

INDIANOLA MUNICIPAL UTILITIES



Electric • Telecommunications • Water

**IMU Board of Trustees of the
Electric, Water and Telecommunications Utilities
January 28, 2019
City Hall Council Chambers
5:30 p.m.**

Agenda

1. Call to Order
2. Roll Call
3. Public Comments
4. Consent Agenda
 - A. Claims list for January 22, 2019
 - B. Minutes from January 14, 2019
 - C. November 2018 Treasurer and Financial Reports
5. Electric Utility Informational Items
 - A. Report on Municipal Energy Agency of Nebraska (MEAN) Board of Directors and Management Committee meetings of January 16 and 17, 2019
6. Water Utility Informational Items
7. Communications Utility Informational Items
 - A. Fiber Marketing Plan Progress
8. Combined Electric, Water and Communications Utilities Action Items
 - A. Consider approval of the FY 17/18 audit
 - B. Consider approval of the FY 19/20 Budget

9. Combined Electric, Water and Communications Utilities Informational Items
10. Other Business
 - A. Possible closed session to discuss marketing and pricing strategies and proprietary information of the telecommunications division whose competitive position will be harmed by public disclosure that is not required of potential or actual competitors and no public purpose is served by such disclosure, pursuant to Section 388.9(1) Code of Iowa
 - B. Enter into closed session in accordance with Iowa Code Section 21.5(1)(i) to evaluate the professional competency of an individual whose appointment, hiring, performance, or discharge is being considered when necessary to prevent needless and irreparable injury to that individual's reputation and that individual requests a closed session
11. Adjourn

IMU Regular Downstairs

4.A.

Meeting Date: 01/28/2019

Information

Subject

Claims list for January 22, 2019

Information

Fiscal Impact

Attachments

Claims

Vendor Name	GL Account Number	Description	Invoice Date	Net Invoice Amount
WATER OPERATING FUND				
ACCO UNLIMITED CORP.	600-8110-65010	LIQUID CHLORINE	12/19/2018	1,335.40
ACCO UNLIMITED CORP.	600-8110-65010	MATERIALS	12/26/2018	336.90
CITY OF INDIANOLA - UTILITY	600-8110-63710	UTILITIES	12/31/2018	11,378.96
DES MOINES REGISTER MEDIA	600-8190-64020	BT MIN-11	12/05/2018	32.35
DES MOINES REGISTER MEDIA	600-8190-64020	BT MIN-12	12/05/2018	34.45
DOWNEY TIRE PROS	600-8160-63320	TIRE REPAIR	12/28/2018	23.45
GRAYMONT WESTERN LIME IN	600-8110-65010	QUICKLIME	12/28/2018	4,641.53
IMWCA	600-8180-61599	INSTALLMENT #7	01/01/2019	821.26
LINDE LLC	600-8110-65010	LIQUID CARBON DIOXIDE	12/19/2018	1,905.12
MCCOY HARDWARE INC	600-8120-65070	PIPE SEALANT, PVC CEMENT & CONDUIT HANGERS	12/22/2018	35.10
MCCOY HARDWARE INC	600-8120-65070	PADLOCK	01/02/2019	12.37
MCCOY HARDWARE INC	600-8120-65070	HARDWARE	01/08/2019	9.37
MCCOY HARDWARE INC	600-8120-65070	CREDIT - PADLOCK RETURN	01/02/2019	12.37-
MIDWEST UNDERGROUND	600-8160-63320	PARTS	01/07/2019	357.14
OUDEKIRK, MASON	600-8190-66990	REFUND CONN FEE - 409 1/2 N HOWARD	01/03/2019	15.00
OUDEKIRK, MASON	600-8180-64180	REFUND CONN FEE - 409 1/2 N HOWARD	01/03/2019	1.05
THEISEN'S	600-8150-65072	PIPE & COUPLING	01/02/2019	15.68
THEISEN'S	600-8120-65070	SUPPLIES	01/06/2019	18.98
TRUENORTH COMPANIES LC	600-8192-64990	SAFETY COMMITTEE MEETING - DEC 2018	12/27/2018	20.83
VERIZON WIRELESS	600-8110-63730	WIRELESS FOR LAPTOPS (2)	12/26/2018	80.02
WARREN COUNTY ENGINEER	600-8160-65050	FUEL DISTRIBUTION	01/04/2019	469.42
WASTE MANAGEMENT OF IOW	600-8120-64090	TRASH	12/27/2018	88.82
Total WATER OPERATING FUND:				21,620.83
IMU ADMINISTRATION FUND				
ACCOMTEPS	620-8091-64990	TEMP, CITY HALL TRANSITION	01/14/2019	904.37
CAPITAL EXPRESS	620-8090-64140	ACCT #11509 DSM WATER WORKS EXPRESS	12/29/2018	37.65
CITY OF INDIANOLA - UTILITY	620-8090-63710	UTILITIES	12/31/2018	172.11
DES MOINES WATER WORKS	620-8090-64140	ACCT# 0085419348 FOR DECEMBER POSTAGE	01/10/2019	3,278.57
DUST PROS JANITORIAL	620-8090-64090	210 W 2ND AVE, MOVE-IN CLEANUP	01/14/2019	449.40
GAFFIGAN, TOM	620-8091-63730	MOBILE DEVICE ALLOWANCE	01/01/2019	75.00
H & H PLUMBING INC	620-8090-64140	ADMIN BLDG PLUMBING REPAIR	12/27/2018	185.85
IMWCA	620-8091-61599	INSTALLMENT #7	01/01/2019	146.60
IMWCA	620-8090-61599	INSTALLMENT #7	01/01/2019	102.24
LANE, DIANNA	620-8090-63730	MOBILE DEVICE ALLOWANCE	01/01/2019	50.00
LONGER, CHRIS	620-8091-63730	MOBILE DEVICE ALLOWANCE	01/01/2019	50.00
LONGER, CHRIS	620-8091-61440	WELLNESS DEC 18	12/27/2018	25.00
LONGER, CHRIS	620-8091-61440	WELLNESS NOV 18	12/27/2018	25.00
PELLA PRINTING	620-8090-64140	ACCT# SHEET BOOKS	12/26/2018	270.00
PELLA PRINTING	620-8090-64140	IMU PAYMENT ENV	12/28/2018	325.00
T.R.M. DISPOSAL LLC	620-8090-64090	JANUARY 2019 ADMIN BLDG - ACCT 4019	12/24/2018	40.00
TRUENORTH COMPANIES LC	620-8090-64990	SAFETY COMMITTEE MEETING - DEC 2018	12/27/2018	20.84
Total IMU ADMINISTRATION FUND:				6,157.63
ELECTRIC OPERATING FUND				
BOB'S TOOLS INC	630-8220-63410	AIR COMPRESSOR & ELECTRIC DRAIN VALVE	09/13/2018	1,823.18
BOB'S TOOLS INC	630-8220-63410	AIR COMPRESSOR VIBRATION PADS	09/20/2018	14.84
CINTAS CORPORATION	630-8250-65072	FIRST AID SUPPLIES	09/14/2018	51.76
CINTAS CORPORATION	630-8250-65072	FIRST AID SUPPLIES	10/12/2018	42.88
CITY OF INDIANOLA - REBATE	630-8290-67306	CENTRAL AIR, #11-27601-01, KANE	11/27/2018	200.00
CITY OF INDIANOLA - REBATE	630-8290-67306	COMMERCIAL LIGHTING #19-2480201 ACTIVITY CENTER	10/25/2018	352.00
CITY OF INDIANOLA - REBATE	630-8290-67306	HEAT PUMP #20-2100102, KELLER-LAMPMAN	01/07/2019	500.00
CITY OF INDIANOLA - REBATE	630-8290-67306	CENTRAL AIR #21-0600103, DAILEY	01/08/2019	250.00
CITY OF INDIANOLA - UTILITY	630-8210-63710	UTILITIES	12/31/2018	2,678.06
CROSSROADS MOBILE MAINT	630-8250-64200	UNIT 6 - ANNUAL INSPECTION	01/08/2019	783.37

Vendor Name	GL Account Number	Description	Invoice Date	Net Invoice Amount
CROSSROADS MOBILE MAINT	630-8250-64200	UNIT 7 - ANNUAL INSPECTION	01/08/2019	783.37
CROSSROADS MOBILE MAINT	630-8250-64200	UNIT 28 - ANNUAL INSPECTION	01/08/2019	906.38
CROSSROADS MOBILE MAINT	630-8250-64200	UNIT 29 - ANNUAL INSPECTION	01/08/2019	917.90
CROSSROADS MOBILE MAINT	630-8250-64200	UNIT 30 - ANNUAL INSPECTION	01/08/2019	939.86
CROSSROADS MOBILE MAINT	630-8250-64200	UNIT 31 - ANNUAL INSPECTION	01/08/2019	917.90
CROSSROADS MOBILE MAINT	630-8250-64200	UNIT 34 - ANNUAL INSPECTION	01/08/2019	950.26
DES MOINES REGISTER MEDIA	630-8190-64020	BT MIN-11	12/05/2018	122.56
DES MOINES REGISTER MEDIA	630-8190-64020	BT MIN-12	12/05/2018	130.52
IMWCA	630-8280-61599	INSTALLMENT #7	01/01/2019	1,235.05
IOWA ASSOC OF MUN UTILITIE	630-8240-62300	APPRENTICESHIP MATERIALS	01/01/2019	1,050.00
IOWA ASSOC OF MUN UTILITIE	630-8210-62300	WATT-HOUR METERING WORKSHOP - BOWLIN	01/03/2019	835.00
IOWA UTILITIES BOARD	630-8290-62100	IEC/CGRER FY19 ASSESSMENT	10/22/2018	14,394.00
MC MASTER-CARR SUPPLY CO	630-8220-65072	NFPA DIAMOND SIGNS FOR E IA	01/02/2019	74.67
METCALF, MIKE	630-8240-63730	MOBILE DEVICE ALLOWANCE	01/01/2019	75.00
MID AMERICAN ENERGY CO.	630-8240-63710	13231-12049 1300 E IOWA B	12/18/2018	52.81
MID AMERICAN ENERGY CO.	630-8210-63710	80950-24015 PLANT GAS	12/18/2018	13.45
MID AMERICAN ENERGY CO.	630-8210-63710	52390-25019 BOILER GAS	12/18/2018	1,061.12
MID AMERICAN ENERGY CO.	630-8210-63710	07991-36014 11634 R63 HWY	12/13/2018	10.00
MID AMERICAN ENERGY CO.	630-8240-63710	26311-18026 1300 E IOWA AVE	12/18/2018	357.49
OUDEKIRK, MASON	630-8290-66990	REFUND CONN FEE - 409 1/2 N HOWARD	01/03/2019	15.00
OUDEKIRK, MASON	630-8280-64180	REFUND CONN FEE - 409 1/2 N HOWARD	01/03/2019	1.05
PIERCE BROTHERS REPAIR	630-8250-65072	BALLARDS	12/04/2018	81.32
PIERCE BROTHERS REPAIR	630-8250-65072	BALLARDS	12/21/2018	81.32
SKARSHAUG TESTING LABORA	630-8250-64200	HIGH VOLTAGE GLOVE TESTING	12/26/2018	431.30
TREASURER STATE OF IOWA	630-8280-64181	4TH QTR 2018 USE TAX	12/27/2018	860.03
TRUENORTH COMPANIES LC	630-8240-62300	SAFETY COMMITTEE MEETING - DEC 2018	12/27/2018	20.83
VERIZON WIRELESS	630-8240-63730	WIRELESS FOR SERVICE CREW LAPTOPS	12/26/2018	240.06
WARREN COUNTY ENGINEER	630-8260-65050	FUEL DISTRIBUTION	01/04/2019	763.37
WASTE SOLUTIONS OF IA	630-8250-65072	PORTABLE RESTROOM	12/30/2018	42.40
WESCO	630-8240-65500	FR JACKET LINER - SMITH	12/28/2018	134.82
WIEGERT DISPOSAL CO.	630-8250-65072	30 YARD DUMPSTER	01/01/2019	254.00
Total ELECTRIC OPERATING FUND:				34,448.93
FIBER/COMMUNICATIONS FUND				
DES MOINES REGISTER MEDIA	640-8590-64020	BT MIN-12	12/05/2018	16.31
DES MOINES REGISTER MEDIA	640-8590-64020	RATES-RESIDENTIAL	12/05/2018	275.18
DES MOINES REGISTER MEDIA	640-8590-64020	BT MIN-11	12/05/2018	15.32
DES MOINES REGISTER MEDIA	640-8590-64020	RATES-COMMERCIAL	12/05/2018	275.18
IMWCA	640-8590-61599	INSTALLMENT #7	01/01/2019	241.18
TREASURER STATE OF IOWA	640-8590-64180	4TH QTR 2018 USE TAX	12/27/2018	3,477.84
TRUENORTH COMPANIES LC	640-8590-64990	SAFETY COMMITTEE MEETING - DEC 2018	12/27/2018	20.84
WARREN COUNTY ENGINEER	640-8550-65050	FUEL DISTRIBUTION	01/04/2019	167.32
Total FIBER/COMMUNICATIONS FUND:				4,489.17
WATER CAPITAL PROJECTS FUND				
METERING & TECHNOLOGY SO	700-8100-67905	METERS	12/18/2018	5,081.29
MUNICIPAL SUPPLY INC	700-8100-67906	REPAIR CLAMPS	12/20/2018	134.35
MUNICIPAL SUPPLY INC	700-8100-67905	METER	12/20/2018	1,336.00
VEENSTRA & KIMM	700-8100-67406	2018 WATER MAIN	12/21/2018	762.70
Total WATER CAPITAL PROJECTS FUND:				7,314.34
ELECTRIC CAPITAL PROJECTS FUND				
BEAR COMMUNICATIONS LLC	730-8200-67601	FIBER DROPS (31)	12/08/2018	21,210.58
BEAR COMMUNICATIONS LLC	730-8200-67601	FIBER DROPS (34)	12/15/2018	25,006.56
BEAR COMMUNICATIONS LLC	730-8200-67601	FIBER DROPS (49)	12/22/2018	33,740.68

Vendor Name	GL Account Number	Description	Invoice Date	Net Invoice Amount
DOWNING CONST. INC.	730-8200-67909	CONSTRUCTION MANAGEMENT FEE - FINAL	12/05/2018	4,017.85
EXCEL UTILITY CONTRACTOR	730-8200-67601	2017 FIBER TO THE HOME NETWORK BUILD	12/31/2018	156,318.40
EXCEL UTILITY CONTRACTOR	730-8200-67601	2017 FIBER TO THE HOME NETWORK BUILD RETAINAGE	12/31/2018	39,634.89
HILDRETH CONSTRUCTION SE	730-8200-67909	NEW LINE SHOP - INTERIOR & EXTERIOR ACCESSORIES - WO	11/30/2018	12,959.04
MESA TECHNICAL ASSOCIATE	730-8200-67245	BATTERIES - WEST IOWA SUBSTATION	01/04/2019	2,687.77
MIDWEST AUTOMATIC FIRE SP	730-8200-67909	NEW LINE SHOP - FIRE SPRINKLER SYSTEM WORK PACKAGE	11/30/2018	1,873.50
RESCO	730-8200-67906	STREET LIGHT POLES AND ARMS	01/07/2019	5,169.79
SOLOMON CORPORATION	730-8200-67245	INSPECTION & REPAIR - TURBINE #8 TRANSFORMER	10/05/2018	5,697.50
TELCOM CONSTRUCTION INC	730-8200-67601	DROP INSTALLATION	01/14/2019	12,363.51
TELCOM CONSTRUCTION INC	730-8200-67601	DROP INSTALLATION	12/31/2018	46,916.43
VANDERPOOL CONSTRUCTIO	730-8200-67909	NEW LINE SHOP - SITEWORK & UTILITIES WORK PACKAGE - 4	01/09/2019	12,879.35
WALDINGER CORP. THE	730-8200-67909	NEW LINE SHOP - MECHANICAL WORK PACKAGE - 6 RETAINA	11/30/2018	11,375.03
WD DOOR	730-8200-67909	NEW LINE SHOP - OVERHEAD DOORS WORK PACKAGE - 4 RE	01/09/2019	3,462.75
Total ELECTRIC CAPITAL PROJECTS FUND:				395,313.63
CASH ALLOCATION FUND				
BRACE, NANCY	999-0000-11005	REFUND CREDIT ON ACCOUNT	01/09/2019	103.78
IMPACT COMMUNITY ACTION P	999-0000-11005	REFUND EA 18/19 - J. AHMED	01/03/2019	271.81
INDIANOLA PARKS AND RECRE	999-0000-11005	REFUND CREDIT ON ACCT & DONATE TO PARKS/REC	01/04/2019	10.74
RICHARDS, BROOKE	999-0000-11005	REFUND ON ACCT	01/08/2019	67.87
Total CASH ALLOCATION FUND:				454.20
Grand Totals:				469,798.73

Board of Trustees: _____

IMU Regular Downstairs

4.B.

Meeting Date: 01/28/2019

Information

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Minutes from January 14, 2019

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Minutes

BOARD OF TRUSTEE MINUTES
REGULAR SESSION – JANUARY 14, 2019

The Board of Trustees met in regular session at 5:30 p.m. on January 14, 2019 in the City Hall Council Chambers. Chairperson Adam Voigts called the meeting to order and on roll call the following members were present: Lesley Forbush, Jim McClymond (via phone), Mike Rozga, Adam Voigts and Deb White.

The consent agenda consisting of the following was approved on a motion by Rozga and seconded by White. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Claims list for December 17, 2018 and January 7, 2019

Minutes from December 10, 2018

Electric Utility Informational Items – Mike Metcalf, Electric Superintendent, presented the Electric Utility Informational items.

Water Utility Action Items

Board Member White introduced the following Resolution entitled "RESOLUTION APPROVING CONTRACT AND BOND" to Champion Tank Services LLC in an amount of \$231,000.00 for the 2018 Water Plant Update Project and moved that it be adopted. Board Member Forbush seconded the motion to adopt. The roll was called, and the vote was, AYES: Voigts, McClymond, Rozga, Forbush and White. NAYS: None. Whereupon the Chair declared the following resolution duly adopted:

RESOLUTION NO. 2019-303
RESOLUTION APPROVING CONTRACT AND BOND
to Champion Tank Services LLC
For the 2018 Water Plant Update Project

(The complete resolution may be viewed at the City Clerk's Office)

Water Utility Informational Items – Lou Elbert, Water Superintendent, presented the Water Utility Informational items.

Community Utility Informational Items - Telecommunications Director Kurt Ripperger presented an updated report on the Communications Utility Informational items including the drop installation update.

Combined Electric, Water and Communications Utilities Action Items – Chris Longer, Finance/HR Director, presented the draft budget for FY 19/20.

The FY 17/18 audit will be presented at the January 28, 2019 Board of Trustee Meeting.

A motion was made by White and seconded by Forbush to approve the following 2019 Officers of the IMU Board of Trustees:

Mike Rozga – Chairperson

Adam Voigt – Vice Chairperson

Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Combined Electric, Water and Communications Utilities Informational Items

General Manager Tom Gaffigan presented an updated report on the Combined Electric, Water and Communications Utilities Information items.

Other items

It was moved by White and seconded by Rozga to enter into closed session to discuss marketing and pricing strategies and proprietary information of the telecommunications division whose competitive position will be harmed

by public disclosure that is not required of potential or actual competitors and no public purpose is served by such disclosure, pursuant to Section 388.9(1) Code of Iowa. On roll call the vote was, AYES: Voigts, McClymond, Rozga, Forbush and White. NAYS: None. Whereupon the Chairperson declared the motion carried unanimously.

A motion was made by Forbush and seconded by Rozga to return to regular session. On roll call the vote was, AYES: White, Voigts, McClymond, Rozga and Forbush. NAYS: None. Whereupon the Chairperson declared the motion carried unanimously.

White moved and seconded by Forbush to approve the amended Wisconsin Independent Network (WIN) agreement. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Meeting adjourned on a motion by Forbush and seconded by White.

Adam Voigts, Chairperson

Diana Bowlin, City Clerk

IMU Regular Downstairs

4.C.

Meeting Date: 01/28/2019

Information

Subject

November 2018 Treasurer and Financial Reports

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November 2018 Treasurer Report

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FUND	Beginning Balance	Monies Received	Monies Disbursed	Transfer In	Transfer Out	Clerk's Balance	% of Total
001 General Government	2,079,959.45	107,146.50	408,400.76	116,468.58	6,086.67	1,889,087.10	
011 Police	1,693,158.92	156,836.93	286,395.07	61,696.52	3,957.66	1,621,339.64	
015 Fire	346,608.25	21,579.78	58,616.19	8,957.87	612.56	317,917.15	
016 Ambulance	82,008.21	97,581.78	151,974.85	24,561.42	3,464.95	48,711.61	
041 Library	239,491.87	32,163.90	54,246.97	15,526.98	2,346.37	230,589.41	
042 Park & Recreation	675,472.49	114,938.59	151,883.14	9,815.38	3,065.46	645,277.86	
045 Memorial Pool	136,446.63	7,680.52	8,598.12	0.00	0.00	135,529.03	
071 General Fund Debt Service	56,354.58	0.00	0.00	0.00	0.00	56,354.58	
099 Franchise Fees-MEC	778,411.09	0.00	0.00	0.00	240,000.00	538,411.09	
GENERAL FUND SUB-TOTAL	6,087,911.49	537,928.00	1,120,115.10	237,026.75	259,533.67	5,483,217.47	
110 Road Use Tax (Streets)	1,815,398.50	165,730.23	123,962.86	0.00	44,003.84	1,813,162.03	
112 Trust & Agency	0.00	153,126.05	0.00	0.00	153,126.05	0.00	
115 YMCA Maintenance Obligations	361,454.46	0.00	0.00	0.00	0.00	361,454.46	
121 Local Option Sales Tax	4,108,585.67	367,883.40	0.00	0.00	0.00	4,476,469.07	
125 TIF--Downtown	2,504,399.16	276,522.83	0.00	0.00	0.00	2,780,921.99	
141 Library Special Revenue	38,328.99	16,392.99	333.30	0.00	0.00	54,388.68	
142 Park & Rec Special Revenue	114,906.55	248.05	619.53	0.00	0.00	114,535.07	
160 Downtown Revolving Loan	190,869.63	0.00	0.00	0.00	0.00	190,869.63	
161 Downtown Business Inc Program	72,460.55	0.00	325.50	0.00	0.00	72,135.05	
177 Police Forfeiture	19,830.07	0.00	0.00	0.00	0.00	19,830.07	
190 Vehicle Reserve	741,315.75	0.00	42,959.60	0.00	0.00	698,356.15	
199 Police Retirement	59,284.94	128.63	0.00	0.00	2,083.33	57,330.24	
SPECIAL REVENUES SUB-TOTAL	10,026,834.27	980,032.18	168,200.79	0.00	199,213.22	10,639,452.44	
200 DEBT SERVICE (SUB-TOTAL)	1,493,309.79	54,955.20	127,285.15	7,758.33	0.00	1,428,738.17	
301 Capital Projects (General)	572,423.68	14,405.95	12,281.70	0.00	0.00	574,547.93	
321 Capital Projects (Streets)	113,043.75	0.00	222,304.68	252,000.00	0.00	142,739.07	
344 Community Athletic Facility	-2,580.22	0.00	0.00	0.00	0.00	-2,580.22	
353 Community ReDevelopment (D&D)	-34,663.03	0.00	3,655.00	2,222.22	0.00	-36,095.81	
CAPITAL PROJECTS SUB-TOTAL	648,224.18	14,405.95	238,241.38	254,222.22	0.00	678,610.97	
610 Sewer	1,003,219.94	0.00	105,722.25	136,132.25	31,829.43	1,001,800.51	
650 Stormwater Utility	568,693.07	17,427.74	39,423.82	0.00	5,325.00	541,371.99	
670 Recycling	121,069.46	24,422.57	21,212.80	0.00	672.65	123,606.58	
710 Sewer Capital Projects	1,412,511.74	272,061.15	89,730.17	0.00	209,483.99	1,385,358.73	
771 Sewer Reserve	114,238.70	0.00	0.00	0.00	0.00	114,238.70	
781 Sewer Plant Improvement	425,905.75	0.00	0.00	2,083.33	0.00	427,989.08	
791 Sewer Revenue Bonds	563,878.82	0.00	0.00	68,835.08	0.00	632,713.90	
820 Health Insurance	1,047,278.50	118,105.63	80,896.83	0.00	0.00	1,084,487.30	
830 Health Reimbursement Account	101,893.46	0.00	3,154.98	0.00	0.00	98,738.48	
840 Flex/STD	189,683.64	646.14	2,873.49	0.00	0.00	187,456.29	
850 Liability Insurance Reserve--City	11,674.81	20.31	-6,600.00	0.00	0.00	18,295.12	
CITY UTILITY & IS SUB-TOTAL	5,560,047.89	432,683.54	336,414.34	207,050.66	247,311.07	5,616,056.68	
TOTAL CITY FUNDS	23,816,327.62	2,020,004.87	1,990,256.76	706,057.96	706,057.96	23,846,075.73	64%
TOTAL IMU FUNDS	13,814,473.44	2,119,214.09	2,528,030.71	380,264.40	380,264.40	13,405,656.82	36%
GRAND TOTAL CITY & IMU	37,630,801.06	4,139,218.96	4,518,287.47	1,086,322.36	1,086,322.36	37,251,732.55	
Cross Check Total						37,251,732.55	
Investments				Clerk's Balance		37,251,732.55	
Bankers Trust	\$ 21,166,540.64	2.13%					
Bankers Trust IMU Elec Fiber Project	\$ 7,102,028.29	2.11%					
Bankers Trust Debt Reserve - Peoples Bank	\$ 876,288.07	2.11%					
Iowa Public Agency Inv. Trust	\$ 113,295.43	1.96%					
Payroll Account, TruBank	\$ -				Plus Outstanding Checks	670,292.01	
Checking Account, TruBank	\$ 110,013.56	0.15%			Outstanding Deposit	-43,435.02	
Sweep Account, TruBank	\$ 7,313,926.98	2.43%			Plus Outstanding Checks-	84,387.76	
Indianola Hometown Pride, TruBank	\$ 940.11				Telecom Tru Bank Account		
City USDA Funds - TruBank	\$ 75,000.00						
IMU USDA Funds - TruBank	\$ 375,000.00						
IMU Telecom - TruBank	\$ 611,313.62						
Indianola EMS - TruBank	\$ 216,228.63						
Wells Fargo	\$ 2,401.97						
BANK BALANCE	37,962,977.30					37,962,977.30	

600 Water	635,040.79	200,807.46	101,518.85	0.00	87,983.34	646,346.06
620 IMU Administration	25,352.41	12,629.50	74,688.58	0.00	0.00	-36,706.67
625 Revolving Economic Development	110,853.89	216.64	0.00	0.00	0.00	111,070.53
626 USDA RLF	375,000.00	0.00	0.00	0.00	0.00	375,000.00
630 Electric	4,926,656.48	1,292,120.98	1,115,400.19	22,566.67	292,281.06	4,833,662.88
640 Fiber/Communications	574,259.32	237,811.63	216,029.96	0.00	0.00	596,040.99
700 Water Capital Projects	1,465,574.06	0.00	170,678.13	0.00	0.00	1,294,895.93
730 Electric Capital Projects	4,912,261.05	99,297.20	364,854.51	65,416.67	0.00	4,712,120.41
740 Fiber/Comm Capital Projects	-33,954.66	276,303.60	287,037.76	0.00	0.00	-44,688.82
770 Water Reserve	0.00	0.00	0.00	0.00	0.00	0.00
773 Electric Reserve	0.00	0.00	0.00	0.00	0.00	0.00
780 Water Capital Improvement	75,000.00	0.00	0.00	0.00	0.00	75,000.00
783 Electric Improvement	0.00	0.00	0.00	0.00	0.00	0.00
790 Water Revenue Bonds	102,500.00	0.00	0.00	0.00	0.00	102,500.00
793 Electric Revenue Bonds	632,242.17	0.00	197,822.73	292,281.06	0.00	726,700.50
855 Liability Insurance Reserve--IMU	13,687.93	27.08	0.00	0.00	0.00	13,715.01
IMU SUB-TOTAL	13,814,473.44	2,119,214.09	2,528,030.71	380,264.40	380,264.40	13,405,656.82

INTEREST DISTRIBUTION

	INTEREST				
	INCOME	% OF TOTAL	CALYTD	FYTD	
Electric Funds	\$ 22,198.47	32.79%	\$ 175,544.07	\$	98,580.01
Water Funds	\$ 4,441.04	6.56%	\$ 32,109.87	\$	19,864.22
Sewer Funds	\$ 5,964.27	8.81%	\$ 44,572.12	\$	26,843.35
Police Retirement	\$ 128.63	0.19%	\$ 1,017.16	\$	581.99
Community Redevelopment	\$ -	0.00%	\$ -	\$	-
All other	\$ 34,966.44	51.65%	\$ 257,537.95	\$	154,096.83
TOTAL	\$ 67,698.85	100.00%	\$ 510,781.17	\$	299,966.40

IMU Regular Downstairs

5.A.

Meeting Date: 01/28/2019

Information

Subject

Report on Municipal Energy Agency of Nebraska (MEAN) Board of Directors and Management Committee meetings of January 16 and 17, 2019

Information

Fiscal Impact

Attachments

No file(s) attached.

IMU Regular Downstairs

7.A.

Meeting Date: 01/28/2019

Information

Subject

Fiber Marketing Plan Progress

Information

Fiscal Impact

Attachments

No file(s) attached.

IMU Regular Downstairs

8.A.

Meeting Date: 01/28/2019

Information

Subject

Consider approval of the FY 17/18 audit

Information

In your packet is the FY 17/18 audit.

Simple motion is in order.

Fiscal Impact

Attachments

Municipal Utilities Audit

IMU Audit

**CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES**

**Financial Statements
(With Independent Auditor's Report Thereon)**

**Independent Auditor's Report on Compliance and on
Internal Control over Financial Reporting**

Schedule of Findings

June 30, 2018 and 2017



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

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

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CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Officials

June 30, 2018

Indianola Municipal Utilities Board of Trustees
Authority: Indianola Code of Ordinances Section 25.02

		Term Expires	Amount of Bond
Mike Rozga		1/2/2019	300,000
Deb White		1/2/2020	300,000
Jim McClymond		1/2/2021	300,000
Lesley Forbush		1/2/2022	300,000
Adam Voigts	Chairperson	1/2/2023	300,000

Indianola Municipal Utilities Management

Tom Gaffigan	General Manager	300,000
Chris Longer	Finance/HR Director	300,000
Mike Metcalf	Electric Superintendent	300,000
Lou Elbert	Water Superintendent	300,000
Kurt Ripperger	Telecommunications Director	300,000
Dianna Lane	Utility Services Supervisor	300,000
Diana Bowlin	City Clerk	300,000
Douglas Shull	IMU Treasurer	300,000

All other city employees are bonded under the Allied Insurance, "Faithful Performance Blanket Position Bond," in the amount of \$50,000.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Board of Trustees Report

Transmittal Letter

November 26, 2018

To the IMU Board of Trustees and Customers of Indianola Municipal Utilities,

This report consists of the board and management's representations concerning the finances of Indianola Municipal Utilities. Consequently, the board and management assume full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the board and management have established a comprehensive internal control framework that is designed both to protect the utility's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of these financial statements. Because the cost of internal controls should not outweigh their benefits, the utility's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The board and management assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Indianola Municipal Utilities' financial statements have been audited by Shull, Schrum, McClafflin & Co., Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Indianola Municipal Utilities' financial statements for the fiscal year ended June 30, 2018 are fairly presented. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

Profile of the Utility Board of Trustees

The City of Indianola, incorporated in 1864 and the county seat of Warren County, is in the central part of the state approximately 17 miles south of the state capital, Des Moines. Indianola is considered part of the Des Moines MSA, one of the top growth areas in the state. The City of Indianola encompasses an area of approximately nine square miles and a population of 15,108. Indianola Municipal Utilities provides electric, water, and telecommunications services as a discretely reported component unit under the management and control of a board of trustees. The

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Board of Trustees Report - Continued

board operates these three utilities as Indianola Municipal Utilities (IMU). This system of management and control was established by a vote of the electorate and implemented by city ordinance in 1973 as provided in Iowa Code.

Electric and water utility territories are fixed in that any new territory expansions must be negotiated and purchased from incumbent service providers. The telecommunications utility has no fixed territory but currently exists within the Indianola city limits and IMU now the sole telecom service provider.

Utility board. Utility boards are vested with the authorities of the city in relation to these utilities, with the exceptions that the board may not certify taxes to be levied, pass ordinances or amendments, or issue general obligation or special assessment bonds. Real property is held in the name of the city, but the utility board has all the powers and authorities of the city with respect to the acquisition by purchase, condemnation, or otherwise, lease, sale, or other disposition of such property, and the management, control, and operation of the same, subject to provisions of any outstanding obligations which are payable from the revenues of the municipal utility. Separate funds are maintained for each utility. Utility fund balances deemed by the board of trustees to be more than the needs of a utility may be transferred to any other fund. The five trustees are appointed by the mayor and approved by the city council, each serving staggered six-year terms.

Management. The board of trustees appoints a general manager to oversee the day-to-day management of the electric, water, and telecommunications utilities. The general manager appoints the employees of each of these utilities, carries out the policies of the board of trustees, and performs other duties as determined by resolution of the board.

Other officials. A director of finance serves as the chief accounting officer for IMU and submits budget and year-end financial reports required of the utility. There is also an appointed clerk, which serves as the secretary of the board of trustees and as such has custodial duties prescribed in Iowa Code, local ordinances, board resolutions, and by management discretion. An appointed treasurer serves as custodian for all funds.

Budgeting process. The annual budget serves as the foundation for the utilities' financial planning and control. The budget process, in general, is as follows:

- The general manager submits a 5-year capital improvement project budget to the board of trustees for review and adoption.
- Departments submit operating budget requests to the general manager.
- The director of finance compiles the annual budgets for review.
- The board of trustees adopts budgets for the electric, water, and telecommunications utilities. These are compiled with the City of Indianola's governmental services' budgets and that of the sewer utility for presentation to the public in publication form.
- The city council sets and conducts a public hearing on the budget.
- The city council adopts the overall budget and the budget is filed with the county auditor and the State of Iowa no later than March 15 of each year.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Board of Trustees Report - Continued

The State of Iowa limits expenditures to the total amount budgeted by function. Expenditures for individual departments or services may exceed those budgeted if total expenditures by function are not exceeded. Budget amendments are permitted under provisions like the adoption of the original budget. Budget-to-actual comparisons are provided in this report on a cash accounting basis, which is consistent with the city's financial basis of accounting.

Cash management policies and practices. The board of trustees annually reviews and adopts an investment policy outlining the roles and responsibilities in making investments using available cash balances. The clerk and treasurer are jointly responsible for the investment of funds under that policy, with oversight by the board of trustees.

Cash temporarily idle during the year was invested in bank deposits or money market funds, repurchase agreements, and the Iowa Public Agency Investment Trust. These temporary cash deposits were maintained in stable value investments with a June 30, 2018 rate of return of .65%.

The utility invests reserve funds (those not intended to be expended within 365 days) in a portfolio with the assistance of an investment advisement firm. The investment portfolio includes mortgage-backed securities, obligations of the U.S. Treasury or its agencies, and cash held in a public entity money market fund. At fiscal year end, the effective duration of the portfolio was 2.0 years with a current yield of 1.82%. Reported returns may include changes in fair value during the year but do not necessarily represent continuing returns; nor is it always possible to realize changes in fair value, especially in the case of temporary changes for securities the city intends to hold until maturity.

Additional information on the utility's cash management can be found in notes to the financial statements.

Risk management. Indianola Municipal Utilities participates in the Iowa Communities Assurance Pool (ICAP), a local government risk-sharing pool with over 500 members throughout the state of Iowa. The utility makes annual contributions to ICAP recorded as disbursements from its operating funds for automobile, property, casualty, and liability coverage. The utility maintains reserve funds to meet deductibles as they occur. The utility also participates as a member of the Iowa Municipal Workers' Compensation Association (IMWCA) and pays premiums to the association on an annual basis from its operating funds. The utility purchases boiler and machinery insurance from a private carrier. In addition, the utility has an ongoing safety program to monitor its facilities and employees to maintain a safe environment for employees and the public. Additional information on Indianola Municipal Utilities' risk management activity can be found in notes to the financial statements.

Pension and other post-employment benefits. Indianola Municipal Utilities provides pension benefits for its employees. These benefits are provided through a statewide plan managed by the Iowa Public Employees Retirement System. Indianola Municipal Utilities has no obligation in connection with employee benefits offered through this plan beyond its periodic payments based on earned compensation by active employees.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Board of Trustees Report - Continued

IMU also provides post-retirement access to its medical insurance plan until age 65 as required under Iowa Code. Retirees contribute an amount equal to the premium amount charged to city departments and active employees on a pay-as-you-go basis.

IMU provides all full-time employees a high deductible health insurance plan through BlueCross BlueShield with Health Savings Account (HSA). In FY18, the utility made a fixed annual commitment as well as a matching contribution, dollar for dollar, up to a certain amount that employees could use to offset premium contributions or cash payments for any medical expense allowed under IRS Code.

Additional information on the utility's pension arrangements and other post-employment benefits can be found in notes to the financial statements.

Closing

State law and city ordinance require municipal utility boards to provide the city council an annual report with complete financial statements. State law also requires the city to publish within nine months of the close of each fiscal year a complete set of financial statements, including that of municipal utilities as a component unit. State law requires that financial statements must be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to these requirements, we hereby issue this report for Indianola Municipal Utilities for the fiscal year ending June 30, 2018.

Tom Gaffigan
General Manager

Chris Longer
Finance/HR Director

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Operational Review

Utility operations are divided into departments, all of which work toward the common goal of providing superior services to the citizens of Indianola. The following summary provides a brief review of the various departmental activities and accomplishments in FY 2018.

- **Electric Utility.** The Electric Utility provides electricity to the homes and businesses located in the City of Indianola through purchases of electricity from the Joint Action Agency; MEAN [Municipal Electric Agency of Nebraska]. Additionally, IMU has in place local generation to provide electric service during emergencies, or when called upon by MEAN. Items of significant interest that occurred during 2018 include:
 - Turbine #7 Control Replacement Project
 - SCADA [Supervisory Control and Data Acquisition] Upgrade Project Continued
 - Began construction of a new electric line shop at the East Iowa substation
 - Major repair to the electric distribution system following a significant wind event
 - Replacement of High Pressure Sodium [HPS] Street Lights with Light Emitting Diode [LED] Lights
- **Water Utility.** The Water Utility provides reliable water service to Indianola's residential, commercial and industrial customers by pumping water from a series of wells, treating it at our Water Treatment Plant, keeping a sufficient supply in storage to meet daily needs, and distributing the water to its customers. Items of significant interest during this fiscal period include:
 - Water main replacement on W. Iowa & W. Euclid Avenues
 - CO2 Upgrade at Water Treatment Plant
 - SCADA [Supervisory Control and Data Acquisition] Upgrade Project
 - Major Plant and Water Tower Maintenance
 - Major Well Maintenance
 - Gatevalve and Hydrant Replacement
- **Communications Utility.** The Communications Utility started down the road towards becoming a Telecommunications Utility for Indianola Municipal Utilities during this fiscal period. While maintaining its existing working relationship with Mahaska Communications Group [MCG] to provide Cable TV, Internet and Land Line Telephone services to customers, mostly located on the east side of Indianola, IMU accomplished the following:
 - Construction of the Indianola to Norwalk fiber route
 - Construction of the complete fiber distribution system
 - Purchased inside and outside plant equipment and software
 - Purchased Two fiber service truck with spacekaps
 - Purchased fiber splicing trailer
 - Plans and Specifications for the Fiber operations building remodel
 - Completed Staffing Plan

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Operational Review - Continued

- Purchased telecom billing, inventory and financial system

- **Utility Services.** In January 2017, the IMU Board of Trustees and Indianola City Council approved a resolution approving an administrative staff consolidation and restructure due to the expansion of the fiber utility forming the IMU Utility Services Department.
 - Completed staffing plan, including fourth CSR and Utility Services Supervisor
 - Installation of telecom billing system



Shull, Schrum, McClaflin
& Co., Inc.
certified public accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Indianola Municipal Utilities
Indianola, Iowa

Report on the Financial Statements

We have audited the accompanying statement of net position of the Indianola Municipal Utilities, a component unit of the City of Indianola, Iowa, as of June 30, 2018 and 2017 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related Notes to the Financial Statements, which collectively comprise the Utilities' financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards of the United States of America and the standards applicable to financial audits contained in, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' 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 Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indianola Municipal Utilities as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

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

The other information, the Management Discussion and Analysis, the budgetary comparison information, the Schedule of the Utilities' Proportionate Share of the Net Pension Liability and the Schedule of Utilities Contributions on pages 3 through 8, 11 through 17 and 48 through 54 has not been subjected to the auditing procedures applied in the audits 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 January 7, 2019 on our consideration of the Indianola Municipal Utilities' 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Indianola Municipal Utilities' internal control over financial reporting and compliance.

Shull, Schrum, McClellan & Co., Inc.

January 7, 2019

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Management Discussion and Analysis (MD&A)

Indianola Municipal Utilities offers readers of its financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in this report.

2018 Financial Highlights

- Indianola Municipal Utilities has ending cash and investment balances totaling \$13,353,805 to meet the utility's ongoing obligations to citizens, creditors, for capital reinvestment in utility operations, and for emergency repairs.
- The utility annually uses prior years' positive cash flow and balances to reinvest in capital assets, as detailed in the "Long term financial planning" section of this MD&A.
- As reported on the Statement of Cash Flows, total cash and investment balances increased by \$4,290,792.
- Net cash provided by operating activities was \$4,597,645, which increased by \$1,070,076 compared with the prior year.
- At the end of the current fiscal year, unrestricted and undesignated net position totaled \$10,616,273, which decreased by \$642,861 over the prior year.
- The utility's total liabilities increased \$10,675,938 during the current fiscal year. Current liabilities increased by \$1,283,043, primarily from an increase in accounts payable.

Using this Annual Report

The annual report consists of a series of financial statements as well as other requirements as follows:

Management Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Financial Statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. These statements provide information about the activities of the utility as a whole and present an overall view of the utility's finances.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Management Discussion and Analysis (MD&A) - Continued

Basis of accounting. Indianola Municipal Utilities maintains its financial records on the cash basis. The financial statements presented in this report are prepared on the accrual basis after giving effect to all material adjustments to convert from cash basis to the accrual basis. The financial statements present the financial position and changes in financial position of the funds in accordance with U.S. generally accepted accounting principles.

Reporting the Utility's Financial Activities

One of the most important questions asked about the utility's finances is, "Is Indianola Municipal Utilities as a whole better off or worse off as a result of the year's activities?" The Financial Statements reports information which helps answer this question.

Fund Accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Separate funds are maintained for each utility. These funds are classified as business type, or proprietary, funds for reporting purposes.

Financial Statements. The Statement of Net Position presents information on each utility's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity. Over time, increases or decreases in unrestricted and undesignated net position may serve as a useful indicator of whether the financial position of the utility is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position details the financial operating results of the utility during the most recent fiscal year, with a comparison to the prior year.

The Statement of Cash Flows provides the net increase or decrease in cash and investments as a result of operating, capital and related financing, and investment activities.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Management Discussion and Analysis (MD&A) - Continued

Analysis of Financial Activities

This section of the MD&A summarizes the financial data contained in the utility's financial statements. It also provides an analysis of the major activities affecting changes from the previous fiscal year.

Statement of Net Position	Year ended June 30,		
	2018	2017	2016
Assets			
Current	\$ 17,561,123	13,686,582	11,891,072
Restricted	1,301,594	328,559	624,356
Other	-	-	19,166
Capital	49,052,615	42,203,265	43,078,786
Total Assets	<u>67,915,332</u>	<u>56,218,406</u>	<u>55,613,380</u>
 Deferred outflows of resources	 <u>933,538</u>	 <u>805,507</u>	 <u>745,670</u>
 Liabilities			
Current	4,055,680	2,772,637	3,072,936
Long Term	15,708,629	6,315,734	6,964,530
Total Liabilities	<u>19,764,309</u>	<u>9,088,371</u>	<u>10,037,466</u>
 Deferred inflows of resources	 <u>110,924</u>	 <u>41,317</u>	 <u>102,187</u>
 Net Position			
Net Investment in Capital Assets	36,629,937	35,833,317	35,398,928
Restricted	1,228,732	304,998	322,530
Designated	498,695	496,776	496,807
Unrestricted & Undesignated	10,616,273	11,259,134	10,001,132
Total Net Position	<u>\$ 48,973,637</u>	<u>47,894,225</u>	<u>46,219,397</u>

As shown above, total utility net position remained relatively stable, increasing 2.25% or \$1,079,412. Invested Capital Assets increased by \$796,620. The utility also issued \$9,619,362 of indebtedness in FY 2018.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Management Discussion and Analysis (MD&A) - Continued

Analysis of Financial Activities - Continued

Net Income	Year ended June 30,		
	2018	2017	2016
Operating revenues			
Sales of electricity	\$ 14,919,635	13,505,426	12,817,230
Electrical capacity contract fees	542,596	874,849	518,115
Electrical transmission revenue	335,476	623,812	466,736
Sales of water	2,387,754	2,287,252	2,166,691
Fiber communications rental fees	417,451	378,003	324,933
Other	180,151	176,330	183,673
Total operating revenue	<u>18,783,063</u>	<u>17,845,672</u>	<u>16,477,378</u>
Operating expenses			
Electric utility	12,922,995	12,561,154	12,984,787
Water utility	1,565,750	1,528,244	1,462,762
Fiber communications utility	252,296	27,450	49,185
Joint utility	1,827,895	1,709,856	1,668,184
Transfer to city in lieu of property taxes	744,000	734,312	675,592
Total operating expenses	<u>17,312,936</u>	<u>16,561,016</u>	<u>16,840,510</u>
Income (loss) from operations	<u>1,470,127</u>	<u>1,284,656</u>	<u>(363,132)</u>
Nonoperating revenue (expenses)			
Revenue	540,400	375,739	500,724
Expenses	<u>(815,404)</u>	<u>(231,998)</u>	<u>(244,484)</u>
Net Income (Loss)	<u>\$ 1,195,123</u>	<u>1,428,397</u>	<u>(106,892)</u>

Income from operations increased by \$185,471. This was mainly due to increased rates charged to consumers.

Budgetary Highlights

The board of trustees annually adopts a budget for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level (i.e. proprietary) for the city as a whole, not at the fund or fund type level. Notice is given and a public hearing is held on the budget. The budget may be amended during the year utilizing similar statutorily prescribed procedures. None of the amendments made, if any, negatively affect the following year's budget.

Information pertaining to budgetary to actual receipts, disbursements, and changes in balances is provided in the financial statements on a cash basis.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Management Discussion and Analysis (MD&A) - Continued

Capital Asset and Debt Administration

The utility issued \$9,619,362 of additional debt during the fiscal year.

The utility pledges electric rates to be sufficient to pay its pro-rata share of outstanding debt obligations of the Municipal Energy Agency of Nebraska under its wholesale energy contract.

The utility's bond rating remained A2 (Moody's) and A+ (S&P).

	Outstanding Debt at Year ended June 30,		
	2018	2017	2016
Electric utility			
Revenue bonds	\$ 11,520,000	5,558,000	6,258,000
Water utility			
Revenue bonds	-	-	275,000
General Obligation bonds (issued by city)	434,900	481,500	627,300
Communications utility	<u>2,593,890</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,548,790</u>	<u>6,039,500</u>	<u>7,160,300</u>
 Internal loan from Electric utility to Water utility	 <u>\$ 511,912</u>	 <u>766,470</u>	 <u>1,014,749</u>

Economic Factors and Next Year's Budgets and Rates

Local economy. The City of Indianola currently enjoys a favorable economic environment and local indicators point to continued moderate growth. The projection is for Indianola to grow to a population of approximately 15,500, which represents an increase of 5% from the 2010 census. Although a primarily residential community, the varied nature of the educational, light manufacturing, agriculture services, and retail sectors of the local economy provides relative employment stability. Proximity to the Des Moines metro area, the state capital with a combined population of approximately 460,000, provides employment for approximately 60% of the available workforce.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Management Discussion and Analysis (MD&A) - Continued

Economic Factors and Next Year's Budgets and Rates - Continued

The region (which includes the City of Indianola and the surrounding unincorporated area within Warren County) has a moderate growth employment outlook over the next several years. New commercial construction is occurring along the four-lane highway between the City of Indianola and the Des Moines metropolitan area. A four-lane bypass to the south of the Des Moines metro, completed in 2002, provides increased commercial development opportunities for the community as it improved traffic flow from Indianola to the western Des Moines suburbs and the interstate highway system. The utility makes annual financial contributions to the Warren County Economic Development Corporation, a non-related entity to the city, to support economic development in the region. The utility also offers its own revolving loan program to spur economic development.

Long-term financial planning. The utility annually adopts a 5-year capital improvement budget that prioritizes foreseen projects. Those with potential long-term significant impacts to the cash balances and financial operations of the utility are:

- Completion of the new electric line facility at the East Iowa substation to allow for the expansion of the communications department, East Iowa Switchgear Breakers and the replacement of a Digger Derrick and Electric Line Truck.
- The department continues its main replacement schedule with a project identified for each year of the 5-year plan. In addition to major tower and well maintenance projects, the Lime Feed System Controls are due to be upgraded.
- Maintenance of the fiber optic network system, equipment and operations facilities. Ongoing licensing and equipment use fees.

Potential regulatory changes over the next 3-5 years with the most fiscal impact is climate control legislation and renewable energy purchasing requirements. Both could increase wholesale energy purchase costs per kwh. However, the cost of energy adjustment could be imposed to recover unanticipated costs without the need for board action.

The utility has hedged these risks by purchasing some of its wholesale supply from alternative energy sources. New alternative supplies that would be required could be at a much higher price. Regulations could also cause higher average prices for conventional energy. The landfill gas project is structured such that higher daily prices benefit the utility.

Budgets and Rates. Indianola Municipal Utilities increased electric rates 7% on December 1, 2017. This rate increase is expected to fund capital projects and to pay for projected wholesale energy costs. An updated electric rate study will be completed in FY19. Water rates remained stable. Rates for telecommunications services were approved by the Board of Trustees on 6-12-18 and 7-9-18.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Management Discussion and Analysis (MD&A) - Continued

Requests for Information

This financial report is designed to provide a general overview of Indianola Municipal Utilities' finances for all those with an interest in the utility's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Manager of Utilities or to the City Clerk, who serves as the Secretary of the Board of Trustees. Their offices are located at 111 South Buxton St., PO Box 356, Indianola, IA 50125 with a telephone number of 515-961-9444 (General Manager) and 110 N. First St., PO Box 299, Indianola, IA 50125 with a telephone number of 515-961-9410 (Clerk).

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Net Position
June 30, 2018 and 2017

ASSETS	2018 ELECTRIC	2017 ELECTRIC	2018 WATER	2017 WATER
Current assets				
Cash and investments	\$ 9,486,793	6,455,411	2,022,824	1,518,795
Accounts receivable - customers	3,173,466	2,631,992	466,685	468,331
Other accounts receivable	-	2,286	-	-
Accrued interest receivable	31,817	22,481	6,409	5,488
Inventory - fuel oil	625,228	645,960	-	-
Inventory - supplies	1,040,352	1,118,378	38,916	38,046
Receivable from the City of Indianola within one year	-	-	-	19,166
Loan receivable from municipal water utility within one year	260,995	254,558	(260,995)	(254,558)
Total current assets	<u>14,618,651</u>	<u>11,131,066</u>	<u>2,273,839</u>	<u>1,795,268</u>
Restricted assets - cash and investments				
Revenue capital loan notes and bonds bond and interest				
sinking fund	254,409	253,559	102,500	-
Revenue capital loan notes and bonds debt service reserve fund	869,685	-	-	-
Revenue capital loan notes and bonds improvement fund	-	-	75,000	75,000
Total restricted assets	<u>1,124,094</u>	<u>253,559</u>	<u>177,500</u>	<u>75,000</u>
Other assets				
Loan receivable from municipal water utility after one year	250,917	511,912	(250,917)	(511,912)
Total other assets	<u>250,917</u>	<u>511,912</u>	<u>(250,917)</u>	<u>(511,912)</u>
Capital assets				
Land	359,207	359,207	227,441	227,441
Service territory	446,000	446,000	328,412	328,412
Generating units	15,161,374	15,161,374	-	-
Distribution system	33,335,604	30,905,050	-	-
Transmission system	4,332,202	4,277,207	-	-
Buildings and plant	3,096,016	2,159,044	7,860,911	7,681,305
Wells and towers	-	-	4,880,733	4,880,733
Mains, hydrants and meters	-	-	12,253,604	11,897,538
Computer equipment	689,582	492,593	-	-
Equipment	1,447,517	853,418	598,513	598,513
Vehicles	1,280,088	1,523,207	254,045	312,960
	<u>60,147,590</u>	<u>56,177,100</u>	<u>26,403,659</u>	<u>25,926,902</u>
Less accumulated depreciation	26,776,720	27,556,711	12,964,976	12,417,849
Net capital assets	<u>33,370,870</u>	<u>28,620,389</u>	<u>13,438,683</u>	<u>13,509,053</u>
Total assets	<u>49,364,532</u>	<u>40,516,926</u>	<u>15,639,105</u>	<u>14,867,409</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	269,981	215,215	128,103	103,669
OPEB related deferred outflows	41,926	-	13,975	-
Deferred outflows on advanced refunding of debt	377,120	432,308	-	-
Total deferred outflows	<u>689,027</u>	<u>647,523</u>	<u>142,078</u>	<u>103,669</u>

2018 FIBER	2017 FIBER	2018 JOINT UTILITY	2017 JOINT UTILITY	2018 TOTAL	2017 TOTAL
43,500	263,472	499,094	496,776	12,052,211	8,734,454
-	-	-	-	3,640,151	3,100,323
-	-	-	-	-	2,286
956	-	-	-	39,182	27,969
-	-	-	-	625,228	645,960
125,083	-	-	-	1,204,351	1,156,424
-	-	-	-	-	19,166
-	-	-	-	-	-
169,539	263,472	499,094	496,776	17,561,123	13,686,582
-	-	-	-	-	-
-	-	-	-	356,909	253,559
-	-	-	-	869,685	-
-	-	-	-	75,000	75,000
-	-	-	-	1,301,594	328,559
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	586,648	586,648
-	-	-	-	774,412	774,412
-	-	-	-	15,161,374	15,161,374
396,783	-	-	-	33,732,387	30,905,050
-	-	-	-	4,332,202	4,277,207
631,135	91,948	-	-	11,588,062	9,932,297
-	-	-	-	4,880,733	4,880,733
-	-	-	-	12,253,604	11,897,538
-	-	-	-	689,582	492,593
1,928,699	788,353	-	-	3,974,729	2,240,284
103,844	19,409	-	-	1,637,977	1,855,576
3,060,461	899,710	-	-	89,611,710	83,003,712
817,399	825,887	-	-	40,559,095	40,800,447
2,243,062	73,823	-	-	49,052,615	42,203,265
-	-	-	-	-	-
2,412,601	337,295	499,094	496,776	67,915,332	56,218,406
-	-	-	-	-	-
21,871	7,409	54,941	46,906	474,896	373,199
9,317	-	16,304	-	81,522	-
-	-	-	-	377,120	432,308
31,188	7,409	71,245	46,906	933,538	805,507

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Net Position - Continued
June 30, 2018 and 2017

LIABILITIES	2018 ELECTRIC	2017 ELECTRIC	2018 WATER	2017 WATER
Current liabilities				
Accounts payable	\$ 2,600,877	1,682,379	51,571	32,641
Wages and benefits payable	101,599	94,379	58,866	45,939
Sales tax payable	1,743	354	84	96
Deferred rental fees	-	-	-	-
Accrued interest payable	-	-	558	816
General obligation bonds payable within one year	-	-	147,300	146,600
Total current liabilities	<u>2,704,219</u>	<u>1,777,112</u>	<u>258,379</u>	<u>226,092</u>
Current liabilities payable from restricted assets				
Accrued interest payable	64,628	23,561	-	-
Revenue capital loan notes and bonds payable within one year	737,000	718,000	-	-
Current liabilities payable from restricted assets	<u>801,628</u>	<u>741,561</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities				
Net pension liability	711,356	632,299	307,294	271,867
OPEB liability	228,086	176,837	76,029	58,946
General obligation bonds payable after one year (net of unamortized discount of \$0 (2017 - \$3,714))	-	-	287,600	331,186
Revenue capital loan notes payable after one year (net of unamortized premium of \$332,986 (2017 - \$0))	11,115,986	4,840,000	-	-
Total noncurrent liabilities	<u>12,055,428</u>	<u>5,649,136</u>	<u>670,923</u>	<u>661,999</u>
Total liabilities	<u>15,561,275</u>	<u>8,167,809</u>	<u>929,302</u>	<u>888,091</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Pension related deferred inflows	63,954	24,127	26,520	7,226
OPEB related deferred inflows	5,772	-	1,924	-
Total deferred inflows	<u>69,726</u>	<u>24,127</u>	<u>28,444</u>	<u>7,226</u>
NET POSITION				
Net investment in capital assets	21,895,004	23,494,697	12,491,871	12,264,797
Restricted for debt service	1,059,466	229,998	102,500	-
Restricted for plant improvement	-	-	75,000	75,000
Unrestricted				
Designated for payment of insurance coverage deductibles	-	-	-	-
Designated for economic development revolving loan fund	11,468,088	9,247,818	2,154,066	1,735,964
Undesignated	11,468,088	9,247,818	2,154,066	1,735,964
Total unrestricted	<u>11,468,088</u>	<u>9,247,818</u>	<u>2,154,066</u>	<u>1,735,964</u>
Total net position	<u>\$ 34,422,558</u>	<u>32,972,513</u>	<u>14,823,437</u>	<u>14,075,761</u>

See accompanying notes to financial statements.

2018 FIBER	2017 FIBER	2018 JOINT UTILITY	2017 JOINT UTILITY	2018 TOTAL	2017 TOTAL
215,173	8,844	7,275	1,810	2,874,896	1,725,674
22,611	913	33,600	11,042	216,676	152,273
-	-	-	-	1,827	450
4,561	5,263	-	-	4,561	5,263
-	-	-	-	558	816
-	-	-	-	147,300	146,600
<u>242,345</u>	<u>15,020</u>	<u>40,875</u>	<u>12,852</u>	<u>3,245,818</u>	<u>2,031,076</u>
8,234	-	-	-	72,862	23,561
-	-	-	-	737,000	718,000
<u>8,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>809,862</u>	<u>741,561</u>
13,124	8,347	235,879	232,035	1,267,653	1,144,548
50,686	39,297	88,699	68,770	443,500	343,850
-	-	-	-	287,600	331,186
<u>2,593,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,709,876</u>	<u>4,840,000</u>
<u>2,657,700</u>	<u>47,644</u>	<u>324,578</u>	<u>300,805</u>	<u>15,708,629</u>	<u>6,659,584</u>
<u>2,908,279</u>	<u>62,664</u>	<u>365,453</u>	<u>313,657</u>	<u>19,764,309</u>	<u>9,432,221</u>
3,541	289	5,685	9,675	99,700	41,317
1,283	-	2,245	-	11,224	-
<u>4,824</u>	<u>289</u>	<u>7,930</u>	<u>9,675</u>	<u>110,924</u>	<u>41,317</u>
2,243,062	73,823	-	-	36,629,937	35,833,317
(8,234)	-	-	-	1,153,732	229,998
-	-	-	-	75,000	75,000
-	-	13,595	13,374	13,595	13,374
-	-	485,100	483,402	485,100	483,402
<u>(2,704,142)</u>	<u>207,928</u>	<u>(301,739)</u>	<u>(276,426)</u>	<u>10,616,273</u>	<u>10,915,284</u>
<u>(2,704,142)</u>	<u>207,928</u>	<u>196,956</u>	<u>220,350</u>	<u>11,114,968</u>	<u>11,412,060</u>
<u>(469,314)</u>	<u>281,751</u>	<u>196,956</u>	<u>220,350</u>	<u>48,973,637</u>	<u>47,550,375</u>

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	2018 ELECTRIC	2017 ELECTRIC	2018 WATER	2017 WATER
Operating revenues				
Utility service sales	\$ 14,919,635	13,505,426	2,387,754	2,287,252
Capacity contract fees	542,596	874,849	-	-
Peaking power charges	39,015	46,829	-	-
Service installation fees	31,063	50,406	-	-
Fiber communication rental fees	-	-	-	-
Fiber lease fees	245,000	217,581	-	-
Transmission revenue	335,476	623,812	-	-
Other	36,018	29,846	52,766	41,839
Total operating revenues	<u>16,148,803</u>	<u>15,348,749</u>	<u>2,440,520</u>	<u>2,329,091</u>
Operating expenses				
Plant operation	198,529	185,703	671,454	596,950
Plant maintenance	248,817	211,498	26,113	20,601
Purchased energy	9,803,641	9,544,895	-	-
Depreciation	1,429,722	1,354,044	612,537	603,403
Distribution operation	151,426	146,886	-	-
Distribution maintenance	1,046,801	1,006,596	224,048	270,611
Transmission operation and maintenance	13,477	75,009	-	-
Meter reading	30,582	36,523	31,598	36,679
Administrative and general	1,838,893	1,867,322	400,161	420,361
Total operating expenses	<u>14,761,888</u>	<u>14,428,476</u>	<u>1,965,911</u>	<u>1,948,605</u>
Income (loss) from operations	<u>1,386,915</u>	<u>920,273</u>	<u>474,609</u>	<u>380,486</u>
Nonoperating revenues (expenses)				
Interest on investments	180,868	91,771	32,788	21,759
Interest on loan to municipal water utility	16,242	22,521	(16,242)	(22,521)
Connect charges and service fees	34,774	35,905	21,864	25,311
Gain on sale or transfer of capital assets	5,533	1,772	-	-
Revenue capital loan note issuance costs	(88,838)	-	-	-
Other revenues	184,056	123,887	72,088	70,080
Interest expense	(324,319)	(214,436)	(10,756)	(17,562)
	<u>8,316</u>	<u>61,420</u>	<u>99,742</u>	<u>77,067</u>
Net income (loss)	1,395,231	981,693	574,351	457,553
Capital contributions from developers and customers	54,814	111,700	173,325	134,731
Change in net position	1,450,045	1,093,393	747,676	592,284
Net position, beginning of year, as restated	<u>32,972,513</u>	<u>32,055,957</u>	<u>14,075,761</u>	<u>13,542,423</u>
Cumulative effect of change in accounting for OPEB	-	(176,837)	-	(58,946)
Net position, end of year, as restated	<u>\$ 34,422,558</u>	<u>32,972,513</u>	<u>14,823,437</u>	<u>14,075,761</u>

See accompanying notes to financial statements.

2018 FIBER	2017 FIBER	2018 JOINT UTILITY	2017 JOINT UTILITY	2018 TOTAL	2017 TOTAL
-	-	-	-	17,307,389	15,792,678
-	-	-	-	542,596	874,849
-	-	-	-	39,015	46,829
-	-	-	-	31,063	50,406
417,451	378,003	-	-	417,451	378,003
(245,000)	(217,581)	-	-	-	-
-	-	-	-	335,476	623,812
20,915	7,410	374	-	110,073	79,095
193,366	167,832	374	-	18,783,063	17,845,672
-	-	-	-	869,983	782,653
-	-	-	-	274,930	232,099
-	-	-	-	9,803,641	9,544,895
10,921	5,348	-	-	2,053,180	1,962,795
241,375	22,102	-	-	392,801	168,988
-	-	-	-	1,270,849	1,277,207
-	-	-	-	13,477	75,009
-	-	-	-	62,180	73,202
307,153	150,875	25,688	5,610	2,571,895	2,444,168
559,449	178,325	25,688	5,610	17,312,936	16,561,016
(366,083)	(10,493)	(25,314)	(5,610)	1,470,127	1,284,656
3,659	3,598	1,920	1,656	219,235	118,784
-	-	-	-	-	-
-	-	-	-	56,638	61,216
-	-	-	-	5,533	1,772
(289,555)	-	-	-	(378,393)	-
2,850	-	-	-	258,994	193,967
(101,936)	-	-	-	(437,011)	(231,998)
(384,982)	3,598	1,920	1,656	(275,004)	143,741
(751,065)	(6,895)	(23,394)	(3,954)	1,195,123	1,428,397
-	-	-	-	228,139	246,431
(751,065)	(6,895)	(23,394)	(3,954)	1,423,262	1,674,828
281,751	327,943	220,350	293,074	47,550,375	46,219,397
-	(39,297)	-	(68,770)	-	(343,850)
(469,314)	281,751	196,956	220,350	48,973,637	47,550,375

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Cash Flows
Years Ended June 30, 2018 and 2017

	2018 ELECTRIC	2017 ELECTRIC	2018 WATER	2017 WATER
Cash flows from operating activities				
Cash received from customers	\$ 15,470,480	15,199,804	2,419,330	2,261,692
Cash paid to suppliers	(10,484,247)	(11,319,026)	(528,980)	(613,770)
Cash paid to employees	(1,436,978)	(1,485,151)	(685,565)	(685,587)
Accounting and collections - transfer to IMU Joint Utility	(166,728)	(64,909)	(49,699)	(18,544)
Nonoperating revenues received	218,830	159,792	93,952	95,391
Net cash provided (used) by operating activities	<u>3,601,357</u>	<u>2,490,510</u>	<u>1,249,038</u>	<u>1,039,182</u>
Cash flows from capital and related financing activities				
Purchases and construction of capital assets	(6,125,389)	(652,804)	(371,357)	(190,270)
Proceeds from sale of capital assets	5,533	1,772	-	-
Water main connection fees received	-	-	2,515	2,231
Revenue capital loan notes issued	7,025,472	-	-	-
Payment of revenue refunding capital loan note issuance costs	(88,838)	-	-	-
General obligation bond principal paid	-	-	(46,600)	(145,800)
General obligation bond interest paid	-	-	(7,300)	(12,300)
Revenue capital loan notes and bonds principal paid	(718,000)	(700,000)	-	(275,000)
Revenue capital loan notes and bonds interest paid	(240,550)	(162,215)	-	(1,788)
Net cash used by capital and related financing activities	<u>(141,772)</u>	<u>(1,513,247)</u>	<u>(422,742)</u>	<u>(622,927)</u>
Cash flows from investing activities				
Interfund loan principal received	254,558	248,279	(254,558)	(248,279)
Interfund interest income received	16,242	22,521	(16,242)	(22,521)
Principal payment received from the City of Indianola	-	-	19,166	18,367
Promissory note principal received	-	-	-	-
Interest income received	171,532	90,369	31,867	22,412
Net cash provided (used) by investing activities	<u>442,332</u>	<u>361,169</u>	<u>(219,767)</u>	<u>(230,021)</u>
Net increase (decrease) in cash and investments	3,901,917	1,338,432	606,529	186,234
Cash and investments, beginning of year	<u>6,708,970</u>	<u>5,370,538</u>	<u>1,593,795</u>	<u>1,407,561</u>
Cash and investments, end of year	<u>\$ 10,610,887</u>	<u>6,708,970</u>	<u>2,200,324</u>	<u>1,593,795</u>
Cash and investments on the statement of net position:				
Current assets cash and investments	\$ 9,486,793	6,455,411	2,022,824	1,518,795
Restricted assets cash and investments	1,124,094	253,559	177,500	75,000
	<u>\$ 10,610,887</u>	<u>6,708,970</u>	<u>2,200,324</u>	<u>1,593,795</u>

2018 FIBER	2017 FIBER	2018 JOINT UTILITY	2017 JOINT UTILITY	2018 TOTAL	2017 TOTAL
192,664	167,130	374	-	18,082,848	17,628,626
(103,387)	(84,962)	1,466	(24,562)	(11,115,148)	(12,042,320)
(234,727)	(73,332)	(328,417)	(69,850)	(2,685,687)	(2,313,920)
(110,548)	(9,272)	326,975	92,725	-	-
2,850	-	-	-	315,632	255,183
(253,148)	(436)	398	(1,687)	4,597,645	3,527,569
(2,180,160)	-	-	-	(8,676,906)	(843,074)
-	-	-	-	5,533	1,772
-	-	-	-	2,515	2,231
2,593,890	-	-	-	9,619,362	-
(289,555)	-	-	-	(378,393)	-
-	-	-	-	(46,600)	(145,800)
-	-	-	-	(7,300)	(12,300)
-	-	-	-	(718,000)	(975,000)
(93,702)	-	-	-	(334,252)	(164,003)
30,473	-	-	-	(534,041)	(2,136,174)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	19,166	18,367
-	-	-	75,000	-	75,000
2,703	3,598	1,920	1,656	208,022	118,035
2,703	3,598	1,920	76,656	227,188	211,402
(219,972)	3,162	2,318	74,969	4,290,792	1,602,797
263,472	260,310	496,776	421,807	9,063,013	7,460,216
43,500	263,472	499,094	496,776	13,353,805	9,063,013
43,500	263,472	499,094	496,776	12,052,211	8,734,454
-	-	-	-	1,301,594	328,559
43,500	263,472	499,094	496,776	13,353,805	9,063,013

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Cash Flows - Continued
Years Ended June 30, 2018 and 2017

	2018 ELECTRIC	2017 ELECTRIC	2018 WATER	2017 WATER
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Income (loss) from operations	\$ 1,386,915	920,273	474,609	380,486
Adjustments				
Nonoperating revenues	218,830	159,792	93,952	95,391
Depreciation	1,429,722	1,354,044	612,537	603,403
(Increase) decrease in accounts receivable	(539,188)	(80,729)	1,646	(40,059)
(Increase) decrease in inventories	98,758	152,421	(870)	(2,001)
Increase in pension related deferred outflows	(54,766)	(75,810)	(24,434)	(34,898)
Increase in OPEB deferred outflows	(41,926)	-	(13,975)	-
Increase (decrease) in net pension liability	79,057	109,942	35,427	64,386
Increase (decrease) in OPEB liability	51,249	-	17,083	-
Increase (decrease) in pension related deferred inflows	39,827	(33,101)	19,294	(15,505)
Increase (decrease) in OPEB deferred inflows	5,772	-	1,924	-
(Increase) decrease in deferred rental fees	-	-	-	-
Increase (decrease) in accounts, wages and benefits, and sales tax payable	927,107	(16,322)	31,845	(12,021)
Net cash provided (used) by operating activities	<u>\$ 3,601,357</u>	<u>2,490,510</u>	<u>1,249,038</u>	<u>1,039,182</u>
Noncash capital and related financing activities				
Developer contributions of utility plant and equipment	\$ 54,814	111,700	170,810	97,418

See accompanying notes to financial statements.

2018 FIBER	2017 FIBER	2018 JOINT UTILITY	2017 JOINT UTILITY	2018 TOTAL	2017 TOTAL
(366,083)	(10,493)	(25,314)	(5,610)	1,470,127	1,284,656
2,850	-	-	-	315,632	255,183
10,921	5,348	-	-	2,053,180	1,962,795
-	-	-	-	(537,542)	(120,788)
(125,083)	-	-	-	(27,195)	150,420
(14,462)	(5,501)	(8,035)	1,184	(101,697)	(115,025)
(9,317)	-	(16,304)	-	(81,522)	-
4,777	1,604	3,844	35,891	123,105	211,823
11,389	-	19,929	-	99,650	-
3,252	(449)	(3,990)	(11,815)	58,383	(60,870)
1,283	-	2,245	-	11,224	-
(702)	(702)	-	-	(702)	(702)
<u>228,027</u>	<u>9,757</u>	<u>28,023</u>	<u>(21,337)</u>	<u>1,215,002</u>	<u>(39,923)</u>
<u>(253,148)</u>	<u>(436)</u>	<u>398</u>	<u>(1,687)</u>	<u>4,597,645</u>	<u>3,527,569</u>
-	-	-	-	225,624	209,118

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements
June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The Indianola Municipal Utilities is a component unit of the City of Indianola, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Utilities are governed by a five member board appointed by the City Council, which exercises oversight responsibility under this criteria.
- B. Basis of Presentation - The accompanying financial statements present the financial position, changes in financial position and cash flows of the Indianola Municipal Utilities of the City of Indianola, Iowa. These financial statements are not intended to present the financial position of the City of Indianola, Iowa, and the changes in its financial position and cash flows of its proprietary fund types.

The Statement of Net Position presents the Utilities' assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

- C. Basis of Accounting - The accounting records of the Utilities are maintained on a cash basis. The accompanying financial statements have been prepared, after giving effect to all material adjustments including amounts due from utility customers and due to suppliers of goods and services, to reflect the account balances and results of operations on the accrual basis.

The Utilities report their financial activity in accordance with all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) pronouncements unless those pronouncements conflict with or contradict GASB pronouncements.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position - The following accounting policies are followed in preparing the Statement of Net Position:

Cash and Investments and Interest Income - Cash balances available from each of the funds of the City of Indianola, Iowa and the Indianola Municipal Utilities are pooled for investment and cash management purposes. Investments purchased by the pool are stated at cost or amortized cost. Interest earned on pooled investments is allocated monthly on the basis of the funds' ending cash and investment balances. Because the cash of Indianola Municipal Utilities is deposited with or withdrawn from the cash and investment pool without restriction the allocated share of the pool has been treated as a cash equivalent in the accompanying statement of cash flows.

Accounts Receivable – Customers – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Inventories - Inventories, which consist of fuel oil and supplies, are stated at the lower of cost (first-in, first-out basis) or net realizable value.

Restricted Assets - Funds set aside for payment of Enterprise Fund revenue bonds are classified as restricted assets since their use is restricted by applicable bond indentures.

Capital Assets - Capital assets which include property, plant, and equipment, stated at original cost. Depreciation expense is computed using the straight-line method and estimated useful lives as follows:

Electric utility	
Power plant building	50 years
Generating units	25 years
Transmission and distribution systems	40 years
Vehicles	10 years
Computer equipment	5 years
Water utility	
Buildings and plant	40 years
Wells and towers	30-50 years
Mains and hydrants	50 years
Meters	20 years
Machinery and equipment	15 years
Vehicles	10 years

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position- Continued

Capital Assets - Continued

Fiber communications utility	
Buildings and plant	40 years
Distribution and connection systems	10 years
Machinery and equipment	10-20 years
Vehicles	10 years

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the employer after the measurement date but before the end of the employer's reporting period and outflows from debt defeasance.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the City of Indianola, Iowa's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments and the unamortized effect of charges of assumptions for the OPEB plan.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

2. LOAN RECEIVABLE FROM MUNICIPAL WATER UTILITY

The Board of Trustees have approved the following loans to the Municipal Water Utility: in September 1992 for the amount of \$500,000; in January 1994 for the amount of \$1,000,000; in September 1994 for the amount of \$1,000,000; in December 1995 for the amount of \$500,000; in July 1996 for the amount of \$2,000,000; in December 1997 for the amount of \$500,000; and in June 1999 for the amount of \$200,000. In August 1999 the Trustees elected to defer interest payments for one year and continue to make regular principal payments on the loans. In August 2000 the Trustees restructured all of the loans and the deferred interest into one loan of \$4,826,779 payable in monthly installments of \$33,300, including interest at 5% per annum. In May 2003 the Trustees restructured the loan to be payable in monthly installments of \$31,100, including interest at 4% per annum, through February 2019. In November 2003 the Trustees restructured the loan again to be payable in monthly installments of \$22,568, including interest at 2.5% per annum, through October 2023.

In July 2005 the Trustees restructured the loan again to be payable in monthly installments of \$22,568, including interest at 3.5% per annum, through February 2026. In February 2013 the Trustees restructured the loan again to be payable in monthly installments of \$22,568, including interest at 2.5% per annum, through March 2023. In June 2014 and June 2015 principal prepayments of \$340,000 and \$320,000, respectively, were made on the loan.

Aggregate maturities of loan principal to reflect the restructured loan as of June 30, 2018 were as follows:

Year ending June 30,	
2019	\$ 260,995
2020	250,917
	<u>\$ 511,912</u>

3. ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE

For the years ended June 30, 2018 and 2017, the accumulated depreciation and depreciation expense were as follows:

	Electric Accumulated Depreciation 2018	Water Accumulated Depreciation 2018	Fiber Accumulated Depreciation 2018	Total Accumulated Depreciation 2018	Electric Depreciation Expense 2018	Water Accumulated Depreciation 2018	Fiber Depreciation Expense 2018	Total Depreciation Expense 2018
Service territory	\$ 273,725	146,586	-	420,311	22,300	10,947	-	33,247
Generating units	12,760,118	-	-	12,760,118	362,936	-	-	362,936
Distribution system	9,933,112	-	153,989	10,087,101	778,422	-	813	779,235
Transmission system	520,652	-	-	520,652	107,616	-	-	107,616
Buildings and plant	1,074,235	4,086,237	21,237	5,181,709	34,131	177,911	2,299	214,341
Wells and towers	-	2,526,288	-	2,526,288	-	134,246	-	134,246
Mains, hydrants and meters	-	5,493,981	-	5,493,981	-	257,536	-	257,536
Computer equipment	450,255	-	-	450,255	37,424	-	-	37,424
Equipment	780,256	565,217	636,980	1,982,453	9,450	6,797	2,616	18,863
Vehicles	984,367	146,667	5,193	1,136,227	77,443	25,080	5,193	107,716
	<u>\$ 26,776,720</u>	<u>12,964,976</u>	<u>817,399</u>	<u>40,559,095</u>	<u>1,429,722</u>	<u>612,537</u>	<u>10,921</u>	<u>2,053,180</u>

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

3. ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - Continued

	Electric Accumulated Depreciation 2017	Water Accumulated Depreciation 2017	Fiber Accumulated Depreciation 2017	Total Accumulated Depreciation 2017	Electric Depreciation Expense 2017	Water Depreciation Expense 2017	Fiber Depreciation Expense 2017	Total Depreciation Expense 2017
Service territory	\$ 251,425	135,639	-	387,064	22,300	10,947	-	33,247
Generating units	12,397,182	-	-	12,397,182	364,852	-	-	364,852
Distribution system	11,121,284	-	-	11,121,284	718,981	-	-	718,981
Transmission system	413,036	-	-	413,036	108,373	-	-	108,373
Buildings and plant	1,040,104	3,908,326	18,938	4,967,368	33,748	175,667	2,299	211,714
Wells and towers	-	2,392,042	-	2,392,042	-	135,107	-	135,107
Mains, hydrants and meters	-	5,236,425	-	5,236,425	-	251,990	-	251,990
Computer equipment	412,831	-	-	412,831	9,944	-	-	9,944
Equipment	770,806	558,420	787,540	2,116,766	20,684	6,796	3,049	30,529
Vehicles	1,150,043	186,997	19,409	1,356,449	75,162	22,896	-	98,058
	<u>\$ 27,556,711</u>	<u>12,417,849</u>	<u>825,887</u>	<u>40,800,447</u>	<u>1,354,044</u>	<u>603,403</u>	<u>5,348</u>	<u>1,962,795</u>

4. LONG-TERM LIABILITIES

A summary of the changes in notes and bonds payable for the years ended June 30, 2018 and 2017 is as follows:

	Revenue Refunding Bonds	Revenue Capital Loan Notes	General Obligation Bonds	Total
Balance July 1, 2016	\$ 275,265	6,258,000	619,340	7,152,605
Amortization of bond discount (premium)	(265)	-	4,246	3,981
Redeemed during fiscal 2017	(275,000)	(700,000)	(145,800)	(1,120,800)
Balance June 30, 2017	-	5,558,000	477,786	6,035,786
Amortization of bond discount (premium)	-	(12,486)	3,714	(8,772)
Issued during fiscal 2018	-	9,619,362	-	9,619,362
Redeemed during fiscal 2018	-	(718,000)	(46,600)	(764,600)
Balance June 30, 2018	<u>\$ -</u>	<u>14,446,876</u>	<u>434,900</u>	<u>14,881,776</u>

REVENUE CAPITAL LOAN NOTES AND BONDS PAYABLE

The Utilities have pledged future electric customer receipts, net of specified operating disbursements, to repay \$7,241,000 of Electric Revenue Refunding Capital Loan Notes issued in March 2015. Proceeds from the notes refunded \$6,490,000 of Electric Revenue Capital Loan Notes issued in June 2010 and \$1,470,000 of Electric Revenue Bonds issued in December 2011.

The notes are payable solely from electric customer net receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require less than 35% of net revenues. The total principal and interest remaining to be paid on the notes is \$5,156,757. For the current year, principal and interest paid and total customer net revenues (operating income plus depreciation/amortization expense) were \$861,952 and \$2,831,732, respectively.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

4. LONG-TERM LIABILITIES – Continued

REVENUE CAPITAL LOAN NOTES AND BONDS PAYABLE – Continued

The Utilities have pledged future fiber communications customer receipts, net of specified operating disbursements, to repay \$6,287,000 of Communications Utility Revenue Capital Loan Notes issued in August 2017. Proceeds from the notes provided financing for improvements and extensions to the Municipal Communications Utility. The notes are payable solely from fiber communications customer net receipts and are payable through 2032. Annual principal and interest payments on the notes are expected to require less than 100% of net revenues. The total principal and interest remaining to be paid on the notes is \$8,651,840. For the current year, principal and interest paid and total customer net revenues (operating income plus depreciation/amortization expense) were \$0 and \$(351,807), respectively.

The Utilities have pledged future fiber communications customer receipts, net of specified operating disbursements, to repay \$3,000,000 of Taxable Communications Utility Revenue Capital Loan Notes issued in August 2017. Proceeds from the notes provided financing for improvements and extensions to the Municipal Communications Utility. The notes are payable solely from fiber communications customer net receipts and are payable through 2032. Annual principal and interest payments on the notes are expected to require less than 100% of net revenues. The total principal and interest remaining to be paid on the notes is \$4,390,700. For the current year, principal and interest paid and total customer net revenues (operating income plus depreciation/amortization expense) were \$0 and \$(351,807), respectively.

The Utilities have pledged future electric customer receipts, net of specified operating disbursements, to repay \$6,680,000 of Electric Revenue Capital Loan Notes issued in September 2018. Proceeds from the notes provided financing for improvements and extensions to the Municipal Electric Utility. The notes are payable solely from electric customer net receipts and are payable through 2037. Annual principal and interest payments on the notes are expected to require less than 10% of net revenues. The total principal and interest remaining to be paid on the notes is \$10,294,958. For the current year, principal and interest paid and total customer net revenues (operating income plus depreciation/amortization expense) were \$171,598 and \$2,831,732, respectively.

The resolution providing for the issuance of the revenue capital loan notes include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate electric and fiber revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

4. LONG-TERM LIABILITIES - Continued

REVENUE CAPITAL LOAN NOTES AND BONDS PAYABLE – Continued

- c. Additional monthly transfers shall be made to an electric reserve account within the Enterprise Funds until a specific minimum balance have been accumulated in the account. This account is restricted for the purpose of paying principal at maturity of or interest on the Notes for the payment of which insufficient money shall be available in the sinking fund.
- d. All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to retire any subordinate obligations, to pay for extraordinary repairs or replacements to the electric system, or to pay or redeem any notes or bonds, and then can be used for any lawful purpose.

Details of revenue capital loan notes at June 30, 2018 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2018
Electric revenue refunding capital loan notes, Series 2015	Mar 26, 2015	2.60%	May 1, 2025	\$120,000 - 838,000	7,241,000	4,840,000
Communications revenue capital loan notes, Series 2017	Aug 10, 2017	4.00%	Jun 1, 2032	70,000 - 699,000	6,287,000	1,996,586
Communications revenue capital loan notes, Series 2017	Aug 10, 2017	5.00%	Jun 1, 2032	25,000 - 334,000	3,000,000	597,304
Electric revenue capital loan notes, Series 2017	Sep 13, 2017	4.00 - 5.00%	May 1, 2032	335,000 - 645,000	6,680,000	<u>6,680,000</u>
						<u>14,113,890</u>

Revenue capital loan note and bond debt service requirements are as follows as of June 30, 2018:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 737,000	506,119	1,243,119
2020	851,000	486,956	1,337,956
2021	991,000	463,251	1,454,251
2022	1,199,000	433,725	1,632,725
2023	1,518,000	394,879	1,912,879
2024-2028	3,792,890	1,353,063	5,145,953
2029-2033	2,580,000	807,200	3,387,200
2034-2037	2,445,000	249,200	2,694,200
	<u>\$ 14,113,890</u>	<u>4,694,393</u>	<u>18,808,283</u>

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

4. LONG-TERM LIABILITIES - Continued

GENERAL OBLIGATION BONDS PAYABLE

In January 2011 the City issued \$3,915,000 of General Obligation Refunding Bonds for a crossover refunding of a portion of the General Obligation Bonds dated October 2003. Although the bonds are a general obligation of the City and the City has authority to levy property taxes to pay the bonds and related interest, as payments come due, it is the intention of the City Council that the payments of \$735,000 of bond principal and related interest be financed by the operations of the Municipal Water Utility.

Accordingly, that portion of the bonds is reported as a liability and the interest payments are reported as an expense of the Utilities in these financial statements. Municipal Water Utility principal payments are due on the notes in the amounts of \$100,000 to \$115,000 from June 1, 2012 through June 1, 2018. Interest on the notes at rates of 1.0% to 2.0% per annum is due semiannually beginning December 1, 2011.

In May 2012 the City issued \$3,875,000 of General Obligation Bonds, a portion of which was used to finance water main improvements. Although the bonds are a general obligation of the City and the City has authority to levy property taxes to pay the bonds and related interest, as payments come due, it is the intention of the City Council that the payments of \$572,700 of bond principal and related interest be financed by the operations of the Municipal Water Utility. Accordingly, that portion of the bonds is reported as a liability and the interest payments are reported as an expense of the Utilities in these financial statements. Municipal Water Utility principal payments are due on the notes in the amounts of \$11,000 to \$52,500 from June 1, 2013 through June 1, 2025. Interest on the notes at rates of .5% to 2.4% per annum is due semiannually beginning December 1, 2012.

Details of general obligation bonds at June 30, 2018 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2018</u>
General obligation refunding bonds	Jan 13, 2011	2.00 - 2.50%	Jun 1, 2018	\$100,000 - 110,000	735,000	100,000
General obligation bonds	May 1, 2012	1.13 - 2.40%	Jun 1, 2025	37,000 - 52,500	572,700	334,900
						<u>434,900</u>

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

4. LONG-TERM LIABILITIES - Continued

GENERAL OBLIGATION BONDS PAYABLE - Continued

The Municipal Water Utility portion of general obligation bond debt service requirements are as follows as of June 30, 2018:

Year ending June 30,	Principal	Interest	Total
2018	\$ 147,300	6,700	154,000
2019	48,000	6,000	54,000
2020	48,800	5,200	54,000
2021	50,300	4,300	54,600
2022	51,000	3,200	54,200
2023-2025	89,500	3,000	92,500
	\$ 434,900	28,400	463,300

5. COMPENSATED ABSENCES

Indianola Municipal Utilities employees accumulate vacation hours, compensating time off and sick leave for subsequent use. Unused vacation hours and compensating time off are payable upon termination, retirement or death. These amounts are included in wages and benefits payable as of June 30, 2018 and 2017. Accrued sick leave benefits as of June 30, 2018 of approximately \$351,477 (2017 - \$241,683) are payable only when used and have not been accrued.

6. PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Utilities, except for those covered by another retirement system. Employees of the Utilities are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

6. PENSION PLAN - Continued

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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-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 that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

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

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

Contributions - 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 that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

6. PENSION PLAN - Continued

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Utility contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Utilities' contributions to IPERS for the year ended June 30, 2018 totaled \$164,801.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the Utilities reported a liability of \$1,267,653 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the net pension liability was based on the Utilities' share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the Utilities' proportion was .0190302%, which was an increase of .0008435% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Utilities recognized pension expense of \$246,607. At June 30, 2018, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,160	12,669
Changes of assumptions	242,990	-
Changes in proportion and differences between Utility contributions and the Utilities' proportionate share of contributions	(206,365)	-
Net difference between projected and actual earnings on pension plan investments	260,295	87,031
Utilities' contributions subsequent to the measurement date	166,816	-
Total	<u>\$ 474,896</u>	<u>99,700</u>

\$166,816 reported as deferred outflows of resources related to pensions resulting from the Utilities contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

6. PENSION PLAN - Continued

Year Ending June 30,		
2019	\$	43,220
2020		77,235
2021		60,088
2022		23,702
2023		4,135
	\$	<u>208,380</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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

The long-term expected rate of return on 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 arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

6. PENSION PLAN - Continued

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	24.0%	6.25%
International Equity	16.0	6.71
Core Plus Fixed Income	27.0	2.25
Public Credit	3.5	3.46
Public Real Assets	7.0	3.27
Cash	1.0	(0.31)
Private Equity	11.0	11.15
Private Real Assets	7.5	4.18
Private Credit	3.0	4.25
Total	100%	

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 that employee contributions will be made at the contractually required rate and that contributions from the Utilities 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 Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Utilities' 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.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Utilities' proportionate share of the net pension liability	\$ 2,088,583	\$ 1,267,653	\$ 577,913

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.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. 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 and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>33</u>
Total	<u><u>36</u></u>

Total OPEB Liability - The Utility's total OPEB liability of \$443,500 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum
Rates of salary increase (effective June 30, 2018)	3.00% per annum, including inflation
Discount rate (effective June 30, 2018)	3.87%, compounded annually, including inflation
Healthcare cost trend rate (effective June 30, 2018)	9.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability beginning of year, as restated	\$ 343,850
Changes for the year:	
Service cost	29,982
Interest	13,139
Differences between expected and actual experiences	81,522
Changes in assumptions	(11,224)
Benefit payments	(13,769)
Net changes	99,650
Total OPEB Liability end of year	\$ 443,500

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the City's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Utilities' proportionate share of the OPEB liability	\$ 476,328	\$ 443,500	\$ 413,144

Sensitivity of the Utility's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.00%) or 1% higher (10.0%) than the current healthcare cost trend rates.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - continued

	1% Decrease (8.0%)	Healthcare Cost Trend Rate (9.0%)	1% Increase (10.0%)
Utilities' proportionate share of the OPEB liability	\$ 404,180	\$ 443,500	\$ 489,233

OPEB Expense and Deferred Outflows of Resources Related to OPEB - For the year ended June 30, 2018, the Utility recognized OPEB expense of \$384,305. At June 30, 2018, the Utility reported deferred outflows of resources related to OPEB from the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 81,522	-
Changes of assumptions	-	11,224
Total	<u>\$ 81,522</u>	<u>11,224</u>

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	
2019	\$ 4,286
2020	4,286
2021	4,286
2022	4,286
2023	4,286
Thereafter	48,862
	<u>\$ 70,292</u>

8. RISK MANAGEMENT

The Utility 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 775 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.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

8. RISK MANAGEMENT - Continued

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

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

The Indianola Municipal Utilities' property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Utilities' contributions to the Pool for the year ended June 30, 2018 were \$84,699 (2017 - \$81,826).

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 member's risk-sharing certificate, or in the event that a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Utilities do not report a liability for losses in excess of reinsurance or excess risk - sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2018, no liability has been recorded in the Utilities financial statements. As of June 30, 2018, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

8. RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the refunded to the withdrawing member.

Indianola Municipal Utilities 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. Indianola Municipal Utilities has executed a Worker's Compensation Coverage Agreement with the Association which extends through June 30, 2018 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2018, Indianola Municipal Utilities paid workers' compensation insurance premiums of \$18,430 (2017 - \$28,615) to the Association.

9. JOINTLY GOVERNED ORGANIZATIONS

The Indianola Municipal Utilities is a member-owner of the Municipal Energy Agency of Nebraska (MEAN), a joint action agency organized as a body corporate and politic under the laws of the State of Nebraska. MEAN's Power Supply System consists of ownership and contractual rights and interests in various electric generating and transmission resources and supplies. MEAN uses these to provide wholesale power supply, transmission, and ancillary services to its 65 participating municipal utilities. Each MEAN participant has entered into the Electrical Resources Pooling Agreement (ERPA) with MEAN, which provides for various service schedules.

IMU elected in 2009 to become a Total Requirements Participant and as such receives all power and energy from MEAN and entered Service Schedule M of the ERPA. As such, IMU has agreed to purchase its power and energy at rates sufficient (together with other MEAN revenues) to enable MEAN to pay all its net costs of MEAN's Power Supply System. Annual costs to be recovered and associated rates are evaluated annually by the MEAN Board of Directors. If imposed, IMU is also subject to a Purchased Energy Adjustment clause based on MEAN's actual cost of energy compared to those budgeted & collected through base rates during its fiscal year of April 30th - March 30th.

IMU's pro-rata share of net at-risk annual costs borne by Schedule M participants is subject to annual fluctuation based on demand and energy and are explicitly categorized as IMU annual operating expenditures. Long-term Power Supply Contracts are currently set to expire in 2041,

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

9. JOINTLY GOVERNED ORGANIZATIONS - Continued

after the final maturity of MEAN's 2008 Series A Bonds in 2039. IMU's obligation to MEAN beyond that date is contingent on its approval of any new debt to be issued by MEAN with a maturity date beyond that date.

The Indianola Municipal Utilities became a participant in the Central Minnesota Municipal Power Agency (CMMPA) Brookings-Twin Cities Transmission Project (CMMPA-Brookings Project) in 2011. CMMPA is a joint action agency formed under the laws of the State of Minnesota. The CMMPA-Brookings Project consists of 15 municipal utilities that agreed to pay pro-rated annual costs, net of transmission tariff revenue collected, related to CMMPA's fractional assigned ownership of transmission facilities commonly referred to as the CAPX2020 Brookings-Twin Cities Development Project. IMU's Election Share is 3.34% of the CMMPA-Brookings Project, which in total is 3.6% of the total CAPX2020 Brookings-Twin Cities Development Project. Any net costs associated with IMU's participation are explicitly categorized as annual operating expenditures.

10. COMMITMENTS

The Indianola Municipal Utilities has entered into contracts totaling \$6,149,873 for various infrastructure projects. At June 30, 2018, \$1,651,367 of the contracts was completed. The remaining amount of the contracts will be paid as work on the projects progress.

11. ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental and business type activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Financial Statements - Continued
June 30, 2018 and 2017

11. ACCOUNTING CHANGE/RESTATEMENT - Continued

	Electric	Water	Fiber	Joint Utility	Total
Net position June 30, 2017, as previously reported	\$ 33,149,350	14,134,707	321,048	289,120	47,894,225
Total OPEB liability at June 30, 2017	(176,837)	(58,946)	(39,297)	(68,770)	(343,850)
Net position July 1, 2017, as restated	\$ 32,972,513	14,075,761	281,751	220,350	47,550,375

The statement of revenues, expenses and changes in net position for 2017 has not been restated because the information to do so is unavailable.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Budgetary Comparison Schedule of Receipts, Disbursements
And Changes in Balances – Budget and Actual (Cash Basis)
Required Supplementary Information
Year Ended June 30, 2018

		Budget Amounts		Final
	Actual	Original	Final	to Actual Variance
Receipts				
Use of money and property	\$ 254,987	489,100	641,700	(386,713)
Charges for service	18,294,903	17,600,900	17,872,100	422,803
Special assessments	2,515	3,000	3,000	(485)
Miscellaneous	1,816,464	427,000	467,650	1,348,814
Total receipts	20,368,869	18,520,000	18,984,450	1,384,419
Disbursements				
Business type activities	24,635,991	17,313,825	28,732,030	4,096,039
Excess of receipts over (under) disbursements	(4,267,122)	1,206,175	(9,747,580)	5,480,458
Other financing sources (uses)				
Proceeds of debt	9,486,724	-	13,277,900	(3,791,176)
Sale of capital assets	25,534	25,300	25,300	234
Operating transfers in (out)	(954,342)	(1,637,500)	(1,637,500)	683,158
Total other financing sources (uses)	8,557,916	(1,612,200)	11,665,700	(3,107,784)
Excess of receipts and other financing sources over (under) disbursements and other financing uses	4,290,794	(406,025)	1,918,120	2,372,674
Balances, beginning of year	9,063,012	6,971,317	6,971,317	2,091,695
Balances, end of year	\$ 13,353,806	6,565,292	8,889,437	4,464,369

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Required Supplementary Information –
Budgetary Reporting
Year Ended June 30, 2018

In accordance with the code of Iowa, the Board of Trustees with the approval of the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon classes of disbursements known as functions not by fund. The Utilities' disbursements are budgeted in the business type activities function. During the year, a budget amendment increased budgeted disbursements by \$11,418,205. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements did not exceed the amount budgeted.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Schedule of the Utilities' Proportionate Share of the Net Pension Liability

For the Last Four Years*

Required Supplementary Information

<u>Iowa Public Employees' Retirement System</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Utilities' proportion of the net pension liability	0.0190302%	0.0181867%	0.0188792%	0.0193963%
Utilities' proportionate share of the net pension liability	\$ 1,267,653	\$ 1,144,548	\$ 932,725	\$ 769,238
Utilities' covered-employee payroll	\$ 2,761,557	\$ 1,643,057	\$ 1,517,301	\$ 1,501,680
Utilities' proportionate share of the net pension liability as a percentage of its covered-employee payroll	45.90%	69.66%	61.47%	51.23%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB 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
INDIANOLA MUNICIPAL UTILITIES

Schedule of Utilities Contributions

For the Last Ten Years

Required Supplementary Information

Iowa Public Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 246,607	146,725	135,495	134,100
Contributions in relation to the statutorily required contribution	<u>(246,607)</u>	<u>(146,725)</u>	<u>(135,495)</u>	<u>(134,100)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Utilities' covered-employee payroll	\$ 2,761,557	1,643,057	1,517,301	1,501,680
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
131,492	124,568	111,898	93,113	84,649	77,736	69,948
<u>(131,492)</u>	<u>(124,568)</u>	<u>(111,898)</u>	<u>(93,113)</u>	<u>(84,649)</u>	<u>(77,736)</u>	<u>(69,948)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,472,475	1,436,770	1,386,592	1,339,755	1,272,917	1,224,189	1,156,165
8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Notes to Required Supplementary Information –
Pension Liability

Year Ended June 30, 2018

Iowa Public Employees' Retirement System

Changes of benefit terms:

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

Changes of assumptions:

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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (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.

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

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

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Schedule of changes in the Utilities' Proportionate Share
of the OPEB Liability, Related Ratios and Notes

For the Current Year

Required Supplementary Information

	2018
Service cost	\$ 29,982
Interest cost	13,139
Differences between expected and actual experiences	81,522
Changes in assumptions	(11,224)
Benefit payments	(13,769)
Net change in total OPEB liability	<u>99,650</u>
Total OPEB Liability beginning of year, as restated	<u>343,850</u>
Total OPEB Liability end of year	<u><u>443,500</u></u>
Utilities' covered-employee payroll	\$ 2,271,642
Utilities' proportionate share of the OPEB pension liability as a percentage of its covered-employee payroll	19.52%

Notes to Schedule of Changes in the GAAP City's Total OPEB Liability and Related Ratios

Changes of benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Schedule of Operations
Years Ended June 30, 2018 and 2017

	2018 ELECTRIC	2017 ELECTRIC	2018 WATER	2017 WATER
Operating revenues				
Utility service sales				
Residential	\$ 8,107,856	7,301,369	1,724,311	1,678,026
Commercial	3,405,987	3,117,910	591,653	549,187
Large industrial	1,012,080	936,246	-	-
Small industrial	1,650,578	1,479,907	-	-
Street lighting	194,527	184,842	-	-
Other public authorities	373,585	317,986	56,823	45,364
Interdepartment sales	175,022	167,166	14,967	14,675
	<u>14,919,635</u>	<u>13,505,426</u>	<u>2,387,754</u>	<u>2,287,252</u>
Capacity contract fees	542,596	874,849	-	-
Peaking power charges	39,015	46,829	-	-
Service installation fees	31,063	50,406	-	-
Fiber communication rental fees	-	-	-	-
Fiber lease	245,000	217,581	-	-
Transmission revenue	335,476	623,812	-	-
Sale of water meters	-	-	36,520	29,655
Other	7,208	5,137	-	-
Penalties	28,810	24,709	16,246	12,184
Total operating revenue	<u>16,148,803</u>	<u>15,348,749</u>	<u>2,440,520</u>	<u>2,329,091</u>
Operating and maintenance expenses				
Plant operation				
Salaries	49,885	42,782	317,483	289,685
Payroll tax	24,644	15,598	30,408	30,508
IPERS	18,224	10,773	66,518	47,807
Fuel	55,208	59,245	-	-
Utilities	36,340	-	163,363	147,223
Material and supplies	1,305	5,657	78,716	63,694
Other	12,923	51,648	14,966	18,033
	<u>198,529</u>	<u>185,703</u>	<u>671,454</u>	<u>596,950</u>
Plant maintenance				
Salaries	143,311	112,858	-	-
Payroll tax	3,083	1,752	-	-
IPERS	12,510	4,422	-	-
Maintenance and repairs	89,913	92,466	26,113	20,601
	<u>248,817</u>	<u>211,498</u>	<u>26,113</u>	<u>20,601</u>
Purchased energy	<u>9,803,641</u>	<u>9,544,895</u>	<u>-</u>	<u>-</u>
Depreciation	<u>1,429,722</u>	<u>1,354,044</u>	<u>612,537</u>	<u>603,403</u>

2018 FIBER	2017 FIBER	2018 JOINT UTILITY	2017 JOINT UTILITY	2018 TOTAL	2017 TOTAL
-	-	-	-	\$ 9,832,167	8,979,395
-	-	-	-	3,997,640	3,667,097
-	-	-	-	1,012,080	936,246
-	-	-	-	1,650,578	1,479,907
-	-	-	-	194,527	184,842
-	-	-	-	430,408	363,350
-	-	-	-	189,989	181,841
-	-	-	-	17,307,389	15,792,678
-	-	-	-	542,596	874,849
-	-	-	-	39,015	46,829
-	-	-	-	31,063	50,406
417,451	378,003	-	-	417,451	378,003
(245,000)	(217,581)	-	-	-	-
-	-	-	-	335,476	623,812
-	-	-	-	36,520	29,655
20,915	7,410	374	-	28,497	12,547
-	-	-	-	45,056	36,893
193,366	167,832	374	-	18,783,063	17,845,672
-	-	-	-	367,368	332,467
-	-	-	-	55,052	46,106
-	-	-	-	84,742	58,580
-	-	-	-	55,208	59,245
-	-	-	-	199,703	147,223
-	-	-	-	80,021	69,351
-	-	-	-	27,889	69,681
-	-	-	-	869,983	782,653
-	-	-	-	143,311	112,858
-	-	-	-	3,083	1,752
-	-	-	-	12,510	4,422
-	-	-	-	116,026	113,067
-	-	-	-	274,930	232,099
-	-	-	-	9,803,641	9,544,895
10,921	5,348	-	-	2,053,180	1,962,795

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Schedule of Operations - Continued
Years Ended June 30, 2018 and 2017

	2018 ELECTRIC	2017 ELECTRIC	2018 WATER	2017 WATER
Operating and maintenance expenses (continued)				
Distribution operation				
Salaries	95,123	95,195	-	-
Payroll tax	6,907	6,815	-	-
IPERS	14,518	7,982	-	-
Training	9,075	9,531	-	-
Other	25,803	27,363	-	-
	<u>151,426</u>	<u>146,886</u>	<u>-</u>	<u>-</u>
Distribution maintenance				
Salaries	649,623	585,868	132,512	119,590
Payroll tax	35,575	40,530	-	-
IPERS	96,463	53,911	-	-
Materials and supplies	221,870	272,541	78,028	138,766
Fleet operations and repairs	43,270	53,746	13,508	12,255
	<u>1,046,801</u>	<u>1,006,596</u>	<u>224,048</u>	<u>270,611</u>
Transmission operation and maintenance				
Salaries	4,756	2,317	-	-
Payroll tax	43	20	-	-
IPERS	742	268	-	-
Maintenance and repairs	2,852	55,615	-	-
Other	5,084	16,789	-	-
	<u>13,477</u>	<u>75,009</u>	<u>-</u>	<u>-</u>
Meter reading				
Salaries	24,439	30,563	25,424	30,440
Payroll tax	1,295	1,590	1,296	1,430
IPERS	3,058	2,067	3,088	2,506
Other	1,790	2,303	1,790	2,303
	<u>30,582</u>	<u>36,523</u>	<u>31,598</u>	<u>36,679</u>
Administrative and general				
Accounting and collections				
- transfer to IMU Joint Utility	166,728	64,909	49,699	18,544
In lieu of property taxes				
- transfer to City General Fund	675,300	670,100	68,700	64,212
Transfer to city for Clerk's operations	199,183	301,785	45,758	69,643
Insurance	163,286	126,541	29,022	30,831
Group Insurance	266,784	280,658	137,950	120,008
Salaries	58,996	151,962	15,568	39,296
Salaries - Treasurers and trustees	-	-	-	-

2018 FIBER	2017 FIBER	2018 JOINT UTILITY	2017 JOINT UTILITY	2018 TOTAL	2017 TOTAL
104,898	875	-	-	200,021	96,070
6,245	65	-	-	13,152	6,880
4,501	18	-	-	19,019	8,000
-	-	-	-	9,075	9,531
125,731	21,144	-	-	151,534	48,507
241,375	22,102	-	-	392,801	168,988
-	-	-	-	782,135	705,458
-	-	-	-	35,575	40,530
-	-	-	-	96,463	53,911
-	-	-	-	299,898	411,307
-	-	-	-	56,778	66,001
-	-	-	-	1,270,849	1,277,207
-	-	-	-	4,756	2,317
-	-	-	-	43	20
-	-	-	-	742	268
-	-	-	-	2,852	55,615
-	-	-	-	5,084	16,789
-	-	-	-	13,477	75,009
-	-	-	-	49,863	61,003
-	-	-	-	2,591	3,020
-	-	-	-	6,146	4,573
-	-	-	-	3,580	4,606
-	-	-	-	62,180	73,202
110,548	9,272	(326,975)	(92,725)	-	-
-	-	-	-	744,000	734,312
24,225	36,872	(112,724)	-	156,442	408,300
441	685	3,812	-	196,561	158,057
46,941	3,924	81,755	12,277	533,430	416,867
82,380	63,617	240,399	31,415	397,343	286,290
-	-	-	-	-	-

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Schedule of Operations - Continued
Years Ended June 30, 2018 and 2017

	2018 ELECTRIC	2017 ELECTRIC	2018 WATER	2017 WATER
Operating and maintenance expenses (continued)				
Administrative and general (continued)				
Payroll tax	4,506	11,446	1,189	3,020
IPERS	8,926	13,285	2,375	4,650
Professional fees	37,045	47,540	10,303	9,779
Legal fees and publications	9,041	4,756	1,249	1,312
Dues and subscriptions	40,619	36,993	630	2,410
Energy efficiency programs	45,310	59,160	-	-
Bad debts	140,524	68,216	22,824	27,340
Donations	-	-	-	-
Miscellaneous	22,645	29,971	14,894	29,316
	<u>1,838,893</u>	<u>1,867,322</u>	<u>400,161</u>	<u>420,361</u>
Total operating expenses	<u>14,761,888</u>	<u>14,428,476</u>	<u>1,965,911</u>	<u>1,948,605</u>
Income (loss) from operations	<u>1,386,915</u>	<u>920,273</u>	<u>474,609</u>	<u>380,486</u>
Nonoperating revenues (expenses)				
Interest on investments	180,868	91,771	32,788	21,759
Interest on loan to municipal water utility	16,242	22,521	(16,242)	(22,521)
Electric service fees	6,715	8,701	-	-
Connect charges	28,059	27,204	21,864	25,311
Cable franchise fees	25,380	10,780	-	-
Gain (loss) on sale or transfer of capital asset	5,533	1,772	-	-
FEMA disaster payment	-	11,826	-	-
Miscellaneous	158,676	101,281	72,088	70,080
Revenue capital loan note issuance costs	(88,838)	-	-	-
Interest expense	<u>(324,319)</u>	<u>(214,436)</u>	<u>(10,756)</u>	<u>(17,562)</u>
	<u>8,316</u>	<u>61,420</u>	<u>99,742</u>	<u>77,067</u>
Net income (loss)	<u>\$ 1,395,231</u>	<u>981,693</u>	<u>574,351</u>	<u>457,553</u>

2018 FIBER	2017 FIBER	2018 JOINT UTILITY	2017 JOINT UTILITY	2018 TOTAL	2017 TOTAL
4,132	4,814	15,076	3,466	24,903	22,746
4,250	1,400	11,434	29,322	26,985	48,657
-	468	5,525	425	52,873	58,212
11,440	3,657	1,449	9,495	23,179	19,220
2,914	1,377	4,973	-	49,136	40,780
-	-	-	-	45,310	59,160
-	-	-	-	163,348	95,556
-	-	-	-	-	-
19,882	24,789	100,964	11,935	158,385	96,011
307,153	150,875	25,688	5,610	2,571,895	2,444,168
559,449	178,325	25,688	5,610	17,312,936	16,561,016
(366,083)	(10,493)	(25,314)	(5,610)	1,470,127	1,284,656
3,659	3,598	1,920	1,656	219,235	118,784
-	-	-	-	-	-
-	-	-	-	6,715	8,701
-	-	-	-	49,923	52,515
-	-	-	-	25,380	10,780
-	-	-	-	5,533	1,772
-	-	-	-	-	11,826
2,850	-	-	-	233,614	171,361
(289,555)	-	-	-	(378,393)	-
(101,936)	-	-	-	(437,011)	(231,998)
(384,982)	3,598	1,920	1,656	(275,004)	143,741
(751,065)	(6,895)	(23,394)	(3,954)	\$ 1,195,123	1,428,397



Shull, Schrum, McClafin & Co., Inc.

certified public accountants

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

Board of Trustees
Indianola Municipal Utilities
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 Indianola Municipal Utilities of the City of Indianola, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, and have issued our report thereon dated January 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Indianola Municipal Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Indianola Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Indianola Municipal Utilities' internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses in internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Indianola Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Indianola Municipal Utilities' Responses to Findings

The Indianola Municipal Utilities' responses to findings identified in our audit are described in the accompanying Schedule of Findings. The Indianola Municipal Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Indianola Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Shull, Schrum, McClellan & Co., Inc.

January 7, 2019

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Schedule of Findings

Year ended June 30, 2018

Part I: Findings Related to the Financial Statements:

None

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-18 Certified Budget - Disbursements during the year ended June 30, 2018, did not exceed the amounts budgeted.
- II-B-18 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-18 Travel Expense - No expenditures of Utilities money for travel expenses of spouses of Utilities officials or employees were noted.
- II-D-18 Business Transactions – No business transactions between the Indianola Municipal Utilities officials or employees were noted.
- II-E-18 Bond Coverage - Surety bond coverage of Utilities officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- II-F-18 Trustee Minutes - No transactions were found that we believe should have been approved in the Trustee minutes but were not.
- II-G-18 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities' investment policy were noted.
- II-H-18 Revenue Bonds and Notes – The requirements of the revenue bonds and notes resolutions were met during the year ended June 30, 2018.
-
- II-I-18 Telecommunications Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.



Shull, Schrum, McClaflin
& Co., Inc.
certified public accountants

January 23, 2019

To Members of Board of Trustees
Indianola Municipal Utilities

We have audited the statement of net position and the related statement of revenues, expenses and changes in net position and cash flows of Indianola Municipal Utilities for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 24, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Indianola Municipal Utilities are described in Note 1 to the financial statements. As described in Note 11 to the financial statements, the Indianola Municipal Utilities changed accounting policies related to other post employment benefits (OPEB) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions, in the year ended June 30, 2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net position. We noted no transactions entered into by the Utility during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 7, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, the budgetary comparison and pension and OPEB information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information in the schedule of operations, which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Members of the Board of Trustees and management of the Indianola Municipal Utilities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Shull, Schrum, McClellan & Co., Inc.

IMU Regular Downstairs

8.B.

Meeting Date: 01/28/2019

Information

Subject

Consider approval of the FY 19/20 Budget

Information

In your packet is the FY 19/20 budget. Staff will be present to answer any questions.

Simple motion is in order.

Fiscal Impact

Attachments

Budget

IMU Board of Trustees **Fund Summary**

	July 1, 2018 Beginning Balance	FY '19 Re-Estimated Revenue	FY '19 Re-Estimated Expenditures	June 30, 2019 Ending Balance	FY '20 Budgeted Revenue	FY '20 Budgeted Expenditures	June 30, 2020 Ending Balance
Total Electric Utility	\$ 11,095,987	\$ 18,346,000	\$ 20,563,700	\$ 8,878,287	\$ 18,318,700	\$ 17,558,400	\$ 9,638,587
Total Water Utility	\$ 2,200,324	\$ 3,456,200	\$ 3,408,200	\$ 2,248,324	\$ 3,432,400	\$ 3,301,200	\$ 2,379,524
Communications Utility							
640 Fiber	\$ 43,500	\$ 4,652,800	\$ 4,789,200	\$ (92,900)	\$ 4,785,800	\$ 4,755,200	\$ (62,300)
IMU Administration							
620 Administration	\$ 399	\$ 718,800	\$ 718,800	\$ 399	\$ 720,900	\$ 720,900	\$ 399
855 Insurance Reserve	\$ 13,595	\$ 100	\$ -	\$ 13,695	\$ -	\$ -	\$ 13,695
Total IMU Board of Trustees	\$ 13,353,805	\$ 27,173,900	\$ 29,479,900	\$ 11,047,805	\$ 27,257,800	\$ 26,335,700	\$ 11,969,905

Electric Utility Fund Summary

	July 1, 2018 Beginning Balance	FY '19 Re-Estimated Revenue	FY '19 Re-Estimated Expenditures	June 30, 2019 Ending Balance	FY '20 Budgeted Revenue	FY '20 Budgeted Expenditures	June 30, 2020 Ending Balance
Electric Utility:							
630 Electric O&M	\$ 3,687,086	\$ 15,975,900	\$ 15,640,200	\$ 4,022,786	\$ 15,936,100	\$ 15,512,100	\$ 4,446,786
730 Electric Capital	\$ 6,669,392	\$ 1,236,600	\$ 3,790,000	\$ 4,115,992	\$ 1,249,300	\$ 913,000	\$ 4,452,292
793 Electric Rev. Bonds	\$ 254,409	\$ 1,133,500	\$ 1,133,500	\$ 254,409	\$ 1,133,300	\$ 1,133,300	\$ 254,409
625 (& 626) RLF	\$ 485,100	\$ -	\$ -	\$ 485,100	\$ -	\$ -	\$ 485,100
Total Electric Utility	\$ 11,095,987	\$ 18,346,000	\$ 20,563,700	\$ 8,878,287	\$ 18,318,700	\$ 17,558,400	\$ 9,638,587
Reserve Targets:							
630 O&M Expenses 25% less Sales Tax				\$ 3,825,900			\$ 3,793,900
730 Capital Expenses 2% Audited Financials				\$ 2,043,800			\$ 2,200,400
All Other Funds (Total)				\$ 739,500			\$ 739,500
Total Electric Utility				\$ 6,609,200			\$ 6,733,800
Over (Under) Reserve				\$ 2,269,087			\$ 2,904,787

Electric Utility Fund Summary

630 Reserve Calculation:

25% of-

O&M	15,640,200	15,512,100
Less: Sales Taxes	(336,600)	(336,600)
	\$ 15,303,600	\$ 15,175,500

730 Reserve Calculation:

4% Electric Utility Audit

	2017	2018
Generating Units	\$ 15,161,374	\$ 15,161,374
Distributions System	30,905,050	33,335,604
Buildings & Plant	2,159,044	3,096,016
Computer Equipment	492,593	689,582
Equipment	853,418	1,447,517
Vehicles	1,523,207	1,280,088
	\$ 51,094,686	\$ 55,010,181
 All Other	 254,409	 254,409
	485,100	485,100
	\$ 739,509	\$ 739,509

Electric Utility Operating Fund Summary

		2019	ReEst 2019	2020
630-FUNCT				
8210, 8220	Plant	\$ 440,000	\$ 384,900	\$ 389,900
8225	Turbines	76,000	76,000	76,000
8230	Purchased Energy	11,379,158	10,507,000	10,206,500
8240, 8250	Distribution	1,255,100	1,256,700	1,295,900
8255	Transmission	31,700	12,800	30,500
8260	Fleet	64,000	68,000	70,000
8270	Customers	37,800	36,100	34,900
8280	Overhead	707,500	689,400	813,400
8290	Administrative	392,800	1,475,800	1,461,700
8297	IMU Transfers	352,200	-	-
8297	EL Debt Service	1,133,500	1,133,500	1,133,300
8298, 8299	Development	762,800	-	-
Total Electric		\$ 16,632,558	\$ 15,640,200	\$ 15,512,100

**Electric Utility
Capital Project Fund**

		RE-EST		
		2019	2019	2020
730 - REV				
730-8200-45629	MISO Credits	363,700	381,400	381,400
730-8200-45629	CAPX Rev	2,400	800	800
730-8200-45632	Peaking Capacity	432,000	432,000	396,000
730-8200-45633	Substation Capacity	71,100	71,100	71,100
730-8200-45638	Electric Installation Fees	100,000	130,000	100,000
730-8200-45853	Fiber Payments	212,000	212,000	300,000
730-8200-47100	Refunds/Reimbursements	-	9,300	-
Total Capital Revenue		\$ 1,181,200	\$ 1,236,600	\$ 1,249,300
730 - EXP				
730-8200-67100	Vehicles	60,000	60,000	225,000
730-8200-67245	Specialized Equipment	113,000	113,000	90,000
730-8200-67303	Boring-Customer Paid	35,000	35,000	35,000
730-8200-67304	Materials-Customer Paid	100,000	100,000	100,000
730-8200-67305	Transmission Facilities	100,000	100,000	120,000
730-8200-67307	Project 700	3,000	3,000	3,000
730-8200-67311	Line Construction & Streetlights	130,000	18,000	150,000
730-8200-67601	Fiber Line Construction	1,540,000	1,855,200	-
730-8200-67900	Plant/Line Shop/Office Equip.	35,000	35,000	35,000
730-8200-67901	Computer Software	120,000	120,000	120,000
730-8200-67904	Radio Read Meters	35,000	35,000	35,000
730-8200-67909	New Line Shop	1,254,500	1,315,800	-
Total Capital Expenditures		\$ 3,525,500	\$ 3,790,000	\$ 913,000

Water Utility Fund Summary

	July 1, 2018 Beginning Balance	FY '19 Re-Estimated Revenue	FY '19 Re-Estimated Expenditures	June 30, 2019 Ending Balance	FY '20 Budgeted Revenue	FY '20 Budgeted Expenditures	June 30, 2020 Ending Balance
Water Utility:							
600 Water O&M	\$ 519,825	\$ 2,595,400	\$ 2,575,200	\$ 540,025	\$ 2,678,400	\$ 2,547,200	\$ 671,225
700 Water Capital	\$ 1,502,999	\$ 806,800	\$ 779,000	\$ 1,530,799	\$ 700,000	\$ 700,000	\$ 1,530,799
790 Water Rev. Bonds	\$ 102,500	\$ 54,000	\$ 54,000	\$ 102,500	\$ 54,000	\$ 54,000	\$ 102,500
780 Water Impr. Reserves	\$ 75,000	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ 75,000
Total Water Utility	\$ 2,200,324	\$ 3,456,200	\$ 3,408,200	\$ 2,248,324	\$ 3,432,400	\$ 3,301,200	\$ 2,379,524
Reserve Targets:							
600 O&M Expenses 25% less Sales Tax				\$ 608,300			\$ 600,100
700 Capital Expenses 2% Audited Financials				\$ 507,400			\$ 517,000
All Other Funds (Total)				\$ 177,500			\$ 177,500
Total Water Utility				\$ 1,293,200			\$ 1,294,600
Over (Under) Reserve				\$ 955,124			\$ 1,084,924

Water Utility Fund Summary

600 Reserve Calculation:

25% of-

O&M	2,575,200	2,547,200
Less: Sales Taxes	(141,900)	(146,700)
	\$ 2,433,300	\$ 2,400,500

700 Reserve Calculation:

2% Water Utility Audit

	2017	2018
Buildings & Plant	\$ 7,681,305	\$ 7,860,911
Wells & Towers	4,880,733	4,880,733
Mains/Hydrants/Meters	11,897,538	12,253,604
Machinery & Equipment	598,513	598,513
Vehicles	312,960	254,045
	\$ 25,371,049	\$ 25,847,806

Water Utility Operating Fund Summary

		2019	ReEst 2019	2020
600-FUNCT				
8110, 8120	Plant	\$ 615,950	\$ 664,400	\$ 695,600
8150	Distribution	243,100	218,400	221,100
8160	Fleet	13,000	13,000	14,000
8170	Customers	37,800	36,300	35,100
8180	Overhead	316,600	288,100	334,000
8190	Administrative	70,500	277,400	276,600
8197	IMU Transfers	1,157,500	1,077,600	970,800
8197	Debt Service	54,000	-	-
8198	Development	66,000	-	-
Total Water O&M		\$ 2,574,450	\$ 2,575,200	\$ 2,547,200

Water Utility Capital Project Fund

		2019	RE-EST 2019	2020
700 - REV				
700-8100-47100	Refunds/Reimbursement	-	-	-
700-8100-48000	Sale of Land	20,000	-	-
700-8100-49900	Transfer In-Water Imp	785,000	806,800	700,000
Total Revenue		\$ 805,000	\$ 806,800	\$ 700,000
700 - Exp				
700-8100-67100	Vehicles	35,000	27,000	-
700-8100-67402	Plant/Tower Maint	300,000	300,000	270,000
700-8100-67403	Well Maint	-	-	100,000
700-8100-67405	Valve/Hydrant Replacement	-	-	20,000
700-8100-67406	Water Mains	400,000	402,000	250,000
700-8100-67905	Water Meters	50,000	50,000	60,000
700-8100-67906	Stock	-	-	-
Total Capital Expenditures		\$ 785,000	\$ 779,000	\$ 700,000

Communications Utility Fund Summary

	July 1, 2018 Beginning Balance	FY '19 Re-Estimated Revenue	FY '19 Re-Estimated Expenditures	June 30, 2019 Ending Balance	FY '20 Budgeted Revenue	FY '20 Budgeted Expenditures	June 30, 2020 Ending Balance
Comm Utility:							
640 Comm O&M	\$ 326,910	\$ 2,641,100	\$ 2,777,500	\$ 190,510	\$ 4,053,800	\$ 4,023,200	\$ 221,110
740 Comm Capital	\$ (283,410)	\$ 2,011,700	\$ 2,011,700	\$ (283,410)	\$ 732,000	\$ 732,000	\$ (283,410)
Comm Rev. Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Comm Utility	\$ 43,500	\$ 4,652,800	\$ 4,789,200	\$ (92,900)	\$ 4,785,800	\$ 4,755,200	\$ (62,300)
Reserve Targets:							
640 O&M Expenses 25% less Sales Tax				\$ 681,900			\$ 946,100
740 Capital Expenses 2% Audited Financials				\$ 18,000			\$ 79,200
Total Comm Utility				\$ 699,900			\$ 1,025,300
Over (Under) Reserve				\$ (699,900)			\$ (1,025,300)

Communications Utility Fund Summary

640 Reserve Calculation:

25% of-

O&M	2,777,500	4,023,200
Less: Sales Taxes	(49,900)	(238,900)
	\$ 2,727,600	\$ 3,784,300

740 Reserve Calculation:

2% Comms Utility Audit

	2017	2018
Distribution System	-	396783
Buildings & Plant	91,948	631,135
Equipment	788,353	1,928,699
Vehicles	19,409	1,003,844
	\$ 899,710	\$ 3,960,461

Communications Utility Operating Fund Summary

		<u>2019</u>	<u>ReEst 2019</u>	<u>2020</u>
600-FUNCT				
8550	O&M	2,049,400	2,352,400	3,292,400
8580	Overhead	11,800	3,700	4,400
8590	Administrative	571,500	421,400	726,400
8597	IMU Transfers	-	-	-
8597	Debt Service	-	-	-
	Total Com O&M	\$ 2,632,700	\$ 2,777,500	\$ 4,023,200

**Communications Utility
Capital Project Fund
RE-EST**

2019 2019 2020

740 - REV

740-8500-48200 Series 2017 A Construction
Total Revenue

1,700,000	2,011,700	732,000
\$ 1,700,000	\$ 2,011,700	\$ 732,000

740 - Exp

740-8500-67400 28E Capital Contribution
740-8500-67401 Indianola/Norwalk Capital
740-8500-67402 Equipment Use Fee
740-8500-67403 MCG Buyout Costs
740-8500-67404 IPTV Equipment/Licensing
740-8500-67405 Over the Air Channels
740-8500-67406 Transport Equipment
740-8500-67407 Core Network Equipment
740-8500-67408 Building Improvements
740-8500-67409 Vehicles
740-8500-67410 General Equipment
740-8500-67411 BSS/OSS Costs
740-8500-67412 Phone Transport
740-8500-67413 Outside Plant Improvements
Total Capital Expenditures

150,000	150,000	72,000
11,500	11,500	-
-	-	-
150,000	150,000	150,000
745,625	600,000	140,000
-	25,000	-
290,000	290,000	150,000
30,000	30,000	25,000
125,000	520,200	-
40,000	3,600	40,000
16,500	20,000	-
115,000	105,200	85,000
-	106,200	-
-	-	70,000
\$ 1,673,625	\$ 2,011,700	\$ 732,000

IMU Regular Downstairs

10.A.

Meeting Date: 01/28/2019

Information

Subject

Possible closed session to discuss marketing and pricing strategies and proprietary information of the telecommunications division whose competitive position will be harmed by public disclosure that is not required of potential or actual competitors and no public purpose is served by such disclosure, pursuant to Section 388.9(1) Code of Iowa

Information

Roll call to go into closed session is in order.

Fiscal Impact

Attachments

No file(s) attached.

Meeting Date: 01/28/2019

Information

Subject

Enter into closed session in accordance with Iowa Code Section 21.5(1)(i) to evaluate the professional competency of an individual whose appointment, hiring, performance, or discharge is being considered when necessary to prevent needless and irreparable injury to that individual's reputation and that individual requests a closed session

Information

Roll call to go into closed session in accordance with Iowa Code Section 21.5(1)(i) is in order.

Fiscal Impact

Attachments

No file(s) attached.
