

CITY OF INDIANOLA, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2022

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	6
FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Modified Cash Basis - Governmental Funds	16
Reconciliation of the Balance Sheet - Modified Cash Basis - Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis - Governmental Funds to the Statement of Activities	19
Statement of Fund Net Position - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Notes to Financial Statements	23
SUPPLEMENTARY AND OTHER INFORMATION	
Budgetary Comparison Schedules - Modified Cash Basis	
General Fund	47
Street Fund	48
Combining Statement of Revenues and Expenditures - Modified Cash Basis - General Fund Departments	49
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 <i>Government Auditing Standards</i>	50

INDEPENDENT AUDITOR’S REPORT

To the Honorable Mayor and City Council
City of Indianola, Nebraska

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities – modified cash basis, the business-type activities – accrual basis, and each major fund – modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information – modified cash basis for the governmental funds of the City of Indianola, Nebraska as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
Governmental – General Fund	Unmodified
Governmental – Street Fund	Unmodified
Enterprise – Light Fund	Unmodified
Enterprise – Water Fund	Qualified
Enterprise – Sewer Fund	Unmodified
Enterprise – Trash Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Qualified Opinions on Business-type Activities and Water Fund

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Business-type Activities and Water Fund of the City of Indianola, as of September 30, 2022, and the changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note A.

Unmodified Opinions on Governmental Activities, General Fund, Street Fund, Light Fund, Sewer Fund, Trash Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, General Fund, Street Fund, Light Fund, Sewer Fund, Trash Fund, and the aggregate remaining fund information of the City of Indianola, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note A.

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Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Indianola, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinions on the Business-type Activities and Water Fund

As described in Note A, the City is a member in the BIC Joint Water Agency. Accounting principles generally accepted in the United States of America require that the investment be accounted for on the equity method. The Agency has only completed a cash basis audit as of September 30, 2020. The Business-type Activities and Water Fund are reported on the accrual basis and the investment is recorded on the cash basis. The amount by which this departure would affect the assets, net position, and revenues of the Business-type Activities and Water Fund has not been determined.

Emphasis of Matter – Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting for the governmental activities and governmental funds. The governmental financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash and accrual bases of accounting described in Note A, and for determining that the modified cash and accrual bases of accounting are acceptable bases for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Indianola, Nebraska's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Indianola, Nebraska's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Indianola, Nebraska's financial statements. The accompanying statement of general fund departmental revenue and expenditures is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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. The 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information described in the second sentence of this paragraph is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the management's discussion and analysis and budgetary comparison schedules, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023, on our consideration of the City of Indianola, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Indianola's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Indianola, Nebraska's internal control over financial reporting and compliance.

AMGL, P.C.

Grand Island, Nebraska
January 17, 2023

CITY OF INDIANOLA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Indianola, we offer readers of the City of Indianola financial statements this narrative overview and analysis of the financial activities of the City of Indianola for the fiscal year ended September 30, 2022.

Financial Highlights

- The assets of the City of Indianola exceeded its liabilities at the close of the most recent fiscal year by \$4,432,801 (*net position*). Of this amount, \$2,830,906 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Indianola's governmental activities reported combined ending net position of \$1,688,024. Approximately 22.6 percent of this total amount, \$382,253 is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$364,239, or 186.1 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Indianola's financial statements. The City of Indianola's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary and other information in addition to the financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Indianola's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Indianola's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Indianola is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

CITY OF INDIANOLA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022

Both of the government-wide financial statements distinguish functions of the City of Indianola that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Indianola include general government, public safety, highways and streets, and culture and recreation. The business-type activities of the City of Indianola include the Light, Water, Sewer and Trash Enterprise Funds.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund financial statements. 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. The City of Indianola, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Indianola can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Indianola maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Street Fund, both of which are considered to be major funds. The Keno Fund is a nonmajor fund presented as Other Fund.

The City of Indianola adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General and Street Funds to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 16-19 of this report.

**CITY OF INDIANOLA, NEBRASKA
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022**

Proprietary funds. The City of Indianola maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Indianola uses enterprise funds to account for its Light, Water, Sewer and Trash Funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Light, Water, Sewer and Trash Funds, which are considered to be major funds of the City of Indianola.

The proprietary fund financial statements can be found on pages 20-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-46 of this report.

Other information. In addition to the financial statements and accompanying notes, this report also presents certain *supplementary and other information* concerning the City of Indianola’s budgetary comparison schedules and schedule of revenues and expenditures by General Fund Department. Supplementary and other information can be found on pages 47-49 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Indianola, assets exceeded liabilities by \$4,432,801 at the close of the most recent fiscal year.

Summary Statements of Net Position

	Year ended September 30, 2022			Year ended September 30, 2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 636,987	\$ 2,690,113	\$ 3,327,100	\$ 568,094	\$ 2,569,374	\$ 3,137,468
Capital Assets	1,057,068	1,346,004	2,403,072	1,138,867	1,451,166	2,590,033
Total Assets	<u>1,694,055</u>	<u>4,036,117</u>	<u>5,730,172</u>	<u>1,706,961</u>	<u>4,020,540</u>	<u>5,727,501</u>
Long-term Liabilities	-	1,083,221	1,083,221	2,500	1,147,224	1,149,724
Other Liabilities	6,031	208,119	214,150	5,993	215,234	221,227
Total Liabilities	<u>6,031</u>	<u>1,291,340</u>	<u>1,297,371</u>	<u>8,493</u>	<u>1,362,458</u>	<u>1,370,951</u>
Net Position:						
Net investment in capital assets	1,054,568	198,780	1,253,348	1,133,867	240,492	1,374,359
Restricted	251,203	97,344	348,547	226,079	48,672	274,751
Unrestricted	382,253	2,448,653	2,830,906	338,522	2,368,918	2,707,440
Total Net Position	<u>\$ 1,688,024</u>	<u>\$ 2,744,777</u>	<u>\$ 4,432,801</u>	<u>\$ 1,698,468</u>	<u>\$ 2,658,082</u>	<u>\$ 4,356,550</u>

CITY OF INDIANOLA, NEBRASKA
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022

A large portion of the City of Indianola’s net position (28.3 percent) reflects its investment in capital assets (land, buildings and improvements, distribution systems, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Indianola uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Indianola’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Indianola’s net position (7.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$2,830,906) may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Indianola is able to report positive balances in all three categories of net position for the government as a whole, as well as for its separate governmental and business-type activities.

Expenses and Program Revenues – Governmental Activities

<u>Function</u>	<u>Year ended September 30, 2022</u>		<u>Year ended September 30, 2021</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ -	\$ 43,673	\$ -	\$ 42,978
Public Safety	24,927	49,586	12,979	40,253
Public Works	1,350	103,682	950	112,873
Environment and Leisure	11,468	80,506	10,437	70,545
Depreciation	-	93,613	-	105,502
Total	<u>\$ 37,745</u>	<u>\$ 371,060</u>	<u>\$ 24,366</u>	<u>\$ 372,151</u>

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year ended September 30, 2022</u>		<u>Year ended September 30, 2021</u>	
Charges for Services	\$ 32,985	9.15 %	\$ 20,311	5.78 %
Operating Grants and Contributions	4,760	1.32	4,055	1.15
Property Taxes	89,844	24.91	89,729	25.55
Motor Vehicle Taxes	12,471	3.46	12,573	3.58
Franchise Taxes	64,187	17.80	64,764	18.44
Occupation Taxes	675	0.19	300	0.09
Intergovernmental	127,932	35.47	142,526	40.59
Miscellaneous	24,521	6.80	14,034	4.00
Interest	3,241	0.90	2,884	0.82
Total	<u>\$ 360,616</u>	<u>100.00 %</u>	<u>\$ 351,176</u>	<u>100.00 %</u>

CITY OF INDIANOLA, NEBRASKA
MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022

Net position of the governmental activities decreased \$10,444 during the year.

Business-type activities. Business-type activities increased the City of Indianola’s net position by \$86,695. Key elements of this increase are as follows:

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year ended September 30, 2022</u>		<u>Year ended September 30, 2021</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Light	\$ 522,379	\$ 493,172	\$ 531,911	\$ 507,214
Water	227,956	168,366	222,972	173,014
Sewer	95,442	104,736	88,911	103,752
Trash	82,513	83,374	82,566	83,114
Total	<u>\$ 928,290</u>	<u>\$ 849,648</u>	<u>\$ 926,360</u>	<u>\$ 867,094</u>

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year ended September 30, 2022</u>		<u>Year ended September 30, 2021</u>	
Charges for Services	\$ 879,618	93.94 %	\$ 877,688	92.71 %
Joint Venture Income	-	-	9,275	0.98
Interest	8,053	0.86	11,089	1.17
Grants and Contributions	48,672	5.20	48,672	5.14
Total	<u>\$ 936,343</u>	<u>100.00 %</u>	<u>\$ 946,724</u>	<u>100.00 %</u>

Financial Analysis of the Government’s Funds

As noted earlier, the City of Indianola used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Indianola’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Indianola’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Indianola’s *governmental funds* reported combined ending fund balances of \$633,456. Approximately 57.5 percent of this total amount (\$364,239) constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of fund balances is not available for new spending because it has already been 1) restricted for street improvements (\$227,704), 2) restricted for community betterment (\$23,499), or 3) assigned for budgetary stabilization (\$18,014).

CITY OF INDIANOLA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022

The General Fund is the chief operating fund of the City of Indianola. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$364,239, while total fund balance was \$382,253. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 186.1 percent of total General Fund expenditures, while total fund balance represents 195.3 percent of the same amount.

The fund balance of the City of Indianola's General Fund increased by \$43,731 and the Street Fund increased \$25,033 during the current fiscal year.

Proprietary funds. The City of Indianola's *proprietary funds* provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year was as follows: Light Fund - \$1,575,942, Water Fund - \$636,960, Sewer Fund - \$233,897 and Trash Fund - \$1,854. The change in net position for the proprietary funds was as follows: Light Fund - increase of \$35,014, Water Fund - increase of \$61,084, Sewer Fund - decrease of \$(8,542) and Trash Fund – decrease of \$(861). Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Indianola's business-type activities.

Budgetary Highlights

There were no differences between the original and final budget for the City of Indianola for the year ended September 30, 2022.

Capital Asset and Debt Administration

Capital Assets. The City of Indianola's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$2,403,072 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, distribution and collection systems, equipment, vehicles, and park facilities.

Major capital asset events (individually greater than \$5,000) during the current fiscal year included the following:

- Ballfield lights - \$5,803

**CITY OF INDIANOLA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022**

**City of Indianola's Capital Assets
(net of depreciation)**

	<u>Year ended September 30, 2022</u>			<u>Year ended September 30, 2021</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 7,615	\$ 266,235	\$ 273,850	\$ 7,615	\$ 266,235	\$ 273,850
Buildings and Improvements	914,399	1,051,166	1,965,565	971,496	1,148,651	2,120,147
Equipment and Vehicles	135,054	28,603	163,657	159,756	36,280	196,036
Total	<u>\$ 1,057,068</u>	<u>\$ 1,346,004</u>	<u>\$ 2,403,072</u>	<u>\$ 1,138,867</u>	<u>\$ 1,451,166</u>	<u>\$ 2,590,033</u>

Additional information on the City of Indianola's capital assets can be found in Note C5 on pages 39-41 of this report.

Long-term debt. At the end of the current fiscal year, the City of Indianola had the following long-term debt outstanding:

City of Indianola's Outstanding Debt

	<u>Year ended September 30, 2022</u>			<u>Year ended September 30, 2021</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Bonds Payable	\$ -	\$ 1,147,224	\$ 1,147,224	\$ -	\$ 1,210,674	\$ 1,210,674
Note Payable	2,500	-	2,500	5,000	-	5,000
Total	<u>\$ 2,500</u>	<u>\$ 1,147,224</u>	<u>\$ 1,149,724</u>	<u>\$ 5,000</u>	<u>\$ 1,210,674</u>	<u>\$ 1,215,674</u>

The City of Indianola's total debt decreased by \$65,950 (5.4 percent) during the current fiscal year due to scheduled payments.

Additional information on the City of Indianola's long-term debt can be found in Note C6 on pages 42-44 of this report.

Economic Factors and Next Year's Budgets and Rates

- The property tax request for the year ending September 30, 2023, is \$88,099, the same as the prior year.

**CITY OF INDIANOLA, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For The Year Ended September 30, 2022**

Request for Information

This financial report is designed to provide a general overview of the City of Indianola's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, City of Indianola, P.O. Box F, Indianola, NE 69034-0465.

CITY OF INDIANOLA, NEBRASKA

STATEMENT OF NET POSITION

September 30, 2022

	Primary Government		
	Governmental Activities (Modified Cash Basis)	Business-type Activities (Accrual Basis)	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 195,251	\$ 415,910	\$ 611,161
Certificates of deposit	189,357	1,938,191	2,127,548
County treasurer cash	3,184	-	3,184
Accounts receivable	-	68,292	68,292
Unbilled revenue	-	14,362	14,362
Current portion of note receivable	-	2,500	2,500
Inventory	-	25,355	25,355
Total current assets	387,792	2,464,610	2,852,402
Noncurrent assets:			
Restricted cash and cash equivalents	12,276	97,344	109,620
Restricted certificate of deposit	236,919	-	236,919
Investment in joint venture	-	128,159	128,159
Capital assets:			
Land	7,615	266,235	273,850
Other capital assets, net of depreciation	1,049,453	1,079,769	2,129,222
Net capital assets	1,057,068	1,346,004	2,403,072
Total noncurrent assets	1,306,263	1,571,507	2,877,770
Total assets	1,694,055	4,036,117	5,730,172
LIABILITIES			
Current liabilities:			
Accounts payable	-	79,183	79,183
Accrued expenses	3,531	28,296	31,827
Customer deposits	-	36,637	36,637
Current portion of long-term obligations	2,500	64,003	66,503
Total current liabilities	6,031	208,119	214,150
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	-	1,083,221	1,083,221
Total liabilities	6,031	1,291,340	1,297,371
NET POSITION			
Net investment in capital assets	1,054,568	198,780	1,253,348
Restricted for:			
Street improvements	227,704	-	227,704
Community development	23,499	-	23,499
Federal programs	-	97,344	97,344
Unrestricted	382,253	2,448,653	2,830,906
Total net position	\$ 1,688,024	\$ 2,744,777	\$ 4,432,801

See notes to financial statements.

CITY OF INDIANOLA, NEBRASKA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities			
(modified cash basis):			
General government	\$ 43,673	\$ -	\$ -
Public safety	49,586	24,927	-
Public works	103,682	1,350	-
Environment and leisure	80,506	6,708	4,760
Depreciation - unallocated	93,613	-	-
Total governmental activities	371,060	32,985	4,760
Business-type activities			
(accrual basis):			
Light	493,172	522,379	-
Water	168,366	179,284	-
Sewer	104,736	95,442	-
Trash	83,374	82,513	-
Total business-type activities	849,648	879,618	-
Total primary government	\$ 1,220,708	\$ 912,603	\$ 4,760

See notes to financial statements.

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental Activities (Modified Cash Basis)</u>	<u>Business-type Activities (Accrual Basis)</u>	<u>Total</u>
\$ -	\$ (43,673)		\$ (43,673)
-	(24,659)		(24,659)
-	(102,332)		(102,332)
-	(69,038)		(69,038)
-	(93,613)		(93,613)
-	<u>(333,315)</u>	-	<u>(333,315)</u>
-	-	29,207	29,207
48,672	-	59,590	59,590
-	-	(9,294)	(9,294)
-	-	(861)	(861)
<u>48,672</u>	<u>-</u>	<u>78,642</u>	<u>78,642</u>
<u>\$ 48,672</u>	<u>(333,315)</u>	<u>78,642</u>	<u>(254,673)</u>
General revenues:			
Taxes:			
Property	89,844	-	89,844
Motor vehicle	12,471	-	12,471
Franchise	64,187	-	64,187
Occupation	675	-	675
Intergovernmental	127,932	-	127,932
Miscellaneous	24,521	-	24,521
Interest income	3,241	8,053	11,294
Total general revenues	<u>322,871</u>	<u>8,053</u>	<u>330,924</u>
Change in net position	(10,444)	86,695	76,251
Net position - September 30, 2021	<u>1,698,468</u>	<u>2,658,082</u>	<u>4,356,550</u>
Net position - September 30, 2022	<u>\$ 1,688,024</u>	<u>\$ 2,744,777</u>	<u>\$ 4,432,801</u>

CITY OF INDIANOLA, NEBRASKA

**BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS**

September 30, 2022

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Fund (Keno)</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 195,251	\$ 10,961	\$ 1,315	\$ 207,527
Certificates of deposit	189,357	214,735	22,184	426,276
County treasurer cash	<u>1,176</u>	<u>2,008</u>	<u>-</u>	<u>3,184</u>
Total assets	<u><u>\$ 385,784</u></u>	<u><u>\$ 227,704</u></u>	<u><u>\$ 23,499</u></u>	<u><u>\$ 636,987</u></u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll withholdings	\$ 3,531	\$ -	\$ -	\$ 3,531
Fund balances:				
Restricted for:				
Street improvements	-	227,704	-	227,704
Community betterment	-	-	23,499	23,499
Assigned for:				
Budgetary stabilization	18,014	-	-	18,014
Unassigned	<u>364,239</u>	<u>-</u>	<u>-</u>	<u>364,239</u>
Total fund balances	<u>382,253</u>	<u>227,704</u>	<u>23,499</u>	<u>633,456</u>
Total liabilities and fund balances	<u><u>\$ 385,784</u></u>	<u><u>\$ 227,704</u></u>	<u><u>\$ 23,499</u></u>	<u><u>\$ 636,987</u></u>

See notes to financial statements.

CITY OF INDIANOLA, NEBRASKA

RECONCILIATION OF THE BALANCE SHEET - MODIFIED
CASH BASIS - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

September 30, 2022

Total fund balances - governmental funds	\$ 633,456
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$3,225,791 and the accumulated depreciation is \$2,168,723.	1,057,068
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund financial statements. Long-term liabilities at year end consist of:	
Note payable	<u>(2,500)</u>
Total net position - governmental activities	<u><u>\$ 1,688,024</u></u>

See notes to financial statements.

CITY OF INDIANOLA, NEBRASKA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**

For the year ended September 30, 2022

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Fund (Keno)</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property	\$ 86,247	\$ 3,597	\$ -	\$ 89,844
Motor vehicle	-	12,471	-	12,471
Franchise	64,076	111	-	64,187
Occupation	675	-	-	675
Intergovernmental	24,517	103,415	-	127,932
Licenses, rents, and fees	3,318	-	-	3,318
Charges for services	32,985	-	-	32,985
Interest income	2,167	983	91	3,241
Grants	4,760	-	-	4,760
Other revenues	20,752	451	-	21,203
Total revenues	<u>239,497</u>	<u>121,028</u>	<u>91</u>	<u>360,616</u>
EXPENDITURES				
General government	43,673	-	-	43,673
Public safety	49,586	-	-	49,586
Public works	7,687	95,995	-	103,682
Environment and leisure	80,506	-	-	80,506
Capital outlay	11,814	-	-	11,814
Debt service	2,500	-	-	2,500
Total expenditures	<u>195,766</u>	<u>95,995</u>	<u>-</u>	<u>291,761</u>
Excess of revenues over expenditures	43,731	25,033	91	68,855
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	23,500	-	-	23,500
Transfers to other funds	<u>(23,500)</u>	<u>-</u>	<u>-</u>	<u>(23,500)</u>
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	43,731	25,033	91	68,855
Fund balances - September 30, 2021	<u>338,522</u>	<u>202,671</u>	<u>23,408</u>	<u>564,601</u>
Fund balances - September 30, 2022	<u>\$ 382,253</u>	<u>\$ 227,704</u>	<u>\$ 23,499</u>	<u>\$ 633,456</u>

See notes to financial statements.

CITY OF INDIANOLA, NEBRASKA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2022

Total net change in fund balances - governmental funds	\$ 68,855
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$11,814) is exceeded by depreciation expense (\$93,613) in the period.	(81,799)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>2,500</u>
Change in net position of governmental activities	<u><u>\$ (10,444)</u></u>

See notes to financial statements.

CITY OF INDIANOLA, NEBRASKA

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

September 30, 2022

	Enterprise Funds				
	<u>Light Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Trash Fund</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 226,861	\$ 131,763	\$ 48,632	\$ 8,654	\$ 415,910
Certificates of deposit	1,391,599	360,731	185,861	-	1,938,191
Accounts receivable	41,448	18,086	8,758	-	68,292
Unbilled revenue	8,375	3,840	2,147	-	14,362
Current portion of note receivable	2,500	-	-	-	2,500
Inventory	16,087	9,268	-	-	25,355
Total current assets	<u>1,686,870</u>	<u>523,688</u>	<u>245,398</u>	<u>8,654</u>	<u>2,464,610</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	97,344	-	-	97,344
Investment in joint venture	-	128,159	-	-	128,159
Capital assets:					
Land	-	215,735	50,500	-	266,235
Buildings and improvements	408,276	1,509,856	979,690	-	2,897,822
Equipment and vehicles	131,822	333,217	46,200	-	511,239
Less accumulated depreciation	(454,491)	(1,370,572)	(504,229)	-	(2,329,292)
Net capital assets	<u>85,607</u>	<u>688,236</u>	<u>572,161</u>	<u>-</u>	<u>1,346,004</u>
Total noncurrent assets	<u>85,607</u>	<u>913,739</u>	<u>572,161</u>	<u>-</u>	<u>1,571,507</u>
Total assets	<u>1,772,477</u>	<u>1,437,427</u>	<u>817,559</u>	<u>8,654</u>	<u>4,036,117</u>
LIABILITIES					
Current liabilities:					
Accounts payable	67,849	4,440	94	6,800	79,183
Accrued expenses	6,442	10,447	11,407	-	28,296
Customer deposits	36,637	-	-	-	36,637
Current portion of long-term obligations	-	34,003	30,000	-	64,003
Total current liabilities	<u>110,928</u>	<u>48,890</u>	<u>41,501</u>	<u>6,800</u>	<u>208,119</u>
Noncurrent liabilities:					
Noncurrent portion of long-term obligations	-	578,221	505,000	-	1,083,221
Total liabilities	<u>110,928</u>	<u>627,111</u>	<u>546,501</u>	<u>6,800</u>	<u>1,291,340</u>
NET POSITION					
Net investment in capital assets	85,607	76,012	37,161	-	198,780
Restricted for:					
Federal programs	-	97,344	-	-	97,344
Unrestricted	1,575,942	636,960	233,897	1,854	2,448,653
Total net position	<u>\$ 1,661,549</u>	<u>\$ 810,316</u>	<u>\$ 271,058</u>	<u>\$ 1,854</u>	<u>\$ 2,744,777</u>

See notes to financial statements.

CITY OF INDIANOLA, NEBRASKA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS**

For the year ended September 30, 2022

	Enterprise Funds				Total
	Light Fund	Water Fund	Sewer Fund	Trash Fund	
Operating revenues:					
Sales	\$ 518,075	\$ 173,741	\$ 95,442	\$ 82,513	\$ 869,771
Other revenue	4,304	5,543	-	-	9,847
Total operating revenues	<u>522,379</u>	<u>179,284</u>	<u>95,442</u>	<u>82,513</u>	<u>879,618</u>
Operating expenses:					
Cost of sales	297,363	36,814	-	-	334,177
Salaries, taxes, and benefits	104,994	38,870	34,824	-	178,688
Contracted services	-	-	-	83,147	83,147
Operation of system	6,887	10,575	904	-	18,366
Insurance	913	4,579	921	-	6,413
Professional fees	195	165	-	-	360
Repair and maintenance	2,966	832	3,876	-	7,674
Utilities and telephone	3,266	727	1,816	-	5,809
Franchise fees	60,663	-	-	-	60,663
Miscellaneous	4,013	2,903	3,620	227	10,763
Depreciation	11,912	50,790	42,460	-	105,162
Total operating expenses	<u>493,172</u>	<u>146,255</u>	<u>88,421</u>	<u>83,374</u>	<u>811,222</u>
Operating income (loss)	29,207	33,029	7,021	(861)	68,396
Nonoperating revenues (expenses):					
Interest income	5,807	1,494	752	-	8,053
Grant income	-	48,672	-	-	48,672
Interest expense	-	(22,111)	(16,315)	-	(38,426)
Total nonoperating revenues (expenses)	<u>5,807</u>	<u>28,055</u>	<u>(15,563)</u>	<u>-</u>	<u>18,299</u>
Change in net position	35,014	61,084	(8,542)	(861)	86,695
Net position - September 30, 2021	<u>1,626,535</u>	<u>749,232</u>	<u>279,600</u>	<u>2,715</u>	<u>2,658,082</u>
Net position - September 30, 2022	<u>\$ 1,661,549</u>	<u>\$ 810,316</u>	<u>\$ 271,058</u>	<u>\$ 1,854</u>	<u>\$ 2,744,777</u>

See notes to financial statements.

CITY OF INDIANOLA, NEBRASKA
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

For the year ended September 30, 2021

	<u>Light Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 530,967
Payments to suppliers	(378,916)
Payments to employees	(106,146)
Net cash provided (used) by operating activities	45,905
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Grant proceeds	-
Principal payments on capital debt	-
Interest paid on capital debt	-
Net cash used by capital and related financing activities	-
CASH FLOWS FROM INVESTING ACTIVITIES:	
Payments received on notes receivable	2,500
Increase in certificates of deposit	(5,807)
Increase in restricted cash and cash equivalents	-
Interest received	5,807
Net cash provided (used) by investing activities	2,500
Increase (decrease) in cash and cash equivalents	48,405
Cash and cash equivalents - beginning of the year	178,456
Cash and cash equivalents - end of the year	\$ 226,861
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 29,207
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	11,912
Change in assets and liabilities:	
Accounts receivable and unbilled revenue	9,379
Inventories	33
Accounts payable	(2,683)
Accrued expenses	(1,152)
Customer deposits	(791)
Net cash provided (used) by operating activities	\$ 45,905

See notes to financial statements.

Enterprise Funds

<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Trash Fund</u>	<u>Total</u>
\$ 179,273 (58,981) (37,339) <u>82,953</u>	\$ 94,594 (11,342) (35,880) <u>47,372</u>	\$ 82,513 (83,409) - <u>(896)</u>	\$ 887,347 (532,648) (179,365) <u>175,334</u>
48,672 (33,450) (22,268) <u>(7,046)</u>	- (30,000) (16,622) <u>(46,622)</u>	- - - <u>-</u>	48,672 (63,450) (38,890) <u>(53,668)</u>
- (1,494) (48,672) 1,494 <u>(48,672)</u>	- (752) - 752 <u>-</u>	- - - - <u>-</u>	2,500 (8,053) (48,672) 8,053 <u>(46,172)</u>
27,235	750	(896)	75,494
<u>104,528</u>	<u>47,882</u>	<u>9,550</u>	<u>340,416</u>
<u>\$ 131,763</u>	<u>\$ 48,632</u>	<u>\$ 8,654</u>	<u>\$ 415,910</u>
\$ 33,029	\$ 7,021	\$ (861)	\$ 68,396
50,790	42,460	-	105,162
(11) 427 (2,813) 1,531 -	(848) - (205) (1,056) -	- - (35) - -	8,520 460 (5,736) (677) (791)
<u>\$ 82,953</u>	<u>\$ 47,372</u>	<u>\$ (896)</u>	<u>\$ 175,334</u>

CITY OF INDIANOLA, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
INDEX

	Page
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
1. Financial Reporting Entity	24
2. Basis of Presentation	25
3. Measurement Focus and Basis of Accounting	28
4. Assets, Liabilities, and Equity	29
5. Revenues, Expenditures, and Expenses	34
NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
1. Fund Accounting Requirements	35
2. Deposit Laws and Regulations	35
3. Revenue Restrictions	36
4. Debt Restrictions and Covenants	36
5. Budgetary Data	36
NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS	
1. Cash and Certificates of Deposit	37
2. Restricted Assets	38
3. Accounts Receivable	39
4. Notes Receivable	39
5. Capital Assets	39
6. Long-term Debt	42
NOTE D – OTHER NOTES	
1. Risk Management	44
2. Interlocal Agreements	46
3. Subsequent Events	46

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Indianola, Nebraska (City) are prepared in accordance with the modified cash basis of accounting for governmental funds and the accrual basis for the proprietary funds. The City’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note.

1. Financial Reporting Entity

The City of Indianola, Nebraska, was incorporated in 1880. The City operates under a Council-Mayor form of government with an elected chief executive, Mayor, and an elected legislative body, Council, composed of four members. The Mayor is elected at large for a four-year term, and the four members of the City Council are elected on four-year terms. The administration of the City government is performed under the direction of the City Clerk. Services provided to residents include public safety; highways and streets; parks; recreation; electric, water and sanitary sewer systems; and general administrative services.

The City’s financial reporting entity comprises the following:

Primary Government:	City of Indianola
---------------------	-------------------

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 61, and has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable, and, as such, should be included within the City’s financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

Joint Venture

The City and two other municipalities (the Members) entered into an interlocal agreement, creating the BIC Joint Water Agency to produce and distribute drinking water to the Members. The City's ownership share is 32 percent. Each Member appoints two representatives to the Agency's Board of Directors.

Audited financial statements for the Agency are required to be prepared biannually according to the interlocal agreement. As of January 17, 2023, the Agency has had an audit completed for their years ended September 30, 2019 and 2020.

The City had water purchases from the Agency of \$36,814 during the year ended September 30, 2022.

2. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Government-wide Financial Statements, continued

Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
Governmental:	
General Fund	See page 26 for description.
Street Fund	The Street Fund is a Special Revenue Fund that accounts for the City's share of highway allocation from the State of Nebraska.
Proprietary:	
Enterprise:	
Light, Water, Sewer and Trash	See above for description.
<i>Nonmajor:</i>	
Governmental:	
Keno	This fund is a Special Revenue Fund that accounts for the City's use of Keno funds for community development.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b, below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are*

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Basis of Accounting, continued

not recorded in these financial statements. Under the modified cash basis of accounting, proceeds from the issuance of long-term debt increase liabilities and payment of long-term debt reduces liabilities. Capital assets are capitalized and depreciation is recognized over the estimated lives of the related assets. Right of use assets and related lease liabilities, as defined by GASB 87, are not reflected in the accompanying modified cash basis financial statements.

Business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified cash basis of accounting using a flow of current financial resources measurement focus. Proceeds from issuance of long-term debt are recognized as revenue when received and payment of long-term debt principal is reported as an expenditure when paid. Capital asset purchases are recorded as expenditures and depreciation is not recognized.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

4. Assets, Liabilities, and Equity

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting and accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Cash and Certificates of Deposit

For the purpose of the Statement of Net Position, “cash and cash equivalents” include all demand accounts and savings accounts. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all cash on hand, demand accounts, savings accounts, and equity in pooled cash which has an original maturity of three months or less. The County Treasurer’s cash represents revenues collected not yet remitted to the City.

Certificates of deposit are carried at cost, which approximates fair market value. Additional cash and certificate of deposit disclosures are presented in Notes B2, C1, and D1.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Business-type activities report utility billings as their major receivables.

In the fund financial statements, proprietary fund receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable compose all of proprietary fund receivables. The City has recorded an allowance for uncollectible accounts of \$2,000.

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Restricted Assets

Restricted assets include cash and certificates of deposit that are legally restricted as to their use. The primary restricted assets are related to debt service and proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are capitalized and reported in the Statement of Net Position. The City has a capitalization policy of \$1,000. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. The City has elected the depreciation approach for reporting infrastructure.

Depreciation of governmental capital assets is recorded as an unallocated expense in the Statement of Activities. Depreciation for all proprietary capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Buildings and Improvements	15-50 years
Equipment and Vehicles	5-10 years
Distribution and Collection Systems	25-50 years

Beginning October 1, 2003, governmental funds' infrastructure assets are capitalized under the prospective method, valued at cost. The cost of normal maintenance, preservation, and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. In the event of termination, an employee is paid for all unused accumulated vacation time. Accumulated vacation time is accrued in the accompanying proprietary funds financial statements but not in the governmental funds.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable.

Fund Financial Statements

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Government-wide Statements, continued

- b. Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted net position” or “net investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Effective October 1, 2010, the City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

Assigned—Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

Unassigned—All amounts not included in other spendable classifications.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Fund Financial Statements, continued

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

5. Revenues, Expenditures, and Expenses

Property Taxes

The City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law.

The tax levies for all political subdivisions in Red Willow County are certified by the County Board on or before October 15. Real estate taxes are due on December 31 and attach as an enforceable lien and become delinquent in two equal installments on May 1 and September 1. Personal property taxes are due in the same manner as real estate taxes. Delinquent taxes bear 14 percent interest.

Property taxes levied for 2021-2022 are recorded as revenue when received by the County.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They also include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – by Character and Function

Proprietary Funds – by Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

1. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include Special Revenue Funds.

2. Deposit Laws and Regulations

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

2. **Deposit Laws and Regulations, continued**

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The City's demand deposits are insured up to \$250,000 and certificates of deposit/savings accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any bank deposits in excess of the FDIC limits are insured by collateral held by the pledging institution in the City's name.

3. **Revenue Restrictions**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources are described in Note A2 for the various funds.

4. **Debt Restrictions and Covenants**

Bonds Payable

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are financial-related. These include covenants such as debt service coverage requirements and required reserve account balances. The City is in compliance with the bond restrictions and covenants.

5. **Budgetary Data**

The City is required by state laws to adopt annual budgets for all fund types. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

The Nebraska Budget Act provides the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditure and/or tax levy limitations.

The City follows these procedures in establishing the budgetary data reflected in the accompanying financial statements.

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 30, the City Council adopts the budget, which is then filed with the appropriate state and county officials.
- d. Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end and any revisions require Council approval.
- e. The County Clerk certifies a preliminary property tax levy for each fund of the City which levied property taxes in the county the previous year based on the combined valuation and amount required for the City the prior year. The preliminary levy becomes the final levy unless the governing Council passes, by a majority vote, a resolution setting the levy at a different amount.
- f. The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before October 15. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.
- g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- h. The City of Indianola adopts a budget by resolution for all funds.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the financial statements for the City's various assets, liabilities, equity, revenues, and expenditures/expenses.

1. Cash and Certificates of Deposit

Deposits

The City's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2022. The categories of collateral are defined as follows:

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash and Certificates of Deposit, continued

Deposits, continued

Category 1 – Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City’s name; or collateralized with no written or approved collateral agreement.

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits and certificates of deposit	\$ 3,085,931	\$ 2,125,756	\$ 960,175	\$ -	\$ <u>3,085,248</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted cash and cash equivalents	\$ 611,161
Unrestricted certificates of deposit	2,127,548
Restricted cash and cash equivalents	109,620
Restricted certificates of deposit	<u>236,919</u>
	<u>\$ 3,085,248</u>

2. Restricted Assets

Cash and cash equivalents of \$1,315 and certificates of deposit of \$22,184 in the Keno Fund are restricted for community development. Cash and cash equivalents of \$10,961 and certificates of deposit of \$214,735 in the Street Fund are restricted for future street improvements.

The Water Fund cash and cash equivalents for \$97,344 are restricted for Federal programs.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Accounts Receivable

Accounts receivable of the business-type activities consist of utilities accounts receivable. An allowance for doubtful accounts of \$2,000 has been set up by the City.

4. Notes Receivable

Business-type Activities

The Light Fund has made one loan. The notes receivable at September 30, 2022, consists of the following:

In 2017, the General Fund borrowed \$15,000 from the Light Fund for the purchase of bleachers. Payments of \$2,500 are due annually beginning June 2, 2018, with the final payment due June 2, 2023. The loan is non-interest bearing.	<u>\$ 2,500</u>
Current portion	\$ 2,500
Noncurrent portion	<u>-</u>
Total	<u>\$ 2,500</u>

5. Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance at October 1, <u>2021</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2022</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 7,615	\$ -	\$ -	\$ 7,615
Other capital assets being depreciated:				
Buildings and improvements	2,586,977	5,803	-	2,592,780
Equipment and vehicles	619,385	6,011	-	625,396
Total other capital assets at historical cost	<u>3,206,362</u>	<u>11,814</u>	<u>-</u>	<u>3,218,176</u>

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Capital Assets, continued

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance at October 1, <u>2021</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2022</u>
<u>Governmental Activities, continued:</u>				
Less accumulated depreciation for:				
Buildings and improvements	(1,615,481)	(62,900)	-	(1,678,381)
Equipment and vehicles	<u>(459,629)</u>	<u>(30,713)</u>	-	<u>(490,342)</u>
Total accumulated depreciation	<u>(2,075,110)</u>	<u>(93,613) *</u>	<u>-</u>	<u>(2,168,723)</u>
Other capital assets, net	<u>1,131,252</u>	<u>(81,799)</u>	<u>-</u>	<u>1,049,453</u>
Governmental activities capital assets, net	<u>\$ 1,138,867</u>	<u>\$ (81,799)</u>	<u>\$ -</u>	<u>\$ 1,057,068</u>

* Depreciation expense was incurred by the following governmental activities:

General Fund:

General government:

Administration \$ 26,190

Public safety:

Ambulance 6,615

Fire 19,620

Total public safety 26,235

Public works:

Cemetery 1,575

Environment and leisure:

Library 832

Park 3,688

Pool 2,149

Total environment and leisure 6,669

Total General Fund 60,669

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Capital Assets, continued

Special Revenue Funds:

Street 32,944

Total governmental activities depreciation expense \$ 93,613

	Balance at October 1, <u>2021</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2022</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 266,235	\$ -	\$ -	\$ 266,235
Other capital assets being depreciated:				
Buildings and improvements	2,897,822	-	-	2,897,822
Equipment and vehicles	<u>511,239</u>	<u>-</u>	<u>-</u>	<u>511,239</u>
Total other capital assets at historical cost	3,409,061	-	-	3,409,061
Less accumulated depreciation for:				
Buildings and improvements	(1,749,171)	(97,485)	-	(1,846,656)
Equipment and vehicles	<u>(474,959)</u>	<u>(7,677)</u>	<u>-</u>	<u>(482,636)</u>
Total accumulated depreciation	<u>(2,224,130)</u>	<u>(105,162)</u> *	<u>-</u>	<u>(2,329,292)</u>
Other capital assets, net	<u>1,184,931</u>	<u>(105,162)</u>	<u>-</u>	<u>1,079,769</u>
Business-type capital assets, net	<u>\$ 1,451,166</u>	<u>\$(105,162)</u>	<u>\$ -</u>	<u>\$ 1,346,004</u>

* Depreciation expense was charged to functions as follows:

Light	\$ 11,912
Water	50,790
Sewer	<u>42,460</u>
Total business-type activities depreciation expense	\$ <u>105,162</u>

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt

The reporting entity’s long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2022:

<u>Type of Debt</u>	Balance October 1, 2021	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 2022	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Note payable	\$ 5,000	\$ -	\$ (2,500)	\$ 2,500	\$ 2,500
Business-type Activities:					
Bonds payable	\$ 1,210,674	\$ -	\$ (63,450)	\$ 1,147,224	\$ 64,003

Governmental Activities

As of September 30, 2022, the governmental long-term liabilities consisted of the following:

In 2017, the General Fund borrowed \$15,000 from the Light Fund for the purchase of bleachers. Payments of \$2,500 are due annually beginning June 2, 2018, with the final payment due June 2, 2023. The loan is non-interest bearing.	\$ <u>2,500</u>
Current portion	\$ 2,500
Noncurrent portion	-
Total	\$ <u>2,500</u>

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Business-type Activities

As of September 30, 2022, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds payable:

General Obligation Water Refunding Bonds, Series 2014, with original issue amount of \$439,433. Interest ranges from 1.00 percent to 4.00 percent. Interest is due in semiannual installments and principal is due in annual installments through October 1, 2034. \$ 277,224

General Obligation Water Refunding Bonds, Series 2018, with original issue amount of \$380,000. Interest ranges from 2.10 percent to 3.80 percent. Interest is due in semiannual installments and principal is due in annual installments through October 1, 2038. 335,000

Combined Utilities Revenue Bonds, Series 2018, with original issue amount of \$620,000. Interest ranges from 2.05 percent to 3.60 percent. Interest is due in semiannual installments and principal is due in annual installments through October 1, 2035. Paid by the Sewer Fund. 535,000

Total bonds and note payable \$ 1,147,224

Current portion \$ 64,003

Noncurrent portion 1,083,221

Total \$ 1,147,224

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Business-type Activities, continued

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2022, are as follows:

Year Ending September 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Direct Placement Debt		Other Debt Issues	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,500	\$ -	\$ 64,003	\$ 37,329
2024	-	-	64,574	35,671
2025	-	-	65,161	33,996
2026	-	-	70,887	32,029
2027	-	-	71,638	29,882
2028-2032	-	-	410,749	111,687
2033-2037	-	-	350,212	38,204
2038-2039	-	-	50,000	1,900
	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 1,147,224</u>	<u>\$ 320,698</u>

NOTE D – OTHER NOTES

1. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to minimize the effect of possible exposure to these risks. There have been no significant reductions in insurance coverage from coverage in the prior year. During the past three fiscal years, there have been no settlements exceeding the amount of the City's insurance coverage.

Deposits and Investments

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the City's investments at September 30, 2022, are held by banks in the name of the City. The City's investments consist of only certificates of deposit.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE D – OTHER NOTES, continued

1. Risk Management, continued

Deposits and Investments, continued

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates. The certificate of deposit maturities are as follows:

<u>Maturities by Month</u>	<u>Amount</u>
December 2022	\$ 240,903
February 2023	718,718
March 2023	435,575
May 2023	603,915
June 2023	365,356
	<u>\$ 2,364,467</u>

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City’s investments consist of certificates of deposit and money market funds minimizing credit risk associated with the City’s investment portfolio.

Concentration of Credit Risk. The City’s investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2022, the City’s certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Adams Bank & Trust	\$ 1,154,292
McCook National Bank	1,210,175
Total	<u>\$ 2,364,467</u>

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City’s investments had no exposure to foreign currency risk and the City held no investments denominated in foreign currency at September 30, 2022.

CITY OF INDIANOLA, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, continued

September 30, 2022

NOTE D – OTHER NOTES, continued

2. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2022:

<u>Party to Agreement</u>	<u>Term of Agreement</u>	<u>Description</u>
Red Willow County	7/15/1969-until terminated	Ambulance services
Indianola Rural Fire District	7/1/2018-6/30/2023	Mutual aid - fire and rescue
Red Willow County	9/6/2005-until terminated	Law enforcement
LARM	10/01/2021-9/30/2022	Risk management
All Fire Districts of Red Willow County and the Nebraska Mutual Finance Assistance Act	3/4/2002-until terminated	Water distribution
Nebraska Municipal Power Pool	5/6/1996-until terminated	Mutual aid for electric utilities
McCook Public Power District	2/16/1998-until terminated	Maintenance and repairs of distribution lines

3. Subsequent Events

Management has evaluated subsequent events through January 17, 2023, the date on which the financial statements were available for issue.

SUPPLEMENTARY AND OTHER INFORMATION

CITY OF INDIANOLA, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GENERAL FUND**

Year ended September 30, 2022

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 83,738	\$ 86,247	\$ 2,509
Franchise	65,472	64,076	(1,396)
Occupation	750	675	(75)
Intergovernmental	24,676	24,517	(159)
Licenses, rents, and fees	1,620	3,318	1,698
Charges for services	22,100	32,985	10,885
Interest income	1,385	2,167	782
Grants	-	4,760	4,760
Other	6,780	20,752	13,972
Total resources	<u>206,521</u>	<u>239,497</u>	<u>32,976</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Administrative	48,487	43,673	(4,814)
Public works:			
Cemetery	6,380	7,687	1,307
Public safety:			
Police	7,779	7,780	1
Fire	33,810	24,574	(9,236)
Ambulance	14,050	21,844	7,794
Total public safety	<u>55,639</u>	<u>54,198</u>	<u>(1,441)</u>
Environment and leisure:			
Library	25,357	27,612	2,255
Park	43,168	22,667	(20,501)
Pool	39,730	39,929	199
Total environment and leisure	<u>108,255</u>	<u>90,208</u>	<u>(18,047)</u>
Total charges to appropriations	<u>218,761</u>	<u>195,766</u>	<u>(22,995)</u>
Resources over (under) charges to appropriations	(12,240)	43,731	55,971
OTHER FINANCING SOURCES			
Transfers from other funds	6,000	-	(6,000)
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (6,240)</u>	<u>\$ 43,731</u>	<u>\$ 49,971</u>

CITY OF INDIANOLA, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
STREET FUND**

Year ended September 30, 2022

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Property taxes	\$ 3,489	\$ 3,597	\$ 108
Motor vehicle taxes	11,500	12,471	971
Franchise fees	128	111	(17)
Intergovernmental	100,651	103,415	2,764
Interest income	1,300	983	(317)
Other	<u>-</u>	<u>451</u>	<u>451</u>
Total resources	117,068	121,028	3,960
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Personnel services	32,295	24,322	(7,973)
Operating expenses	<u>110,800</u>	<u>71,673</u>	<u>(39,127)</u>
Total charges to appropriations	<u>143,095</u>	<u>95,995</u>	<u>(47,100)</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (26,027)</u>	<u>\$ 25,033</u>	<u>\$ 51,060</u>

CITY OF INDIANOLA, NEBRASKA

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES -
MODIFIED CASH BASIS - GENERAL FUND DEPARTMENTS**

Year ended September 30, 2021

	<u>General</u>	<u>Police</u>	<u>Fire</u>
REVENUES			
Taxes:			
General property tax	\$ 15,273	\$ 7,187	\$ 14,375
Franchise	61,888	222	443
Occupation	675	-	-
Intergovernmental revenue	4,306	2,026	4,053
Licenses and permits	288	-	-
Rental and fees	2,770	-	-
Charges for services	-	-	5,134
Interest income	1,594	48	189
Grants and contributions	-	-	-
Other revenues	1,842	373	13,801
Total revenues	<u>88,636</u>	<u>9,856</u>	<u>37,995</u>
EXPENDITURES			
Personnel services:			
Salaries, taxes, and benefits	8,625	-	-
Operating expenses:			
Insurance	11,153	-	10,186
Contractual services	3,463	6,759	-
Professional fees	940	-	-
Licenses, fees, and taxes	9,335	1,021	1,716
Repairs and maintenance	506	-	3,313
Printing, postage, and publications	1,089	-	5
Utilities and telephone	5,999	-	5,359
Total operating expenses	<u>32,485</u>	<u>7,780</u>	<u>20,579</u>
Supplies	2,205	-	221
Capital outlay	-	-	-
Debt service	-	-	-
Other expenses	358	-	3,774
Total expenditures	<u>43,673</u>	<u>7,780</u>	<u>24,574</u>
Excess (deficiency) of revenues over expenditures before transfers	44,963	2,076	13,421
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	<u>(23,500)</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u><u>\$ 21,463</u></u>	<u><u>\$ 2,076</u></u>	<u><u>\$ 13,421</u></u>

<u>Park</u>	<u>Pool</u>	<u>Cemetery</u>	<u>Library</u>	<u>Ambulance</u>	<u>Total</u>
\$ 11,679	\$ 17,968	\$ 8,086	\$ 9,882	\$ 1,797	\$ 86,247
360	554	249	305	55	64,076
-	-	-	-	-	675
3,293	5,066	2,280	2,986	507	24,517
-	-	260	-	-	548
-	-	-	-	-	2,770
-	6,708	1,350	-	19,793	32,985
19	75	43	46	153	2,167
-	-	-	4,760	-	4,760
-	3,790	-	106	840	20,752
<u>15,351</u>	<u>34,161</u>	<u>12,268</u>	<u>18,085</u>	<u>23,145</u>	<u>239,497</u>
3,057	19,227	2,993	11,126	-	45,028
1,668	1,131	383	1,677	2,655	28,853
-	-	-	308	-	10,530
-	-	-	-	-	940
1,021	2,208	1,021	1,805	6,073	24,200
1,171	672	2,720	719	79	9,180
-	-	-	52	-	1,146
1,987	3,699	-	3,116	836	20,996
<u>5,847</u>	<u>7,710</u>	<u>4,124</u>	<u>7,677</u>	<u>9,643</u>	<u>95,845</u>
4,452	10,237	86	8,509	1,254	26,964
5,803	1,399	-	-	4,612	11,814
2,500	-	-	-	-	2,500
1,008	1,356	484	300	6,335	13,615
<u>22,667</u>	<u>39,929</u>	<u>7,687</u>	<u>27,612</u>	<u>21,844</u>	<u>195,766</u>
(7,316)	(5,768)	4,581	(9,527)	1,301	43,731
<u>7,500</u>	<u>6,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
<u>\$ 184</u>	<u>\$ 232</u>	<u>\$ 4,581</u>	<u>\$ 473</u>	<u>\$ 1,301</u>	<u>\$ 43,731</u>



**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***

To the Honorable Mayor and City Council
City of Indianola, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities - modified cash basis, the business-type activities - accrual basis, each major fund - modified cash basis for the governmental funds and accrual basis for the proprietary funds, and the aggregate remaining fund information - modified cash basis for the governmental funds of the City of Indianola, Nebraska, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s financial statements, and have issued our report thereon dated January 17, 2023. Our report contained a qualified opinion on the business-type activities and the Water Fund because the BIC Joint Water Agency investment is not reported on the equity method. Our report on the financial statements disclosed that, as described in Note A to the financial statements, the City of Indianola, Nebraska, prepares its financial statements for the governmental funds on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Indianola’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control

SHAREHOLDERS:

- Robert D. Almquist
- Phillip D. Maltzahn
- Marcy J. Luth
- Heidi A. Ashby
- Christine R. Shenk
- Michael E. Hoback
- Joseph P. Stump
- Kyle R. Overturf
- Tracy A. Cannon

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**A PROFESSIONAL
CORPORATION**

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described below that we consider to be a significant deficiency.

Segregation of Duties

Due to the limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

Report on Compliance and Other Matters

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

City of Indianola's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Indianola's response to the findings identified in our audit and described above. The City of Indianola's response to the findings identified in our audit is that due to the small size of the City, it is impractical to further segregate duties. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

AMLL, P.C.

Grand Island, Nebraska
January 17, 2023