

**City of Indianola**

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

**June 30, 2021**

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**City of Indianola  
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Kelly Shaw Pam Pepper	Mayor	Resigned September 2020 December 2021
John Parker Jr.	Council Member	December 2023
Gwen Schroder	Council Member	December 2023
Heather Hulen	Council Member	December 2023
Greg Marchant	Council Member	December 2021
Greta Southall	Council Member	December 2021
Bob Kling	Council Member	December 2021
Ryan Waller	City Manager	Indefinite
Andy Lent	City Clerk/CFO	Indefinite
Amy Beattie	Attorney	Indefinite



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying 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, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Indianola, Iowa as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

### **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements referred to above do not include the financial data of Indianola Municipal Utilities, a component unit of the City, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the results of the cash transactions of the funds of the City of Indianola as of and for the year ended June 30, 2021 on the basis of accounting described in Note 1.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Indianola's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the six 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 basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, the budgetary comparison information, the schedule of the City's proportionate share of the net pension liability, the schedule of City contributions on pages 32 through 39 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
October 20, 2021

## **BASIC FINANCIAL STATEMENTS**

**City of Indianola**  
**STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS**  
**As of and for the year ended June 30, 2021**

	<b>Program revenues</b>			
<b>Disbursements</b>	<b>Charges for service</b>	<b>Operating grants, contributions, and restricted interest</b>	<b>Capital grants, contributions, and restricted interest</b>	
<b>FUNCTIONS/PROGRAMS</b>				
Governmental activities				
Public safety	\$ 5,695,288	\$ 892,306	\$ 733,466	\$ -
Public works	1,617,521	47,579	2,212,307	-
Culture and recreation	2,134,829	302,600	147,009	-
Community and economic development	229,222	36,217	72,258	-
General government	892,272	638,288	-	-
Debt service	6,623,880	-	-	-
Capital projects	<u>2,385,440</u>	<u>-</u>	<u>-</u>	<u>51,495</u>
Total governmental activities	<u>19,578,452</u>	<u>1,915,990</u>	<u>3,165,040</u>	<u>51,495</u>
Business type activities				
Sewer	26,329,472	4,262,889	-	5,598
Other	<u>467,179</u>	<u>591,708</u>	<u>-</u>	<u>73,683</u>
Total business type activities	<u>26,796,651</u>	<u>4,854,597</u>	<u>-</u>	<u>79,281</u>
Total	<u>\$46,375,103</u>	<u>\$6,770,587</u>	<u>\$3,165,040</u>	<u>\$ 130,776</u>
Component unit				
Indianola Community Parks Foundation	<u>\$ 6,079</u>	<u>\$ -</u>	<u>\$ 35,432</u>	<u>\$ -</u>
<b>GENERAL RECEIPTS AND TRANSFERS</b>				
Property and other city tax levied for				
General purposes				
Debt service				
Tax increment financing				
Hotel motel tax				
Other tax				
Payments in lieu of taxes				
Commercial/industrial tax replacement				
Unrestricted investment earnings				
Bond proceeds				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
<b>CASH BASIS NET POSITION, beginning of year</b>				
<b>CASH BASIS NET POSITION, end of year</b>				
<b>CASH BASIS NET POSITION</b>				
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**

<b>Primary government</b>			<b>Component unit</b>
<b>Governmental activities</b>	<b>Business type activities</b>	<b>Total</b>	<b>Indianola Community Parks Foundation</b>
\$ (4,069,516)	\$ —	\$ (4,069,516)	
642,365	—	642,365	
(1,685,220)	—	(1,685,220)	
(121,747)	—	(121,747)	
(253,984)	—	(253,984)	
(6,623,880)	—	(6,623,880)	
<u>(2,333,945)</u>	<u>—</u>	<u>(2,333,945)</u>	
<u>(14,445,927)</u>	<u>—</u>	<u>(14,445,927)</u>	
—	(22,060,985)	(22,060,985)	
—	198,212	198,212	
<u>—</u>	<u>(21,862,773)</u>	<u>(21,862,773)</u>	
<u>(14,445,927)</u>	<u>(21,862,773)</u>	<u>(36,308,700)</u>	
			\$ <u>30,353</u>
7,231,949	—	7,231,949	—
561,061	—	561,061	—
2,429,735	—	2,429,735	—
136,970	—	136,970	—
2,374,571	—	2,374,571	—
882,759	—	882,759	—
207,803	—	207,803	—
360,288	60,543	420,831	—
9,965,605	22,462,911	32,428,516	—
4,921	2,066	6,987	—
<u>(1,190,850)</u>	<u>1,190,850</u>	<u>—</u>	<u>—</u>
<u>22,964,812</u>	<u>23,716,370</u>	<u>46,681,182</u>	<u>—</u>
8,518,885	1,853,597	10,372,482	30,353
<u>23,404,548</u>	<u>1,721,003</u>	<u>25,125,551</u>	<u>202,725</u>
<u>\$31,923,433</u>	<u>\$ 3,574,600</u>	<u>\$35,498,033</u>	<u>\$ 233,078</u>
\$ 43,910	\$ —	\$ 43,910	\$ —
5,346,361	—	5,346,361	—
5,682,138	—	5,682,138	—
712,031	284,118	996,149	—
8,604,633	—	8,604,633	233,078
<u>11,534,360</u>	<u>3,290,482</u>	<u>14,824,842</u>	<u>—</u>
<u>\$31,923,433</u>	<u>\$ 3,574,600</u>	<u>\$35,498,033</u>	<u>\$ 233,078</u>



**City of Indianola**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN CASH BALANCES**  
**GOVERNMENTAL FUNDS**  
**As of and for the year ended June 30, 2021**

	<u>General</u>	<u>Special revenue</u>		
		<u>Local Option Sales Tax</u>	<u>Employee Benefit Tax Levy</u>	<u>Urban Renewal Tax Increment</u>
<b>RECEIPTS</b>				
Property tax	\$ 4,706,705	\$ —	\$2,525,244	\$ —
Tax increment financing	—	—	—	2,429,735
Other city tax	301,450	2,187,914	—	—
Licenses and permits	244,559	—	—	—
Use of money and property	382,906	—	—	152,354
Intergovernmental	2,121,854	—	48,575	57,755
Charges for service	889,689	—	—	—
Special assessments	—	—	—	—
Miscellaneous	395,731	—	—	—
Total receipts	<u>9,042,894</u>	<u>2,187,914</u>	<u>2,573,819</u>	<u>2,639,844</u>
<b>DISBURSEMENTS</b>				
Operating				
Public safety	5,909,055	—	—	—
Public works	278,952	—	—	—
Culture and recreation	2,218,493	—	—	—
Community and economic development	229,222	—	—	—
General government	896,558	—	—	—
Debt service	28,718	—	—	—
Capital projects	986,422	—	—	—
Total disbursements	<u>10,547,420</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,504,526)</u>	<u>2,187,914</u>	<u>2,573,819</u>	<u>2,639,844</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	400,000	—	—	—
Sale of assets	4,921	—	—	—
Operating transfers in	3,258,823	—	—	—
Operating transfers out	(654,239)	(1,500,000)	(2,573,819)	(1,677,627)
Total other financing sources (uses)	<u>3,009,505</u>	<u>(1,500,000)</u>	<u>(2,573,819)</u>	<u>(1,677,627)</u>
Net change in cash balances	1,504,979	687,914	—	962,217
<b>CASH BALANCES, beginning of year</b>	<u>8,654,012</u>	<u>5,735,585</u>	<u>36,668</u>	<u>4,384,144</u>
<b>CASH BALANCES, end of year</b>	<u>\$10,158,991</u>	<u>\$6,423,499</u>	<u>\$ 36,668</u>	<u>\$5,346,361</u>
<b>CASH BASIS FUND BALANCES</b>				
Nonspendable	\$ —	\$ —	\$ —	\$ —
Restricted for				
Urban renewal purposes	—	—	—	5,346,361
Capital projects	—	—	—	—
Debt service	—	—	—	—
Other purpose	63,319	6,423,499	36,668	—
Unassigned	<u>10,095,672</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total cash basis fund balances	<u>\$10,158,991</u>	<u>\$6,423,499</u>	<u>\$ 36,668</u>	<u>\$5,346,361</u>

See Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 561,061	\$ —	\$ —	\$ 7,793,010
—	—	—	2,429,735
—	—	—	2,489,364
—	2,750	—	247,309
—	—	548	535,808
65,060	7,073	2,212,307	4,512,624
—	—	—	889,689
18,321	3,856	—	22,177
<u>—</u>	<u>44,422</u>	<u>11,792</u>	<u>451,945</u>
<u>644,442</u>	<u>58,101</u>	<u>2,224,647</u>	<u>19,371,661</u>
—	—	—	5,909,055
—	—	1,389,508	1,668,460
—	—	—	2,218,493
—	—	—	229,222
—	—	—	896,558
6,649,162	—	—	6,677,880
<u>—</u>	<u>1,399,018</u>	<u>—</u>	<u>2,385,440</u>
<u>6,649,162</u>	<u>1,399,018</u>	<u>1,389,508</u>	<u>19,985,108</u>
(6,004,720)	(1,340,917)	835,139	(613,447)
4,865,605	4,700,000	—	9,965,605
—	—	—	4,921
1,170,727	1,469,000	35,239	5,933,789
<u>—</u>	<u>—</u>	<u>(718,954)</u>	<u>(7,124,639)</u>
<u>6,036,332</u>	<u>6,169,000</u>	<u>(683,715)</u>	<u>8,779,676</u>
31,612	4,828,083	151,424	8,166,229
<u>680,419</u>	<u>854,055</u>	<u>1,973,633</u>	<u>22,318,516</u>
<u>\$ 712,031</u>	<u>\$5,682,138</u>	<u>\$2,125,057</u>	<u>\$30,484,745</u>
\$ —	\$ —	\$ 43,910	\$ 43,910
—	—	—	5,346,361
—	5,682,138	—	5,682,138
712,031	—	—	712,031
—	—	2,081,147	8,604,633
<u>—</u>	<u>—</u>	<u>—</u>	<u>10,095,672</u>
<u>\$ 712,031</u>	<u>\$5,682,138</u>	<u>\$2,125,057</u>	<u>\$30,484,745</u>

See Notes to Financial Statements.

City of Indianola  
**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN CASH BALANCES  
 TO THE STATEMENT OF ACTIVITIES AND NET POSITION – CASH BASIS  
 GOVERNMENTAL FUNDS  
 As of and for the year ended June 30, 2021**

<b>Total governmental funds cash balances (pages 9-10)</b>	<b>\$30,484,745</b>
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Position - Cash Basis are different because:</i>	
The Internal Service Funds are used by management to charge the costs of various internal activities to individual funds. A portion of the cash basis balance of the Internal Service Funds is included in governmental activities in the Statement of Activities and Net Position - Cash Basis.	<u>1,438,688</u>
<b>Cash basis net position of governmental activities (pages 7-8)</b>	<b><u>\$31,923,433</u></b>
 <b>Net change in cash balances (pages 9-10)</b>	 <b>\$8,166,229</b>
 <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>352,656</u>
<b>Change in cash basis net position of governmental activities (pages 7-8)</b>	<b><u>\$8,518,885</u></b>

**City of Indianola**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN CASH BALANCES**  
**PROPRIETARY FUNDS**  
**As of and for the year ended June 30, 2021**

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Sewer</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	
<b>OPERATING RECEIPTS</b>				
Charges for service	\$ 4,147,607	\$ 591,708	\$ 4,739,315	\$1,706,684
Miscellaneous	90,715	-	90,715	14,258
Total operating receipts	<u>4,238,322</u>	<u>591,708</u>	<u>4,830,030</u>	<u>1,720,942</u>
<b>OPERATING DISBURSEMENTS</b>				
Governmental Activities				
Public safety	-	-	-	351,991
Public works	-	-	-	82,963
Culture and recreation	-	-	-	140,325
General government	-	-	-	136,848
Business type activities	1,652,834	449,734	2,102,568	66,888
Component unit				
Municipal Utility	-	-	-	371,568
Total operating disbursements	<u>1,652,834</u>	<u>449,734</u>	<u>2,102,568</u>	<u>1,150,583</u>
Excess of operating receipts over operating disbursements	<u>2,585,488</u>	<u>141,974</u>	<u>2,727,462</u>	<u>570,359</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b>				
Bond proceeds	22,462,911	-	22,462,911	-
Sale of assets	2,066	-	2,066	-
Intergovernmental	5,598	73,683	79,281	-
Interest on investments	60,543	-	60,543	49,817
Rental income	16,964	-	16,964	-
Special assessments	7,603	-	7,603	-
Debt service	(1,145,163)	-	(1,145,163)	-
Capital projects	(23,571,611)	(17,445)	(23,589,056)	-
Net nonoperating receipts (disbursements)	<u>(2,161,089)</u>	<u>56,238</u>	<u>(2,104,851)</u>	<u>49,817</u>
Excess of receipts over disbursements	424,399	198,212	622,611	620,176
<b>TRANSFERS IN</b>	1,500,000	-	1,500,000	-
<b>TRANSFERS OUT</b>	<u>(245,250)</u>	<u>(63,900)</u>	<u>(309,150)</u>	<u>-</u>
Net change in cash balances	1,679,149	134,312	1,813,461	620,176
<b>CASH BALANCES, beginning of year</b>	<u>1,159,464</u>	<u>430,156</u>	<u>1,589,620</u>	<u>1,714,615</u>
<b>CASH BALANCES, end of year</b>	<u>\$ 2,838,613</u>	<u>\$ 564,468</u>	<u>\$ 3,403,081</u>	<u>\$2,334,791</u>
<b>CASH BASIS FUND BALANCES</b>				
Restricted for debt service	\$ 284,118	\$ -	\$ 284,118	\$ -
Unrestricted	<u>2,554,495</u>	<u>564,468</u>	<u>3,118,963</u>	<u>2,334,791</u>
Total cash basis fund balances	<u>\$ 2,838,613</u>	<u>\$ 564,468</u>	<u>\$ 3,403,081</u>	<u>\$2,334,791</u>

See Notes to Financial Statements.

City of Indianola  
**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN CASH BALANCES  
 TO THE STATEMENT OF ACTIVITIES AND NET POSITION – CASH BASIS  
 PROPRIETARY FUNDS  
 As of and for the year ended June 30, 2021**

**Total enterprise funds cash balances (page 12)** \$3,403,081

***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	896,103	
Less cash balances held for Indianola Municipal Utilities	<u>(724,584)</u>	<u>171,519</u>

**Cash basis net position of governmental activities (pages 7-8)** \$3,574,600

**Net change in cash balances (page 12)** \$1,813,461

***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	267,520	
Less change in cash balances from Indianola Municipal Utilities	<u>(227,384)</u>	<u>40,136</u>

**Change in cash basis net position of governmental activities (pages 7-8)** \$1,853,597

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

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

These financial statements present the City of Indianola (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

**Component Unit**

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

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: South Central Iowa Landfill Agency Board, Central Iowa Regional Transportation Planning Alliance Board, Metropolitan Planning Organization Committee, Warren County Economic Development Corporation, Greater Des Moines Convention and Visitor's Bureau, and BRAVO Greater Des Moines.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation**

**Government-wide Financial Statement**

The Statement of Activities and Net Position—Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

*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 category. 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 and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

**Special Revenue**

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

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation (continued)**

**Fund Financial Statements (continued)**

**Special Revenue (continued)**

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

**Debt Service Fund**

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

**Capital Projects Fund**

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

The City reports the following major proprietary fund:

**Sewer Fund**

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

The City also reports the following additional proprietary funds:

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

**Measurement Focus and Basis of Accounting**

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.



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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property Taxes**

Property tax receipts recognized in these financial statements become due and collectible in September and March of the current fiscal year with a 1.5 percent per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

**Governmental Cash Basis Fund Balances**

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

**Nonspendable**

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

**Restricted**

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

**Unassigned**

All amounts not included in the preceding classifications.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the public works function.

**NOTE 2 CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

**NOTE 2 CASH AND POOLED INVESTMENTS (continued)**

At June 30, 2021, the City had the following investments:

<u>Security Description</u>	<u>Fair Value</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	\$ 2,070,468	\$ 2,070,468	\$2,070,468	\$ –	\$ –	\$ –
Federal Farm Credit	510,973	523,190	523,190	–	–	–
FHLMC	81,639	80,054	42	73,664	–	6,348
FHLB	2,200,240	2,173,988	482,748	1,691,240	–	–
FNMA	2,008,285	1,943,366	95,063	1,162,730	58,679	626,894
GNMA	76,505	72,523	–	72,523	–	–
SBA asset backed securities	164,381	153,871	–	26,781	127,090	–
U.S. Treasury bills	<u>14,065,753</u>	<u>13,801,885</u>	<u>498,770</u>	<u>9,856,821</u>	<u>3,446,294</u>	<u>–</u>
	<u>\$21,178,244</u>	<u>\$20,819,345</u>	<u>\$3,670,281</u>	<u>\$12,883,759</u>	<u>\$3,632,063</u>	<u>\$ 633,242</u>

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

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

In addition, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$116,208. 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, 2021, all of the City's investments rated by Moody's Investment Services carried an Aaa rating.

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

**NOTE 3 BONDS AND NOTES PAYABLE**

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Range of</u> <u>interest rates</u>
Governmental activities					
General obligation bonds	\$ 9,560,000	\$ 9,355,000	\$6,210,000	\$12,705,000	1.00 to 4.00%
Iowa Economic Development Authority Loan	75,748	-	24,935	50,813	1.00%
Business type activities					
Revenue bonds	<u>12,222,163</u>	<u>22,552,911</u>	<u>504,702</u>	<u>34,270,372</u>	1.32 to 2.75%
	<u>\$21,857,911</u>	<u>\$31,907,911</u>	<u>\$6,739,637</u>	<u>\$47,026,185</u>	

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

<u>Year ending</u> <u>June 30</u>	<u>General Obligation</u>			<u>Iowa Economic Development</u> <u>Authority Loan</u>			<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,875,000	\$ 332,417	\$ 2,207,417	\$ 25,249	\$ 445	\$ 25,694	\$ 524,000	\$ 821,719	\$ 1,345,719
2023	1,895,000	280,488	2,175,488	25,564	191	25,755	1,287,000	813,150	2,100,150
2024	1,635,000	227,625	1,862,625	-	-	-	1,323,000	783,719	2,106,719
2025	1,385,000	178,575	1,563,575	-	-	-	1,360,000	753,462	2,113,462
2026	1,195,000	133,675	1,328,675	-	-	-	1,398,000	722,322	2,120,322
2027-2031	4,720,000	209,710	4,929,710	-	-	-	7,592,000	3,112,472	10,704,472
2032-2036	-	-	-	-	-	-	8,151,000	2,198,574	10,349,574
2037-2041	-	-	-	-	-	-	5,556,372	1,356,628	6,913,000
2042-2046	-	-	-	-	-	-	3,699,000	775,881	4,474,881
2047-2050	-	-	-	-	-	-	3,380,000	235,813	3,615,813
Totals	<u>\$12,705,000</u>	<u>\$1,362,490</u>	<u>\$14,067,490</u>	<u>\$ 50,813</u>	<u>\$ 636</u>	<u>\$ 51,449</u>	<u>\$34,270,372</u>	<u>\$11,573,740</u>	<u>\$45,844,112</u>

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

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

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$48,600,702 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 \$45,844,112. For the current year, principal and interest paid and total customer net revenues were \$945,696 and \$2,670,598, respectively.

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

**City of Indianola  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 PENSION PLANS**

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

**Plan Description**

IPERS is a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System. Membership is mandatory for employees of the City, except for those covered by another retirement system. IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Pension Benefits**

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

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

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

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

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

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

**Disability and Death Benefits**

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

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

**NOTE 4 PENSION PLANS (continued)**

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

**Contributions**

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

In fiscal year 2021, 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 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's total contributions to IPERS for the year ended June 30, 2021 were \$396,837.

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

At June 30, 2021, the City reported a liability of \$2,536,043 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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:

	<b>June 30</b>		<b>Change</b>
	<b>2020</b>	<b>2019</b>	
City's proportionate share	0.036102%	0.031658%	0.004444%

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$569,596, \$982,822 and \$77,363, respectively.

There were no nonemployer contributing entities to IPERS.

**Actuarial Assumptions**

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

**City of Indianola  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 PENSION PLANS (continued)**

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

**Actuarial Assumptions (continued)**

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28.0%	(0.29)%
Domestic Equity	22.0	4.43
International Equity	17.5	5.15
Private Equity	11.0	6.54
Private Real Assets	7.5	4.48
Public Credit	4.0	2.29
Private Credit	3.0	3.11
Global Smart Beta Equity	6.0	4.87
Cash	<u>1.0</u>	(0.78)
Total	<u>100.0%</u>	

**Discount Rate**

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

**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 7.0%, 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 (6.0%) or 1% higher (8.0%) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
City's proportionate share of the net pension liability	\$4,903,054	\$2,536,043	\$ 552,216

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

**NOTE 4 PENSION PLANS (continued)**

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

**IPERS' Fiduciary Net Position**

Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://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](http://www.mfprsi.org).

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

**Pension Benefits**

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

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

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

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

**NOTE 4 PENSION PLANS (continued)**

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

**Disability and Death Benefits**

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

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

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

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

**Contributions**

Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2021.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 25.31% for the year ended June 30, 2021.

The City's contributions to MFPRSI for the year ended June 30, 2021 was \$407,947.

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, 2021.

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

At June 30, 2021, the City reported a liability of \$3,833,211 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to MFPRSI relative to the contributions of all MFPRSI participating employers.



**City of Indianola  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 PENSION PLANS (continued)**

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

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

	<b>June 30</b>		<b>Change</b>
	<b>2020</b>	<b>2019</b>	
City's proportionate share	0.480593%	0.462722%	0.017871%

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$712,007, \$860,423, and \$121,562, respectively.

**Actuarial Assumptions**

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2007 to June 30, 2017.

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

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

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap	7.49%
Small Cap	8.1
International Large Cap	7.2
Emerging Markets	7.9
Global Infrastructure	7.5
Private Non-Core Real Estate	11.5
Private Credit	6.4
Private Equity	10.8
Core Plus Fixed Income	4.0
Private Core Real Estate	7.2

**City of Indianola  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 PENSION PLANS (continued)**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed contributions will be made at 9.4% of covered payroll and the City's contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MFPRSI's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
City's proportionate share of the net pension liability	\$5,879,400	\$3,833,211	\$2,138,317

**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](http://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, 2021, primarily relating to the General Fund, was as follows:

<b>Type of benefit</b>	<b>Amount</b>
Vacation	\$ 380,464
Compensatory time	58,952
Sick leave	923,044
Total	\$1,362,460

This liability has been computed based on rates of pay in effect at June 30, 2021.

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

**NOTE 6 HEALTH INSURANCE AND HEALTH REIMBURSEMENT ARRANGEMENT**

The City self-funds its health insurance plan as permitted by Iowa Code Section 509A using an internal service fund. Transfers to the fund are made at pre-established rates for single or family coverage by each city department on a monthly basis. Disbursements from the fund are made to pay administrative fees, stop loss insurance premiums and payment of claims. As of June 30, 2021, the actuarially determined reserve necessary for claims incurred but not yet paid was \$120,002 and the internal service fund balance was \$2,177,997.

**NOTE 7 OTHER POST-EMPLOYMENT BENEFITS**

**Plan Description**

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

**OPEB Benefits**

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Active employees	<u>69</u>
Total	<u>73</u>

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

**NOTE 8 INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General fund	Special revenue	
	Employee benefits fund	\$2,573,819
	Nonmajor special revenue	468,954
	Enterprise	
	Sewer fund	<u>216,050</u>
		<u>3,258,823</u>
Capital projects fund	General fund	619,000
	Urban renewal tax increment fund	600,000
	Nonmajor special revenue	<u>250,000</u>
		<u>1,469,000</u>
Debt service	Urban renewal tax increment fund	1,077,627
	Enterprise	
	Sewer fund	29,200
	Nonmajor enterprise	
	Stormwater fund	<u>63,900</u>
		<u>1,170,727</u>
Nonmajor Special Revenue	General fund	<u>35,239</u>
Sewer	Local option sales tax	<u>1,500,000</u>
Total		<u>\$7,433,789</u>

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

**NOTE 9 DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Urban Renewal Tax Increment	Capital Projects	\$ 600,000

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

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

**NOTE 10 RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2021 were \$180,355.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, 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, 2021 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2021, the City paid workers' compensation insurance premiums of \$142,816 to the Association.

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

**NOTE 11 DOWNTOWN BUSINESS INCENTIVE PROGRAM**

The City offers an incentive program for renovation and repair of existing commercial building structures and facades in certain blocks of the Original Town Plat. Property owners in the program are eligible for grants for a portion of the costs incurred and obtain a loan from a local lender for the balance of the costs. In order to provide the loans to property owners at 3% interest, the City places a noninterest bearing deposit with the lender. As property owners pay down the loans, the noninterest bearing funds are released. As of June 30, 2021 the outstanding balance of the loans and noninterest bearing deposit accounts was \$56,807 and \$63,319, respectively.

**NOTE 12 COMMITMENTS**

The City has entered into contracts for street and highway improvements, trail improvements, sanitary sewer infrastructure improvements, and other projects totaling approximately \$69,100,000. The remaining commitment on these contracts at June 30, 2021 is approximately \$43,900,000, a majority of which pertains to the City's Water Resource Recovery Facility project. These contractual commitments will be funded through the City's local option sales tax and debt proceeds.

**NOTE 13 LEASING ACTIVITIES**

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

The total minimum future lease payments under the lease at June 30, 2021, as amended, are as follows:

**Year ending June 30**

2022	\$ 70,000
2023	70,000
2024	70,000
2025	70,000
2026	70,000
Thereafter	<u>770,000</u>
Total	<u>\$1,120,000</u>

Receipts on the lease totaled \$119,733 during the year ended June 30, 2021.

**NOTE 14 SUBSEQUENT EVENTS**

In September 2021, City Council approved the issuance of General Obligation Capital Loan Notes Series 2021 in the amount of \$16,345,000.

**OTHER INFORMATION**

**City of Indianola**  
**BUDGETARY COMPARISON SCHEDULE**  
**OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -**  
**BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS**  
**AND PROPRIETARY FUNDS**  
**Other Information**  
**Year ended June 30, 2021**

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Adjustments to budget basis</u>	<u>Total</u>
<b>RECEIPTS</b>				
Property tax	\$ 7,793,010	\$ -	\$ -	\$ 7,793,010
Tax increment financing	2,429,735	-	-	2,429,735
Other city tax	2,489,364	-	-	2,489,364
Licenses and permits	247,309	-	-	247,309
Use of money and property	535,808	77,507	-	613,315
Intergovernmental	4,512,624	79,281	-	4,591,905
Charges for service	889,689	4,739,315	-	5,629,004
Special assessments	22,177	7,603	-	29,780
Miscellaneous	451,945	90,715	-	542,660
Total receipts	<u>19,371,661</u>	<u>4,994,421</u>	<u>-</u>	<u>24,366,082</u>
<b>DISBURSEMENTS</b>				
Public safety	5,909,055	-	-	5,909,055
Public works	1,668,460	-	-	1,668,460
Culture and recreation	2,218,493	-	-	2,218,493
Community and economic development	229,222	-	28,718	257,940
General government	896,558	-	-	896,558
Debt service	6,677,880	-	(28,718)	6,649,162
Capital projects	2,385,440	-	-	2,385,440
Business type activities	-	26,836,787	-	26,836,787
Total disbursements	<u>19,985,108</u>	<u>26,836,787</u>	<u>-</u>	<u>46,821,895</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(613,447)</u>	<u>(21,842,366)</u>	<u>-</u>	<u>(22,455,813)</u>
<b>OTHER FINANCING SOURCES, net</b>	<u>8,779,676</u>	<u>23,655,827</u>	<u>-</u>	<u>32,435,503</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	8,166,229	1,813,461	-	9,979,690
<b>BALANCES, beginning of year</b>	<u>22,318,516</u>	<u>1,589,620</u>	<u>-</u>	<u>23,908,136</u>
<b>BALANCES, end of year</b>	<u>\$30,484,745</u>	<u>\$ 3,403,081</u>	<u>\$ -</u>	<u>\$33,887,826</u>

See accompanying independent auditor's report.



<b>Budgeted amounts</b>		<b>Final to actual variance- positive (negative)</b>
<b>Original</b>	<b>Final</b>	
\$ 7,775,788	\$ 7,775,788	\$ 17,222
2,500,000	2,500,000	(70,265)
1,509,354	1,509,354	980,010
225,000	225,000	22,309
507,097	507,097	106,218
3,452,938	4,272,566	319,339
5,227,943	5,227,943	401,061
-	19,000	10,780
<u>1,587,254</u>	<u>3,087,254</u>	<u>(2,544,594)</u>
<u>22,785,374</u>	<u>25,124,002</u>	<u>(757,920)</u>
6,646,378	6,646,378	737,323
1,659,318	1,659,318	(9,142)
2,530,729	2,689,263	470,770
211,694	274,394	16,454
1,360,970	1,396,365	499,807
1,738,373	6,675,554	26,392
4,241,546	6,401,349	4,015,909
<u>21,385,541</u>	<u>28,546,806</u>	<u>1,710,019</u>
<u>39,774,549</u>	<u>54,289,427</u>	<u>7,467,532</u>
(16,989,175)	(29,165,425)	6,709,612
<u>3,272,292</u>	<u>3,392,292</u>	<u>29,043,211</u>
(13,716,883)	(25,773,133)	35,752,823
<u>21,430,466</u>	<u>21,430,466</u>	<u>2,477,670</u>
<u>\$ 7,713,583</u>	<u>\$ (4,342,667)</u>	<u>\$38,230,493</u>

**City of Indianola**  
**NOTE TO OTHER INFORMATION - BUDGETARY REPORTING**  
**June 30, 2021**

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, four budget amendments increased budgeted disbursements by \$14,514,878. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the public works function.

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

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

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

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

See accompanying independent auditor's report.

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

<b><u>Iowa Public Employees' Retirement System</u></b>	<b>June 30</b>			
	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Statutorily required contribution	\$ 397	\$ 380	\$ 356	\$ 304
Contributions in relation to the statutorily required contribution	<u>397</u>	<u>380</u>	<u>356</u>	<u>304</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
City's covered payroll	<u>\$ 4,173</u>	<u>\$ 3,961</u>	<u>\$ 3,689</u>	<u>\$ 3,312</u>
Contributions as a percentage of covered payroll	9.51%	9.59%	9.65%	9.18%

<b><u>Municipal Fire and Police Retirement System of Iowa</u></b>	<b>June 30</b>			
	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Statutorily required contribution	\$ 408	\$ 372	\$ 364	\$ 314
Contributions in relation to the statutorily required contribution	<u>408</u>	<u>372</u>	<u>364</u>	<u>314</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
City's covered payroll	<u>\$ 1,612</u>	<u>\$ 1,527</u>	<u>\$ 1,399</u>	<u>\$ 1,223</u>
Contributions as a percentage of covered payroll	25.31%	24.36%	26.02%	25.67%

See accompanying independent auditor's report.

<b>Year ended June 30</b>					
<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
\$ 306	\$ 288	\$ 295	\$ 306	\$ 288	\$ 254
<u>306</u>	<u>288</u>	<u>295</u>	<u>306</u>	<u>288</u>	<u>254</u>
\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
<u>\$ 3,357</u>	<u>\$ 3,142</u>	<u>\$ 3,211</u>	<u>\$ 3,324</u>	<u>\$ 3,185</u>	<u>\$ 2,987</u>
9.12%	9.17%	9.19%	9.21%	9.04%	8.50%

<b>Year ended June 30</b>					
<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
\$ 334	\$ 336	\$ 359	\$ 359	\$ 292	\$ 275
<u>334</u>	<u>336</u>	<u>359</u>	<u>359</u>	<u>292</u>	<u>275</u>
\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
<u>\$ 1,291</u>	<u>\$ 1,210</u>	<u>\$ 1,181</u>	<u>\$ 1,194</u>	<u>\$ 1,119</u>	<u>\$ 1,111</u>
25.92%	27.77%	30.41%	30.12%	26.11%	24.76%

See accompanying independent auditor's report.

**City of Indianola, Iowa**  
**NOTES TO OTHER INFORMATION – PENSION LIABILITY**  
**Year ended June 30, 2021**

**Iowa Public Employees' Retirement System**

**Changes of benefit terms**

There are no significant changes in benefit terms.

**Changes of assumptions**

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

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

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

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

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

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

**City of Indianola, Iowa**  
**NOTES TO OTHER INFORMATION – PENSION LIABILITY (continued)**  
**Year ended June 30, 2021**

**Municipal Fire and Police Retirement System of Iowa**

**Changes of benefit terms**

There are 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 +971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

**SUPPLEMENTARY INFORMATION**



**City of Indianola**  
**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2021**

	<u>Special revenue</u>			<u>Permanent</u>	<u>Total</u>
	<u>Road</u>	<u>Police</u>	<u>Police</u>	<u>Library</u>	
	<u>Use Tax</u>	<u>Retirement</u>	<u>Seizures</u>	<u>Endowment</u>	
<b>RECEIPTS</b>					
Use of money and property	\$ -	\$ -	\$ -	\$ 548	\$ 548
Intergovernmental	2,212,307	-	-	-	2,212,307
Miscellaneous	3,121	-	-	8,671	11,792
Total receipts	<u>2,215,428</u>	<u>-</u>	<u>-</u>	<u>9,219</u>	<u>2,224,647</u>
<b>DISBURSEMENTS</b>					
Public works	1,389,508	-	-	-	1,389,508
Total disbursements	<u>1,389,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,389,508</u>
Excess of receipts over disbursements	<u>825,920</u>	<u>-</u>	<u>-</u>	<u>9,219</u>	<u>835,139</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	-	-	35,239	35,239
Operating transfers out	(699,999)	(18,955)	-	-	(718,954)
Total other financing sources (uses)	<u>(699,999)</u>	<u>(18,955)</u>	<u>-</u>	<u>35,239</u>	<u>(683,715)</u>
Net change in cash balances	125,921	(18,955)	-	44,458	151,424
<b>CASH BALANCES</b> , beginning of year	<u>1,934,808</u>	<u>18,995</u>	<u>19,830</u>	<u>-</u>	<u>1,973,633</u>
<b>CASH BALANCES</b> , end of year	<u>\$2,060,729</u>	<u>\$ 40</u>	<u>\$ 19,830</u>	<u>\$ 44,458</u>	<u>\$2,125,057</u>
<b>CASH BASIS FUND BALANCES</b>					
Nonspendable - Endowment	\$ -	\$ -	\$ -	\$ 43,910	\$ 43,910
Restricted for other purposes	<u>2,060,729</u>	<u>40</u>	<u>19,830</u>	<u>548</u>	<u>2,081,147</u>
	<u>\$2,060,729</u>	<u>\$ 40</u>	<u>\$ 19,830</u>	<u>\$ 44,458</u>	<u>\$2,125,057</u>

**City of Indianola**  
**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN CASH BALANCES**  
**Nonmajor Proprietary Funds**  
**As of and for the year ended June 30, 2021**

	<b>Enterprise</b>		<b>Total</b>
	<b>Recycling</b>	<b>Storm Water</b>	
<b>OPERATING RECEIPTS</b>			
Charges for service	\$ 357,713	\$ 233,995	\$ 591,708
<b>OPERATING DISBURSEMENTS</b>			
Business type activities	312,149	137,585	449,734
Total operating disbursements	<u>312,149</u>	<u>137,585</u>	<u>449,734</u>
Excess of operating receipts over operating disbursements	<u>45,564</u>	<u>96,410</u>	<u>141,974</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b>			
Capital projects	-	(17,445)	(17,445)
Intergovernmental	-	73,683	73,683
Net nonoperating receipts (disbursements)	<u>-</u>	<u>56,238</u>	<u>56,238</u>
Excess of receipts over disbursements	45,564	152,648	198,212
<b>TRANSFERS (OUT)</b>	<u>-</u>	<u>(63,900)</u>	<u>(63,900)</u>
Net change in cash balances	45,564	88,748	134,312
<b>CASH BALANCES</b> , beginning of year	<u>97,001</u>	<u>333,155</u>	<u>430,156</u>
<b>CASH BALANCES</b> , end of year	\$ <u>142,565</u>	\$ <u>421,903</u>	\$ <u>564,468</u>
<b>CASH BASIS FUND BALANCES</b>			
Unrestricted	\$ <u>142,565</u>	\$ <u>421,903</u>	\$ <u>564,468</u>

**City of Indianola**  
**SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN CASH BALANCES**  
**Internal Service Funds**  
**As of and for the year ended June 30, 2021**

	<b>Internal Service</b>				<b>Total</b>
	<b>Health Insurance Reserve</b>	<b>Property Insurance Council</b>	<b>Health Pool</b>	<b>Health Reimbursement Arrangement</b>	
<b>OPERATING RECEIPTS</b>					
Charges for service	\$ —	\$ —	\$1,706,684	\$ —	\$1,706,684
Miscellaneous	1,801	12,274	183	—	14,258
Total operating receipts	<u>1,801</u>	<u>12,274</u>	<u>1,706,867</u>	<u>—</u>	<u>1,720,942</u>
<b>OPERATING DISBURSEMENTS</b>					
Governmental activities					
Public safety	822	—	347,159	4,010	351,991
Public works	213	—	82,156	594	82,963
Culture and recreation	304	—	137,454	2,567	140,325
General government	219	55,952	79,056	1,621	136,848
Business type activities	177	—	65,662	1,049	66,888
Component unit					
Municipal Utility	<u>587</u>	<u>—</u>	<u>367,664</u>	<u>3,317</u>	<u>371,568</u>
Total operating disbursements	<u>2,322</u>	<u>55,952</u>	<u>1,079,151</u>	<u>13,158</u>	<u>1,150,583</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(521)</u>	<u>(43,678)</u>	<u>627,716</u>	<u>(13,158)</u>	<u>570,359</u>
<b>NONOPERATING RECEIPTS</b>					
Interest on investments	<u>—</u>	<u>—</u>	<u>49,817</u>	<u>—</u>	<u>49,817</u>
Net nonoperating receipts	<u>—</u>	<u>—</u>	<u>49,817</u>	<u>—</u>	<u>49,817</u>
Net change in cash balances	(521)	(43,678)	677,533	(13,158)	620,176
<b>CASH BALANCES</b> , beginning of year	<u>186,368</u>	<u>9,017</u>	<u>1,500,464</u>	<u>18,766</u>	<u>1,714,615</u>
<b>CASH BALANCES</b> , end of year	<u>\$ 185,847</u>	<u>\$ (34,661)</u>	<u>\$2,177,997</u>	<u>\$ 5,608</u>	<u>\$2,334,791</u>
<b>CASH BASIS FUND BALANCES</b>					
Unrestricted	<u>\$ 185,847</u>	<u>\$ (34,661)</u>	<u>\$2,177,997</u>	<u>\$ 5,608</u>	<u>\$2,334,791</u>

**City of Indianola**  
**SCHEDULE OF INDEBTEDNESS**  
**For the year ended June 30, 2021**

<u>Obligation</u>	<u>Date of issue</u>	<u>Interest rate</u>	<u>Amount of original issue</u>
General Obligation Bonds			
General Obligation, Series 2011C	October 19, 2011	2.25%	\$ 850,000
General Obligation, Series 2012B	May 1, 2012	1.90 to 2.40%	3,875,000
General Obligation, Series 2013A	January 9, 2013	1.40 to 1.55%	1,865,000
General Obligation, Series 2013B	January 9, 2013	1.25 to 2.00%	5,510,000
General Obligation Refunding, Series 2019A	October 31, 2019	2.00 to 4.00%	4,450,000
General Obligation, Series 2020A	December 22, 2020	1.00 to 3.00%	6,505,000
General Obligation Refunding, Series 2020B	December 22, 2020	2.00 to 3.00%	2,850,000
Capital Loan Note			
IEDA Nuisance Property Loan	March 1, 2018	1.00%	125,000
Revenue Bonds			
Sewer Revenue Bonds, Series 2009	May 20, 2009	1.75%	9,090,000
Sewer Revenue Bonds, Series 2013	April 19, 2013	1.75%	4,036,000
Sewer Revenue Bonds Series 2017A	December 1, 2017	1.32%	3,141,702
Sewer Revenue Bonds Series 2020	June 1, 2020	2.75%	17,059,000
Sewer Revenue Bonds Series 2021	March 5, 2021	2.75%	15,274,000
Total			

See accompanying independent auditor's report.

Schedule 4

<u>Balance beginning of year</u>	<u>Issued during year</u>	<u>Redeemed during year</u>	<u>Balance end of year</u>	<u>Interest paid</u>
\$ 125,000	\$ —	\$ 125,000	\$ —	\$ 2,813
1,620,000	—	1,620,000	—	17,583
810,000	—	265,000	545,000	11,355
3,035,000	—	3,035,000	—	25,969
3,970,000	—	465,000	3,505,000	123,750
—	6,505,000	335,000	6,170,000	67,939
—	<u>2,850,000</u>	<u>365,000</u>	<u>2,485,000</u>	<u>36,106</u>
<u>9,560,000</u>	<u>9,355,000</u>	<u>6,210,000</u>	<u>12,705,000</u>	<u>285,515</u>
<u>75,748</u>	<u>—</u>	<u>24,935</u>	<u>50,813</u>	<u>757</u>
<u>75,748</u>	<u>—</u>	<u>24,935</u>	<u>50,813</u>	<u>757</u>
6,641,000	—	225,000	6,416,000	116,218
2,088,000	—	142,000	1,946,000	36,540
2,640,702	90,000	136,702	2,594,000	40,162
852,461	16,206,539	1,000	17,058,000	245,845
—	<u>6,256,372</u>	<u>—</u>	<u>6,256,372</u>	<u>2,229</u>
<u>12,222,163</u>	<u>22,552,911</u>	<u>504,702</u>	<u>34,270,372</u>	<u>440,994</u>
<u>\$21,857,911</u>	<u>\$31,907,911</u>	<u>\$6,739,637</u>	<u>\$47,026,185</u>	<u>\$ 727,266</u>

**City of Indianola**  
**BOND MATURITIES**  
**June 30, 2021**

**General Obligation Bonds**

Year ending June 30	Series 2013A		Refunding Series 2019A		Series 2020A	
	Issued January 9, 2013		Issued October 31, 2019		Issued December 22, 2020	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2022	1.40%	\$ 270,000	3.00%	\$ 475,000	3.00%	\$ 780,000
2023	1.55%	275,000	3.00%	490,000	3.00%	765,000
2024		—	3.00%	510,000	3.00%	790,000
2025		—	4.00%	335,000	3.00%	710,000
2026		—	3.00%	345,000	3.00%	495,000
2027		—	4.00%	365,000	3.00%	510,000
2028		—	4.00%	375,000	1.00%	525,000
2029		—	2.00%	345,000	1.00%	525,000
2030		—	2.00%	145,000	1.05%	530,000
2031		—	2.00%	120,000	1.15%	540,000
Totals		\$ <u>545,000</u>		\$ <u>3,505,000</u>		\$ <u>6,170,000</u>

**General Obligation Bonds**

Year ending June 30	Refunding Series 2020B		Total
	Issued December 22, 2020		
	Interest Rates	Amount	
2022	3.00%	\$ 350,000	\$ 1,875,000
2023	3.00%	365,000	1,895,000
2024	3.00%	335,000	1,635,000
2025	3.00%	340,000	1,385,000
2026	3.00%	355,000	1,195,000
2027	3.00%	365,000	1,240,000
2028	2.00%	375,000	1,275,000
2029		—	870,000
2030		—	675,000
2031		—	660,000
Totals		\$ <u>2,485,000</u>	\$ <u>12,705,000</u>

See accompanying independent auditor's report.

**City of Indianola**  
**BOND MATURITIES (continued)**  
**June 30, 2021**

Year ending June 30	Revenue Bonds					
	Sewer Revenue Bond Series 2009		Sewer Revenue Bond Series 2013		Sewer Revenue Bond Series 2017A	
	Issued May 20, 2009		Issued April 19, 2013		Issued December 1, 2017	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2022	1.75%	\$ 233,000	1.75%	\$ 145,000	1.32%	\$ 144,000
2023	1.75%	240,000	1.75%	148,000	1.32%	146,000
2024	1.75%	248,000	1.75%	151,000	1.32%	149,000
2025	1.75%	256,000	1.75%	154,000	1.32%	151,000
2026	1.75%	265,000	1.75%	157,000	1.32%	153,000
2027	1.75%	273,000	1.75%	160,000	1.32%	156,000
2028	1.75%	282,000	1.75%	163,000	1.32%	158,000
2029	1.75%	291,000	1.75%	167,000	1.32%	160,000
2030	1.75%	301,000	1.75%	170,000	1.32%	163,000
2031	1.75%	310,000	1.75%	173,000	1.32%	165,000
2032	1.75%	321,000	1.75%	177,000	1.32%	168,000
2033	1.75%	331,000	1.75%	181,000	1.32%	171,000
2034	1.75%	342,000		—	1.32%	173,000
2035	1.75%	353,000		—	1.32%	176,000
2036	1.75%	364,000		—	1.32%	179,000
2037	1.75%	376,000		—		182,000
2038	1.75%	388,000		—		—
2039	1.75%	401,000		—		—
2040	1.75%	414,000		—		—
2041	1.75%	427,000		—		—
Totals		<u>\$6,416,000</u>		<u>\$1,946,000</u>		<u>\$2,594,000</u>

**City of Indianola**  
**BOND MATURITIES (continued)**  
**June 30, 2021**

<b>Revenue Bonds</b>					
<b>Year ending June 30</b>	<b>Sewer Revenue Bond Series 2020A Issued June 1, 2020</b>		<b>Sewer Revenue Bond Series 2021 Issued March 5, 2021</b>		<b>Total</b>
	<b>Interest Rates</b>	<b>Amount</b>	<b>Interest Rates</b>	<b>Amount</b>	
			\$		
2022	2.75%	1,000	2.75%	1,000	\$ 524,000
2023	2.75%	397,000	2.75%	356,000	1,287,000
2024	2.75%	409,000	2.75%	366,000	1,323,000
2025	2.75%	422,000	2.75%	377,000	1,360,000
2026	2.75%	434,000	2.75%	389,000	1,398,000
2027	2.75%	447,000	2.75%	400,000	1,436,000
2028	2.75%	461,000	2.75%	412,000	1,476,000
2029	2.75%	474,000	2.75%	425,000	1,517,000
2030	2.75%	489,000	2.75%	438,000	1,561,000
2031	2.75%	503,000	2.75%	451,000	1,602,000
2032	2.75%	518,000	2.75%	464,000	1,648,000
2033	2.75%	534,000	2.75%	478,000	1,695,000
2034	2.75%	550,000	2.75%	493,000	1,558,000
2035	2.75%	566,000	2.75%	507,000	1,602,000
2036	2.75%	583,000	2.75%	522,000	1,648,000
2037	2.75%	601,000	2.75%	177,372	1,336,372
2038	2.75%	619,000		-	1,007,000
2039	2.75%	638,000		-	1,039,000
2040	2.75%	657,000		-	1,071,000
2041	2.75%	676,000		-	1,103,000
2042	2.75%	697,000		-	697,000
2043	2.75%	718,000		-	718,000
2044	2.75%	739,000		-	739,000
2045	2.75%	761,000		-	761,000
2046	2.75%	784,000		-	784,000
2047	2.75%	808,000		-	808,000
2048	2.75%	832,000		-	832,000
2049	2.75%	857,000		-	857,000
2050	2.75%	883,000		-	883,000
Totals		<u>\$17,058,000</u>		<u>\$6,256,372</u>	<u>\$34,270,372</u>

<b>Capital Loan Note</b>		
<b>Iowa Economic Development Authority Nuisance Property Loan Issued March 1, 2018</b>		
<b>Year ending June 30</b>	<b>Interest Rates</b>	<b>Amount</b>
2022	1.00%	\$ 25,249
2023	1.00%	25,564
Totals		<u>\$ 50,813</u>

See accompanying independent auditor's report.



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

	<b>Year ended June 30</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>RECEIPTS</b>				
Property tax	\$ 7,793,010	\$ 7,160,833	\$ 6,731,187	\$ 6,365,347
Tax increment financing	2,429,735	2,505,996	2,302,131	2,112,030
Other city tax	2,489,364	1,859,878	2,061,799	2,068,943
Licenses and permits	247,309	258,982	217,685	232,440
Use of money and property	535,808	689,356	685,219	576,571
Intergovernmental	4,512,624	4,073,043	3,758,442	2,533,521
Charges for service	889,689	945,567	959,881	537,629
Special assessments	22,177	18,166	23,263	26,708
Miscellaneous	451,945	473,068	528,649	458,805
	<u>\$19,371,661</u>	<u>\$17,984,889</u>	<u>\$17,268,256</u>	<u>\$14,911,994</u>
Total receipts				
<b>DISBURSEMENTS</b>				
Operating				
Public safety	\$ 5,909,055	\$ 5,473,023	\$ 5,067,392	\$ 5,198,541
Public works	1,668,460	1,573,045	1,648,680	1,656,141
Culture and recreation	2,218,493	2,173,363	2,162,189	2,087,835
Community and economic development	229,222	272,714	516,009	487,893
General government	896,558	986,959	828,581	1,087,246
Debt service	6,677,880	6,836,867	2,091,736	2,419,852
Capital projects	2,385,440	1,834,553	1,699,177	1,030,964
	<u>\$19,985,108</u>	<u>\$19,150,524</u>	<u>\$14,013,764</u>	<u>\$13,968,472</u>
Total disbursements				

See accompanying independent auditor's report.

Schedule 6

<b>Year ended June 30</b>					
<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
\$ 6,392,934	\$ 6,122,001	\$ 6,155,219	\$ 5,472,196	\$ 5,163,959	\$ 4,929,375
1,955,534	1,542,524	1,365,455	1,383,060	1,368,810	1,146,801
1,965,822	265,487	298,515	294,866	205,910	152,908
154,991	192,408	132,554	164,365	117,693	144,940
504,619	469,188	400,099	335,498	326,083	298,072
2,109,788	2,384,472	4,575,268	1,692,398	2,060,498	1,651,642
1,066,626	949,420	1,024,782	1,024,228	993,286	983,827
163,044	112,573	118,173	109,522	144,055	139,226
<u>603,705</u>	<u>541,806</u>	<u>477,149</u>	<u>1,980,786</u>	<u>353,921</u>	<u>416,059</u>
<u>\$14,917,063</u>	<u>\$12,579,879</u>	<u>\$14,547,214</u>	<u>\$12,456,918</u>	<u>\$10,733,310</u>	<u>\$ 9,862,850</u>
\$ 5,014,894	\$ 4,095,846	\$ 4,018,718	\$ 4,257,526	\$ 3,902,002	\$ 3,953,821
1,483,031	1,600,292	1,293,247	1,336,452	1,416,552	1,329,010
2,137,909	2,037,571	2,009,849	2,085,707	2,130,514	2,113,184
935,587	165,075	557,205	430,585	704,168	1,293,997
1,461,226	1,401,940	1,394,110	1,505,152	1,411,552	1,303,284
2,655,684	2,838,250	3,003,458	3,000,167	2,622,940	3,368,178
<u>400,336</u>	<u>249,880</u>	<u>5,220,131</u>	<u>2,860,272</u>	<u>16,012,963</u>	<u>2,778,034</u>
<u>\$14,088,667</u>	<u>\$12,388,854</u>	<u>\$17,496,718</u>	<u>\$15,475,861</u>	<u>\$28,200,691</u>	<u>\$16,141,508</u>

See accompanying independent auditor's report.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Indianola, Iowa (the City) as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 20, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

**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) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in Section I of the accompanying schedule of findings as item 2021-001 that we consider to be a significant deficiency.

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City's Responses to the Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. 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 & COMPANY, LLP

West Des Moines, Iowa  
October 20, 2021

**City of Indianola  
SCHEDULE OF FINDINGS  
Year ended June 30, 2021**

**SECTION I – FINANCIAL STATEMENT FINDINGS**

**INTERNAL CONTROL DEFICIENCIES**

**2021-001 PAYROLL TAX REMITTANCES**

**Criteria**

The City is responsible for remitting employee and employer federal payroll taxes to the Internal Revenue Service (IRS) through the Electronic Federal Tax Payment System (EFTPS). Control processes should be in place to ensure the accurate and timely completion of the EFTPS payroll tax payments.

**Condition**

In January 2020, the City incorrectly applied payroll tax payments to the third quarter of calendar year 2020. This incorrect payroll tax remittance was not identified by City staff until the IRS refunded the payment to the City in November 2020.

**Cause**

Oversight and quality control reviews of federal payroll tax payments were not sufficient to identify and correct the incorrect remittance.

**Effect**

Penalties may be applied by the IRS should the IRS determine that payroll tax remittances for the first quarter of calendar year 2020 were not properly applied. The City may have over-remitted federal payroll taxes by approximately \$70,000 for nine months.

**Recommendation**

The City should implement additional review procedures over EFTPS payments in order to identify user input errors. The City should investigate historical payments to EFTPS to ensure all payroll periods have been remitted.

**Response**

Information from the IRS is limited on figuring the reasons behind the refund. The City will review and implement strategies to better track payroll reporting to federal and state agencies.

**Conclusion**

Response accepted.

**City of Indianola**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2021**

**SECTION II – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

**II-A-21 CERTIFIED BUDGET**

Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the public works function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

**Recommendation**

The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

**Response**

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

**Conclusion**

Response accepted.

**II-B-21 QUESTIONABLE EXPENDITURES**

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

**II-C-21 TRAVEL EXPENSE**

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

**II-D-21 BUSINESS TRANSACTIONS**

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

**II-E-21 RESTRICTED DONOR ACTIVITY**

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

**II-F-21 BOND COVERAGE**

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

**City of Indianola**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2021**

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

**II-G-21 COUNCIL MINUTES**

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

**II-H-21 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-21 REVENUE BONDS AND NOTES**

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

**II-J-21 ANNUAL URBAN RENEWAL REPORT**

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