

**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, 2009**



**Shull**  
and Co. P.C.  
certified public accountants

## TABLE OF CONTENTS

		<u>Page</u>
Chief Accounting Officer's Report		1-5
Officials		6-8
Operational Review		9-15
Statistical Section		16-25
Independent Auditor's Report		26-27
Management's Discussion and Analysis		28-36
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	38-41
Governmental Fund Financial statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	42-45
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	46
Proprietary Fund Financial statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	47
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	48
Notes to Financial Statements		49-59

Required Supplementary Information:

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	61-62
Notes to Required Supplementary Information – Budgetary Reporting	63

Other Supplementary Information:

Schedule

Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	65-66
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2	67
Schedule of Indebtedness	3	68-69
Bond and Note Maturities	4	70-73
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	74-75

Independent Auditor's Report on Internal Control over

Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements in Accordance with

Government Auditing Standards 76-77

Schedule of Findings and Questioned Costs 78-79

**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, 2009 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, 2009 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 1.21%.

**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 1.82 years with a current yield of 4.879%. 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 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 \$144,617.43 as of June 30, 2009.

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, 2009.

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)

Diana Bowlin, Deputy City Clerk

Staff: Lu Ann Kappelman, Skye Jacobs, Vicki Herold, Lindsey Offenburger and  
Mary Zimmerman

**CITY OF INDIANOLA**  
**CITY OFFICIALS AND BOARD OF TRUSTEES**  
**JUNE 30, 2009**

<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
Laurie Hebl	Director of Finance & Administrative Services		100,000
RoxAnne Hunerdosse	Human Resource Director		100,000
Diana Bowlin	City Clerk		100,000
Doug Shull	City Treasurer		100,000
John Hoyman	City Attorney		100,000

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

Bob Lester		2009	100,000
Pat Reding		2012	100,000
Clark Raney		2013	100,000
Chris Boone	Chairperson	2014	100,000
Eric Vander Linden		2015	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, 2009**

**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
Kathy Farris	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

Dawn Sams	January 1, 2010
Jori Coghlan	January 1, 2010
Heather Palmer	January 1, 2011
Jay Byers	January 1, 2011
Jill Johnson	January 1, 2012
John Sirianni	January 1, 2012

**PLANNING AND ZONING COMMISSION**

Authority: Indianola Ordinance Chapter 16.2

Term - 5 Years

Meeting: 2nd Tuesday of every month

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
Jeff Jensen	February 1, 2014
Mike Coppess	February 1, 2014

**CITY OF INDIANOLA  
CITY BOARD AND COMMISSIONS  
JUNE 30, 2009**

**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>
Marty Miller	December 31, 2009
James Sullivan	December 31, 2010
Dennis Parker	December 31, 2011
Doug Dowie	December 31, 2012
Jim Garrett	December 31, 2013

**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

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
Steven Griffith	January 1, 2012
Gabrielle Curti	January 1, 2012

## CITY OF INDIANOLA Operational Review

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 2008-09 fiscal year.

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

- **Police.** The Indianola Police Department answered 6,504 calls for service in calendar year 2009.

The police department had two officers resign during 2009; Jeff Gingerich and Chad Koch. Their replacements are set to start in early 2010.

The conversion to wireless cellular data transmission in each of the patrol vehicles has been completed. This conversation has proved to be much more stable and reliable than our previous broadband system.

- **Fire and Ambulance.** The Indianola Fire Department experienced a slight decrease for calls in the 2009 calendar year. There were three major fires in 2009. There were three total loss house fires including: one in the county with value of \$100,000 and two within the city limits with a value of \$60,000 and \$50,000. The balance of the losses was due to vehicle fire and smaller structure fires. Our total loss for the year was \$661,900 which is decrease of about \$200,000. In addition to regular activities that the full and part-time staff accomplished each day, staff responded to 1,565 fire and EMS alarms. This is a decrease of 3% over last year. The 1,565 alarms consisted of: 66 fires; 22 Haz-Mat; 47 good intent; 61 false alarms; and, 5 weather related. The balance accounts for 1,366 EMS calls. We had a slight decrease in all calls; however, we saw the most in weather related standbys and grass fires last year with our calls down 58 calls over the previous year.

As of January 1, 2010, the department had one full-time chief, one full-time training officer, one full-time technician, 6 full-time firefighters/medics, 8 medic only positions, 37 paid on call for a total staff of 59 with no members on leave and 5 probationary members. Staff coverage continues with full-time staff working 24/48 shifts and part-time staff covering Monday through Friday from 8:00 a.m. to 5:00 p.m. The additional staffing through the weekday is due to the shortage of available paid on call (volunteers) which is when we have a higher call volume.

Training is still the largest part of our department time. Training is conducted every Monday night and several attend training on their own including nights and weekends to keep current. The total hours the staff put in for training and responses in 2009 was 13,000 hours. This equates to the average person putting in over 200 hours for the community in training and calls each year.

**CITY OF INDIANOLA**  
**Operational Review (Continued)**

**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 annual street repair; concrete and asphalt replacement/repair; cracksealing; street sweeping; and, snow plowing. These are the major functions which occupy a substantial amount of time for the 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 recreation programs and events were offered to the community. It was a very active year with 7,132 registrations of which 2,279 were done on-line. The Zone (6th-8th grade after school program) exploded over last year with an average of 67 students per day and 350+ different students involved. Many volunteers helped with the recreation programs and events. Over 150 different programs/events were offered during the year including: adult flag football (1st year); a youth flag football league (1st year) with 80 participants; and, the summer swim team was given to the Indianola Swim Club to operate as a partnership. A new 14 passenger van was purchased for recreation program use. 35 program sponsors generated \$12,760 and 36 activity guide advertisers generated \$7,713.
- **Parks & Horticulture Division.** Many improvements were made in the parks including: Pickard parking lot was hard-surfaced and enlarged to 300 spaces; a new 22 acre park was donated and dedicated to the city; a dog playground was officially opened at Downey Park; Buxton Park irrigation Phase IV was completed; new play equipment was installed in Moats Park; an areas at Pickard Park was identified and began being managed as a natural native vegetation area; and, a new storage shed was completed at Pickard Park.
- **Administration Division.** A new department log was developed by employee Kathy Kester which ties in with the new Indianola logo; a trails plan was completed; a recreation strategic action plan was completed; program registration receipts were eliminated to help “go green”; and, a Facebook page (116 fans) and a Twitter Page (49 followers) were started as a new way to communicate with the public. Staff also worked with the Keep Indianola Beautiful Committee with the development of Salem Court and with the Salem Court entertainment. Our email newsletter list grew to 936. We had 24,927 visitors to our website with 15,525 of them first time visitors.
- **Veterans Memorial Aquatic Center.** Attendance at the aquatic center was 36,613 including all use – open swim, events, rentals, lessons. Due to weather, the aquatic center had 19 days when it closed early and 3 days when it was closed for the entire day. Participation included: lap swim/water walk - 573; private pool rental – 1,919; swim lessons - 600; tot swim - 1,369; and, 221 club wet teen parties.

**CITY OF INDIANOLA**  
**Operational Review (Continued)**

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

- **Indianola Public Library.** Indianola Public Library-Patrons checked out 144,593 items or 10.2 items per resident. Attendance at the 474 library sponsored programs totaled 12,430. There are ten computers available for use by the public. Computer usage increased 6% over the previous year. There were no staff changes during the fiscal year.

**Business-type or proprietary.** Indianola has four services that are classified as business-type services. Although the utility operations are divided into departments, they all work toward the common goal of providing superior services to the citizens of Indianola. 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. The following summary provides a brief review of the various departmental operations during the 2008-09 fiscal year.

- **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. One of the operators upgraded their operational license to Grade II Wastewater Treatment.

We received a Consent Order from the Iowa Department of Natural Resources that mandated inflow and infiltration removal through the entire collection system to eliminate sanitary sewer overflows and basement backups by January 2013. With assistance from Veenstra and Kimm Engineering and City Staff, we started construction and repairs on Phase I of a four-phase plan.

**CITY OF INDIANOLA**  
**Operational Review (Continued)**

We completed the investigation of manholes and sewer mains in the Phase II area. The Phase II Study will be completed and submitted to the IDNR by September 4, 2010. We have inspected 555 of the 1,560 manholes.

We are continuing to work through residential inflow and infiltration inspections and testing. Staff installed 42 sewer main point repairs. We completed the NW Service Area #1 and have visually inspected the NW Service Area #2. We have pre-televised the sewer mains in the NW Service Area #2.

The Water Pollution Control Superintendent ordered and completed the installation of the new WILO/EMU south plant pumps. We also have a new spare pump to install for an emergency. We replaced: two Flygt pumps at the sewer plant; one primary 35 HP pump; and, a 10 HP fixed film return pump.

Emergency generators are on an annual preventive maintenance program with Ziegler Caterpillar.

Water Pollution control received an F-350 pick-up from the Street Department. We agreed to plow alleys for the Street Department, in return for the truck.

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 2008-09 fiscal year.

- **Electric Utility.** The electric utility provides reliable service by purchasing wholesale energy for the community as a whole, receiving it over the transmission system, generating electricity within Indianola as needed, and distributing it safely to customers. Significant progress towards implementing operational strategies include:
  - Converted from a short-term to a long-term contract for wholesale energy with the Municipal Energy Agency of Nebraska (MEAN) which decreased monthly energy costs and increased capacity payments.
  - Worked with MEAN on planning and management issues related to the transition of transmission control from MidAmerican Energy to the Midwest Independent System Operator (MISO).
  - Completed the Kenwood Underground Conversion Project.
  - Began design work with contracted engineers for the 2009 Underground Conversion Project, which will convert the entire community north of Highway 92 and east of Highway 65/69.
  - Planned and let the contract for construction of an 8,000 square foot storage facility at the East Iowa turbine & substation site.
  - Completed smaller plant upgrade projects identified in the Capital Improvement Plan.
  - Continued installing automated meter system and replacing old meters to improve readings and collections.
  - Worked with the Central Iowa Power Cooperative (CIPCO) to plan for constructing a new 69kV tie at IMU's Westside Substation.
  - Strengthened inventory management and internal controls.

**CITY OF INDIANOLA**  
**Operational Review (Continued)**

- **Water Utility.** The water utility provides reliable water service by pumping it from wells, treating it, keeping enough in storage to meet daily needs, and distributing it to customers. Significant progress towards implementing operational strategies include:
  - Completed a water system modeling study to determine the adequacy of various aspects of the storage and distribution system.
  - Identified a preferred site, on the Activity Center grounds, for a 3<sup>rd</sup> water tower; worked with city staff on potential acquisition strategy.
  - Replaced the lime machine and other plant upgrade projects identified in the Capital Improvement Plan.
  - Continued installing automated meter system and replacing old meters to improve readings and collections.
  - Completed and implemented an antennae lease with US Cellular at the Simpson water tower.
  - Bid and let the contract for painting the Simpson water tower.
  - Completed the purchase of additional water territory from the Warren Water District and adopted an associated connection fee district to recover costs.
  
- **Communications Utility.** The communications utility provides the infrastructure that transmits affordable, competitive, and technologically advanced telecommunications service for both retail and other public uses. Telephone and internet services are offered to commercial customers through a contractual private/public partnership. Significant progress towards implementing operational strategies include:
  - Began the ownership transition process of transferring telecom infrastructure assets to the electric utility through a buyout of private parties.
  - Held planning meetings with the remaining private partner, Mahaska Communications Group, to begin planning for an expansion of the fiber-to-the-premise system as part of the upcoming electric underground conversion project.
  - Delegated telecom plant responsibilities to the Technical Services Coordinator.
  
- **Administration.** The three utilities are administered by a combination of the IMU Board of Trustees and their staff, services provided by the City of Indianola through cost-sharing arrangements and third-party contractors.

Public works activities primarily involve co-managing the public right of way. IMU also supports economic development and community betterment activities. Third, there are utility-specific services such as technical activities, safety, and utility programming. Last are the governance and professional services associated with oversight, regulatory actions, general management, human resources, fiduciary controls, public notifications and information systems, and legal compliance and risk management.

**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.

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 which includes programming information, links to other community resources, and minutes of meetings. Utility payments, recreation program fees, parking tickets and certain other 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):

<b>Permits/Licenses</b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
Water	93	81	152	82	80	80	90
Plumbing	127	133	118	93	137	106	62
Electric	174	147	150	118	169	113	60
Mechanical	135	136	135	102	110	104	62
Sewer	93	80	157	84	81	95	61
Warrants Written	8,812	9,041	9,145	9,037	9,037	8,865	8,883
Ordinance Adopted	22	31	36	39	22	19	22
Cigarette	23	22	23	20	20	18	18
Bicycle	25	20	54	19	9	5	5
Beer	15	16	16	14	15	15	15
Beer-Liquor	16	15	15	15	15	15	15
Sunday Beer & Liquor	31	29	30	29	29	29	29
Beer-Wine	3	2	2	2	3	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
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
2009	3,269,051	1,282,170	-	2,316,774	104,155	1,037,373	2,219,139	1,678,814	13,608,628	25,516,104

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
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
2009	5,488,299	66,923	1,648,354	1,117,293	81,114	339,169	161,882	270,351	9,173,385

\*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
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
2009	4,739,284	632,566	58,208	58,241	5,488,299

**CITY OF INDIANOLA**  
**Statistical Section (Continued)**

**Tax Collection Trend**

(Collection) Fiscal Year	Total Levied	Amount Collected*	% Collected
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%
2009	4,717,671	4,739,284	100.5%

\*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		
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
2009	8.10	1.55	2.00	11.65	6.11	0.30	6.41	16.81	3.24	20.05	1.05	39.16

Ag Land

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
2009	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
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	518,949,280	1,195,800	132,933,300	13,084,925	-	5,197,890	671,361,195	1,433,422	669,927,773
2009	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
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
2009	264,907,974	1,207,178	141,157,948	14,231,700	-	4,780,591	426,285,391	1,499,194	424,786,197

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

\*\*military

	Operating Levy Total	District Valuation	Levy Total	Valuation Total	of Taxable to 100%
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	669,927,773	57.6%
2009	403,600,366	19,978,653	423,579,019	761,936,298	55.6%

**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
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	33,496,389	11,318,165	22,178,224	33.8%
2009	38,096,815	9,440,000	28,656,815	24.8%

**CITY OF INDIANOLA**  
**Statistical Section (Continued)**

**Building Permit Trends**

Calendar Year	Construction Value of new		Construction Value of			Total New Residential Construction	Total No. of Units	Construction Value of Alterations & Additions		No. of Permits	Total Residential Construction Value
	Single Family Dwellings	No. of Permits	Multi-Family Dwellings	No. of Permits	No. of Units						
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
2008	3,617,146	22	8,355,796	34	68	11,972,942	90	670,221	59		12,643,163

	Value of Commercial/Industrial		Value of Non-taxable Construction		Construction Value of new Construction	Total No. of Permits
		No. of Permits		No. of Permits		
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
2008	3,764,616	22	71,000	2	16,718,743	157

**CITY OF INDIANOLA  
Statistical Section (Continued)**

**Demographic Information**

Trends:	<u>Calendar Year</u>		<u>Iowa Unemployment</u>	
	2000		2.7%	
	2001		3.0%	
	2002		3.7%	
	2003		4.2%	
	2004		4.5%	
	2005		4.5%	
	2006		3.9%	
	2007		3.6%	
	2008		3.8%	

  

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, 2009, 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, 2009, 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 February 25, 2010 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 28 through 36 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 eight years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 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.

*Shull & Co., P.C.*

February 25, 2010

**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, 2009. 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.

**2009 Financial Highlights**

- The City of Indianola has an ending cash balance of \$12,656,465 to meet the government's ongoing obligations to citizens and creditors. Of this, \$7,026,938 is under the direct management and control of the primary government with \$6,002,705 for governmental activities and \$1,024,233 for business-type activities. The remaining \$5,629,527 from the component unit, Indianola Municipal Utilities.
- Total cash balances decreased \$969,153 for the primary government and decreased \$222,605 for the component unit, for a total decrease of \$1,191,758. The primary reason for the decrease in primary government cash balances was capital project expenses that were funded by bond proceeds received in the prior fiscal year.
- At the end of the fiscal year, the unrestricted cash balance for governmental activities was \$3,408,071 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 \$4,165,315 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>Year ended June 30,</u>		<u>Change</u>
	<u>2009</u>	<u>2008</u>	
<b>Governmental Activities</b>			
Restricted	2,594,634	3,965,289	(1,370,655)
Unrestricted	3,408,071	3,007,805	400,266
<b>Business Type Activities</b>			
Restricted	266,989	293,631	(26,642)
Unrestricted	757,244	729,366	27,878
<b>Total Primary Government</b>			
Restricted	2,861,623	4,258,920	(1,397,297)
Unrestricted	4,165,315	3,737,171	428,144
<b>Component Unit</b>			
Restricted	778,149	615,544	162,605
Unrestricted	4,851,378	5,236,588	(385,210)

**Governmental funds.** Governmental funds ended the fiscal year with a balance of \$5,279,330, a decrease of \$1,034,448 over the prior year. Capital project expense exceeded fiscal year revenue by \$1,206,099 since bond proceeds were received in the prior fiscal year. Therefore all other governmental funds combined for an increase in cash basis fund balance of \$171,651.

The increase of \$336,207 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 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**

	Year ended June 30,	
	2009	2008
<b>Receipts</b>		
Property tax	\$ 4,739,284	4,380,621
Tax increment financing collections	632,566	652,571
Other city tax	116,449	119,660
Licenses and permits	66,923	187,498
Use of money and property	339,169	320,015
Intergovernmental	1,648,354	1,813,522
Charges for service	1,117,293	1,033,928
Special assessments	161,882	331,949
Miscellaneous	351,465	648,262
<b>Total Receipts</b>	<b>9,173,385</b>	<b>9,488,026</b>
<b>Disbursements</b>		
Public safety	3,269,051	3,173,199
Public works	1,282,170	1,348,228
Culture and recreation	2,316,774	1,904,951
Community and economic development	104,155	83,781
General government	1,037,373	995,407
Debt service	2,219,139	1,956,788
Capital projects	1,678,814	966,954
<b>Total disbursements</b>	<b>11,907,476</b>	<b>10,429,308</b>
<b>Other financing sources (uses)</b>		
Bond proceeds	-	1,567,093
Sale of capital assets	10,381	25,830
Operating transfers in (out)	1,689,262	1,108,433
<b>Total other financing sources (uses)</b>	<b>1,699,643</b>	<b>2,701,356</b>
Net change in cash balances	(1,034,448)	1,760,074
Cash balances, beginning of year	6,313,778	4,553,704
Cash balances, end of year	<b>\$ 5,279,330</b>	<b>6,313,778</b>

**Business type funds.** Business type funds ended the fiscal year with \$1,024,233 in cash basis fund balances, an increase \$1,236 over the prior year.

**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>2009</u>	<u>2008</u>
<b>Receipts</b>		
Property tax	51%	46%
Tax increment financing collections	7%	7%
Other city tax	1%	1%
Licenses and permits	1%	2%
Use of money and property	4%	3%
Intergovernmental	18%	19%
Charges for service	12%	11%
Special assessments	2%	4%
Miscellaneous	4%	7%
Total Receipts	<u>100%</u>	<u>100%</u>
<b>Disbursements</b>		
Public safety	27%	30%
Public works	11%	13%
Culture and recreation	19%	18%
Community and economic development	1%	1%
General government	9%	10%
Debt service	19%	19%
Capital projects	14%	9%
Total disbursements	<u>100%</u>	<u>100%</u>

Property taxes revenues increased due to taxable valuation growth—the tax rate decreased from \$11.65 to \$11.35. The majority of the remaining revenues held relatively stable in comparison to total receipts. Capital project and public safety disbursements increased between the two years; however, as a percentage of total disbursements—public safety decreased.

**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 2009 budget was amended in May of 2009 to reflect the following items:

- Actual debt service obligations that were estimated at the time of the original budget certification.
- Sewer improvements for inflow and infiltration removal as mandated by the Iowa Department of Natural Resources.

Receipts were \$2,293,953 less than budgeted. The main contributing factor to the difference was closing on a \$2,500,000 General Obligation issuance took place in August, 2009 instead of as anticipated in fiscal year 2009

Disbursements were \$3,163,096 less than those budgeted. Significant positive budget variances were:

- Capital project disbursements were \$921,074 less due to various projects not being completed in the anticipated time frame.
- Business type activities disbursements were \$1,070,372 less due to various projects not being completed in the anticipated time frame.

**Capital Asset and Debt Administration**

In FY 2009, the City did not issue any General Obligation debt.

**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 16,000, which represents an increase of almost 9% 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 50 units.

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

The region (which includes the City of Indianola and the surrounding unincorporated area within Warren County) has a 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 has started. 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 project will be funded with a combination of general obligation debt, special assessments, TIF 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 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.
- 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 proceeded with a scaled down version of the renovation and a construction contract was awarded in FY 2009 in the amount of \$785,740. General Obligation Debt was 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.

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

Other regulatory impacts under consideration by the State of Iowa also include increased monitoring and controlling storm water pollution levels. The City has entered into a contract to study our storm sewer system and make recommendations regarding whether to establish a storm water utility, with an appropriate fee structure, to finance infrastructure improvements and treatment controls.

The City Council makes a concerted effort to maintain effective services while keeping tax rates affordable, especially in light of current 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 2010 decreased from \$11.65 to \$11.35 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 Director of Finance, 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, 2009

		Program	
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest
Functions / Programs			
Primary Government:			
Governmental activities			
Public safety	\$ 3,241,572	567,165	162,659
Public works	1,275,318	310,127	1,175,209
Culture and recreation	2,302,013	413,765	222,994
Community and economic development	104,155	55,663	19,455
General government	1,022,967	88,608	10,662
Debt service	2,219,139	-	-
Capital projects	<u>1,678,814</u>	<u>35,561</u>	<u>167,960</u>
Total governmental activities	<u>11,843,978</u>	<u>1,470,889</u>	<u>1,758,939</u>
Business type activities			
Sewer	<u>1,580,482</u>	<u>1,961,802</u>	<u>34,274</u>
Total Primary Government	<u>\$ 13,424,460</u>	<u>3,432,691</u>	<u>1,793,213</u>
Component Unit:			
Municipal Utilities	<u>\$ 10,565,628</u>	<u>10,824,457</u>	<u>53,876</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			
Capital loan note 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
-	(2,511,748)	-	(2,511,748)	-
-	210,018	-	210,018	-
-	(1,665,254)	-	(1,665,254)	-
-	(29,037)	-	(29,037)	-
-	(923,697)	-	(923,697)	-
-	(2,219,139)	-	(2,219,139)	-
<u>128,906</u>	<u>(1,346,387)</u>	-	<u>(1,346,387)</u>	-
<u>128,906</u>	<u>(8,485,244)</u>	-	<u>(8,485,244)</u>	-
<u>23,668</u>	-	<u>439,262</u>	<u>439,262</u>	-
<u>152,574</u>	<u>(8,485,244)</u>	<u>439,262</u>	<u>(8,045,982)</u>	-
<u>6,987</u>	-	-	-	<u>319,692</u>
	3,268,612	-	3,268,612	-
	632,566	-	632,566	-
	845,628	-	845,628	-
	625,045	-	625,045	-
	58,208	-	58,208	-
	62,611	-	62,611	-
	305,273	30,269	335,542	231,259
	-	364,472	364,472	-
	17,850	37,095	54,945	31,714
	9,800	-	9,800	14,130
	<u>1,689,262</u>	<u>(869,862)</u>	<u>819,400</u>	<u>(819,400)</u>
	<u>7,514,855</u>	<u>(438,026)</u>	<u>7,076,829</u>	<u>(542,297)</u>

CITY OF INDIANOLA

Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2009

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>
(970,389)	1,236	(969,153)	(222,605)
<u>6,973,094</u>	<u>1,022,997</u>	<u>7,996,091</u>	<u>5,852,132</u>
<u>\$ 6,002,705</u>	<u>1,024,233</u>	<u>7,026,938</u>	<u>5,629,527</u>
228,906	-	228,906	-
1,183,372	266,989	1,450,361	778,149
1,182,356	-	1,182,356	-
<u>3,408,071</u>	<u>757,244</u>	<u>4,165,315</u>	<u>4,851,378</u>
<u>\$ 6,002,705</u>	<u>1,024,233</u>	<u>7,026,938</u>	<u>5,629,527</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, 2009

	General	Special Revenue Road Use Tax
<b>Receipts</b>		
Property tax	\$ 3,268,611	-
Tax increment financing collections	-	-
Other city tax	116,449	-
Licenses and permits	66,923	-
Use of money and property	326,699	-
Intergovernmental	209,547	1,175,202
Charges for service	1,091,648	-
Special assessments	-	-
Miscellaneous	300,708	7
<b>Total receipts</b>	<u>5,380,585</u>	<u>1,175,209</u>
<b>Disbursements</b>		
<b>Operating</b>		
Public safety	3,268,889	-
Public works	221,554	1,060,616
Culture and recreation	2,316,774	-
Community and economic development	98,726	-
General government	1,037,373	-
Debt service	128,314	-
Capital projects	331,031	-
<b>Total disbursements</b>	<u>7,402,661</u>	<u>1,060,616</u>
<b>Excess of receipts over disbursements</b>	<u>(2,022,076)</u>	<u>114,593</u>
<b>Other financing sources (uses)</b>		
Bond proceeds	-	-
Sale of capital assets	9,800	-
Operating transfers in (out)	2,348,483	(132,400)
<b>Total other financing sources (uses)</b>	<u>2,358,283</u>	<u>(132,400)</u>

Debt Service	Capital Projects		Other Nonmajor Governmental Funds	Total
	Unspent Bond Proceeds	Street Construction		
845,628	-	-	625,045	4,739,284
-	-	-	632,566	632,566
-	-	-	-	116,449
-	-	-	-	66,923
-	-	-	12,470	339,169
-	-	263,605	-	1,648,354
-	-	25,645	-	1,117,293
143,492	-	9,335	9,055	161,882
-	-	7,636	43,114	351,465
<u>989,120</u>	<u>-</u>	<u>306,221</u>	<u>1,322,250</u>	<u>9,173,385</u>
-	-	-	162	3,269,051
-	-	-	-	1,282,170
-	-	-	-	2,316,774
-	-	-	5,429	104,155
-	-	-	-	1,037,373
2,090,825	-	-	-	2,219,139
-	237,486	1,018,471	91,826	1,678,814
<u>2,090,825</u>	<u>237,486</u>	<u>1,018,471</u>	<u>97,417</u>	<u>11,907,476</u>
<u>(1,101,705)</u>	<u>(237,486)</u>	<u>(712,250)</u>	<u>1,224,833</u>	<u>(2,734,091)</u>
-	-	-	-	-
-	-	581	-	10,381
<u>968,775</u>	<u>(1,233,057)</u>	<u>976,113</u>	<u>(1,238,652)</u>	<u>1,689,262</u>
<u>968,775</u>	<u>(1,233,057)</u>	<u>976,694</u>	<u>(1,238,652)</u>	<u>1,699,643</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, 2009

	<u>General</u>	<u>Special Revenue</u> Road Use Tax
Net change in cash balances	336,207	(17,807)
Cash balances beginning of year	<u>2,348,489</u>	<u>246,713</u>
Cash balances end of year	<u>\$ 2,684,696</u>	<u>228,906</u>
<b>Cash Basis Fund Balances</b>		
<b>Reserved</b>		
Debt service	\$ -	-
<b>Unreserved</b>		
General fund	2,684,696	-
Special revenue funds	-	228,906
Capital projects funds	-	-
Total cash basis fund balances	<u>\$ 2,684,696</u>	<u>228,906</u>

See notes to financial statements.

Exhibit B  
(Continued)

Debt Service	Capital Projects		Other Nonmajor Governmental Funds	Total
	Unspent Bond Proceeds	Street Construction		
(132,930)	(1,470,543)	264,444	(13,819)	(1,034,448)
<u>1,316,302</u>	<u>1,470,543</u>	<u>330,761</u>	<u>600,970</u>	<u>6,313,778</u>
<u>1,183,372</u>	<u>-</u>	<u>595,205</u>	<u>587,151</u>	<u>5,279,330</u>
1,183,372	-	-	-	1,183,372
-	-	-	-	2,684,696
-	-	-	227,824	456,730
-	-	595,205	359,327	954,532
<u>1,183,372</u>	<u>-</u>	<u>595,205</u>	<u>587,151</u>	<u>5,279,330</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, 2009

Total government funds cash balances	\$ 5,279,330
--------------------------------------	--------------

*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.

723,375

Cash basis net assets of governmental activities	<u>\$ 6,002,705</u>
--	---------------------

Net change in cash balances	\$ (1,034,448)
-----------------------------	----------------

*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.

64,059

Change in cash balance of governmental activities	<u>\$ (970,389)</u>
---	---------------------

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, 2009

	<u>Enterprise Fund</u>	<u>Internal Service</u>
	<u>Sewer</u>	<u>Funds</u>
Operating receipts		
Use of money and property	\$ 67,224	701
Intergovernmental	23,668	-
Charges for service	1,876,546	1,187,609
Special assessments	85,256	-
Miscellaneous	34,274	338,408
Total operating receipts	<u>2,086,968</u>	<u>1,526,718</u>
Operating disbursements		
Governmental activities		
Public safety	-	522,485
Public works	-	115,998
Culture and recreation	-	180,695
General government	-	121,595
Business type activities	1,575,272	142,522
Component Unit:		
Municipal Utilities	-	362,758
Total operating disbursements	<u>1,575,272</u>	<u>1,446,053</u>
Excess (deficiency) of receipts over (under) disbursements	<u>511,696</u>	<u>80,665</u>
Other financing sources (uses)		
Capital loan note proceeds	364,472	-
Operating transfers in (out)	<u>(869,862)</u>	<u>-</u>
Total other financing sources (uses)	<u>(505,390)</u>	<u>-</u>
Net change in cash balances	6,306	80,665
Cash balances beginning of year	935,607	994,760
Cash balances end of year	<u>\$ 941,913</u>	<u>1,075,425</u>
Cash Basis Fund Balances		
Reserved for debt service	\$ 266,989	-
Unreserved	674,924	1,075,425
Total cash basis fund balances	<u>\$ 941,913</u>	<u>1,075,425</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, 2009

Total enterprise funds cash balances	\$ 941,913
--------------------------------------	------------

*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.

82,320

Cash basis net assets of business type activities	<u>\$ 1,024,233</u>
---	---------------------

Net change in cash balances	\$ 6,306
-----------------------------	----------

*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.

(5,070)

Change in cash balance of business type activities	<u>\$ 1,236</u>
--	-----------------

See notes to financial statements.

## CITY OF INDIANOLA

### NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2009

#### 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, 2009

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, 2009

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, 2009

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

D. **BUDGETS AND BUDGETARY ACCOUNTING**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the debt service function.

2. **CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2009 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, 2009 were as follows:

	<u>CARRYING AMOUNT</u>	<u>MARKET VALUE</u>
Money market accounts	\$ 312,016	312,016
U.S. agency bonds and notes	499,564	502,315
U.S. agency collateralized mortgage obligations	<u>9,985,515</u>	<u>10,326,188</u>
	<u>\$10,797,095</u>	<u>11,140,519</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 \$499,564 are rated AAA. The balance of the investments are not rated.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2009

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, and other long-term debt as of June 30, 2009 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
2010	\$ 1,300,000	284,155	498,000	66,552	118,000	25,821	18,555	2,924	1,934,555	379,452
2011	1,015,000	236,727	435,000	46,662	119,000	22,195	19,482	1,997	1,588,482	307,581
2012	1,060,000	201,823	272,000	29,917	126,000	18,191	20,456	1,023	1,478,456	250,954
2013	1,095,000	164,125	70,000	17,780	219,000	15,671	-	-	1,384,000	197,576
2014	1,135,000	125,245	75,000	14,665	227,000	9,086	-	-	1,437,000	148,996
2015	1,055,000	83,805	75,000	11,290	89,372	2,261	-	-	1,219,372	97,356
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>\$ 7,850,000</u>	<u>1,173,460</u>	<u>1,590,000</u>	<u>198,786</u>	<u>898,372</u>	<u>93,225</u>	<u>58,493</u>	<u>5,944</u>	<u>10,396,865</u>	<u>1,471,415</u>

Revenue Notes

In June 1995 the Utility issued \$383,000 Sewer Revenue Capital Loan Notes, Series 1995, of Indianola, Iowa, under the Iowa Sewage Treatment Works Financing Program pursuant to which the Iowa Finance Authority agreed to purchase the City's notes. Principal payments in increasing amounts are due annually beginning in December 1995. Interest on the notes at the rate of 3.00% per annum is due semi-annually. Final maturity of the notes is December 1, 2014.

In January 2004 the Utility issued \$725,000 Sewer Revenue Refunding Capital Loan Notes. The proceeds from the notes were used to retire the outstanding amount of the 1991 Sewer Revenue Capital Loan Notes. Principal payments in increasing amounts are due annually beginning in December 2004. Interest on the notes at rates of 1.50% to 3.45% (a weighted average rate of 2.55%) per annum is due semi-annually beginning June 1, 2004. Final maturity of the notes is December 1, 2012.

In May 2009 the Utility issued \$9,090,000 Sewer Revenue Capital Loan Notes, Series 2009. Principal payments in increasing amounts are due annually beginning in June 2012. Interest on the notes at the rate of 3.00% per annum is due semi-annually. Final maturity of the notes is June 1, 2041.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2009

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

Revenue Notes (Continued)

The sewer 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.

The sewer revenue capital loan note resolutions require the establishment of revenue bond operation and maintenance, and sinking funds and require the accumulation of funds in the accounts and restrict the use of such funds as follows:

Operation and maintenance- Amount that results from the monthly accumulation of current expenses plus one-twelfth of expenses paid on an annual basis. Use of funds is for paying current operating expenses.

Sinking – Amount that results from the monthly accumulation of one-sixth of the next semi-annual interest payment, plus one-twelfth of the next annual principal payment. Use of funds is restricted to paying current principal and interest on bonds.

General Obligation Bonds and Notes

In August 2009 the City issued \$2,500,000 of General Obligation Bonds. The proceeds from the bonds were used to pay costs of street and storm sewer improvements, park improvements, city hall improvements and to pay costs of fire equipment, all essential corporate purposes.

In August 2009 the City issued \$620,000 of General Obligation Capital Loan Notes. The proceeds from the bonds were used to pay costs of construction, reconstruction, enlargement, improvement and equipping of the municipal building, including the expansion of the police and fire departments.

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.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2009

4. **PENSION AND RETIREMENT BENEFITS (CONTINUED)**

**MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (Continued)**

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, can 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, 2009, 2008 and 2007 were \$186,950, \$231,966 and \$240,169, 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 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$180,580, \$167,205 and \$154,961, equal to the required contributions for each year.

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, 2009, primarily relating to the General Fund, was as follows:

Vacation	\$ 253,444
Sick leave	<u>832,300</u>
	\$ <u>1,085,744</u>

This liability has been computed based on rates of pay as of June 30, 2009.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2009

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 \$144,617 as of June 30, 2009.

7. **INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 129,100
	Employee Benefits Levy	625,045
	Police Retirement	12,500
	Debt Service	306,103
	Capital Projects:	
	Unspent Bond Proceeds	287,235
	Enterprise:	
	Sewer	298,800
	Component Unit	<u>720,100</u>
		<u>2,378,883</u>
Debt Service	Special Revenue:	
	Industrial Park Urban Renewal Tax Increment	77,605
	Downtown Tax Increment	370,907
	East 92 Tax Increment	92,704
	Enterprise:	
	Sewer	617,762
	Component Unit	<u>115,900</u>
		<u>1,274,878</u>

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2009

7. **INTERFUND TRANSFERS (CONTINUED)**

Transfer to	Transfer from	Amount
Capital Projects:		
Unspent Bond Proceeds	Special Revenue: Industrial Park Urban Renewal Tax Increment	<u>90,291</u>
General Fund Projects	General	<u>30,400</u>
Street Construction	Capital Projects: Unspent Bond Proceeds	<u>976,113</u>
Enterprise:		
Sewer	Capital Projects: Unspent Bond Proceeds	<u>60,000</u>
Component Unit	Special Revenue: Road Use Tax	3,300
	Enterprise: Sewer	<u>13,300</u>
		<u>16,600</u>
		<u>\$ 4,827,165</u>

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

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 577 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.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2009

8. **RISK MANAGEMENT (CONTINUED)**

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, 2009 were \$125,600 (2008 - \$130,996).

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, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all 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, 2009 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2009, the City paid workers' compensation insurance premiums of \$122,682 (2008 - \$118,022) to the Association.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2009

9. **COMMITMENTS**

The City has entered into contracts for street improvement projects, a city hall maintenance project, a wastewater collection system rehabilitation project, and a sewer extension project totaling approximately \$3,286,682. The remaining commitment on these contracts at June 30, 2009 is \$2,269,850.

**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, 2009

	Governmental Funds Actual	Proprietary Funds Actual
<b>Receipts</b>		
Property tax	\$ 4,739,284	-
Tax increment financing collections	632,566	-
Other city tax	116,449	-
Licenses and permits	66,923	-
Use of money and property	339,169	67,925
Intergovernmental	1,648,354	-
Charges for service	1,117,293	3,064,155
Special assessments	161,882	85,256
Miscellaneous	<u>351,465</u>	<u>372,682</u>
Total receipts	<u>9,173,385</u>	<u>3,590,018</u>
<b>Disbursements</b>		
Public safety	3,269,051	522,485
Public works	1,282,170	115,998
Culture and recreation	2,316,774	180,695
Community and economic development	104,155	-
General government	1,037,373	121,595
Debt service	2,219,139	-
Capital projects	1,678,814	-
Business type activities	-	1,717,794
Total disbursements	<u>11,907,476</u>	<u>2,658,567</u>
Excess of receipts over disbursements	(2,734,091)	931,451
Other financing sources, net	<u>1,699,643</u>	<u>(505,390)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(1,034,448)	426,061
Balances beginning of year	<u>6,313,778</u>	<u>1,930,367</u>
Balances end of year	<u>\$ 5,279,330</u>	<u>2,356,428</u>

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	4,739,284	4,717,671	4,717,671	21,613
-	632,566	706,200	706,200	(73,634)
-	116,449	141,307	141,307	(24,858)
-	66,923	159,800	159,800	(92,877)
701	406,393	268,500	268,500	137,893
-	1,648,354	1,823,700	1,823,700	(175,346)
1,187,609	2,993,839	4,117,400	4,117,400	(1,123,561)
-	247,138	83,100	83,100	164,038
<u>338,408</u>	<u>385,739</u>	<u>283,100</u>	<u>283,100</u>	<u>102,639</u>
<u>1,526,718</u>	<u>11,236,685</u>	<u>12,300,778</u>	<u>12,300,778</u>	<u>(1,064,093)</u>
522,485	3,269,051	3,539,200	3,539,200	270,149
115,998	1,282,170	1,524,000	1,524,000	241,830
180,695	2,316,774	2,691,900	2,691,900	375,126
-	104,155	217,800	217,800	113,645
121,595	1,037,373	1,213,500	1,213,500	176,127
-	2,219,139	2,097,500	2,218,700	(439)
-	1,678,814	2,490,900	2,595,100	916,286
<u>142,522</u>	<u>1,575,272</u>	<u>2,820,000</u>	<u>3,804,500</u>	<u>2,229,228</u>
<u>1,083,295</u>	<u>13,482,748</u>	<u>16,594,800</u>	<u>17,804,700</u>	<u>4,321,952</u>
443,423	(2,246,063)	(4,294,022)	(5,503,922)	3,257,859
-	<u>1,194,253</u>	<u>1,952,400</u>	<u>3,741,100</u>	<u>(2,546,847)</u>
443,423	(1,051,810)	(2,341,622)	(1,762,822)	711,012
-	<u>8,244,145</u>	<u>5,859,301</u>	<u>8,244,145</u>	-
<u>443,423</u>	<u>7,192,335</u>	<u>3,517,679</u>	<u>6,481,323</u>	<u>711,012</u>

## CITY OF INDIANOLA

### Notes to Required Supplementary Information – Budgetary Reporting June 30, 2009

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 \$1,209,900. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the debt service function.

**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, 2009

	Industrial Park Urban Renewal Tax Increment	Employee Benefits Levy	Downtown Tax Increment	Special East 92 Tax Increment
Receipts				
Property tax	\$ -	625,045	-	-
Tax increment financing collections	168,955	-	370,907	92,704
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	4,370	-	-	-
Total receipts	173,325	625,045	370,907	92,704
Disbursements				
Public safety	-	-	-	-
Community and economic development	5,429	-	-	-
Capital projects	-	-	-	-
Total disbursements	5,429	-	-	-
Excess (deficiency) of receipts over (under) disbursements	167,896	625,045	370,907	92,704
Other financing uses				
Sale of capital assets	-	-	-	-
Operating transfers in (out)	(167,896)	(625,045)	(370,907)	(92,704)
Total other financing sources (uses)	(167,896)	(625,045)	(370,907)	(92,704)
Net change in cash balances	-	-	-	-
Cash balances beginning of year	-	-	-	-
Cash balances end of year	\$ -	-	-	-
Cash Basis Fund Balances				
Unreserved				
Special revenue funds	\$ -	-	-	-
Capital project funds	-	-	-	-
Total cash basis fund balances	\$ -	-	-	-

See accompanying independent auditor's report.

Schedule 1

Revenue			Capital Projects			Total
Sunset Terrace Paving	Police Retirement	Police Seizures	Community Athletic Facility	Community Redevelopment	General Fund Projects	
-	-	-	-	-	-	625,045
-	-	-	-	-	-	632,566
324	6,592	-	309	5,245	-	12,470
-	-	-	-	-	-	-
-	-	-	-	-	-	-
9,055	-	-	-	-	-	9,055
-	-	<u>13,119</u>	-	-	<u>25,625</u>	<u>43,114</u>
<u>9,379</u>	<u>6,592</u>	<u>13,119</u>	<u>309</u>	<u>5,245</u>	<u>25,625</u>	<u>1,322,250</u>
-	-	162	-	-	-	162
-	-	-	-	-	-	5,429
-	-	-	<u>4,788</u>	<u>46,647</u>	<u>40,391</u>	<u>91,826</u>
-	-	<u>162</u>	<u>4,788</u>	<u>46,647</u>	<u>40,391</u>	<u>97,417</u>
<u>9,379</u>	<u>6,592</u>	<u>12,957</u>	<u>(4,479)</u>	<u>(41,402)</u>	<u>(14,766)</u>	<u>1,224,833</u>
-	-	-	-	-	-	-
-	<u>(12,500)</u>	-	-	-	<u>30,400</u>	<u>(1,238,652)</u>
-	<u>(12,500)</u>	-	-	-	<u>30,400</u>	<u>(1,238,652)</u>
9,379	(5,908)	12,957	(4,479)	(41,402)	15,634	(13,819)
-	<u>161,475</u>	<u>49,921</u>	<u>9,416</u>	<u>134,667</u>	<u>245,491</u>	<u>600,970</u>
<u>9,379</u>	<u>155,567</u>	<u>62,878</u>	<u>4,937</u>	<u>93,265</u>	<u>261,125</u>	<u>587,151</u>
9,379	155,567	62,878	-	-	-	227,824
-	-	-	<u>4,937</u>	<u>93,265</u>	<u>261,125</u>	<u>359,327</u>
<u>9,379</u>	<u>155,567</u>	<u>62,878</u>	<u>4,937</u>	<u>93,265</u>	<u>261,125</u>	<u>587,151</u>

## CITY OF INDIANOLA

Schedule 2

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds  
As of and for the year ended June 30, 2009

	Internal Service				Total
	Health Insurance Reserve	Property Insurance Council	Health Pool	Health Reimbursement Arrangement	
Receipts					
Use of money and property	\$ -	701	-	-	701
Internal service charges	18,201	-	1,083,575	85,833	1,187,609
Miscellaneous	30,019	4,437	303,952	-	338,408
Total receipts	<u>48,220</u>	<u>5,138</u>	<u>1,387,527</u>	<u>85,833</u>	<u>1,526,718</u>
Disbursements					
Operating					
Public safety	14,285	3,121	483,279	21,800	522,485
Public works	3,033	777	108,090	4,098	115,998
Culture and recreation	5,201	965	170,444	4,085	180,695
General government	3,398	-	111,546	6,651	121,595
Business type activities					
Sewer	3,434	11,283	119,789	8,016	142,522
Component Unit:					
Municipal Utilities	9,935	-	336,367	16,456	362,758
Total disbursements	<u>39,286</u>	<u>16,146</u>	<u>1,329,515</u>	<u>61,106</u>	<u>1,446,053</u>
Excess (deficiency) of receipts over (under) disbursements	<u>8,934</u>	<u>(11,008)</u>	<u>58,012</u>	<u>24,727</u>	<u>80,665</u>
Net change in cash balances	8,934	(11,008)	58,012	24,727	80,665
Cash balances beginning of year	170,510	22,453	681,907	119,890	994,760
Cash balances end of year	<u>\$ 179,444</u>	<u>11,445</u>	<u>739,919</u>	<u>144,617</u>	<u>1,075,425</u>
Cash Basis Fund Balances					
Unreserved	<u>179,444</u>	<u>11,445</u>	<u>739,919</u>	<u>144,617</u>	<u>1,075,425</u>
Total cash basis fund balances	<u>\$ 179,444</u>	<u>11,445</u>	<u>739,919</u>	<u>144,617</u>	<u>1,075,425</u>

See accompanying independent auditor's report.

CITY OF INDIANOLA

Schedule of Indebtedness  
Year ended June 30, 2009

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	3.00	383,000
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
2009 Sewer Revenue	5/20/2009	3.00	9,090,000
 Other Debt			
Equipment loan	2/15/2006	4.99	130,502
 Total City of Indianola			
 Indianola Municipal Utilities			
Revenue Bonds and Notes			
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>
\$ 625,000	-	305,000	320,000	31,562	-
1,670,000	-	190,000	1,480,000	60,235	-
1,320,000	-	170,000	1,150,000	45,560	-
3,975,000	-	460,000	3,515,000	142,803	-
1,575,000	-	190,000	1,385,000	51,370	-
<u>9,165,000</u>	<u>-</u>	<u>1,315,000</u>	<u>7,850,000</u>	<u>331,530</u>	<u>-</u>
175,000	-	22,000	153,000	5,007	-
155,000	-	75,000	80,000	8,293	-
157,000	-	37,000	120,000	8,021	-
1,250,000	-	205,000	1,045,000	53,720	-
380,000	-	90,000	290,000	10,553	-
515,000	-	170,000	345,000	15,515	-
-	455,372	-	455,372	-	-
<u>2,632,000</u>	<u>455,372</u>	<u>599,000</u>	<u>2,488,372</u>	<u>101,109</u>	<u>-</u>
76,164	-	17,671	58,493	3,807	-
<u>\$ 11,873,164</u>	<u>455,372</u>	<u>1,931,671</u>	<u>10,396,865</u>	<u>436,446</u>	<u>-</u>
\$ 2,270,000	-	220,000	2,050,000	81,018	-
1,240,000	-	155,000	1,085,000	48,476	-
<u>\$ 3,510,000</u>	<u>-</u>	<u>375,000</u>	<u>3,135,000</u>	<u>129,494</u>	<u>-</u>

CITY OF INDIANOLA

Bond and Note Maturities  
June 30, 2009

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
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>\$ 320,000</u>		<u>\$ 1,480,000</u>

OTHER DEBT

YEAR ENDING JUNE 30,	EQUIPMENT LOAN	
	ISSUED FEBRUARY 15, 2006	
	INTEREST RATE	AMOUNT
2010	4.99	\$ 18,555
2011	4.99	19,482
2012	4.99	20,456
		<u>\$ 58,493</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
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>\$ 1,150,000</u>		<u>\$3,515,000</u>		<u>\$ 1,385,000</u>	<u>\$7,850,000</u>

CITY OF INDIANOLA

Bond and Note Maturities  
June 30, 2009

YEAR ENDING JUNE 30,	CAPITAL					
	SEWER REVENUE		GENERAL		ESSENTIAL	
	ISSUED JUNE 21, 1995		CORPORATE PURPOSE		CORPORATE PURPOSE	
	ISSUED JUNE 21, 1995		ISSUED NOVEMBER 1, 1999		ISSUED FEBRUARY 15, 2002	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
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>\$ 153,000</u>		<u>\$ 80,000</u>		<u>\$ 120,000</u>

YEAR ENDING JUNE 30,	SEWER REVENUE		
	ISSUED MAY 20, 2009		
	INTEREST RATE	AMOUNT	TOTAL
2010	3.00	\$ 1,000	\$ 617,000
2011	3.00	193,000	747,000
2012	3.00	200,000	597,000
2013	3.00	61,372	157,372
2014		-	102,000
2015		-	103,000
2016		-	80,000
2017		-	85,000
		<u>\$455,372</u>	<u>\$ 2,488,372</u>

See accompanying independent auditor's report.

LOAN NOTES

ESSENTIAL CORPORATE PURPOSE ISSUED MAY 1, 2002		SEWER REVENUE REFUNDING ISSUED JANUARY 1, 2004		GENERAL OBLIGATION REFUNDING ISSUED MAY 1, 2004	
INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
4.10	\$ 210,000	2.90	\$ 95,000	3.00	\$ 170,000
4.20	220,000	3.25	95,000	3.10	175,000
4.30	230,000	3.45	100,000		-
4.45	70,000		-		-
4.50	75,000		-		-
4.60	75,000		-		-
4.70	80,000		-		-
4.80	85,000		-		-
	<u>\$ 1,045,000</u>		<u>\$ 290,000</u>		<u>\$ 345,000</u>

## CITY OF INDIANOLA

Schedule 5

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Receipts</b>					
Property tax	\$ 4,739,284	4,380,621	4,302,700	4,193,385	3,953,158
Tax increment financing collections	632,566	652,571	414,117	242,398	188,396
Other city tax	116,449	119,660	115,249	113,263	127,553
Licenses and permits	66,923	187,498	198,688	163,875	194,540
Use of money and property	339,169	320,015	377,916	198,498	177,341
Intergovernmental	1,648,354	1,813,522	2,252,514	1,366,839	2,082,365
Charges for service	1,117,293	1,033,928	867,941	897,130	765,904
Special assessments	161,882	331,949	284,420	148,054	310,621
Miscellaneous	<u>351,465</u>	<u>648,262</u>	<u>620,475</u>	<u>410,502</u>	<u>243,665</u>
<b>Total</b>	<b>\$ <u>9,173,385</u></b>	<b><u>9,488,026</u></b>	<b><u>9,434,020</u></b>	<b><u>7,733,944</u></b>	<b><u>8,043,543</u></b>
<b>Disbursements</b>					
<b>Operating</b>					
Public safety	3,269,051	3,173,199	3,085,903	3,098,731	3,064,421
Public works	1,282,170	1,348,228	1,256,853	1,338,626	1,159,048
Culture and recreation	2,316,774	1,904,951	1,936,423	1,933,962	1,661,909
Community and economic development	104,155	83,781	617,772	65,386	90,030
General government	1,037,373	995,407	965,143	972,894	931,372
Debt service	2,219,139	1,956,788	2,792,481	1,623,791	1,562,645
Capital projects	<u>1,678,814</u>	<u>966,954</u>	<u>3,041,721</u>	<u>962,040</u>	<u>1,790,459</u>
<b>Total</b>	<b>\$ <u>11,907,476</u></b>	<b><u>10,429,308</u></b>	<b><u>13,696,296</u></b>	<b><u>9,995,430</u></b>	<b><u>10,259,884</u></b>

See accompanying independent auditor's report.

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
3,657,046	3,313,265	3,058,458	2,794,029
104,611	101,614	85,525	145,087
118,717	116,006	128,958	121,436
209,890	155,117	152,391	112,144
160,428	198,625	161,440	275,399
1,514,317	1,610,670	1,391,440	1,420,457
746,475	859,959	835,398	750,222
101,884	140,938	198,685	306,511
<u>246,324</u>	<u>334,933</u>	<u>317,129</u>	<u>1,103,377</u>
<u>6,859,692</u>	<u>6,831,127</u>	<u>6,329,424</u>	<u>7,028,662</u>
2,575,156	2,238,824	2,555,746	2,099,609
1,236,315	1,247,388	1,182,720	3,059,748
1,681,481	1,805,974	1,515,828	1,399,939
109,684	307,054	375,401	423,696
838,593	795,336	1,006,773	881,269
1,412,173	1,547,690	2,012,010	1,407,884
<u>194,327</u>	<u>187,119</u>	<u>162,661</u>	<u>365,829</u>
<u>8,047,729</u>	<u>8,129,385</u>	<u>8,811,139</u>	<u>9,637,974</u>



# 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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our reports thereon dated February 25, 2010. Our report 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, 2009 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.

*Shull & Co., P.C.*

February 25, 2010

CITY OF INDIANOLA

Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**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-09      Certified Budget - Disbursements during the year ended June 30, 2009, exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expensed or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.20 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

CITY OF INDIANOLA

Schedule of Findings - Continued  
Year ended June 30, 2009

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

- IV-B-09      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-09      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-09      Business Transactions - No business transactions between the City and City officials or employees were noted.
- IV-E-09      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-09      Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-09      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-09      Revenue Bonds - No violations of provisions of revenue bond resolution requirements were noted.