u>	<u>-</u>
<u>11,238,765</u>	<u>253,119</u>	<u>671,681</u>	<u>10,820,203</u>	<u>306,306</u>	<u>-</u>
<u>\$ 34,713,765</u>	<u>253,119</u>	<u>4,351,681</u>	<u>30,615,203</u>	<u>739,823</u>	<u>-</u>
\$ 6,490,000	-	6,490,000	-	124,013	-
1,470,000	-	1,470,000	-	15,087	-
815,000	-	270,000	545,000	7,760	-
-	7,241,000	300,000	6,941,000	18,304	-
<u>\$ 8,775,000</u>	<u>7,241,000</u>	<u>8,530,000</u>	<u>7,486,000</u>	<u>165,164</u>	<u>-</u>

CITY OF INDIANOLA

Bond and Note Maturities
June 30, 2015

YEAR ENDING JUNE 30,	GENERAL			
	GENERAL OBLIGATION REFUNDING		GENERAL OBLIGATION	
	ISSUED JANUARY 13, 2011		ISSUED OCTOBER 19, 2011	
	INTEREST		INTEREST	
	RATE	AMOUNT	RATE	AMOUNT
2016	2.00	\$ 535,000	1.35	\$ 55,000
2017	2.00	180,000	1.35	105,000
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>\$ 815,000</u>		<u>\$ 630,000</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
2016	1.50	\$ 100,000	2.00	\$ 380,000
2017	1.50	100,000	2.00	485,000
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>\$ 2,210,000</u>		<u>\$ 4,480,000</u>

OBLIGATION	
GENERAL OBLIGATION REFUNDING	
ISSUED JULY 17, 2013	
INTEREST	
RATE	AMOUNT
1.00	\$ 445,000
1.00	450,000
1.05	450,000
1.30	275,000
1.50	280,000
	-
	<u>\$ 1,900,000</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	
0.90	\$ 305,000	0.50	\$ 125,000	1.25	\$ 320,000	\$ 2,265,000
1.10	310,000	0.65	150,000	1.25	325,000	2,105,000
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>\$ 3,195,000</u>		<u>\$ 1,865,000</u>		<u>\$ 4,700,000</u>	<u>\$ 19,795,000</u>

CITY OF INDIANOLA

Bond and Note Maturities
June 30, 2015

YEAR ENDING JUNE 30,	CAPITAL					
	SEWER REVENUE ISSUED MAY 20, 2009		GENERAL OBLIGATION ISSUED AUGUST 31, 2009		GENERAL OBLIGATION ISSUED DECEMBER 20, 2011	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2016	3.00	\$ 213,000	2.80	\$ 70,000	1.30	\$ 140,000
2017	3.00	220,000	3.25	75,000	1.30	145,000
2018	3.00	227,000	3.25	75,000		-
2019	3.00	234,000		-		-
2020	3.00	242,000		-		-
2021	3.00	250,000		-		-
2022	3.00	258,000		-		-
2023	3.00	266,000		-		-
2024	3.00	275,000		-		-
2025	3.00	284,000		-		-
2026	3.00	293,000		-		-
2027	3.00	302,000		-		-
2028	3.00	312,000		-		-
2029	3.00	322,000		-		-
2030	3.00	333,000		-		-
2031	3.00	344,000		-		-
2032	3.00	355,000		-		-
2033	3.00	366,000		-		-
2034	3.00	378,000		-		-
2035	3.00	391,000		-		-
2036	3.00	403,000		-		-
2037	3.00	417,000		-		-
2038	3.00	430,000		-		-
2039	3.00	551,000		-		-
		<u>\$ 7,666,000</u>		<u>\$ 220,000</u>		<u>\$ 285,000</u>

See accompanying independent auditor's report.

LOAN NOTES

<u>SEWER REVENUE</u>		
<u>ISSUED APRIL 19, 2013</u>		
<u>INTEREST</u>		
<u>RATE</u>	<u>AMOUNT</u>	<u>TOTAL</u>
1.75	\$ 173,000	\$ 596,000
1.75	176,000	616,000
1.75	180,000	482,000
1.75	183,000	417,000
1.75	187,000	429,000
1.75	191,000	441,000
1.75	195,000	453,000
1.75	198,000	464,000
	202,000	477,000
	207,000	491,000
	211,000	504,000
	215,000	517,000
	219,000	531,000
	112,203	434,203
	-	333,000
	-	344,000
	-	355,000
	-	366,000
	-	378,000
	-	391,000
	-	403,000
	-	417,000
	-	430,000
	-	551,000
	<u>\$ 2,649,203</u>	<u>\$ 10,820,203</u>

CITY OF INDIANOLA

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts					
Property tax	\$ 6,155,219	5,472,196	5,163,954	4,929,375	4,836,322
Tax increment financing collections	1,365,455	1,383,060	1,368,810	1,146,801	865,761
Other city tax	298,515	294,866	205,910	152,908	137,481
Licenses and permits	132,554	164,364	117,693	144,940	197,339
Use of money and property	400,099	335,498	326,083	298,072	318,803
Intergovernmental	4,575,268	1,692,398	2,060,498	1,651,642	1,825,569
Charges for service	1,024,782	1,024,228	993,286	983,827	982,632
Special assessments	118,173	109,522	144,055	139,226	92,034
Miscellaneous	<u>477,149</u>	<u>1,980,786</u>	<u>353,021</u>	<u>416,059</u>	<u>623,383</u>
Total	<u>\$ 14,547,214</u>	<u>12,456,918</u>	<u>10,733,310</u>	<u>9,862,850</u>	<u>9,879,324</u>
Disbursements					
Operating					
Public safety	\$ 4,018,718	4,257,526	3,902,002	3,953,821	3,574,355
Public works	1,293,247	1,336,452	1,416,552	1,329,010	1,185,798
Culture and recreation	2,009,849	2,085,707	2,130,514	2,113,184	1,992,708
Community and economic development	557,205	430,585	704,168	1,295,997	123,554
General government	1,394,110	1,505,152	1,411,552	1,303,284	1,196,933
Debt service	3,003,458	3,000,167	2,622,940	3,368,178	5,718,378
Capital projects	<u>5,220,131</u>	<u>2,860,272</u>	<u>16,012,963</u>	<u>2,778,034</u>	<u>1,904,710</u>
Total	<u>\$ 17,496,718</u>	<u>15,475,861</u>	<u>28,200,691</u>	<u>16,141,508</u>	<u>15,696,436</u>

See accompanying independent auditor's report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
4,826,350	4,739,284	4,380,621	4,302,700	4,193,385
712,476	632,566	652,571	414,117	242,398
118,906	116,449	119,660	115,249	113,263
96,392	66,923	187,498	198,688	163,875
366,427	339,169	320,015	377,916	198,498
2,337,365	1,648,354	1,813,522	2,252,514	1,366,839
888,563	1,117,293	1,033,928	867,941	897,130
197,299	161,882	331,949	284,420	148,054
<u>418,791</u>	<u>351,465</u>	<u>648,262</u>	<u>620,475</u>	<u>410,502</u>
<u>9,962,569</u>	<u>9,173,385</u>	<u>9,488,026</u>	<u>9,434,020</u>	<u>7,733,944</u>
3,356,421	3,269,051	3,173,199	3,085,903	3,098,731
1,151,366	1,282,170	1,348,228	1,256,853	1,338,626
2,020,345	2,316,774	1,904,951	1,936,423	1,933,962
96,617	104,155	83,781	617,772	65,386
1,144,194	1,037,373	995,407	965,143	972,894
2,276,339	2,219,139	1,956,788	2,792,481	1,623,791
<u>2,713,016</u>	<u>1,678,814</u>	<u>966,954</u>	<u>3,041,721</u>	<u>962,040</u>
<u>12,758,298</u>	<u>11,907,476</u>	<u>10,429,308</u>	<u>13,696,296</u>	<u>9,995,430</u>



Shull, Schrum, McClafin & 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, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 19, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than 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 or significant deficiencies in internal control.

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

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.

Stull Schrum, McClellan & Co., Inc.

February 19, 2016

CITY OF INDIANOLA

Schedule of Findings
Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements:

None

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - Disbursements during the year ended June 30, 2015, exceeded the amounts budgeted in the community and economic development 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-15 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-15 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-15 Business Transactions - No business transactions between the City and City officials or employees were noted.
- II-E-15 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- II-F-15 City Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-15 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-15 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, 2015

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

II-I-15 Financial Condition – The Street Construction and Community Redevelopment capital project funds had deficit balances of \$163,832 and \$43,590, respectively, at June 30, 2015.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to sound financial position.

Response – The deficit balances were a result project costs incurred prior to availability of funds. The deficit in the Street Construction fund was subsequently eliminated.

Conclusion – Response accepted.