

CITY OF INDIANOLA

General and Statistical Information

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

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

Schedule of Findings

Year Ended June 30, 2007

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CITY OF INDIANOLA

City Clerk's Report

February 1, 2008

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

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

The City of Indianola's financial statements have been audited by Shull & Co., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Indianola for the fiscal year ended June 30, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Indianola's financial statements for the fiscal year ended June 30, 2007 are fairly presented. The independent auditor's report is presented as the first component of the financial section of this report.

Rules promulgated by the Iowa State Auditor's Office require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City of Indianola's MD&A can be found immediately following the statistical section of this report.

Profile of the Government

The City of Indianola, incorporated in 1864 and the county seat of Warren County, is located in the central part of the state approximately 17 miles south of the state capital, Des Moines. Indianola is considered part of the Des Moines MSA, one of the top growth areas in the state. The City of Indianola encompasses an area of approximately nine square miles and a population of 14,156. The City of Indianola is empowered to levy a property tax on real properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

CITY OF INDIANOLA
City Clerk's Report (Continued)

City council. The City of Indianola operates under a mayor-council form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing commissions and committees, and hiring the government's manager. The government's manager, whose duties are set by local ordinance, is responsible for carrying out the policies of the city council, oversees day-to-day operations, and appoints the employees of the various departments for the governmental functions under the management control of the governing council. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three of the members elected every two years. The mayor is elected to serve a four-year term. Four of the council members are elected by districts, or wards, while the mayor and the two remaining council members are elected at large.

The City of Indianola provides a full range of services, including police and fire protection; ambulance service; the construction and maintenance of highways, streets, and other infrastructure; recycling and organic material removal; and recreational activities and cultural events. The City of Indianola also operates a water pollution control (sewer) department as a utility under the management and control of the city council. The city participates in several non-related jointly governed organizations that provide goods or services including the South Central Iowa Landfill Agency, the Central Iowa Regional Transportation Alliance, the Marion/Warren County Drug Task Force, and the Community Athletic Facility.

Board of trustees. The City of Indianola provides electric, water, and telecommunications services as a discretely reported component unit under the management and control of a board of trustees. The board operates these three utilities as Indianola Municipal Utilities (IMU). The authority for management and control of each utility was established by a majority vote of the electorate as provided in the Iowa Code. The trustees are vested with the authorities of the city in relation to these utilities, with the exceptions that the board may not certify taxes to be levied, pass ordinances or amendments, or issue general obligation or special assessment bonds. Real property is held in the name of the city, but the utility board has all the powers and authorities of the city with respect to the acquisition by purchase, condemnation, or otherwise, lease, sale, or other disposition of such property, and the management, control, and operation of the same, subject to provisions of any outstanding obligations which are payable from the revenues of the city utility. Separate funds are maintained for each utility and operating budgets are subject to final approval by the city council. Utility fund balances deemed by the board of trustees to be in excess of the needs of a utility may be transferred to the city's general fund, or other city funds as approved by the city council.

The five trustees are appointed by the mayor and approved by the city council, each serving staggered six-year terms. The board of trustees appoints a general manager to oversee the day-to-day management of the electric, water, and telecommunications utilities. The general manager appoints the employees of each of these utilities, carries out the policies of the board of trustees, and performs other duties as determined by resolution of the board.

CITY OF INDIANOLA
City Clerk's Report (Continued)

Other officials. A director of administrative & community services serves as the chief accounting officer for all city services and submits the budget and year-end financial reports required of the city. The position also serves as the appointed city clerk and as such has other custodial and financial duties prescribed in Iowa Code, local ordinances, board resolutions, and by management discretion. An appointed treasurer serves as custodian for all funds. An attorney is also appointed to represent the city, its boards, and its commissions and performs certain functions prescribed in local ordinances and in the Iowa Code.

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

- The city council sets its budget objectives and reviews major known factors.
- The city manager and the general manager each submit 5-year capital improvement project budgets to the respective managing authority for review and adoption.
- Departments submit operating budget requests to the city manager or general manager as appropriate.
- The city manager and the general manager compile their respective annual budgets for review. Budgets are prepared by fund (e.g. general), function (e.g. public safety), and department (e.g. police).
- The board of trustees adopts budgets for the electric, water, and telecommunications utilities. These are compiled with governmental services' budgets and that of the sewer utility for presentation to the public in publication form.
- The city council sets and conducts a public hearing on the budget.
- The city council adopts the budget and the budget is filed with the county auditor and the State of Iowa no later than March 15 of each year.

The State of Iowa limits expenditures to the total amount budgeted by function. Expenditures for individual departments or services may exceed those budgeted as long as total expenditures by function are not exceeded. Budget amendments are permitted under provisions similar to the adoption of the original budget. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

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

Cash temporarily idle during the year is invested in bank deposits or money market funds, repurchase agreements, and the Iowa Public Agency Investment Trust. These temporary cash deposits were maintained in stable value investments with an average rate of return of 5.22%.

CITY OF INDIANOLA
City Clerk's Report (Continued)

The city invests reserve funds (those not intended to be expended within 365 days) in a portfolio with the assistance of an investment advisement firm. The investment portfolio includes mortgage-backed securities, preferred stock, obligations of the U.S. Treasury or its agencies, and cash held in a public entity money market fund. At fiscal year end, the effective duration of the portfolio is 1.87 years with a current yield of 5.35%. Reported returns may include changes in fair value during the year but do not necessarily represent continuing returns; nor is it always possible to realize changes in fair value, especially in the case of temporary changes for securities the city intends to hold until maturity.

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

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

Pension and other post-employment benefits. The City of Indianola provides pension benefits for its employees. With the exception of Police officers, these benefits are provided through a statewide plan managed by the Iowa Public Employees Retirement System. Benefits for police officers are provided through a statewide plan managed by the Municipal Fire & Police Retirement System of Iowa. The City of Indianola has no obligation in connection with employee benefits offered through this plan beyond its periodic payments based on earned compensation by active employees.

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

The City of Indianola maintains a health reimbursement arrangement (HRA) for the benefit of employees. The City of Indianola makes a fixed annual commitment that employees may use to offset premium contributions or cash payments for any medical expense allowed under IRS Code. If the employee does not utilize the full amount provided in the fiscal year, the balance is carried forward to the following year and is available in any future period, including after retirement. Disbursements are paid out of operating funds and not held in trust. They are, however, accounted for in a sub-fund that is separate from other operating funds for budgetary control. Unpaid HRA balances totaled \$101,858 as of June 30, 2007.

CITY OF INDIANOLA
City Clerk's Report (Continued)

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

Closing

State law requires that all general-purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. As allowed under Iowa Code and administrative rules, the City of Indianola issues its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). Pursuant to these requirements, I hereby issue the comprehensive annual financial report of the City of Indianola for the fiscal year ended June 30, 2007.

Todd Kielkopf
Interim Director of Administrative & Community Services

Acknowledgment to the following staff for their valued assistance in the preparation of this report:
Diana Bowlin, Deputy City Clerk
Staff: Lola Clatt, Jennifer Baughman, Vicki Herold, Lindsey Offenburger, and Mary Zimmerman

**CITY OF INDIANOLA
CITY OFFICIALS AND BOARD OF TRUSTEES
JUNE 30, 2007**

<u>Name of Official</u>	<u>Official Title</u>	<u>Term Expires December 31</u>	<u>Amount Of Bond</u>
Jerry Kelley	Mayor	2009	50,000
Randy Gathers	Councilperson First Ward	2007	50,000
Shirley Clark	Councilperson Third Ward	2007	50,000
Mark Vickroy	Councilperson At-Large	2007	50,000
Steve Richardson	Councilperson At-Large	2009	50,000
Pete Berry	Councilperson Fourth Ward	2009	50,000
Bob Kreamer	Councilperson Second Ward	2009	50,000
Timothy A. Zisoff	City Manager		50,000
Todd Kielkopf	Interim Director of Administrative & Community Services		50,000
RoxAnne Hunerdosse	Human Resource Director		50,000
Diana Bowlin	Deputy City Clerk		50,000
Doug Shull	City Treasurer		50,000
John Hoyman	City Solicitor		50,000

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

Chris Boone		2007	50,000
David P. Zwanziger		2008	50,000
Bob Lester		2009	50,000
Pat Reding	Chairperson	2011	50,000
Clark Raney		2012	50,000
Todd Kielkopf	General Manager of Utilities		50,000

All other city employees are bonded under the Allied Insurance Co., "Faithful Performance Blanket Position Bond," #33961 in the amount of \$50,000.

Council Committee
Authority: Indianola Code of Ordinances Section 17.04(6)

Council Study Committee

Pete Berry
Shirley Clark
Randy Gathers
Bob Kreamer
Steve Richardson
Mark Vickroy

**CITY OF INDIANOLA
CITY BOARD AND COMMISSIONS
JUNE 30, 2007**

LIBRARY BOARD

Authority: Indianola Ordinance Chapter 17.3

Term - 6 Years

Meeting: 2nd Tuesday of every month

<u>Name</u>	<u>Term Expires</u>
Dr. Joe Walt	July 1, 2008
Marge Thomas	July 1, 2008
Dick Kerr	July 1, 2010
John Liepa	July 1, 2010
Dan Hoffa	July 1, 2010
Mary Jane Cassady	July 1, 2012
Theresa VanderLinden	July 1, 2012

PARK AND RECREATION COMMISSION

Authority: Indianola Ordinance No. 520

Term - 3 Years

Meeting: 1st Wednesday of every month

Clark Raney	January 1, 2008
Jerry Anderson	January 1, 2008
Eric VanderLinden	January 1, 2009
Tom Schmidt	January 1, 2009
Dawn Sams	January 1, 2010
Jori Coghlan	January 1, 2010

PLANNING AND ZONING COMMISSION

Authority: Indianola Ordinance Chapter 16.2

Term - 5 Years

Meeting: 2nd Tuesday of every month

Pam Pepper	February 1, 2008
Duane Dixon	February 1, 2008
Jeff Jensen	February 1, 2009
Mike Coppess	February 1, 2009
Jennifer Croat	February 1, 2010
John Hartung	February 1, 2010
Mary Donaghy	February 1, 2011
Rich Piper	February 1, 2011
Tiffany Coleman	February 1, 2012
Dan Wood	February 1, 2012

**CITY OF INDIANOLA
CITY BOARDS AND COMMISSIONS
JUNE 30, 2007**

BOARD OF ADJUSTMENT

Authority: Indianola Ordinance No. 341 - Code of Iowa 414.7

Term - 5 Years

Meeting: 1st Wednesday of month on call

<u>Name</u>	<u>Term Expires</u>
Doug Dowie	December 31, 2007
Jim Garrett	December 31, 2008
Marty Miller	December 31, 2009
Dan Vanderpool	December 31, 2010
Dennis Parker	December 31, 2012

MEMORIAL BUILDING COMMISSION

Authority: Code of Iowa Chapter 37.9

Term - 3 Years - Meeting: On Call

Robert Guilford	July 1, 2007
Bob Sandy	July 1, 2007
Bob Evans	July 1, 2008
Kurt Lickiss	July 1, 2009
Ron Werling	July 1, 2009

CIVIL SERVICE COMMISSION

Authority: Indianola Ordinance No. 378

Term - 4 Years

Meeting: On Call

Fred Jones	First Monday in April, 2008
Ken Bendon	First Monday in April, 2010
Wayne Petersen	First Monday in April, 2011

FINE ARTS & COMMUNITY BEAUTIFICATION COMMISSION

Authority: Indianola Ordinance No. 423

Term - 3 Years

Meeting: 1st Tuesday of every month

Grant Dyer	January 1, 2008
Mary Jones	January 1, 2008
John Benoit	January 1, 2008
Jon Vernon	January 1, 2008
Pat Bunnell Kelley	January 1, 2008
Aaron Tinder	January 1, 2008
Kim Dryer	January 1, 2008
David Richmond	January 1, 2008
Nancy Byrd	January 1, 2009

**CITY OF INDIANOLA
CITY BOARDS AND COMMISSIONS
JUNE 30, 2007**

SUBSTANCE ABUSE/RISK BEHAVIOR

Authority: Indianola City Ordinance No. 424

Term - 3 Years

Meeting: 2nd Monday of every month

Peggy Fillio	January 1, 2008
Chris Boone	January 1, 2008
Betsy Raney	January 1, 2008
Mary Donaghy	January 1, 2008
Cindy Baldwin	January 1, 2008
John Monroe	January 1, 2008
Father Palmer	January 1, 2008
John Sirianni	January 1, 2008
Mike Teigland	January 1, 2008

YOUTH COMMISSION

Authority: Indianola City Ordinance No. 841

Term - 2 Years

Meeting:

CITY OF INDIANOLA Operational Review

Our City operations are divided into many departments and offices, all of which work toward the common goal of providing superior services to the citizens of Indianola. While the functions of each department may be varied, it is a cooperative effort on everyone's part that enables us to reach this goal. It's not uncommon to see two or more departments working together to solve some problem or complete a project. The Mayor, Council, boards and administrative staff encourage teamwork, and it results in an enhanced quality of life for the citizens of Indianola.

The following summary provides a brief review of the various Departmental operations during the 2006-07 fiscal year.

Public Safety. The major Public Safety activities are police, fire, ambulance services, and building and zoning.

- **Police.** The Police Department answered an all-time high 7,038 calls for service in calendar year 2006, which is 83 more than calendar year 2005. It appears 2007 is on a similar pace.

Sergeant Keith Moore and Officer Clair Thompson retired during FY 2006-07. Officer Jason Catrenich resigned during his initial field training. Officers Richard Peters and Jason Siemens completed basic training in December of 2006. The hiring process was completed in January and Officer Slawomir Blondowski was hired. He is already certified, as he was a Marshall County Deputy. This brought the department to full strength (19 officers); however, this was short-lived as Sergeant Rob Hawkins was deployed to Iraq in July. His deployment is expected to be approximately 15 months in duration.

The department continues to gradually improve its wireless capabilities. The officers are now piloting electronic citations and submission to the courts.

- **Fire & Ambulance.** The Indianola Fire Department experienced a significant increase in calls in the 2006 calendar year. There were three major fires in 2006 that were \$8,000 or above. One was a vacant house in the county valued at \$30,000 and the other two calls were a motor home valued at \$100,000 and an automobile at \$8,000 with our total loss for the year at \$176,350. This total loss is down \$113,605 from last year. In addition, to regular activities that the full and part-time staff accomplished each day, staff responded to 1,616 fire and EMS alarms. This is an increase of 14% over last year and sets our new record for calls in a single year. Of the 1,616 alarms, 91 were fires, 41 Haz-Mat, 7 public assists, 57 good intent, 72 false alarms, and 7 weather stand-by. The balance accounts for 1,341 EMS calls. EMS calls were the majority of our increase in calls with an increase of 184 calls over last year.

As of January 1, 2007 the department had one full time chief, one full-time technician, six full time firefighters/medics, 8 medic only positions, 30 paid on call for a total staff of 46 with no members on leave and no probationary members. Staff coverage continues with full time staff working 24/48 shifts and part-time staff covering Monday – Friday 8-5. The additional staffing through the weekday is due to the shortage of available paid on call (volunteers) and is also when we have a higher call volume.

CITY OF INDIANOLA Operational Review (Continued)

Training is still the largest part of our department time. Training is conducted every Monday night and several attend training on their own including weekends to keep up to speed. The total hours the paid on call staff put in for calls and training in 2006 was 6,451 hours. This equates to the average volunteer putting in over 170 hours a year for the community.

Public Works. The street department staff members are dedicated to providing excellent service to the citizens of Indianola. The street department has kept busy by performing its annual street repair, concrete, asphalt, cracksealing, street sweeping and snow plowing. These are the major functions, which occupy a substantial amount of time for this department. In addition, several storm sewer intakes were replaced or repaired along with maintaining the hundreds of street and traffic signs throughout the city.

Culture & Recreation. Parks and Recreation programs, events, park and facilities continued to be very important to the majority of Indianola residents. Participation and use were at high levels and many opportunities and enhancements were provided to help keep the quality of life at a high level.

- **Recreation Division.** The recreation programs and events experienced many participants with several programs being filled with waiting lists (Flashlight Egg Hunt, Daddy/Daughter Date Night, Cheerleading Clinic). New programs included Mad Science Classes, Spring Funfest, Pottery Classes at Creative U, Dog Walk, Boot Camp, Pilates, Raku Pottery, to name a few. The fireworks, outdoor starlight cinema big screen movies, music in the park concerts, youth sports and pre-school programs were again popular for hundreds of youth and families. New programs for the 55+ older active adults were Yoga, meditation 101, breakfasts with an expert, and Easter egg coloring with pre-schoolers. Over 320 different seniors were served at the senior center. A 2-day advance on-line registration was instituted which worked well and many people took advantage. We continued our brochure ad and program sponsorship programs and had over \$7,000 in ad revenue and over \$9,300 in sponsorships. Volunteers again were a key part in the youth sports programs and with the special events. Working with a volunteer committee, a 100th Anniversary of the Park System Celebration was held with a full day of activities, games, horse & carriage rides, live music, memorial garden dedication, a 100 inch long cake, a 100 balloon release, a celebrity 100 ft raw egg drop and special recognition of Buxton family relatives who were able to attend. There was also a park history display, history booklet, an event t-shirt and street dance.
- **Parks & Horticulture Division.** It was again a busy year for the parks and horticulture division with a high level of maintenance at all the parks. Volunteers were used to help with maintenance, flower care, greenhouse operations and with improvement projects. The parks were again heavily used with shelter reservations, weekend uses of all 6 ball fields at Pickard Park, lots of use at the Memorial Park skate park, playground and amphitheater and high use of the McVay & Summerset trails. Many improvements were completed including the memorial garden at Buxton Park, all concrete restroom, walkways and pond dredging at Pickard Park, dog waste stations along McVay trail, an updated plan for Easton park, Tree Care Workshop with Indianola Community Tree Committee, and 5 new picnic tables at ISA ball fields. Also a tobacco free parks policy was put in place for all park areas, a tree survey was completed by the tree committee, discussions were started with the National Balloon Classic to partner with amphitheater development, promotion and use, we had great attendance at the Think Spring Gardening Seminar (87 people) and we received the Tree City USA Certification again.

CITY OF INDIANOLA
Operational Review (Continued)

- **Administration Division.** Staff position changes were made to improve our recreation services in new areas – teen & young adults. The 55+ older adult activity coordinator position was changed from $\frac{3}{4}$ to $\frac{1}{2}$ time and a new $\frac{1}{2}$ time teen/adult activity coordinator position was added. Julie Baughman was hired to replace Ava Swartslander as the 55+-activity coordinator and Cherie Johnson was hired as the teen/adult activity coordinator. Matt Anderson left the recreation superintendent position and Doug Bylund was promoted to that position in February 2007. Justin Stuart was hired to fill the sports/fitness coordinator position and the job title for the office operations assistant was changed to publicity/marketing coordinator to better reflect the job responsibilities. In June JoAnn King left the $\frac{1}{2}$ time receptionist/office assistant position and Becky Lane was hired to take her place.

Other activities included: the annual report was put on the website, Mike Bowlin and Marty Chittenden received the Playground Safety Inspector Certifications, neighborhood park meetings were held at Moats and Easton parks, Warren County Philanthropic Partnership grant applications were submitted for the dog park, Moats playground (received \$2,000) and the Indianola Sports Association (received \$2,000). Staff worked with the 100th anniversary celebration committee and the dog park committee in addition to the other committees and partnership groups. The website had several hundred visits per month and the number of on-line registrations increased.

- **Veterans Memorial Aquatic Center.** Attendance at the aquatic center was several thousand less than the past 3-4 years (41,681). Due to weather, the aquatic center had 21 days when it closed early and 8 days when it was only open $3\frac{1}{2}$ hrs or less. 5-6 underwater lights were repaired but 3-4 still need work. The lap swim/water walk had over 735 participants and the tot swim had over 700 participants. Teen parties and private pool parties were again popular and had good attendance. Plans were started for replacing the shallow pool water features which don't work well.

The following table details the park system:

	Acres
Barker Park	1.20
Buxton Park	5.43
Dayton Park	1.08
Downey Memorial Park	10.62
Easton Park	2.39
Indianola Activity Center Property	9.60
Lions Park	0.61
McCord Park	16.85
McVay Trail	13.30
Memorial Park	13.72
Moats Park	4.14
Pickard Park	160.00
South Park	4.47
Veterans Memorial Pool	3.50
Willow Creek Totlot	0.65
	247.56

CITY OF INDIANOLA
Operational Review (Continued)

- **Indianola Public Library.** Circulation for FY 2006-07 was 142,809. Use of the Library's public computers grew to 13,061. In order to meet the demand, plans to double the number of computers available were made. Staff changes included hiring a new Children's Services Librarian, a new Technical Services Assistant, and a new Teen and Adult Services Coordinator.

Business-type or proprietary. Indianola has four services that are classified as business-type services. The electric, water, and telecommunication departments are a discretely reported component unit. However, given their degree of importance to the overall services received by citizens, this operational review contains information pertaining to these activities in the next section of this report.

- **Water Pollution Control Department.** The WPC was at full staff level for the last year. Staff includes the Superintendent, 6 operators and a part time office manager. Three operators recently received their Grade I License for wastewater treatment. The office manager has reorganized the files to include attaching I&I word files to a GIS link.

Maintenance and equipment replacement was the priority during FY 2006-07. Pumps at the south plant have been rebuilt 7 times in the past year. The South Plant pump replacement is in progress. Other pump rebuilds at the plant and lift stations consisted of two 3127 Flygt 10 hp pumps, one 3152 Flygt 20 hp pump, one 3201 Flygt 35 hp pump, one Crain Deming 77 hp pump, two Mono sampler pumps, and one Mono sludge pump. Pumps to be rebuilt are two 3126 Flygt 9 hp pumps, two 3152 Flygt 20 hp pumps, and Electric Pump is repairing one split case Auroura inplant water pump.

After many attempts to repair the generator at Plainview we discovered the windings burnt out and could not be replaced. A new generator has been approved and ordered for Plainview. The grit blower failed and we discovered the casings were cracked. A new blower has been approved and is ordered. All lift stations have new fiber modems.

IDNR remediation requirements for effluent discharge will be modified to recombine all discharge to one discharge point. Effluent reuse that is sold to the Indianola Country Club will be disinfected. We have installed a relief sewer on 5th Avenue to prevent bypassing in the area.

I&I progress was delayed last fall due to a very dry year. Staff completed the 2006 project areas early this spring. Neighborhood meeting and visual inspections are in progress on the first 2007 area.

Construction continues for the North 65/69 Lift Station Project.

Component Unit, Indianola Municipal Utilities (IMU). Utility operations are divided into departments, all of which work toward the common goal of providing superior services to the citizens of Indianola. The following summary provides a brief review of the various departmental operations during the 2006-07 fiscal year.

- **Electric Utility.** The IMU electric department had another very busy and productive year with many important projects.

CITY OF INDIANOLA
Operational Review (Continued)

The underground conversion program continued with the largest project to date in the area of Highway 92 north to Franklin Avenue, including a number of streets between Kenwood and “J” Street. It has become the general consensus of staff and the board to begin planning for more extensive projects in the future in order to underground the entire distribution system sooner than the original plans allows for. Staff also began developing a hazard mitigation plan that will hopefully place IMU in a better position to receive grant funding to help offset the expense of these larger projects.

With the completion of the Westside substation, a deficiency in the protective relaying at the East Iowa Substation was discovered. Because the relays at Westside cannot distinguish between 69kV transmission line faults and 13.2kV distribution faults, any fault on the 13.2kV line would cause the circuit breaker on the East Iowa line terminal to trip causing an outage. Breaker-relaying equipment was installed at the E. Iowa substation that now allows the relays at Westside to be set less sensitively to avoid detecting faults on the 13.2kV distribution system.

The decorative street lighting along the Highway 65/69 corridor was extended from Kentucky Avenue north to Hillcrest Avenue as part of the highway-widening project. The project included 25 new light fixtures, cable installation, risers, pedestals and foundations.

IMU participated in several transmission and wind project investments. Financial commitments were made to the Iowa Stored Energy Plant, the IAMU municipal wind farm project and the Capacity Expansion by 2020 (CapX 2020) project.

Economic development contributions were made to Soy Innovations, a division of Triple F who moved their business headquarters to the Industrial Park. An incentive package was also provided to Powdered Metal Products, a new business venture locating on Hillcrest Avenue. In-kind contributions were made to the Community Athletic Field in the form of electric and water service installation to the new concession stand and football field, to Habitat for Humanity by waiving building permit fees, to the Park Department in the form of electric and water service installation to the new Pickard Park restroom facility, to the Recreation Department for the sponsorship of the outdoor cinema series and to the Wonderfully Organized Ongoing Fun (WOOF) organization in the form of electric and water materials for improvements at Downey Park.

The conversion to radio-read meters continued in FY 2007 with the goal to have all water meters converted by FY 2009. This upgrade will improve the accuracy of billing invoices and customers will receive the bills in a timelier manner. A new laptop computer was purchased that has reduced the number of days for collecting readings by half.

The IMU rebate programs continued to increase in popularity with an all-time high participation in FY 2007. IMU’s use of Chamber Bucks as rebate compensation for the programs also helps improve the local economy.

CITY OF INDIANOLA
Operational Review (Continued)

- **Water Utility.** The water department also had a busy and productive year. A major highlight was the removal of the downtown water tower.

In July 2006, Indianola's oldest water tower was removed as part of a land purchase agreement. The downtown tower was the first tower constructed in 1932 and served the Indianola community for 75 years. In May 2007 the IMU staff initiated a full water system modeling study that will provide operational scenarios from which various system improvements will be prioritized, as well as selection of a new water tower site.

A new self-healing, redundant alarm system was installed to monitor operations at well sites and water towers. The new system will increase reliability and provide more diagnostics capabilities in the event of a system problem.

The Board implemented a water rate increase effective November 1, 2006.

The conversion to radio-read meters continued in FY 2007 with the goal to have all water meters converted by FY 2009. This upgrade will improve the accuracy of billing invoices and customers will receive the bills in a timelier manner. A new laptop computer was purchased that has reduced the number of days for collecting readings by half.

The water department donated over 4.1 million gallons of water to the Community Athletic Facilities irrigation, helping improve the facilities of little league baseball, parks & recreation programs, the soccer tribe and the lower grades football program.

The annual Water Quality Report was again distributed to all residents of Indianola to provide information related to our water source, water quality and treatment methods. The IMU water department is again pleased to report there were no monitoring violations to EPA guidelines.

- **Communications Utility.** IMU's continued its partnership in the Indianola Communications Agency, with the main focus still being to work with MCG in Phase I to bring a bundled package of high-speed Internet and telephone services to businesses adjacent to the existing IMU fiber network. Over 40 businesses are currently MCG customers via the IMU fiber.

Two fiber trunk extensions were completed in FY 2007. First, along North 14th Street in the existing Industrial Park area to the new Industrial Park Plat 2 area. Second, along Highway 65/69 from East Iowa north to Hayes Street.

Phase II is planned to begin in 2009 by bringing a bundled package of high-speed Internet, cable television service and telephone services to each home and business through an expanded fiber optic network. The end result would be significant saving opportunities to Indianola citizens and businesses. Long term, we expect the new partnership to greatly enhance economic development options by being able to offer fiber-to-the-premise (FTTP) technology.

CITY OF INDIANOLA
Operational Review (Continued)

IMU will continue to explore the option of providing an Internet service to the rest of Warren County. With possible connections to other fiber optic trunk lines, we will be able to reach many more potential customers, including Norwalk and Carlisle, who may have limited Internet options in the rural areas. The long-term goal is to develop a three-county coalition that directly links Indianola to Knoxville, Pella, and Oskaloosa via a privately owned fiber optic trunk line. This would also lead to cooperative venture capital funding and technology marketing efforts.

- **Administration.** The IMU Board of Trustees continues to be very supportive of their employees, encouraging involvement in community service and economic development activities. Two new board members were appointed in FY 2007 as well as a new General Manager of Utilities. It was an exciting and challenging transition, bringing with it new leadership vision and philosophies.

The employees of IMU participated in and completed a third session of training in the National Incident Management System (NIMS). NIMS training was provided by Fire Chief Brian Seymour and is designed to make Indianola more capable and efficient when responding to an emergency situation.

Local participation in FY 2007 ranged from sponsoring musical events to providing free electric and water services to community parks. IMU also actively participates in the work of the Warren County Economic Development Corp., the Indianola Development Association and the Greater Des Moines Partnership. Other participation efforts included a food drive for Operation Christmas, installing lighting on the square for the Downtown Lighting Commission and employee volunteer work during the United Way Day of Caring.

IMU welcomed new Board members Clark Raney in January and Bob Lester in March 2007. Clark replaces Brad Butler, who is the first Board member in IMU's history to hold the distinction of serving two consecutive six-year terms and Bob fills the unexpired term of Gary Ruble who resigned from the board in March.

IMU also welcomed new General Manager, Todd Kielkopf, in June 2007. Todd began serving as interim general manager in March and was permanently hired for the position in June. Todd previously served as the Director of Administrative & Community Services for the City of Indianola.

General Government. The City of Indianola supports a proactive stance towards economic development, enhancing the local economy, and promoting efficiency. Major programs and events are:

- Continuation of a citywide residential urban revitalization (tax abatement) program that began in February 1998 has encouraged development and continues to strengthen the tax base.
- An aggressive schedule of improvements to infrastructure and facilities including sewer main extensions along highway corridors.
- Purchase and sale of real estate for redevelopment under the Dangerous & Dilapidated building program.

CITY OF INDIANOLA
Operational Review (Continued)

- Removal of storm water from entering the sanitary sewer system (I&I program). The council began the process of identifying areas where problems exist. Property owners are given 3 years to remedy the situation. The entire community will benefit through decreased operation & maintenance expenses, decreased capital expenses, and increased sewer plant capacity.
- Completion of a Comprehensive Plan Update in 2003. This document helps guide city zoning, annexation, and infrastructure planning.
- Financial support for Warren County Economic Development Corporation and the Indianola Alliance.
- Creation of an Action Community Team, comprised of community leaders and city staff, to facilitate economic activity at sites that are poised to develop.

City staff takes a proactive role in communicating community events with staff and citizens. The Government Access Channel, established in January 1995, provides agendas, schedules, public safety and promotional information for government sponsored programs. Meetings are broadcast to cable subscribers and re-broadcast throughout the week. The City of Indianola also regularly invests resources to enhance communications through its web sites. Programming information, links to other community resources, and minutes of meetings are available to interested citizens. Utility payments, parking tickets, and certain fees are payable online.

Departments have learned to utilize electronic information systems to improve services. Each building is connected by a high-speed data network over fiber optic lines. Internet access and e-mail systems are also shared. In addition, the City Clerk's Office has a document imaging system to improve the retrieval of information.

The following table summarizes the activities of the Clerk's Office (calendar year):

<u>Permits/Licenses</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Water	51	75	93	81	152	82	80
Plumbing	88	34	127	133	118	93	137
Electric	145	124	174	147	150	118	169
Mechanical	94	89	135	136	135	102	110
Sewer	51	75	93	80	157	84	81
Warrants Written	6,981	7,117	7,973	8,812	9,041	9,145	9,037
Ordinance Adopted	25	32	22	31	36	39	22
Cigarette	24	24	23	22	23	20	20
Bicycle	79	99	25	20	54	19	9
Beer	15	15	15	16	16	14	15
Beer-Liquor	16	16	16	15	15	15	15
Sunday Beer & Liquor	31	31	31	29	30	29	29
Beer-Wine	3	3	3	2	2	2	3

Internal Service. The City of Indianola maintains a fund for employees' health insurance with premiums paid from each departmental fund. Premiums are targets at 75% of maximum cost exposure. Reserves are targeted at 25% of annual claims plus 2 times the difference between expected claims and maximum costs.

CITY OF INDIANOLA
Statistical Section

To compliment the financial review of the City of Indianola, the following statistical tables are attached. Below you will find a list of tables with some explanatory information:

Government-wide expenditures. These are the cash-basis expenditures for the past 10 fiscal years. The State of Iowa City Finance Committee adopted new functional group classifications in FY 2003. The historical expenses are not a formal restatement, but they do approximate the “best fit” as determined by management. Capital projects are expensed in the function in which they occur, not solely in capital projects funds.

Government revenues by source. These are the sources of revenue for the non-proprietary activities of the City of Indianola.

Tax collection trend. This table shows how effective Warren County collects the property taxes levied by the City of Indianola.

Overlapping rates. This table lists the property tax rates of the taxing authorities that govern the citizens within the City of Indianola. Agricultural land within cities is taxed at a different rate than other types of property.

100% valuations. These are the approximate market values of the different types of property within the City of Indianola. The Operating Levy Total and Debt Levy Total do not contain Agricultural property values, since these values are taxed at a different rate. The Debt Capacity Total does contain the Agricultural property value.

Taxable valuations. These are the property values that are subject to the property tax levies.

Debt margin. Iowa Code limits cities’ General Obligation debt to 5% of the total valuation of property. This table shows the amount of debt outstanding subject to this limitation and the capacity of the City of Indianola to assume more debt.

Overlapping debt. This calculation shows the debt burden for the citizens of the City of Indianola from all issuers of debt.

Building permits. This table shows the trend of new construction in the City of Indianola, the number of new housing units, and the amount of commercial or industrial construction.

Demographics. This is an attempt to show the growth of the community, its level of prosperity, and economic conditions over various historical periods.

CITY OF INDIANOLA
Statistical Section (Continued)

History of Government-Wide Expenditures

Fiscal Year	Public Safety	Public Works	Health & Social Services	Culture & Recreation	Community Economic Development	General Government (Adm.)	Debt Service	Capital Projects	(Business- type) Enterprises	Total
1997	1,896,240	1,347,257	-	2,783,478	16,605	959,370	713,276	51,816	10,973,261	18,741,303
1998	1,746,987	1,310,066	-	1,354,744	15,823	921,845	633,663	31,638	8,579,825	14,594,591
1999	1,944,577	1,586,263	-	1,304,959	212,500	998,672	643,565	29,434	8,860,345	15,580,315
2000	2,431,959	1,848,147	-	1,980,578	18,166	1,058,922	636,068	37,359	15,666,478	23,677,677
2001	2,116,202	3,081,981	-	1,440,579	270,202	1,050,084	1,187,310	501,406	14,021,293	23,669,057
2002	2,113,988	1,143,680	-	1,646,318	50,452	1,130,305	1,780,166	778,955	12,187,645	20,831,509
2003 *	2,424,530	1,205,650	-	1,810,745	121,353	789,787	1,547,691	224,080	9,045,729	17,169,565
2004	2,575,157	1,236,314	-	1,681,481	109,684	838,593	1,412,173	194,328	12,433,507	20,481,237
2005	3,064,420	1,159,047	-	1,661,909	90,030	931,371	1,538,643	1,790,458	12,716,343	22,952,221
2006	3,098,730	1,338,627	-	1,937,224	65,386	972,894	1,623,792	958,781	16,858,260	26,853,694
2007	3,085,938	1,256,816	-	1,943,116	617,772	965,144	1,974,772	3,035,031	13,936,478	26,815,067

Notes:

Transfers not included as expenditures.

*Change in functional classifications by the State of Iowa City Finance Committee beginning FY 2003. Prior years are grouped into the new functional classifications in a consistent manner, but are not intended to be a complete restatement of prior periods.

CITY OF INDIANOLA
Statistical Section (Continued)

Governmental Revenues by Source

Fiscal Year	Taxes	Licenses & Permits	Charges for Svcs.	Intergov.	Fines	Investment Earnings	Special Assess.	Misc.*	Total
1997	-	158,864	1,416,642	563,658	31,820	290,545	116,455	574,346	3,152,330
1998	-	74,723	1,712,399	652,652	39,439	199,447	110,958	560,827	3,350,445
1999	-	112,526	1,542,323	660,269	41,533	235,531	169,708	726,446	3,488,336
2000	-	146,916	1,417,969	739,341	31,437	231,978	156,277	394,700	3,118,618
2001	-	108,624	2,199,411	610,213	23,944	332,089	306,511	647,037	4,227,829
2002	-	146,721	1,580,449	749,041	16,837	261,776	198,685	604,544	3,558,053
2003	-	153,366	1,689,238	740,181	28,524	196,635	140,938	772,486	3,721,368
2004	-	209,890	1,540,566	720,225	78,004	160,430	101,884	1,002,420	3,813,419
2005	-	194,540	2,082,365	765,904	100,226	161,169	310,620	940,741	4,555,565
2006	4,549,048	163,875	1,366,839	897,130	115,328	163,875	148,054	1,226,974	8,631,123
2007	4,832,068	198,689	2,255,915	867,211	110,906	362,480	284,420	1,465,204	10,376,893

* Excludes self-insurance pool (classified as business-type internal service fund beginning in 2003), proceeds from fixed asset sales, and issuance of debt. Includes only transfers in for utility payment in lieu of taxes and administrative office cost allocations from utilities.

Tax Revenues By Source

Fiscal Year	Property	TIF	Franchise Fees	Hotel/Motel	Total
1997	2,312,046	2,978	17,095	39,250	2,371,369
1998	2,358,078	(47,349)	8,647	45,338	2,364,714
1999	2,690,422	86,603	20,650	47,674	2,845,349
2000	2,821,057	3,445	40,538	52,186	2,917,226
2001	2,779,424	145,087	44,407	51,634	3,020,552
2002	2,957,680	85,525	59,910	45,406	3,148,521
2003	3,337,492	101,614	46,272	45,507	3,530,885
2004	3,657,046	104,611	55,079	63,637	3,880,373
2005	3,953,157	188,396	55,505	72,048	4,269,106
2006	4,193,386	242,399	54,120	59,143	4,549,048
2007	4,302,701	414,117	54,065	60,645	4,831,528

CITY OF INDIANOLA
Statistical Section (Continued)

Tax Collection Trend

(Collection) Fiscal Year	Total Levied	Amount Collected*	% Collected
1997	2,350,800	2,312,046	98.4%
1998	2,366,000	2,358,078	99.7%
1999	2,708,900	2,690,422	99.3%
2000	2,799,300	2,821,057	100.8%
2001	2,693,500	2,779,424	103.2%
2002	3,091,500	2,957,680	95.7%
2003	3,332,300	3,337,492	100.2%
2004	3,664,800	3,657,046	99.8%
2005	3,921,085	3,953,157	100.8%
2006	4,186,938	4,193,386	100.2%
2007	4,322,757	4,302,701	99.5%

*includes delinquent taxes, if any

CITY OF INDIANOLA
Statistical Section (Continued)

Property Tax Rates
Direct & Overlapping Governments
Levy Rate per \$1,000 Taxable Valuation

Fiscal Year	City of Indianola				County			School District			Other	Total
	Operating	Benefits & Ins.	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total		
1997	8.06	-	2.83	10.89	n/a	n/a	6.21	\$ 17.53	\$ 3.88	21.41	0.41	38.92
1998	8.07	-	2.68	10.75	n/a	n/a	6.01	16.53	3.77	20.30	0.74	37.80
1999	8.10	1.16	2.10	11.36	n/a	n/a	6.25	16.14	3.55	19.69	1.27	38.57
2000	8.33	-	2.87	11.20	n/a	n/a	6.11	15.68	3.39	19.07	1.11	37.49
2001	8.10	0.54	2.86	11.50	5.35	0.46	5.81	15.83	3.25	19.08	1.26	37.65
2002	8.05	-	2.44	10.49	4.70	0.39	5.09	15.98	2.82	18.80	1.04	35.42
2003	8.10	0.93	2.02	11.05	4.86	0.37	5.23	14.94	3.86	18.80	1.13	36.21
2004	8.10	1.35	2.20	11.65	4.92	0.32	5.24	15.25	3.55	18.80	1.00	36.69
2005	8.10	1.38	2.17	11.65	5.66	0.36	6.02	15.02	3.38	18.40	1.06	37.13
2006	8.10	1.70	2.10	11.90	5.69	0.34	6.03	15.53	2.87	18.40	1.11	37.44
2007	8.10	1.75	2.10	11.95	6.08	0.35	6.43	16.19	2.70	18.89	1.14	38.41

Ag Land

1997	3.00
1998	3.00
1999	3.00
2000	3.00
2001	3.00
2002	3.00
2003	3.00
2004	3.00
2005	3.00
2006	3.00
2007	3.00

CITY OF INDIANOLA
Statistical Section (Continued)

100% Valuations

Fiscal Year	Residential	Ag/Bldgs	Commercial	Industrial	Personal Property	Rail & Utilities*	Gross Valuation	Exemptions	Total Valuation
1997	n/a	n/a	n/a	n/a	n/a	n/a	316,747,630	n/a	316,747,630
1998	n/a	n/a	n/a	n/a	n/a	n/a	325,737,282	n/a	325,737,282
1999	n/a	n/a	n/a	n/a	n/a	n/a	368,757,782	n/a	368,757,782
2000	n/a	n/a	n/a	n/a	n/a	n/a	376,538,776	n/a	376,538,776
2001	292,212,391	1,468,400	77,461,447	4,227,482	1,004,845	4,717,238	381,091,803	1,456,598	379,635,205
2002	342,298,806	1,419,226	92,184,406	5,323,634	582,416	4,706,240	446,514,728	1,438,078	445,076,650
2003	384,530,899	1,435,150	95,621,564	5,098,469	211,684	5,103,604	492,001,370	1,453,503	490,547,867
2004	395,938,322	1,534,675	100,904,039	5,109,575	-	5,508,783	508,995,394	1,476,970	507,518,424
2005	445,274,397	1,035,300	114,196,095	5,004,142	-	5,063,217	570,573,151	1,464,932	569,108,219
2006	461,811,540	1,044,700	123,584,680	9,514,780	-	5,266,201	601,221,901	1,415,928	599,805,973
2007	491,599,280	1,117,600	130,585,000	13,051,885	-	5,609,331	641,963,096	1,439,904	640,523,192

*includes gas & electric valuations at rates levied by the State of Iowa

	Operating Levy Total	TIF District Valuations	Debt Levy Total	Debt Capacity Total
1997	313,210,563	3,537,067	316,747,630	320,284,697
1998	321,982,793	3,754,489	325,737,282	329,491,771
1999	365,858,958	2,898,824	368,757,782	371,656,606
2000	374,216,746	2,322,030	376,538,776	378,860,806
2001	377,255,205	2,380,000	379,635,205	383,471,803
2002	441,553,147	3,523,503	445,076,650	450,038,231
2003	487,024,364	3,523,503	490,547,867	495,524,873
2004	504,168,507	3,349,917	507,518,424	512,345,311
2005	561,739,050	7,369,169	569,108,219	577,942,320
2006	591,695,566	8,110,407	599,805,973	609,332,308
2007	632,412,785	8,110,407	640,523,192	639,405,592

CITY OF INDIANOLA
Statistical Section (Continued)
Taxable Valuations

Fiscal Year	Residential	Ag/Bldgs	Commercial	Industrial	Personal Property	Rail & Utilities*	Gross Valuation	Exemptions	Total Valuation
1997	n/a	n/a	n/a	n/a	n/a	n/a	214,176,744	n/a	214,176,744
1998	n/a	n/a	n/a	n/a	n/a	n/a	220,349,458	n/a	220,349,458
1999	n/a	n/a	n/a	n/a	n/a	n/a	238,922,170	n/a	238,922,170
2000	161,764,606	1,373,771	77,255,710	4,602,126	1,548,802	5,342,038	251,887,053	1,452,894	250,434,159
2001	160,285,703	1,414,646	76,511,148	4,227,482	1,004,845	4,715,730	248,159,554	1,456,598	246,702,956
2002	192,598,008	1,430,100	92,184,406	5,323,634	582,416	4,706,240	296,824,804	1,438,078	295,386,726
2003	198,645,718	1,435,150	93,470,399	5,098,469	211,684	5,103,604	303,965,024	1,453,503	302,511,521
2004	203,460,846	1,534,675	100,904,039	5,109,575	-	5,508,783	316,517,918	1,476,970	315,040,948
2005	215,594,811	1,035,300	113,325,316	5,004,142	-	5,009,405	339,968,974	1,464,932	338,504,042
2006	221,243,341	1,044,700	120,608,343	4,641,582	-	5,065,357	352,603,323	1,415,928	351,187,395
2007	224,958,069	1,117,600	122,612,610	7,773,332	-	5,211,239	361,672,850	1,439,904	360,232,946

*includes gas & electric valuations at rates levied by the State of Iowa

	Operating Levy Total	TIF District Valuation	Debt Levy Total	100% Valuation Total	Ratio of Taxable to 100%
1997	214,176,744	3,537,067	217,713,811	316,747,630	68.7%
1998	220,349,458	3,754,489	224,103,947	325,737,282	68.8%
1999	238,922,170	2,898,824	241,820,994	368,757,782	65.6%
2000	249,060,388	2,322,030	251,382,418	376,538,776	66.8%
2001	245,288,310	2,380,000	247,668,310	379,635,205	65.2%
2002	293,956,626	3,523,503	297,480,129	445,076,650	66.8%
2003	301,076,371	3,523,503	304,599,874	490,547,867	62.1%
2004	313,506,273	3,349,917	316,856,190	507,518,424	62.4%
2005	337,468,742	7,369,169	344,837,911	569,108,219	60.6%
2006	350,142,695	8,110,407	358,253,102	599,805,973	59.7%
2007	359,115,346	8,110,407	367,225,753	640,523,192	57.3%

CITY OF INDIANOLA
Statistical Section (Continued)

Computation of Legal Debt Margin

Fiscal Year	5% of Debt Capacity Valuation	Less: Outstanding G.O. Debt	Legal Debt Margin	Debt Capacity Used
1997	16,014,235	4,785,000	11,229,235	29.9%
1998	16,474,589	5,125,000	11,349,589	31.1%
1999	18,582,830	4,475,000	14,107,830	24.1%
2000	18,943,040	7,275,000	11,668,040	38.4%
2001	19,173,590	5,925,000	13,248,590	30.9%
2002	22,501,912	7,995,000	14,506,912	35.5%
2003	24,776,244	7,016,000	17,760,244	28.3%
2004	25,617,266	8,331,000	17,286,266	32.5%
2005	28,897,116	8,940,000	19,957,116	30.9%
2006	30,466,615	13,018,000	17,448,615	42.7%
2007	31,970,280	11,248,000	20,722,280	35.2%

CITY OF INDIANOLA
Statistical Section (Continued)

Computation of Direct and Overlapping Debt
General Obligation Bonds
6/30/2007

	Jurisdiction	G.O. Debt Outstanding	% Applicable to Government	Amount Applicable to Government
Direct:	City of Indianola	\$ 11,248,000	100.00%	\$ 11,248,000
Indirect:	Warren County**	\$ 1,283,333	27.96%	\$ 358,820
	Indianola Community Schools** ***	\$ 16,760,000	64.75%	\$ 10,852,100
	Des Moines Area Community College* **	\$ 9,070,000	1.32%	\$ 119,724
	Total	<u>\$ 38,361,333</u>		<u>\$ 22,578,644</u>
Population				14,156
Amount Per Capita				\$ 1,595

*Excludes certificates issued for education and training for workers for new or expanding industry where revenues from the respective projects self-support annual debt service.

**Indirect computations are as of June 30, 2007

*** Excludes sales tax revenue bonds where revenues from sales tax self-support annual debt service.

CITY OF INDIANOLA
Statistical Section (Continued)

Building Permit Trends

Calendar Year	Construction Value of new Single Family Dwellings		Construction Value of Multi-Family Dwellings			Total New Residential Construction	Total No. of Units	Construction Value of Alterations & Additions		Total Residential Construction Value
	No. of Dwelling	No. of Permits	No. of Dwelling	No. of Permits	No. of Units			No. of Units	No. of Permits	
1997	390,226	4	-	0	0	390,226	4	303,637	89	693,863
1998	4,716,113	38	1,223,986	5	14	5,940,099	52	796,325	88	6,736,424
1999	11,261,262	79	3,122,806	9	54	14,384,068	133	1,063,943	93	15,448,011
2000	7,141,034	44	2,621,300	7	18	9,762,334	62	1,255,154	119	11,017,488
2001	10,279,579	69	1,150,072	4	8	11,429,651	77	1,251,575	135	12,681,226
2002	10,832,832	77	1,954,846	7	18	12,787,678	95	958,460	105	13,746,138
2003	10,622,051	66	2,345,779	5	11	12,967,830	77	1,582,908	93	14,550,738
2004	13,307,271	77	7,025,148	12	36	20,332,419	113	985,626	78	21,318,045
2005	10,029,458	70	1,956,509	7	14	11,985,967	84	826,263	82	12,812,230
2006	12,603,520	71	5,847,400	12	27	18,450,920	98	539,100	66	18,990,020

Calendar Year	Construction Value of Commercial/Industrial		Construction Value of Non-taxable Construction		Total Construction Value of new Construction	Total No. of Permits
	No. of Permits	No. of Permits	No. of Permits	No. of Permits		
1997	2,818,789	25	-	0	3,512,652	118
1998	2,560,111	24	4,625,000	2	13,921,535	157
1999	10,499,960	32	-	0	25,947,971	213
2000	4,509,895	35	7,000,000	1	22,527,383	206
2001	2,713,484	17	-	0	15,394,710	225
2002	5,578,320	25	2,556,347	1	21,880,805	215
2003	5,516,469	25	3,714,345	2	23,781,552	191
2004	6,908,368	23	6,090,500	2	34,316,913	192
2005	3,876,148	31	1,325,200	1	18,013,578	191
2006	4,788,835	37	2,293,717	2	26,072,572	188

CITY OF INDIANOLA
Statistical Section (Continued)

Demographic Information

Trends:	<u>Calendar</u>	<u>Estimated</u>	<u>Warren County</u>	
	<u>Year</u>	<u>Population</u>	<u>Unemployment</u>	
	1995	12,103	2.3%	
	1996	12,334	2.3%	
	1997	12,628	2.1%	
	1998	12,781	2.0%	
	1999	12,865	2.3%	
	2000	13,020	1.9%	
	2001	12,946	2.3%	
	2002	13,036	3.0%	
	2003	13,205	3.5%	
	2004	13,714	3.9%	
History:		<u>Official</u>	<u>Median</u>	
		<u>Population</u>	<u>Family</u>	
			<u>Income</u>	
		1930	3,488	
		1940	4,100	
		1950	5,145	
		1960	7,062	
		1970	8,976	
		1975	Special 9,611	
		1980	10,843	
		1990	11,340	\$ 34,684
		1995	Special 12,339	
		2000	12,998	\$ 52,235
	2004	Annexation 13,044		
	2005	Special 14,156		

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Indianola, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Indianola's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards of the United States of America and the standards applicable to financial audits contained in, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than the generally accepted accounting principles of the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Indianola as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards we have also issued our report dated October 25, 2007 on our consideration of the City of Indianola's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 31 through 39 and 63 through 65 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Indianola's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 25, 2007

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A)

The City of Indianola offers readers of the City of Indianola's financial statements this narrative overview and analysis of the financial activities of the City of Indianola for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in this report.

2007 Financial Highlights

- The City of Indianola has an ending cash balance of \$11,517,079 to meet the government's ongoing obligations to citizens and creditors. Of this, \$6,144,863 is under the direct management and control of the primary government with \$5,133,741 for governmental activities and \$1,011,122 for business-type activities. The remaining \$5,372,216 from the component unit, Indianola Municipal Utilities.
- Total cash balances decreased \$3,353,423 for the primary government and decreased \$151,789 for the component unit, for a total decrease of \$3,505,212. The primary reason for the decrease in primary government cash balances over the prior year was bond proceeds received in April 2006 were expended on capital projects
- At the end of the fiscal year, the unrestricted cash balance for governmental activities was \$2,551,696 or 18% of governmental activities' total disbursements.

Using this Annual Report

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

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

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending (fund balance). Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Reporting the City's Financial Activities

Basis of accounting. The City of Indianola maintains its financial records on the basis of cash receipts and disbursements and the financial statements presented in this report are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Government-wide Financial Statement. The Combined Statement of Cash Transactions presents information on all of the City of Indianola's cash balances. Over time, increases or decreases in balances may serve as a useful indicator of whether the financial position of the City of Indianola is improving or deteriorating. This statement details how cash balances changed during the most recent fiscal year.

This statement distinguishes 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).

Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes, charges for service, state and federal allocations and grants, and special assessments finance most of these activities.

Business type activities of the City include both internal service funds and sanitary sewer system funds.

The component unit of the City of Indianola is the combined transactions of the electric, water, and telecommunications utilities. Separate financial statements are issued for these activities under the report of Indianola Municipal Utilities.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

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 fund financial statements provide detailed information about individual, significant funds; not the City as a whole. Some funds are required to be established in Iowa Code and by bond covenants. The City of Indianola has established other funds to help it control and manage financial resources for particular purposes. The city has two types of funds:

1. Governmental funds account for most of the City of Indianola's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) Special Revenue Funds, 3) the Debt Service Fund, and 4) Capital Projects Funds. The Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance services.
2. Business type funds account for the City of Indianola's Enterprise Funds and Internal Services Funds. As shown on the Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds, Enterprise funds are maintained for the sanitary sewer funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among various functions. The City of Indianola uses Internal Service Funds to account for employee group health and short-term disability insurance and property and liability deductibles.

Financial Analysis

The following condensed financial information serves as summarized financial data and indicators for management, monitoring, and planning.

Net assets. As shown on the following page, unrestricted net assets on a cash basis totaled \$3,269,187 for the primary government. These net assets exclude those of the component unit, which are under the management and control of a board of trustees.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

City of Indianola's Net Assets (Cash Basis)

	Year ended June 30,		Change
	2007	2006	
Governmental Activities			
Restricted	2,582,045	6,454,458	(3,872,413)
Unrestricted	2,551,696	2,059,234	492,462
Business Type Activities			
Restricted	293,631	73,902	219,729
Unrestricted	717,491	910,692	(193,201)
Total Primary Government			
Restricted	2,875,676	6,528,360	(3,652,684)
Unrestricted	3,269,187	2,969,926	299,261
Component Unit			
Restricted	488,709	473,538	15,171
Unrestricted	4,883,507	5,050,467	(166,960)

Governmental funds. Governmental funds ended the fiscal year with \$4,553,704 in cash basis fund balances, a decrease of \$3,412,338 over the prior year. Unspent bond proceeds, which were used for capital projects in FY 2007, accounted for \$3,434,205 of that decrease. Therefore all other governmental funds combined for an increase in cash basis fund balance of \$21,867.

The increase of \$487,134 in the General Fund was primarily the result of higher than anticipated interest income and the transfer of funds from the capital projects fund for general fund capital projects.

The decrease was \$400,233 in the Debt Service Fund for the payment of paving project debt service where the assessment revenue will be repaid over the next 10 years. The debt service fund also paid the funds held in escrow for an advance refunding of general obligation bonds that were called on June 1, 2006 and disbursed in July 2007.

The table on the following page summarizes changes in net assets.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

City of Indianola's Changes in Net Assets
Governmental Funds

	Year ended June 30,	
	2007	2006
Receipts		
Property tax	\$ 4,302,700	4,193,385
Tax increment financing collections	414,117	242,398
Other city tax	115,249	113,263
Licenses and permits	198,688	163,875
Use of money and property	377,916	198,498
Intergovernmental	2,252,514	1,366,839
Charges for service	867,941	897,130
Special assessments	284,420	148,054
Miscellaneous	620,475	410,502
Total Receipts	9,434,020	7,733,944
Disbursements		
Public safety	3,085,903	3,098,731
Public works	1,256,853	1,338,626
Culture and recreation	1,936,423	1,933,962
Community and economic development	617,772	65,386
General government	965,143	972,894
Debt service	2,792,481	1,623,791
Capital projects	3,041,721	962,040
Total disbursements	13,696,296	9,995,430
Other financing sources (uses)		
Bond proceeds	-	5,044,948
Sale of capital assets	440,691	66,215
Operating transfers in (out)	409,247	546,962
Total other financing sources (uses)	849,938	5,658,125
Net change in cash balances	(3,412,338)	3,396,639
Cash balances, beginning of year	7,996,042	4,569,403
Cash balances, end of year	\$ 4,583,704	7,966,042

Business type funds. Business type funds ended the fiscal year with \$1,011,122 in cash basis fund balances, an increase \$26,528 over the prior year. The \$23,349 increase in the Sewer Enterprise Fund was primarily due to net transfers from the Tax Increment Financing Fund that will be used for sewer revenue debt service in the future. The increase of \$3,179 in the Internal Service Funds was primarily from favorable performance in the self-insured health plan fund (premiums charged to departments was more than actual expenses).

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

Sources and uses of funds. The following table summarizes how the operations of the city were financed and the programs in which they were expended.

	2007	2006
Receipts		
Property tax	46%	54%
Tax increment financing collections	4%	3%
Other city tax	1%	1%
Licenses and permits	2%	2%
Use of money and property	4%	3%
Intergovernmental	24%	18%
Charges for service	9%	12%
Special assessments	3%	2%
Miscellaneous	7%	5%
Total Receipts	100%	100%
Disbursements		
Public safety	23%	31%
Public works	10%	13%
Culture and recreation	15%	19%
Community and economic development	1%	1%
General government	7%	10%
Debt service	21%	16%
Capital projects	23%	10%
Total disbursements	100%	100%

Property taxes decreased due to an increase in other revenue sources, not due to a reduction in tax rates. Intergovernmental revenue increased in 2007 because of the Highway 65/65 & 92 Intersection Project, which utilized federal funds. This is also shown in the increase of debt service and capital project disbursements between the two years. Vacancies in the police department resulted in a significant decrease in public safety disbursements.

Budgetary Highlights

In accordance with Iowa Code, the city council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. None of the amendments made, if any, negatively affect the following year's budget.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

The FY 2007 budget was amended in May of 2007 to reflect the following items:

- Improvements to Pickard Park that were budgeted in prior fiscal year.
- Improvements to Veterans Memorial Pool funded with pool fees.
- Improvements to IDC owned land paid for by Industrial Park lot sales.
- Sewer improvements for the Highway 65/69 main and lift station that were budgeted in prior fiscal year.

Receipts were \$714,351 less than those budgeted. Significant negative budget variances were:

- Charges for services were \$1,391,143 less primarily due to budgeting revenue from the self-funded insurance plan which is not required to be budgeted.

Disbursements were \$4,424,467 less than those budgeted. Significant positive budget variances were:

- Capital project disbursements were \$1,346,379 less due to the Highway 65/69 & 92 intersection project not being completed in the time frame planned.
- Business type activities disbursements were \$1,928,554 less due to the Highway 65/69 main and lift station project not being completed in the time frame planned.

Capital Asset and Debt Administration

No additional debt was issued in FY 2007. The city added \$5.085 million in general obligation debt in FY 2006, with proceeds used for sewer and street improvements. Sewer fees, tax increment financing revenue, and property taxes will pay the annual debt service for this debt. The city's bond rating remained at A2.

Factors Affecting Financial Condition

Local economy. The City of Indianola currently enjoys a favorable economic environment and local indicators point to continued moderate growth. The projection in 2010 is for Indianola to grow to a population of approximately 16,600, which represents an increase of 17% from the 2005 special census. Although a primarily residential community, the varied nature of the educational, light manufacturing, agriculture services, and retail sectors of the local economy provides relative employment stability. Close proximity to the Des Moines metro area, the state capital with a combined population of approximately 460,000, provides employment for approximately 60% of the available workforce. Over the past 5 years, retail sales have grown at an annual average of over 5% and new single-family dwellings have been constructed at an average rate in excess of 50 units.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

The region (which includes the City of Indianola and the surrounding unincorporated area within Warren County) has a moderate growth employment outlook over the next several years. New commercial construction is occurring along the four-lane highway between the City of Indianola and the Des Moines metropolitan area. New utility services to recently annexed areas along its highway corridors have been installed to open new ground for development in these areas where commercial or industrial growth is likely. A four-lane bypass to the south of the Des Moines metro, completed in 2002, provides increased commercial development opportunities for the community as it improved traffic flow from Indianola to the western Des Moines suburbs and the interstate highway system. The city makes annual financial commitments to the Indianola Development Corporation and Warren County Economic Development Corporation, both non-related entities to the city, to support economic development in the region. The component unit also offers its own revolving loan program to spur economic development.

Long-term financial planning. The city has adopted a Comprehensive Plan, last updated in 2003, to help determine future infrastructure needs. City authorities annually adopt 5-year capital improvement budgets that prioritize foreseen projects. Those with potential long-term significant impacts to the financial operations of the city are:

- The city received approval of a \$735,000 federal grant to improve the intersection of its two major highways, US 65/69 & IA 92. The \$1.9 million project requires funding from federal funds and general obligation debt. Approximately \$500,000 of the project cost is allocated towards property acquisition, with the anticipation that these properties will be sold and redeveloped once the project is completed. Local costs will be financed using Tax Increment Financing authority from an expanded Downtown Urban Renewal Area. The project will significantly improve traffic flow and reduce auto emissions pollution. General obligation bonds were issued as part of the FY 2006 \$5.085 million issue. The project will be completed in FY 2008.
- The City Council is installing a wastewater lift station and main extension into recently annexed territories to improve development potential. Sewer revenue fees, connection fees, and assessments would be used to meet debt service needs. Also, the council is using Tax Increment Financing for this project by expanding the current Industrial Park Urban Renewal Area. The project will be completed in FY 2008.
- A facility study was conducted for city hall (including police and fire station) to determine space needs. Major improvements would be financed using general obligation bonds upon passage of a referendum. A \$4.5 million referendum for the redesigned city hall failed in August of 2005. In July 2007 voters denied Project Destiny, a one-cent regional sales tax in Dallas, Polk and Warren Counties, to be used by the City of Indianola to fund the renovation. The council has not yet acted to place the item back on a ballot.
- Wilder Elementary School being built on West Euclid Avenue will result in a \$1,500,000 million street paving project in FY 2008. The project will be funded with federal funds, special assessments and general obligation bonds.

CITY OF INDIANOLA
Management Discussion and Analysis (MD&A) (Continued)

Regulatory changes. It is expected that the State of Iowa will enact new regulations on sewer treatment quality that could take effect within 5 years. Accordingly, plant upgrades currently being constructed will help the City of Indianola meet these regulations. The improvements to the gravity lines will reduce infiltration and inflow of storm water, also helping meet current regulations.

Other regulatory impacts under consideration by the State of Iowa also include increased monitoring and controlling storm water pollution levels. Once imposed, the city will consider establishing a storm water utility, with an appropriate fee structure, to finance infrastructure improvements and treatment controls. It is not anticipated that these regulations will be imposed for 3-5 years.

The City Council makes a concerted effort to maintain effective services while keeping tax rates affordable, especially in light of local economic conditions. Indianola continues to have predictable and steady growth in population, retail sales, and new home construction, which is above the norm for the state as a whole. The city property tax rate for FY 2008 decreased from \$11.95 to \$11.85 per \$1,000 in taxable valuation. The City Council increased sewer rates by 9.8% in June of 2006 to pay the debt service for new mains and increased operational costs.

The component unit, Indianola Municipal Utilities, increased water rates in November 2006. It is anticipated that electric rates will increase upon the implementation of a new wholesale electric contract.

Requests 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, 110 N. First St., PO Box 299, Indianola, IA 50125. The Clerk's Office telephone number is 515-961-9410.

BASIC FINANCIAL STATEMENTS

CITY OF INDIANOLA

Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2007

		Program	
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest
Functions / Programs			
Primary Government:			
Governmental activities			
Public safety	\$ 3,068,111	10,018	572,647
Public works	1,256,758	430,837	1,186,354
Culture and recreation	1,928,515	394,396	184,653
Community and economic development	617,772	184,324	2,729
General government	959,753	120,848	37,943
Debt service	2,792,481	-	11,081
Capital projects	<u>3,041,721</u>	<u>28</u>	<u>35,875</u>
Total governmental activities	<u>13,665,111</u>	<u>1,140,451</u>	<u>2,031,282</u>
Business type activities			
Sewer	<u>2,254,768</u>	<u>1,906,176</u>	<u>11,784</u>
Total Primary Government	<u>\$ 15,919,879</u>	<u>3,046,627</u>	<u>2,043,066</u>
Component Unit:			
Municipal Utilities	<u>\$ 10,487,349</u>	<u>10,509,345</u>	<u>28,182</u>
General Receipts			
Property tax levied for			
General purposes			
Tax increment financing			
Debt service			
Employee benefits			
Utility tax replacement excise tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Bond proceeds			
Rent			
Sale of assets			
Transfers			
Total general receipts and transfers			

Receipts	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Primary Government			Component Unit
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	Municipal Utilities
-	(2,485,446)	-	(2,485,446)	-
34,909	395,342	-	395,342	-
-	(1,349,466)	-	(1,349,466)	-
-	(430,719)	-	(430,719)	-
-	(800,962)	-	(800,962)	-
-	(2,781,400)	-	(2,781,400)	-
<u>837,428</u>	<u>(2,168,390)</u>	<u>-</u>	<u>(2,168,390)</u>	<u>-</u>
<u>872,337</u>	<u>(9,621,041)</u>	<u>-</u>	<u>(9,621,041)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>(336,808)</u>	<u>(336,808)</u>	<u>-</u>
<u>872,337</u>	<u>(9,621,041)</u>	<u>(336,808)</u>	<u>(9,957,849)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,178</u>
	2,899,046	-	2,899,046	-
	414,117	-	414,117	-
	778,247	-	778,247	-
	625,407	-	625,407	-
	54,605	-	54,605	-
	254,838	-	254,838	-
	355,831	36,936	392,767	275,377
	-	-	-	-
	9,060	9,970	19,030	45,165
	440,692	7,541	448,233	195,627
	<u>409,247</u>	<u>308,889</u>	<u>718,136</u>	<u>(718,136)</u>
	<u>6,241,090</u>	<u>363,336</u>	<u>6,604,426</u>	<u>(201,967)</u>

CITY OF INDIANOLA

Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2007

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

 Restricted

 Streets

 Debt service

 Other purposes

 Unrestricted

 Total cash basis net assets

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Municipal Utilities</u>
(3,379,951)	26,528	(3,353,423)	(151,789)
<u>8,513,692</u>	<u>984,594</u>	<u>9,498,286</u>	<u>5,524,005</u>
<u>\$ 5,133,741</u>	<u>1,011,122</u>	<u>6,144,863</u>	<u>5,372,216</u>
278,631	-	278,631	-
874,509	293,631	1,168,140	488,709
1,428,905	-	1,428,905	-
<u>2,551,696</u>	<u>717,491</u>	<u>3,269,187</u>	<u>4,883,507</u>
<u>\$ 5,133,741</u>	<u>1,011,122</u>	<u>6,144,863</u>	<u>5,372,216</u>

See notes to financial statements.

CITY OF INDIANOLA

Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2007

	General	Special Revenue Road Use Tax
Receipts		
Property tax	\$ 2,899,046	-
Tax increment financing collections	-	-
Other city tax	115,249	-
Licenses and permits	198,688	-
Use of money and property	346,433	-
Intergovernmental	235,256	1,179,830
Charges for service	850,422	-
Special assessments	-	-
Miscellaneous	322,034	2,486
Total receipts	<u>4,967,128</u>	<u>1,182,316</u>
Disbursements		
Operating		
Public safety	3,080,696	-
Public works	213,385	1,043,468
Culture and recreation	1,936,423	-
Community and economic development	89,531	-
General government	965,143	-
Debt service	132,053	-
Capital projects	-	-
Total disbursements	<u>6,417,231</u>	<u>1,043,468</u>
Excess of receipts over disbursements	<u>(1,450,103)</u>	<u>138,848</u>
Other financing sources (uses)		
Bond proceeds	-	-
Sale of capital assets	4,021	-
Operating transfers in (out)	1,933,216	(126,000)
Total other financing sources (uses)	<u>1,937,237</u>	<u>(126,000)</u>

Debt Service	Capital Projects		Other Nonmajor Governmental Funds	Total
	Unspent Bond Proceeds	Street Construction		
778,247	-	-	625,407	4,302,700
-	-	-	414,117	414,117
-	-	-	-	115,249
-	-	-	-	198,688
15,436	-	-	16,047	377,916
-	837,428	-	-	2,252,514
-	-	17,491	28	867,941
260,174	-	24,246	-	284,420
11,081	-	39,319	245,555	620,475
<u>1,064,938</u>	<u>837,428</u>	<u>81,056</u>	<u>1,301,154</u>	<u>9,434,020</u>
-	-	-	5,207	3,085,903
-	-	-	-	1,256,853
-	-	-	-	1,936,423
-	-	-	528,241	617,772
-	-	-	-	965,143
2,660,428	-	-	-	2,792,481
-	-	2,962,449	79,272	3,041,721
<u>2,660,428</u>	<u>-</u>	<u>2,962,449</u>	<u>612,720</u>	<u>13,696,296</u>
<u>(1,595,490)</u>	<u>837,428</u>	<u>(2,881,393)</u>	<u>688,434</u>	<u>(4,262,276)</u>
-	-	-	-	-
-	-	124,185	312,485	440,691
<u>1,195,257</u>	<u>(4,271,633)</u>	<u>2,651,012</u>	<u>(972,605)</u>	<u>409,247</u>
<u>1,195,257</u>	<u>(4,271,633)</u>	<u>2,775,197</u>	<u>(660,120)</u>	<u>849,938</u>

CITY OF INDIANOLA

Statement of Cash Receipts, Disbursements
 And Changes in Cash Balances
 Governmental Funds
 As of and for the year ended June 30, 2007

	<u>General</u>	<u>Special Revenue</u> Road Use Tax
Net change in cash balances	487,134	12,848
Cash balances beginning of year	<u>1,484,525</u>	<u>265,783</u>
Cash balances end of year	<u>\$ 1,971,659</u>	<u>278,631</u>
Cash Basis Fund Balances		
Reserved		
Debt service	\$ -	-
Unreserved		
General fund	1,971,659	-
Special revenue funds	-	278,631
Capital projects funds	-	-
Total cash basis fund balances	<u>\$ 1,971,659</u>	<u>278,631</u>

See notes to financial statements.

Exhibit B
(Continued)

Debt Service	Capital Projects		Other Nonmajor Governmental Funds	Total
	Unspent Bond Proceeds	Street Construction		
(400,233)	(3,434,205)	(106,196)	28,314	(3,412,338)
<u>1,274,742</u>	<u>3,926,157</u>	<u>514,071</u>	<u>500,764</u>	<u>7,966,042</u>
<u>874,509</u>	<u>491,952</u>	<u>407,875</u>	<u>529,078</u>	<u>4,553,704</u>
874,509	-	-	-	874,509
-	-	-	-	1,971,659
-	-	-	171,841	450,472
-	491,952	407,875	357,237	1,257,064
<u>874,509</u>	<u>491,952</u>	<u>407,875</u>	<u>529,078</u>	<u>4,553,704</u>

CITY OF INDIANOLA

Exhibit C

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash
Balances to the Statement of Activities and Net Assets -
Governmental Funds
As of and for the year ended June 30, 2007

Total government funds cash balances	\$ 4,553,704
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

580,037

Cash basis net assets of governmental activities	\$ <u>5,133,741</u>
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Net change in cash balances	\$ (3,412,338)
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.

32,387

Change in cash balance of governmental activities	\$ <u>(3,379,951)</u>
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See notes to financial statements.

CITY OF INDIANOLA

Exhibit D

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances -
Proprietary Funds
As of and for the year ended June 30, 2007

	<u>Enterprise Fund</u> <u>Sewer</u>	<u>Internal Service</u> <u>Funds</u>
Operating receipts		
Use of money and property	\$ 46,605	1,503
Charges for service	1,855,016	1,100,906
Special assessments	51,160	-
Miscellaneous	11,784	124,638
Total operating receipts	<u>1,964,565</u>	<u>1,227,047</u>
Operating disbursements		
Governmental activities		
Public safety	-	398,836
Public works	-	113,003
Culture and recreation	-	156,742
General government	-	106,423
Business type activities	2,257,646	121,541
Component Unit:		
Municipal Utilities	-	283,731
Total operating disbursements	<u>2,257,646</u>	<u>1,180,276</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(293,081)</u>	<u>46,771</u>
Other financing sources (uses)		
Sale of capital assets	7,541	-
Operating transfers in	308,889	-
Total other financing sources (uses)	<u>316,430</u>	<u>-</u>
Net change in cash balances	23,349	46,771
Cash balances beginning of year	910,882	824,061
Cash balances end of year	<u>\$ 934,231</u>	<u>870,832</u>
Cash Basis Fund Balances		
Reserved for debt service	\$ 293,631	-
Unreserved	640,600	870,832
Total cash basis fund balances	<u>\$ 934,231</u>	<u>870,832</u>

See notes to financial statements.

CITY OF INDIANOLA

Exhibit E

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash
Balances to the Statement of Activities and Net Assets -
Proprietary Funds
As of and for the year ended June 30, 2007

Total enterprise funds cash balances	\$ 934,231
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

76,891

Cash basis net assets of business type activities	\$ <u>1,011,122</u>
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Net change in cash balances	\$ 23,349
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

3,179

Change in cash balance of business type activities	\$ <u>26,528</u>
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See notes to financial statements.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Indianola is a political subdivision of the State of Iowa located in Warren County. It was incorporated in 1864 and operates under the home rule provisions of the constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services.

A. REPORTING ENTITY

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

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

Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit - The financial information for the Indianola Municipal Utilities is presented as a Component Unit to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utilities are governed by a five-member board appointed by the City Council and the Utilities' operating budget is subject to the approval of the City Council.

Jointly Governed Organizations - The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: South Central Iowa Landfill Agency Board, Central Iowa Regional Transportation Planning Alliance Board, Metropolitan Planning Organization Committee, Marion/Warren County Drug Task Force, Community Athletic Facilities Board.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2007

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. **BASIS OF PRESENTATION**

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2007

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued) –

The Special Revenue - Road Use Tax Fund is used to account for road construction and maintenance.

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

The Capital Projects Funds are used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

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

The City also reports the following additional proprietary fund:

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2007

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

2. **CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's investments at June 30, 2007 were as follows:

	CARRYING AMOUNT	MARKET VALUE
Money market accounts	\$ 343,210	343,210
U.S. agency bonds and notes	7,176,958	7,114,378
U.S. agency collateralized mortgage obligations	312,350	310,339
	<u>\$ 7,832,518</u>	<u>7,767,927</u>

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk – The City's investments are held by a bank's trust department in the City's name. Investments with a carrying amount of \$7,164,184 are rated AAA. The balance of the investments are not rated.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2007

3. **BONDS AND NOTES PAYABLE**

Annual debt service requirements to maturity for the City's general obligation bonds and notes, capital loan notes, revenue capital loan notes, revenue bonds, and other long-term debt as of June 30, 2007 are as follows:

YEAR ENDING June 30,	GENERAL OBLIGATION		CAPITAL		REVENUE CAPITAL		OTHER		TOTAL	
	BONDS & NOTES		LOAN NOTES		LOAN NOTES		DEBT			
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2008	\$ 1,080,000	318,760	501,000	104,047	111,000	18,525	16,830	4,649	1,708,830	445,981
2009	1,125,000	280,160	487,000	85,149	112,000	15,472	17,671	3,807	1,741,671	384,588
2010	1,165,000	238,218	498,000	66,552	118,000	12,160	18,555	2,924	1,799,555	319,854
2011	875,000	193,962	435,000	46,662	119,000	8,534	19,482	1,997	1,448,482	251,155
2012	915,000	164,097	272,000	29,917	125,000	4,530	20,456	1,023	1,332,456	199,567
2013	950,000	131,910	70,000	17,780	26,000	2,040	-	-	1,046,000	151,730
2014	985,000	97,380	75,000	14,665	27,000	1,245	-	-	1,087,000	113,290
2015	895,000	60,665	75,000	11,290	28,000	420	-	-	998,000	72,375
2016	455,000	26,830	80,000	7,840	-	-	-	-	535,000	34,670
2017	110,000	9,453	85,000	4,080	-	-	-	-	195,000	13,533
2018	115,000	4,887	-	-	-	-	-	-	115,000	4,887
	<u>\$ 8,670,000</u>	<u>1,526,322</u>	<u>2,578,000</u>	<u>387,982</u>	<u>666,000</u>	<u>62,926</u>	<u>92,994</u>	<u>14,400</u>	<u>12,006,994</u>	<u>1,991,630</u>

The revenue capital loan notes are payable solely and only out of the net earnings of the sewer enterprise and constitute a first lien on the future net earnings of the utility. These bonds are not general obligations of the City, nor are they payable in any manner by taxation and the City is not liable if the net earnings of the utility are not sufficient for the repayment of the notes.

In May 2004 the City issued \$835,000 of General Obligation Refunding Bonds for a crossover refunding of a portion of the general obligation bonds issued May 1996. The City entered in to an escrow agreement whereby the proceeds were converted into U.S. securities. These securities were placed in an escrow account for the express purpose of paying the \$795,000 principal on the refunded bonds when they become callable on June 1, 2006 and the interest from May 1, 2004 to and including June 1, 2006 on the general obligation bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions and balances of the escrow are recorded by the City until the refunded debt is extinguished.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2007

3. **BONDS AND NOTES PAYABLE (CONTINUED)**

In April 2006 the City issued \$5,085,000 of General Obligation Bonds. The proceeds from the bonds were used to pay costs of constructing street and sewer improvements, and to pay costs of aiding in the planning, undertaking and carrying out of urban renewal projects, including street and sewer improvements, an essential corporate purpose.

4. **PENSION AND RETIREMENT BENEFITS**

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2007, 2006 and 2005 were \$240,169, \$239,692 and \$191,963, respectively, which met the required minimum contribution for each year.

IPERS - The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa.

IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Most plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$154,961, \$154,232 and \$139,928, equal to the required contributions for each year.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2007

5. **COMPENSATED ABSENCES**

City employees accumulate vacation hours and sick leave for subsequent use. Unused vacation hours are payable upon termination, retirement or death. Sick leave hours are payable only when used. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits as of June 30, 2007, primarily relating to the General Fund, was as follows:

Vacation	\$ 220,703
Sick leave	<u>685,136</u>
	<u>\$ 905,839</u>

This liability has been computed based on rates of pay as of June 30, 2007.

6. **HEALTH REIMBURSEMENT ARRANGEMENT**

The City maintains a health reimbursement arrangement (HRA) for the benefit of employees. The City makes a fixed annual commitment that employees may use to offset premium contributions or cash payments for any medical expense allowed under current income tax provisions. If the employee does not utilize the full amount provided in the fiscal year, the balance is carried forward to the following year and is available in any future period, including after retirement. Disbursements are paid out of operating funds and not held in trust. They are, however, accounted for in a sub-fund that is separate from other operating funds for budgetary control. Unpaid HRA balances totaled \$101,858 as of June 30, 2007.

7. **INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 122,700
	Employee Benefits Levy	625,407
	Industrial Park Urban Renewal Tax Increment	11,109
	Police Retirement	37,500
	Capital Projects:	
	General Fund Projects	209,700
	Enterprise:	
	Sewer	279,400
	Component Unit	<u>664,400</u>
		<u>1,950,216</u>

CITY OF INDIANOLA
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 Year Ended June 30, 2007

7. **INTERFUND TRANSFERS (CONTINUED)**

Transfer to	Transfer from	Amount
Special Revenue:		
Industrial Park Urban Renewal Tax Increment	Capital Projects:	
	Unspent Bond Proceeds	<u>352,946</u>
Debt Service	General	17,000
	Special Revenue:	
	East 92 Tax Increment	47,361
	Capital Projects:	
	Unspent Bond Proceeds	404,346
	Enterprise:	
	Sewer	611,750
	Component Unit	<u>114,800</u>
		<u>1,195,257</u>
Capital Projects:		
Unspent Bond Proceeds	Special Revenue:	
	Downtown Tax Increment	<u>173,957</u>
Street Construction	Capital Projects:	
	Unspent Bond Proceeds	<u>2,651,012</u>
Enterprise:		
Sewer	Special Revenue:	
	Industrial Park Urban Renewal Tax Increment	176,053
	Capital Projects:	
	Unspent Bond Proceeds	<u>1,037,286</u>
		<u>1,213,339</u>
Component Unit	Special Revenue:	
	Road Use Tax	3,300
	Industrial Park Urban Renewal Tax Increment	44,464
	Enterprise:	
	Sewer	<u>13,300</u>
		61,064
		<u>\$ 7,597,791</u>

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED Year Ended June 30, 2007

8. **RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 556 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each members' annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basic rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2007 were \$125,332 (2006 - \$115,081).

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2007

8. **RISK MANAGEMENT (CONTINUED)**

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year-period following withdrawal.

The City is a member of the Iowa Municipalities Workers' Compensation Association (the "Association"). The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdiction. The City has executed a Worker's Compensation coverage Agreement with the Association which extends through June 30, 2007 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2007, the City paid workers' compensation insurance premiums of \$87,830 (2006 - \$123,112) to the Association.

9. **DEFICIT BALANCE**

The Special Revenue, Industrial Park Urban Renewal Tax Increment Fund had a deficit balance of \$27,018 at June 30, 2007. The deficit balance was the result of costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of funds or transfers in the next fiscal years.

10. **COMMITMENTS**

The City has entered into contracts for paving, sanitary sewer, and miscellaneous projects totaling approximately \$1,677,579. The remaining commitment on these contracts at June 30, 2007 is \$504,431.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF INDIANOLA

Budgetary Comparison Schedule of Receipts, Disbursements
and Changes in Balances – Budget and Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual
Receipts		
Property tax	\$ 4,302,700	-
Tax increment financing collections	414,117	-
Other city tax	115,249	-
Licenses and permits	198,688	-
Use of money and property	377,916	48,108
Intergovernmental	2,252,514	-
Charges for service	867,941	2,955,922
Special assessments	284,420	51,160
Miscellaneous	<u>620,475</u>	<u>136,422</u>
Total receipts	<u>9,434,020</u>	<u>3,191,612</u>
Disbursements		
Public safety	3,085,903	398,836
Public works	1,256,853	113,003
Culture and recreation	1,936,423	156,742
Community and economic development	617,772	-
General government	965,143	106,423
Debt service	2,792,481	-
Capital projects	3,041,721	-
Business type activities	<u>-</u>	<u>2,379,187</u>
Total disbursements	<u>13,696,296</u>	<u>3,154,191</u>
Excess of receipts over disbursements	(4,262,276)	37,421
Other financing sources, net	<u>849,938</u>	<u>316,430</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(3,412,338)	353,851
Balances beginning of year	<u>7,966,042</u>	<u>1,734,943</u>
Balances end of year	<u>\$ 4,553,704</u>	<u>2,088,794</u>

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	4,302,700	4,294,430	4,294,430	8,270
-	414,117	413,400	413,400	717
-	115,249	155,727	155,727	(40,478)
-	198,688	172,500	172,500	26,188
16,939	409,085	211,800	211,800	197,285
-	2,252,514	2,339,800	2,339,800	(87,286)
1,100,906	2,722,957	4,114,100	4,114,100	(1,391,143)
-	335,580	143,000	143,000	192,580
<u>124,638</u>	<u>632,259</u>	<u>252,743</u>	<u>252,743</u>	<u>379,516</u>
<u>1,242,483</u>	<u>11,383,149</u>	<u>12,097,500</u>	<u>12,097,500</u>	<u>(714,351)</u>
398,836	3,085,903	3,374,000	3,374,000	288,097
113,003	1,256,853	1,450,200	1,450,200	193,347
156,742	1,936,423	1,928,900	2,176,300	239,877
-	617,772	265,800	794,000	176,228
106,423	965,143	1,094,700	1,094,700	129,557
817,709	1,974,772	2,097,200	2,097,200	122,428
-	3,041,721	4,388,100	4,388,100	1,346,379
<u>121,541</u>	<u>2,257,646</u>	<u>2,661,100</u>	<u>4,186,200</u>	<u>1,928,554</u>
<u>1,714,254</u>	<u>15,136,233</u>	<u>17,260,000</u>	<u>19,560,700</u>	<u>4,424,467</u>
(471,771)	(3,753,084)	(5,162,500)	(7,463,200)	3,710,116
-	<u>1,166,368</u>	<u>1,427,700</u>	<u>1,427,700</u>	<u>(261,332)</u>
(471,771)	(2,586,716)	(3,734,800)	(6,035,500)	3,448,784
-	<u>9,700,985</u>	<u>8,462,622</u>	<u>10,763,322</u>	<u>(1,062,337)</u>
<u>(471,771)</u>	<u>7,114,269</u>	<u>4,727,822</u>	<u>4,727,822</u>	<u>2,386,447</u>

CITY OF INDIANOLA

Notes to Required Supplementary Information – Budgetary Reporting June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,300,700. The budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF INDIANOLA

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2007

	Industrial Park Urban Renewal Tax Increment	Employee Benefits Levy	Special Downtown Tax Increment
Receipts			
Property tax	\$ -	625,407	-
Tax increment financing collections	177,060	-	182,607
Use of money and property	-	-	-
Special assessments	-	-	-
Miscellaneous	194,193	-	-
Total receipts	371,253	625,407	182,607
Disbursements			
Public safety	-	-	-
Community and economic development	519,591	-	8,650
Capital projects	-	-	-
Total disbursements	519,591	-	8,650
Excess (deficiency) of receipts over (under) disbursements	(148,338)	625,407	173,957
Other financing uses			
Sale of capital assets	-	-	-
Operating transfers in (out)	121,320	(625,407)	(173,957)
Total other financing sources (uses)	121,320	(625,407)	(173,957)
Net change in cash balances	(27,018)	-	-
Cash balances beginning of year	-	-	-
Cash balances end of year	\$ (27,018)	-	-
Cash Basis Fund Balances			
Unreserved			
Special revenue funds	\$ (27,018)	-	-
Capital project funds	-	-	-
Total cash basis fund balances	\$ (27,018)	-	-

See accompanying independent auditor's report.

Revenue			Capital Projects			
East 92			Community		General	
Tax	Police	Police	Athletic	Community	Fund	
Increment	Retirement	Seizures	Facility	Redevelopment	Projects	Total
-	-	-	-	-	-	625,407
54,450	-	-	-	-	-	414,117
-	8,414	-	433	7,200	-	16,047
-	-	-	-	-	-	-
-	-	10,487	5,000	28	35,875	245,583
<u>54,450</u>	<u>8,414</u>	<u>10,487</u>	<u>5,433</u>	<u>7,228</u>	<u>35,875</u>	<u>1,301,154</u>
-	-	5,207	-	-	-	5,207
-	-	-	-	-	-	528,241
-	-	-	6,691	71,098	1,483	79,272
-	-	5,207	6,691	71,098	1,483	612,720
<u>54,450</u>	<u>8,414</u>	<u>5,280</u>	<u>(1,258)</u>	<u>(63,870)</u>	<u>34,392</u>	<u>688,434</u>
-	-	-	-	29,514	282,971	312,485
<u>(47,361)</u>	<u>(37,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(209,700)</u>	<u>(972,605)</u>
<u>(47,361)</u>	<u>(37,500)</u>	<u>-</u>	<u>-</u>	<u>29,514</u>	<u>73,271</u>	<u>(660,120)</u>
7,089	(29,086)	5,280	(1,258)	(34,356)	107,663	28,314
<u>(7,089)</u>	<u>195,606</u>	<u>27,059</u>	<u>7,391</u>	<u>170,719</u>	<u>107,078</u>	<u>500,764</u>
<u>-</u>	<u>166,520</u>	<u>32,339</u>	<u>6,133</u>	<u>136,363</u>	<u>214,741</u>	<u>529,078</u>
-	166,520	32,339	-	-	-	171,841
-	-	-	6,133	136,363	214,741	357,237
-	<u>166,520</u>	<u>32,339</u>	<u>6,133</u>	<u>136,363</u>	<u>214,741</u>	<u>529,078</u>

CITY OF INDIANOLA

Schedule 2

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds
As of and for the year ended June 30, 2007

	Internal Service				Total
	Health Insurance Reserve	Property Insurance Council	Health Pool	Health Reimbursement Arrangement	
Receipts					
Use of money and property	\$ -	1,503	-	-	1,503
Internal service charges	16,131	-	1,002,235	82,540	1,100,906
Miscellaneous	27,392	28	96,760	458	124,638
Total receipts	43,523	1,531	1,098,995	82,998	1,227,047
Disbursements					
Operating					
Public safety	13,255	397	366,544	18,640	398,836
Public works	3,012	3,225	101,542	5,224	113,003
Culture and recreation	4,950	1,371	143,107	7,314	156,742
General government	3,442	-	96,481	6,500	106,423
Business type activities					
Sewer	3,513	-	110,372	7,656	121,541
Component Unit:					
Municipal Utilities	9,241	-	258,756	15,734	283,731
Total disbursements	37,413	4,993	1,076,802	61,068	1,180,276
Excess (deficiency) of receipts over (under) disbursements	6,110	(3,462)	22,193	21,930	46,771
Net change in cash balances	6,110	(3,462)	22,193	21,930	46,771
Cash balances beginning of year	153,002	31,708	559,423	79,928	824,061
Cash balances end of year	\$ 159,112	28,246	581,616	101,858	870,832
Cash Basis Fund Balances					
Unreserved	159,112	28,246	581,616	101,858	870,832
Total cash basis fund balances	\$ 159,112	28,246	581,616	101,858	870,832

See accompanying independent auditor's report.

CITY OF INDIANOLA

Schedule of Indebtedness
Year ended June 30, 2007

OBLIGATION	DATE OF ISSUE	INTEREST RATES	AMOUNT ORIGINALLY ISSUED
1996 Swimming Pool	5/1/1996	4.05-5.55	1,910,000
2000 Street & Fire Truck	5/1/2000	4.60-5.05	2,750,000
2003 Sewer & Water Improvements	10/1/2003	2.25-4.25	2,410,000
2004 Ambulance, Sewer & Street Improvements	8/15/2004	2.10-3.90	1,800,000
2006 Sewer & Street Improvements	4/1/2006	3.35-3.75	5,085,000
Capital Loan Notes			
1995 Sewer Revenue	6/21/1995	4.54	383,000
1997 Essential Corporate Purpose	5/1/1997	4.90-6.50	375,000
1999 General Corporate Purpose	11/1/1999	5.35	650,000
2002 Essential Corporate Purpose	2/15/2002	3.10-5.35	350,000
2002 B Refunding and Essential Corporate Purpose	5/1/2002	2.10-4.80	3,430,000
2004 Sewer Revenue Refunding	1/1/2004	1.50-3.45	725,000
2004 General Obligation Refunding	5/1/2004	2.00-3.10	835,000
Other Debt			
Equipment loan	2/15/2006	4.99	130,502
Total City of Indianola			
Indianola Municipal Utilities			
Revenue Bonds and Notes			
1996 Water Revenue	12/1/1996	4.87-5.12	3,410,000
2004 Water Revenue Refunding	8/15/2004	2.55-4.20	2,485,000
2006 Electric Revenue Capital Loan Note	2/15/2006	3.30-4.00	1,525,000

See accompanying independent auditor's report.

<u>BALANCE BEGINNING OF YEAR</u>	<u>ISSUED DURING YEAR</u>	<u>REDEEMED DURING YEAR</u>	<u>BALANCE END OF YEAR</u>	<u>INTEREST PAID</u>	<u>INTEREST DUE AND UNPAID</u>
\$ 795,000	-	795,000	-	23,807	-
1,185,000	-	275,000	910,000	59,287	-
2,035,000	-	180,000	1,855,000	69,360	-
1,645,000	-	160,000	1,485,000	53,773	-
<u>4,850,000</u>	<u>-</u>	<u>430,000</u>	<u>4,420,000</u>	<u>172,775</u>	<u>-</u>
<u>10,510,000</u>	<u>-</u>	<u>1,840,000</u>	<u>8,670,000</u>	<u>379,002</u>	<u>-</u>
216,000	-	20,000	196,000	6,288	-
90,000	-	45,000	45,000	4,781	-
295,000	-	70,000	225,000	15,783	-
228,000	-	35,000	193,000	11,270	-
1,620,000	-	180,000	1,440,000	67,420	-
555,000	-	85,000	470,000	14,979	-
<u>835,000</u>	<u>-</u>	<u>160,000</u>	<u>675,000</u>	<u>22,155</u>	<u>-</u>
<u>3,839,000</u>	<u>-</u>	<u>595,000</u>	<u>3,244,000</u>	<u>142,676</u>	<u>-</u>
<u>109,023</u>	<u>-</u>	<u>16,029</u>	<u>92,994</u>	<u>5,450</u>	<u>-</u>
<u>\$ 14,458,023</u>	<u>-</u>	<u>2,451,029</u>	<u>12,006,994</u>	<u>527,128</u>	<u>-</u>
\$ 2,560,000	-	2,560,000	-	64,684	-
2,485,000	-	-	2,485,000	45,045	-
<u>1,525,000</u>	<u>-</u>	<u>130,000</u>	<u>1,395,000</u>	<u>67,055</u>	<u>-</u>
<u>\$ 6,570,000</u>	<u>-</u>	<u>2,690,000</u>	<u>3,880,000</u>	<u>176,784</u>	<u>-</u>

CITY OF INDIANOLA

Bond and Note Maturities
June 30, 2007

YEAR ENDING JUNE 30,	GENERAL			
	STREET IMPROVEMENT & FIRE TRUCK		SEWER & WATER IMPROVEMENTS	
	ISSUED MAY 1, 2000		ISSUED OCTOBER 1, 2003	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2008	5.00	\$ 285,000	2.50	\$ 185,000
2009	5.05	305,000	2.90	190,000
2010	5.05	320,000	3.10	195,000
2011		-	3.30	200,000
2012		-	3.50	210,000
2013		-	3.75	220,000
2014		-	3.90	225,000
2015		-	4.00	100,000
2016		-	4.05	105,000
2017		-	4.15	110,000
2018		-	4.25	115,000
		<u>\$ 910,000</u>		<u>\$ 1,855,000</u>

OTHER DEBT

YEAR ENDING JUNE 30,	EQUIPMENT LOAN	
	ISSUED FEBRUARY 15, 2006	
	INTEREST RATE	AMOUNT
2008	4.99	\$ 16,830
2009	4.99	17,671
2010	4.99	18,555
2011	4.99	19,482
2012	4.99	20,456
		<u>\$ 92,994</u>

OBLIGATION				
AMBULANCE, SEWER & STREET IMPROVEMENTS		SEWER & STREET IMPROVEMENTS		
ISSUED AUGUST 15, 2004		ISSUED AUGUST 15, 2004		
INTEREST		INTEREST		
RATE	AMOUNT	RATE	AMOUNT	TOTAL
2.65	\$ 165,000	3.45	\$ 445,000	\$ 1,080,000
2.90	170,000	3.50	460,000	1,125,000
3.10	175,000	3.50	475,000	1,165,000
3.30	180,000	3.50	495,000	875,000
3.45	190,000	3.55	515,000	915,000
3.60	195,000	3.60	535,000	950,000
3.75	200,000	3.65	560,000	985,000
3.90	210,000	3.70	585,000	895,000
	-	3.75	350,000	455,000
	-		-	110,000
	-		-	115,000
	<u>\$ 1,485,000</u>		<u>\$ 4,420,000</u>	<u>\$ 8,670,000</u>

CITY OF INDIANOLA

Bond and Note Maturities
June 30, 2007

YEAR ENDING JUNE 30,	CAPITAL					
	SEWER REVENUE		ESSENTIAL CORPORATE PURPOSE		GENERAL CORPORATE PURPOSE	
	ISSUED JUNE 21, 1995		ISSUED MAY 1, 1997		ISSUED NOVEMBER 1, 1999	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2008	3.00	\$ 21,000	5.38	\$ 45,000	5.35	\$ 70,000
2009	3.00	22,000		-	5.35	75,000
2010	3.00	23,000		-	5.35	80,000
2011	3.00	24,000		-		-
2012	3.00	25,000		-		-
2013	3.00	26,000		-		-
2014	3.00	27,000		-		-
2015	3.00	28,000		-		-
2016		-		-		-
2017		-		-		-
		<u>\$ 196,000</u>		<u>\$ 45,000</u>		<u>\$ 225,000</u>

See accompanying independent auditor's report.

LOAN NOTES

ESSENTIAL CORPORATE PURPOSE ISSUED FEBRUARY 15, 2002		ESSENTIAL CORPORATE PURPOSE ISSUED MAY 1, 2002		SEWER REVENUE REFUNDING ISSUED JANUARY 1, 2004	
INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
4.65	\$ 36,000	3.80	\$ 190,000	2.55	\$ 90,000
4.85	37,000	4.00	205,000	2.80	90,000
5.00	38,000	4.10	210,000	2.90	95,000
5.20	40,000	4.20	220,000	3.25	95,000
5.35	42,000	4.30	230,000	3.45	100,000
	-	4.45	70,000		-
	-	4.50	75,000		-
	-	4.60	75,000		-
	-	4.70	80,000		-
	-	4.80	85,000		-
	<u>\$ 193,000</u>		<u>\$ 1,440,000</u>		<u>\$ 470,000</u>

Schedule 4
(Continued)

GENERAL OBLIGATION
REFUNDING

ISSUED MAY 1, 2004

INTEREST		
<u>RATE</u>	<u>AMOUNT</u>	<u>TOTAL</u>
2.40	\$ 160,000	\$ 612,000
2.70	170,000	599,000
3.00	170,000	616,000
3.10	175,000	554,000
	-	397,000
	-	96,000
	-	102,000
	-	103,000
	-	80,000
	-	85,000
	<u>\$ 675,000</u>	<u>\$ 3,244,000</u>

CITY OF INDIANOLA

Schedule 5

Statement of Receipts By Source
and Disbursements By Function -
All Governmental Funds
For the Last Five Years

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts					
Property tax	\$ 4,302,700	4,193,385	3,953,158	3,657,046	3,313,265
Tax increment financing collections	414,117	242,398	188,396	104,611	101,614
Other city tax	115,249	113,263	127,553	118,717	116,006
Licenses and permits	198,688	163,875	194,540	209,890	155,117
Use of money and property	377,916	198,498	177,341	160,428	198,625
Intergovernmental	2,252,514	1,366,839	2,082,365	1,514,317	1,610,670
Charges for service	867,941	897,130	765,904	746,475	859,959
Special assessments	284,420	148,054	310,621	101,884	140,938
Miscellaneous	<u>620,475</u>	<u>410,502</u>	<u>243,665</u>	<u>246,324</u>	<u>334,933</u>
Total	<u>\$ 9,434,020</u>	<u>7,733,944</u>	<u>8,043,543</u>	<u>6,859,692</u>	<u>6,831,127</u>
Disbursements					
Operating					
Public safety	3,085,903	3,098,731	3,064,421	2,575,156	2,238,824
Public works	1,256,853	1,338,626	1,159,048	1,236,315	1,247,388
Culture and recreation	1,936,423	1,933,962	1,661,909	1,681,481	1,805,974
Community and economic development	617,772	65,386	90,030	109,684	307,054
General government	965,143	972,894	931,372	838,593	795,336
Debt service	2,792,481	1,623,791	1,562,645	1,412,173	1,547,690
Capital projects	<u>3,041,721</u>	<u>962,040</u>	<u>1,790,459</u>	<u>194,327</u>	<u>187,119</u>
Total	<u>\$ 13,696,296</u>	<u>9,995,430</u>	<u>10,259,884</u>	<u>8,047,729</u>	<u>8,129,385</u>

See accompanying independent auditor's report.

CITY OF INDIANOLA

Schedule 6

Schedule of Expenditures of Federal Awards
Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Federal Grantor/ Pass-through Number</u>	<u>Program Expenditures</u>
Indirect			
Department of Transportation			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	STP-A-65-3(46)--86-91	<u>\$ 696,429</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Indianola and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Indianola, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our reports thereon dated October 25, 2007. Our reports expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Indianola's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Indianola's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Indianola's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Indianola's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Indianola's financial statements that is more than inconsequential will not be prevented or detected by the City of Indianola's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Indianola's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are considered that are also considered to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses in internal control over financial reporting.

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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Indianola's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Indianola's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Indianola and other parties to whom the City of Indianola may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

October 25, 2007

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council

Compliance

We have audited the compliance of the City of Indianola with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. The City of Indianola's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Indianola's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion City of Indianola complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Indianola is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Indianola's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the City's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We noted no matters involving the internal control over compliance and its operation that we consider to be significant deficiencies or material weaknesses.

The City of Indianola's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Indianola's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Indianola and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

October 25, 2007

CITY OF INDIANOLA

Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (A) An unqualified opinion was issued on the financial statements, which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (B) The audit did not disclose any significant deficiencies or material weaknesses in internal control over financial reporting.
- (C) The audit did not disclose any non-compliance which is material to the financial statements.
- (D) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (F) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (G) The major federal program was CFDA Number 20.205 – Highway Planning and Construction.
- (H) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (I) The City of Indianola did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

None

Part III: Findings and Questioned Costs for Federal Awards:

None

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-0 Certified Budget - Disbursements during the year ended June 30, 2007, did not exceed the amounts budgeted.
- IV-B-07 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF INDIANOLA

Schedule of Findings - Continued
Year ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting (Continued):

- IV-D-07 Business Transactions - No business transactions between the City and City officials or employees were noted.
- IV-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-07 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-07 Revenue Bonds - No violations of provisions of revenue bond resolution requirements were noted.
- IV-I-07 Financial Condition - The Special Revenue, Industrial Park Urban Renewal Tax Increment Fund had a deficit balance of \$27,018 at June 30, 2007.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return these funds to a sound financial position.

Response – We will do so.

Conclusion – Response accepted.