



DENMAN & COMPANY, LLP

Honorable Mayor and
Members of the City Council
Indianola, Iowa

We have audited 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 for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our planning communication letter dated August 21, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2023. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements relate to disclosures of compensated absences and net pension liabilities.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure in Note 3 to the financial statements relating to the City's outstanding bonds and notes payable.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 1, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the supplementary information included in schedules 1 through 7, which accompany the financial statements but is not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other information which includes the budgetary comparison information, the City's proportionate share of the net pension liability, and the schedule of City contributions which accompany the financial statements but is not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the City of Indianola Council and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 1, 2023

City of Indianola

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

June 30, 2023

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**City of Indianola
OFFICIALS**

<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	Resigned March 2023
Josh Rabe	Council Member	Appointed May 2023
Ron Dalby	Council Member	December 2025
Christina Beach	Council Member	December 2025
Steve Richardson	Council Member	December 2025
Benjamin Reeves	City Manager	Indefinite
Andy Lent	Director of Finance	Indefinite
Jackie Raffety	City Clerk	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, 2023, 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, 2023, 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.

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.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above do not include the financial data of Indianola Municipal Utilities, a component unit of the City, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the results of the cash transactions of the funds of the City of Indianola as of and for the year ended June 30, 2023 on the basis of accounting described in Note 1.

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.

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 five years ended June 30, 2022 (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 four 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 7 including the schedule of expenditures of federal awards required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 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 1, 2023 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
DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 1, 2023

BASIC FINANCIAL STATEMENTS

City of Indianola
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
As of and for the year ended June 30, 2023

FUNCTIONS/PROGRAMS	<u>Disbursements</u>	Program revenues		
		<u>Charges for service</u>	<u>Operating grants, contributions, and restricted interest</u>	<u>Capital grants, contributions, and restricted interest</u>
Governmental activities				
Public safety	\$ 6,912,018	\$1,114,767	\$ 594,212	\$ -
Public works	1,837,689	44,568	2,178,799	-
Culture and recreation	2,702,077	388,391	229,182	-
Community and economic development	337,875	17,180	11,216	-
General government	1,387,438	420,208	2,000	-
Debt service	3,624,772	-	-	-
Capital projects	<u>9,624,622</u>	-	-	<u>2,546,661</u>
Total governmental activities	<u>26,426,491</u>	<u>1,985,114</u>	<u>3,015,409</u>	<u>2,546,661</u>
Business type activities				
Sewer	10,573,294	4,167,264	-	-
Other	<u>461,498</u>	<u>1,041,517</u>	-	-
Total business type activities	<u>11,034,792</u>	<u>5,208,781</u>	-	-
Total	<u>\$37,461,283</u>	<u>\$7,193,895</u>	<u>\$3,015,409</u>	<u>\$2,546,661</u>
Component unit				
Indianola Community Parks Foundation	<u>\$ 63,652</u>	<u>\$ -</u>	<u>\$ 42,230</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.

Exhibit A

Net (disbursements) receipts and changes in cash basis net position			
Primary government			Component unit
Governmental activities	Business type activities	Total	Indianola Community Parks Foundation
\$ (5,203,039)	\$ -	\$ (5,203,039)	
385,678	-	385,678	
(2,084,504)	-	(2,084,504)	
(309,479)	-	(309,479)	
(965,230)	-	(965,230)	
(3,624,772)	-	(3,624,772)	
<u>(7,077,961)</u>	<u>-</u>	<u>(7,077,961)</u>	
<u>(18,879,307)</u>	<u>-</u>	<u>(18,879,307)</u>	
-	(6,406,030)	(6,406,030)	
-	580,019	580,019	
<u>-</u>	<u>(5,826,011)</u>	<u>(5,826,011)</u>	
<u>(18,879,307)</u>	<u>(5,826,011)</u>	<u>(24,705,318)</u>	
			\$ <u>(21,422)</u>
7,794,901	-	7,794,901	-
966,465	-	966,465	-
1,471,276	-	1,471,276	-
228,382	-	228,382	-
2,553,907	-	2,553,907	-
875,409	-	875,409	-
163,559	-	163,559	-
732,528	154,124	886,652	-
2,086,030	1,296,007	3,382,037	-
440,287	-	440,287	-
<u>(775,779)</u>	<u>775,779</u>	<u>-</u>	<u>-</u>
<u>16,536,965</u>	<u>2,225,910</u>	<u>18,762,875</u>	<u>-</u>
<u>(2,342,342)</u>	<u>(3,600,101)</u>	<u>(5,942,443)</u>	<u>(21,422)</u>
<u>32,764,266</u>	<u>8,956,505</u>	<u>41,720,771</u>	<u>238,087</u>
<u>\$30,421,924</u>	<u>\$ 5,356,404</u>	<u>\$35,778,328</u>	<u>\$ 216,665</u>
\$ 43,910	\$ -	\$ 43,910	\$ -
5,627,156	-	5,627,156	-
11,149,917	-	11,149,917	-
122,340	397,988	520,328	-
2,086,555	-	2,086,555	216,665
<u>11,392,046</u>	<u>4,958,416</u>	<u>16,350,462</u>	<u>-</u>
<u>\$30,421,924</u>	<u>\$ 5,356,404</u>	<u>\$35,778,328</u>	<u>\$ 216,665</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, 2023

	<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	\$ 5,201,327	\$ -	\$ 2,593,574	\$ -
Tax increment financing	-	-	-	1,471,276
Other city tax	529,290	2,146,556	-	-
Licenses and permits	320,799	-	-	-
Use of money and property	549,212	-	-	303,197
Intergovernmental	2,000,199	-	56,950	1,380
Charges for service	1,044,906	-	-	-
Special assessments	-	-	-	-
Miscellaneous	497,818	-	-	-
Total receipts	<u>10,143,551</u>	<u>2,146,556</u>	<u>2,650,524</u>	<u>1,775,853</u>
DISBURSEMENTS				
Operating				
Public safety	7,030,273	-	-	-
Public works	80,924	-	-	-
Culture and recreation	2,749,713	-	-	-
Community and economic development	337,875	-	-	-
General government	1,416,618	-	-	-
Debt service	26,009	-	-	-
Capital projects	991,097	-	-	-
Total disbursements	<u>12,632,509</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,488,958)</u>	<u>2,146,556</u>	<u>2,650,524</u>	<u>1,775,853</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Sale of assets	98,787	-	-	-
Operating transfers in	3,183,594	-	-	-
Operating transfers out	<u>(1,152,410)</u>	<u>(2,560,779)</u>	<u>(2,588,594)</u>	<u>(1,515,187)</u>
Total other financing sources (uses)	<u>2,129,971</u>	<u>(2,560,779)</u>	<u>(2,588,594)</u>	<u>(1,515,187)</u>
Net change in cash balances	(358,987)	(414,223)	61,930	260,666
CASH BALANCES, beginning of year	<u>9,942,674</u>	<u>465,261</u>	<u>40,173</u>	<u>5,366,490</u>
CASH BALANCES, end of year	<u>\$ 9,583,687</u>	<u>\$ 51,038</u>	<u>\$ 102,103</u>	<u>\$ 5,627,156</u>
CASH BASIS FUND BALANCES				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted for				
Urban renewal purposes	-	-	-	5,627,156
Capital projects	-	-	-	-
Debt service	-	-	-	-
Other purpose	26,912	51,038	102,103	-
Unassigned	<u>9,556,775</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 9,583,687</u>	<u>\$ 51,038</u>	<u>\$ 102,103</u>	<u>\$ 5,627,156</u>

See Notes to Financial Statements.

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 966,465	\$ -	\$ -	\$ 8,761,366
-	-	-	1,471,276
-	-	-	2,675,846
-	2,775	-	323,574
-	-	2,266	854,675
63,150	2,289,594	2,178,799	6,590,072
-	-	-	1,044,906
13,468	92,975	-	106,443
-	<u>59,583</u>	<u>2,253</u>	<u>559,654</u>
<u>1,043,083</u>	<u>2,444,927</u>	<u>2,183,318</u>	<u>22,387,812</u>
-	-	14,657	7,044,930
-	-	1,786,868	1,867,792
-	-	-	2,749,713
-	6,650	-	344,525
-	-	-	1,416,618
3,652,963	-	-	3,678,972
-	<u>8,626,875</u>	<u>-</u>	<u>9,617,972</u>
<u>3,652,963</u>	<u>8,633,525</u>	<u>1,801,525</u>	<u>26,720,522</u>
<u>(2,609,880)</u>	<u>(6,188,598)</u>	<u>381,793</u>	<u>(4,332,710)</u>
86,030	2,000,000	-	2,086,030
-	341,500	-	440,287
2,565,187	2,002,410	-	7,751,191
-	-	(560,000)	(8,376,970)
<u>2,651,217</u>	<u>4,343,910</u>	<u>(560,000)</u>	<u>1,900,538</u>
41,337	(1,844,688)	(178,207)	(2,432,172)
<u>81,003</u>	<u>12,994,605</u>	<u>2,128,619</u>	<u>31,018,825</u>
<u>\$ 122,340</u>	<u>\$11,149,917</u>	<u>\$ 1,950,412</u>	<u>\$28,586,653</u>
\$ -	\$ -	\$ 43,910	\$ 43,910
-	-	-	5,627,156
-	11,149,917	-	11,149,917
122,340	-	-	122,340
-	-	1,906,502	2,086,555
-	-	-	<u>9,556,775</u>
<u>\$ 122,340</u>	<u>\$11,149,917</u>	<u>\$ 1,950,412</u>	<u>\$28,586,653</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, 2023**

Total governmental funds cash balances (pages 10-11)	\$28,586,653
 <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>1,835,271</u>
Cash basis net position of governmental activities (pages 8-9)	<u>\$30,421,924</u>
 Net change in cash balances (pages 10-11)	 \$ (2,432,172)
 <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>89,830</u>
Change in cash basis net position of governmental activities (pages 8-9)	<u>\$ (2,342,342)</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, 2023

	<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	\$3,959,683	\$1,041,517	\$5,001,200	\$1,703,082
Miscellaneous	134,039	-	134,039	7,135
Total operating receipts	<u>4,093,722</u>	<u>1,041,517</u>	<u>5,135,239</u>	<u>1,710,217</u>
OPERATING DISBURSEMENTS				
Governmental Activities				
Public safety	-	-	-	483,136
Public works	-	-	-	107,755
Culture and recreation	-	-	-	170,533
General government	-	-	-	98,004
Business type activities	1,953,514	461,063	2,414,577	73,628
Component unit				
Municipal Utility	-	-	-	514,650
Total operating disbursements	<u>1,953,514</u>	<u>461,063</u>	<u>2,414,577</u>	<u>1,447,706</u>
Excess of operating receipts over operating disbursements	<u>2,140,208</u>	<u>580,454</u>	<u>2,720,662</u>	<u>262,511</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)				
Bond proceeds	1,296,007	-	1,296,007	-
Interest on investments	154,124	-	154,124	141,632
Rental income	71,244	-	71,244	-
Special assessments	2,298	-	2,298	-
Debt service	(2,453,305)	-	(2,453,305)	-
Capital projects	(6,187,045)	(435)	(6,187,480)	-
Net nonoperating receipts (disbursements)	<u>(7,116,677)</u>	<u>(435)</u>	<u>(7,117,112)</u>	<u>141,632</u>
Excess (deficiency) of receipts over (under) disbursements	(4,976,469)	580,019	(4,396,450)	404,143
TRANSFERS IN	1,510,779	-	1,510,779	-
TRANSFERS OUT	(335,000)	(400,000)	(735,000)	(150,000)
Net change in cash balances	(3,800,690)	180,019	(3,620,671)	254,143
CASH BALANCES, beginning of year	<u>7,689,572</u>	<u>1,072,966</u>	<u>8,762,538</u>	<u>2,827,292</u>
CASH BALANCES, end of year	<u>\$3,888,882</u>	<u>\$1,252,985</u>	<u>\$5,141,867</u>	<u>\$3,081,435</u>
CASH BASIS FUND BALANCES				
Restricted for debt service	\$ 397,988	\$ -	\$ 397,988	\$ -
Unrestricted	3,490,894	1,252,985	4,743,879	3,081,435
Total cash basis fund balances	<u>\$3,888,882</u>	<u>\$1,252,985</u>	<u>\$5,141,867</u>	<u>\$3,081,435</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, 2023

Total enterprise funds cash balances (page 13)		\$5,141,867
<i>Amounts reported for business type activities in the Statement of Activities and Net Position - Cash Basis are different because:</i>		
<p>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.</p>		
Cash balances held for business type activities	1,246,164	
Less cash balances held for Indianola Municipal Utilities	<u>(1,031,627)</u>	<u>214,537</u>
Cash basis net position of business-type activities (pages 8-9)		<u>\$5,356,404</u>
Net change in cash balances (page 13)		\$(3,620,671)
<i>Amounts reported for business type activities in the Statement of Activities and Net Position - Cash Basis are different because:</i>		
<p>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.</p>		
Change in cash balances from business type activities	164,313	
Less change in cash balances from Indianola Municipal Utilities	<u>(143,743)</u>	<u>20,570</u>
Change in cash basis net position of business-type activities (pages 8-9)		<u>\$(3,600,101)</u>

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, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the City Council in March 2022.

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, 2023, disbursements exceeded the amounts budgeted in the culture and recreation function.

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2023 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, 2023, 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	\$ 632,463	\$ –	\$ –	\$ –	\$ 632,463
FHLMC	31,466	178	29,683	1,605	–
FHLB	936,304	–	936,304	–	–
FNMA	1,809,797	732,602	456,611	13,778	606,806
GNMA	17,773	17,773	–	–	–
SBA	73,338	6,134	19,790	47,414	–
U.S. Treasury Bills	<u>23,086,368</u>	<u>3,768,437</u>	<u>14,196,790</u>	<u>5,121,141</u>	<u>–</u>
	<u>\$26,587,509</u>	<u>\$4,525,124</u>	<u>\$15,639,178</u>	<u>\$5,183,938</u>	<u>\$1,239,269</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 \$120,404. 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, 2023, all of the City's investments rated by Moody's Investment Services carried an Aaa rating.

NOTE 3 BONDS AND NOTES PAYABLE

A summary of changes in bonds and notes payable for the year ended June 30, 2023 is as follows:

	<u>Balance June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Range of interest rates</u>	<u>Due within one year</u>
Governmental activities						
General obligation bonds	\$31,597,074	\$3,286,007	\$2,776,000	\$32,107,081	1.00 to 5.00%	\$2,845,000
Iowa Economic Development Authority Loan	25,564	–	24,885	679	1.00%	679
Business type activities						
Revenue bonds	<u>43,473,495</u>	<u>–</u>	<u>1,390,000</u>	<u>42,083,495</u>	1.32 to 2.75%	<u>1,413,000</u>
	<u>\$75,096,133</u>	<u>\$3,286,007</u>	<u>\$4,190,885</u>	<u>\$74,191,255</u>		<u>\$4,258,679</u>

**City of Indianola
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 BONDS AND NOTES PAYABLE (continued)

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

Year ending June 30	General Obligation			Iowa Economic Development Authority Loan			Revenue		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 2,845,000	\$ 758,801	\$ 3,603,801	\$ 679	\$ -	\$ 679	\$ 1,413,000	\$ 939,563	\$ 2,352,563
2025	2,709,000	682,201	3,391,201	-	-	-	1,447,000	911,521	2,358,521
2026	2,748,000	619,001	3,367,001	-	-	-	1,484,000	881,754	2,365,754
2027	2,923,000	537,656	3,460,656	-	-	-	1,521,000	851,203	2,372,203
2028	3,002,000	442,013	3,444,013	-	-	-	1,559,000	819,871	2,378,871
2029-2033	9,536,000	1,389,704	10,925,704	-	-	-	8,415,000	3,599,966	12,014,966
2034-2038	5,089,000	738,373	5,827,373	-	-	-	8,400,000	2,717,067	11,117,067
2039-2043	3,255,081	183,320	3,438,401	-	-	-	7,914,000	1,807,173	9,721,173
2044-2048	-	-	-	-	-	-	7,592,000	937,795	8,529,795
2049-2050	-	-	-	-	-	-	2,338,495	100,200	2,438,695
Totals	<u>\$32,107,081</u>	<u>\$5,351,069</u>	<u>\$37,458,150</u>	<u>\$ 679</u>	<u>\$ -</u>	<u>\$ 679</u>	<u>\$42,083,495</u>	<u>\$13,566,113</u>	<u>\$55,649,608</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.
- (4) The Utility will maintain a balance of net revenues equal to at least 110% of the historic maximum amount of annual payments of principal and interest on the bonds and any parity obligations outstanding from time to time, as the same become due. The sewer utility did not meet this bond provision for the year ended June 30, 2023.

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 2021. 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 \$55,649,608. For the current year, principal and interest paid and total customer net revenues were \$2,344,019 and \$2,367,874, 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 2023, 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, 2023 were \$462,420.

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

At June 30, 2023, the City reported a liability of \$936,985 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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
	2022	2021	
City's proportionate share	.024800%	.320892%	(.296092)%

For the year ended June 30, 2023, the City's pension expense (gain), deferred outflows of resources and deferred inflows of resources totaled \$(19,471), \$804,889 and \$386,383, respectively.

There were no nonemployer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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	20.0%	1.66%
Domestic Equity	22.0	3.57
International Equity	17.5	4.79
Private Equity	13.0	7.57
Private Real Assets	8.5	3.55
Public Credit	4.0	3.77
Private Credit	8.0	3.63
Global Smart Beta Equity	6.0	4.16
Cash	<u>1.0</u>	0.77
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 (asset)	\$ <u>2,809,549</u>	\$ <u>936,985</u>	\$ <u>(710,129)</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, 2023.

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 23.90% for the year ended June 30, 2023.

The City's contributions to MFPRSI for the year ended June 30, 2023 was \$436,410.

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, 2023.

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

At June 30, 2023, the City reported a liability of \$2,899,972 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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
	2022	2021	
City's proportionate share	.52%	.50%	.02%

For the year ended June 30, 2023, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$274,165, \$2,430,148, and \$1,843,610, respectively.

Actuarial Assumptions

The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2010 to June 30, 2020.

Mortality rates were based on 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 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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Fixed Income	3.5
Broad U.S. Equity	6.7
Global Equity	6.8
Emerging Markets	7.2
Global Infrastructure	6.8
Broad Non-U.S. Equity	7.0
Private Credit	8.6
Private Equity	12.0
Managed Futures	5.1
Real Estate-Core	6.4
Opportunistic Real Estate	11.0

**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	\$5,248,409	\$2,899,972	\$ 954,260

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, 2023, primarily relating to the General Fund, was as follows:

Type of benefit	Amount
Vacation	\$ 434,141
Compensatory time	88,611
Sick leave	980,266
Total	\$1,503,018

This liability has been computed based on rates of pay in effect at June 30, 2023.

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, 2023, the actuarially determined reserve necessary for claims incurred but not yet paid was \$151,679 and the internal service fund balance was \$3,037,406.

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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Active employees	<u>71</u>
Total	<u>73</u>

**City of Indianola
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General fund	Special revenue	
	Employee benefits fund	\$2,588,594
	Nonmajor special revenue	260,000
	Enterprise	
	Sewer fund	<u>335,000</u>
		<u>3,183,594</u>
Capital projects fund	General fund	1,152,410
	Nonmajor special revenue	300,000
	Internal service fund	150,000
	Enterprise	
	Nonmajor enterprise	<u>400,000</u>
		<u>2,002,410</u>
Debt service	Special revenue	
	Urban renewal tax increment fund	1,515,187
	Local option sales tax	<u>1,050,000</u>
		<u>2,565,187</u>
Sewer	Special revenue	
	Local option sales tax	<u>1,510,779</u>
Total		<u>\$9,261,970</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, 2023 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Urban Renewal Tax Increment	Capital Projects	\$ 676,000
Capital projects	Internal service, Health Insurance Reserve	150,000
	General	200,000
	Stormwater utility	<u>400,000</u>
		<u>750,000</u>
Total		<u>\$1,426,000</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 800 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, employment practices liability, public officials' liability, cyber liability, law enforcement, and property. 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, 2023 were \$338,551.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber, 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, 2023, 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, 2023 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2023, the City paid workers' compensation insurance premiums of \$194,169 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, 2023 the outstanding balance of the loans and noninterest bearing deposit accounts was \$22,431 and \$26,911, 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 \$67,600,000. The remaining commitment on these contracts at June 30, 2023 is approximately \$10,300,000, a majority of which pertains to the City's Hillcrest Avenue Construction 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 lease agreement between the City and the YMCA was terminated in March 2023, with the City taking over operations on July 30, 2023.

Receipts on the lease totaled \$64,167 during the year ended June 30, 2023.

NOTE 14 SUBSEQUENT EVENTS

In March 2023, the City Council and YMCA mutually agreed to terminate the 28E Agreement, effective July 30, 2023. Per the City's original bond covenants, the City will continue to operate the facility as a community wellness center.

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, 2023

	Governmental funds actual	Proprietary funds actual	Adjustments to budget basis	Total
RECEIPTS				
Property tax	\$ 8,761,366	\$ -	\$ -	\$ 8,761,366
Tax increment financing collections	1,471,276	-	-	1,471,276
Other city tax	2,675,846	-	-	2,675,846
Licenses and permits	323,574	-	-	323,574
Use of money and property	854,675	225,368	-	1,080,043
Intergovernmental	6,590,072	-	-	6,590,072
Charges for service	1,044,906	5,001,200	-	6,046,106
Special assessments	106,443	2,298	-	108,741
Miscellaneous	559,654	134,039	-	693,693
Total receipts	<u>22,387,812</u>	<u>5,362,905</u>	<u>-</u>	<u>27,750,717</u>
DISBURSEMENTS				
Public safety	7,044,930	-	-	7,044,930
Public works	1,867,792	-	-	1,867,792
Culture and recreation	2,749,713	-	-	2,749,713
Community and economic development	344,525	-	26,009	370,534
General government	1,416,618	-	-	1,416,618
Debt service	3,678,972	-	(65,929)	3,613,043
Capital projects	9,617,972	-	-	9,617,972
Business type activities	-	11,055,362	-	11,055,362
Total disbursements	<u>26,720,522</u>	<u>11,055,362</u>	<u>(39,920)</u>	<u>37,735,964</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(4,332,710)</u>	<u>(5,692,457)</u>	<u>39,920</u>	<u>(9,985,247)</u>
OTHER FINANCING SOURCES, net	<u>1,900,538</u>	<u>2,071,786</u>	<u>-</u>	<u>3,972,324</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(2,432,172)</u>	<u>(3,620,671)</u>	<u>39,920</u>	<u>(6,012,923)</u>
BALANCES, beginning of year	<u>31,018,825</u>	<u>8,762,538</u>	<u>-</u>	<u>39,781,363</u>
BALANCES, end of year	<u>\$28,586,653</u>	<u>\$ 5,141,867</u>	<u>\$ 39,920</u>	<u>\$33,768,440</u>

See accompanying independent auditor's report.

<u>Budgeted amounts</u>		<u>Final to actual variance- positive (negative)</u>
<u>Original</u>	<u>Final</u>	
\$ 8,691,845	\$ 8,691,845	\$ 69,521
1,500,000	1,500,000	(28,724)
2,999,633	2,999,633	(323,787)
330,475	330,475	(6,901)
354,013	779,881	300,162
6,973,572	8,564,859	(1,974,787)
7,200,000	7,400,000	(1,353,894)
-	-	108,741
<u>360,692</u>	<u>374,192</u>	<u>319,501</u>
<u>28,410,230</u>	<u>30,640,885</u>	<u>(2,890,168)</u>
7,579,096	7,686,710	641,780
1,971,097	1,980,452	112,660
2,684,118	2,742,011	(7,702)
462,736	502,736	132,202
1,841,251	1,939,946	523,328
3,546,858	3,624,778	11,735
9,415,824	13,900,824	4,282,852
<u>7,514,059</u>	<u>13,046,351</u>	<u>1,990,989</u>
<u>35,015,039</u>	<u>45,423,808</u>	<u>7,687,844</u>
<u>(6,604,809)</u>	<u>(14,782,923)</u>	<u>4,797,676</u>
<u>2,600,000</u>	<u>5,110,036</u>	<u>(1,137,712)</u>
(4,004,809)	(9,672,887)	3,659,964
<u>44,276,171</u>	<u>44,276,171</u>	<u>(4,494,808)</u>
<u>\$40,271,362</u>	<u>\$34,603,284</u>	<u>\$ (834,844)</u>

City of Indianola
NOTE TO OTHER INFORMATION - BUDGETARY REPORTING
June 30, 2023

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 \$10,408,769. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements exceeded the amounts budgeted in the culture and recreation 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 Nine Years*
(In Thousands)
Other Information

<u>Iowa Public Employees' Retirement System</u>	<u>Year ended June 30</u>			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability (asset)	0.024800%	0.320892%	0.036102%	0.031658%
City's proportionate share of the net pension liability (asset)	\$937	\$(1,108)	\$2,536	\$1,833
City's covered payroll	\$4,920	\$4,556	\$4,173	\$3,961
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	19.04%	(24.25)%	60.77%	46.28%
IPERS' net position as a percentage of the total pension liability	91.40%	100.81%	82.90%	85.45%
<u>Municipal Fire and Police Retirement System of Iowa</u>	<u>Year ended June 30</u>			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability	0.52%	0.496009%	0.480593%	0.452722%
City's proportionate share of the net pension liability	\$2,900	\$1,114	\$3,833	\$3,035
City's covered payroll	\$1,826	\$1,744	\$1,612	\$1,527
City's proportionate share of the net pension liability as a percentage of its covered payroll	158.82%	63.88%	237.78%	198.76%
MFPRSI's net position as a percentage of the total pension liability	84.62%	93.62%	76.47%	79.94%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full-ten year trend is compile, 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.

Year ended June 30				
2019	2018	2017	2016	2015
0.031366%	0.031734%	0.029023%	0.037810%	0.038029%
\$1,985	\$2,114	\$1,827	\$1,868	\$1,508
\$3,689	\$3,312	\$3,357	\$3,142	\$3,211
53.81%	63.82%	54.42%	59.45%	46.96%
83.62%	82.21%	81.82%	85.19%	87.61%

Year ended June 30				
2019	2018	2017	2016	2015
0.420900%	0.455810%	0.446484%	0.450375%	0.467820%
\$2,506	\$2,673	\$2,792	\$2,116	\$1,696
\$1,399	\$1,223	\$1,291	\$1,210	\$1,181
179.13%	218.56%	216.25%	174.88%	143.58%
81.07%	80.60%	78.20%	83.04%	86.27%

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>	<u>Year ended June 30</u>			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 462	\$ 428	\$ 397	\$ 380
Contributions in relation to the statutorily required contribution	<u>462</u>	<u>428</u>	<u>397</u>	<u>380</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
City's covered payroll	<u>\$ 4,920</u>	<u>\$ 4,556</u>	<u>\$ 4,173</u>	<u>\$ 3,961</u>
Contributions as a percentage of covered payroll	9.39%	9.39%	9.51%	9.59%

<u>Municipal Fire and Police Retirement System of Iowa</u>	<u>Year ended June 30</u>			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 436	\$ 456	\$ 408	\$ 372
Contributions in relation to the statutorily required contribution	<u>436</u>	<u>456</u>	<u>408</u>	<u>372</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
City's covered payroll	<u>\$ 1,826</u>	<u>\$ 1,744</u>	<u>\$ 1,612</u>	<u>\$ 1,527</u>
Contributions as a percentage of covered payroll	23.88%	26.15%	25.31%	24.36%

See accompanying independent auditor's report.

Year ended June 30					
2019	2018	2017	2016	2015	2014
\$ 356	\$ 304	\$ 306	\$ 288	\$ 295	\$ 306
<u>356</u>	<u>304</u>	<u>306</u>	<u>288</u>	<u>295</u>	<u>306</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<u>\$ 3,689</u>	<u>\$ 3,312</u>	<u>\$ 3,357</u>	<u>\$ 3,142</u>	<u>\$ 3,211</u>	<u>\$ 3,324</u>
9.65%	9.18%	9.12%	9.17%	9.19%	9.21%

Year ended June 30					
2019	2018	2017	2016	2015	2014
\$ 364	\$ 314	\$ 334	\$ 336	\$ 359	\$ 359
<u>364</u>	<u>314</u>	<u>334</u>	<u>336</u>	<u>359</u>	<u>359</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<u>\$ 1,399</u>	<u>\$ 1,223</u>	<u>\$ 1,291</u>	<u>\$ 1,210</u>	<u>\$ 1,181</u>	<u>\$ 1,194</u>
26.02%	25.67%	25.92%	27.77%	30.41%	30.12%

See accompanying independent auditor's report.

City of Indianola, Iowa
NOTES TO OTHER INFORMATION – PENSION LIABILITY
Year ended June 30, 2023

Iowa Public Employees' Retirement System

Changes of benefit terms

There are no significant changes in benefit terms.

Changes of assumptions

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for regular members.
- Lowered disability rates for regular members.
- Adjusted termination rates for all membership groups.

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, 2023

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.

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, 2023

	<u>Special revenue</u>		<u>Permanent</u>	<u>Total</u>
	<u>Road</u> <u>Use Tax</u>	<u>Police</u> <u>Seizures</u>	<u>Library</u> <u>Endowment</u>	
RECEIPTS				
Use of money and property	\$ -	\$ -	\$ 2,266	\$ 2,266
Intergovernmental	2,178,799	-	-	2,178,799
Miscellaneous	<u>2,252</u>	<u>-</u>	<u>1</u>	<u>2,253</u>
Total receipts	<u>2,181,051</u>	<u>-</u>	<u>2,267</u>	<u>2,183,318</u>
DISBURSEMENTS				
Public safety	-	14,657	-	14,657
Public works	<u>1,786,868</u>	<u>-</u>	<u>-</u>	<u>1,786,868</u>
Total disbursements	<u>1,786,868</u>	<u>14,657</u>	<u>-</u>	<u>1,801,525</u>
Excess (deficiency) of receipts over (under) disbursements	<u>394,183</u>	<u>(14,657)</u>	<u>2,267</u>	<u>381,793</u>
OTHER FINANCING (USES)				
Operating transfers out	<u>(560,000)</u>	<u>-</u>	<u>-</u>	<u>(560,000)</u>
Total other financing (uses)	<u>(560,000)</u>	<u>-</u>	<u>-</u>	<u>(560,000)</u>
Net change in cash balances	(165,817)	(14,657)	2,267	(178,207)
CASH BALANCES, beginning of year	<u>2,063,469</u>	<u>19,830</u>	<u>45,320</u>	<u>2,128,619</u>
CASH BALANCES, end of year	<u>\$1,897,652</u>	<u>\$ 5,173</u>	<u>\$ 47,587</u>	<u>\$1,950,412</u>
CASH BASIS FUND BALANCES				
Nonspendable – Endowment	\$ -	\$ -	\$ 43,910	\$ 43,910
Restricted for other purposes	<u>1,897,652</u>	<u>5,173</u>	<u>3,677</u>	<u>1,906,502</u>
	<u>\$1,897,652</u>	<u>\$ 5,173</u>	<u>\$ 47,587</u>	<u>\$1,950,412</u>

See accompanying independent auditor's report

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, 2023

	Enterprise		Total
	Recycling	Storm Water	
OPERATING RECEIPTS			
Charges for service	\$ <u>351,700</u>	\$ <u>689,817</u>	\$ <u>1,041,517</u>
OPERATING DISBURSEMENTS			
Business type activities	<u>330,294</u>	<u>130,769</u>	<u>461,063</u>
Total operating disbursements	<u>330,294</u>	<u>130,769</u>	<u>461,063</u>
Excess of operating receipts over operating disbursements	<u>21,406</u>	<u>559,048</u>	<u>580,454</u>
NONOPERATING (DISBURSEMENTS)			
Capital projects	<u>-</u>	<u>(435)</u>	<u>(435)</u>
Net nonoperating (disbursements)	<u>-</u>	<u>(435)</u>	<u>(436)</u>
TRANSFERS OUT	<u>-</u>	<u>(400,000)</u>	<u>(400,000)</u>
Net change in cash balances	21,406	158,613	180,019
CASH BALANCES, beginning of year	<u>161,989</u>	<u>910,977</u>	<u>1,072,966</u>
CASH BALANCES, end of year	<u>\$ 183,395</u>	<u>\$1,069,590</u>	<u>\$1,252,985</u>
CASH BASIS FUND BALANCES			
Unrestricted	<u>\$ 183,395</u>	<u>\$1,069,590</u>	<u>\$1,252,985</u>

See accompanying independent auditor's report

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, 2023

	Internal Service				Total
	Health Insurance Reserve	Property Insurance Council	Health Pool	Health Reimbursement Arrangement	
OPERATING RECEIPTS					
Charges for service	\$ -	\$ -	\$1,703,082	\$ -	\$1,703,082
Miscellaneous	<u>5,882</u>	<u>1,253</u>	<u>-</u>	<u>-</u>	<u>7,135</u>
Total operating receipts	<u>5,882</u>	<u>1,253</u>	<u>1,703,082</u>	<u>-</u>	<u>1,710,217</u>
OPERATING DISBURSEMENTS					
Governmental activities					
Public safety	1,594	-	481,542	-	483,136
Public works	413	-	107,342	-	107,755
Culture and recreation	590	-	169,943	-	170,533
General government	425	1,171	96,408	-	98,004
Business type activities	342	-	73,286	-	73,628
Component unit					
Municipal Utility	<u>1,137</u>	<u>-</u>	<u>513,513</u>	<u>-</u>	<u>514,650</u>
Total operating disbursements	<u>4,501</u>	<u>1,171</u>	<u>1,442,034</u>	<u>-</u>	<u>1,447,706</u>
Excess of operating receipts over operating disbursements	<u>1,381</u>	<u>82</u>	<u>261,048</u>	<u>-</u>	<u>262,511</u>
NONOPERATING RECEIPTS					
Interest on investments	<u>-</u>	<u>-</u>	<u>141,632</u>	<u>-</u>	<u>141,632</u>
Total nonoperating receipts	<u>-</u>	<u>-</u>	<u>141,632</u>	<u>-</u>	<u>141,632</u>
Excess of receipts over disbursements	1,381	82	402,680	-	404,143
TRANSFERS OUT	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>
Net change in cash balances	<u>(148,619)</u>	<u>82</u>	<u>402,680</u>	<u>-</u>	<u>254,143</u>
CASH BALANCES, beginning 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 BALANCES, end of year	<u>\$ 37,117</u>	<u>\$ 1,304</u>	<u>\$3,037,406</u>	<u>\$ 5,608</u>	<u>\$3,081,435</u>
CASH BASIS FUND BALANCES					
Unrestricted	<u>\$ 37,117</u>	<u>\$ 1,304</u>	<u>\$3,037,406</u>	<u>\$ 5,608</u>	<u>\$3,081,435</u>

See accompanying independent auditor's report

City of Indianola
SCHEDULE OF INDEBTEDNESS
For the year ended June 30, 2023

<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
General Obligation Capital Loan 2022	October 19, 2022	4.00 to 5.00%	1,990,000
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>
\$ 275,000	\$ -	\$ 275,000	\$ -	\$ 4,263
3,030,000	-	490,000	2,540,000	95,550
5,390,000	-	765,000	4,625,000	120,375
2,135,000	-	365,000	1,770,000	60,300
6,660,000	-	195,000	6,465,000	180,863
14,107,074	1,296,007	686,000	14,717,081	259,694
-	<u>1,990,000</u>	-	<u>1,990,000</u>	<u>57,920</u>
<u>31,597,074</u>	<u>3,286,007</u>	<u>2,776,000</u>	<u>32,107,081</u>	<u>778,965</u>
25,564	-	24,885	679	128
<u>25,564</u>	<u>-</u>	<u>24,885</u>	<u>679</u>	<u>128</u>
6,183,000	-	240,000	5,943,000	108,203
1,801,000	-	148,000	1,653,000	31,518
2,450,000	-	146,000	2,304,000	32,340
17,766,495	-	500,000	17,266,495	361,950
<u>15,273,000</u>	<u>-</u>	<u>356,000</u>	<u>14,917,000</u>	<u>420,008</u>
<u>43,473,495</u>	<u>-</u>	<u>1,390,000</u>	<u>42,083,495</u>	<u>954,019</u>
<u>\$75,096,133</u>	<u>\$3,286,007</u>	<u>\$4,190,885</u>	<u>\$74,191,255</u>	<u>\$1,733,112</u>

**City of Indianola
BOND MATURITIES
June 30, 2023**

General Obligation Bonds						
Year ending June 30	Refunding Series 2019A Issued October 31, 2019		Series 2020A Issued December 22, 2020		Refunding Series 2020B Issued December 22, 2020	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
	2024	3.00%	\$ 510,000	3.00%	\$ 790,000	3.00%
2025	4.00%	335,000	3.00%	710,000	3.00%	340,000
2026	3.00%	345,000	3.00%	495,000	3.00%	355,000
2027	4.00%	365,000	3.00%	510,000	3.00%	365,000
2028	4.00%	375,000	3.00%	525,000	2.00%	375,000
2029-2033	2.00%	610,000	1.00%-1.15%	1,595,000		-
2034-2038		-		-		-
2039-2043		-		-		-
Totals		<u>\$2,540,000</u>		<u>\$4,625,000</u>		<u>\$1,770,000</u>

General Obligation Bonds							
Year ending June 30	Series 2021A Issued September 23, 2021		Series 2021B Issued September 24, 2021		Series 2022 Issued October 19, 2022		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2024	3.00%	\$ 510,000	1.75%	\$ 700,000	4.70%	\$ -	\$ 2,845,000
2025	3.00%	610,000	1.75%	714,000	4.70%	-	2,709,000
2026	4.00%	825,000	1.75%	728,000	4.70%	-	2,748,000
2027	3.00%	855,000	1.75%	743,000	4.00%	85,000	2,923,000
2028	4.00%	880,000	1.75%	757,000	4.00%	90,000	3,002,000
2029-2033	1.125%-2%	2,785,000	1.75%	4,021,000	5.00%	525,000	9,536,000
2034-2038		-	1.75%	4,439,000	4.50%	650,000	5,089,000
2039-2043		-	1.75%	<u>2,615,081</u>	5.00%	<u>640,000</u>	<u>3,255,081</u>
Totals		<u>\$6,465,000</u>		<u>\$14,717,081</u>		<u>\$1,990,000</u>	<u>\$32,107,081</u>

See accompanying independent auditor's report.

City of Indianola
BOND MATURITIES (continued)
June 30, 2023

Year ending June 30	Revenue Bonds					
	Sewer Revenue Bond Series 2009 Issued May 20, 2009		Sewer Revenue Bond Series 2013 Issued April 19, 2013		Sewer Revenue Bond Series 2017A Issued December 1, 2017	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
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	1.75%	282,000	1.75%	163,000	1.32%	158,000
2029-2033	1.75%	1,554,000	1.75%	868,000	1.32%	827,000
2034-2038	1.75%	1,823,000		-	1.32%	710,000
2039-2043	1.75%	1,242,000		-		-
2044-2048		-		-		-
2049-2050		-		-		-
Totals		<u>\$5,943,000</u>		<u>\$1,653,000</u>		<u>\$2,304,000</u>

Year ending June 30	Revenue Bonds					
	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		
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	2.01%	544,000	2.75%	412,000	1,559,000	
2029-2033	2.01%	2,910,000	2.75%	2,256,000	8,415,000	
2034-2038	2.01%	3,253,000	2.75%	2,614,000	8,400,000	
2039-2043	2.01%	3,640,000	2.75%	3,032,000	7,914,000	
2044-2048	2.01%	4,078,000	2.75%	3,514,000	7,592,000	
2049-2050	2.01%	<u>781,495</u>	2.75%	<u>1,557,000</u>	<u>2,338,495</u>	
Totals		<u>\$17,266,495</u>		<u>\$14,917,000</u>	<u>\$42,083,495</u>	

Year ending June 30	Capital Loan Note	
	Iowa Economic Development Authority Nuisance Property Loan Issued March 1, 2018	
	Interest Rates	Amount
2024	1.00%	\$ 679

See accompanying independent auditor's report.

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

	Year ended June 30			
	2023	2022	2021	2020
RECEIPTS				
Property tax	\$ 8,761,366	\$ 8,478,743	\$ 7,793,010	\$ 7,160,833
Tax increment financing	1,471,276	1,468,168	2,429,735	2,505,996
Other city tax	2,675,846	2,880,174	2,489,364	1,859,878
Licenses and permits	323,574	333,068	247,309	258,982
Use of money and property	854,675	409,515	535,808	689,356
Intergovernmental	6,590,072	6,397,038	4,512,624	4,073,043
Charges for service	1,044,906	1,109,741	889,689	945,567
Special assessments	106,443	31,764	22,177	18,166
Miscellaneous	<u>559,654</u>	<u>410,526</u>	<u>451,945</u>	<u>473,068</u>
Total receipts	<u>\$22,387,812</u>	<u>\$21,518,737</u>	<u>\$19,371,661</u>	<u>\$17,984,889</u>
DISBURSEMENTS				
Operating				
Public safety	\$ 7,044,930	\$ 6,693,985	\$ 5,909,055	\$ 5,473,023
Public works	1,867,792	1,705,574	1,668,460	1,573,045
Culture and recreation	2,749,713	2,512,202	2,218,493	2,173,363
Community and economic development	344,525	232,083	229,222	272,714
General government	1,416,618	949,454	896,558	986,959
Debt service	3,678,972	3,423,404	6,677,880	6,836,867
Capital projects	<u>9,617,972</u>	<u>7,761,642</u>	<u>2,385,440</u>	<u>1,834,553</u>
Total disbursements	<u>\$26,720,522</u>	<u>\$23,278,344</u>	<u>\$19,985,108</u>	<u>\$19,150,524</u>

See accompanying independent auditor's report.

Schedule 6

Year ended June 30					
2019	2018	2017	2016	2015	2014
\$ 6,731,187	\$ 6,365,347	\$ 6,392,934	\$ 6,122,001	\$ 6,155,219	\$ 5,472,196
2,302,131	2,112,030	1,955,534	1,542,524	1,365,455	1,383,060
2,061,799	2,068,943	1,965,822	265,487	298,515	294,866
217,685	232,440	154,991	192,408	132,554	164,365
685,219	576,571	504,619	469,188	400,099	335,498
3,758,442	2,533,521	2,109,788	2,384,472	4,575,268	1,692,398
959,881	537,629	1,066,626	949,420	1,024,782	1,024,228
23,263	26,708	163,044	112,573	118,173	109,522
<u>528,649</u>	<u>458,805</u>	<u>603,705</u>	<u>541,806</u>	<u>477,149</u>	<u>1,980,786</u>
<u>\$17,268,256</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>
\$ 5,067,392	\$ 5,198,541	\$ 5,014,894	\$ 4,095,846	\$ 4,018,718	\$ 4,257,526
1,648,680	1,656,141	1,483,031	1,600,292	1,293,247	1,336,452
2,162,189	2,087,835	2,137,909	2,037,571	2,009,849	2,085,707
516,009	487,893	935,587	165,075	557,205	430,585
828,581	1,087,246	1,461,226	1,401,940	1,394,110	1,505,152
2,091,736	2,419,852	2,655,684	2,838,250	3,003,458	3,000,167
<u>1,699,177</u>	<u>1,030,964</u>	<u>400,336</u>	<u>249,880</u>	<u>5,220,131</u>	<u>2,860,272</u>
<u>\$14,013,764</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>

See accompanying independent auditor's report.

City of Indianola
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2023

Federal Grantor/Program Title/ Grantor Description	Assistance listing number	Pass-through Grantor	Agency pass-through number	Federal expenditures
U.S. Department of Treasury				
Coronavirus State and Local Fiscal Recovery Funds	21.027	Iowa Department of Management	n/a	\$1,963,954
Coronavirus State and Local Fiscal Recovery Funds	21.027	Warren County, Iowa	n/a	<u>371,287</u>
Total Coronavirus State and Local Fiscal Recovery Funds				<u>2,335,241</u>
Total U.S. Department of the Treasury				<u>2,335,241</u>
U.S. Department of Homeland Security				
Hazard Mitigation Grant	97.039	Iowa Department of Homeland Security	n/a	87,734
Assistance to Firefighters Grant	97.044	N/A	n/a	<u>98,182</u>
Total U.S. Department of Homeland Security				<u>185,916</u>
Total expenditures of federal awards				<u>\$2,521,157</u>

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City it is not intended to and does not present the financial position, change in net position, or cash flows of the City.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C INDIRECT COST RATE

The City has not elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

**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, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 1, 2023. 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 that 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

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 certain immaterial instances of noncompliance or other matters which are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 1, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Indianola, Iowa's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of City's major federal program for the year ended June 30, 2023. The City's major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 1, 2023

City of Indianola
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2023

SECTION 1 – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with the cash basis of accounting:

Unmodified opinions

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified opinion

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:

**Assistance Listing Number 21.027 –
**Coronavirus State and Local Fiscal
 Recovery Funds****

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee? Yes No

City of Indianola
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL DEFICIENCIES

2023-001 HEALTH SAVINGS ACCOUNT CONTRIBUTION

Criteria

The City reports its internal financial statements under the cash basis method of accounting. However, the City's accounting system continues to utilize payable accounts for the purpose of proper reporting of payroll events. In order to ensure the proper reporting of the City's cash basis financial statements, City staff must review the activity within these payable accounts for accuracy.

Condition

A one-time contribution to City staff's health savings accounts was incorrectly posted to a payables account, resulting in expenses being understated in the City's internally prepared financial statements by approximately \$170,000.

Cause

While City staff review monthly financial reports prior to finalizing the internal financial statements, this review does not encompass the City's liability account balances. Accordingly, City staff did not identify that the health savings account contribution was being held in payables in error.

Effect

The City's internal financial statements understated expenses by approximately \$170,000. Budget amendments were not made which otherwise would have been required.

Recommendation

The City should modify its internal review of monthly financial statements to include a review of all balance sheet accounts, including payable accounts.

Response

This was a unique transaction that affected the accounting system payable accounts in an unanticipated manner. We will closely monitor future unique transactions to avoid this happening in the future.

Conclusion

Response accepted.

INSTANCES OF NONCOMPLIANCE

No matters were reported.

City of Indianola
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2023

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

INTERNAL CONTROL DEFICIENCIES

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

INSTANCES OF NONCOMPLIANCE

No matters were reported.

City of Indianola
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2023

SECTION IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

IV-A-23 CERTIFIED BUDGET

Disbursements during the year ended June 30, 2023 exceeded the amounts budgeted in the culture and recreation 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.

IV-B-23 QUESTIONABLE EXPENDITURES

During our review of credit card disbursements, we noted three of ten disbursements selected for testing included sales tax. The payment of these disbursements do not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

Recommendation

The City should ensure public funds are not being used for sales tax on disbursements.

Response

We will monitor credit card receipts more closely for sales tax and remind credit card approvers to do the same.

Conclusion

Response accepted.

IV-C-23 TRAVEL EXPENSE

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

IV-D-23 BUSINESS TRANSACTIONS

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

IV-E-23 RESTRICTED DONOR ACTIVITY

In accordance with Chapter 68B of the Code of Iowa, no transactions were noted between the City, City officials, City employees and restricted donors.

City of Indianola
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2023

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

IV-F-23 BOND COVERAGE

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

IV-G-23 COUNCIL MINUTES

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

IV-H-23 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.

IV-I-23 REVENUE BONDS AND NOTES

The City's sewer revenue refunding bond resolution includes the following requirement:

"The Governing Body will adopt or continue in effect rates for all services rendered by the System determined to be sufficient to produce Net revenues for the next succeeding Fiscal Year which are (i) adequate to pay the principal and interest requirements thereof and to create or maintain reserves as provided in this Resolution, and (ii) not less than 110 percent of the principal and interest requirements of the next succeeding Fiscal Year.

The City's sewer utility net revenues did not meet the criteria set forth above for the year ended June 30, 2023.

Recommendation

The City should review the fiscal performance of the sewer utility to ensure it complies with the bond requirement.

Response

City Council has approved sewer rate increases which will resolve this matter.

Conclusion

Response accepted.

IV-J-23 TAX INCREMENT FINANCING (TIF)

The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the City properly completed the Tax Increment Debt Certification Forms to request TIF property taxes.

City of Indianola
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2023

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

IV-K-23 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 as required by Chapter 384.22(2)(a) of the Code of Iowa and no exceptions were noted.