

City of Indianola, Iowa

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

June 30, 2025

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**City of Indianola, Iowa
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Steve Richardson	Mayor	December 2025
Mellisa Sones	Council Member	December 2027
Steve Armstrong	Council Member	December 2027
Josh Rabe	Council Member	December 2027
Ron Dalby	Council Member	December 2025
Christina Beach	Council Member	December 2025
Bob Lane	Council Member	December 2025
Jacob Meshke	City Manager	Indefinite
Jackie Raffety	Finance Director and City Clerk	Indefinite
Erin Clanton	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, 2025, and the related notes to the 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, 2025, 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, Iowa as of and for the year ended June 30, 2025 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 seven years ended June 30, 2024 (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 two 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 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 this 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 September 29, 2025 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 CPA LLP

Denman CPA LLP

West Des Moines, Iowa
September 29, 2025

BASIC FINANCIAL STATEMENTS

City of Indianola, Iowa
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
As of and for the year ended June 30, 2025

		Program receipts		
	Disbursements	Charges for service	Operating grants, contributions, and restricted interest	Capital grants, contributions, and restricted interest
FUNCTIONS/PROGRAMS				
Governmental activities				
Public safety	\$ 8,894,296	\$ 1,525,332	\$ 616,225	\$ -
Public works	2,554,037	110,934	2,248,591	-
Culture and recreation	2,895,766	347,372	279,145	-
Community and economic development	616,996	-	30,806	74,928
General government	1,888,545	317,766	-	-
Debt service	3,826,560	37,900	-	-
Capital projects	5,903,912	89,917	-	407,679
Total governmental activities	26,580,112	2,429,221	3,174,767	482,607
Business type activities				
Sewer	6,825,225	5,161,818	-	-
Indianola Wellness Campus	1,440,946	1,177,737	-	-
Other	1,502,357	1,150,770	-	-
Total business type activities	9,768,528	7,490,325	-	-
Total	\$ 36,348,640	\$ 9,919,546	\$ 3,174,767	\$ 482,607
Component unit				
Indianola Community Parks Foundation	\$ 51,946	\$ -	\$ 83,842	\$ -
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				
Property tax replacement				
Unrestricted investment earnings				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
CASH BASIS NET POSITION, beginning of year				
CASH BASIS NET POSITION, end of year				
CASH BASIS NET POSITION				
Restricted				
Nonspendable				
Expendable				
Urban renewal purposes				
Capital projects				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See Notes to Financial Statements.

Net (disbursements) receipts and changes in cash basis net position			Component unit
Primary government			Indianola Community Parks Foundation
Governmental activities	Business type activities	Total	
\$ (6,752,739)	\$ -	\$ (6,752,739)	
(194,512)	-	(194,512)	
(2,269,249)	-	(2,269,249)	
(511,262)	-	(511,262)	
(1,570,779)	-	(1,570,779)	
(3,788,660)	-	(3,788,660)	
(5,406,316)	-	(5,406,316)	
<u>(20,493,517)</u>	<u>-</u>	<u>(20,493,517)</u>	
-	(1,663,407)	(1,663,407)	
-	(263,209)	(263,209)	
-	(351,587)	(351,587)	
<u>-</u>	<u>(2,278,203)</u>	<u>(2,278,203)</u>	
<u>(20,493,517)</u>	<u>(2,278,203)</u>	<u>(22,771,720)</u>	
			\$ 31,896
8,233,380	-	8,233,380	-
1,012,792	-	1,012,792	-
1,565,750	-	1,565,750	-
247,503	-	247,503	-
2,702,296	-	2,702,296	-
909,832	-	909,832	-
339,284	-	339,284	-
678,084	17,065	695,149	-
17,330	23,877	41,207	-
(82,123)	82,123	-	-
<u>15,624,128</u>	<u>123,065</u>	<u>15,747,193</u>	<u>-</u>
(4,869,389)	(2,155,138)	(7,024,527)	31,896
<u>26,406,158</u>	<u>6,690,996</u>	<u>33,097,154</u>	<u>240,957</u>
<u>\$ 21,536,769</u>	<u>\$ 4,535,858</u>	<u>\$ 26,072,627</u>	<u>\$ 272,853</u>
\$ 67,229	\$ -	\$ 67,229	\$ -
6,247,864	-	6,247,864	-
3,693,804	-	3,693,804	-
334,936	446,370	781,306	-
2,484,967	-	2,484,967	272,853
<u>8,707,969</u>	<u>4,089,488</u>	<u>12,797,457</u>	<u>-</u>
<u>\$ 21,536,769</u>	<u>\$ 4,535,858</u>	<u>\$ 26,072,627</u>	<u>\$ 272,853</u>

See Notes to Financial Statements.

City of Indianola, Iowa
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the year ended June 30, 2025

	Special revenue				
	General	Local Option Sales Tax	Employee Benefit Tax Levy	Road Use Tax	Urban Renewal Tax Increment
RECEIPTS					
Property tax	\$ 5,524,310	\$ -	\$ 2,709,070	\$ -	\$ -
Tax increment financing	-	-	-	-	1,565,750
Other City tax	469,337	2,384,002	-	-	-
Licenses and permits	435,589	-	-	-	-
Use of money and property	611,278	-	-	-	113,014
Intergovernmental	1,995,170	-	95,467	2,248,591	-
Charges for service	1,220,897	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	631,684	-	-	78,679	-
Total receipts	<u>10,888,265</u>	<u>2,384,002</u>	<u>2,804,537</u>	<u>2,327,270</u>	<u>1,678,764</u>
DISBURSEMENTS					
Operating					
Public safety	8,581,932	-	-	-	-
Public works	52,229	-	-	1,982,650	-
Culture and recreation	2,861,591	-	-	-	-
Community and economic development	557,790	-	-	-	59,206
General government	1,810,272	-	-	-	-
Debt service	835	-	-	-	-
Capital projects	14,464	-	-	-	-
Total disbursements	<u>13,879,113</u>	<u>-</u>	<u>-</u>	<u>1,982,650</u>	<u>59,206</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,990,848)</u>	<u>2,384,002</u>	<u>2,804,537</u>	<u>344,620</u>	<u>1,619,558</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	17,330	-	-	-	-
Operating transfers in	3,230,591	-	-	300,000	-
Operating transfers out	<u>(1,054,891)</u>	<u>(2,045,700)</u>	<u>(2,790,591)</u>	<u>(280,939)</u>	<u>(1,376,612)</u>
Total other financing sources (uses)	<u>2,193,030</u>	<u>(2,045,700)</u>	<u>(2,790,591)</u>	<u>19,061</u>	<u>(1,376,612)</u>
Net change in cash balances	(797,818)	338,302	13,946	363,681	242,946
CASH BALANCES , beginning of year	<u>7,490,806</u>	<u>729</u>	<u>166,474</u>	<u>1,593,008</u>	<u>6,004,918</u>
CASH BALANCES , end of year	<u>\$ 6,692,988</u>	<u>\$ 339,031</u>	<u>\$ 180,420</u>	<u>\$ 1,956,689</u>	<u>\$ 6,247,864</u>
CASH BASIS FUND BALANCES					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for					
Urban renewal purposes	-	-	-	-	6,247,864
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Other purpose	8,827	339,031	180,420	1,956,689	-
Unassigned	<u>6,684,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 6,692,988</u>	<u>\$ 339,031</u>	<u>\$ 180,420</u>	<u>\$ 1,956,689</u>	<u>\$ 6,247,864</u>

See Notes to Financial Statements.

City of Indianola, Iowa
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES (continued)
GOVERNMENTAL FUNDS
As of and for the year ended June 30, 2025

	Debt Service	Capital Projects	Nonmajor Governmental Funds Library Endowment	Total
RECEIPTS				
Property tax	\$ 1,012,792	\$ —	\$ —	\$ 9,246,172
Tax increment financing	—	—	—	1,565,750
Other City tax	—	—	—	2,853,339
Licenses and permits	—	175	—	435,764
Use of money and property	—	89,917	7,534	821,743
Intergovernmental	74,177	407,679	—	4,821,084
Charges for service	—	—	—	1,220,897
Special assessments	5,762	90,698	—	96,460
Miscellaneous	—	3,944	—	714,307
Total receipts	<u>1,092,731</u>	<u>592,413</u>	<u>7,534</u>	<u>21,775,516</u>
DISBURSEMENTS				
Operating				
Public safety	—	—	—	8,581,932
Public works	—	—	—	2,034,879
Culture and recreation	—	—	—	2,861,591
Community and economic development	—	—	—	616,996
General government	—	—	—	1,810,272
Debt service	3,825,725	—	—	3,826,560
Capital projects	—	5,889,448	—	5,903,912
Total disbursements	<u>3,825,725</u>	<u>5,889,448</u>	<u>—</u>	<u>25,636,142</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,732,994)</u>	<u>(5,297,035)</u>	<u>7,534</u>	<u>(3,860,626)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	—	—	—	17,330
Operating transfers in	2,765,849	678,333	—	6,974,773
Operating transfers out	—	—	—	(7,548,733)
Total other financing sources (uses)	<u>2,765,849</u>	<u>678,333</u>	<u>—</u>	<u>(556,630)</u>
Net change in cash balances	32,855	(4,618,702)	7,534	(4,417,256)
CASH BALANCES , beginning of year	<u>302,081</u>	<u>8,312,506</u>	<u>59,695</u>	<u>23,930,217</u>
CASH BALANCES , end of year	<u>\$ 334,936</u>	<u>\$ 3,693,804</u>	<u>\$ 67,229</u>	<u>\$19,512,961</u>
CASH BASIS FUND BALANCES				
Nonspendable	\$ —	\$ —	\$ 67,229	67,229
Restricted for				
Urban renewal purposes	—	—	—	6,247,864
Capital projects	—	3,693,804	—	3,693,804
Debt service	334,936	—	—	334,936
Other purpose	—	—	—	2,484,967
Unassigned	—	—	—	6,684,161
Total cash basis fund balances	<u>\$ 334,936</u>	<u>\$ 3,693,804</u>	<u>\$ 67,229</u>	<u>\$19,512,961</u>

See Notes to Financial Statements.

City of Indianola, Iowa
**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, 2025**

Total governmental funds cash balances (pages 10-11)	\$ 19,512,961
 <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>2,023,808</u>
Cash basis net position of governmental activities (pages 8-9)	<u>\$ 21,536,769</u>
 Net change in cash balances (pages 10-11)	
	\$ (4,417,256)
 <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>(452,133)</u>
Change in cash basis net position of governmental activities (pages 8-9)	<u>\$ (4,869,389)</u>

City of Indianola, Iowa
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
As of and for the year ended June 30, 2025

	Enterprise Funds			Total	Internal Service Funds
	Sewer	Indianola Wellness Campus	Nonmajor Enterprise Funds		
OPERATING RECEIPTS					
Charges for service	\$ 4,993,714	\$ 1,216,872	\$ 1,150,770	\$ 7,361,356	\$ 1,313,226
Miscellaneous	125,704	6,610	-	132,314	2,343
Total operating receipts	<u>5,119,418</u>	<u>1,223,482</u>	<u>1,150,770</u>	<u>7,493,670</u>	<u>1,315,569</u>
OPERATING DISBURSEMENTS					
Governmental Activities					
Public safety	-	-	-	-	818,522
Public works	-	-	-	-	607,731
Culture and recreation	-	-	-	-	174,706
General government	-	-	-	-	183,771
Business type activities	2,549,809	1,483,408	643,300	4,676,517	660,757
Component unit					
Municipal Utility	-	-	-	-	523,485
Total operating disbursements	<u>2,549,809</u>	<u>1,483,408</u>	<u>643,300</u>	<u>4,676,517</u>	<u>2,968,972</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>2,569,609</u>	<u>(259,926)</u>	<u>507,470</u>	<u>2,817,153</u>	<u>(1,653,403)</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)					
Sale of assets	-	-	-	-	23,877
Interest on investments	15,069	1,996	-	17,065	60,474
Rental income	40,255	-	-	40,255	-
Special assessments	2,145	-	-	2,145	-
Debt service	(2,457,604)	-	-	(2,457,604)	-
Capital projects	<u>(1,274,706)</u>	<u>-</u>	<u>(859,057)</u>	<u>(2,133,763)</u>	<u>-</u>
Net nonoperating receipts (disbursements)	<u>(3,674,841)</u>	<u>1,996</u>	<u>(859,057)</u>	<u>(4,531,902)</u>	<u>84,351</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,105,232)</u>	<u>(257,930)</u>	<u>(351,587)</u>	<u>(1,714,749)</u>	<u>(1,569,052)</u>
TRANSFERS IN	746,000	-	-	746,000	1,015,422
TRANSFERS OUT	<u>(832,462)</u>	<u>-</u>	<u>(355,000)</u>	<u>(1,187,462)</u>	<u>-</u>
Net change in cash balances	<u>(1,191,694)</u>	<u>(257,930)</u>	<u>(706,587)</u>	<u>(2,156,211)</u>	<u>(553,630)</u>
CASH BALANCES, beginning of year	<u>4,114,052</u>	<u>73,767</u>	<u>1,858,657</u>	<u>6,046,476</u>	<u>4,105,745</u>
CASH BALANCES, end of year	<u>\$ 2,922,358</u>	<u>\$ (184,163)</u>	<u>\$ 1,152,070</u>	<u>\$ 3,890,265</u>	<u>\$ 3,552,115</u>
CASH BASIS FUND BALANCES					
Restricted for debt service	\$ 446,370	\$ -	\$ -	\$ 446,370	\$ -
Unrestricted	<u>2,475,988</u>	<u>(184,163)</u>	<u>1,152,070</u>	<u>3,443,895</u>	<u>3,552,115</u>
Total cash basis fund balances	<u>\$ 2,922,358</u>	<u>\$ (184,163)</u>	<u>\$ 1,152,070</u>	<u>\$ 3,890,265</u>	<u>\$ 3,552,115</u>

See Notes to Financial Statements.

City of Indianola, Iowa
**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, 2025**

Total enterprise funds cash balances (page 13) \$ 3,890,265

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

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

Cash balances held for business type activities	1,528,307	
Less cash balances held for Indianola Municipal Utilities	<u>(882,714)</u>	<u>645,593</u>

Cash basis net position of business-type activities (pages 8-9) \$ 4,535,858

Net change in cash balances (page 13) \$ (2,156,211)

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

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

Change in cash balances from business type activities	(101,497)	
Add back decrease in cash balances from Indianola Municipal Utilities	<u>102,570</u>	<u>1,073</u>

Change in cash basis net position of business type activities (pages 8-9) \$ (2,155,138)

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Indianola, Iowa (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 nonpartisan 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 and operates the Indianola Wellness Campus 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, Iowa (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, and Bravo Greater Des Moines.

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.

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Government-wide Financial Statement (continued)

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.

The Road Use Tax Fund is used to account for road use tax collections.

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

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

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 funds:

Sewer Fund

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

Indianola Wellness Campus

The Enterprise, Indianola Wellness Campus Fund accounts for the operation and maintenance of the City's Wellness Center.

The City also reports the following additional proprietary funds:

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

Measurement Focus and Basis of Accounting

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

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.

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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% per month penalty for delinquent payments; is based on January 1, 2023 assessed property valuations; is for the tax accrual period July 1, 2024 through June 30, 2025 and reflects tax asking contained in the budget certified to the City Council in April 2024.

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.

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2025 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, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND POOLED INVESTMENTS (continued)

At June 30, 2025, 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	\$ 331,921	\$ 331,921	\$ -	\$ -	\$ -
FHLMC	8,006	-	8,006	-	-
FHLB	936,304	936,304	-	-	-
FNMA	1,057,046	-	439,346	617,700	-
SBA	42,331	-	42,331	-	-
U.S. Treasury Bills	20,635,312	4,479,551	13,316,310	2,839,451	-
	<u>\$ 23,010,920</u>	<u>\$ 5,747,776</u>	<u>\$ 13,805,993</u>	<u>\$ 3,457,151</u>	<u>\$ -</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 \$132,408. 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, 2025, 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, 2025 is as follows:

	<u>Balance June 30, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2025</u>	<u>Range of interest rates</u>	<u>Due within one year</u>
Governmental activities						
General obligation bonds	\$ 29,530,000	\$ -	\$ 2,709,000	\$ 26,821,000	1.00 to 5.00%	\$ 2,748,000
Business type activities						
Revenue bonds	40,670,495	-	1,447,000	39,223,495	1.32 to 2.75%	1,484,000
	<u>\$ 70,200,495</u>	<u>\$ -</u>	<u>\$ 4,156,000</u>	<u>\$ 66,044,495</u>		<u>\$ 4,232,000</u>

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 3 BONDS AND NOTES PAYABLE (continued)

Details of general obligation and revenue bonds/notes payable at June 30, 2025 are as follows:

<u>Bond issuance</u>	<u>Date of issuance</u>	<u>Interest rates</u>	<u>Final due date</u>	<u>Annual payments</u>	<u>Amount of original issue</u>	<u>Outstanding June 30, 2025</u>
General Obligation (GO) Bonds and Notes						
GO Refunding Series 2019A	October 31, 2019	2.00% - 4.00%	June 1, 2031	\$ 120,000 - \$ 375,000	\$ 4,450,000	\$ 1,695,000
GO Series 2020A	December 20, 2020	1.00% - 3.00%	June 1, 2031	\$ 495,000 - \$ 540,000	\$ 6,505,000	\$ 3,125,000
GO Refunding Series 2020B	December 22, 2020	2.00% - 3.00%	June 1, 2028	\$ 355,000 - \$ 375,000	\$ 2,850,000	\$ 1,095,000
GO Series 2021A	September 23, 2021	1.125% - 4.00%	June 1, 2031	\$ 825,000 - \$ 940,000	\$ 6,840,000	\$ 5,345,000
GO Series 2021B	September 24, 2021	1.75%	June 1, 2041	\$ 728,000 - \$ 980,000	\$16,345,000	\$ 13,571,000
GO Series 2022	October 3, 2022	4.00% - 5.00%	June 1, 2042	\$0 - \$ 170,000	\$ 1,990,000	\$ 1,990,000
Revenue Bonds and Notes						
Sewer revenue bonds						
Series 2009	May 20, 2009	1.75%	June 1, 2041	\$ 265,000 - \$ 427,000	\$ 9,090,000	\$ 5,439,000
Series 2013	April 19, 2013	1.75%	June 1, 2033	\$ 154,000 - \$ 181,000	\$ 4,036,000	\$ 1,348,000
Series 2017A	December 1, 2017	1.32%	June 1, 2037	\$ 151,000 - \$ 182,000	\$ 3,141,702	\$ 2,004,000
Series 2020A	April 17, 2020	2.01%	June 1, 2050	\$ 520,000 - \$ 855,000	\$18,760,000	\$ 16,258,495
Series 2021A	March 5, 2021	2.75%	June 1, 2037	\$ 389,000 - \$ 790,000	\$15,274,000	\$ 14,174,000

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

<u>Year ending June 30</u>	<u>General Obligation</u>			<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,653,000	362,216	3,015,216	1,599,000	787,733	2,386,733
2030	2,493,000	313,488	2,806,488	1,641,000	754,744	2,395,744
2031-2035	6,358,000	1,072,443	7,430,443	8,477,000	3,250,963	11,727,963
2036-2040	5,329,000	520,850	5,849,850	8,479,000	2,357,598	10,836,598
2041-2045	1,315,000	42,400	1,357,400	7,450,000	1,453,480	8,903,480
2046-2050	—	—	—	7,013,495	557,682	7,571,177
Totals	<u>\$26,821,000</u>	<u>\$3,910,067</u>	<u>\$ 30,731,067</u>	<u>\$39,223,495</u>	<u>\$11,715,028</u>	<u>\$50,938,523</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.

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 3 BONDS AND NOTES PAYABLE (continued)

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 \$50,938,523. For the current year, principal and interest paid and total customer net revenues were \$2,353,927 and \$2,627,078, respectively.

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.

**City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 PENSION PLANS (continued)

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

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

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 2025, 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, 2025 were \$639,917.

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

At June 30, 2025, the City reported a liability of \$1,138,201 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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:

	<u>June 30</u>		<u>Change</u>
	<u>2024</u>	<u>2023</u>	
City's proportionate share	0.031256 %	0.032565 %	(0.001309)%

For the year ended June 30, 2025, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$381,039, \$1,322,865 and \$147,935, respectively.

**City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 PENSION PLANS (continued)

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

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

There were no nonemployer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2024 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

The actuarial assumptions used in the June 30, 2024 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 2024 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>
Domestic equity	21.0%	3.5%
International equity	13.0	5.2
Global smart beta equity	5.0	4.1
Core plus fixed income	25.5	3.0
Public credit	3.0	4.5
Cash	1.0	1.7
Private equity	17.0	8.9
Private real assets	9.0	4.3
Private credit	5.5	6.6
Total	<u>100 %</u>	

**City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 PENSION PLANS (continued)

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

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.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability (asset)	\$ 4,697,546	\$ 1,138,201	\$(1,843,697)

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 four 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 four to twenty-two years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than four years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 PENSION PLANS (continued)

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

Pension Benefits (continued)

Benefits are calculated based upon the member's highest three years of compensation. The average of these three 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 eight 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 three, four, or five year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits

Disability benefits may be either accidental or ordinary. Accidental disability is defined as 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.

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 PENSION PLANS (continued)

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

Contributions

Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.55% of earnable compensation for the year ended June 30, 2025.

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 22.66% for the year ended June 30, 2025.

The City's contributions to MFPRSI for the year ended June 30, 2025 was \$513,581.

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, 2025.

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

At June 30, 2025, the City reported a liability of \$3,500,786 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 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.

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

	June 30		
	2024	2023	Change
City's proportionate share	0.526964 %	0.529794 %	(0.002830)%

For the year ended June 30, 2025, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$505,573, \$1,811,591, and \$667,664, respectively.

Actuarial Assumptions

The total pension liability in the June 30, 2024 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

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the 10-year period ended June 30, 2023.

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	4.8 %
Broad U.S. Equity	7.5
Global Equity	7.6
Global infrastructure	6.7
Broad Non-U.S. Equity	7.7
Private Credit	9.4
Private Equity	10.2
Managed Futures	5.5
Core Real Estate	6.0
Opportunistic Real Estate	9.8

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 9.55% 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.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	<u>\$ 6,090,870</u>	<u>\$ 3,500,786</u>	<u>\$ 1,356,908</u>

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 PENSION PLANS (continued)

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

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, 2025, primarily relating to the General Fund, was as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ 550,198
Compensatory time	116,795
Sick leave	<u>1,180,181</u>
Total	<u>\$ 1,847,174</u>

This liability has been computed based on rates of pay in effect at June 30, 2025.

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, 2025, the actuarially determined reserve necessary for claims incurred but not yet paid was \$103,885 and the internal service fund balance was \$2,565,532.

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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, 2025, the following employees were covered by the benefit terms:

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

OPEB Benefits (continued)

Inactive employees or beneficiaries currently receiving benefits	1
Active employees	<u>83</u>
Total	<u><u>84</u></u>

NOTE 8 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2025 is as follows:

Transfer to	Transfer from	Amount
General	Special revenue	
	Employee benefit tax levy	\$ 2,790,591
	Road use tax	100,000
	Enterprise	
	Sewer	285,000
	Nonmajor enterprise	<u>55,000</u>
		<u>3,230,591</u>
Road Use Tax	Nonmajor enterprise	<u>300,000</u>
Capital projects	General	378,333
	Special revenue	
	Local option sales tax	<u>300,000</u>
		<u>678,333</u>
Debt service	General	389,537
	Special revenue	
	Urban renewal tax increment	1,376,612
	Local option sales tax	<u>999,700</u>
		<u>2,765,849</u>
Sewer	Special revenue	
	Local option sales tax	<u>746,000</u>
Internal service	General	287,021
	Sewer	547,462
	Road use tax	<u>180,939</u>
		<u>1,015,422</u>
Total		<u><u>\$ 8,736,195</u></u>

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

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2025 is as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Urban Renewal Tax Increment	Capital Projects	\$ 676,000
Capital projects	Internal service, Health Insurance Reserve	150,000
	General	200,000
	Nonmajor enterprise, Stormwater utility	400,000
		<u>750,000</u>
Total		<u>\$ 1,426,000</u>

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

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 805 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, property, employment practices liability, public officials' liability, cyber liability and law enforcement liability. 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, 2025 were \$472,669.

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 \$500,000 each occurrence, each location. Property risks 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.

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 10 RISK MANAGEMENT (continued)

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, 2025, 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, 2025 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2025, the City paid workers' compensation insurance premiums of \$186,000 to the Association.

NOTE 11 COMMITMENTS

The City has entered into contracts for street and highway improvements, trail improvements, sanitary sewer infrastructure improvements, and other projects totaling approximately \$54,000,000. The remaining commitment on these contracts at June 30, 2025 is approximately \$6,600,000, a majority of which pertains to the City's Hillcrest Avenue Construction project. These contractual commitments will be funded through debt proceeds and cash reserves.

NOTE 12 TAX ABATEMENTS

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

City Tax Abatements

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

For the year ended June 30, 2025, \$23,535 of property tax was diverted from the City under the urban renewal and economic development projects.

City of Indianola, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 13 DEVELOPMENT AGREEMENTS

The City has entered into development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for development of commercial and residential projects by the developer. During the year ended June 30, 2025, the City rebated \$59,206 of incremental property tax to developers.

The agreements are not a general obligation of the City. The agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the City's constitutional debt limit. The City has appropriated \$62,500 for these agreements in its fiscal year 2026 budget.

NOTE 14 DEFICIT BALANCES

At June 30, 2025, funds with deficit balances were as follows:

Indianola Wellness Campus	<u>\$ (184,163)</u>
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The Indianola Wellness Campus deficit balance is the result of operating expenses of the Campus exceeding its operating revenues. The City is investigating additional funding sources to eliminate the deficit.

NOTE 15 CONCENTRATIONS AND CERTAIN CONTINGENCIES

The City levies property taxes in order to fund many of its essential public services. The authority to levy property taxes is governed by applicable state law. Changes in state law, including potential limits or reductions in the City's tax levy authority, could materially affect the financial condition and operating results of the City.

OTHER INFORMATION

City of Indianola, Iowa
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, 2025

	Governmental funds actual	Proprietary funds actual	Total	Budgeted amounts		Final to actual variance- positive (negative)
				Original	Final	
RECEIPTS						
Property tax	\$ 9,246,172	\$ -	\$ 9,246,172	\$ 9,196,574	\$ 9,196,574	\$ 49,598
Tax increment financing	1,565,750	-	1,565,750	1,500,000	1,500,000	65,750
Other City tax	2,853,339	-	2,853,339	2,849,229	2,681,000	172,339
Licenses and permits	435,764	-	435,764	332,850	273,547	162,217
Use of money and property	821,743	57,320	879,063	499,664	1,959,914	(1,080,851)
Intergovernmental	4,821,084	-	4,821,084	5,712,700	5,296,172	(475,088)
Charges for service	1,220,897	7,361,356	8,582,253	7,660,724	7,505,861	1,076,392
Special assessments	96,460	2,145	98,605	-	98,605	-
Miscellaneous	714,307	132,314	846,621	665,048	1,438,867	(592,246)
Total receipts	<u>21,775,516</u>	<u>7,553,135</u>	<u>29,328,651</u>	<u>28,416,789</u>	<u>29,950,540</u>	<u>(621,889)</u>
DISBURSEMENTS						
Public safety	8,581,932	-	8,581,932	9,294,137	9,384,522	802,590
Public works	2,034,879	-	2,034,879	2,385,170	2,107,548	72,669
Culture and recreation	2,861,591	-	2,861,591	3,419,549	3,046,645	185,054
Community and economic development	616,996	-	616,996	1,604,861	1,880,837	1,263,841
General government	1,810,272	-	1,810,272	4,355,630	2,331,841	521,569
Debt service	3,826,560	-	3,826,560	3,429,163	3,818,700	(7,860)
Capital projects	5,903,912	-	5,903,912	6,846,000	7,189,228	1,285,316
Business type activities	-	9,267,884	9,267,884	10,160,350	11,193,243	1,925,359
Total disbursements	<u>25,636,142</u>	<u>9,267,884</u>	<u>34,904,026</u>	<u>41,494,860</u>	<u>40,952,564</u>	<u>6,048,538</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(3,860,626)</u>	<u>(1,714,749)</u>	<u>(5,575,375)</u>	<u>(13,078,071)</u>	<u>(11,002,024)</u>	<u>5,426,649</u>
OTHER FINANCING SOURCES, net						
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(556,630)</u>	<u>(441,462)</u>	<u>(998,092)</u>	<u>-</u>	<u>-</u>	<u>(998,092)</u>
BALANCES, beginning of year	<u>23,930,217</u>	<u>6,046,476</u>	<u>29,976,693</u>	<u>42,117,461</u>	<u>37,487,752</u>	<u>(7,511,059)</u>
BALANCES, end of year	<u>\$ 19,512,961</u>	<u>\$3,890,265</u>	<u>\$23,403,226</u>	<u>\$29,039,390</u>	<u>\$26,485,728</u>	<u>\$(3,082,502)</u>

See accompanying independent auditor's report.

City of Indianola, Iowa
NOTE TO OTHER INFORMATION - BUDGETARY REPORTING
June 30, 2025

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, two budget amendments decreased budgeted disbursements by \$542,296. The budget amendments are reflected in the final budgeted amounts.

City of Indianola, Iowa
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
(In Thousands)
Other Information

	Year ended June 30				
	2025	2024	2023	2022	2021
City's proportion of the net pension liability (asset)	0.031256 %	0.032565 %	0.024800 %	0.320892 %	0.036102 %
City's proportion of the net pension liability (asset)	\$ 1,138	\$ 1,470	\$ 937	\$ (1,108)	\$ 2,536
City's covered-employee payroll	\$ 6,806	\$ 6,165	\$ 4,920	\$ 4,556	\$ 4,173
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	16.72 %	23.84 %	19.04 %	(24.32)%	60.77 %
IPERS' net position as a percentage of the total pension liability (asset)	92.30 %	90.13 %	91.40 %	100.81 %	82.90 %
	Year ended June 30				
	2020	2019	2018	2017	2016
City's proportion of the net pension liability (asset)	0.031658 %	0.031366 %	0.031734 %	0.029023 %	0.037810 %
City's proportion of the net pension liability (asset)	\$ 1,833	\$ 1,985	\$ 2,114	\$ 1,827	\$ 1,868
City's covered-employee payroll	\$ 3,961	\$ 3,689	\$ 3,312	\$ 3,357	\$ 3,142
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.28 %	53.81 %	63.83 %	54.42 %	59.45 %
IPERS' net position as a percentage of the total pension liability (asset)	85.45 %	83.62 %	82.21 %	81.82 %	85.19 %

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.

City of Indianola, Iowa
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (continued)
Municipal Fire and Police Retirement System of Iowa
(In Thousands)
Other Information

	Year ended June 30				
	2025	2024	2023	2022	2021
City's proportion of the net pension liability	0.526964 %	0.529794 %	0.516404 %	0.496009 %	0.480593 %
City's proportionate share of the net pension liability	\$ 3,501	\$ 3,300	\$ 2,900	\$ 1,114	\$ 3,833
City's covered-employee payroll	\$ 2,266	\$ 1,989	\$ 1,826	\$ 1,744	\$ 1,612
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	154.50 %	165.91 %	158.82 %	63.88 %	237.78 %
IPERS' net position as a percentage of the total pension liability	83.37 %	83.53 %	84.62 %	93.62 %	76.47 %

	Year ended June 30				
	2020	2019	2018	2017	2016
City's proportion of the net pension liability	0.452722 %	0.420900 %	0.455810 %	0.446484 %	0.450375 %
City's proportionate share of the net pension liability	\$ 3,035	\$ 2,506	\$ 2,673	\$ 2,792	\$ 2,116
City's covered-employee payroll	\$ 1,527	\$ 1,399	\$ 1,223	\$ 1,291	\$ 1,210
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	198.76 %	179.13 %	218.56 %	216.27 %	174.88 %
IPERS' net position as a percentage of the total pension liability	79.94 %	81.07 %	80.60 %	78.20 %	83.04 %

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.

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

	Year ended June 30				
	2025	2024	2023	2022	2021
Statutorily required contribution	\$ 640	\$ 579	\$ 462	\$ 428	\$ 397
Contributions in relation to the statutorily required contribution	640	579	462	428	397
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered-employee payroll	\$ 6,806	\$ 6,165	\$ 4,920	\$ 4,556	\$ 4,173
Contributions as a percentage of covered-employee payroll	9.40 %	9.39 %	9.39 %	9.39 %	9.51 %

	Year ended June 30				
	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 380	\$ 356	\$ 304	\$ 306	\$ 288
Contributions in relation to the statutorily required contribution	380	356	304	306	288
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered-employee payroll	\$ 3,961	\$ 3,689	\$ 3,312	\$ 3,357	\$ 3,142
Contributions as a percentage of covered-employee payroll	9.59 %	9.65 %	9.18 %	9.12 %	9.17 %

See accompanying independent auditor's report.

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

	Year ended June 30				
	2025	2024	2023	2022	2021
Statutorily required contribution	\$ 514	\$ 457	\$ 436	\$ 456	\$ 408
Contributions in relation to the statutorily required contribution	<u>514</u>	<u>457</u>	<u>436</u>	<u>456</u>	<u>408</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,266	\$ 1,989	\$ 1,826	\$ 1,744	\$ 1,612
Contributions as a percentage of covered-employee payroll	22.68 %	22.98 %	23.88 %	26.15 %	25.31 %

	Year ended June 30				
	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 372	\$ 364	\$ 314	\$ 334	\$ 336
Contributions in relation to the statutorily required contribution	<u>372</u>	<u>364</u>	<u>314</u>	<u>334</u>	<u>336</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,527	\$ 1,399	\$ 1,223	\$ 1,291	\$ 1,210
Contributions as a percentage of covered-employee payroll	24.36 %	26.02 %	25.67 %	25.87 %	27.77 %

See accompanying independent auditor's report.

City of Indianola, Iowa
NOTES TO OTHER INFORMATION – PENSION LIABILITY
Year ended June 30, 2025

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%.

City of Indianola, Iowa
NOTES TO OTHER INFORMATION – PENSION LIABILITY (continued)
Year ended June 30, 2025

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms

There were no significant changes of benefit terms.

Changes of assumptions

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

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

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

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

SUPPLEMENTARY INFORMATION

City of Indianola, Iowa
**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES**
 Nonmajor Proprietary Funds
 As of and for the year ended June 30, 2025

	<u>Recycling</u>	<u>Enterprise Storm Water</u>	<u>Total</u>
OPERATING RECEIPTS			
Charges for service	\$ 457,710	\$ 693,060	\$ 1,150,770
OPERATING DISBURSEMENTS			
Business type activities	379,940	263,360	643,300
Total operating disbursements	<u>379,940</u>	<u>263,360</u>	<u>643,300</u>
Excess of operating receipts over operating disbursements	<u>77,770</u>	<u>429,700</u>	<u>507,470</u>
NONOPERATING (DISBURSEMENTS)			
Capital projects	-	(859,057)	(859,057)
Net nonoperating (disbursements)	<u>-</u>	<u>(859,057)</u>	<u>(859,057)</u>
Excess (deficiency) of receipts over (under) disbursements	77,770	(429,357)	(351,587)
TRANSFERS OUT	<u>(55,000)</u>	<u>(300,000)</u>	<u>(355,000)</u>
Net change in cash balances	22,770	(729,357)	(706,587)
CASH BALANCES , beginning of year	<u>209,990</u>	<u>1,648,667</u>	<u>1,858,657</u>
CASH BALANCES , end of year	<u>\$ 232,760</u>	<u>\$ 919,310</u>	<u>\$ 1,152,070</u>
CASH BASIS FUND BALANCES			
Unrestricted	<u>\$ 232,760</u>	<u>\$ 919,310</u>	<u>\$ 1,152,070</u>

See accompanying independent auditor's report.

City of Indianola, Iowa
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
Internal Service Funds
As of and for the year ended June 30, 2025

	Internal Service				Total
	Health Insurance Reserve	Property Insurance Council	Health Pool	Vehicle Replacement	
OPERATING RECEIPTS					
Charges for service	\$ -	\$ 9,160	\$ 1,304,066	\$ -	\$ 1,313,226
Miscellaneous	2,343	-	-	-	2,343
Total operating receipts	<u>2,343</u>	<u>9,160</u>	<u>1,304,066</u>	<u>-</u>	<u>1,315,569</u>
OPERATING DISBURSEMENTS					
Governmental activities					
Public safety	500	-	628,924	189,098	818,522
Public works	129	-	109,970	497,632	607,731
Culture and recreation	185	-	174,521	-	174,706
General government	133	9,160	119,626	54,852	183,771
Business type activities	107	-	142,120	518,530	660,757
Component unit					
Municipal Utility	356	-	523,129	-	523,485
Total operating disbursements	<u>1,410</u>	<u>9,160</u>	<u>1,698,290</u>	<u>1,260,112</u>	<u>2,968,972</u>
Excess (deficiency) of operating receipts (under) operating disbursements	<u>933</u>	<u>-</u>	<u>(394,224)</u>	<u>(1,260,112)</u>	<u>(1,653,403)</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)					
Sale of assets	-	-	-	23,877	23,877
Interest on investments	-	-	60,474	-	60,474
Net nonoperating receipts (disbursements)	<u>-</u>	<u>-</u>	<u>60,474</u>	<u>23,877</u>	<u>84,351</u>
Excess (deficiency) of receipts over (under) disbursements	933	-	(333,750)	(1,236,235)	(1,569,052)
TRANSFERS IN	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,015,422</u>	<u>1,015,422</u>
Net change in cash balances	933	-	(333,750)	(220,813)	(553,630)
CASH BALANCES , beginning of year	<u>36,944</u>	<u>1,304</u>	<u>2,899,282</u>	<u>1,168,215</u>	<u>4,105,745</u>
CASH BALANCES , end of year	<u>\$ 37,877</u>	<u>\$ 1,304</u>	<u>\$ 2,565,532</u>	<u>\$ 947,402</u>	<u>\$ 3,552,115</u>
CASH BASIS FUND BALANCES					
Unrestricted	<u>\$ 37,877</u>	<u>\$ 1,304</u>	<u>\$ 2,565,532</u>	<u>\$ 947,402</u>	<u>\$ 3,552,115</u>

See accompanying independent auditor's report.

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

	Year ended June 30				
	2025	2024	2023	2022	2021
RECEIPTS					
Property tax	\$ 9,246,172	\$ 8,615,080	\$ 8,761,366	\$ 8,478,743	\$ 7,793,010
Tax increment financing	1,565,750	1,606,940	1,471,276	1,468,168	2,429,735
Other City tax	2,853,339	2,707,793	2,675,846	2,880,174	2,489,364
Licenses and permits	435,764	587,400	323,574	333,068	247,309
Use of money and property	821,743	1,294,595	854,675	409,515	535,808
Intergovernmental	4,797,738	6,308,988	6,590,072	6,397,038	4,512,624
Charges for service	1,244,243	1,094,040	1,044,906	1,109,741	889,689
Special assessments	96,460	12,287	106,443	31,764	22,177
Miscellaneous	714,307	377,489	559,654	410,526	451,945
Total receipts	<u>\$ 21,775,516</u>	<u>\$ 22,604,612</u>	<u>\$ 22,387,812</u>	<u>\$ 21,518,737</u>	<u>\$ 19,371,661</u>
DISBURSEMENTS					
Operating					
Public safety	\$ 8,581,932	\$ 8,035,146	\$ 7,044,930	\$ 6,693,985	\$ 5,909,055
Public works	2,034,879	2,015,823	1,867,792	1,705,574	1,668,460
Culture and recreation	2,861,591	2,814,617	2,749,713	2,512,202	2,218,493
Community and economic development	616,996	421,231	344,525	232,083	229,222
General government	1,810,272	1,656,674	1,416,618	949,454	896,558
Debt service	3,826,560	3,646,636	3,678,972	3,423,404	6,677,880
Capital projects	5,903,912	5,513,263	9,617,972	7,761,642	2,385,440
Total disbursements	<u>\$ 25,636,142</u>	<u>\$ 24,103,390</u>	<u>\$ 26,720,522</u>	<u>\$ 23,278,344</u>	<u>\$ 19,985,108</u>

See accompanying independent auditor's report.

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

	Year ended June 30				
	2020	2019	2018	2017	2016
RECEIPTS					
Property tax	\$ 7,160,833	\$ 6,731,187	\$ 6,365,347	\$ 6,392,934	\$ 6,122,001
Tax increment financing	2,505,996	2,302,131	2,112,030	1,955,534	1,542,524
Other City tax	1,859,878	2,061,799	2,068,943	1,965,822	265,487
Licenses and permits	258,982	217,685	232,440	154,991	192,408
Use of money and property	689,356	685,219	576,571	504,619	469,188
Intergovernmental	4,073,043	3,758,442	2,533,521	2,109,788	2,384,472
Charges for service	945,567	959,881	537,629	1,066,626	949,420
Special assessments	18,166	23,263	26,708	163,044	112,573
Miscellaneous	473,068	528,649	458,805	603,705	541,806
 Total receipts	 <u>\$17,984,889</u>	 <u>\$17,268,256</u>	 <u>\$14,911,994</u>	 <u>\$14,917,063</u>	 <u>\$12,579,879</u>
DISBURSEMENTS					
Operating					
Public safety	\$ 5,473,023	\$ 5,067,392	\$ 5,198,541	\$ 5,014,894	\$ 4,095,846
Public works	1,573,045	1,648,680	1,656,141	1,483,031	1,600,292
Culture and recreation	2,173,363	2,162,189	2,087,835	2,137,909	2,037,571
Community and economic development	272,714	516,009	487,893	935,587	165,075
General government	986,959	828,581	1,087,246	1,461,226	1,401,940
Debt service	6,836,867	2,091,736	2,419,852	2,655,684	2,838,250
Capital projects	1,834,553	1,699,177	1,030,964	400,336	249,880
 Total disbursements	 <u>\$19,150,524</u>	 <u>\$14,013,764</u>	 <u>\$13,968,472</u>	 <u>\$14,088,667</u>	 <u>\$12,388,854</u>

See accompanying independent auditor's report.

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

Honorable Mayor and
Members of the City Council
City of Indianola, Iowa
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, 2025, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2025. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2025 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Response to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 CPA LLP

West Des Moines, Iowa
September 29, 2025

**City of Indianola, Iowa
SCHEDULE OF FINDINGS
Year ended June 30, 2025**

SECTION I – FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL DEFICIENCIES

No matters were reported.

INSTANCES OF NONCOMPLIANCE

No matters were reported.

City of Indianola, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2025

SECTION II – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

II-A-25 CERTIFIED BUDGET

Disbursements during the year ended June 30, 2025 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation

The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response

Staff will amend the budget prior to expenditures exceeding budgeted amounts, if needed.

Conclusion

Response accepted.

II-B-25 QUESTIONABLE EXPENDITURES

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

II-C-25 TRAVEL EXPENSE

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

II-D-25 BUSINESS TRANSACTIONS

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

II-E-25 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.

II-F-25 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.

II-G-25 COUNCIL MINUTES

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

City of Indianola, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2025

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

II-H-25 DEPOSITS AND INVESTMENTS

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

II-I-25 REVENUE BONDS AND NOTES

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

II-J-25 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.

II-K-25 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.

II-L-25 DEFICIT FUND BALANCE

The Indianola Wellness Campus Fund had a deficit fund balance of \$184,163 at June 30, 2025.

Recommendation

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

Response

The City will transfer funds from the General Fund to the Indianola Wellness Campus fund to eliminate the deficit.

Conclusion

Response accepted.