

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, 2008

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Independent Auditor's Report on Internal Control over

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CITY OF INDIANOLA
Chief Accounting Officer's Report

March 1, 2009

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 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. Management asserts 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, 2008 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 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, 2008 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 a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement 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, is the county seat of Warren County and is located in the central part of the Iowa 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
Chief Accounting Officer'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 body consisting of the mayor and six council members. The city council is responsible, among other things, for passing ordinances; adopting the budget; appointing commission and committee members; 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; overseeing day-to-day operations; and, appointing 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. Four council members are elected by districts or wards while the two remaining council members and the mayor are elected at large. The mayor is elected to serve a four-year term.

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; however, the utility board has all the powers and authorities of the city with respect to the acquisition or disposition of such property and the management, control, and operation associated with said property is 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.

Five trustees serve staggered six-year terms and are appointed by the mayor and approved by the city council. 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
Chief Accounting Officer's Report (Continued)

Other officials. The director of finance and administrative 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 director of finance and administrative services has other financial duties and the city clerk has custodial duties as 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 and sewer utility budgets and are provided to the public by publication.
- 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, services or line items 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. In this report, the current year's budget is compared to the actual expenses by function.

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 director of finance and administrative services and the treasurer are jointly responsible for the investment of funds with oversight by the council and board of trustees.

Cash, which is temporarily idle during the year, is invested in bank deposits; money market funds; repurchase agreements; and/or the Iowa Public Agency Investment Trust. These temporary cash deposits were maintained in stable value investments with an average rate of return of 4.2%.

CITY OF INDIANOLA
Chief Accounting Officer'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 3.20 years with a current yield of 5.09%. Reported returns may include changes in fair value during the year but do not necessarily represent continuing returns; therefore, it is not 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 Iowa. The city makes annual contributions to ICAP recorded as disbursements from its operating funds for vehicle, property, casualty and liability coverage. The city maintains reserve funds to meet deductibles. The city also participates as a member of the Iowa Municipal Workers' Compensation Association (IMWCA) and pays the associate premiums 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 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 (IPERS). Benefits for police officers are provided through a statewide plan managed by the Municipal Fire & Police Retirement System of Iowa (MFPRSI). The city makes periodic payments based on earned compensation by active employees; however, the city has no obligation in connection with employee benefits offered through these plans.

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 the city on a monthly basis.

The City of Indianola maintains a health reimbursement arrangement (HRA) for the benefit of employees. The city makes a fixed annual contribution that allows each employee to be reimbursed for any medical expense allowed under IRS Code. If the employee does not utilize the full amount provided in any fiscal year, the balance is carried forward for use in a future period, even 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 \$119,889 as of June 30, 2008.

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

CITY OF INDIANOLA
Chief Accounting Officer's Report (Continued)

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. Cash basis 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, 2008.

Laurie Hebl
Director of Finance and Administrative Services

Acknowledgment to the following staff for their valued assistance in the preparation of this report:

Todd Kielkopf, IMU General Manager (former Interim Finance Director)
Jennifer Sease, Director of Administrative and Community Services (former)
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, 2008**

<u>Name of Official</u>	<u>Official Title</u>	<u>Term Expires December 31</u>	<u>Amount Of Bond</u>
Jerry Kelley	Mayor	2009	100,000
Randy Gathers	Councilperson First Ward	2011	100,000
Shirley Clark	Councilperson Third Ward	2011	100,000
Mark Vickroy	Councilperson At-Large	2011	100,000
Steve Richardson	Councilperson At-Large	2009	100,000
Pete Berry	Councilperson Fourth Ward	2009	100,000
Bob Kreamer	Councilperson Second Ward	2009	100,000
Timothy A. Zisoff	City Manager		100,000
Jennifer Sease	Dir of Admin & Community Services		100,000
RoxAnne Hunerdosse	Human Resource Director		100,000
Diana Bowlin	Deputy City Clerk		100,000
Doug Shull	City Treasurer		100,000
John Hoyman	City Solicitor		100,000

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

David P. Zwanziger		2008	100,000
Bob Lester		2009	100,000
Pat Reding	Chairperson	2011	100,000
Clark Raney		2012	100,000
Chris Boone		2013	100,000
Todd Kielkopf	General Manager of Utilities		100,000

All other city employees are bonded under the Allied Insurance Co., "Faithful Performance Blanket Position Bond," #BD7900570225 in the amount of \$100,000.

Council Committee

Council Study Committee

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

**CITY OF INDIANOLA
CITY BOARD AND COMMISSIONS
JUNE 30, 2008**

LIBRARY BOARD

Authority: Indianola Ordinance Chapter 17.3

Term - 6 Years

Meeting: 2nd Tuesday of every month

<u>Name</u>	<u>Term Expires</u>
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
Dr. Joe Walt	July 1, 2014
Marge Thomas	July 1, 2014

PARK AND RECREATION COMMISSION

Authority: Indianola Ordinance No. 520

Term - 3 Years

Meeting: 1st Wednesday of every month

Eric VanderLinden	January 1, 2009
Tom Schmidt	January 1, 2009
Dawn Sams	January 1, 2010
Jori Coghlan	January 1, 2010
Heather Palmer	January 1, 2011
Jay Byers	January 1, 2011

PLANNING AND ZONING COMMISSION

Authority: Indianola Ordinance Chapter 16.2

Term - 5 Years

Meeting: 2nd Tuesday of every month

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
Pam Pepper	February 1, 2013
Duane Dixon	February 1, 2013

**CITY OF INDIANOLA
CITY BOARD AND COMMISSIONS
JUNE 30, 2008**

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>
Jim Garrett	December 31, 2008
Marty Miller	December 31, 2009
Dan Vanderpool	December 31, 2010
Dennis Parker	December 31, 2011
Doug Dowie	December 31, 2012

MEMORIAL BUILDING COMMISSION

Authority: Code of Iowa Chapter 37.9

Term - 3 Years - Meeting: On Call

Bob Evans	July 1, 2008
Kurt Lickiss	July 1, 2009
Ron Werling	July 1, 2009
Robert Guilford	July 1, 2010
Dan Aldridge	July 1, 2011

CIVIL SERVICE COMMISSION

Authority: Indianola Ordinance No. 378

Term - 4 Years

Meeting: On Call

Ken Bendon	First Monday in April, 2010
Wayne Petersen	First Monday in April, 2011
Fred Jones	First Monday in April, 2012

FINE ARTS & COMMUNITY BEAUTIFICATION COMMISSION

Authority: Indianola Ordinance No. 423

Term - 3 Years

Meeting: 1st Tuesday of every month

Nancy Byrd	January 1, 2009
Mary Jones	January 1, 2011
John Benoit	January 1, 2011
Jon Vernon	January 1, 2011
Pat Bunnell Kelley	January 1, 2011
Aaron Tinder	January 1, 2011
Katie Byers	January 1, 2011
Tara Starr	January 1, 2011

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 2007-08 fiscal year.

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

- **Police.** The Indianola Police Department answered 6,641 calls for service in calendar year 2008.

The police department had no turnover in the officer ranks in the past two years. Sgt. Rob Hawkins returned from military deployment in September of 2008.

The conversion to electronic citations is now complete. The department is now looking to expand wireless abilities to cellular data transmission.

- **Fire and Ambulance.** The Indianola Fire Department experienced another record year for calls in the 2008 calendar year. There were three major fires in 2008 and one building collapse. There were three total loss house fires including: two in the county with values of \$145,000 and \$100,000 and one within the city limits with a value of \$125,000. The building collapse on the square resulted in an estimated loss of \$100,000. There were four other fires in the city that were each under \$50,000 in loss. The balance of the loss was due to vehicle fire and smaller structure fires. Our total loss for the year was \$850,000. In addition to regular activities that the full and part-time staff accomplished each day, staff responded to 1,623 fire and EMS alarms. This is an increase of 2% over last year and sets a new record for calls in a single year. The 1,623 alarms consisted of: 54 fires; 45 Haz-Mat; 34 good intent; 99 false alarms; and, 16 weather related. The balance accounts for 1,375 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, 2009 the department had one full time chief, one full-time training officer, one full-time technician, six full time firefighters/medics, 8 medic only positions, 34 paid on call for a total staff of 57 with no members on leave and 6 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 training in 2008 was 5,194 hours. This equates to the average volunteer putting in over 120 hours a year for the community just in training and another approx 60 hours a year in calls.

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 and Recreation. Parks and Recreation programs, events, parks 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.** A variety of recreation programs and events were offered to the community. There were many participants and several programs were filled. There were 23 new programs offered, 18 free events held, 7,512 program registrations with 1,541 (20.5%) done on-line. 2,372 families were served, 2,073 youth participated in youth sports programs and 51 low-income fee assistance scholarships were provided. Community support remained strong with our brochure ad and program sponsorship programs having \$7,979 in ad revenue (31 advertisers) and over \$16,105 in event and youth sports sponsorships (70 sponsors). Our volunteer support also remained strong with 623 volunteers assisting with recreation programs, special events and at the senior center.
- **Parks & Horticulture Division.** 109 volunteers helped with maintenance, flower care, greenhouse operations and with improvement projects. Improvements completed include: a new sign and play equipment at Moats park; 22+ acre land donation for a park from the DeNelskys and Neils; installed the first 3 phases of irrigation at Buxton Park; completed a trails plan; opened a new dog playground at Downey Park; and, provided another year of weed free parks. Horticulture and forestry activities included: growing 846 perennials from plugs, 300 flats of annuals, and 200 3" pots of annuals in the greenhouses; reconditioned the Buxton Rose beds and Hill Berm; held the 5th annual Think Spring Garden Seminar (filled with 81 participants); worked with tree committee on 2 EAB workshops; and, 22 trees were adopted by residents as part of our adopt-a-tree program. We received the Tree City USA Certification for the 14th year. There were 8 flowerbeds adopted and maintained by volunteers.
- **Administration Division.** Becky Lane moved from ½ time office assistant to ½ time teen/young adult activity coordinator and Sandy Wadle was hired to fill the office assistant position. All department policies were reviewed and updated and the seasonal part-time wage scale was revised to reflect minimum wage increases.

CITY OF INDIANOLA
Operational Review (Continued)

Other activities included: held 2 EAB seminars with the Tree Committee; Warren County Philanthropic Partnership grant applications were submitted for the dog park (received \$5,000); the After School Program (received \$4,300); and, the Moats Park Playground Committee (received \$2,000). We also received a \$147,500 Transportation Enhancement Grant through CIRTPA for the Memorial Trail Phase I development and \$10,480 in other grants and donations. The website had several hundred visits per month; the number of on-line registrations increased; there were 600+ subscribers who received the monthly Fun Times Newsletter; and, an interactive information activity/event calendar and expanded photo gallery were added to the website. We worked with the KIB Salem Court Committee on improvements to the Salem Court Alley; worked with the WOOF Dog Playground Committee with the construction of the dog playground; worked with ISA with the adult softball league and complex operations; and, worked with the senior citizen center board.

- **Veterans Memorial Aquatic Center.** Attendance at the aquatic center was 45,320 including all use (open swim, events, rentals, lessons). Due to weather, the aquatic center had 14 days when it closed early and 3 days when it was closed for the entire day. Participation included: lap swim/water walk - 796; private pool rental - 2,660; swim lessons - 625; tot swim - 1,060; and, 288 club wet teen parties. We experienced one human feces contamination in the pool that resulted in the pool being closed for one day to properly disinfect the pool as per state requirements.

The following table details the park system:

	Acres
Barker Park	1.20
Buxton Park	5.43
Dayton Park	1.08
DeNelsky Park	28.68
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
	270.24

CITY OF INDIANOLA
Operational Review (Continued)

- **Indianola Public Library.** Indianola Public Library Patrons checked out 142,515 items or 10.1 items per resident. Attendance at the 475 programs sponsored by the Library totaled 10,320. The number of computers available for use by the public doubled from five to ten. These computers were used 21,884 times. The number of visitors to the library was estimated at 135,250.

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 department was at full staff for last year. Full staff includes the Superintendent, 6 operators and a part-time office manager. Two of the operators upgraded their operational license to Grade II Wastewater Treatment.

Iowa Department of Natural Resources mandated Inflow & Infiltration (I&I) removal through the entire collection system to eliminate sanitary sewer overflows and basement backups by January 2012. With assistance from Veenstra & Kimm Engineering and City Staff, we have developed a four-phase plan to identify and remove I&I in the next four years.

Staff has developed electronic manhole inspections forms. We have purchased a Magellan GPS system with ARCPAD software to create electronic forms for each manhole. Each manhole form is linked to ARCGIS. We have inspected 560 of the 1560 manholes in 3 months. All trunk main manholes in the NW Service Area have been inspected and Visu Sewer has photographed lines with the pole camera. We have also purchased Acrobat Adobe Professional to merge pictures and other documents, which eliminates paper files on all manhole inspections and I&I inspections. We are continuing to work through residential I&I inspections and testing. We completed the E-92 area and have visually inspected the NW Service Area #1. We have pre-televised the sewer mains in the NW Service Area #1 and have initiated foundation testing.

We installed the trial Davis/EMU pump and variable frequency drives in south plant. The trial period for the new pump is complete. The Water Pollution Control Superintendant has determined that the new pump is sized properly and will be ordering two more pumps, installing one, and keeping the second for a spare.

We had to replace the 30-year-old emergency generator at the North Plant in December. All emergency generators are now on an annual preventive maintenance program with Ziegler Caterpillar.

This spring and summer have been very wet. We have had 8 reported SSO events in the spring of 2008 with 2 events that had several basement backups reported. We also reported 2 SSO events last fall.

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 2007-08 fiscal year.

CITY OF INDIANOLA
Operational Review (Continued)

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

The Kenwood underground conversion continued through out fiscal year 2008 with all of the electric cable installation and service reconnections completed by year's end. This project was IMU's single largest conversion project to date, which included the conversion of 6% of total customers served from a 4160 KV system to a 13,200 KV system. IMU also converted .95 miles of overhead conductor to underground conductor, 4 miles of 4160 KV 3-phase overhead distribution to 13,200 KV 3-phase underground distribution and 1.1 miles of 4160 KV 1-phase overhead distribution to 13,200 KV 1-phase underground distribution.

The electric utility conducted a long-range system study to determine the most cost effective scenario for completing the electric system conversion from 4kV to 13kV. Since 1997, the process has been periodic and the utility has since moved forward with telecommunications planning. The study included important considerations such as economies of scale from larger projects, estimated line loss savings, improved reliability and fewer maintenance issues and potential savings for the expansion of the fiber optic telecommunications system.

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 Rosenberger Enterprises who relocated their facility to the Hillcrest Industrial Park. An incentive package was also provided to Midwest Uncuts, who also relocated their facility from the downtown area to the Hillcrest Industrial Park. In-kind contributions were made to the Community Athletic Field, the High School softball fields, to Habitat for Humanity, to the new Pickard Park storage building, to the Recreation Department for the sponsorship of the outdoor cinema series as well as staff time and equipment contributions for numerous community projects.

The conversion to radio-read meters continued in FY08 with the goal to have all electric meters converted by FY10. 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.

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

A priority for the IMU water department is to continue a preventative maintenance program for hydrants, valves, towers and wells. In fiscal year 2008, the well located off of North 9th Street was temporarily removed from service while the pump was rebuilt and 490 feet of well casing was pulled from the ground, with some sections needing replaced and others only needing to be cleaned.

CITY OF INDIANOLA
Operational Review (Continued)

The water department also plans for regular water main replacement projects based on the age, size and maintenance history of the pipe. The area designated for improvement during fiscal year 2008 was along West Boston from “J” to “M” Street. The goal is to improve the reliability and longevity of the distribution system by eliminating the use of all mains that are cast iron or less than 6” in diameter.

The water system modeling initiated in May 2007 was completed. The study was requested to identify system deficiencies, which includes storage needs under simulated operating conditions and to provide the information needed for IMU to determine the size, location, and timeline for adding storage and other major system components. The results of the study indicate that at this time, fire protection and water pressure are adequate with the two existing towers but that it is important to continue with the water main, hydrant and valve replacement programs.

The conversion to radio-read meters continued in FY08 with the goal to have all water meters converted by FY10. 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 2.5 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 it's 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.

Phase II is planned to begin in 2009 by installing conduit as part of an electric underground project. Future plans are to install fiber lines in this conduit that would provide a bundle 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.

- **Administration.** The IMU Board of Trustees continues to be very supportive of their employees, encouraging involvement in community service and economic development activities. Community events included sponsoring the 4th of July fireworks spectacular, National Balloon Classic, and an electronic waste recycling program. IMU contributes significantly to the Indianola Development Association, which includes participation in the Warren Co. Economic Development Corp. and the Greater Des Moines Partnership.

CITY OF INDIANOLA

Operational Review (Continued)

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.
- 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 and maintenance expenses, decreased capital expenses, and increased sewer plant capacity.
- An update to the 2003 Comprehensive Plan is planned in FY09/10. 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 live 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 can be paid 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.

CITY OF INDIANOLA
Operational Review (Continued)

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

Permits/Licenses	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Water	75	93	81	152	82	80	80
Plumbing	34	127	133	118	93	137	106
Electric	124	174	147	150	118	169	113
Mechanical	89	135	136	135	102	110	104
Sewer	75	93	80	157	84	81	95
Warrants Written	7,973	8,812	9,041	9,145	9,037	9,037	8,865
Ordinance Adopted	32	22	31	36	39	22	19
Cigarette	24	23	22	23	20	20	18
Bicycle	99	25	20	54	19	9	5
Beer	15	15	16	16	14	15	15
Beer-Liquor	16	16	15	15	15	15	15
Sunday Beer & Liquor	31	31	29	30	29	29	29
Beer-Wine	3	3	2	2	2	3	3

Internal Service. The City of Indianola maintains a fund for employees' health insurance with premiums paid from each departmental fund. Premiums are targeted 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-based 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.

Governmental Revenues by Source. These are the sources of revenue for the non-proprietary activities of the City of Indianola.

Tax Revenues by Source. These are the sources of tax revenue for the City of Indianola.

Tax Collection Trend. This table shows how effective Warren County collects the property taxes levied for the City of Indianola.

Separate & Consolidated 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.

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
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
2008	3,173,199	1,348,228	-	1,904,951	83,781	995,408	1,956,788	966,952	13,123,248	23,552,555

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	Inter- governmental	Charges for Services	Fines	Use of Money & Property	Special Assessment	Misc.*	Total
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
2008	5,152,853	187,498	1,813,521	1,033,928	92,912	320,015	331,949	1,495,550	10,428,226

*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
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	54,605	60,645	4,832,068
2008	4,380,621	652,572	57,417	62,243	5,152,853

CITY OF INDIANOLA
Statistical Section (Continued)

Tax Collection Trend

(Collection) Fiscal Year	Total Levied	Amount Collected*	% Collected
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%
2008	4,348,256	4,380,621	100.7%

*includes delinquent taxes, if any

CITY OF INDIANOLA
Statistical Section (Continued)

Property Tax Rates
Separate and Consolidated
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		
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
2008	8.10	1.75	2.00	11.85	6.45	0.34	6.79	16.56	3.63	20.19	1.05	39.88

<u>Ag Land</u>	
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
2008	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
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
2008	600,967,220	1,344,000	141,538,420	14,231,700	-	5,354,152	763,435,492	1,499,194	761,936,298

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

CITY OF INDIANOLA
Statistical Section (Continued)

Taxable Valuations

Fiscal Year	Residential	Ag/Bldgs	Commercial	Industrial	Personal Property	Rail & Utilities*	Gross Valuation	Exemptions	Total Taxable Valuation
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
2008	255,353,906	1,195,800	120,608,343	4,641,582	-	5,354,152	387,153,783	1,499,194	385,654,589

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

**military

	Operating Levy Total	TIF District Valuation	Debt Levy Total	100% Valuation Total	Ratio of Taxable to 100%
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	13,303,403	372,418,749	640,523,192	58.1%
2008	365,510,016	20,144,573	385,654,589	670,165,395	57.5%

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
1998	16,286,864	5,125,000	11,161,864	31.5%
1999	18,437,889	4,475,000	13,962,889	24.3%
2000	18,826,939	7,275,000	11,551,939	38.6%
2001	19,054,590	5,925,000	13,129,590	31.1%
2002	22,325,736	7,995,000	14,330,736	35.8%
2003	24,600,069	7,016,000	17,584,069	28.5%
2004	25,449,770	8,331,000	17,118,770	32.7%
2005	28,528,658	8,940,000	19,588,658	31.3%
2006	30,061,095	13,018,000	17,043,095	43.3%
2007	32,098,155	11,248,000	20,850,155	35.0%
2008	33,508,270	11,242,000	22,266,270	33.5%

CITY OF INDIANOLA
Statistical Section (Continued)

Building Permit Trends

Calendar Year	Construction Value of new		Construction Value of			Total New Residential Construction	Total	Construction Value of		Total Residential Construction Value
	Single Family Dwellings	No. of Permits	Multi-Family Dwellings	No. of Permits	No. of Units	Residential Construction	No. of Units	Alterations & Additions	No. of Permits	Construction Value
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
2007	10,568,484	63	2,687,887	9	19	13,256,371	82	743,942	63	14,000,313

Calendar Year	Construction Value of Commercial/Industrial		Construction Value of Non-taxable Construction		Total Construction Value of new Construction	Total No. of Permits
	Commercial/Industrial	No. of Permits	Non-taxable Construction	No. of Permits	Construction Value	No. of Permits
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
2007	11,405,065	9	14,262,433	2	34,729,175	193

CITY OF INDIANOLA
Statistical Section (Continued)

Demographic Information

Trends:	<u>Calendar Year</u>	<u>Warren County Unemployment</u>
	1995	2.3%
	1996	2.3%
	1997	2.1%
	1998	2.0%
	1999	2.3%
	2000	1.9%
	2001	2.3%
	2002	3.0%
	2003	3.5%
	2004	3.9%

History:	<u>Calendar Year</u>	<u>Population</u>	<u>10 year % increase</u>	<u>Median Family Income</u>
	1930	3,488		
	1940	4,100	17.5%	
	1950	5,145	25.5%	
	1960	7,062	37.3%	
	1970	8,976	27.1%	
Special	1975	9,611		
	1980	10,843	20.8%	
	1990	11,340	4.6%	\$ 34,684
Special	1995	12,339		
	2000	12,998	14.6%	\$ 52,235
Annexation	2004	13,044		
Special	2005	14,156		



Shull

and Co. P.C.
certified public accountants

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, 2008, 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, 2008, 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 September 5, 2008 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 29 through 37 and 61 through 62 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 five years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 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.

September 5, 2008

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, 2008. 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.

2008 Financial Highlights

- The City of Indianola has an ending cash balance of \$13,848,223 to meet the government's ongoing obligations to citizens and creditors. Of this, \$7,996,091 is under the direct management and control of the primary government with \$6,973,094 for governmental activities and \$1,022,997 for business-type activities. The remaining \$5,852,132 from the component unit, Indianola Municipal Utilities.
- Total cash balances increased \$1,851,228 for the primary government and increased \$479,916 for the component unit, for a total increase of \$2,331,144. The primary reason for the increase in primary government cash balances over the prior year was bond proceeds received in May 2008 were not yet expended on capital projects.
- At the end of the fiscal year, the unrestricted cash balance for governmental activities was \$3,007,805 or 29% of governmental activities' total disbursements.

Using this Annual Report

The annual report consists of a series of financial statements and 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.

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

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

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 non-major 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 less, financial resources available.
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 & short-term disability insurance and property & 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 \$3,737,171 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)

Net Assets (Cash Basis)

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Governmental Activities			
Restricted	3,965,289	2,582,045	1,383,244
Unrestricted	3,007,805	2,551,696	456,109
Business Type Activities			
Restricted	293,631	293,631	-0-
Unrestricted	729,366	717,491	11,875
Total Primary Government			
Restricted	4,258,920	2,875,676	1,383,244
Unrestricted	3,737,171	3,269,187	467,984
Component Unit			
Restricted	615,544	488,709	126,835
Unrestricted	5,236,588	4,883,507	353,081

Governmental funds. Governmental funds ended the fiscal year with a balance of \$6,313,778, an increase of \$1,760,074 over the prior year. Unspent bond proceeds, which are available for future capital project expenses, accounted for \$978,591 of that increase. Therefore all other governmental funds combined for an increase in cash basis fund balance of \$781,483.

The increase of \$376,830 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 increase of \$441,793 in the Debt Service Fund was partially for the payment of paving project debt service where the assessment revenue will be repaid over the next 10 years or was agriculturally deferred until the land is rezoned/developed.

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

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

Changes in Net Assets Governmental Funds

	<u>2008</u>	<u>2007</u>
Receipts		
Property tax	4,380,621	4,302,700
Tax increment financing collections	652,571	414,117
Other city tax	115,249	115,249
Licenses and permits	187,498	198,688
Use of money and property	320,015	377,916
Intergovernmental	1,813,522	2,252,514
Charges for service	1,033,928	867,941
Special assessments	331,949	284,420
Miscellaneous	<u>648,262</u>	<u>620,475</u>
Total Receipts	<u>9,488,026</u>	<u>9,434,020</u>
Disbursements		
Public safety	3,173,199	3,085,903
Public works	1,348,228	1,256,853
Culture and recreation	1,904,951	1,936,423
Community and economic development	83,781	617,772
General government	995,407	965,143
Debt service	1,956,788	2,792,481
Capital projects	<u>966,954</u>	<u>3,041,721</u>
Total disbursements	<u>10,429,308</u>	<u>13,696,296</u>
Other financing sources (uses)		
Bond proceeds	1,567,093	-0-
Sale of capital assets	24,830	440,691
Operating transfers in (out)	<u>1,108,433</u>	<u>409,247</u>
Total other financing sources (uses)	<u>2,701,356</u>	<u>849,938</u>
Net change in cash balances	1,760,074	(3,412,338)
Cash balances, beginning of year	<u>4,553,704</u>	<u>7,996,042</u>
Cash balances, end of year	<u><u>6,313,778</u></u>	<u><u>4,553,704</u></u>

Business type funds. Business type funds ended the fiscal year with \$1,022,997 in cash basis fund balances, an increase \$11,875 over the prior year. \$10,499 of the increase is due primarily to favorable performance in the self-insured health plan (Internal Service Fund) for this fund.

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.

	<u>2008</u>	<u>2007</u>
Receipts		
Property tax	46%	46%
Tax increment financing collections	7%	4%
Other city tax	1%	1%
Licenses and permits	2%	2%
Use of money and property	3%	4%
Intergovernmental	19%	24%
Charges for service	11%	9%
Special assessments	4%	3%
Miscellaneous	7%	7%
Total Receipts	<u>100%</u>	<u>100%</u>
Disbursements		
Public safety	30%	23%
Public works	13%	10%
Culture and recreation	18%	15%
Community and economic development	1%	1%
General government	10%	7%
Debt service	19%	21%
Capital projects	9%	23%
Total disbursements	<u>100%</u>	<u>100%</u>

Property taxes revenues held stable in comparison to total receipts. The change in Tax Increment Financing revenue was due to the increase of debt that was certified for collection. Intergovernmental revenue decreased in 2008 because the Highway 65/65 & 92 Intersection Project utilized the remaining federal funds. This also reflects the decrease of capital project and debt services disbursements between the two years. The police department had vacancies in 2007 that were staffed in 2008 resulting in a significant increase 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 2008 budget was amended in May of 2008 to reflect the following items:

- The scope of the Kenwood Underground Electrical Project increased to include a larger geographic area and the project was partial funded in the prior fiscal year.
- Sewer improvements for the Highway 65/69 main and lift station that were budgeted in prior fiscal year.
- Unexpected sewer repairs and maintenance including replacing the North Plant and Plainview generators and North Howard sewer.

Receipts were \$485,641 more than budgeted. Significant revenue variances were:

- Charges for services were \$665,948 less primarily due to budgeting revenue from the self-funded insurance plan that is not required to be budgeted for.
- Intergovernmental was \$269,782 more due to timing of grant reimbursements.

Disbursements were \$4,510,126 less than those budgeted. Significant positive budget variances were:

- Capital project disbursements were \$636,105 less due to various projects not being completed in the anticipated time frame.
- Business type activities disbursements were \$1,930,552 less due to various projects not being completed in the anticipated time frame.

Capital Asset and Debt Administration

In FY 2008, the City issued \$1,575,000 in debt with proceeds used for street improvements, street equipment and fire/EMS equipment. Tax increment financing revenue, special assessments and property taxes will pay the annual debt service obligations for this issuance. The city's bond rating remained at A2.

Factors Affecting Financial Condition

Local economy. The City of Indianola currently has a stable economic environment and local indicators point to slight growth. The projection in 2010 is for Indianola to grow to a population of approximately 15,000, which represents an increase of almost 6% 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 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 Indianola's available workforce. Over the past 5 years single-family dwellings have been constructed at an average rate in excess of 60 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 relatively stable 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 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 a federal stimulus allocation of approximately \$495,000 for paving North “Y” Street. The \$1.44 million project will be funded with a combination of general obligation debt, special assessments and the federal allocation. The project will significantly improve traffic flow in the area around the new Wilder Elementary School. The project will be completed in FY 2010.
- The city is proceeding with Phase 1 of the Infiltration and Inflow Program. The main objective of the program is to reduce storm water from entering the sanitary sewer system. The total program consists of four project phases at a cost of over \$9,000,000. The program will be funded with a low interest State Revolving Fund loan that will be paid back with sewer service fees. Phase 1 of the program will be completed in FY 2010.
- A facility study was conducted for city hall (including police and fire station) to determine space needs. 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 is proceeding with a scaled down version of the renovation with project costs estimated at \$850,000. General Obligation debt will be issued to fund the project. The project will be completed in FY 2010.

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. Plant upgrades and gravity line improvements, which will reduce infiltration and inflow of storm water, will help the City of Indianola meet these regulations.

Other regulatory impacts under consideration by the State of Iowa 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.

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

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 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 2009 decreased from \$11.85 to \$11.65 per \$1,000 in taxable valuation. The City Council has adjusted sewer rates to pay the debt service for sewer capital projects and to cover increased operational costs.

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 Finance Director, 110 N. First St., PO Box 299, Indianola, IA 50125. City Hall's 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, 2008

		Program	
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest
Functions / Programs			
Primary Government:			
Governmental activities			
Public safety	\$ 3,135,294	484,821	178,193
Public works	1,339,170	251,161	1,213,420
Culture and recreation	1,885,055	448,316	218,288
Community and economic development	83,781	171,559	15,666
General government	984,081	105,722	13,666
Debt service	1,956,788	-	-
Capital projects	<u>966,954</u>	<u>244,191</u>	<u>48,432</u>
Total governmental activities	<u>10,351,123</u>	<u>1,705,770</u>	<u>1,687,665</u>
Business type activities			
Sewer	<u>1,731,269</u>	<u>1,951,616</u>	<u>17,021</u>
Total Primary Government	<u>\$ 12,082,392</u>	<u>3,657,386</u>	<u>1,704,686</u>
Component Unit:			
Municipal Utilities	<u>\$ 10,265,827</u>	<u>11,161,296</u>	<u>27,884</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
-	(2,472,280)	-	(2,472,280)	-
-	125,411	-	125,411	-
-	(1,218,451)	-	(1,218,451)	-
-	103,444	-	103,444	-
-	(864,693)	-	(864,693)	-
-	(1,956,788)	-	(1,956,788)	-
<u>624,536</u>	<u>(49,795)</u>	<u>-</u>	<u>(49,795)</u>	<u>-</u>
<u>624,536</u>	<u>(6,333,152)</u>	<u>-</u>	<u>(6,333,152)</u>	<u>-</u>
<u>2,356</u>	<u>-</u>	<u>239,724</u>	<u>239,724</u>	<u>-</u>
<u>626,892</u>	<u>(6,333,152)</u>	<u>239,724</u>	<u>(6,093,428)</u>	<u>-</u>
<u>44,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>967,558</u>
	2,967,531	-	2,967,531	-
	652,572	-	652,572	-
	772,730	-	772,730	-
	640,360	-	640,360	-
	57,417	-	57,417	-
	74,697	-	74,697	-
	296,873	41,906	338,779	250,947
	1,567,093	-	1,567,093	-
	8,969	29,910	38,879	38,625
	25,830	968	26,798	30,586
	<u>1,108,433</u>	<u>(300,633)</u>	<u>807,800</u>	<u>(807,800)</u>
	<u>8,172,505</u>	<u>(227,849)</u>	<u>7,944,656</u>	<u>(487,642)</u>

CITY OF INDIANOLA

Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2008

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>
1,839,353	11,875	1,851,228	479,916
<u>5,133,741</u>	<u>1,011,122</u>	<u>6,144,863</u>	<u>5,372,216</u>
<u>\$ 6,973,094</u>	<u>1,022,997</u>	<u>7,996,091</u>	<u>5,852,132</u>
246,713	-	246,713	-
1,316,302	293,631	1,609,933	615,544
2,402,274	-	2,402,274	-
<u>3,007,805</u>	<u>729,366</u>	<u>3,737,171</u>	<u>5,236,588</u>
<u>\$ 6,973,094</u>	<u>1,022,997</u>	<u>7,996,091</u>	<u>5,852,132</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, 2008

	General	Special Revenue Road Use Tax
Receipts		
Property tax	\$ 2,967,531	-
Tax increment financing collections	-	-
Other city tax	119,660	-
Licenses and permits	187,498	-
Use of money and property	305,772	-
Intergovernmental	233,076	1,212,782
Charges for service	1,009,539	-
Special assessments	-	-
Miscellaneous	307,991	638
Total receipts	<u>5,131,067</u>	<u>1,213,420</u>
Disbursements		
Operating		
Public safety	3,172,756	-
Public works	229,990	1,118,238
Culture and recreation	1,904,951	-
Community and economic development	80,359	-
General government	995,407	-
Debt service	127,733	-
Capital projects	-	-
Total disbursements	<u>6,511,196</u>	<u>1,118,238</u>
Excess of receipts over disbursements	<u>(1,380,129)</u>	<u>95,182</u>
Other financing sources (uses)		
Bond proceeds	-	-
Sale of capital assets	4,400	-
Operating transfers in (out)	1,752,559	(127,100)
Total other financing sources (uses)	<u>1,756,959</u>	<u>(127,100)</u>

<u>Debt Service</u>	<u>Capital Projects Unspent Bond Proceeds</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
772,730	-	640,360	4,380,621
-	-	652,571	652,571
-	-	-	119,660
-	-	-	187,498
-	-	14,243	320,015
-	211,071	156,593	1,813,522
-	-	24,389	1,033,928
115,996	-	215,953	331,949
-	<u>257,372</u>	<u>82,261</u>	<u>648,262</u>
<u>888,726</u>	<u>468,443</u>	<u>1,786,370</u>	<u>9,488,026</u>
-	-	443	3,173,199
-	-	-	1,348,228
-	-	-	1,904,951
-	-	3,422	83,781
-	-	-	995,407
1,829,055	-	-	1,956,788
-	<u>191,643</u>	<u>775,311</u>	<u>966,954</u>
<u>1,829,055</u>	<u>191,643</u>	<u>779,176</u>	<u>10,429,308</u>
<u>(940,329)</u>	<u>276,800</u>	<u>1,007,194</u>	<u>(941,282)</u>
-	1,567,093	-	1,567,093
-	-	21,430	25,830
<u>1,382,122</u>	<u>(865,302)</u>	<u>(1,033,846)</u>	<u>1,108,433</u>
<u>1,382,122</u>	<u>701,791</u>	<u>(1,012,416)</u>	<u>2,701,356</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, 2008

	<u>General</u>	<u>Special Revenue</u> Road Use Tax
Net change in cash balances	376,830	(31,918)
Cash balances beginning of year	<u>1,971,659</u>	<u>278,631</u>
Cash balances end of year	<u>\$ 2,348,489</u>	<u>246,713</u>
Cash Basis Fund Balances		
Reserved		
Debt service	\$ -	-
Unreserved		
General fund	2,348,489	-
Special revenue funds	-	246,713
Capital projects funds	-	-
Total cash basis fund balances	<u>\$ 2,348,489</u>	<u>246,713</u>

See notes to financial statements.

Exhibit B
(Continued)

Debt Service	<u>Capital Projects</u> Unspent Bond Proceeds	Other Nonmajor Governmental Funds	<u>Total</u>
441,793	978,591	(5,222)	1,760,074
<u>874,509</u>	<u>491,952</u>	<u>936,953</u>	<u>4,553,704</u>
<u><u>1,316,302</u></u>	<u><u>1,470,543</u></u>	<u><u>931,731</u></u>	<u><u>6,313,778</u></u>
1,316,302	-	-	1,316,302
-	-	-	2,348,489
-	-	211,396	458,109
-	1,470,543	720,335	2,190,878
<u><u>1,316,302</u></u>	<u><u>1,470,543</u></u>	<u><u>931,731</u></u>	<u><u>6,313,778</u></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, 2008

Total government funds cash balances	\$ 6,313,778
--------------------------------------	--------------

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.

659,316

Cash basis net assets of governmental activities	\$ <u>6,973,094</u>
--	---------------------

Net change in cash balances	\$ 1,760,074
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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.

79,279

Change in cash balance of governmental activities	\$ <u>1,839,353</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, 2008

	<u>Enterprise Fund</u> <u>Sewer</u>	<u>Internal Service</u> <u>Funds</u>
Operating receipts		
Use of money and property	\$ 71,542	1,368
Intergovernmental	\$ 2,356	-
Charges for service	1,843,240	1,058,399
Special assessments	108,376	-
Miscellaneous	17,021	145,936
Total operating receipts	<u>2,042,535</u>	<u>1,205,703</u>
 Operating disbursements		
Governmental activities		
Public safety	-	378,534
Public works	-	95,667
Culture and recreation	-	142,332
General government	-	107,369
Business type activities	1,741,494	105,547
Component Unit:		
Municipal Utilities	-	252,326
Total operating disbursements	<u>1,741,494</u>	<u>1,081,775</u>
 Excess (deficiency) of receipts over (under) disbursements	<u>301,041</u>	<u>123,928</u>
 Other financing sources (uses)		
Sale of capital assets	968	-
Operating transfers in (out)	(300,633)	-
Total other financing sources (uses)	<u>(299,665)</u>	<u>-</u>
 Net change in cash balances	1,376	123,928
Cash balances beginning of year	<u>934,231</u>	<u>870,832</u>
Cash balances end of year	<u>\$ 935,607</u>	<u>994,760</u>
 Cash Basis Fund Balances		
Reserved for debt service	\$ 266,989	-
Unreserved	668,618	994,760
Total cash basis fund balances	<u>\$ 935,607</u>	<u>994,760</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, 2008

Total enterprise funds cash balances	\$ 935,607
--------------------------------------	------------

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.

87,390

Cash basis net assets of business type activities	\$ <u>1,022,997</u>
---	---------------------

Net change in cash balances	\$ 1,376
-----------------------------	----------

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.

10,499

Change in cash balance of business type activities	\$ <u>11,875</u>
--	------------------

See notes to financial statements.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

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, 2008

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, 2008

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, 2008

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, 2008 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, 2008 were as follows:

	CARRYING AMOUNT	MARKET VALUE
Money market accounts	\$ 91,714	91,714
U.S. agency bonds and notes	1,476,076	1,516,613
U.S. agency collateralized mortgage obligations	6,710,432	6,699,623
	<u>\$ 8,278,222</u>	<u>8,307,950</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 \$1,593,397 are rated AAA. The balance of the investments are not rated.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2008

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, 2008 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
2009	\$ 1,315,000	331,530	487,000	85,149	112,000	15,472	17,671	3,807	1,931,671	435,958
2010	1,300,000	284,155	498,000	66,552	118,000	12,160	18,555	2,924	1,934,555	365,791
2011	1,015,000	236,727	435,000	46,662	119,000	8,534	19,482	1,997	1,588,482	293,920
2012	1,060,000	201,823	272,000	29,917	125,000	4,530	20,456	1,023	1,477,456	237,293
2013	1,095,000	164,125	70,000	17,780	26,000	2,040	-	-	1,191,000	183,945
2014	1,135,000	125,245	75,000	14,665	27,000	1,245	-	-	1,237,000	141,155
2015	1,055,000	83,805	75,000	11,290	28,000	420	-	-	1,158,000	95,515
2016	620,000	44,690	80,000	7,840	-	-	-	-	700,000	52,530
2017	280,000	21,703	85,000	4,080	-	-	-	-	365,000	25,783
2018	290,000	11,187	-	-	-	-	-	-	290,000	11,187
	<u>\$ 9,165,000</u>	<u>1,504,990</u>	<u>2,077,000</u>	<u>283,935</u>	<u>555,000</u>	<u>44,401</u>	<u>76,164</u>	<u>9,751</u>	<u>11,873,164</u>	<u>1,843,077</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, 2008

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.

In May 2008 the City issued \$1,575,000 of General Obligation Bonds. The proceeds from the bonds were used to pay costs of constructing street improvements, and equipping the fire, ems and street departments, essential corporate purposes.

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, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal 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, 2008, 2007 and 2006 were \$231,966, \$240,169 and \$239,692, 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, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$167,205, \$154,961 and \$154,232, equal to the required contributions for each year.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2008

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, 2008, primarily relating to the General Fund, was as follows:

Vacation	\$ 253,119
Sick leave	<u>762,931</u>
	<u>\$ 1,016,050</u>

This liability has been computed based on rates of pay as of June 30, 2008.

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 \$119,890 as of June 30, 2008.

7. **INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 123,800
	Employee Benefits Levy	640,360
	Police Retirement	12,500
	Enterprise:	
	Sewer	286,400
	Component Unit	<u>706,500</u>
		<u>1,769,560</u>

CITY OF INDIANOLA
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 Year Ended June 30, 2008

7. **INTERFUND TRANSFERS (CONTINUED)**

Transfer to	Transfer from	Amount
Debt Service	General	17,001
	Special Revenue:	
	Industrial Park Urban Renewal Tax Increment	351,510
	Downtown Tax Increment	222,215
	East 92 Tax Increment	60,860
	Enterprise:	
	Sewer	612,636
	Component Unit	<u>117,900</u>
		<u>1,382,122</u>
Capital Projects:		
Street Construction	Capital Projects:	
	Unspent Bond Proceeds	<u>253,599</u>
Enterprise:		
Sewer	Capital Projects:	
	Unspent Bond Proceeds	<u>611,703</u>
Component Unit	Special Revenue:	
	Road Use Tax	3,300
	Enterprise:	
	Sewer	<u>13,300</u>
		<u>16,600</u>
		<u>\$ 4,033,584</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, 2008

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 563 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 200 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, 2008 were \$130,996 (2007 - \$125,332).

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 \$10,000,000 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, 2008, 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, 2008

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, 2008 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2008, the City paid workers' compensation insurance premiums of \$118,022 (2007 - \$87,830) to the Association.

9. **COMMITMENTS**

The City has entered into contracts for street improvement projects totaling approximately \$1,061,177. The remaining commitment on these contracts at June 30, 2008 is \$790,162.

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, 2008

	Governmental Funds Actual	Proprietary Funds Actual
	<u> </u>	<u> </u>
Receipts		
Property tax	\$ 4,380,621	-
Tax increment financing collections	652,571	-
Other city tax	119,660	-
Licenses and permits	187,498	-
Use of money and property	320,015	72,910
Intergovernmental	1,813,522	-
Charges for service	1,033,928	2,901,639
Special assessments	331,949	108,376
Miscellaneous	<u>648,262</u>	<u>162,957</u>
Total receipts	<u>9,488,026</u>	<u>3,245,882</u>
Disbursements		
Public safety	3,173,199	378,534
Public works	1,348,228	95,667
Culture and recreation	1,904,951	142,332
Community and economic development	83,781	-
General government	995,407	107,369
Debt service	1,956,788	-
Capital projects	966,954	-
Business type activities	<u>-</u>	<u>1,847,041</u>
Total disbursements	<u>10,429,308</u>	<u>2,570,943</u>
Excess of receipts over disbursements	(941,282)	674,939
Other financing sources, net	<u>2,701,356</u>	<u>(299,665)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	1,760,074	375,274
Balances beginning of year	<u>4,553,704</u>	<u>1,805,063</u>
Balances end of year	<u>\$ 6,313,778</u>	<u>2,180,337</u>

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	4,380,621	4,348,256	4,348,256	32,365
-	652,571	602,200	602,200	50,371
-	119,660	141,921	141,921	(22,261)
-	187,498	167,400	167,400	20,098
1,368	391,557	242,500	242,500	149,057
-	1,813,522	1,590,300	1,590,300	223,222
1,058,399	2,877,168	3,817,500	3,817,500	(940,332)
-	440,325	124,300	124,300	316,025
<u>145,936</u>	<u>665,283</u>	<u>252,900</u>	<u>252,900</u>	<u>412,383</u>
<u>1,205,703</u>	<u>11,528,205</u>	<u>11,287,277</u>	<u>11,287,277</u>	<u>240,928</u>
378,534	3,173,199	3,448,900	3,448,900	275,701
95,667	1,348,228	1,483,000	1,483,000	134,772
142,332	1,904,951	2,152,600	2,152,600	247,649
-	83,781	385,000	385,000	301,219
107,369	995,407	1,165,500	1,165,500	170,093
-	1,956,788	2,178,700	2,178,700	221,912
-	966,954	1,600,900	1,600,900	633,946
<u>105,547</u>	<u>1,741,494</u>	<u>2,900,500</u>	<u>3,300,500</u>	<u>1,559,006</u>
<u>829,449</u>	<u>12,170,802</u>	<u>15,315,100</u>	<u>15,715,100</u>	<u>3,544,298</u>
376,254	(642,597)	(4,027,823)	(4,427,823)	3,785,226
-	<u>2,401,691</u>	<u>3,063,300</u>	<u>3,067,100</u>	<u>(665,409)</u>
376,254	1,759,094	(964,523)	(1,360,723)	3,119,817
-	<u>6,358,767</u>	<u>6,085,806</u>	<u>6,358,767</u>	-
<u>376,254</u>	<u>8,117,861</u>	<u>5,121,283</u>	<u>4,998,044</u>	<u>3,119,817</u>

CITY OF INDIANOLA

Notes to Required Supplementary Information – Budgetary Reporting June 30, 2008

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 \$400,000. 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, 2008

	Industrial Park Urban Renewal Tax Increment	Employee Benefits Levy	Downtown Tax Increment	Special East 92 Tax Increment
Receipts				
Property tax	\$ -	640,360	-	-
Tax increment financing collections	366,174	-	225,537	60,860
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	12,454	-	-	-
Total receipts	<u>378,628</u>	<u>640,360</u>	<u>225,537</u>	<u>60,860</u>
Disbursements				
Public safety	-	-	-	-
Community and economic development	100	-	3,322	-
Capital projects	-	-	-	-
Total disbursements	<u>100</u>	<u>-</u>	<u>3,322</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>378,528</u>	<u>640,360</u>	<u>222,215</u>	<u>60,860</u>
Other financing uses				
Sale of capital assets	-	-	-	-
Operating transfers in (out)	<u>(351,510)</u>	<u>(640,360)</u>	<u>(222,215)</u>	<u>(60,860)</u>
Total other financing sources (uses)	<u>(351,510)</u>	<u>(640,360)</u>	<u>(222,215)</u>	<u>(60,860)</u>
Net change in cash balances	27,018	-	-	-
Cash balances beginning of year	<u>(27,018)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balances end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Basis Fund Balances				
Unreserved				
Special revenue funds	\$ -	-	-	-
Capital project funds	-	-	-	-
Total cash basis fund balances	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying independent auditor's report.

Revenue		Capital Projects					
Police Retirement	Police Seizures	Street Construction	Community Athletic Facility	Community Redevelopment	General Fund Projects	Total	
-	-	-	-	-	-	-	640,360
-	-	-	-	-	-	-	652,571
7,455	-	-	441	6,347	-	-	14,243
-	-	156,593	-	-	-	-	156,593
-	-	23,997	-	392	-	-	24,389
-	-	215,953	-	-	-	-	215,953
-	18,025	16,032	5,000	-	30,750	-	82,261
7,455	18,025	412,575	5,441	6,739	30,750	-	1,786,370
-	443	-	-	-	-	-	443
-	-	-	-	-	-	-	3,422
-	-	743,288	2,158	29,865	-	-	775,311
-	443	743,288	2,158	29,865	-	-	779,176
7,455	17,582	(330,713)	3,283	(23,126)	30,750	-	1,007,194
-	-	-	-	21,430	-	-	21,430
(12,500)	-	253,599	-	-	-	-	(1,033,846)
(12,500)	-	253,599	-	21,430	-	-	(1,012,416)
(5,045)	17,582	(77,114)	3,283	(1,696)	30,750	-	(5,222)
166,520	32,339	407,875	6,133	136,363	214,741	-	936,953
161,475	49,921	330,761	9,416	134,667	245,491	-	931,731
161,475	49,921	-	-	-	-	-	211,396
-	-	330,761	9,416	134,667	245,491	-	720,335
161,475	49,921	330,761	9,416	134,667	245,491	-	931,731

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, 2008

	Internal Service				Total
	Health Insurance Reserve	Property Insurance Council	Health Pool	Health Reimbursement Arrangement	
Receipts					
Use of money and property	\$ -	1,368	-	-	1,368
Internal service charges	16,254	-	962,050	80,095	1,058,399
Miscellaneous	33,194	13,848	98,019	875	145,936
Total receipts	49,448	15,216	1,060,069	80,970	1,205,703
Disbursements					
Operating					
Public safety	13,500	9,154	332,564	23,316	378,534
Public works	3,036	1,971	85,708	4,952	95,667
Culture and recreation	5,205	2,171	128,706	6,250	142,332
General government	3,364	5,157	90,603	8,245	107,369
Business type activities					
Sewer	3,470	2,556	93,386	6,135	105,547
Component Unit:					
Municipal Utilities	9,475	-	228,811	14,040	252,326
Total disbursements	38,050	21,009	959,778	62,938	1,081,775
Excess (deficiency) of receipts over (under) disbursements	11,398	(5,793)	100,291	18,032	123,928
Net change in cash balances	11,398	(5,793)	100,291	18,032	123,928
Cash balances beginning of year	159,112	28,246	581,616	101,858	870,832
Cash balances end of year	\$ 170,510	22,453	681,907	119,890	994,760
Cash Basis Fund Balances					
Unreserved	170,510	22,453	681,907	119,890	994,760
Total cash basis fund balances	\$ 170,510	22,453	681,907	119,890	994,760

See accompanying independent auditor's report.

CITY OF INDIANOLA

Schedule of Indebtedness
Year ended June 30, 2008

OBLIGATION	DATE OF ISSUE	INTEREST RATES	AMOUNT ORIGINALLY ISSUED
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
2008 Street Improvements & Equipment	5/22/2008	2.20-3.80	1,575,000
 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>
\$ 910,000	-	285,000	625,000	45,812	-
1,855,000	-	185,000	1,670,000	64,860	-
1,485,000	-	165,000	1,320,000	49,933	-
4,420,000	-	445,000	3,975,000	158,155	-
-	<u>1,575,000</u>	-	<u>1,575,000</u>	-	-
<u>8,670,000</u>	<u>1,575,000</u>	<u>1,080,000</u>	<u>9,165,000</u>	<u>318,760</u>	-
196,000	-	21,000	175,000	5,663	-
45,000	-	45,000	-	2,419	-
225,000	-	70,000	155,000	12,037	-
193,000	-	36,000	157,000	9,696	-
1,440,000	-	190,000	1,250,000	60,940	-
470,000	-	90,000	380,000	12,960	-
675,000	-	160,000	515,000	19,355	-
<u>3,244,000</u>	-	<u>612,000</u>	<u>2,632,000</u>	<u>123,070</u>	-
<u>92,994</u>	-	<u>16,830</u>	<u>76,164</u>	<u>4,649</u>	-
<u>\$ 12,006,994</u>	<u>1,575,000</u>	<u>1,708,830</u>	<u>11,873,164</u>	<u>446,479</u>	-
\$ -	-	-	-	-	-
2,485,000	-	215,000	2,270,000	86,949	-
1,395,000	-	155,000	1,240,000	51,072	-
<u>\$ 3,880,000</u>	-	<u>370,000</u>	<u>3,510,000</u>	<u>138,021</u>	-

CITY OF INDIANOLA

Bond and Note Maturities
June 30, 2008

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
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>\$ 625,000</u>		<u>\$ 1,670,000</u>

YEAR ENDING JUNE 30,	OTHER DEBT	
	EQUIPMENT LOAN	
	ISSUED FEBRUARY 15, 2006	
	INTEREST RATE	AMOUNT
2009	4.99	\$ 17,671
2010	4.99	18,555
2011	4.99	19,482
2012	4.99	20,456
		<u>\$ 76,164</u>

OBLIGATION						
AMBULANCE, SEWER & STREET IMPROVEMENTS		SEWER & STREET IMPROVEMENTS		STREET IMPROVEMENTS & EQUIPMENT		
ISSUED AUGUST 15, 2004		ISSUED APRIL 1, 2006		ISSUED MAY 22, 2008		
INTEREST		INTEREST		INTEREST		
RATE	AMOUNT	RATE	AMOUNT	RATE	AMOUNT	TOTAL
2.90	\$ 170,000	3.50	\$ 460,000	2.20	\$ 190,000	\$1,315,000
3.10	175,000	3.50	475,000	2.35	135,000	1,300,000
3.30	180,000	3.50	495,000	3.60	140,000	1,015,000
3.45	190,000	3.55	515,000	3.80	145,000	1,060,000
3.60	195,000	3.60	535,000	3.00	145,000	1,095,000
3.75	200,000	3.65	560,000	3.15	150,000	1,135,000
3.90	210,000	3.70	585,000	3.30	160,000	1,055,000
	-	3.75	350,000	3.40	165,000	620,000
	-		-	3.50	170,000	280,000
	-		-	3.60	175,000	290,000
	<u>\$ 1,320,000</u>		<u>\$3,975,000</u>		<u>\$ 1,575,000</u>	<u>\$9,165,000</u>

CITY OF INDIANOLA

Bond and Note Maturities
June 30, 2008

YEAR ENDING JUNE 30,	CAPITAL					
	SEWER REVENUE		GENERAL CORPORATE PURPOSE		ESSENTIAL CORPORATE PURPOSE	
	ISSUED JUNE 21, 1995		ISSUED NOVEMBER 1, 1999		ISSUED FEBRUARY 15, 2002	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2009	3.00	\$ 22,000	5.35	\$ 75,000	4.85	\$ 37,000
2010	3.00	23,000	5.35	80,000	5.00	38,000
2011	3.00	24,000	-	-	5.20	40,000
2012	3.00	25,000	-	-	5.35	42,000
2013	3.00	26,000	-	-	-	-
2014	3.00	27,000	-	-	-	-
2015	3.00	28,000	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
		<u>\$ 175,000</u>		<u>\$ 155,000</u>		<u>\$ 157,000</u>

See accompanying independent auditor's report.

LOAN NOTES						
ESSENTIAL CORPORATE PURPOSE		SEWER REVENUE REFUNDING		GENERAL OBLIGATION REFUNDING		
ISSUED MAY 1, 2002		ISSUED JANUARY 1, 2004		ISSUED MAY 1, 2004		
INTEREST		INTEREST		INTEREST		TOTAL
RATE	AMOUNT	RATE	AMOUNT	RATE	AMOUNT	
4.00	\$ 205,000	2.80	\$ 90,000	2.70	\$ 170,000	\$ 599,000
4.10	210,000	2.90	95,000	3.00	170,000	616,000
4.20	220,000	3.25	95,000	3.10	175,000	554,000
4.30	230,000	3.45	100,000		-	397,000
4.45	70,000		-		-	96,000
4.50	75,000		-		-	102,000
4.60	75,000		-		-	103,000
4.70	80,000		-		-	80,000
4.80	85,000		-		-	85,000
	<u>\$ 1,250,000</u>		<u>\$ 380,000</u>		<u>\$ 515,000</u>	<u>\$ 2,632,000</u>

CITY OF INDIANOLA

Schedule 5

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts					
Property tax	\$ 4,380,621	4,302,700	4,193,385	3,953,158	3,657,046
Tax increment financing collections	652,571	414,117	242,398	188,396	104,611
Other city tax	119,660	115,249	113,263	127,553	118,717
Licenses and permits	187,498	198,688	163,875	194,540	209,890
Use of money and property	320,015	377,916	198,498	177,341	160,428
Intergovernmental	1,813,522	2,252,514	1,366,839	2,082,365	1,514,317
Charges for service	1,033,928	867,941	897,130	765,904	746,475
Special assessments	331,949	284,420	148,054	310,621	101,884
Miscellaneous	<u>648,262</u>	<u>620,475</u>	<u>410,502</u>	<u>243,665</u>	<u>246,324</u>
Total	<u>\$ 9,488,026</u>	<u>9,434,020</u>	<u>7,733,944</u>	<u>8,043,543</u>	<u>6,859,692</u>
Disbursements					
Operating					
Public safety	3,173,199	3,085,903	3,098,731	3,064,421	2,575,156
Public works	1,348,228	1,256,853	1,338,626	1,159,048	1,236,315
Culture and recreation	1,904,951	1,936,423	1,933,962	1,661,909	1,681,481
Community and economic development	83,781	617,772	65,386	90,030	109,684
General government	995,407	965,143	972,894	931,372	838,593
Debt service	1,956,788	2,792,481	1,623,791	1,562,645	1,412,173
Capital projects	<u>966,954</u>	<u>3,041,721</u>	<u>962,040</u>	<u>1,790,459</u>	<u>194,327</u>
Total	<u>\$ 10,429,308</u>	<u>13,696,296</u>	<u>9,995,430</u>	<u>10,259,884</u>	<u>8,047,729</u>

See accompanying independent auditor's report.



Shull

and Co. P.C.
certified public accountants

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

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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our reports thereon dated September 5, 2008. 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, 2008 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.

September 5, 2008

CITY OF INDIANOLA

Schedule of Findings and Questioned Costs
Year ended June 30, 2008

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) There were no major federal programs.
- (E) 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).
- (F) 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-08 Certified Budget - Disbursements during the year ended June 30, 2008, did not exceed the amounts budgeted.
- IV-B-08 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-08 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, 2008

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

- IV-D-08 Business Transactions - No business transactions between the City and City officials or employees were noted.
- IV-E-08 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-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-08 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-08 Revenue Bonds - No violations of provisions of revenue bond resolution requirements were noted.