INDIANOLA MUNICIPAL UTILITIES

Electric • Network Services • Water

IMU Board of Trustees of the
Electric, Water and Communications Utilities
April 10, 2017
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 April 3, 2017

   B. Minutes from March 27, 2017

5. Electric Utility Action Items

   A. Request for personal leave of absence

6. Electric Utility Informational Items

   A. MEAN Update

7. Water Utility Action Items

   A. Consider water consumption at 1007 N. 1st Street

8. Water Utility Informational Items

9. Communications Utility Informational Items

10. Combined Electric, Water and Communications Utilities Action Items

A. FY 2016 Audited Financial Statements

B. Set May 8, 2017 as the date of a public hearing to amend the FY 2017 Budget

11. Combined Electric, Water and Communications Utilities Informational Items

12. Other Business

13. Adjourn

IMU Regular Downstairs **4.A.**
Meeting Date: 04/10/2017

Information

Subject
Claims list for April 3, 2017

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Claims

Vendor Name	GL Account Number	Description	Invoice Date	Net Invoice Amount
WATER OPERATING FUND				
DUST PROS JANITORIAL	600-8120-64090	FLOOR CLEANING	03/20/2017	180.00
ITRON INC.	600-8170-64990	QUARTERLY SUPPORT (04/01/17 - 06/30/17)	03/12/2017	581.30
MUNICIPAL ENERGY AGENCY	600-8110-63710	PURCHASED POWER - FEB (WELL KWH & TRANS)	03/08/2017	241.49
SHULL SCHRUM MCCLAFLIN &	600-8190-64010	AUDIT SERVICES	03/28/2017	760.00
SHULL, DOUG	600-8190-64990	TREASURER CONTRACT	03/24/2017	15.84
U.S. CELLULAR	600-8110-63730	CELL PHONES - 4	03/12/2017	106.21
UNUM LIFE INSURANCE CO OF	600-8180-61550	LIFE, AD&D AND LTD INS	03/30/2017	124.22
Total WATER OPERATING FUND:				2,009.06
IMU ADMINISTRATION FUND				
BOB'S CUSTOM TROPHIES	620-8090-65990	NAMEPLATE - RAFFETY	03/20/2017	8.50
IOWA STATE AUDITOR	620-8090-64010	STATE AUDIT REPORT FY 2016 IMU	03/27/2017	425.00
JESS' LOCK AND KEY	620-8090-65070	MECHANICAL SAFE LOCK, WEST DOOR DROP BOX	03/17/2017	143.00
NOLASOFT DEVELOPMENT	620-8091-64990	2017 2ND QTR WEBSITE HOSTING	03/17/2017	120.00
PITNEY BOWES	620-8090-65070	RED INK, EZ SEAL FOR POSTAGE MACHINE	02/01/2017	251.56
Total IMU ADMINISTRATION FUND:				948.06
ELECTRIC OPERATING FUND				
CINTAS CORPORATION	630-8250-65072	1ST AID SUPPLIES	03/17/2017	34.74
CITY OF INDIANOLA - REBATE	630-8290-67306	COMMERCIAL LIGHTING	03/28/2017	1,520.00
CITY OF INDIANOLA - REBATE	630-8290-67306	A/C REBATE	01/24/2017	200.00
CITY OF INDIANOLA - REBATE	630-8290-67306	A/C REBATE	03/28/2017	200.00
CITY OF INDIANOLA - REBATE	630-8290-67306	A/C REBATE	01/19/2017	200.00
CR SERVICES	630-8250-65072	LAUNDRY DETERGENT FOR FR CLOTHING	03/20/2017	81.07
CROSSROADS MOBILE MAINTE	630-8260-63320	REPAIRS TO UNIT 31	03/24/2017	204.30
DUST PROS JANITORIAL	630-8220-64090	MONTHLY CLEANING (MARCH) - ADMIN/ELECTRIC	03/20/2017	1,177.00
DUST PROS JANITORIAL	630-8220-64090	JANITORIAL SUPPLIES	03/20/2017	26.60
DUST PROS JANITORIAL	630-8220-64090	JANITORIAL SUPPLIES	03/20/2017	96.56
INFOMAX OFFICE SYSTEMS IN	630-8290-64990	USAGE FOR BLACK IMAGES	03/23/2017	11.26
ITRON INC.	630-8270-64990	QUARTERLY SUPPORT (04/01/17 - 06/30/17)	03/12/2017	581.30
MID AMERICAN ENERGY CO.	630-8210-63710	80950-24015 PLANT GAS 2/21/17 - 3/22/17	03/23/2017	10.39
MID AMERICAN ENERGY CO.	630-8240-63710	52180-25018 LINE SHOP GAS (401 THERMS)	03/22/2017	633.21
MID AMERICAN ENERGY CO.	630-8210-63710	52390-25019 BOILER GAS (1294 THERMS)	03/23/2017	762.12
MID AMERICAN ENERGY CO.	630-8210-63710	07991-36014 WEST SUB (OKWH)	03/15/2017	10.00
MUNICIPAL ENERGY AGENCY	630-8200-45629	20% 69KV 30.9 CREDIT/ADMIN FEE - FEB	03/08/2017	9,332.64-
MUNICIPAL ENERGY AGENCY	630-8230-63992	TRANSMISSION/ADJUSTMENT - FEB	03/08/2017	55,117.74
MUNICIPAL ENERGY AGENCY	630-8230-63990	LANDFILL GAS ATTRIBUTES - FEB	03/08/2017	13,260.00
MUNICIPAL ENERGY AGENCY	630-8230-63991	FIXED COST RECOVERY CHARGE	03/08/2017	325,804.00
MUNICIPAL ENERGY AGENCY	630-8230-63991	PURCHASED POWER - FEB. (NET ELECTRIC)	03/08/2017	342,294.91
MUNICIPAL ENERGY AGENCY	630-8230-63990	CONTRACTED WIND - FEB	03/08/2017	17,544.00
MUNICIPAL ENERGY AGENCY	630-8230-63991	IND TRANS SYSTEM OPERATOR CHARGE	03/06/2017	5,141.54
NEBRASKA MUNICIPAL POWER	630-8280-62300	ANNUAL MEETING REGISTRATION - SANGEL	03/17/2017	110.00
SHULL SCHRUM MCCLAFLIN &	630-8290-64010	AUDIT SERVICES	03/28/2017	2,880.00
SHULL, DOUG	630-8290-64990	TREASURER CONTRACT	03/24/2017	60.00
SPEE-DEE DELIVERY SERVICE	630-8290-65080	ONCALL SHIPMENT - TESTING IN AMES	03/20/2017	20.64
U.S. CELLULAR	630-8240-63730	CELL PHONES - 10	03/12/2017	177.47
UNUM LIFE INSURANCE CO OF	630-8280-61550	LIFE, AD&D AND LTD INS	03/30/2017	316.82
VERMEER SALES & SERVICE	630-8260-65072	SUCTION HOSE FOR VAC MACHINE	03/17/2017	333.84
WESCO	630-8250-65072	PRIMARY ELBOW PROBE WRENCH	03/13/2017	67.70
WESCO	630-8250-65072	FR SAFETY VESTS	03/13/2017	360.80
WESCO	630-8250-65072	RATCHET CUTTERS/VOLT METER	03/13/2017	570.05
Total ELECTRIC OPERATING FUND:				760,475.42

Vendor Name	GL Account Number	Description	Invoice Date	Net Invoice Amount
FIBER/COMMUNICATIONS FUND				
SHULL SCHRUM MCCLAFLIN &	640-8550-64010	AUDIT SERVICES	03/28/2017	360.00
SHULL, DOUG	640-8590-64990	TREASURER CONTRACT	03/24/2017	7.50
U.S. CELLULAR	640-8550-63730	CELL PHONE	03/12/2017	52.11
UNUM LIFE INSURANCE CO OF	640-8590-61550	LIFE, AD&D AND LTD INS	03/30/2017	6.71
Total FIBER/COMMUNICATIONS FUND:				426.32
ELECTRIC CAPITAL PROJECTS FUND				
METERING & TECHNOLOGY SO	730-8200-67906	FORM 2S TIME-OF-USE ELECTRIC METERS	03/17/2017	2,813.96
MUNICIPAL ENERGY AGENCY	730-8200-45629	80% 69KV 30.9 CREDIT/ADMIN FEE - FEB	03/08/2017	37,330.54-
NEWCOM TECHNOLOGIES INC	730-8200-67605	DOCUMENT EXISTING SYSTEM IN FMS AND REDESIGN AE AR	03/20/2017	12,200.00
OPN ARCHITECTS INC	730-8200-67605	LINE SHOP SURVEY, SNYDER & ASSOCIATES	02/28/2017	3,850.00
POWER & TEL	730-8200-67906	400' FIBER DROPS	03/20/2017	1,194.08
POWER & TEL	730-8200-67906	300' & 400' FIBER DROPS	03/15/2017	2,868.92
POWER & TEL	730-8200-67906	SC/LC FIBER PATCH CORDS	03/15/2017	474.06
PROENERGY SERVICES LLC	730-8200-67245	TURBINE #8 REPAIRS	03/16/2017	19,300.76
WESCO	730-8200-67906	5/8" EYE NUTS	03/07/2017	87.74
WESCO	730-8200-67906	2-HOLE COMPRESSION LUGS	03/13/2017	47.67
WESCO	730-8200-67906	NEUTRAL CLEVISES	03/13/2017	165.85
WESCO	730-8200-67906	GROUND ROD CLAMPS/CABLE STIRRUPS	03/14/2017	422.37
WESCO	730-8200-67906	COMPRESSION CONNECTORS/HELIX ANCHORS	03/14/2017	371.72
Total ELECTRIC CAPITAL PROJECTS FUND:				6,466.59
IMU LIAB INS RESERVE FUND				
DETAILS PLUS	855-8200-64089	REPAIRS TO 2015 CHEVY EQUINOX	03/20/2017	1,688.00
Total IMU LIAB INS RESERVE FUND:				1,688.00
Grand Totals:				772,013.45

Board of Trustees: ______________________________

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IMU Regular Downstairs **4.B.**
Meeting Date: 04/10/2017

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Minutes from March 27, 2017

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Minutes

BOARD OF TRUSTEE MINUTES
REGULAR SESSION – MARCH 27, 2017

The Board of Trustees met in regular session at 5:30 p.m. on March 27, 2017 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 and Adam Voigts. Absent: Deb White.

Jon and Margaret Vernon, 401 W. Ashland, spoke regarding the 2017 Sustainability Fair on April 8, 2017 from 10:00 a.m. – 2:00 p.m. at the Blake Field House – 403 S.15th Street.

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

Claims list for March 6 and 20, 2017

Minutes from February 27, 2017

Salary – Jackie Raffety, Utility Services Representative, CE 4-1 $35,894/year effective March 20, 2017

February 2017 Treasurer and Financial Reports

Communication Utility Informational Items
Mike Maloney with DA Davidson presented an update on the fiber project financing and timeline including:

- Update on working group progress to date
- Business plan components
- Operating projections
- Capital expenditures funding and initial operating funding
- Communications utility flow of funds
- Debt/lease structure – preferred option
- Security pledge for main infrastructure funding
- Communications utility revenue loan – potential goals
- Timeline

Board member McClymond was excused from the meeting.

Electric Utility Action Items
A motion was made by Forbush and seconded by Rozga to approve the 2017 Electric Underwriting Engagement Agreement with DA Davidson. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Electric Utility Informational Items
General Manager Rob Stangel presented a Municipal Energy Agency of Nebraska (MEAN) update. Electric Superintendent Mike Metcalf presented information regarding the Electric Utility.

Water Utility Information Items – The Board discussed the water consumption at 1007 N. 1st Street. This item will be placed on the April 10, 2017 agenda.

Lou Elbert, Water Superintendent presented information regarding the Water Utility Information Items.

General Manger Rob Stangel reported on the Combined Electric, Water and Communications Utilities Informational Items.

Meeting adjourned at 7:05 p.m. on a motion by Forbush and seconded by Rozga.

Adam Voigts, Chair	Diana Bowlin, City Clerk

IMU Regular Downstairs **5.A.**
Meeting Date: 04/10/2017

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Request for personal leave of absence

Information

In your packet is a request from an IMU electric employee requesting approval to move to a personal leave of absence, as allowed by the union contract (packet).

HR Director Melissa McCoy will be at the meeting to discuss the request.

Simple motion is in order.

Fiscal Impact

Attachments

Employee Request
Union Information

March 28, 2017

Dear Board,

My name is Tim Hommer. I am an Electric Crew Chief with IMU. Since the middle of December I have been on leave for a serious health condition. I was on FMLA and human resources told me that I am no longer eligible to be on FMLA. I am asking for approval to move to a personal leave of absence, as allowed by my union contract. I am not ready to return to work and need more time off to get better.

Thank you for your consideration,

Tim Hommer

Tim R Hommer

C. Emergency Leave
In case of death in the employee's family (spouse, child, parent, sibling, or corresponding in-laws), the employee shall be allowed three (3) days off with no loss of regular pay. In addition, with the General Manager's approval the employee may take up to an additional two (2) days off which shall be charged against his/her accumulated sick leave. In case of the death of an employee's grandchild, grandparent(or corresponding in-laws) or any relative living in the same household with the employee immediately prior to death, the employee shall be allowed one (1) day off with no loss of regular pay. In addition, with the General manager's approval, the employee may take up to an additional two (2) days off, which shall be charged against his/her accumulated sick leave.

D. Personal Leave Without Pay
The Board may grant an employee an unpaid leave of absence due to personal reasons upon the written request of an employee. Any such leave shall not exceed a period of twelve (12) months.

E. Leaves With Pay
All paid leaves off from work shall be credited as time worked for purposes computing overtime and benefit accrual.

ARTICLE X
Vacation

A. Eligibility
All permanent, full time employees are eligible for vacation leave upon accrual.

B. Accrual
Vacation leave shall be accrued as follows:

1. With less than two (2) years of service, 3.07 hours for each biweekly pay period.
2. With two (2) but less than eight (8) years of service earn 4.0 hours for each biweekly pay period.
3. With eight (8) but less than fourteen (14) years of service earn 5.0 hours for each biweekly pay period.
4. With fourteen (14) years or more of service, 6.0 hours for each biweekly pay period.
5. With twenty (20) years or more of service 6.47 hours for each biweekly pay period beginning June 26, 2005.
6. Employees shall not be granted any vacation leave after the last day of actual work when terminating their employment.

An employee is advanced to a higher earning rate at the beginning of the first pay period following his/her second, eighth, fourteenth, or twentieth anniversary date of service.

IMU Regular Downstairs **6.A.**

Meeting Date: 04/10/2017

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MEAN Update

Information

The MEAN financial statements for February 2017 are attached. MEAN had net revenue in February of approximately $281,000. Fiscal year to date, MEAN's net revenue is approximately $4,758,000. Please see the title page for narrative regarding February 2017 financial results.

Fiscal Impact

Attachments

MEAN Financials

Municipal Energy Agency of Nebraska

Financial Statements
For the Period Ended

February 28, 2017

Municipal Energy Agency of Nebraska
Financial Statements
February 28, 2017

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MEAN Overall Financial Results:
Net revenue/(loss) in February was $281,000 compared to a budget of $226,000 for a positive variance of $56,000. See below for further explanation.

Operating Revenues – Operating revenues for February were nearly identical to budget at $10.5M.

Revenues from Participant energy sales were less than budget by $0.5M as participant energy usage was less than budget. Energy sales revenues from non-participants were greater than budgeted by $0.5M. More MWh's were sold in the East and in the West due to favorable market conditions.

Electric Energy Costs –Total electric energy costs for February were nearly identical to budget at $8.2M.

Purchased Power expenses for February were $6.5M compared to a budget of $6.3M, 2.6% greater than budget. Significant components of purchased power expense include:

Contracted Purchases

- MWhs purchased from contracted resources were less than budget by 16.4% due to various resource outages and economic factors; however, the overall $/MWh was greater than budget.
  - Unscheduled outages, economic outages and economic conditions led to lower MWh production at WEC1, PPGA WEC 2, WSEC4 Waverly Assignment and NPPD GGS resulting in direct decreases in fuel costs.
  - PPGA WEC 2 continues to see savings related to their 2016 debt refunding.
  - NPPD operates on a calendar year. Costs for GGS & CNS were less than budget in February resulting in less purchased power expense. This variance is expected to continue through March as budget information for these months is not provided to MEAN during MEAN's annual budget process.
  - Wind units produced more MWh than expected. This led to a direct increase in energy expense.
  - MISO excess capacity costs continue to exceed budget. This variance is expected to continue for the remainder of 16-17. This is offset in part by related MISO market revenues reported in other operating revenues.

Market Activity

- Total MWhs purchased for load in the RTO markets were less than budget by 11%.
  - MISO MWhs purchased were less than budget at a lower $/MWh.
  - SPP MWhs purchased were less than budget at a significantly lower $/MWh.
- Market MWh purchased in MISO & SPP were greater than budget as a result of market conditions. Overall, this contributed to the increase in sales to non-participants noted above.
- Market MWh purchased in the West was less than budget at a significantly lower $/MWh as a result of various factors.

- Generation sales revenues received, which partially offset energy expense of related generation, were less than budget.
  - MISO units (WSEC4 & Louisa) net generated significantly less MWhs than budget & the $/MWh received were less than budget. Overall this led to a decrease in MISO generation sales revenues received compared to budget.
  - SPP Market (IM) units (WEC1, PPGA WEC2 & Wessington Springs) net generated less MWhs than budget. In addition, $/MWh received were less than budget for a net decrease in SPP generation sales revenues received compared to budget.
  - SPP Market (BL) units (LRS Unit 1, NPPD CNS, NPPD GGS & NPPD wind facilities) net generated less MWhs than budget and $/MWh received were significantly less than budget for a net decrease in generation sales revenues received compared to budget.

Production expenses for February were $1.2M compared to a budget of $1.5M, 21.1% less than budget. Significant components of production expense include:

- Produced MWhs generated from owned resources were 52.0% less than budget; resulting in the $/MWh being greater than budget.
  - WSEC4 was offline all month due to an unscheduled outage and remained in economic outage after repairs were made. This accounted for the majority of the reduction in MWhs generated for owned resources. The resulting decrease in fuel costs makes up the largest portion of the lower production expenses compared to budget.

Transmission expenses for February were $582,000 compared to a budget of $415,000, 40.0% greater than budget. Significant variances include:

- Point-to-Point – Long Term expenses are greater than budget due primarily to expense for a path that was previously credited to MEAN under a grandfathered agreement. This variance will continue for the remainder of 16-17.
- Point-to-Point – Short Term expenses vary from budget due to market conditions and availability of the Sidney tie. Availability of the Sidney tie allowed for greater usage of the Sidney tie in February compared to budget resulting in additional costs. Costs also increased as a result of a true up from a provider for 2015.

Operating Income/(Loss) – February operating income/(loss) was $871,000 compared to a budget of $902,000 for a negative variance of $31,000.

Net Nonoperating Revenues/(Expenses) – February net nonoperating expenses were ($590,000) compared to a budget of ($676,000) for a positive variance of $86,000, or 12.8%. The variance consists primarily of interest expense savings experienced due to the 2016A bond refunding transaction. This variance will continue for the remainder of the fiscal year.

Municipal Energy Agency of Nebraska
Balance Sheets
February 28, 2017 and February 29, 2016

	2017	2016
Assets & Deferred Outflows of Resources		
Cash and Cash Equivalents	$ 24,452,637	$ 22,970,610
Investments	16,567,305	16,283,874
Accounts Receivable	21,097,536	21,496,518
Prepaid Expenses & Other	283,149	240,233
Productive Capacity Operating Assets	4,294,523	3,278,795
Restricted Investments		
Debt Service Funds	8,071,513	8,526,055
Debt Service Reserve Funds	13,051,328	13,846,861
Total Restricted Investments	21,122,841	22,372,916
Contracts Receivable	2,008,814	3,150,190
Productive Capacity, Net	122,112,094	127,948,939
Capital Assets, Net	5,628,373	5,908,364
Costs Recoverable from Future Billings	42,160,553	43,034,500
Total Assets	259,727,825	266,684,940
Deferred Outflows of Resources		
Deferred Cost of Refunded Debt	9,558,090	2,776,756
Total Assets and Deferred Outflows of Resources	$ 269,285,915	$ 269,461,696
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current Maturities of Long-Term Debt		
2009 Series A Bonds	$ -	$ 190,000
2012 Series A Bonds	3,480,000	3,155,000
2013 Series A & B Bonds	2,235,000	2,185,000
Total Current Maturities of Long-Term Debt	5,715,000	5,530,000
Accounts Payable & Accrued Expenses	11,692,838	10,345,107
Accrued Interest Payable	2,819,827	3,449,792
Total Current Liabilities	20,227,665	19,324,898
Long Term Debt		
2009 Series A Bonds	2,550,000	72,235,000
2012 Series A Bonds	51,985,000	55,465,000
2013 Series A & B Bonds	33,615,000	35,850,000
2016 Series A Bonds	68,905,000	-
Total Long Term Debt	157,055,000	163,550,000
Bond Premium, net	17,459,861	10,570,833
Total Liabilities	194,742,526	193,445,732
Deferred Inflows of Resources		
Deferred Revenue - Rate Stabilization		
RITA Funds	2,639,966	3,897,053
Capital Funds	2,959,366	1,792,703
General Funds	16,422,882	15,595,295
Total Deferred Revenue - Rate Stabilization	22,022,213	21,285,050
Net Position		
Net Position, Beginning of Year	47,764,198	47,124,259
YTD Net Revenue / (Loss)	4,756,978	7,606,654
Net Position	52,521,176	54,730,914
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 269,285,915	$ 269,461,696

Municipal Energy Agency of Nebraska
Statement of Revenues & Expenses - Actual vs. Budget
For Period Ended February 28, 2017

	Current Month				Fiscal YTD				Fiscal Year
	Actual	Budget	+ / -	% + / -	Actual	Budget	+ / -	% + / -	Budget
Electric Energy Sales - MWh's									
Schedule M	120,351	133,776	(13,425)	-10.0%	1,413,105	1,446,109	(33,004)	-2.3%	1,574,750
Schedule K	8,264	8,957	(693)	-7.7%	91,787	95,574	(3,787)	-4.0%	103,480
Schedule J	3,356	2,896	460	15.9%	32,818	27,988	4,830	17.3%	30,603
Non-Participants	20,481	-	20,481	100.0%	232,765	133,283	99,482	74.6%	133,283
Renewables - Wind	11,687	11,635	52	0.4%	119,949	118,260	1,689	1.4%	130,856
Landfill Gas - Energy	84	84	-	0.0%	924	924	-	0.0%	1,008
Total Electric Energy Sales - MWh's	164,224	157,348	6,876	4.4%	1,891,348	1,822,138	69,210	3.8%	1,973,980
Operating Revenues									
Electric Energy Sales									
Schedule M	$ 8,407,584	$ 8,932,858	$ (525,274)	-5.9%	$ 95,766,815	$ 97,016,022	$(1,249,207)	-1.3%	$105,773,064
Schedule K	635,384	662,880	(27,496)	-4.1%	6,917,187	7,066,820	(149,633)	-2.1%	7,667,730
Schedule J	168,435	150,612	17,823	11.8%	1,643,528	1,445,629	197,899	13.7%	1,581,856
Non-Participants	483,124	-	483,124	100.0%	5,994,230	3,454,936	2,539,294	73.5%	3,454,936
Renewables - Wind	597,526	594,781	2,745	0.5%	6,129,413	6,043,484	85,929	1.4%	6,687,642
Landfill Gas - Energy	3,189	3,189	0	0.0%	35,084	35,079	5	0.0%	38,268
Landfill Gas - Attributes	33,480	33,480	-	0.0%	368,280	368,280	-	0.0%	401,760
Total Electric Energy Sales	10,328,723	10,377,800	(49,078)	-0.5%	116,854,537	115,430,250	1,424,287	1.2%	125,605,256
Transfer From / (Provision For) Rate Stab									
Rate Stabilization - General	(230,986)	(230,986)	-	0.0%	(63,172)	(63,172)	-	0.0%	-
Rate Stabilization - Capital	166,667	166,667	-	0.0%	1,833,337	1,833,337	-	0.0%	2,000,000
Rate Stabilization - RITA	105,000	105,000	-	0.0%	1,155,000	1,155,000	-	0.0%	1,260,000
Total Trans From / (Prov For) Rate Stab	40,681	40,681	-	0.0%	2,925,165	2,925,165	-	0.0%	3,260,000
Other	97,801	41,000	56,801	138.5%	905,381	439,838	465,543	105.8%	499,932
Total Operating Revenues	10,467,205	10,459,481	7,724	0.1%	120,685,083	118,795,253	1,889,830	1.6%	129,365,188
Operating Expenses									
Electric Energy Costs									
Purchased Power	6,509,297	6,342,188	167,109	2.6%	72,675,429	71,406,687	1,268,742	1.8%	77,736,519
Production	1,157,981	1,468,385	(310,404)	-21.1%	15,766,973	17,540,395	(1,773,422)	-10.1%	19,086,695
Transmission	581,712	415,398	166,314	40.0%	4,858,866	4,693,382	165,484	3.5%	5,134,911
Total Electric Energy Costs	8,248,990	8,225,971	23,019	0.3%	93,301,268	93,640,464	(339,196)	-0.4%	101,958,125
Administrative & General									
Payroll & Benefits	483,213	490,583	(7,370)	-1.5%	5,103,392	5,396,413	(293,021)	-5.4%	5,887,000
Internal Office	68,811	88,795	(19,984)	-22.5%	994,127	1,285,786	(291,660)	-22.7%	1,367,613
Member	6,891	10,923	(4,032)	-36.9%	238,718	296,300	(57,582)	-19.4%	322,043
Consultants & Outside Services	187,997	135,908	52,089	38.3%	1,749,011	1,606,625	142,386	8.9%	1,753,443
Total Administrative & General	746,912	726,209	20,703	2.9%	8,085,247	8,585,124	(499,877)	-5.8%	9,330,099
Depreciation and Amortization	600,514	605,708	(5,194)	-0.9%	6,606,661	6,662,788	(56,127)	-0.8%	7,268,457
Total Operating Expenses	9,596,417	9,557,888	38,529	0.4%	107,993,176	108,888,376	(895,200)	-0.8%	118,556,681
Operating Income/(Loss)	870,788	901,593	(30,805)	-3.4%	12,691,906	9,906,877	2,785,029	28.1%	10,808,507
Nonoperating Revenues/(Expenses)									
Net Costs To Be Recovered in Future Periods	(52,065)	(65,539)	13,474	-20.6%	(1,013,864)	(720,929)	(292,935)	40.6%	(786,465)
Investment Return	34,884	26,309	8,575	32.6%	391,947	289,399	102,548	35.4%	315,700
Interest Expense	(613,372)	(674,572)	61,200	-9.1%	(7,175,490)	(7,420,292)	244,802	-3.3%	(8,094,858)
Amortization of Def. Cost of Refunded Debt	40,879	37,804	3,075	8.1%	427,254	415,844	11,410	2.7%	453,634
Bond Issue Costs	-	-	-	100.0%	(583,195)	-	(583,195)	100.0%	-
Other	-	-	-	100.0%	18,420	-	18,420	100.0%	-
Net Nonoperating Revenues/(Expenses)	(589,674)	(675,998)	86,324	-12.8%	(7,934,928)	(7,435,978)	(498,950)	6.7%	(8,111,989)
Net Revenue / (Loss)	$ 281,114	$ 225,595	$ 55,519	24.6%	$ 4,756,978	$ 2,470,899	$ 2,286,079	92.5%	$ 2,696,518

Municipal Energy Agency of Nebraska
Statement of Revenues & Expenses - Actual vs. Prior Year
For Period Ended February 28, 2017 and February 29, 2016

	Month				Fiscal YTD			
	Current	Prior Year	+ / -	% + / -	Current	Prior Year	+ / -	% + / -
Electric Energy Sales - MWh's								
Schedule M	120,351	127,517	(7,166)	-5.6%	1,413,105	1,393,662	19,442	1.4%
Schedule K	8,264	9,353	(1,089)	-11.6%	91,787	95,056	(3,268)	-3.4%
Schedule J	3,356	1,982	1,374	69.3%	32,818	64,921	(32,103)	-49.4%
Non-Participants	20,481	14,462	6,019	41.6%	232,765	268,364	(35,599)	-13.3%
Renewables - Wind	11,687	12,420	(733)	-5.9%	119,949	124,363	(4,414)	-3.5%
Landfill Gas - Energy	84	84	-	0.0%	924	588	336	57.1%
Total Electric Energy Sales - MWh's	164,224	165,818	(1,594)	-1.0%	1,891,348	1,946,954	(55,606)	-2.9%
Operating Revenues								
Electric Energy Sales								
Schedule M	$ 8,407,584	$ 8,896,260	$ (488,675)	-5.5%	$ 95,766,815	$96,874,034	$ (1,107,218)	-1.1%
Schedule K	635,384	648,330	(12,945)	-2.0%	6,917,187	6,824,035	93,151	1.4%
Schedule J	168,435	101,718	66,717	65.6%	1,643,528	3,939,268	(2,295,740)	-58.3%
Non-Participants	483,124	243,745	239,379	98.2%	5,994,230	6,414,215	(419,985)	-6.5%
Renewables - Wind	597,526	639,423	(41,898)	-6.6%	6,129,413	6,541,140	(411,727)	-6.3%
Landfill Gas - Energy	3,189	3,171	18	0.6%	35,084	22,198	12,886	58.0%
Landfill Gas - Attributes	33,480	33,480	-	0.0%	368,280	365,700	2,580	0.7%
Total Electric Energy Sales	10,328,723	10,566,127	(237,405)	-2.2%	116,854,537	120,980,590	(4,126,053)	-3.4%
Transfer From / (Provision For) Rate Stab								
Rate Stabilization - General	(230,986)	(186,314)	(44,672)	24.0%	(63,172)	(435,585)	372,413	-85.5%
Rate Stabilization - Capital	166,667	-	166,667	100.0%	1,833,337	(2,568)	1,835,905	-71485.8%
Rate Stabilization - RITA	105,000	102,083	2,917	2.9%	1,155,000	1,122,913	32,087	2.9%
Total Trans From / (Prov For) Rate Stab	40,681	(84,231)	124,912	-148.3%	2,925,165	684,760	2,240,405	327.2%
Other Revenues	97,801	34,335	63,466	184.8%	905,381	444,216	461,166	103.8%
Total Operating Revenues	10,467,205	10,516,231	(49,026)	-0.5%	120,685,083	122,109,565	(1,424,482)	-1.2%
Operating Expenses								
Electric Energy Costs								
Purchased Power	6,509,297	5,796,712	712,585	12.3%	72,675,429	70,001,665	2,673,764	3.8%
Production	1,157,981	1,548,321	(390,340)	-25.2%	15,766,973	17,589,081	(1,822,108)	-10.4%
Transmission	581,712	471,467	110,245	23.4%	4,858,866	5,511,714	(652,849)	-11.8%
Total Electric Energy Costs	8,248,990	7,816,500	432,490	5.5%	93,301,268	93,102,460	198,807	0.2%
Administrative & General Expenses								
Payroll & Benefits	483,213	413,024	70,189	17.0%	5,103,392	4,437,394	665,998	15.0%
Internal Office	68,811	78,832	(10,021)	-12.7%	994,127	906,032	88,095	9.7%
Member	6,891	(4,584)	11,475	-250.3%	238,718	166,938	71,780	43.0%
Consultants & Outside Services	187,997	107,449	80,548	75.0%	1,749,011	1,285,325	463,685	36.1%
Total Administrative & General Expenses	746,912	594,721	152,191	25.6%	8,085,247	6,795,689	1,289,558	19.0%
Depreciation and Amortization	600,514	785,421	(184,907)	-23.5%	6,606,661	8,652,982	(2,046,321)	-23.6%
Total Operating Expenses	9,596,417	9,196,642	399,774	4.3%	107,993,176	108,551,132	(557,956)	-0.5%
Operating Income/(Loss)	870,788	1,319,589	(448,801)	-34.0%	12,691,906	13,558,433	(866,527)	-6.4%
Nonoperating Revenues/(Expenses)								
Net Costs To Be Recovered in Future Periods	(52,065)	139,917	(191,981)	-137.2%	(1,013,864)	1,539,082	(2,552,946)	-165.9%
Investment Return	34,884	34,926	(42)	-0.1%	391,947	330,242	61,704	18.7%
Interest Expense	(613,372)	(689,958)	76,586	-11.1%	(7,175,490)	(7,589,542)	414,052	-5.5%
Amortization of Def. Cost of Refunded Debt	40,879	(22,562)	63,441	-281.2%	427,254	(248,186)	675,440	-272.2%
Bond Issue Costs	-	-	-	100.0%	(583,195)	-	(583,195)	100.0%
Other	-	347	(347)	-100.0%	18,420	16,625	1,795	10.8%
Total Nonoperating Revenues/(Expenses)	(589,674)	(537,332)	(52,343)	9.7%	(7,934,928)	(5,951,779)	(1,983,149)	33.3%
Net Revenue / (Loss)	$ 281,114	$ 782,257	$ (501,143)	-64.1%	$ 4,756,978	$ 7,606,654	$ (2,849,676)	-37.5%

Note: Prior Year information (Current month and YTD) has been restated to consistently present Electric Energy Sales to Non-Participants and Purchased Power Expenses related to MISO & SPP market transactions as a net purchase or net sale on an hourly basis within each separate day-ahead and real-time market based on net volumes purchased or sold.

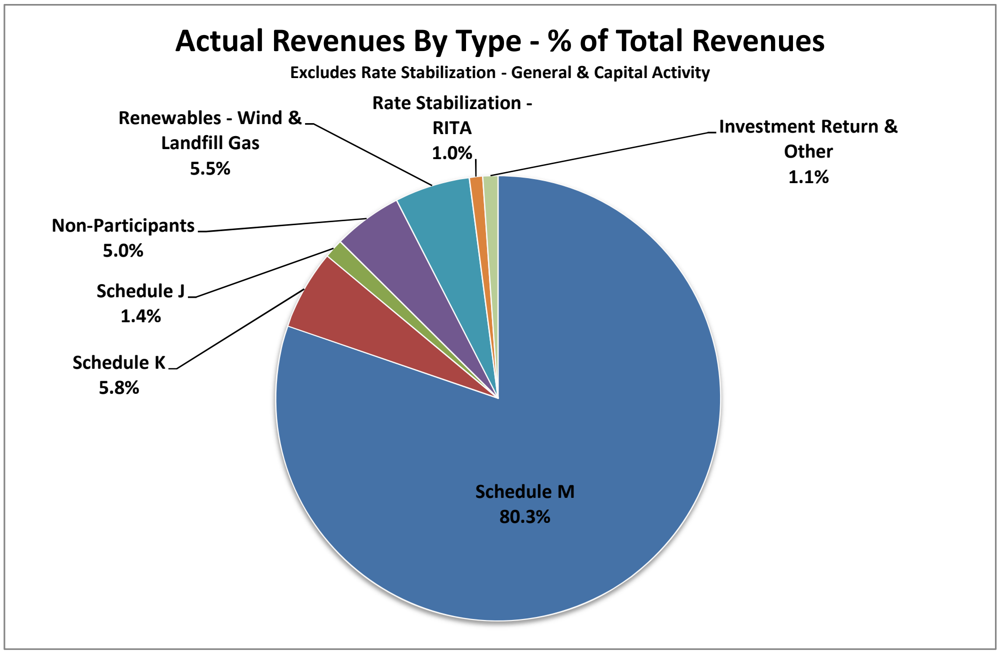
Municipal Energy Agency of Nebraska
Statements of Cash Flows
For Period Ended February 28, 2017

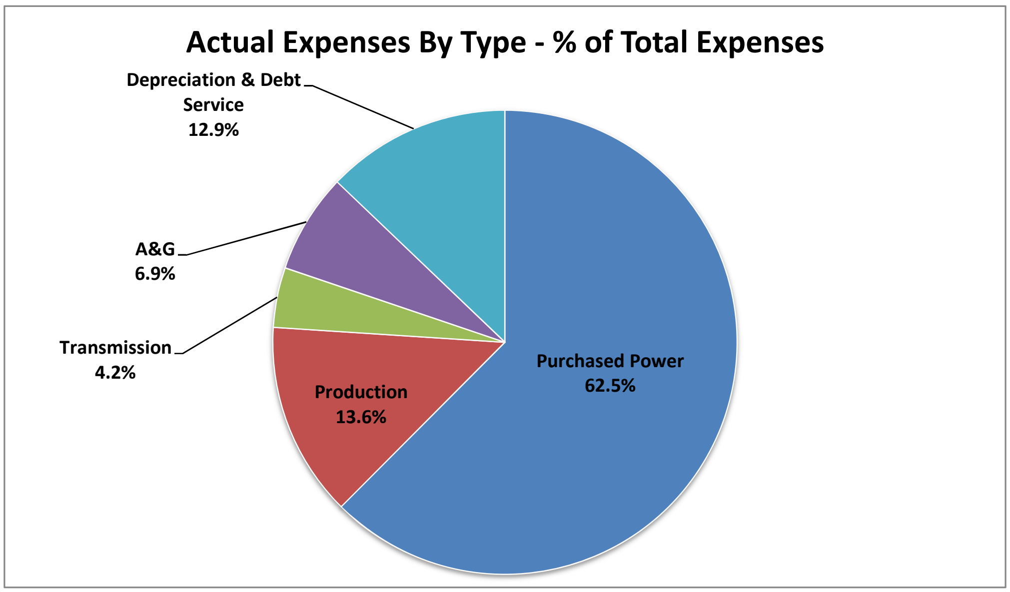
	Current Month	Fiscal YTD
Cash Received From Participants & Customers		
Schedule M	$10,740,123	$112,525,315
Schedule K	89,713	8,626,906
Schedule J	191,261	1,718,524
Service Schedule	356,155	2,745,532
Non-Participants	468,377	5,233,615
Other	201,267	1,823,605
	12,046,896	132,673,497
Cash Paid To Suppliers	(7,201,307)	(117,526,466)
Cash Received From (Paid To) Coalition Members, Net		
NMPP	(600,000)	(5,303,793)
NPGA	4,796	33,671
ACE	3,098	33,402
Transfer from / (to) Escrow	(9,289)	165,305
Debt Service Activity		
Transfer to Debt Service Accounts	(1,089,622)	(12,106,006)
2016A Bonds refunding activity	-	(309,130)
Interest Received On Debt Service Investments	-	139,203
Additions of Productive Capacity	207,158	(1,335,881)
Purchase of Capital Assets	-	(112,706)
Purchases, Sales, & Maturities Of Investments, Net	-	98,197
Interest Received On Investments	15,032	150,411
Increase (Decrease) In Cash & Cash Equivalents	3,376,763	(3,400,296)
Cash & Cash Equivalents, Beginning Of Period	21,075,874	27,852,932
Cash & Cash Equivalents, End Of Period	$24,452,637	$24,452,637

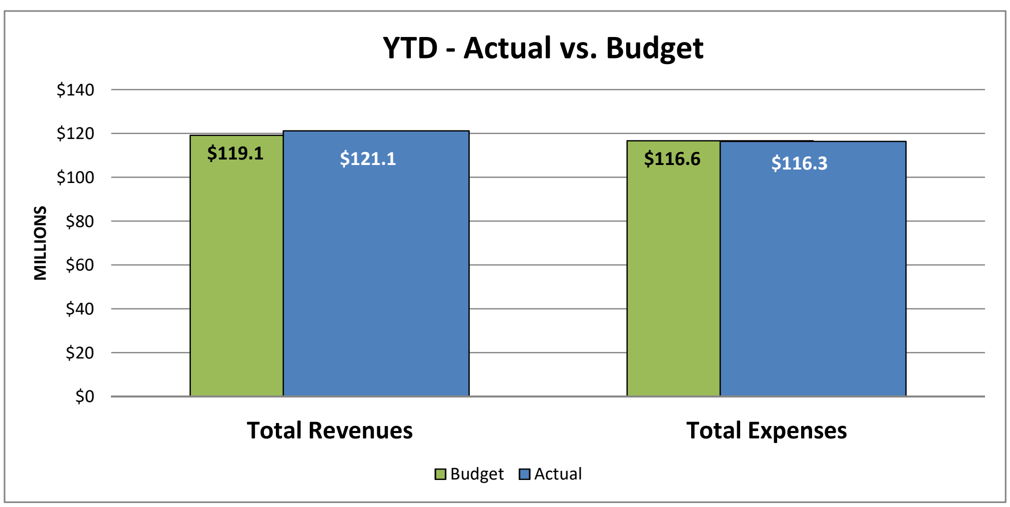
Municipal Energy Agency of Nebraska

Selected Financial Results

Fiscal Year to Date Ended February 28, 2017







IMU Regular Downstairs **7.A.**

Meeting Date: 04/10/2017

Information

Subject

Consider water consumption at 1007 N. 1st Street

Information

The tenants at 1007 N. 1st Street were backbilled for 27,400 gallons of water usage covering the dates 9/30/16 thru 1/17/17, approximately 3.5 months. They questioned the validity of the meter reading due to the last documented read date for that meter being in November 2015. Subsequent to the backbilling date, the tenants have had two "normal" billing months where their water usage has been 1,800 gallons and 2,600 gallons, an average of 2,200 gallons/month. Staff is recommending that they be backbilled based on their current average consumption only, rather than the full 27,400 gallons due to the discrepancy in meter read dates. The calculation is as follows:

Current average consumption:	2,200 gallons
Number months to be backbilled:	x <u>3.5 months</u>
Estimated number gallons consumed:	7,700 gallons

For the billing months of October thru December 2016 (3 months), the tenants paid their minimum water bill which covers the first 1,000 gallons of consumption per month. Because the tenants already paid for 3,000 gallons of usage, that amount will be deducted from the backbilled amount. The calculation is as follows:

Estimated number gallons consumed:	7,700 gallons
Gallons paid for with minimum bill:	<u>(3,000) gallons</u>
Total gallons to be backbilled:	4,700 gallons

Simple motion is in order.

Fiscal Impact

Attachments

No file(s) attached.

IMU Regular Downstairs **10.A.**
Meeting Date: 04/10/2017

Information

Subject
FY 2016 Audited Financial Statements

Information
Arlen Schrum of Shull & Co. will present the audit results for the FY 2016 consolidated financial statements.

Simple motion is in order.

Fiscal Impact

Attachments

Letter
Audit

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

March 23, 2017

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, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing* Standards and OMB Circular A-133), 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 August 15, 2016. 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. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2016. 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.

1111 North Jefferson
Indianola, Iowa 50125
515-961-2571 • Fax 515-961-4253

133 W. Washington
Osceola, Iowa 50213
641-342-2611 • Fax 641-342-2746

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 December 1, 2016.

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 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, McClafin & Co., Inc.

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, 2016 and 2015

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Table of Contents

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Officials

June 30, 2016

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

		Term Expires December 31	Amount of Bond
Adam Voigts		2018	300,000
Mike Rozga		2019	300,000
Deb White	Chairperson	2020	300,000
Jim McClymond		2021	300,000
Lesley Forbush		2022	300,000

Indianola Municipal Utilities Management

Rob Stangel	General Manager	300,000
Mike Metcalf	Electric Superintendent	300,000
Lou Elbert	Water Superintendent	300,000
Mike Metcalf	Director of Technical Services	300,000
Chris Longer	Program Coordinator	300,000

City Officials and Management

Christopher DesPlanques	Director of Finance & Community Services	300,000
Melissa McCoy	Director of Human Resources	300,000
Diana Bowlin	City Clerk	300,000
Douglas Shull	City 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

March 1, 2017

To the Honorable Mayor, Members of the Council, and Citizens of the City of Indianola,

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 of 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 & Co., 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, 2016 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, 2016 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 located 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 14,782. The city provides electric, water, and telecommunications services as a discretely reported component unit under the management and control of a board of trustees. The 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 and leases fiber optic lines to customers and has a licensing arrangement with a private 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 city utility. Separate funds are maintained for each utility. Utility fund balances deemed by the board of trustees to be in excess of the needs of a utility may be transferred to any other fund, upon approval by the city council. 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 all city services, including those provided by 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. An attorney is also appointed to represent the city, its boards, and its commissions and performs certain functions prescribed in local ordinances and in the Iowa Code.

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 general manager compiles the annual budgets for review.
- The board of trustees adopts budgets for the electric, water, and telecommunications utilities following a public hearing.
- Utility budgets are compiled with the City of Indianola's governmental services' budgets and that of the sewer utility and other enterprises for presentation to the public in publication form.
- 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.

The State of Iowa limits expenditures to the total amount budgeted by function. Expenditures for individual departments or services may exceed those budgeted as long as total expenditures by function are not exceeded. Budget amendments are permitted under provisions similar to 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, 2013 rate of return of .35%.

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 1.94%. 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 intents 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.

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 maintains a health reimbursement arrangement (HRA) for the benefit of employees. The utility makes a fixed annual commitment that employees may use to offset premium contributions or cash payments for any medical expense allowed under IRS Code. If the employee does not utilize the full amount provided in the fiscal year, the balance is carried forward to the following year and is available in any future period, including after retirement. Disbursements are paid out of operating funds and not held in trust. They are, however, accounted for in a sub-fund that is separate from other operating funds for budgetary control.

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, 2016.

Rob Stangel
General Manager

Christopher DesPlanques, CPA
Director of Finance & Administrative Services

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 IMU Board of Trustees annually adopts a Strategic Plan complete with service objectives, operating strategies, and annual goals. Performance towards plan objectives is reported on a quarterly basis.

The following summary provides a brief review of the various departmental activities and accomplishments in FY 2016.

- **Electric Utility.** The electric utility provides reliable service by purchasing wholesale energy for the community as a whole, receiving it over the transmission system, generating electricity within Indianola as needed, and distributing it safely to customers. Significant progress toward implementing operational strategies include:
  - Completion of the 2013 Hwy 92 Transmission Relocation Project
  - Completion of the 2015 W. Hwy 92 and Y Street Intersection Relocation Project
  - Turbine #7 Battery Bank
  - Electric Utility 125th Anniversary
  - 2016 Cost of Electric Service Study
  - Completion of the 2013 Hwy 92 Distribution Relocation Project
  - Purchase of Electric Transformer Moisture Removal Unit
  - Other Major Line Maintenance and Street Light Replacement

- **Water Utility.** The water utility provides reliable water service by pumping it from wells, treating it, keeping enough in storage to meet daily needs, and distributing it to customers. Significant progress towards implementing operational strategies include:
  - Completion of the 2015 Iowa Avenue Water Main Project
  - Major Plant and Tower Maintenance
  - Major Well Maintenance
  - Gatevalve and Hydrant Replacement

- **Communications Utility.** The communications utility provides the infrastructure that transmits affordable, competitive, and technologically advanced telecommunications service for both retail and other public uses. Telephone and Internet services are offered to commercial customers through a contractual private/public partnership. Significant progress towards implementing operational strategies include:
  - Engaged Magellan Advisors in a Fiber To The Premise Feasibility Study
  - New Fiber Line Construction, Service Drops and ONT's

- **Administration.** All three utilities are administered by a combination of the IMU Board of Trustees and their staff, services provided by the City of Indianola through cost-sharing arrangements, and third-party contractors.

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, 2016 and 2015 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 audit. We conducted our audit 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 audit 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.

1111 North Jefferson
Indianola, Iowa 50125
515-961-2571 • Fax 515-961-4253

133 W. Washington
Osceola, Iowa 50213
641-342-2611 • Fax 641-342-2746

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, 2016 and 2015, 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 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 audit 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 supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The other information, the Management's 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 7, 10 through 16 and 45 through 50 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards we have also issued our report dated December 1, 2016 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, Sohrum, McClaflin & Co., Inc.

December 1, 2016

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, 2016. 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.

2016 Financial Highlights

- Indianola Municipal Utilities has ending cash and investment balances totaling $7,460,216 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 $117,013.

- Net cash provided by operating activities was $1,968,960, which decreased by $78,650 compared with the prior year.

- At the end of the current fiscal year, unrestricted and undesignated net assets totaled $10,001,132, which decreased by $227,463 over the prior year.

- The utility's total liabilities decreased $999,486 during the current fiscal year. Current liabilities decreased by $64,759, primarily from a decrease 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 Assets, a Statement of Revenues, Expenses and Changes in Net Assets, 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.

Basis of accounting. Indianola Municipal Utilities maintains its financial records on the accrual basis and the financial statements presented in this report are prepared on that 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 Assets presents information on each utility's assets, liabilities, and equity. Over time, increases or decreases in unrestricted and undesignated net assets 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 Assets 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, financing, and investment activities.

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, 2016	2015
Assets		
Current	$ 11,891,072	11,649,510
Restricted	624,356	649,804
Other	19,166	112,532
Capital	43,078,786	44,013,139
Total Assets	55,613,380	56,424,985
Deferred outflows of resources	745,670	1,021,742
Liabilities		
Current	3,072,936	3,118,838
Long Term	6,964,530	7,918,114
Total Liabilities	10,037,466	11,036,952
Deferred inflows of resources	102,187	293,366
Net Position		
Invested Capital Assets	35,398,928	35,042,042
Restricted	322,530	349,835
Designated	496,807	495,937
Unrestricted & Undesignated	10,001,132	10,228,595
Total Net Position	$ 46,219,397	46,116,409

As shown above, total utility net assets remained relatively stable, decreasing 0.22% or $102,998. Invested Capital Assets decreased by $125,830 as capital projects were down pending more in FY17. The utility also repaid $1,350,156 of indebtedness in FY 2016.

Analysis of Financial Activities - Continued

Net Income	Year ended June 30, 2016	2015
Operating revenues		
Sales of electricity	$ 12,817,230	11,923,821
Electrical capacity contract fees	518,115	531,403
Electrical transmission revenue	466,736	500,323
Sales of water	2,166,691	2,162,818
Fiber communications rental fees	324,933	278,512
Other	183,673	163,043
Total operating revenue	16,477,378	15,559,920
Operating expenses		
Electric utility	12,984,787	12,681,612
Water utility	1,462,762	1,384,753
Fiber communications utility	49,185	34,552
Joint utility	1,311,984	1,256,534
Transfer to city for Clerk's operations	356,200	341,900
Transfer to city in lieu of property taxes	675,592	645,400
Total operating expenses	16,840,510	16,344,751
Income from operations	(363,132)	(784,831)
Nonoperating revenue (expenses)		
Revenue	500,724	474,250
Expenses	(244,484)	(196,110)
Net Income (Loss)	$ (106,892)	(506,691)

Income from operations increased by $399,799. This was due to a combination of increase rates charged to consumers offset by higher cost of power in the electrical utility.

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.

Budgetary Highlights - Continued

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

Capital Asset and Debt Administration

The utility issued no 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, 2016	2015
Electric utility		
Revenue bonds	$ 6,258,000	6,941,000
Water utility		
Revenue bonds	275,000	545,000
General Obligation bonds (issued by city)	627,300	782,300
Communications utility	-	-
Total	$ 7,160,300	8,268,300
Internal loan from Electric utility to Water utility	$ 1,014,749	1,256,905

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 in 2015 is for Indianola to grow to a population of approximately 15,500, which represents and 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. Close 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. Over the past 7 years, retail sales have grown at an annual average of over 1.5% and new single-family dwellings have been constructed at an average annual rate in excess of 50 units.

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 commitments 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:

- Phase II of the long-term electric underground conversion project. Additional debt of $5 million can be structured within current electric rates. It is anticipated this would be issued within 3-5 years.
- Water main replacements estimated at $500,000 using available cash in excess of the utility's reserve policy.
- Construction of additional fiber optic trunk lines within the next 5 years (amount dependent upon opportunities to obtain adequate financial returns on investment).

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.

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

The utility has hedged these risks by purchasing 9.5% 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 maintain increased rates 7% on December 1, 2016. This annual rate increase is expected to fund capital projects and to pay for projected wholesale energy costs. Water rates remained stable.

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 Director of Finance or to the City Clerk, who serves as the Secretary of the Board of Trustees. Their offices are located at 110 N. First St., PO Box 299, Indianola, IA 50125 with a telephone number of 515-961-9410.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Net Position
June 30, 2016 and 2015

ASSETS	2016 ELECTRIC	2015 ELECTRIC	2016 WATER	2015 WATER
Current assets				
Cash and investments	$ 5,116,564	5,005,238	1,037,179	1,036,540
Accounts receivable - customers	2,516,912	2,325,685	428,272	401,618
Other accounts receivable	36,637	-	-	-
Accrued interest receivable	21,079	19,893	6,141	6,924
Inventory - fuel oil	705,179	655,519	-	-
Inventory - supplies	1,211,580	1,417,194	36,045	36,677
Receivable from the City of Indianola within one year	-	-	18,367	17,601
Promissory note receivable within one year	-	-	-	-
Loan receivable from municipal water utility within one year	248,279	244,835	(248,279)	(244,835)
Total current assets	9,856,230	9,668,364	1,277,725	1,254,525
Restricted assets - cash and investments				
Revenue capital loan notes and bonds bond and interest sinking fund	253,974	278,962	160,382	160,842
Revenue capital loan notes and bonds debt service reserve fund	-	-	135,000	135,000
Revenue capital loan notes and bonds improvement fund	-	-	75,000	75,000
Total restricted assets	253,974	278,962	370,382	370,842
Other assets				
Receivable from the City of Indianola after one year	-	-	19,166	37,532
Promissory note receivable after one year	-	-	-	-
Loan receivable from municipal water utility after one year	766,470	1,012,070	(766,470)	(1,012,070)
Total other assets	766,470	1,012,070	(747,304)	(974,538)
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	30,222,871	29,878,397	-	-
Transmission system	4,392,674	4,184,982	-	-
Buildings and plant	2,120,678	2,120,678	7,681,305	7,681,305
Wells and towers	-	-	4,772,665	4,753,807
Mains, hydrants and meters	-	-	11,720,028	11,356,025
Computer equipment	403,968	403,968	-	-
Equipment	828,257	828,257	598,513	598,513
Vehicles	1,489,767	1,479,494	275,768	275,768
	55,424,796	54,862,357	25,604,132	25,221,271
Less accumulated depreciation	26,214,867	24,936,529	11,814,446	11,225,369
Net capital assets	29,209,929	29,925,828	13,789,686	13,995,902
Total assets	40,086,603	40,885,224	14,690,489	14,646,731
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	139,405	99,917	68,771	39,584
Deferred charges	-	300,668	-	-
Deferred outflows on advanced refunding of debt	487,496	542,684	-	-
Total deferred outflows	626,901	943,269	68,771	39,584

2016 FIBER	2015 FIBER	2016 JOINT UTILITY	2015 JOINT UTILITY	2016 TOTAL	2015 TOTAL
260,310	305,684	421,807	345,937	6,835,860	6,693,399
-	-	-	-	2,945,184	2,727,303
-	-	-	-	36,637	-
-	-	-	-	27,220	26,817
-	-	-	-	705,179	655,519
-	-	-	-	1,247,625	1,453,871
-	-	-	-	18,367	17,601
-	-	75,000	75,000	75,000	75,000
-	-	-	-	-	-
260,310	305,684	496,807	420,937	11,891,072	11,649,510
-	-	-	-	414,356	439,804
-	-	-	-	135,000	135,000
-	-	-	-	75,000	75,000
-	-	-	-	624,356	649,804
-	-	-	-	19,166	37,532
-	-	-	75,000	-	75,000
-	-	-	-	-	-
-	-	-	75,000	19,166	112,532
-	-	-	-	586,648	586,648
-	-	-	-	774,412	774,412
-	-	-	-	15,161,374	15,161,374
-	-	-	-	30,222,871	29,878,397
-	-	-	-	4,392,674	4,184,982
91,948	91,948	-	-	9,893,931	9,893,931
-	-	-	-	4,772,665	4,753,807
-	-	-	-	11,720,028	11,356,025
-	-	-	-	403,968	403,968
788,353	788,353	-	-	2,215,123	2,215,123
19,409	19,409	-	-	1,784,944	1,774,671
899,710	899,710	-	-	81,928,638	80,983,338
820,539	808,301	-	-	38,849,852	36,970,199
79,171	91,409	-	-	43,078,786	44,013,139
339,481	397,093	496,807	495,937	55,613,380	56,424,985
1,908	1,288	48,090	37,601	258,174	178,390
-	-	-	-	-	300,668
-	-	-	-	487,496	542,684
1,908	1,288	48,090	37,601	745,670	1,021,742

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Net Position - Continued
June 30, 2016 and 2015

LIABILITIES	2016 ELECTRIC	2015 ELECTRIC	2016 WATER	2015 WATER
Current liabilities				
Accounts payable	$ 1,672,835	1,729,132	31,042	21,936
Wages and benefits payable	119,345	113,947	59,589	58,457
Sales tax payable	1,254	573	66	71
Deferred rental fees	-	-	-	-
Accrued interest payable	-	-	1,025	1,241
General obligation bonds payable within one year	-	-	145,800	155,000
Total current liabilities	1,793,434	1,843,652	237,522	236,705
Current liabilities payable from restricted assets				
Accrued interest payable	26,528	29,424	298	545
Revenue capital loan notes and bonds payable within one year	700,000	683,000	275,000	270,000
Current liabilities payable from restricted assets	726,528	712,424	275,298	270,545
Noncurrent liabilities				
Net pension liability	522,357	430,799	207,481	171,114
Revenue refunding bonds payable after one year (including unamortized premium of $265 (2015 - $782))	-	-	265	275,782
General obligation bonds payable after one year (net of unamortized discount of $7,960 (2015 - $12,206))	-	-	473,540	615,094
Revenue capital loan notes and bonds payable after one year	5,558,000	6,258,000	-	-
Total noncurrent liabilities	6,080,357	6,688,799	681,286	1,061,990
Total liabilities	8,600,319	9,244,875	1,194,106	1,569,240
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Pension related deferred inflows	57,228	164,294	22,731	65,258
NET POSITION				
Net investment in capital assets	23,439,425	23,527,512	11,880,332	11,423,121
Restricted for debt service	227,446	249,538	20,084	25,297
Restricted for plant improvement	-	-	75,000	75,000
Unrestricted				
Designated for payment of insurance coverage deductibles	-	-	-	-
Designated for economic development revolving loan fund				
Undesignated	8,389,086	8,642,274	1,567,007	1,528,399
Total unrestricted	8,389,086	8,642,274	1,567,007	1,528,399
Total net position	$ 32,055,957	32,419,324	13,542,423	13,051,817

See accompanying notes to financial statements.

2016 FIBER	2015 FIBER	2016 JOINT UTILITY	2015 JOINT UTILITY	2016 TOTAL	2015 TOTAL
-	-	1,051	2,691	1,704,928	1,753,759
-	-	33,138	46,154	212,072	218,558
-	-	-	-	1,320	644
5,965	6,667	-	-	5,965	6,667
-	-	-	-	1,025	1,241
-	-	-	-	145,800	155,000
5,965	6,667	34,189	48,845	2,071,110	2,135,869
-	-	-	-	26,826	29,969
-	-	-	-	975,000	953,000
-	-	-	-	1,001,826	982,969
6,743	5,561	196,144	161,764	932,725	769,238
-	-	-	-	265	275,782
-	-	-	-	473,540	615,094
-	-	-	-	5,558,000	6,258,000
6,743	5,561	196,144	161,764	6,964,530	7,918,114
12,708	12,228	230,333	210,609	10,037,466	11,036,952
738	2,121	21,490	61,693	102,187	293,366
79,171	91,409	-	-	35,398,928	35,042,042
-	-	-	-	247,530	274,835
-	-	-	-	75,000	75,000
-	-	14,857	16,056	14,857	16,056
-	-	481,950	479,881	481,950	479,881
248,772	292,623	(203,733)	(234,701)	10,001,132	10,228,595
248,772	292,623	293,074	261,236	10,497,939	10,724,532
327,943	384,032	293,074	261,236	46,219,397	46,116,409

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016 ELECTRIC	2015 ELECTRIC	2016 WATER	2015 WATER
Operating revenues				
Utility service sales	$ 12,817,230	11,923,821	2,166,691	2,162,818
Capacity contract fees	518,115	531,403	-	-
Peaking power charges	32,735	47,923	-	-
Service installation fees	46,639	30,187	-	-
Fiber communcation rental fees	-	-	-	-
Fiber lease fees	212,818	186,557	-	-
Transmission revenue	466,736	500,323	-	-
Other	25,086	26,668	58,842	47,800
Total operating revenues	14,119,359	13,246,882	2,225,533	2,210,618
Operating expenses				
Plant operation	172,627	170,687	527,305	479,856
Plant maintenance	167,067	162,103	20,462	68,226
Purchased energy	10,288,493	9,642,173	-	-
Depreciation	1,304,765	1,342,634	589,077	578,142
Distribution operation	81,076	128,859	-	-
Distribution maintenance	914,091	1,064,790	313,392	246,673
Transmission operation and maintenance	11,575	127,323	-	-
Meter reading	45,093	43,043	12,526	11,856
Administrative and general	1,786,721	1,758,232	442,607	351,621
Total operating expenses	14,771,508	14,439,844	1,905,369	1,736,374
Income (loss) from operations	(652,149)	(1,192,962)	320,164	474,244
Nonoperating revenues (expenses)				
Interest on investments	84,312	106,525	23,421	27,937
Interest on loan to municipal water utility	28,644	41,955	(28,644)	(41,955)
Connect charges and service fees	57,235	30,988	27,161	22,217
Gain (loss) on sale or transfer of capital assets	11,550	(2,482)	-	-
Revenue refunding capital loan note issuance costs	-	(93,519)	-	-
Other revenues	229,927	176,589	71,772	72,452
Interest expense	(232,758)	(71,250)	(23,276)	(28,859)
	178,910	188,806	70,434	51,792
Net income (loss)	(473,239)	(1,004,156)	390,598	526,036
Capital contributions from water main connection fees	-	-	-	2,832
Capital contributions from developers and customers	109,872	51,250	100,008	49,800
Change in net position	(363,367)	(952,906)	490,606	578,668
Net position, beginning of year	32,419,324	33,372,230	13,051,817	12,473,149
Net position, end of year	$ 32,055,957	32,419,324	13,542,423	13,051,817

See accompanying notes to financial statements.

2016 FIBER	2015 FIBER	2016 JOINT UTILITY	2015 JOINT UTILITY	2016 TOTAL	2015 TOTAL
-	-	-	-	14,983,921	14,086,639
-	-	-	-	518,115	531,403
-	-	-	-	32,735	47,923
-	-	-	-	46,639	30,187
324,933	278,512	-	-	324,933	278,512
(212,818)	(186,557)	-	-	-	-
-	-	-	-	466,736	500,323
20,371	10,465	-	-	104,299	84,933
132,486	102,420	-	-	16,477,378	15,559,920
-	-	-	-	699,932	650,543
-	-	-	-	187,529	230,329
-	-	-	-	10,288,493	9,642,173
12,238	17,698	-	-	1,906,080	1,938,474
36,947	16,854	-	-	118,023	145,713
-	-	-	-	1,227,483	1,311,463
-	-	-	-	11,575	127,323
-	-	-	-	57,619	54,899
143,978	115,644	(29,530)	18,337	2,343,776	2,243,834
193,163	150,196	(29,530)	18,337	16,840,510	16,344,751
(60,677)	(47,776)	29,530	(18,337)	(363,132)	(784,831)
4,588	5,043	2,308	1,930	114,629	141,435
-	-	-	-	-	-
-	-	-	-	84,396	53,205
-	-	-	-	11,550	(2,482)
-	-	-	-	-	(93,519)
-	-	-	30,569	301,699	279,610
-	-	-	-	(256,034)	(100,109)
4,588	5,043	2,308	32,499	256,240	278,140
(56,089)	(42,733)	31,838	14,162	(106,892)	(506,691)
-	-	-	-	-	2,832
-	-	-	-	209,880	101,050
(56,089)	(42,733)	31,838	14,162	102,988	(402,809)
384,032	426,765	261,236	247,074	46,116,409	46,519,218
327,943	384,032	293,074	261,236	46,219,397	46,116,409

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Cash Flows
Years Ended June 30, 2016 and 2015

	2016 ELECTRIC	2015 ELECTRIC	2016 WATER	2015 WATER
Cash flows from operating activities				
Cash received from customers	$ 13,813,529	13,273,266	2,181,193	2,202,666
Cash paid to suppliers	(11,191,314)	(10,516,243)	(511,941)	(587,216)
Cash paid to employees	(1,118,938)	(1,194,093)	(618,497)	(513,707)
Accounting and collections - transfer to IMU Joint Utility	(727,117)	(717,998)	(192,650)	(165,000)
Nonoperating revenues received	287,162	207,577	98,933	94,669
Net cash provided by operating activities	1,063,322	1,052,509	957,038	1,031,412
Cash flows from capital and related financing activities				
Purchases and construction of capital assets	(478,994)	(1,059,676)	(285,443)	(309,616)
Proceeds from sale of capital assets	11,550	2,014	-	-
Water main connection fees received	-	-	2,590	2,832
Revenue refunding capital loan note issued	-	7,241,000	-	-
Deferred outflows on advanced refunding of debt	-	(556,481)	-	-
Payment of revenue refunding capital loan note issuance costs	-	(93,519)	-	-
General obligation bond principal paid	-	-	(155,000)	(155,000)
General obligation bond interest paid	-	-	(14,950)	(17,500)
Revenue capital loan notes and bonds principal paid	(683,000)	(8,260,000)	(270,000)	(270,000)
Revenue capital loan notes and bonds interest paid	(180,466)	(147,542)	(5,060)	(7,760)
Net cash used by capital and related financing activities	(1,330,910)	(2,874,204)	(727,863)	(757,044)
Cash flows from investing activities				
Interfund loan principal received	242,156	526,279	(242,156)	(526,279)
Interfund interest income received	28,644	41,955	(28,644)	(41,955)
Principal payment received from the City of Indianola	-	-	17,600	16,867
Promissory note principal received	-	-	-	-
Interest income received	83,126	112,436	24,204	29,731
Net cash provided by investing activities	353,926	680,670	(228,996)	(521,636)
Net increase (decrease) in cash and investments	86,338	(1,141,025)	179	(247,268)
Cash and investments, beginning of year	5,284,200	6,425,225	1,407,382	1,654,650
Cash and investments, end of year	$ 5,370,538	5,284,200	1,407,561	1,407,382

2016 FIBER	2015 FIBER	2016 JOINT UTILITY	2015 JOINT UTILITY	2016 TOTAL	2015 TOTAL
131,784	101,718	-	-	16,126,506	15,577,650
(77,242)	(32,927)	(581,314)	(562,280)	(12,361,811)	(11,698,666)
(13,536)	(12,797)	(430,859)	(443,592)	(2,181,830)	(2,164,189)
(90,968)	(87,324)	1,010,735	970,322	-	-
-	-	-	30,569	386,095	332,815
(49,962)	(31,330)	(1,438)	(4,981)	1,968,960	2,047,610
-	-	-	-	(764,437)	(1,369,292)
-	-	-	-	11,550	2,014
-	-	-	-	2,590	2,832
-	-	-	-	-	7,241,000
-	-	-	-	-	(556,481)
				-	-
-	-	-	-	-	(93,519)
-	-	-	-	(155,000)	(155,000)
-	-	-	-	(14,950)	(17,500)
-	-	-	-	(953,000)	(8,530,000)
-	-	-	-	(185,526)	(155,302)
-	-	-	-	(2,058,773)	(3,631,248)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	17,600	16,867
-	-	75,000	75,000	75,000	75,000
4,588	5,043	2,308	1,930	114,226	149,140
4,588	5,043	77,308	76,930	206,826	241,007
(45,374)	(26,287)	75,870	71,949	117,013	(1,342,631)
305,684	331,971	345,937	273,988	7,343,203	8,685,834
260,310	305,684	421,807	345,937	7,460,216	7,343,203

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Cash Flows - Continued
Years Ended June 30, 2016 and 2015

		2016 ELECTRIC	2015 ELECTRIC	2016 WATER	2015 WATER
Reconciliation of income from operations to net cash provided by operating activities					
Income from operations	$	(652,149)	(1,192,962)	320,164	474,244
Adjustments					
Nonoperating revenues		287,162	207,577	98,933	94,669
Depreciation		1,304,765	1,342,634	589,077	578,142
(Increase) decrease in accounts receivable		(227,864)	87,696	(26,654)	4,583
Decrease in inventories		155,954	447,371	632	93
Increase in pension related deferred outflows		(39,488)	(36,443)	(29,187)	(14,371)
(Increase) decrease in deferred charges		300,668	14,309	-	-
Increase (decrease) in net pension liability		91,558	(170,720)	36,367	(67,810)
Increase (decrease) in pension related deferred inflows		(107,066)	164,294	(42,527)	65,258
(Increase) decrease in deferred rental fees		-	-	-	-
Increase (decrease) in accounts, wages and benefits, and sales tax payable		(50,218)	188,753	10,233	(103,396)
Net cash provided by operating activities	$	1,063,322	1,052,509	957,038	1,031,412
Noncash capital and related financing activities					
Developer contributions of utility plant and equipment	$	109,872	51,250	97,418	49,800

See accompanying notes to financial statements.

2016 FIBER	2015 FIBER	2016 JOINT UTILITY	2015 JOINT UTILITY	2016 TOTAL	2015 TOTAL
(60,677)	(47,776)	29,530	(18,337)	(363,132)	(784,831)
-	-	-	30,569	386,095	332,815
12,238	17,698	-	-	1,906,080	1,938,474
-	-	-	-	(254,518)	92,279
-	-	-	-	156,586	447,464
(620)	(468)	(10,489)	(13,767)	(79,784)	(65,049)
-	-	-	-	300,668	14,309
1,182	(2,203)	34,380	(64,105)	163,487	(304,838)
(1,383)	2,121	(40,203)	61,693	(191,179)	293,366
(702)	(702)	-	-	(702)	(702)
-	-	(14,656)	(1,034)	(54,641)	84,323
(49,962)	(31,330)	(1,438)	(4,981)	1,968,960	2,047,610
-	-	-	-	207,290	101,050

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 liabilities, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Outflows 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 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.

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
Fiber communications utility	
Distribution and connection systems	10 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period, deferred cost of energy adjustments, 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.

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. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources the fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of receivables not collected within sixty days after year end.

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.

2. TRANSFER OF LAND

In September 2013 the Board of Trustee transferred management and control of land no longer needed in its water utility operations to the City of Indianola in exchange for $92,000 plus interest, payable in annual installments of $20,000, including interest, through September 2017.

Maturities of the receivable from the City of Indianola as of June 30, 2016 were as follows:

Year ending June 30,		
2017	$	18,367
2018		19,166
	$	37,533

3. PROMISSORY NOTE

The Utility has a promissory note receivable in connection with the Utility's revolving loan fund. Principal, with no interest thereon, is payable annually from October 2012. Principal not paid when due shall accrue interest at the rate of 8% per annum.

Promissory note maturities are as follows as of June 30, 2016:

Year ending June 30,		
2017	$	75,000

4. 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, 2016 were as follows:

Year ending June 30,		
2017	$	248,279
2018		254,558
2019		260,995
2020		250,917
	$	1,014,749

5. ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE

For the years ended June 30, 2016 and 2015, the accumulated depreciation and depreciation expense were as follows:

	Electric Accumulated Depreciation 2016	Water Accumulated Depreciation 2016	Fiber Accumulated Depreciation 2016	Total Accumulated Depreciation 2016	Electric Depreciation Expense 2016	Water Accumulated Depreciation 2016	Fiber Depreciation Expense 2016	Total Depreciation Expense 2016
Service territory	$ 229,125	124,692	-	353,817	22,300	10,947	-	33,247
Generating units	12,032,330	-	-	12,032,330	365,165	-	-	365,165
Distribution system	10,402,303	-	-	10,402,303	699,013	-	-	699,013
Transmission system	304,663	-	-	304,663	73,853	-	-	73,853
Buildings and plant	1,006,356	3,732,659	16,639	4,755,654	33,364	175,667	2,299	211,330
Wells and towers	-	2,256,935	-	2,256,935	-	132,991	-	132,991
Mains, hydrants and meters	-	4,984,435	-	4,984,435	-	240,721	-	240,721
Computer equipment	402,887	-	-	402,887	2,164	-	-	2,164
Equipment	750,122	551,624	784,491	2,086,237	37,861	7,715	9,939	55,515
Vehicles	1,087,081	164,101	19,409	1,270,591	71,045	21,036	-	92,081
	$ 26,214,867	11,814,446	820,539	38,849,852	1,304,765	589,077	12,238	1,906,080

	Electric Accumulated Depreciation 2015	Water Accumulated Depreciation 2015	Fiber Accumulated Depreciation 2015	Total Accumulated Depreciation 2015	Electric Depreciation Expense 2015	Water Depreciation Expense 2015	Fiber Depreciation Expense 2015	Total Depreciation Expense 2015
Service territory	$ 206,825	113,745	-	320,570	22,300	10,947	-	33,247
Generating units	11,667,165	-	-	11,667,165	367,265	-	-	367,265
Distribution system	9,703,290	-	-	9,703,290	677,776	-	-	677,776
Transmission system	230,810	-	-	230,810	118,161	-	-	118,161
Buildings and plant	972,992	3,556,992	14,340	4,544,324	33,364	175,402	2,299	211,065
Wells and towers	-	2,123,944	-	2,123,944	-	133,203	-	133,203
Mains, hydrants and meters	-	4,743,714	-	4,743,714	-	231,176	-	231,176
Computer equipment	400,723	-	-	400,723	3,415	-	-	3,415
Equipment	712,262	543,909	774,552	2,030,723	50,987	8,862	15,399	75,248
Vehicles	1,042,462	143,065	19,409	1,204,936	69,366	18,552	-	87,918
	$ 24,936,529	11,225,369	808,301	36,970,199	1,342,634	578,142	17,698	1,938,474

6. DEFERRED CHARGES

In May 2014 the Board of Trustees determined a cost of energy adjustment would be imposed under the provisions of its electric rate resolution. The initial costs to be recovered are the sum of the purchased energy adjustments assessed from July 2013 through March 2014 by IMU's wholesale electric power supplier under the terms of its power supply contract. The charges are expected to be recovered over a one year period as an additional per kilowatt hour surcharge to all utility customers. Each quarter actual energy costs charged by IMU's wholesale electric power supplier in excess of the base energy costs included in the rate resolution are added to deferred charges and surcharges collected from customers are subtracted from deferred charges to determine the per kilowatt hour surcharge to be imposed until all excess energy costs are recovered.

7. REVENUE CAPITAL LOAN NOTES AND BONDS PAYABLE

In March 2015 the Utilities issued $7,241,000 of Electric Revenue Refunding Capital Loan Notes, with interest rate of 2.6%, for a current refunding of a portion of revenue capital loan notes issued June 2010 and revenue bonds issued December 2011. The Utilities refunded the capital loan notes and revenue bonds to reduce its total debt service payments by approximately $1,453,200 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $1,261,300.

During the year ended June 30, 2015, the Utilities entered into an escrow agreement whereby the proceeds from the refunding capital loan notes were converted into U.S. Securities. These securities and additional cash were placed in an escrow account for the express purpose of paying the principal and interest on the refunded revenue bonds and notes as they become due. After the principal and interest on all the outstanding bonds and notes have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the Utilities. The transactions, balances and liabilities of the escrow account are not recorded by the Utilities. The amount of the refunded bonds and notes was considered extinguished and, therefore, excluded from long-term debt was $7,960,000 at June 30, 2105.

The reacquisition price exceeded the net carrying amount of the old debt by $556,481. This amount, the deferred outflows on advanced refunding of debt, is being amortized over the remaining life of the new debt issued, which is equal to the life of the refunded debt.

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 net revenues, as defined, and are payable through 2025. 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 $7,025,780. For the current year, principal and interest paid and total net loss were $863,466 and $652,149, respectively.

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

a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.

6. REVENUE CAPITAL LOAN NOTES AND BONDS PAYABLE- Continued

b. Sufficient monthly transfers shall be made to a separate electric revenue sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.

c. 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.

Revenue capital loan note and bond debt service requirements are as follows as of June 30, 2016:

Year Ending June 30,	Principal	Interest	Total
2017	$ 700,000	162,708	862,708
2018	718,000	144,508	862,508
2019	737,000	125,840	862,840
2020	756,000	106,678	862,678
2021	776,000	87,022	863,022
2022-2025	2,571,000	141,024	2,712,024
	$ 6,258,000	767,780	7,025,780

In December 2011 the Utilities issued $1,350,000 of Water Revenue Refunding Bonds, with interest rates ranging from .5% to 1.3%, for a current refunding of a portion of refunding capital loan notes issued August 2004. The Utilities refunded the capital loan notes to reduce its total debt service payments by approximately $91,800 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $88,400.

The Utilities has pledged future water customer receipts, net of specified operating disbursements, to repay $1,350,000 of Water Revenue Refunding Bonds issued in December 2011. Proceeds from the notes provided financing for the current refunding of a portion of the refunding capital loan notes issued August 2004. The notes are payable solely from water net revenues, as defined, and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 50% of net receipts. The total principal and interest remaining to be paid on the notes is $276,788. For the current year, principal and interest paid and total net revenues were $275,060 and $320,164, respectively.

6. REVENUE CAPITAL LOAN NOTES AND BONDS PAYABLE- Continued

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

a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.

b. Sufficient monthly transfers shall be made to a separate water revenue sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.

c. Additional monthly transfers of 25% of the amount required to be deposited in the water revenue sinking account shall be made to a separate water revenue debt service reserve account until specific minimum balances have been accumulated in the accounts. Use of funds is restricted to funding any deficit in the sinking account.

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 water system, or to pay or redeem any bonds, and then can be used for any lawful purpose.

Revenue refunding bond debt service requirements were as follows as of June 30, 2016:

Year ending June 30,	Principal	Interest	Total
2017	$ 275,000	1,788	276,788

7. 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.

The Municipal Water Utility portion of general obligation bond debt service requirements are as follows as of June 30, 2016:

Year ending June 30,	Principal	Interest	Total
2017	$ 145,800	12,300	158,100
2018	146,600	9,800	156,400
2019	47,300	6,700	54,000
2020	48,000	6,000	54,000
2021	50,300	5,200	55,500
2022-2025	189,300	10,500	199,800
	$ 627,300	50,500	677,800

8. 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, 2016 and 2015. Accrued sick leave benefits as of June 30, 2016 of approximately $251,288 (2015 - $283,048) are payable only when used and have not been accrued.

9. 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, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55.The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

9. PENSION PLAN - Continued

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2016 totaled $135,495.

9. PENSION PLAN - Continued

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the Utilities reported a liability of $932,725 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the Utilities' proportion was .01887922%, which was a decrease of .0005170% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Utilities recognized pension expense of $28,571. At June 30, 2016, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,740	-
Changes of assumptions	23,147	-
Changes in proportion and differences between Utility contributions and the Utilities' proportionate share of contributions	(78,148)	-
Net difference between projected and actual earnings on pension plan investments	162,387	102,187
Utilities' contributions subsequent to the measurement date	136,048	-
Total	$ 258,174	102,187

9. PENSION PLAN - Continued

$136,048 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 ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2017	$	(6,189)
2018		(6,189)
2019		(6,189)
2020		27,826
2021		10,680
	$	19,939

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 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, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation
Wage Growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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.

9. PENSION PLAN - Continued

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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	0.02
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed 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 7.5%, 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 (6.5%) or 1% higher (8.5%) than the current rate.

9. PENSION PLAN - Continued

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Utilities' proportionate share of the net pension liability	$ 1,900,213	$ 1,085,328	$ 397,505

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.

10. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level 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 risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Utilities' annual contributions to the Pool for the year ended June 30, 2016 were $82,015 (2015 - $78,569).

10. RISK MANAGEMENT - Continued

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 $350,000 per claim. Claims exceeding $350,000 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, 2016, no liability has been recorded in the Utilities financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the 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, 2016 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2016, Indianola Municipal Utilities paid workers' compensation insurance premiums of $27,730 (2015 - $36,561) to the Association.

11. 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 into 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 2013 - March 2014.

IMU's pro-rata share of net at-risk annual costs borne by Schedule M participants is approximately 9.5% in 2016 (2015 – 9.5%), 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, 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.

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, 2016

		Budget Amounts		Final to Actual
	Actual	Original	Final	Variance
Receipts				
Use of money and property	$ 476,409	533,700	533,700	(57,291)
Intergovernmental	88,694	20,000	550,000	(461,306)
Charges for service	16,323,798	16,502,500	16,502,500	(178,702)
Special assessments	2,590	-	-	2,590
Miscellaneous	1,181,906	983,200	983,200	198,706
Total receipts	18,073,397	18,039,400	18,569,400	(496,003)
Disbursements				
Business type activities	16,766,159	16,209,100	17,077,100	310,941
Excess of receipts over (under) disbursements	1,307,238	1,830,300	1,492,300	(185,062)
Other financing sources (uses)				
Sale of capital assets	20,000	-	-	20,000
Operating transfers in (out)	(1,210,224)	(1,239,100)	(1,239,100)	28,876
Total other financing sources (uses)	(1,190,224)	(1,239,100)	(1,239,100)	48,876
Excess of receipts and other financing sources over (under) disbursements and other financing uses	117,014	591,200	253,200	(136,186)
Balances, beginning of year	7,343,203	7,343,203	7,343,203	-
Balances, end of year	$ 7,460,217	7,934,403	7,596,403	(136,186)

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Required Supplementary Information –
Budgetary Reporting
Year Ended June 30, 2016

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, two budget amendments increased budgeted disbursements by $868,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2016, 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 Two Years*

Required Supplementary Information

Iowa Public Employees' Retirement System	2016	2015
Utilities' proportion of the net pension liability	0.0188792%	0.0193963%
Utilities' proportionate share of the net pension liability	$ 932,725	$ 769,238
Utilities' covered-employee payroll	$ 1,517,301	$ 1,501,680
Utilities' proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.47%	51.23%
IPERS' net position as a percentage of the total pension liability	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.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Schedule of Utilities Contributions

For the Last 10 Years

Required Supplementary Information

Iowa Public Employees' Retirement Syste

	2016	2015	2014	2013
Statutorily required contribution	$ 135,495	134,100	131,492	124,568
Contributions in relation to the statutorily required contribution	(135,495)	(134,100)	(131,492)	(124,568)
Contribution deficiency (excess)	$ -	-	-	-
Utilities' covered-employee payroll	$ 1,517,301	1,501,680	1,472,475	1,436,770
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

2012	2011	2010	2009	2008	2007
111,898	93,113	84,649	77,736	69,948	62,106
(111,898)	(93,113)	(84,649)	(77,736)	(69,948)	(62,106)
-	-	-	-	-	-
1,386,592	1,339,755	1,272,917	1,224,189	1,156,165	1,080,104
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

Notes to Required Supplementary Information – Pension Liability

Year Ended June 30, 2016

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.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

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 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.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Schedule of Operations
Years Ended June 30, 2016 and 2015

	2016 ELECTRIC	2015 ELECTRIC	2016 WATER	2015 WATER
Operating revenues				
Utility service sales				
Residential	$ 6,901,128	6,451,276	1,641,926	1,656,173
Commercial	2,958,770	2,789,361	467,080	456,607
Large industrial	938,397	958,095	-	-
Small industrial	1,194,803	957,832	-	-
Street lighting	163,001	145,819	-	-
Other public authorities	296,942	245,747	46,097	43,322
Interdepartment sales	364,189	375,691	11,588	6,716
	12,817,230	11,923,821	2,166,691	2,162,818
Capacity contract fees	518,115	531,403	-	-
Peaking power charges	32,735	47,923	-	-
Service installation fees	46,639	30,187	-	-
Fiber communcation rental fees	-	-	-	-
Fiber lease	212,818	186,557	-	-
Transmission revenue	466,736	500,323	-	-
Sale of water meters	-	-	38,600	24,650
Other	-	-	-	-
Penalties	25,086	26,668	20,242	23,150
Total operating revenue	14,119,359	13,246,882	2,225,533	2,210,618
Operating and maintenance expenses				
Plant operation				
Salaries	66,995	61,292	262,204	221,775
Payroll tax	9,909	11,700	20,843	18,872
IPERS	2,665	6,101	4,877	9,012
Fuel	49,945	53,651	-	-
Utilities	-	-	155,716	139,054
Material and supplies	7,982	870	65,590	71,370
Other	35,131	37,073	18,075	19,773
	172,627	170,687	527,305	479,856
Plant maintenance				
Salaries	59,312	56,410	-	-
Maintenance and repairs	107,755	105,693	20,462	68,226
	167,067	162,103	20,462	68,226
Purchased energy	10,288,493	9,642,173	-	-
Depreciation	1,304,765	1,342,634	589,077	578,142

2016 FIBER	2015 FIBER	2016 JOINT UTILITY	2015 JOINT UTILITY	2016 TOTAL	2015 TOTAL
-	-	-	-	$ 8,543,054	8,107,449
-	-	-	-	3,425,850	3,245,968
-	-	-	-	938,397	958,095
-	-	-	-	1,194,803	957,832
-	-	-	-	163,001	145,819
-	-	-	-	343,039	289,069
-	-	-	-	375,777	382,407
-	-	-	-	14,983,921	14,086,639
-	-	-	-	518,115	531,403
-	-	-	-	32,735	47,923
-	-	-	-	46,639	30,187
324,933	278,512	-	-	324,933	278,512
(212,818)	(186,557)	-	-	-	-
-	-	-	-	466,736	500,323
-	-	-	-	38,600	24,650
20,371	10,465	-	-	20,371	10,465
-	-	-	-	45,328	49,818
132,486	102,420	-	-	16,477,378	15,559,920
-	-	-	-	329,199	283,067
-	-	-	-	30,752	30,572
-	-	-	-	7,542	15,113
-	-	-	-	49,945	53,651
-	-	-	-	155,716	139,054
-	-	-	-	73,572	72,240
-	-	-	-	53,206	56,846
-	-	-	-	699,932	650,543
-	-	-	-	59,312	56,410
-	-	-	-	128,217	173,919
-	-	-	-	187,529	230,329
-	-	-	-	10,288,493	9,642,173
12,238	17,698	-	-	1,906,080	1,938,474

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Schedule of Operations - Continued
Years Ended June 30, 2016 and 2015

	2016 ELECTRIC	2015 ELECTRIC	2016 WATER	2015 WATER
Operating and maintenance expenses (continued)				
Distribution operation				
Salaries	36,828	83,506	-	-
Payroll tax	3,147	6,300	-	-
IPERS	815	3,060	-	-
Training	11,832	9,381	-	-
Other	28,454	26,612	-	-
	81,076	128,859	-	-
Distribution maintenance				
Salaries	593,719	606,767	149,330	152,005
Payroll tax	44,983	43,749	6,042	6,828
IPERS	11,765	21,725	1,251	3,528
Materials and supplies	193,901	324,593	144,231	70,789
Fleet operations and repairs	69,723	67,956	12,538	13,523
	914,091	1,064,790	313,392	246,673
Transmission operation and maintenance				
Salaries	6,791	10,180	-	-
Payroll tax	-	320	-	-
IPERS	-	162	-	-
Maintenance and repairs	3,922	115,388	-	-
Other	862	1,273	-	-
	11,575	127,323	-	-
Meter reading				
Salaries	38,461	36,626	9,468	9,219
Payroll tax	2,920	2,800	729	701
IPERS	770	1,405	129	351
Other	2,942	2,212	2,200	1,585
	45,093	43,043	12,526	11,856
Administrative and general				
Accounting and collections				
- transfer to IMU Joint Utility	727,117	717,998	192,650	165,000
In lieu of property taxes				
- transfer to City General Fund	605,792	577,100	69,800	68,300
Insurance	120,441	124,233	28,253	28,702
Group Insurance	190,260	200,999	129,409	70,989
Salaries	-	-	-	-
Salaries - Treasurers and trustees	-	-	-	-
Payroll tax	-	-	-	-

2016 FIBER	2015 FIBER	2016 JOINT UTILITY	2015 JOINT UTILITY	2016 TOTAL	2015 TOTAL
11,635	10,997	-	-	48,463	94,503
877	831	-	-	4,024	7,131
203	419	-	-	1,018	3,479
-	-	-	-	11,832	9,381
24,232	4,607	-	-	52,686	31,219
36,947	16,854	-	-	118,023	145,713
-	-	-	-	743,049	758,772
-	-	-	-	51,025	50,577
-	-	-	-	13,016	25,253
-	-	-	-	338,132	395,382
-	-	-	-	82,261	81,479
-	-	-	-	1,227,483	1,311,463
-	-	-	-	6,791	10,180
-	-	-	-	-	320
-	-	-	-	-	162
-	-	-	-	3,922	115,388
-	-	-	-	862	1,273
-	-	-	-	11,575	127,323
-	-	-	-	47,929	45,845
-	-	-	-	3,649	3,501
-	-	-	-	899	1,756
-	-	-	-	5,142	3,797
-	-	-	-	57,619	54,899
90,968	87,324	(1,010,735)	(970,322)	-	-
-	-	356,200	341,900	1,031,792	987,300
-	-	7,735	8,879	156,429	161,814
-	-	62,098	65,353	381,767	337,341
-	-	310,731	324,930	310,731	324,930
-	-	4,750	5,000	4,750	5,000
-	-	23,952	24,584	23,952	24,584

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Schedule of Operations - Continued
Years Ended June 30, 2016 and 2015

	2016 ELECTRIC	2015 ELECTRIC	2016 WATER	2015 WATER
Operating and maintenance expenses (continued)				
Administrative and general (continued)				
IPERS	-	-	-	-
Professional fees	16,470	-	1,094	2,578
Legal fees and publications	-	-	-	-
Dues and subscriptions	-	-	-	-
Energy efficiency programs	41,972	35,359	-	-
Bad debts	77,966	61,312	17,686	12,535
Donations	1,500	35,584	-	-
Miscellaneous	5,203	5,647	3,715	3,517
	1,786,721	1,758,232	442,607	351,621
Total operating expenses	14,771,508	14,439,844	1,905,369	1,736,374
Income (loss) from operations	(652,149)	(1,192,962)	320,164	474,244
Nonoperating revenues (expenses)				
Interest on investments	84,312	106,525	23,421	27,937
Interest on loan to municipal water utility	28,644	41,955	(28,644)	(41,955)
Electric service fees	29,553	5,085	-	-
Connect charges	27,682	25,903	27,161	22,217
Cable franchise fees	32,090	31,410	-	-
Gain (loss) on sale or transfer of capital assets	11,550	(2,482)	-	-
Revenue refunding capital loan note issuance costs	-	(93,519)	-	-
FEMA disaster payment	88,694	-	-	-
Miscellaneous	109,143	145,179	71,772	72,452
Interest expense	(232,758)	(71,250)	(23,276)	(28,859)
	178,910	188,806	70,434	51,792
Net income (loss)	$ (473,239)	(1,004,156)	390,598	526,036

2016 FIBER	2015 FIBER	2016 JOINT UTILITY	2015 JOINT UTILITY	2016 TOTAL	2015 TOTAL
-	-	6,096	12,187	6,096	12,187
-	-	28,809	10,412	46,373	12,990
2,500	-	24,672	14,636	27,172	14,636
-	-	61,787	57,059	61,787	57,059
-	-	-	-	41,972	35,359
-	-	-	-	95,652	73,847
-	-	-	-	1,500	35,584
50,510	28,320	94,375	123,719	153,803	161,203
143,978	115,644	(29,530)	18,337	2,343,776	2,243,834
193,163	150,196	(29,530)	18,337	16,840,510	16,344,751
(60,677)	(47,776)	29,530	(18,337)	(363,132)	(784,831)
4,588	5,043	2,308	1,930	114,629	141,435
-	-	-	-	-	-
-	-	-	-	29,553	5,085
-	-	-	-	54,843	48,120
-	-	-	-	32,090	31,410
-	-	-	-	11,550	(2,482)
-	-	-	-	-	(93,519)
-	-	-	-	88,694	-
-	-	-	30,569	180,915	248,200
-	-	-	-	(256,034)	(100,109)
4,588	5,043	2,308	32,499	256,240	278,140
(56,089)	(42,733)	31,838	14,162	$ (106,892)	(506,691)

Shull, Schrum, McClaflin
& 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, 2016, and the related Notes to Financial Statements, and have issued our report thereon dated December 1, 2016.

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.

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 or significant deficiencies in 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.

1111 North Jefferson
Indianola, Iowa 50125
515-961-2571 • Fax 515-961-4253

133 W. Washington
Osceola, Iowa 50213
641-342-2611 • Fax 641-342-2746

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. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2016 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, McClaflin & Co., Inc.

December 1, 2016

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Schedule of Findings

Year ended June 30, 2016

Part I: Findings Related to the Financial Statements:

None

Part II: Other Findings Related to Required Statutory Reporting:

II-A-16 Certified Budget - Disbursements during the year ended June 30, 2016, did not exceed the amounts budgeted.

II-B-16 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-16 Travel Expense - No expenditures of Utilities money for travel expenses of spouses of Utilities officials or employees were noted.

II-D-16 Business Transactions – No business transactions between the Indianola Municipal Utilities officials or employees were noted.

II-E-16 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-16 Trustee Minutes - No transactions were found that we believe should have been approved in the Trustee minutes but were not.

II-G-16 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-16 Revenue Bonds and Notes –The requirements of the electric revenue bonds and notes resolutions were met during the year ended June 30, 2016.

II-I-16 Telecommunications Services –No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

IMU Regular Downstairs **10.B.**
Meeting Date: 04/10/2017

Information

Subject
Set May 8, 2017 as the date of a public hearing to amend the FY 2017 Budget

Information
IMU will need to amend its FY 2017 budget, this agenda item sets a public hearing for that purpose.

Simple motion is in order.

Fiscal Impact

Attachments

No file(s) attached.