

City of Indianola

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

June 30, 2022

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**City of Indianola
OFFICIALS**

After January 2022

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Stephanie Erickson	Mayor	December 2025
John Parker Jr.	Council Member	December 2023
Gwen Schroder	Council Member	December 2023
Heather Hulen	Council Member	December 2023
Ron Dalby	Council Member	December 2025
Christina Beach	Council Member	December 2025
Steve Richardson	Council Member	December 2025
Charlie Dissell	Interim City Manager	April 2022
Benjamin Reeves	City Manager	Indefinite
Andy Lent	City Clerk/CFO	Indefinite
Amy Beattie	Attorney	Indefinite

Before January 2022

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Pam Pepper	Mayor	December 2021
John Parker Jr.	Council Member	December 2023
Gwen Schroder	Council Member	December 2023
Heather Hulen	Council Member	December 2023
Greg Marchant	Council Member	December 2021
Greta Southall	Council Member	December 2021
Bob Kling	Council Member	December 2021
Ryan Waller	City Manager	Resigned November 2021
Andy Lent	City Clerk/CFO	Indefinite
Amy Beattie	Attorney	Indefinite



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Indianola, Iowa
Indianola, Iowa

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Indianola, Iowa (the City), as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Indianola, Iowa, as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Indianola, Iowa, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Indianola, Iowa's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Indianola, Iowa's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Indianola, Iowa'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 four years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The financial statements for the five years ended June 30, 2017 (which are not presented herein) were audited by other auditors whose report dated March 12, 2018 stated that they expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information, the schedule of the City's proportionate share of the net pension liability and the schedule of City contributions but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's 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's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 14, 2022

BASIC FINANCIAL STATEMENTS

City of Indianola
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
As of and for the year ended June 30, 2022

	Program revenues			
Disbursements	Charges for service	Operating grants, contributions, and restricted interest	Capital grants, contributions, and restricted interest	
FUNCTIONS/PROGRAMS				
Governmental activities				
Public safety	\$ 6,544,600	\$1,116,001	\$ 327,221	\$ —
Public works	1,673,748	52,288	2,162,449	—
Culture and recreation	2,452,861	384,278	213,156	—
Community and economic development	232,083	7,717	1,940	—
General government	932,790	516,793	126,600	—
Debt service	3,260,194	—	—	—
Capital projects	<u>7,870,252</u>	<u>—</u>	<u>—</u>	<u>2,449,405</u>
Total governmental activities	<u>22,966,528</u>	<u>2,077,077</u>	<u>2,831,366</u>	<u>2,449,405</u>
Business type activities				
Sewer	28,883,279	4,151,015	—	500,000
Other	<u>463,537</u>	<u>972,035</u>	<u>—</u>	<u>—</u>
Total business type activities	<u>29,346,816</u>	<u>5,123,050</u>	<u>—</u>	<u>500,000</u>
Total	<u>\$52,313,344</u>	<u>\$7,200,127</u>	<u>\$2,831,366</u>	<u>\$2,949,405</u>
Component unit				
Indianola Community Parks Foundation	\$ <u>16,088</u>	\$ <u>—</u>	\$ <u>21,098</u>	\$ <u>—</u>
GENERAL RECEIPTS AND TRANSFERS				
Property and other city tax levied for				
General purposes				
Debt service				
Tax increment financing				
Hotel motel tax				
Other tax				
Payments in lieu of taxes				
Commercial/industrial tax replacement				
Unrestricted investment earnings				
Bond proceeds				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				

CASH BASIS NET POSITION, beginning of year

CASH BASIS NET POSITION, end of year

CASH BASIS NET POSITION

Restricted
 Nonspendable
 Expendable
 Urban renewal purposes
 Capital projects
 Debt service
 Other purposes
Unrestricted

Total cash basis net assets

See Notes to Financial Statements.

**Net (disbursements) receipts and
changes in cash basis net position**

<u>Primary government</u>			<u>Component unit</u>
<u>Governmental activities</u>	<u>Business type activities</u>	<u>Total</u>	<u>Indianola Community Parks Foundation</u>
\$ (5,101,378)	\$ —	\$ (5,101,378)	
540,989	—	540,989	
(1,855,427)	—	(1,855,427)	
(222,426)	—	(222,426)	
(289,397)	—	(289,397)	
(3,260,194)	—	(3,260,194)	
<u>(5,420,847)</u>	<u>—</u>	<u>(5,420,847)</u>	
<u>(15,608,680)</u>	<u>—</u>	<u>(15,608,680)</u>	
—	(24,232,264)	(24,232,264)	
—	508,498	508,498	
—	<u>(23,723,766)</u>	<u>(23,723,766)</u>	
<u>(15,608,680)</u>	<u>(23,723,766)</u>	<u>(39,332,446)</u>	
			\$ <u>5,010</u>
7,552,486	—	7,552,486	—
926,257	—	926,257	—
1,468,168	—	1,468,168	—
216,482	—	216,482	—
2,695,456	—	2,695,456	—
774,880	—	774,880	—
191,505	—	191,505	—
280,592	56,847	337,439	—
7,495,038	23,897,024	31,392,062	—
449	—	449	—
<u>(5,151,800)</u>	<u>5,151,800</u>	<u>—</u>	<u>—</u>
<u>16,449,513</u>	<u>29,105,671</u>	<u>45,555,184</u>	<u>—</u>
840,833	5,381,905	6,222,738	5,010
<u>31,923,433</u>	<u>3,574,600</u>	<u>35,498,033</u>	<u>233,078</u>
<u>\$32,764,266</u>	<u>\$ 8,956,505</u>	<u>\$41,720,771</u>	<u>\$ 238,088</u>
\$ 43,910	\$ —	\$ 43,910	\$ —
5,366,490	—	5,366,490	—
12,994,605	—	12,994,605	—
81,003	284,118	365,121	—
2,629,595	—	2,629,595	238,088
<u>11,648,663</u>	<u>8,672,387</u>	<u>20,321,050</u>	<u>—</u>
<u>\$32,764,266</u>	<u>\$ 8,956,505</u>	<u>\$41,720,771</u>	<u>\$ 238,088</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, 2022

	<u>General</u>	<u>Special revenue</u>		
		<u>Local Option Sales Tax</u>	<u>Employee Benefit Tax Levy</u>	<u>Urban Renewal Tax Increment</u>
RECEIPTS				
Property tax	\$ 5,001,193	\$ —	\$2,551,293	\$ —
Tax increment financing	—	—	—	1,468,168
Other city tax	520,502	2,359,672	—	—
Licenses and permits	330,618	—	—	—
Use of money and property	290,654	—	—	117,999
Intergovernmental	1,646,222	—	49,254	23,300
Charges for service	1,109,741	—	—	—
Special assessments	—	—	—	—
Miscellaneous	387,168	—	—	—
Total receipts	<u>9,286,098</u>	<u>2,359,672</u>	<u>2,600,547</u>	<u>1,609,467</u>
DISBURSEMENTS				
Operating				
Public safety	6,693,985	—	—	—
Public works	85,908	—	—	—
Culture and recreation	2,512,202	—	—	—
Community and economic development	232,083	—	—	—
General government	949,454	—	—	—
Debt service	27,395	—	—	—
Capital projects	<u>1,837,253</u>	—	—	—
Total disbursements	<u>12,338,280</u>	—	—	—
Excess (deficiency) of receipts over (under) disbursements	<u>(3,052,182)</u>	<u>2,359,672</u>	<u>2,600,547</u>	<u>1,609,467</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	—	—	—	—
Sale of assets	449	—	—	—
Operating transfers in	3,226,082	—	—	—
Operating transfers out	<u>(390,666)</u>	<u>(8,317,910)</u>	<u>(2,597,042)</u>	<u>(1,589,338)</u>
Total other financing sources (uses)	<u>2,835,865</u>	<u>(8,317,910)</u>	<u>(2,597,042)</u>	<u>(1,589,338)</u>
Net change in cash balances	(216,317)	(5,958,238)	3,505	20,129
CASH BALANCES, beginning of year	<u>10,158,991</u>	<u>6,423,499</u>	<u>36,668</u>	<u>5,346,361</u>
CASH BALANCES, end of year	<u>\$ 9,942,674</u>	<u>\$ 465,261</u>	<u>\$ 40,173</u>	<u>\$5,366,490</u>
CASH BASIS FUND BALANCES				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted for				
Urban renewal purposes	—	—	—	5,366,490
Capital projects	—	—	—	—
Debt service	—	—	—	—
Other purpose	39,452	465,261	40,173	—
Unassigned	<u>9,903,222</u>	—	—	—
Total cash basis fund balances	<u>\$ 9,942,674</u>	<u>\$ 465,261</u>	<u>\$ 40,173</u>	<u>\$5,366,490</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 926,257	\$ -	\$ -	\$ 8,478,743
-	-	-	1,468,168
-	-	-	2,880,174
-	2,450	-	333,068
-	-	862	409,515
72,371	2,443,442	2,162,449	6,397,038
-	-	-	1,109,741
15,205	16,559	-	31,764
-	18,610	4,748	410,526
<u>1,013,833</u>	<u>2,481,061</u>	<u>2,168,059</u>	<u>21,518,737</u>
-	-	-	6,693,985
-	-	1,619,666	1,705,574
-	-	-	2,512,202
-	-	-	232,083
-	-	-	949,454
3,287,399	108,610	-	3,423,404
-	5,924,389	-	7,761,642
<u>3,287,399</u>	<u>6,032,999</u>	<u>1,619,666</u>	<u>23,278,344</u>
<u>(2,273,566)</u>	<u>(3,551,938)</u>	<u>548,393</u>	<u>(1,759,607)</u>
-	7,495,038	-	7,495,038
-	-	-	449
1,642,538	3,369,367	-	8,237,987
-	-	(544,831)	(13,439,787)
<u>1,642,538</u>	<u>10,864,405</u>	<u>(544,831)</u>	<u>2,293,687</u>
(631,028)	7,312,467	3,562	534,080
<u>712,031</u>	<u>5,682,138</u>	<u>2,125,057</u>	<u>30,484,745</u>
<u>\$ 81,003</u>	<u>\$12,994,605</u>	<u>\$2,128,619</u>	<u>\$31,018,825</u>
\$ -	\$ -	\$ 43,910	\$ 43,910
-	-	-	5,366,490
-	12,994,605	-	12,994,605
81,003	-	-	81,003
-	-	2,084,709	2,629,595
-	-	-	9,903,222
<u>\$ 81,003</u>	<u>\$12,994,605</u>	<u>\$2,128,619</u>	<u>\$31,018,825</u>

See Notes to Financial Statements.

City of Indianola
**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 TO THE STATEMENT OF ACTIVITIES AND NET POSITION – CASH BASIS
 GOVERNMENTAL FUNDS
 As of and for the year ended June 30, 2022**

Total governmental funds cash balances (pages 10-11)	\$31,018,825
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Position - Cash Basis are different because:</i>	
The Internal Service Funds are used by management to charge the costs of various internal activities to individual funds. A portion of the cash basis balance of the Internal Service Funds is included in governmental activities in the Statement of Activities and Net Position - Cash Basis.	<u>1,745,441</u>
Cash basis net position of governmental activities (pages 8-9)	<u>\$32,764,266</u>
 Net change in cash balances (pages 10-11)	 \$ 534,080
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Position - Cash Basis are different because:</i>	
The Internal Service Funds are used by management to charge the costs of various internal activities to individual funds. A portion of the change in cash balance of the Internal Service Funds is reported with governmental activities in the Statement of Activities and Net Position - Cash Basis.	<u>306,753</u>
Change in cash basis net position of governmental activities (pages 8-9)	<u>\$ 840,833</u>

City of Indianola
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS**
 As of and for the year ended June 30, 2022

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Sewer</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	
OPERATING RECEIPTS				
Charges for service	\$ 3,987,500	\$ 972,035	\$ 4,959,535	\$1,716,249
Miscellaneous	120,634	—	120,634	3,863
Total operating receipts	<u>4,108,134</u>	<u>972,035</u>	<u>5,080,169</u>	<u>1,720,112</u>
OPERATING DISBURSEMENTS				
Governmental Activities				
Public safety	—	—	—	438,323
Public works	—	—	—	89,958
Culture and recreation	—	—	—	170,080
General government	—	—	—	92,323
Business type activities	1,595,153	456,537	2,051,690	64,448
Component unit				
Municipal Utility	—	—	—	467,516
Total operating disbursements	<u>1,595,153</u>	<u>456,537</u>	<u>2,051,690</u>	<u>1,322,648</u>
Excess of operating receipts over operating disbursements	<u>2,512,981</u>	<u>515,498</u>	<u>3,028,479</u>	<u>397,464</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)				
Bond proceeds	23,897,024	—	23,897,024	—
Intergovernmental	500,000	—	500,000	—
Interest on investments	56,847	—	56,847	45,037
Rental income	40,506	—	40,506	—
Special assessments	2,375	—	2,375	—
Debt service	(1,824,010)	—	(1,824,010)	—
Capital projects	(25,486,564)	(7,000)	(25,493,564)	—
Net nonoperating receipts (disbursements)	<u>(2,813,822)</u>	<u>(7,000)</u>	<u>(2,820,822)</u>	<u>45,037</u>
Excess (deficiency) of receipts over (under) disbursements	(300,841)	508,498	207,657	442,501
TRANSFERS IN	5,550,000	—	5,550,000	50,000
TRANSFERS OUT	(398,200)	—	(398,200)	—
Net change in cash balances	4,850,959	508,498	5,359,457	492,501
CASH BALANCES, beginning of year	<u>2,838,613</u>	<u>564,468</u>	<u>3,403,081</u>	<u>2,334,791</u>
CASH BALANCES, end of year	<u>\$ 7,689,572</u>	<u>\$ 1,072,966</u>	<u>\$ 8,762,538</u>	<u>\$ 2,827,292</u>
CASH BASIS FUND BALANCES				
Restricted for debt service	\$ 349,001	\$ —	\$ 349,001	\$ —
Unrestricted	<u>7,340,571</u>	<u>1,072,966</u>	<u>8,413,537</u>	<u>2,827,292</u>
Total cash basis fund balances	<u>\$ 7,689,572</u>	<u>\$ 1,072,966</u>	<u>\$ 8,762,538</u>	<u>\$ 2,827,292</u>

See Notes to Financial Statements.

City of Indianola
**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 TO THE STATEMENT OF ACTIVITIES AND NET POSITION – CASH BASIS
 PROPRIETARY FUNDS
 As of and for the year ended June 30, 2022**

Total enterprise funds cash balances (page 13) \$8,762,538

Amounts reported for business type activities in the Statement of Activities and Net Position - Cash Basis are different because:

The Internal Service Funds are used by management to charge the costs of various internal activities to individual funds. A portion of the cash basis balance of the Internal Service Funds is included in business type activities in the Statement of Activities and Net Position - Cash Basis.

Cash balances held for business type activities	1,081,851	
Less cash balances held for Indianola Municipal Utilities	<u>(887,884)</u>	<u>193,967</u>

Cash basis net position of business-type activities (pages 8-9) \$8,956,505

Net change in cash balances (page 13) \$5,359,457

Amounts reported for business type activities in the Statement of Activities and Net Position - Cash Basis are different because:

The Internal Service Funds are used by management to charge the costs of various internal activities to individual funds. A portion of the change in cash balance of the Internal Service Funds is reported with business type activities in the Statement of Activities and Net Position - Cash Basis.

Change in cash balances from business type activities	185,748	
Less change in cash balances from Indianola Municipal Utilities	<u>(163,300)</u>	<u>22,448</u>

Change in cash basis net position of business-type activities (pages 8-9) \$5,381,905

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Indianola (the City) 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, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer, storm water and recycling utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, Indianola Municipal Utility (IMU). 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.

IMU has been audited separately and a report has been issued under separate cover. IMU's audited financial statements are available at the City Clerk's office.

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.

Component Unit

The Indianola Community Parks and Recreation Foundation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the primary purpose to encourage gifts and raise funds to be used solely for the development, maintenance and enhancement of the Indianola community recreational programs, facilities, and public parks. In accordance with criteria set by the Governmental Accounting Standards Board, the Foundation is discretely presented and reported in a separate column in the government-wide financial statement to emphasize that it is legally separate from the City.

Jointly Governed Organizations

The City 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, Des Moines Metropolitan Planning Organization, Warren County Economic Development Corporation, Greater Des Moines Convention and Visitors Bureau, and Bravo Greater Des Moines.

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Government-wide Financial Statement

The Statement of Activities and Net Position—Cash Basis 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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

Nonspendable restricted net position is subject to externally imposed stipulations which require the fund balance to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are 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 Statement of Activities and Net Position—Cash Basis 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 funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. All remaining enterprise funds are aggregated and reported as nonmajor enterprise funds.

The City reports the following major governmental funds:

General Fund

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

Special Revenue

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

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Special Revenue (continued)

The Employee Benefit Tax Levy Fund is used to account for property tax levied to finance the payment of employee benefits.

Debt Service Fund

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

Capital Projects Fund

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary fund:

Sewer Fund

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

The City also reports the following additional proprietary funds:

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.

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 accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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.

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 nonoperating 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 nonoperating receipts and disbursements.

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes

Property tax receipts recognized in these financial statements become due and collectible in September and March of the current fiscal year with a 1.5 percent per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

Governmental Cash Basis Fund Balances

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

Nonspendable

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

Restricted

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

Unassigned

All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the debt service function.

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2022 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 ensure 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.

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND POOLED INVESTMENTS (continued)

At June 30, 2022, the City had the following investments:

<u>Security Description</u>	<u>Carrying Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Money markets	\$ 202,364	\$ 202,364	\$ –	\$ –	\$ –
FHLMC	48,708	–	47,011	–	1,697
FHLB	1,691,239	754,935	936,304	–	–
FNMA	1,825,850	–	1,201,736	–	624,114
GNMA	41,545	–	41,545	–	–
SBA	103,638	–	14,020	89,618	–
U.S. Treasury Bills	<u>22,216,942</u>	<u>7,408,412</u>	<u>9,993,871</u>	<u>4,814,659</u>	<u>–</u>
	<u>\$26,130,286</u>	<u>\$8,365,711</u>	<u>\$12,234,487</u>	<u>\$4,904,277</u>	<u>\$ 625,811</u>

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

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

In addition, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$116,335. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to 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

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2022, all of the City's investments rated by Moody's Investment Services carried an Aaa rating.

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 3 BONDS AND NOTES PAYABLE

A summary of changes in bonds and notes payable for the year ended June 30, 2022 is as follows:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Range of</u> <u>interest rates</u>
Governmental activities					
General obligation bonds	\$12,705,000	\$21,621,074	\$2,729,000	\$31,597,074	1.00 to 4.00%
Iowa Economic Development Authority Loan	50,813	-	25,249	25,564	1.00%
Business type activities					
Revenue bonds	<u>34,270,372</u>	<u>9,727,123</u>	<u>524,000</u>	<u>43,473,495</u>	1.32 to 2.75%
	<u>\$47,026,185</u>	<u>\$31,348,197</u>	<u>\$3,278,249</u>	<u>\$75,096,133</u>	

A summary of the bond/note principal and interest maturities by type of bond/note is as follows:

<u>Year ending</u> <u>June 30</u>	<u>General Obligation</u>			<u>Iowa Economic Development</u> <u>Authority Loan</u>			<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,776,000	\$ 723,384	\$ 3,499,384	\$ 25,564	\$ 191	\$ 25,755	\$ 1,390,000	\$ 956,777	\$ 2,346,777
2024	2,845,000	664,876	3,509,876	-	-	-	1,413,000	939,563	2,352,563
2025	2,709,000	588,276	3,297,276	-	-	-	1,447,000	911,521	2,358,521
2026	2,748,000	525,076	3,273,076	-	-	-	1,484,000	881,754	2,365,754
2027	2,838,000	443,731	3,281,731	-	-	-	1,521,000	851,203	2,372,203
2028-2032	11,087,000	1,213,802	12,300,802	-	-	-	8,205,000	3,769,352	11,974,352
2033-2037	4,352,000	564,533	4,916,533	-	-	-	8,547,000	2,896,503	11,443,503
2038-2042	2,242,074	151,025	2,393,099	-	-	-	8,132,000	1,988,167	10,120,167
2043-2047	-	-	-	-	-	-	7,396,000	1,111,703	8,507,703
2048-2050	-	-	-	-	-	-	3,938,495	216,348	4,154,843
Totals	<u>\$31,597,074</u>	<u>\$4,874,703</u>	<u>\$36,471,777</u>	<u>\$ 25,564</u>	<u>\$ 191</u>	<u>\$ 25,755</u>	<u>\$43,473,495</u>	<u>\$14,522,891</u>	<u>\$57,996,386</u>

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to a sewer bond and interest sinking fund for the purpose of making the bond principal and interest payments when due.
- (3) A separate sewer operations and maintenance fund shall maintain specific minimum balances.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$50,301,702 in revenue notes issued from 2009 to 2022. Proceeds from the notes provided financing for the costs of acquisition, construction, improving, extending, and equipping of the municipal sewer system utility. The notes are payable solely from customer net receipts and are payable through 2050. Annual principal and interest payments on the notes are expected to require less than net revenues. The total principal and interest remaining to be paid on the notes is \$57,996,386. For the current year, principal and interest paid and total customer net revenues were \$1,470,149 and \$2,612,709, respectively.

In March, 2018 the City entered into a nuisance property and abandoned building remediation loan with the Iowa Economic Development Authority (IEDA) for \$125,000 bearing interest at 1%. The proceeds from the loan were used to repair buildings owned by private developers. The City has entered into corresponding developer agreements and promissory notes with the developers which provide for the City to be repaid for the cost of the building repairs with terms consistent with those the City received from IEDA.

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 4 PENSION PLANS

Iowa Public Employees' Retirement System (IPERS)

Plan Description

IPERS is a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System. Membership is mandatory for employees of the City, except for those covered by another retirement system. IPERS issues a stand-alone financial report which is available to the public by mail at 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, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary. 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.

Protection occupation members may retire at normal retirement age, which is generally at age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

Disability and Death Benefits

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

**City of Indianola
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 PENSION PLANS (continued)

Iowa Public Employees' Retirement System (IPERS) (continued)

Contributions

The contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 2022, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's total contributions to IPERS for the year ended June 30, 2022 were \$402,807.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the City reported a liability (asset) of \$(1,107,805) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. The following table summarizes the change in the City's proportionate share:

	June 30		Change
	2021	2020	
City's proportionate share	.320892%	.036102%	.284790%

For the year ended June 30, 2022, the City's pension expense (gain), deferred outflows of resources and deferred inflows of resources totaled \$(227,407), \$716,456 and \$2,824,631, respectively.

There were no nonemployer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 4 PENSION PLANS (continued)

Iowa Public Employees' Retirement System (IPERS) (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	26.0%	0.29%
Domestic Equity	22.0	4.43
International Equity	17.5	6.01
Private Equity	13.0	9.51
Private Real Assets	7.5	4.63
Public Credit	4.0	2.08
Private Credit	3.0	2.87
Global Smart Beta Equity	6.0	5.10
Cash	<u>1.0</u>	(0.25)
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
City's proportionate share of the net pension liability	<u>\$1,428,569</u>	<u>\$(1,107,805)</u>	<u>\$(3,232,293)</u>

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 4 PENSION PLANS (continued)

Iowa Public Employees' Retirement System (IPERS) (continued)

IPERS' Fiduciary Net Position

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

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan Description

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

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

Pension Benefits

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

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

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

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 4 PENSION PLANS (continued)

Municipal Fire and Police Retirement System of Iowa (MFPRSI) (continued)

Disability and Death Benefits

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

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

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

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

Contributions

Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2022.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 26.18% for the year ended June 30, 2022.

The City's contributions to MFPRSI for the year ended June 30, 2022 was \$456,614.

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

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2022.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the City reported a liability of \$1,113,908 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 MFPRSI relative to the contributions of all MFPRSI participating employers.

**City of Indianola
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 PENSION PLANS (continued)

Municipal Fire and Police Retirement System of Iowa (MFPRSI) (continued)

The following table summarizes the change in the City's proportionate share:

	June 30		Change
	2021	2020	
City's proportionate share	.496009%	.480593%	.015416%

For the year ended June 30, 2022, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$30,824, \$669,232, and \$2,371,809, respectively.

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00% per annum
Rates of salary increase	3.75 to 15.11%, including inflation.
Investment rate of return	7.50%, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2007 to June 30, 2017.

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set forward zero years, females set forward two years and disabled individuals set forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of 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 best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large Cap	7.4%
Small Cap	8.1
International Large Cap	7.2
Emerging Markets	7.9
Global Infrastructure	7.5
Private Non-Core Real Estate	11.5
Private Credit	6.4
Private Equity	10.8
Core Plus Fixed Income	4.0
Private Core Real Estate	7.2

**City of Indianola
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 PENSION PLANS (continued)

Municipal Fire and Police Retirement System of Iowa (MFPRSI) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed contributions will be made at 9.4% of covered payroll and the City's contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MFPRSI's 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%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability (asset)	\$3,296,287	\$1,113,908	\$ (697,341)

MFPRSI's Fiduciary Net Position

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

NOTE 5 COMPENSATED ABSENCES

City employees accumulate vacation and compensatory time for subsequent use or payment 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, 2022, primarily relating to the General Fund, was as follows:

Type of benefit	Amount
Vacation	\$ 408,011
Compensatory time	68,792
Sick leave	945,746
Total	\$1,422,549

This liability has been computed based on rates of pay in effect at June 30, 2022.

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 6 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, 2022, the actuarially determined reserve necessary for claims incurred but not yet paid was \$137,286 and the internal service fund balance was \$2,634,726.

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer benefit plan which provides medical, prescription drug and dental benefits to retired employees and their dependents under certain conditions. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No 75.

OPEB Benefits

Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Active employees	<u>65</u>
Total	<u>67</u>

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 8 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General fund	Special revenue	
	Employee benefits fund	\$ 2,597,042
	Nonmajor special revenue	260,040
	Enterprise	
	Sewer fund	<u>369,000</u>
		<u>3,226,082</u>
Capital projects fund	General fund	375,457
	Special revenue	
	Local option sales tax	2,667,910
	Urban renewal tax increment fund	76,000
	Nonmajor special revenue	<u>250,000</u>
		<u>3,369,367</u>
Debt service	Special revenue	
	Urban renewal tax increment fund	1,513,337
	Local option sales tax	100,000
	Enterprise	
	Nonmajor enterprise	<u>29,201</u>
		<u>1,642,538</u>
Internal service	General fund	15,209
	Special revenue	
	Nonmajor special revenue	<u>34,791</u>
		<u>50,000</u>
Sewer	Special revenue	
	Local option sales tax	<u>5,550,000</u>
Total		<u>\$13,837,987</u>

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

NOTE 9 DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Urban Renewal Tax Increment	Capital Projects	<u>\$ 676,000</u>

This balance results from an interfund loan to finance projects. Repayments will be made from future revenues.

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 10 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 794 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 determined by the Board not to exceed 300% of basis rate.

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2022 were \$189,604.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2022, settled claims have not exceeded the risk Pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and 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, 2022 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2022, the City paid workers' compensation insurance premiums of \$140,059 to the Association.

City of Indianola
NOTES TO FINANCIAL STATEMENTS

NOTE 11 DOWNTOWN BUSINESS INCENTIVE PROGRAM

The City offers an incentive program for renovation and repair of existing commercial building structures and facades in certain blocks of the Original Town Plat. Property owners in the program are eligible for grants for a portion of the costs incurred and obtain a loan from a local lender for the balance of the costs. In order to provide the loans to property owners at 3% interest, the City places a noninterest bearing deposit with the lender. As property owners pay down the loans, the noninterest bearing funds are released. As of June 30, 2022 the outstanding balance of the loans and noninterest bearing deposit accounts was \$34,477 and \$39,452, respectively.

NOTE 12 COMMITMENTS

The City has entered into contracts for street and highway improvements, trail improvements, sanitary sewer infrastructure improvements, and other projects totaling approximately \$65,400,000. The remaining commitment on these contracts at June 30, 2022 is approximately \$15,300,000, a majority of which pertains to the City's Water Resource Recovery Facility project. These contractual commitments will be funded through the City's local option sales tax and debt proceeds.

NOTE 13 LEASING ACTIVITIES

In 2011 the City entered into a 28E Agreement with the Young Men's Christian Association of Greater Des Moines, Iowa (YMCA) for the construction and subsequent lease of Indianola's YMCA branch facility. Under the terms of the agreement, the City constructed and owns the land and facility and the YMCA leases the facility from the City for a 25 year period, terminating in 2037. The lease agreement was amended, effective September 1, 2020, to reduce the YMCA's annual lease payment to the City.

The total minimum future lease payments under the lease at June 30, 2022, as amended, are as follows:

Year ending June 30

2023	\$ 70,000
2024	70,000
2025	70,000
2026	70,000
2027	70,000
Thereafter	<u>700,000</u>
Total	<u>\$1,050,000</u>

Receipts on the lease totaled \$70,000 during the year ended June 30, 2022.

NOTE 14 SUBSEQUENT EVENTS

In September 2022, the City Council approved issuance of general obligation bonds totaling \$2,015,000.

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, 2022

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Adjustments to budget basis</u>	<u>Total</u>
RECEIPTS				
Property tax	\$ 8,478,743	\$ -	\$ -	\$ 8,478,743
Tax increment financing	1,468,168	-	-	1,468,168
Other city tax	2,880,174	-	-	2,880,174
Licenses and permits	333,068	-	-	333,068
Use of money and property	409,515	97,353	-	506,868
Intergovernmental	6,397,038	500,000	-	6,897,038
Charges for service	1,109,741	4,959,535	-	6,069,276
Special assessments	31,764	2,375	-	34,139
Miscellaneous	410,526	120,634	-	531,160
Total receipts	<u>21,518,737</u>	<u>5,679,897</u>	<u>-</u>	<u>27,198,634</u>
DISBURSEMENTS				
Public safety	6,693,985	-	-	6,693,985
Public works	1,705,574	-	-	1,705,574
Culture and recreation	2,512,202	-	-	2,512,202
Community and economic development	232,083	-	27,395	259,478
General government	949,454	-	-	949,454
Debt service	3,423,404	-	(316,051)	3,107,353
Capital projects	7,761,642	-	-	7,761,642
Business type activities	-	29,369,264	-	29,369,264
Total disbursements	<u>23,278,344</u>	<u>29,369,264</u>	<u>(288,656)</u>	<u>52,358,952</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,759,607)</u>	<u>(23,689,367)</u>	<u>288,656</u>	<u>(25,160,318)</u>
OTHER FINANCING SOURCES, net	<u>2,293,687</u>	<u>29,048,824</u>	<u>-</u>	<u>31,342,511</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	534,080	5,359,457	288,656	6,182,193
BALANCES, beginning of year	<u>30,484,745</u>	<u>3,403,081</u>	<u>-</u>	<u>33,887,826</u>
BALANCES, end of year	<u>\$31,018,825</u>	<u>\$ 8,762,538</u>	<u>\$ 288,656</u>	<u>\$40,070,019</u>

See accompanying independent auditor's report.

Budgeted amounts		Final to actual variance- positive (negative)
Original	Final	
\$ 8,410,643	\$ 8,410,643	\$ 68,100
1,500,000	1,500,000	(31,832)
1,509,266	2,441,347	438,827
320,700	320,700	12,368
357,709	357,709	149,159
1,691,851	2,791,851	4,105,187
5,615,696	5,615,696	453,580
—	—	34,139
<u>281,870</u>	<u>281,870</u>	<u>249,290</u>
<u>19,687,735</u>	<u>21,719,816</u>	<u>5,478,818</u>
7,292,720	8,174,303	1,480,318
1,733,270	1,733,270	27,696
2,618,853	2,618,853	106,651
217,659	311,231	51,753
1,746,039	1,781,039	831,585
2,212,417	2,950,975	(156,378)
7,009,069	11,176,979	3,415,337
<u>29,253,285</u>	<u>33,170,410</u>	<u>3,801,146</u>
<u>52,083,312</u>	<u>61,917,060</u>	<u>9,558,108</u>
<u>(32,395,577)</u>	<u>(40,197,244)</u>	<u>15,036,926</u>
<u>26,000,000</u>	<u>29,000,000</u>	<u>2,342,511</u>
(6,395,577)	(11,197,244)	17,379,437
<u>35,404,405</u>	<u>35,404,405</u>	<u>(1,516,579)</u>
<u>\$29,008,828</u>	<u>\$24,207,161</u>	<u>\$15,862,858</u>

City of Indianola
NOTE TO OTHER INFORMATION - BUDGETARY REPORTING
June 30, 2022

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 the discretely presented component unit and internal service 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 Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$9,833,748. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the debt service function.

City of Indianola, Iowa
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System and
Municipal Fire and Police Retirement System of Iowa
For the Last Eight Years*
(In Thousands)
Other Information

	June 30							
	2022	2021	2020	2019	2018	2017	2016	2015
Iowa Public Employees' Retirement System								
City's proportion of the net pension liability (asset)	0.320892%	0.036102%	0.031658%	0.031366%	0.031734%	0.029023%	0.037810%	0.038029%
City's proportionate share of the net pension liability (asset)	\$(1,108)	\$2,536	\$1,833	\$1,985	\$2,114	\$1,827	\$1,868	\$1,508
City's covered payroll	\$4,556	\$4,173	\$3,961	\$3,689	\$3,312	\$3,357	\$3,142	\$3,211
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(24.25)%	60.77%	46.28%	53.81%	63.82%	54.42%	59.45%	46.96%
IPERS' net position as a percentage of the total pension liability	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%
Municipal Fire and Police Retirement System of Iowa								
City's proportion of the net pension liability	0.496009%	0.480593%	0.462722%	0.420900%	0.455810%	0.446484%	0.450375%	0.467820%
City's proportionate share of the net pension liability	\$1,114	\$3,833	\$3,035	\$2,506	\$2,673	\$2,792	\$2,116	\$1,696
City's covered payroll	\$1,744	\$1,612	\$1,527	\$1,399	\$1,223	\$1,291	\$1,210	\$1,181
City's proportionate share of the net pension liability as a percentage of its covered payroll	63.88%	237.78%	198.76%	179.13%	218.56%	216.25%	174.88%	143.58%
MFPRS's net position as a percentage of the total pension liability	93.62%	76.47%	79.94%	81.07%	80.60%	78.20%	83.04%	86.27%

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

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

See accompanying independent auditor's report.

City of Indianola, Iowa
SCHEDULE OF CITY CONTRIBUTIONS
Iowa Public Employees' Retirement System and
Municipal Fire and Police Retirement System of Iowa
For the Last Ten Years
(In Thousands)
Other Information

<u>Iowa Public Employees' Retirement System</u>	Year ended June 30			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 428	\$ 397	\$ 380	\$ 356
Contributions in relation to the statutorily required contribution	<u>428</u>	<u>397</u>	<u>380</u>	<u>356</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
City's covered payroll	<u>\$ 4,556</u>	<u>\$ 4,173</u>	<u>\$ 3,961</u>	<u>\$ 3,689</u>
Contributions as a percentage of covered payroll	9.39%	9.51%	9.59%	9.65%

<u>Municipal Fire and Police Retirement System of Iowa</u>	Year ended June 30			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 456	\$ 408	\$ 372	\$ 364
Contributions in relation to the statutorily required contribution	<u>456</u>	<u>408</u>	<u>372</u>	<u>364</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
City's covered payroll	<u>\$ 1,744</u>	<u>\$ 1,612</u>	<u>\$ 1,527</u>	<u>\$ 1,399</u>
Contributions as a percentage of covered payroll	26.15%	25.31%	24.36%	26.02%

See accompanying independent auditor's report.

Year ended June 30					
<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 304	\$ 306	\$ 288	\$ 295	\$ 306	\$ 288
<u>304</u>	<u>306</u>	<u>288</u>	<u>295</u>	<u>306</u>	<u>288</u>
\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
<u>\$ 3,312</u>	<u>\$ 3,357</u>	<u>\$ 3,142</u>	<u>\$ 3,211</u>	<u>\$ 3,324</u>	<u>\$ 3,185</u>
9.18%	9.12%	9.17%	9.19%	9.21%	9.04%

Year ended June 30					
<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 314	\$ 334	\$ 336	\$ 359	\$ 359	\$ 292
<u>314</u>	<u>334</u>	<u>336</u>	<u>359</u>	<u>359</u>	<u>292</u>
\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
<u>\$ 1,223</u>	<u>\$ 1,291</u>	<u>\$ 1,210</u>	<u>\$ 1,181</u>	<u>\$ 1,194</u>	<u>\$ 1,119</u>
25.67%	25.92%	27.77%	30.41%	30.12%	26.11%

See accompanying independent auditor's report.

City of Indianola, Iowa
NOTES TO OTHER INFORMATION – PENSION LIABILITY
Year ended June 30, 2022

Iowa Public Employees' Retirement System

Changes of benefit terms

There are no significant changes in benefit terms.

Changes of assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

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

City of Indianola, Iowa
NOTES TO OTHER INFORMATION – PENSION LIABILITY (continued)
Year ended June 30, 2022

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms

There were no significant changes of benefit terms.

Changes of assumptions

The 2018 valuation changed postretirement mortality rates to the RP-2014 Blue Collar Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table. The 2014 valuation phased in the 1994 Group Annuity Mortality Table for post-retirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

SUPPLEMENTARY INFORMATION

City of Indianola
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
Nonmajor Governmental Funds
As of and for the year ended June 30, 2022

	<u>Special revenue</u>			<u>Permanent</u>	<u>Total</u>
	<u>Road</u> <u>Use Tax</u>	<u>Police</u> <u>Retirement</u>	<u>Police</u> <u>Seizures</u>	<u>Library</u> <u>Endowment</u>	
RECEIPTS					
Use of money and property	\$ -	\$ -	\$ -	\$ 862	\$ 862
Intergovernmental	2,162,449	-	-	-	2,162,449
Miscellaneous	4,748	-	-	-	4,748
Total receipts	<u>2,167,197</u>	<u>-</u>	<u>-</u>	<u>862</u>	<u>2,168,059</u>
DISBURSEMENTS					
Public works	1,619,666	-	-	-	1,619,666
Total disbursements	<u>1,619,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,619,666</u>
Excess of receipts over disbursements	<u>547,531</u>	<u>-</u>	<u>-</u>	<u>862</u>	<u>548,393</u>
OTHER FINANCING (USES)					
Operating transfers out	(544,791)	(40)	-	-	(544,831)
Total other financing (uses)	<u>(544,791)</u>	<u>(40)</u>	<u>-</u>	<u>-</u>	<u>(544,831)</u>
Net change in cash balances	2,740	(40)	-	862	3,562
CASH BALANCES , beginning of year	<u>2,060,729</u>	<u>40</u>	<u>19,830</u>	<u>44,458</u>	<u>2,125,057</u>
CASH BALANCES , end of year	<u>\$2,063,469</u>	<u>\$ -</u>	<u>\$ 19,830</u>	<u>\$ 45,320</u>	<u>\$2,128,619</u>
CASH BASIS FUND BALANCES					
Nonspendable - Endowment	\$ -	\$ -	\$ -	\$ 43,910	\$ 43,910
Restricted for other purposes	<u>2,063,469</u>	<u>-</u>	<u>19,830</u>	<u>1,410</u>	<u>2,084,709</u>
	<u>\$2,063,469</u>	<u>\$ -</u>	<u>\$ 19,830</u>	<u>\$ 45,320</u>	<u>\$2,128,619</u>

City of Indianola
**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES**
Nonmajor Proprietary Funds
 As of and for the year ended June 30, 2022

	<u>Enterprise</u>		
	<u>Recycling</u>	<u>Storm Water</u>	<u>Total</u>
OPERATING RECEIPTS			
Charges for service	\$ 339,875	\$ 632,160	\$ 972,035
OPERATING DISBURSEMENTS			
Business type activities	320,451	136,086	456,537
Total operating disbursements	<u>320,451</u>	<u>136,086</u>	<u>456,537</u>
Excess of operating receipts over operating disbursements	<u>19,424</u>	<u>496,074</u>	<u>515,498</u>
NONOPERATING (DISBURSEMENTS)			
Capital projects	<u>—</u>	<u>(7,000)</u>	<u>(7,000)</u>
Net nonoperating (disbursements)	<u>—</u>	<u>(7,000)</u>	<u>(7,000)</u>
Net change in cash balances	19,424	489,074	508,498
CASH BALANCES , beginning of year	<u>142,565</u>	<u>421,903</u>	<u>564,468</u>
CASH BALANCES , end of year	<u>\$ 161,989</u>	<u>\$ 910,977</u>	<u>\$1,072,966</u>
CASH BASIS FUND BALANCES			
Unrestricted	<u>\$ 161,989</u>	<u>\$ 910,977</u>	<u>\$1,072,966</u>

City of Indianola
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
Internal Service Funds
As of and for the year ended June 30, 2022

	Internal Service				Total
	Health Insurance Reserve	Property Insurance Council	Health Pool	Health Reimbursement Arrangement	
OPERATING RECEIPTS					
Charges for service	\$ -	\$ -	\$1,716,249	\$ -	\$1,716,249
Miscellaneous	3,420	-	93	350	3,863
Total operating receipts	<u>3,420</u>	<u>-</u>	<u>1,716,342</u>	<u>350</u>	<u>1,720,112</u>
OPERATING DISBURSEMENTS					
Governmental activities					
Public safety	1,251	-	436,965	107	438,323
Public works	324	-	89,618	16	89,958
Culture and recreation	462	-	169,550	68	170,080
General government	334	14,117	77,829	43	92,323
Business type activities	269	-	64,151	28	64,448
Component unit					
Municipal Utility	891	-	466,537	88	467,516
Total operating disbursements	<u>3,531</u>	<u>14,117</u>	<u>1,304,650</u>	<u>350</u>	<u>1,322,648</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(111)	(14,117)	411,692	-	397,464
NONOPERATING RECEIPTS					
Interest on investments	-	-	45,037	-	45,037
Excess (deficiency) of receipts over (under) disbursements	(111)	(14,117)	456,729	-	442,501
TRANSFERS IN	-	50,000	-	-	50,000
Net change in cash balances	(111)	35,883	456,729	-	492,501
CASH BALANCES, beginning of year	<u>185,847</u>	<u>(34,661)</u>	<u>2,177,997</u>	<u>5,608</u>	<u>2,334,791</u>
CASH BALANCES, end of year	<u>\$ 185,736</u>	<u>\$ 1,222</u>	<u>\$2,634,726</u>	<u>\$ 5,608</u>	<u>\$2,827,292</u>
CASH BASIS FUND BALANCES					
Unrestricted	<u>\$ 185,736</u>	<u>\$ 1,222</u>	<u>\$2,634,726</u>	<u>\$ 5,608</u>	<u>\$2,827,292</u>

City of Indianola
SCHEDULE OF INDEBTEDNESS
For the year ended June 30, 2022

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rate</u>	<u>Amount of original issue</u>
General Obligation Bonds			
General Obligation, Series 2013A	January 9, 2013	1.55%	\$1,865,000
General Obligation Refunding, Series 2019A	October 31, 2019	2.00 to 4.00%	4,450,000
General Obligation, Series 2020A	December 22, 2020	1.00 to 3.00%	6,505,000
General Obligation Refunding, Series 2020B	December 22, 2020	2.00 to 3.00%	2,850,000
General Obligation Series 2021A	September 23, 2021	1.125 to 4.00%	6,840,000
General Obligation Series 2021B	September 24, 2021	1.75%	16,345,000
Capital Loan Note			
IEDA Nuisance Property Loan	March 1, 2018	1.00%	125,000
Revenue Bonds			
Sewer Revenue Bonds, Series 2009	May 20, 2009	1.75%	9,090,000
Sewer Revenue Bonds, Series 2013	April 19, 2013	1.75%	4,036,000
Sewer Revenue Bonds Series 2017A	December 1, 2017	1.32%	3,141,702
Sewer Revenue Bonds Series 2020A	June 1, 2020	2.01%	18,760,000
Sewer Revenue Bonds Series 2021	March 5, 2021	2.75%	15,274,000
 Total			

See accompanying independent auditor's report.

Schedule 4

<u>Balance beginning of year</u>	<u>Issued during year</u>	<u>Redeemed during year</u>	<u>Balance end of year</u>	<u>Interest paid</u>
\$ 545,000	\$ —	\$ 270,000	\$ 275,000	\$ 8,043
3,505,000	—	475,000	3,030,000	109,800
6,170,000	—	780,000	5,390,000	143,775
2,485,000	—	350,000	2,135,000	70,800
—	6,840,000	180,000	6,660,000	128,314
—	14,781,074	674,000	14,107,074	68,180
<u>12,705,000</u>	<u>21,621,074</u>	<u>2,729,000</u>	<u>31,597,074</u>	<u>528,912</u>
<u>50,813</u>	<u>—</u>	<u>25,249</u>	<u>25,564</u>	<u>445</u>
<u>50,813</u>	<u>—</u>	<u>25,249</u>	<u>25,564</u>	<u>445</u>
6,416,000	—	233,000	6,183,000	112,280
1,946,000	—	145,000	1,801,000	34,055
2,594,000	—	144,000	2,450,000	34,241
17,058,000	709,495	1,000	17,766,495	408,828
<u>6,256,372</u>	<u>9,017,628</u>	<u>1,000</u>	<u>15,273,000</u>	<u>356,745</u>
<u>34,270,372</u>	<u>9,727,123</u>	<u>524,000</u>	<u>43,473,495</u>	<u>946,149</u>
<u>\$47,026,185</u>	<u>\$31,348,197</u>	<u>\$3,278,249</u>	<u>\$75,096,133</u>	<u>\$1,475,506</u>

City of Indianola
BOND MATURITIES
June 30, 2022

General Obligation Bonds

Year ending June 30	Series 2013A Issued January 9, 2013		Refunding Series 2019A Issued October 31, 2019		Series 2020A Issued December 22, 2020	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2023	1.55%	\$ 275,000	3.00%	\$ 490,000	3.00%	\$ 765,000
2024		—	3.00%	510,000	3.00%	790,000
2025		—	4.00%	335,000	3.00%	710,000
2026		—	3.00%	345,000	3.00%	495,000
2027		—	4.00%	365,000	3.00%	510,000
2028-2032		—	2.00-4.00%	985,000	1.00-1.15%	2,120,000
Totals		<u>\$ 275,000</u>		<u>\$3,030,000</u>		<u>\$5,390,000</u>

General Obligation Bonds

Year ending June 30	Refunding Series 2020B Issued December 22, 2020		Series 2021A Issued September 23, 2021		Series 2021B Issued September 24, 2021		Total
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2023	3.00%	\$ 365,000	3.00%	\$ 195,000	1.75%	\$ 686,000	\$ 2,776,000
2024	3.00%	335,000	3.00%	510,000	1.75%	700,000	2,845,000
2025	3.00%	340,000	3.00%	610,000	1.75%	714,000	2,709,000
2026	3.00%	355,000	4.00%	825,000	1.75%	728,000	2,748,000
2027	3.00%	365,000	3.00%	855,000	1.75%	743,000	2,838,000
2028-2032	2.00%	375,000	1.125-4.00%	3,665,000	1.75%	3,942,000	11,087,000
2033-2037		—		—	1.75%	4,352,000	4,352,000
2038-2041		—		—	1.75%	2,242,074	2,242,074
Totals		<u>\$2,135,000</u>		<u>\$6,660,000</u>		<u>\$14,107,074</u>	<u>\$31,597,074</u>

See accompanying independent auditor's report.

City of Indianola
BOND MATURITIES (continued)
June 30, 2022

Year ending June 30	Revenue Bonds					
	Sewer Revenue Bond Series 2009		Sewer Revenue Bond Series 2013		Sewer Revenue Bond Series 2017A	
	Issued May 20, 2009		Issued April 19, 2013		Issued December 1, 2017	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2023	1.75%	\$ 240,000	1.75%	\$ 148,000	1.32%	\$ 146,000
2024	1.75%	248,000	1.75%	151,000	1.32%	149,000
2025	1.75%	256,000	1.75%	154,000	1.32%	151,000
2026	1.75%	265,000	1.75%	157,000	1.32%	153,000
2027	1.75%	273,000	1.75%	160,000	1.32%	156,000
2028-2032	1.75%	1,505,000	1.75%	850,000	1.32%	814,000
2033-2037	1.75%	1,766,000	1.75%	181,000	1.32%	881,000
2038-2041	1.75%	<u>1,630,000</u>		—		—
Totals		<u>\$6,183,000</u>		<u>\$1,801,000</u>		<u>\$2,450,000</u>

City of Indianola
BOND MATURITIES (continued)
June 30, 2022

Revenue Bonds					
Year ending June 30	Sewer Revenue Bond Series 2020A Issued June 1, 2020		Sewer Revenue Bond Series 2021 Issued March 5, 2021		Total
	Interest Rates	Amount	Interest Rates	Amount	
	2023	2.01%	\$ 500,000	2.75%	
2024	2.01%	499,000	2.75%	366,000	1,413,000
2025	2.01%	509,000	2.75%	377,000	1,447,000
2026	2.01%	520,000	2.75%	389,000	1,484,000
2027	2.01%	532,000	2.75%	400,000	1,521,000
2028-2032	2.01%	2,846,000	2.75%	2,190,000	8,205,000
2033-2037	2.01%	3,181,000	2.75%	2,538,000	8,547,000
2038-2042	2.01%	3,559,000	2.75%	2,943,000	8,132,000
2043-2047	2.01%	3,984,000	2.75%	3,412,000	7,396,000
2048-2050	2.01%	<u>1,636,495</u>	2.75%	<u>2,302,000</u>	<u>3,938,495</u>
Totals		<u>\$17,766,495</u>		<u>\$15,273,000</u>	<u>\$43,473,495</u>

Capital Loan Note		
Year ending June 30	Iowa Economic Development Authority Nuisance Property Loan Issued March 1, 2018	
	Interest Rates	Amount
2023	1.00%	\$ 25,564
Totals		<u>\$ 25,564</u>

City of Indianola
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the last ten years

	Year ended June 30			
	2022	2021	2020	2019
RECEIPTS				
Property tax	\$ 8,478,743	\$ 7,793,010	\$ 7,160,833	\$ 6,731,187
Tax increment financing	1,468,168	2,429,735	2,505,996	2,302,131
Other city tax	2,880,174	2,489,364	1,859,878	2,061,799
Licenses and permits	333,068	247,309	258,982	217,685
Use of money and property	409,515	535,808	689,356	685,219
Intergovernmental	6,397,038	4,512,624	4,073,043	3,758,442
Charges for service	1,109,741	889,689	945,567	959,881
Special assessments	31,764	22,177	18,166	23,263
Miscellaneous	<u>410,526</u>	<u>451,945</u>	<u>473,068</u>	<u>528,649</u>
Total receipts	<u>\$21,518,737</u>	<u>\$19,371,661</u>	<u>\$17,984,889</u>	<u>\$17,268,256</u>
DISBURSEMENTS				
Operating				
Public safety	\$ 6,693,985	\$ 5,909,055	\$ 5,473,023	\$ 5,067,392
Public works	1,705,574	1,668,460	1,573,045	1,648,680
Culture and recreation	2,512,202	2,218,493	2,173,363	2,162,189
Community and economic development	232,083	229,222	272,714	516,009
General government	949,454	896,558	986,959	828,581
Debt service	3,423,404	6,677,880	6,836,867	2,091,736
Capital projects	<u>7,761,642</u>	<u>2,385,440</u>	<u>1,834,553</u>	<u>1,699,177</u>
Total disbursements	<u>\$23,278,344</u>	<u>\$19,985,108</u>	<u>\$19,150,524</u>	<u>\$14,013,764</u>

See accompanying independent auditor's report.

Year ended June 30					
2018	2017	2016	2015	2014	2013
\$ 6,365,347	\$ 6,392,934	\$ 6,122,001	\$ 6,155,219	\$ 5,472,196	\$ 5,163,959
2,112,030	1,955,534	1,542,524	1,365,455	1,383,060	1,368,810
2,068,943	1,965,822	265,487	298,515	294,866	205,910
232,440	154,991	192,408	132,554	164,365	117,693
576,571	504,619	469,188	400,099	335,498	326,083
2,533,521	2,109,788	2,384,472	4,575,268	1,692,398	2,060,498
537,629	1,066,626	949,420	1,024,782	1,024,228	993,286
26,708	163,044	112,573	118,173	109,522	144,055
<u>458,805</u>	<u>603,705</u>	<u>541,806</u>	<u>477,149</u>	<u>1,980,786</u>	<u>353,921</u>
<u>\$14,911,994</u>	<u>\$14,917,063</u>	<u>\$12,579,879</u>	<u>\$14,547,214</u>	<u>\$12,456,918</u>	<u>\$10,733,310</u>
\$ 5,198,541	\$ 5,014,894	\$ 4,095,846	\$ 4,018,718	\$ 4,257,526	\$ 3,902,002
1,656,141	1,483,031	1,600,292	1,293,247	1,336,452	1,416,552
2,087,835	2,137,909	2,037,571	2,009,849	2,085,707	2,130,514
487,893	935,587	165,075	557,205	430,585	704,168
1,087,246	1,461,226	1,401,940	1,394,110	1,505,152	1,411,552
2,419,852	2,655,684	2,838,250	3,003,458	3,000,167	2,622,940
<u>1,030,964</u>	<u>400,336</u>	<u>249,880</u>	<u>5,220,131</u>	<u>2,860,272</u>	<u>16,012,963</u>
<u>\$13,968,472</u>	<u>\$14,088,667</u>	<u>\$12,388,854</u>	<u>\$17,496,718</u>	<u>\$15,475,861</u>	<u>\$28,200,691</u>

See accompanying independent auditor's report.



**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**

Honorable Mayor and
Members of the City Council
City of Indianola
Indianola, Iowa

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Indianola, Iowa (the City) as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 14, 2022. Our report expressed unmodified opinions on the financial statements which were prepared on the cash basis of accounting, a basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance 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, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Response to the Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. The City's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 14, 2022

City of Indianola
SCHEDULE OF FINDINGS
Year ended June 30, 2022

SECTION I – FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL DEFICIENCIES

No matters were reported.

INSTANCES OF NONCOMPLIANCE

No matters were reported.

City of Indianola
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2022

SECTION II – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

II-A-22 CERTIFIED BUDGET

Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the debt service 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 be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response

The budget will be amended in the future, if applicable.

Conclusion

Response accepted.

II-B-22 QUESTIONABLE EXPENDITURES

No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-22 TRAVEL EXPENSE

No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

II-D-22 BUSINESS TRANSACTIONS

We noted no business transactions between the City and City officials or employees in excess of \$1,500.

II-E-22 RESTRICTED DONOR ACTIVITY

No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-22 BOND COVERAGE

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

City of Indianola
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2022

SECTION II – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (continued)

II-G-22 COUNCIL MINUTES

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-22 DEPOSITS AND INVESTMENTS

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-I-22 REVENUE BONDS AND NOTES

No instances of noncompliance with the revenue bond and note resolutions were noted.

II-J-22 ANNUAL URBAN RENEWAL REPORT

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