

**CITY OF INDIANOLA**

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**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, 2011**



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

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**CITY OF INDIANOLA**  
**Chief Accounting Officer's Report**

**March 1, 2012**

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, 2011 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, 2011 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 14,782. 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 .25%.

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

The city invests reserve funds (those not intended to be expended within 365 days) in a portfolio with the assistance of an investment advisement firm. The investment portfolio includes mortgage-backed securities; preferred stock; obligations of the U.S. Treasury or its agencies; and, cash held in a public entity money market fund. At fiscal year end, the effective duration of the portfolio is 3.24 years with a current yield of 3.74%. Reported returns may include changes in fair value during the year but do not necessarily represent continuing returns; therefore, it is not always possible to realize changes in fair value, especially in the case of temporary changes for securities the city intends to hold until maturity.

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

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

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

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

The City of Indianola maintains a health reimbursement arrangement (HRA) for the benefit of employees. The city makes a fixed annual contribution that allows each employee to be reimbursed for any medical expense allowed under IRS Code. If the employee does not utilize the full amount provided in any fiscal year, the balance is carried forward for use in a future period, even after retirement. Disbursements are paid out of operating funds and not held in trust. They are, however, accounted for in a sub-fund that is separate from other operating funds for budgetary control. Unpaid HRA balances totaled \$166,765 as of June 30, 2011.

Additional information on the City of Indianola's pension arrangements and other post-employment benefits can be found in 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, 2011.

Jean Furler  
Director of Finance and Administrative Services

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

Diana Bowlin, City Clerk

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

**CITY OF INDIANOLA  
CITY OFFICIALS AND BOARD OF TRUSTEES  
JUNE 30, 2011**

<u>Name of Official</u>	<u>Official Title</u>	<u>Term Expires December 31</u>	<u>Amount Of Bond</u>
Kenan Bresnan	Mayor	2013	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
Pam Pepper	Councilperson At-Large	2013	100,000
Pete Berry	Councilperson Fourth Ward	2013	100,000
John Sirianni	Councilperson Second Ward	2013	100,000
Timothy A. Zisoff	City Manager		100,000
Jean Furler	Director of Finance & Community 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 Solicitor		100,000

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

Pat Reding		2012	100,000
Clark Raney		2012	100,000
Chris Boone		2014	100,000
Eric Vander Linden	Chairperson	2015	100,000
Bob Lester		2016	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  
John Sirianni  
Pam Pepper  
Mark Vickroy

**CITY OF INDIANOLA  
CITY BOARD AND COMMISSIONS  
JUNE 30, 2011**

**LIBRARY BOARD**

Authority: Indianola Ordinance Chapter 17.3

Term - 6 Years

Meeting: 2nd Tuesday of every month

<u>Name</u>	<u>Term Expires</u>
Mary Jane Cassady	July 1, 2012
Theresa VanderLinden	July 1, 2012
Dr. Joe Walt	July 1, 2014
Pat Hicks	July 1, 2014
Dick Kerr	July 1, 2016
Kathy Farris	July 1, 2016
Mark Juffernbruch	July 1, 2016

**PARK AND RECREATION COMMISSION**

Authority: Indianola Ordinance No. 520

Term - 3 Years

Meeting: 1st Wednesday of every month

Jill Johnson	January 1, 2012
Darren Johnson	January 1, 2012
Eric Mathieu	January 1, 2013
Jennifer Leech	January 1, 2013
John Hagener	January 1, 2014
Jay Byers	January 1, 2014

**PLANNING AND ZONING COMMISSION**

Authority: Indianola Ordinance Chapter 16.2

Term - 5 Years

Meeting: 2nd Tuesday of every month

Tiffany Coleman	February 1, 2012
Dan Wood	February 1, 2012
Bob Ormsby	February 1, 2013
Duane Dixon	February 1, 2013
Leslie Held	February 1, 2014
Mike Coppess	February 1, 2014
Karla Roush	February 1, 2015
Ivan Richert	February 1, 2015
Mary Donaghy	February 1, 2016
Rich Piper	February 1, 2016

**CITY OF INDIANOLA  
CITY BOARDS AND COMMISSIONS  
JUNE 30, 2011**

**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>
James Sullivan	December 31, 2010
Dennis Parker	December 31, 2011
Doug Dowie	December 31, 2012
Jim Garrett	December 31, 2013
Marty Miller	December 31, 2014

**MEMORIAL BUILDING COMMISSION**

Authority: Code of Iowa Chapter 37.9

Term - 3 Years - Meeting: On Call

Dan Aldridge	July 1, 2011
Ron Werling	July 1, 2013
Robert Guilford	July 1, 2013
Bob Greener	July 1, 2013

**CIVIL SERVICE COMMISSION**

Authority: Indianola Ordinance No. 378

Term - 4 Years

Meeting: On Call

Wayne Petersen	First Monday in April, 2011
Fred Jones	First Monday in April, 2012
Celeste Gebhart	First Monday in April, 2014

**FINE ARTS & COMMUNITY BEAUTIFICATION COMMISSION**

Authority: Indianola Ordinance No. 423

Term - 3 Years

Meeting: 1st Tuesday of every month

John Benoit	January 1, 2011
Aaron Tinder	January 1, 2011
Steven Griffith	January 1, 2012
Gabrielle Curti	January 1, 2012
Jon Vernon	January 1, 2014
Katie Byers	January 1, 2014
Jeff Tadsen	January 1, 2014
Nancy Byrd	January 1, 2014

## 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 2010-11 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 6002 calls for service in calendar year 2011. Sergeant Rob Hawkins has returned from military deployment and is back at work. The department is at full staff (18 sworn) and all officers are state certified.

The police/fire storage facility was complete in FY2011 was funded primarily with drug investigation seizures/forfeitures.

- **Fire and Ambulance:** The Indianola Fire Department experienced an increase in calls for the 2010 calendar year for a new record year. There were three major fire losses in town being 1301 N 14th (\$1,900,000), 704 N G Street (\$180,000), and 600 South Jefferson (\$90,000) and one in the County at 13334 Summerset Road (\$125,000) We had 6 other fires that combined were \$227,000 in losses. The balance of the losses was due to vehicle and smaller structure fires. Our total loss for the year was \$2,549,825 which was a major increase over last year just due to the one fire at the Alamo Group. In addition to the regular activities that the full and part-time staff accomplished each day, staff responded to 1,729 fire and EMS alarms. This is an increase of 17% over the previous year. The 1,729 alarms consisted of: 68 fires; 36 Haz-Mat; 55 good intent; 76 false alarms; and, 12 weather-related. The balance accounts for 1,482 EMS calls. We seen the biggest increase in calls relating to EMS and weather.

As of January 1, 2011, the department had one full-time chief, one full-time training officer, one full-time technician, 6 full-time firefighters/medics, 20 part-time firefighter/medics, 3 medic only positions, 20 paid on call for a total staff of 52 with no members on leave and 4 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 which is when we have a higher call volume.

Training is a big part of our department time. Training is conducted every Monday night and several attend training on their own including nights, weekends and other area fire schools to keep current. The total hours that POC staff put in for training just within our department was 4600 hour and responses in 2011 was 4500 hours for a total of 9100hours. This equates to the average POC person putting in over 194 hours for the community in training and calls each year. This excludes the time the full-time staff put in for the community.

**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 6,823 registrations of which 2,582 were done on-line or 42% of all registrations. The Zone (6th-8th grade after school program) and early out events again increased over last year 532 different students involved – an increase of 94 students (22%). Many volunteers helped with the recreation programs and events. Over 185 different programs/events were offered during the year including: 102 sports teams, NFL Punt-Pass-Kick, Lil Farm Hands, Teen Synchronized Swimming, Cartooning Workshop, Bullseye Camp and Kayaking. A Mayor's Youth Council was established, the funfest had over 500 people, and approximately 2,255 people participated in 14 free special events. There were 6 new adult programs and new informational, intergenerational and trips for age 55+. 57 program sponsors generated \$13,560, 34 activity guide advertisers generated \$10,382 and \$13,367 was received from donations.
- **Parks & Horticulture Division:** The 2nd annual spring planting blitz was held with 40 volunteers planting all flowerbeds in 1 week, a small age 2-5 play area was added at Moats park, the trails plan was put on GIS, we received a \$309,520 STP TE grant for Jerry Kelley Trail Phase 2, a modern all concrete restroom was opened at Memorial park, 3,606 trees were surveyed and put on the GIS mapping, and the 8th annual spring garden seminar saw a 15% increase in attendance. 9,775 flowers were grown in the greenhouse and 102 trees were adopted by residents ( 27-Indianola, 75-Warren County).
- **Administration Division:** Helped develop a new City of Indianola website which now includes parks & recreation (30,042 visits in first 3 months), completed a parks & recreation needs assessment survey with a 27.1% return, our a Facebook page had 373 fans (increase of 108) and our Twitter Page had 202 followers (increase of 74), we used the new lighted sign at city hall to promote activities to the public. Staff again worked with the Keep Indianola Beautiful Committee with the Salem Court entertainment. Our email newsletter had 889 subscribers.
- **Veterans Memorial Aquatic Center:** Attendance at the aquatic center was 41,858 including all use – open swim, events, rentals, lessons. Due to weather, the aquatic center had 15 days when it closed early and 7 days when it was closed for the entire day. Participation included: lap swim/water walk – 1,229; private pool rental – 2,156; swim lessons - 575; tot swim – 2,035; and, 18 club wet teen parties. Additionally there were 185 for the dive-in movie and 200 in mighty minnows swim classes.

**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:** Library patrons checked out 147,990 items which equals 10.1 items checked out by each resident. Attendance at 500 programs totaled 10,638. Library computers were used 23,593 times. Each item in the Library's collection was checked out an average of 3.6 times. During the fiscal year, an estimated 118,538 people visited the Library.

WILBOR, the Library's consortium for electronic listening and reading materials, added ebooks to their collection in December 2010. As this method of reading and listening has increased in popularity, library staff is helping more and more people with the downloading process.

**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 2010-11 fiscal year.

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

- **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. We remain under a Consent Order from the Iowa Department of Natural Resources that mandates Infiltration & Inflow (I&I) removal through the entire collection system to eliminate sanitary sewer overflows and basement backups by January 2013. With assistance from V&K Engineering and City Staff, the city has completed construction and repairs on Phases I, Phase III and 90% of Phase II. Inspections on Phase IV (final phase) have been complete. V&K will complete the study and specifications and bid Phase IV in the spring of 2012 with construction beginning in the summer of 2012 and completion date scheduled for December 2013.

The Wastewater Department continues to work through residential I&I inspections and testing. The NW Service Area #5 was complete in the summer of 2011. The NE Service Area #1 has been visually inspected and 90% of the homes have been foundation tested for I&I. We are planning to begin the NE Service Area #2 with a neighborhood meeting in March. We will begin with visual inspections in the NE #2 Area in March and April 2012. We will start injection testing in April or May with the completion of the NE Service Area #1 and move directly into NE Service Area #2. Our goal is to complete NE Service Area #1, #2 and #3 by end of 2012.

We replaced two Auma actuators in the aeration building and rebuilt a third actuator. The Aurora in plant pumps were replaced in 2011. We continue to have pump issues at the sewer plant and plan to replace all three pumps in 2012. One wasting pump was also replaced in 2011 as well as the breaker to the south plant transformer. We plan to rehab the Plainview Lift Station, replace the boiler and flare at the North Plant. We initiated a study on the North Treatment Plant which will result in a Facility Plan and provide information for design on proposed upgrades and rehabilitation of the facility. We replaced one truck with an F-150 4X4 and have ordered a new Vector Jet/Vac combo truck to replace the 1996 truck. Staff installed a new ball valve and check valve on the #2 Morlock pump.

Emergency generators are on an annual preventive maintenance program with Interstate Power.

- **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:
  - Worked on cost/benefit analysis of landfill gas generation project at the Metro Waste Authority; reviewed and presented ISEPA options (stored energy plant) Began design work with contracted engineers for the 2010 Underground Conversion Project, which will convert the entire community north of Hwy 92 and east of Hwy 65/69
  - Reviewed changes to MISO cost and billing methods with MEAN to ensure consistent application of transmission costs & credits across all MEAN participants Approved electric & telecom extensions to serve the Summercrest Hills project.

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

- Designed Stephen Ct. underground conversion project and completed McCord Subdivision project
  - Worked to establish a policy within MEAN to allow IMU to transition generating units that it receives capacity payments so that downtown plants can be registered as emergency-only units
  - Completed the Fuel Oil Storage Tank Painting Project
  - New fire alarm system installed at the plant
  - Drafted and issued RFP for architectural & engineering services for plant improvements
  - Worked to replace SCADA systems damaged during storms in 2010
  - Assisted Simpson College with unexpected electric upgrades at the Blank Performing Arts Center
  - Began work on a 69kV FERC classification analysis
  - Completed the CIPCO 69kV interconnection
  - Monitored progress on the East Side Conversion project
  - Worked on designing the Hwy 65/69 3-phase project
  - Designed Summercrest Hills subdivision layout
  - Completed the “D” & Jackson underground/conversion
  - Completed agreements on the CAPX2020 project
- 
- **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:
    - Worked on installing radio read meters
    - Repaired several water main breaks
    - Authorized engineering services to design water main improvements in conjunction with the next street replacement project
    - Purchased variable speed drive for the 3rd high service pump at the plant.
    - Completed work with contractor at the Simpson water tower
    - Oversight of Well #11 systems problems; planned replacements
    - Lime pit cleaned out as best possible; lime drying in piles on the property
    - Contracted for repairs and repainting of the Hillcrest water tower
    - Converted 30 acre site from row crops to hay crop; reviewed Ash tree inventory
    - Completed scheduled repairs to Well #12
- 
- **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:

## CITY OF INDIANOLA Operational Review (Continued)

- Began planning for IMU Network Services division as the fiber system is expanded
  - Prepared and presented, with MCG, network design options and a preliminary construction cost estimate for the area contained in the East Side electric underground conversion project
  - Developed a conceptual expansion framework that is comprised of IMU Network Services Facilities, IMU NS Partners, and IMU NS Development. Started recruitment of advisors for each of the 3 areas.
  - Worked on facilities expansion designs with MCG.
  - Scheduled physical space meetings with staff & architects (downtown plant).
  - Developed a strategic plan for the IMU Network Services department.
  - Worked to complete as-built engineering diagrams on the existing fiber loop to plan for interconnecting new underground network (that is part of the East Side Conversion area).
  - Established pricing framework for extending agreements on the existing fiber loop where they interconnect to the new underground network.
- **Administration:** All three utilities are administered by a combination of the IMU Board of Trustees and their staff, services provided by the City of Indianola through cost-sharing arrangements, and third-party contractors.

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 & risk management.

**General Government:** The City of Indianola supports a proactive stance toward 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.
- Promotion and financing of the Downtown Business Incentive program to enhance the aesthetics of the area.
- 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.
- Financial support for the Indianola Development Association working with the Chamber, Warren County and the Des Moines Partnership.

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

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 newsletters and 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.

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

<b>Permits/Licenses</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>	<b><u>2009</u></b>	<b><u>2010</u></b>
Water	152	82	80	80	90	11	38
Plumbing	118	93	137	106	62	75	42
Electric	150	118	169	113	60	93	103
Mechanical	135	102	110	104	62	42	56
Sewer	157	84	81	95	61	19	66
Warrants Written	9,145	9,037	9,037	8,865	8,883	8,921	9,257
Ordinance Adopted	36	39	22	19	22	24	23
Cigarette	23	20	20	18	18	20	17
Bicycle	54	19	9	5	5	2	2
Beer	16	14	15	15	15	15	15
Beer-Liquor	15	15	15	15	15	15	17
Sunday Beer & Liquor	30	29	29	29	29	29	29
Beer-Wine	2	2	3	3	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 targets at 75% of maximum cost exposure. Reserves are targeted at 25% of annual claims plus 2 times the difference between expected claims and maximum costs.

**CITY OF INDIANOLA**  
**Statistical Section**

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

**Government-Wide Expenditures.** These are the cash-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
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
2010	3,356,420	1,151,365	-	1,970,347	146,617	1,144,193	2,276,338	2,713,018	15,766,541	28,524,839
2011	3,534,467	1,177,500	-	1,978,160	123,554	1,187,419	5,679,211	1,904,709	22,949,882	38,534,902

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
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
2010	5,657,732	96,392	2,337,365	888,562	67,589	366,428	197,299	351,202	9,962,569
2011	5,839,564	197,339	1,825,570	980,350	77,951	318,802	92,034	545,225	9,876,835

\*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	Franchise			Total
		TIF	Fees	Hotel/Motel	
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
2010	4,826,350	712,476	61,406	57,500	5,657,732
2011	4,836,322	865,761	81,666	55,815	5,839,564

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

**Tax Collection Trend**

(Collection) Fiscal Year	Total Levied	Amount Collected*	% Collected
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%
2010	4,786,023	4,826,350	100.8%
2011	4,788,677	4,836,322	101.0%

\* 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				
	Operating	Benefits & Ins.	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total	Other	Total
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
2010	8.10	1.35	1.90	11.35	3.50	2.64	6.14	15.25	4.74	19.99	0.95	38.43
2011	8.10	1.30	1.90	11.30	3.50	2.48	5.98	16.22	4.67	20.89	0.95	39.12

Ag Land

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
2010	3.00
2011	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
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
2010	617,326,560	1,342,200	142,844,860	15,142,160	-	5,369,669	782,025,449	1,476,970	780,548,479
2011	610,354,360	1,874,500	143,432,485	15,163,880	-	5,582,297	776,407,522	1,493,638	774,913,884

\*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
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	262,021,987	1,207,178	127,874,259	10,422,723	-	4,780,591	406,306,738	1,499,194	404,807,544
2010	278,482,876	1,258,303	127,591,097	10,578,951	-	4,818,592	422,729,819	1,476,970	421,252,849
2011	282,264,068	1,196,187	128,329,005	7,442,455	-	4,559,534	423,791,249	1,493,638	422,297,611

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

\*\*military

	Operating Levy Total	TIF District Valuation	Debt Levy Total	100% Valuation Total	Ratio of Taxable to 100%
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	384,458,789	20,144,573	404,603,362	669,927,773	60.4%
2009	403,600,366	19,978,653	423,579,019	761,936,298	55.6%
2010	419,994,546	22,769,004	442,763,550	780,548,479	56.7%
2011	421,101,424	26,874,547	447,975,971	774,913,884	57.8%

**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
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%
2010	38,960,314	11,268,384	27,691,930	28.9%
2011	39,643,386	13,362,456	26,280,930	33.7%

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

**Building Permit Trends**

Calendar Year	Construction Value of new		Construction Value of			Total 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					
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
2009	3,676,598	23	4,417,800	1	62	8,094,398	85	278,426	35	8,372,824
2010	5,022,118	35	8,144,766	44	84	13,166,884	119	1,459,209	45	14,626,093
2011	3,362,600	21	223,000	1	2	3,585,600	23	540,643	46	4,126,243

Calendar Year	Construction Value of Commercial/Industrial		Construction Value of Non-taxable Construction		Total Construction Value of Construction	Total No. of Permits
	Commercial/Industrial	No. of Permits	Non-taxable Construction	No. of Permits		
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
2009	4,399,823	21	1,616,980	6	12,975,239	101
2010	5,439,383	9	4,025,121	9	20,273,820	179
2011	40,613,859	9	30,565,682	9	44,897,710	136

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

**Demographic Information**

Trends:	<u>Calendar Year</u>	<u>Iowa Unemployment</u>		
	2001		3.0%	
	2002		3.7%	
	2003		4.2%	
	2004		4.5%	
	2005		4.5%	
	2006		3.9%	
	2007		3.6%	
	2008		3.8%	
	2009		6.3%	
	2010		6.1%	

  

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	14.7%	
	2010	14,782	13.7%	\$ 52,238



# 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, 2011, 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, 2011, 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 January 31, 2012 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 on 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 35 and 62 through 64 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 ten years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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.*

January 31, 2012

**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, 2011. 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.

**2011 Financial Highlights**

- The City of Indianola has an ending cash balance of \$18,818,653 to meet the government's ongoing obligations to citizens and creditors. Of this, \$9,274,608 is under the direct management and control of the primary government with \$7,424,306 for governmental activities and \$1,850,302 for business-type activities. The remaining \$9,544,045 from the component unit, Indianola Municipal Utilities.
- Total cash balances decreased \$415,315 for the primary government and decreased \$4,394,771 for the component unit. The primary reason for the decrease in both is capital project expenses. Bonds were issued in 2010 and projects complete in FY2011.
- At the end of the fiscal year, the unrestricted cash balance for governmental activities was \$5,856,849 or 37% 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.

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

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

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.

**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:

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

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 \$6,216,703 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.

**Net Assets (Cash Basis)**

	<u>Year ended June 30,</u>		<u>Change</u>
	<u>2011</u>	<u>2010</u>	
<b>Governmental Activities</b>			
Restricted	2,533,497	4,949,021	(2,415,524)
Unrestricted	5,856,849	3,580,960	2,275,889
<b>Business Type Activities</b>			
Restricted	75,942	157,459	(81,517)
Unrestricted	441,371	689,319	(247,948)
<b>Total Primary Government</b>			
Restricted	2,609,439	5,106,480	(2,497,041)
Unrestricted	6,298,220	4,270,279	2,027,941
<b>Component Unit</b>			
Restricted	1,562,317	874,082	688,235
Unrestricted	8,348,689	13,377,897	(5,029,208)

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

**Governmental funds:** Governmental funds ended the fiscal year with a balance of \$7,424,294 a decrease of \$271,871 over the prior year.

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

**Changes in Net Assets Governmental Funds**

	Year ended June 30,	
	2011	2010
Receipts		
Property tax	\$ 4,836,322	4,826,350
Tax increment financing collections	865,761	712,476
Other city tax	137,481	118,906
Licenses and permits	197,339	96,392
Use of money and property	318,803	366,427
Intergovernmental	1,825,569	2,337,365
Charges for service	982,632	888,563
Special assessments	92,034	197,299
Miscellaneous	623,383	418,791
Total Receipts	9,879,324	9,962,569
Disbursements		
Public safety	3,574,355	3,356,420
Public works	1,185,798	1,151,365
Culture and recreation	1,992,708	1,970,347
Community and economic development	123,554	146,617
General government	1,196,933	1,144,193
Debt service	5,718,378	2,276,338
Capital projects	1,904,710	2,713,018
Total disbursements	15,696,436	12,758,298
Other financing sources (uses)		
Bond proceeds	3,666,094	3,100,675
Sale of capital assets	37,622	160,380
Operating transfers in (out)	1,841,525	1,976,500
Total other financing sources (uses)	5,545,241	5,237,555
Net change in cash balances	(271,871)	2,441,826
Cash balances, beginning of year	7,696,165	5,254,339
Cash balances, end of year	\$ 7,424,294	7,696,165

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

**Business type funds:** Business type funds ended the fiscal year with \$517,313 in cash basis fund balances, a decrease of (\$329,465) over the prior year. This is mainly due to bond proceeds spent in FY2011 borrowed in FY2010.

**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>2011</u>	<u>2010</u>
Receipts		
Property tax	49%	49%
Tax increment financing collections	9%	7%
Other city tax	1%	1%
Licenses and permits	2%	1%
Use of money and property	3%	4%
Intergovernmental	19%	23%
Charges for service	10%	9%
Special assessments	1%	2%
Miscellaneous	6%	4%
Total Receipts	<u>100%</u>	<u>100%</u>
Disbursements		
Public safety	22%	27%
Public works	8%	9%
Culture and recreation	13%	15%
Community and economic development	1%	1%
General government	8%	9%
Debt service	36%	18%
Capital projects	12%	21%
Total disbursements	<u>100%</u>	<u>100%</u>

Property taxes revenues increased due to taxable valuation growth—the tax rate decreased from \$11.30 to \$11.20. The majority of the remaining revenues held relatively stable in comparison to total receipts.

Debt Service and public safety disbursements increased between the two years while public works, culture & recreation and capital projects decreased.

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

**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.

The FY 2011 budget was amended in May of 2011 to reflect the following items:

- Expenditures
  - Capital Projects increased \$737,600 due to Amphitheatre completion of \$184,100 (bonds issued in previous year), Storage Facility \$20,000 (paid with forfeiture funds), Balloon Museum \$176,500 (\$88,250 collected from State of Iowa I-Jobs funds), and Community Redevelopment (D&D) \$357,000 (will be reimbursed by TIF in FY2011-12). Capital Projects increased \$2,969,800 due mainly to the following:
  - Business Type/Enterprise increased \$4,278,100 due mainly to Electric Capital Projects including an increase of \$2,337,400 for the East Side Conversion Project (bonds issued in a previous year), \$1,849,100 for the Infiltration & Inflow Project (bonds issued in previous year), and \$91,600 for the Stormwater Utility Implementation.

**Capital Asset and Debt Administration**

In FY 2011, the City issued \$5,215,000 in General Obligation Bonds for Advance and Current Refunding Issues (2002, 2003 & 2006) and for Sewer Improvements. Tax increment financing revenue, special assessments, sewer revenues and property taxes will pay the annual debt service obligations for this issuance. The city's bond rating is Aa3.

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

**Factors Affecting Financial Condition**

**Local economy:** The City of Indianola currently has a stable economic environment and local indicators point to slight growth. 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 of 47 units.

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 2011, 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 built a new storage facility for the police and fire departments (\$100,000), improved the north slope embankment at the National Balloon Museum (\$294,000 with 50% paid by State of Iowa I-Jobs grant-\$147,000) and completed the Stephen Court Storm Sewer Project (\$99,000).
- 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 is being funded with a low interest State Revolving Fund loan and is being paid back with sewer service fees. Work on Phases 1, 2 and 3 were continued in FY2011 with completion expected in FY2012. Total project completion expected December 2013.
- The city continues to support the Community Redevelopment (D&D) fund to improve the aesthetics of the community especially on the main highway corridors. This fund is being maintained using TIF from the Downtown district.

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

**Regulatory changes:** It is expected that the State of Iowa will enact new regulations on sewer treatment quality that could take effect within 5 years. Plant upgrades and gravity line improvements, which will reduce infiltration and inflow of storm water, will help the City of Indianola meet these regulations.

Other regulatory impacts under consideration by the State of Iowa also include increased monitoring and controlling storm water pollution levels. The City established a storm water utility March 1, 2011, with a fee structure of \$2.00 per Equivalent Residential Unit (ERU) to finance infrastructure improvements.

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 commercial construction, which is above the norm for the state as a whole. The city property tax rate for FY 2011 decreased from \$11.30 to \$11.20 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, 2011

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Operating Grants, Contributions, and Restricted Interest</u>
Functions / Programs			
Primary Government:			
Governmental activities			
Public safety	\$ 3,510,845	859,972	177,688
Public works	1,169,190	99,118	1,393,978
Culture and recreation	1,963,961	387,097	247,482
Community and economic development	123,554	-	10,207
General government	1,173,766	87,452	27,789
Debt service	5,718,378	-	-
Capital projects	<u>1,904,710</u>	<u>10,867</u>	<u>-</u>
Total governmental activities	<u>15,564,404</u>	<u>1,444,506</u>	<u>1,857,144</u>
Business type activities			
Sewer	4,635,551	2,301,102	148,711
Other nonmajor	<u>249,803</u>	<u>240,372</u>	<u>-</u>
Total business type activities	<u>4,885,354</u>	<u>2,541,474</u>	<u>148,711</u>
Total Primary Government	<u>\$ 20,449,758</u>	<u>3,985,980</u>	<u>2,005,855</u>
Component Unit:			
Municipal Utilities	<u>\$ 16,811,211</u>	<u>12,820,195</u>	<u>173,972</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
	Governmental Activities	Business Type Activities	Total	Municipal Utilities
Capital Grants, Contributions and Restricted Interest				
-	(2,473,185)	-	(2,473,185)	-
-	323,906	-	323,906	-
-	(1,329,382)	-	(1,329,382)	-
-	(113,347)	-	(113,347)	-
-	(1,058,525)	-	(1,058,525)	-
-	(5,718,378)	-	(5,718,378)	-
<u>452,473</u>	<u>(1,441,370)</u>	-	<u>(1,441,370)</u>	-
<u>452,473</u>	<u>(11,810,281)</u>	-	<u>(11,810,281)</u>	-
-	-	(2,185,738)	(2,185,738)	-
-	-	(9,431)	(9,431)	-
-	-	(2,195,169)	(2,195,169)	-
<u>452,473</u>	<u>(11,810,281)</u>	<u>(2,195,169)</u>	<u>(14,005,450)</u>	-
<u>1,267</u>	-	-	-	<u>(3,815,777)</u>
	3,241,998	-	3,241,998	-
	865,761	-	865,761	-
	1,043,992	-	1,043,992	-
	550,332	-	550,332	-
	81,666	-	81,666	-
	57,978	-	57,978	-
	272,848	14,403	287,251	306,442
	3,666,094	2,755,845	6,421,939	-
	10,830	39,981	50,811	65,362
	37,622	-	37,622	-
	<u>1,841,525</u>	<u>(944,525)</u>	<u>897,000</u>	<u>(897,000)</u>
	<u>11,670,646</u>	<u>1,865,704</u>	<u>13,536,350</u>	<u>(525,196)</u>

CITY OF INDIANOLA  
Statement of Activities and Net Assets – Cash Basis  
As of and for the Year Ended June 30, 2011

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

        Expendable:

            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>
(139,635)	(329,465)	(469,100)	(4,340,973)
<u>8,529,981</u>	<u>846,778</u>	<u>9,376,759</u>	<u>14,251,979</u>
<u>\$ 8,390,346</u>	<u>517,313</u>	<u>8,907,659</u>	<u>9,911,006</u>
556,725	-	556,725	-
1,833,441	75,942	1,909,383	1,562,317
143,331	-	143,331	-
<u>5,856,849</u>	<u>441,371</u>	<u>6,298,220</u>	<u>8,348,689</u>
<u>\$ 8,390,346</u>	<u>517,313</u>	<u>8,907,659</u>	<u>9,911,006</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, 2011

	General	Special Revenue Road Use Tax
Receipts		
Property tax	\$ 3,431,565	-
Tax increment financing collections	-	-
Other city tax	137,481	-
Licenses and permits	197,339	-
Use of money and property	309,304	-
Intergovernmental	267,113	1,380,946
Charges for service	982,632	-
Special assessments	-	-
Miscellaneous	327,885	5,931
Total receipts	<u>5,653,319</u>	<u>1,386,877</u>
Disbursements		
Operating		
Public safety	3,564,958	-
Public works	140,281	1,045,517
Culture and recreation	1,992,708	-
Community and economic development	88,951	-
General government	1,196,933	-
Debt service	125,803	-
Capital projects	-	-
Total disbursements	<u>7,109,634</u>	<u>1,045,517</u>
Excess of receipts over disbursements	<u>(1,456,315)</u>	<u>341,360</u>
Other financing sources (uses)		
Bond proceeds	-	-
Sale of capital assets	10,512	-
Operating transfers in (out)	1,667,949	(144,500)
Total other financing sources (uses)	<u>1,678,461</u>	<u>(144,500)</u>

Debt Service	Capital Projects Street Construction	Other Nonmajor Governmental Funds	Total
854,425	-	550,332	4,836,322
-	-	865,761	865,761
-	-	-	137,481
-	-	-	197,339
-	-	9,499	318,803
-	167,510	10,000	1,825,569
-	-	-	982,632
81,268	10,766	-	92,034
-	15,279	274,288	623,383
<u>935,693</u>	<u>193,555</u>	<u>1,709,880</u>	<u>9,879,324</u>
-	-	9,397	3,574,355
-	-	-	1,185,798
-	-	-	1,992,708
-	-	34,603	123,554
-	-	-	1,196,933
5,592,575	-	-	5,718,378
-	855,088	1,049,622	1,904,710
<u>5,592,575</u>	<u>855,088</u>	<u>1,093,622</u>	<u>15,696,436</u>
<u>(4,656,882)</u>	<u>(661,533)</u>	<u>616,258</u>	<u>(5,817,112)</u>
3,666,094	-	-	3,666,094
-	-	27,110	37,622
<u>1,287,752</u>	<u>152,000</u>	<u>(1,121,676)</u>	<u>1,841,525</u>
<u>4,953,846</u>	<u>152,000</u>	<u>(1,094,566)</u>	<u>5,545,241</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, 2011

	<u>General</u>	<u>Special Revenue Use Tax</u>
Net change in cash balances	222,146	196,860
Cash balances beginning of year	<u>2,747,144</u>	<u>359,865</u>
Cash balances end of year	<u>\$ 2,969,290</u>	<u>556,725</u>
Cash Basis Fund Balances		
Restricted for:		
Streets	\$ -	556,725
Urban renewal purposes	-	-
Debt service	-	-
Other purposes	-	-
Committed	-	-
Unassigned	<u>2,969,290</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 2,969,290</u>	<u>556,725</u>

See notes to financial statements.

Exhibit B  
(Continued)

Debt Service	Capital Projects Street Construction	Other Nonmajor Governmental Funds	Total
296,964	(509,533)	(478,308)	(271,871)
<u>1,536,477</u>	<u>2,000,147</u>	<u>1,052,532</u>	<u>7,696,165</u>
<u>1,833,441</u>	<u>1,490,614</u>	<u>574,224</u>	<u>7,424,294</u>
-	-	-	556,725
-	-	-	-
1,833,441	-	-	1,833,441
-	-	143,331	143,331
-	1,490,614	430,893	1,921,507
-	-	-	2,969,290
<u>1,833,441</u>	<u>1,490,614</u>	<u>574,224</u>	<u>7,424,294</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, 2011

Total government funds cash balances	\$ 7,424,294
--------------------------------------	--------------

*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.

966,052

Cash basis net assets of governmental activities	<u>\$ 8,390,346</u>
--	---------------------

Net change in cash balances	\$ (271,871)
-----------------------------	--------------

*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.

132,236

Change in cash balance of governmental activities	<u>\$ (139,635)</u>
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See notes to financial statements.

CITY OF INDIANOLA

Statement of Cash Receipts, Disbursements and Changes in Cash Balances -  
 Proprietary Funds  
 As of and for the Year Ended June 30, 2011

	Enterprise Funds	
	Sewer	Other Nonmajor
Operating receipts		
Use of money and property	\$ 54,333	-
Intergovernmental	100,177	-
Charges for service	2,262,645	240,372
Special assessments	38,457	-
Miscellaneous	48,534	-
Total operating receipts	<u>2,504,146</u>	<u>240,372</u>
Operating disbursements		
Governmental activities		
Public safety	-	-
Public works	-	-
Culture and recreation	-	-
General government	-	-
Business type activities	4,652,841	249,803
Component Unit:		
Municipal Utilities	-	-
Total operating disbursements	<u>4,652,841</u>	<u>249,803</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,148,695)</u>	<u>(9,431)</u>
Other financing sources (uses)		
Capital loan note proceeds	2,755,845	-
Operating transfers in (out)	(928,825)	(15,700)
Total other financing sources (uses)	<u>1,827,020</u>	<u>(15,700)</u>
Net change in cash balances	(321,675)	(25,131)
Cash balances beginning of year	<u>697,092</u>	<u>49,617</u>
Cash balances end of year	<u>\$ 375,417</u>	<u>24,486</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ 75,942	-
Unrestricted	299,475	24,486
Total cash basis fund balances	<u>\$ 375,417</u>	<u>24,486</u>

See notes to financial statements.

Total	Internal Service Funds
54,333	255
100,177	-
2,503,017	1,314,889
38,457	-
48,534	108,391
2,744,518	1,423,535
-	366,694
-	102,436
-	166,045
-	147,050
4,902,644	118,660
-	319,286
4,902,644	1,220,171
(2,158,126)	203,364
2,755,845	-
(944,525)	-
1,811,320	-
(346,806)	203,364
746,709	1,247,050
399,903	1,450,414
75,942	-
323,961	1,450,414
399,903	1,450,414

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, 2011

Total enterprise funds cash balances	\$ 399,903
--------------------------------------	------------

*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.

117,410

Cash basis net assets of business type activities	<u>\$ 517,313</u>
---	-------------------

Net change in cash balances	\$ (346,806)
-----------------------------	--------------

*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.

17,341

Change in cash balance of business type activities	<u>\$ (329,465)</u>
--	---------------------

See notes to financial statements.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

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, 2011

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 the following categories/components:

Expendable 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 not meeting the definition of the preceding categories. 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, 2011

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 the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used 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 Enterprise, 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2011

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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.

D. GOVERNMENTAL CASH BASIS FUND BALANCES

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. BUDGETS AND BUDGETARY ACCOUNTING

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

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2011

2. **CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2011 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, 2011 were as follows:

	CARRYING AMOUNT	MARKET VALUE
Money market accounts	\$ 1,428,653	1,428,653
U.S. government obligations	256,543	261,230
U.S. agency mortgage pass-through	1,960,422	2,088,901
U.S. agency bonds and notes	6,759,983	6,758,207
U.S. agency collateralized mortgage obligations	5,852,418	6,097,900
U.S. agency asset backed securities	1,226,179	1,248,981
	<u>\$17,484,198</u>	<u>17,883,872</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$111,062 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk – The City's investments are held by a bank's trust department in the City's name. Investments with a carrying amount of \$7,435,547 are rated AAA. The balance of the investments is not rated.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2011

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, 2011 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
2012	\$ 1,410,000	215,323	337,000	43,212	26,000	135,821	20,456	1,023	1,793,456	395,379
2013	1,750,000	154,882	135,000	11,833	219,000	133,301	-	-	2,104,000	300,016
2014	1,785,000	134,382	145,000	10,370	227,000	126,716	-	-	2,157,000	271,468
2015	1,560,000	109,800	145,000	8,795	234,000	119,891	-	-	1,939,000	238,486
2016	1,055,000	77,295	150,000	6,835	213,000	113,291	-	-	1,418,000	197,421
2017	720,000	54,110	160,000	4,875	220,000	106,901	-	-	1,100,000	165,886
2018	655,000	36,890	75,000	2,437	227,000	100,301	-	-	957,000	139,628
2019	275,000	19,610	-	-	234,000	93,491	-	-	509,000	113,101
2020	285,000	10,260	-	-	242,000	76,470	-	-	527,000	86,730
2021	-	-	-	-	250,000	79,211	-	-	250,000	79,211
2022	-	-	-	-	258,000	71,710	-	-	258,000	71,710
2023	-	-	-	-	266,000	63,971	-	-	266,000	63,971
2024	-	-	-	-	275,000	55,990	-	-	275,000	55,990
2025	-	-	-	-	284,000	47,741	-	-	284,000	47,741
2026	-	-	-	-	293,000	39,220	-	-	293,000	39,220
2027	-	-	-	-	302,000	30,431	-	-	302,000	30,431
2028	-	-	-	-	312,000	21,370	-	-	312,000	21,370
2029	-	-	-	-	322,000	12,011	-	-	322,000	12,011
2030	-	-	-	-	78,356	2,350	-	-	78,356	2,350
	<u>\$ 9,495,000</u>	<u>812,552</u>	<u>1,147,000</u>	<u>88,357</u>	<u>4,482,356</u>	<u>1,430,188</u>	<u>20,456</u>	<u>1,023</u>	<u>15,144,812</u>	<u>2,332,120</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 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, 2011

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 January 2011 the City issued \$3,915,000 of General Obligation Refunding Bonds for a crossover refunding of a portion of the General Obligation Bonds dated May 2002, October 2003 and April 2006. The City entered in to an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying \$2,545,000 principal on the refunded general obligation bonds dated April 2006 when they became callable on June 1, 2011 and \$1,260,000 principal on the refunded general obligation bonds dated May 2002 and, October 2003 when they become callable on June 1, 2012 and the interest from June 1, 2011 to and including June 1, 2012 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions, balances and liabilities of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

The City refunded the bonds to reduce its total debt service payments by approximately \$178,738 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$171,389.

In January 2011 the City issued \$1,300,000 of General Obligation Bonds. The proceeds from the bonds were used to pay costs of refunding outstanding General Obligation Bonds dated August 2004; and for improvements and extensions to the municipal sewer utility.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2011

4. **PENSION AND RETIREMENT BENEFITS**

**MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA** - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.40% 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, 2011, 2010 and 2009 were \$205,493, \$164,708 and \$186,950, 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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$217,336, \$202,939 and \$180,580, equal to the required contributions for each year.

5. **OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Plan Description** – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 91 active and 2 retired members in the plan. Participants must be 55 or older at retirement. Some Fire/Rescue participants qualify at age 50 with 22 years of service.

The medical/prescription drug benefits are provided through a self-funded plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2011

5. **OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (CONTINUED)**

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$510 for single coverage and \$1,260 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$0 and plan members eligible for benefits contributed approximately \$22,300 to the plan.

6. **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 and not upon separation of service. 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, 2011, primarily relating to the General Fund, was as follows:

Vacation	\$ 290,226
Sick leave	<u>982,491</u>
	\$ <u>1,218,688</u>

This liability has been computed based on rates of pay as of June 30, 2011.

7. **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 \$166,765 as of June 30, 2011.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2011

8. **INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 132,300
	Industrial Park Urban Renewal Tax Increment	550,332
	Downtown Tax Increment	53,145
	Police Retirement	12,500
	Enterprise:	
	Sewer	314,900
	Recycling	15,700
	Component Unit	<u>784,500</u>
		<u>1,863,377</u>
Debt Service	General	15,635
	Special Revenue:	
	Industrial Park Urban Renewal Tax Increment	354,922
	Downtown Tax Increment	100,286
	East 92 Tax Increment	106,784
	Enterprise:	
	Sewer	594,225
	Component Unit	<u>115,900</u>
		<u>1,287,752</u>
Capital Projects:		
Capital Projects Fund	General	168,126
	Special Revenue:	
	Road Use Tax	6,200
	Police Seizures	80,000
	Capital Projects:	
	Community Athletic Facility	28,084
	Enterprise:	
	Sewer	3,800
	Component Unit	<u>18,500</u>
		<u>304,710</u>

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2011

8. INTERFUND TRANSFERS (CONTINUED)

Transfer to	Transfer from	Amount
Street Construction	Special Revenue: Downtown Tax Increment	<u>152,000</u>
Community Athletic Facility	General	<u>11,667</u>
Community Redevelopment	Special Revenue: Downtown Tax Increment	<u>68,391</u>
Component Unit	Special Revenue: Road Use Tax	6,000
	Enterprise: Sewer	<u>15,900</u>
		<u>21,900</u>
		<u>\$ 3,709,797</u>

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

9. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual 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 150 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, 2011

9. **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, 2011 were \$118,250 (2010 - \$122,738).

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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, 2011, 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year-period following withdrawal.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2011

9. **RISK MANAGEMENT (CONTINUED)**

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, 2011 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2011, the City paid workers' compensation insurance premiums of \$117,185 (2010 - \$122,822) to the Association.

10. **COMMITMENTS**

The City has entered into contracts for a wastewater collection system rehabilitation project, a sewer extension projects, and other projects totaling approximately \$7,888,579. The remaining commitment on these contracts at June 30, 2011 is \$3,102,730.

11. **DEFICIT BALANCES**

The City had deficit balances in the following funds at June 30, 2011:

Capital Projects Fund:	
Community Redevelopment	\$ 249,008
Enterprise Fund:	
Stormwater Utility	51,024

The deficits will be eliminated upon receipt of funds or transfers in the next fiscal year.

**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, 2011

	Governmental Funds Actual	Proprietary Funds Actual
Receipts		
Property tax	\$ 4,836,322	-
Tax increment financing collections	865,761	-
Other city tax	137,481	-
Licenses and permits	197,339	-
Use of money and property	318,803	54,588
Intergovernmental	1,825,569	-
Charges for service	982,632	3,577,534
Special assessments	92,034	38,457
Miscellaneous	623,383	156,925
Total receipts	<u>9,879,324</u>	<u>3,827,504</u>
Disbursements		
Public safety	3,574,355	366,694
Public works	1,185,798	102,436
Culture and recreation	1,992,708	166,045
Community and economic development	123,554	-
General government	1,196,933	147,050
Debt service	5,718,378	-
Capital projects	1,904,710	-
Business type activities	-	4,771,501
Total disbursements	<u>15,696,436</u>	<u>5,553,726</u>
Excess of receipts over disbursements	(5,817,112)	(1,726,222)
Other financing sources, net	<u>5,545,241</u>	<u>1,827,020</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(271,871)	100,798
Balances beginning of year	<u>7,696,165</u>	<u>1,993,759</u>
Balances end of year	<u>\$ 7,424,294</u>	<u>2,094,557</u>

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	4,836,322	4,788,677	4,788,677	47,645
-	865,761	909,600	909,600	(43,839)
-	137,481	138,624	138,624	(1,143)
-	197,339	105,400	105,400	91,939
255	373,136	278,800	278,800	94,336
-	1,825,569	1,566,200	2,029,500	(203,931)
1,314,889	3,245,277	3,280,100	3,280,100	(34,823)
-	130,491	88,300	88,300	42,191
<u>108,391</u>	<u>671,917</u>	<u>1,847,500</u>	<u>1,867,500</u>	<u>(1,195,583)</u>
<u>1,423,535</u>	<u>12,283,293</u>	<u>13,003,201</u>	<u>13,486,501</u>	<u>(1,203,208)</u>
366,694	3,574,355	3,758,500	3,758,500	184,145
102,436	1,185,798	1,424,000	1,424,000	238,202
166,045	1,992,708	2,083,300	2,083,300	90,592
-	123,554	200,500	200,500	76,946
147,050	1,196,933	1,227,300	1,227,300	30,367
-	5,718,378	2,732,900	2,732,900	(2,985,478)
-	1,904,710	3,624,200	4,361,800	2,457,090
437,946	4,333,555	6,969,900	6,969,900	2,636,345
<u>1,220,171</u>	<u>20,029,991</u>	<u>22,020,600</u>	<u>22,758,200</u>	<u>2,728,209</u>
203,364	(7,746,698)	(9,017,399)	(9,271,699)	1,525,001
-	<u>7,372,261</u>	<u>9,344,000</u>	<u>9,821,500</u>	<u>(2,449,239)</u>
203,364	(374,437)	326,601	549,801	(924,238)
<u>1,247,050</u>	<u>8,442,874</u>	<u>(2,299,766)</u>	<u>(2,299,766)</u>	<u>10,742,640</u>
<u>1,450,414</u>	<u>8,068,437</u>	<u>(1,973,165)</u>	<u>(1,749,965)</u>	<u>9,818,402</u>

CITY OF INDIANOLA

Notes to Required Supplementary Information –  
Budgetary Reporting  
June 30, 2011

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 nine 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 and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise 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 \$737,600. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amount 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, 2011

	Industrial Park Urban Renewal Tax Increment	Employee Benefits Levy	Downtown Tax Increment	Special East 92 Tax Increment
Receipts				
Property tax	\$ -	550,332	-	-
Tax increment financing collections	350,835	-	408,142	106,784
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	4,370	-	-	-
Total receipts	<u>355,205</u>	<u>550,332</u>	<u>408,142</u>	<u>106,784</u>
Disbursements				
Public safety	-	-	-	-
Community and economic development	283	-	34,320	-
Capital projects	-	-	-	-
Total disbursements	<u>283</u>	<u>-</u>	<u>34,320</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>354,922</u>	<u>550,332</u>	<u>373,822</u>	<u>106,784</u>
Other financing uses				
Sale of capital assets	-	-	-	-
Operating transfers in (out)	(354,922)	(550,332)	(373,822)	(106,784)
Total other financing sources (uses)	<u>(354,922)</u>	<u>(550,332)</u>	<u>(373,822)</u>	<u>(106,784)</u>
Net change in cash balances	-	-	-	-
Cash balances beginning of year	-	-	-	-
Cash balances end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Basis Fund Balances				
Restricted for:				
Other purposes	\$ -	-	-	-
Committed	-	-	-	-
Total cash basis fund balances	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying independent auditor's report.

Revenue		Capital Projects				
Police Retirement	Police Seizures	Community Athletic Facility	Community Redevelopment	Capital Projects	Total	
-	-	-	-	-	-	550,332
-	-	-	-	-	-	865,761
5,069	-	727	1,453	2,250	-	9,499
-	-	-	-	10,000	-	10,000
-	-	-	-	-	-	-
-	10,133	4,000	101	255,684	-	274,288
<u>5,069</u>	<u>10,133</u>	<u>4,727</u>	<u>1,554</u>	<u>267,934</u>	-	<u>1,709,880</u>
-	9,397	-	-	-	-	9,397
-	-	-	-	-	-	34,603
-	-	6,277	464,676	578,669	-	1,049,622
-	9,397	6,277	464,676	578,669	-	1,093,622
<u>5,069</u>	<u>736</u>	<u>(1,550)</u>	<u>(463,122)</u>	<u>(310,735)</u>	-	<u>616,258</u>
-	-	-	27,110	-	-	27,110
(12,500)	(80,000)	(16,417)	68,391	304,710	-	(1,121,676)
<u>(12,500)</u>	<u>(80,000)</u>	<u>(16,417)</u>	<u>95,501</u>	<u>304,710</u>	-	<u>(1,094,566)</u>
(7,431)	(79,264)	(17,967)	(367,621)	(6,025)	-	(478,308)
<u>148,950</u>	<u>81,076</u>	<u>20,169</u>	<u>118,613</u>	<u>683,724</u>	-	<u>1,052,532</u>
<u>141,519</u>	<u>1,812</u>	<u>2,202</u>	<u>(249,008)</u>	<u>677,699</u>	-	<u>574,224</u>
141,519	1,812	-	-	-	-	143,331
-	-	2,202	(249,008)	677,699	-	430,893
<u>141,519</u>	<u>1,812</u>	<u>2,202</u>	<u>(249,008)</u>	<u>677,699</u>	-	<u>574,224</u>

CITY OF INDIANOLA  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds  
As of and for the Year Ended June 30, 2011

	Enterprise			Internal	
	Recycling	Stormwater Utility	Total	Health Insurance Reserve	Property Insurance Council
Receipts					
Use of money and property	\$ -	-	-	-	255
Charges for service	176,337	64,035	240,372		
Internal service charges	-	-	-	16,594	-
Miscellaneous	-	-	-	41,250	5,827
Total receipts	<u>176,337</u>	<u>64,035</u>	<u>240,372</u>	<u>57,844</u>	<u>6,082</u>
Disbursements					
Operating					
Public safety	-	-	-	14,330	1,238
Public works	-	-	-	3,487	983
Culture and recreation	-	-	-	5,975	2,970
General government	-	-	-	5,564	1,429
Business type activities					
Sewer	-	-	-	3,776	1,884
Other	134,744	115,059	249,803	-	-
Component Unit:					
Municipal Utilities	-	-	-	11,454	-
Total disbursements	<u>134,744</u>	<u>115,059</u>	<u>249,803</u>	<u>44,586</u>	<u>8,504</u>
Excess (deficiency) of receipts over (under) disbursements	<u>41,593</u>	<u>(51,024)</u>	<u>(9,431)</u>	<u>13,258</u>	<u>(2,422)</u>
Other financing sources (uses)					
Operating transfers out	(15,700)	-	(15,700)	-	-
Net change in cash balances	25,893	(51,024)	(25,131)	13,258	(2,422)
Cash balances beginning of year	49,617	-	49,617	176,750	12,032
Cash balances end of year	<u>\$ 75,510</u>	<u>(51,024)</u>	<u>24,486</u>	<u>190,008</u>	<u>9,610</u>
Cash Basis Fund Balances					
Unrestricted	75,510	(51,024)	24,486	190,008	9,610
Total cash basis fund balances	<u>\$ 75,510</u>	<u>(51,024)</u>	<u>24,486</u>	<u>190,008</u>	<u>9,610</u>

See accompanying independent auditor's report.

Service		
Health Pool	Health Reimbursement Arrangement	Total
-	-	255
1,204,707	93,588	1,314,889
<u>61,314</u>	<u>-</u>	<u>108,391</u>
<u>1,266,021</u>	<u>93,588</u>	<u>1,423,535</u>
325,228	25,898	366,694
91,556	6,410	102,436
149,403	7,697	166,045
129,722	10,335	147,050
104,713	8,287	118,660
-	-	-
<u>286,737</u>	<u>21,095</u>	<u>319,286</u>
<u>1,087,359</u>	<u>79,722</u>	<u>1,220,171</u>
<u>178,662</u>	<u>13,866</u>	<u>203,364</u>
-	-	-
178,662	13,866	203,364
<u>905,369</u>	<u>152,899</u>	<u>1,247,050</u>
<u>1,084,031</u>	<u>166,765</u>	<u>1,450,414</u>
<u>1,084,031</u>	<u>166,765</u>	<u>1,450,414</u>
<u>1,084,031</u>	<u>166,765</u>	<u>1,450,414</u>

CITY OF INDIANOLA

Schedule of Indebtedness  
Year Ended June 30, 2011

OBLIGATION	DATE OF ISSUE	INTEREST RATES	AMOUNT ORIGINALLY ISSUED
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
2009 Street Improvements & Equipment	8/31/2009	2.00-3.60	2,500,000
2011 General Obligation Refunding	1/13/2011	1.00-2.50	3,915,000
2011 Refunding & Sewer Improvements	1/13/2011	1.00-2.00	1,300,000
Capital Loan Notes			
1995 Sewer Revenue	6/21/1995	3.00	383,000
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
2009 General Obligation	8/31/2009	1.25-3.25	620,000
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 Notes	2/15/2006	3.30-4.00	1,525,000
2010 Electric Revenue Capital Loan Notes	6/15/2010	2.00-4.00	9,040,000

See accompanying independent auditor's report.

BALANCE BEGINNING OF YEAR	ISSUED DURING YEAR	REDEEMED DURING YEAR	BALANCE END OF YEAR	INTEREST PAID	INTEREST DUE AND UNPAID
\$ 1,285,000	-	200,000	1,085,000	48,680	-
975,000	-	975,000	-	21,808	-
3,040,000	-	3,040,000	-	110,077	-
1,250,000	-	140,000	1,110,000	42,765	-
2,500,000	-	225,000	2,275,000	67,630	-
-	3,915,000	-	3,915,000	22,152	-
-	1,300,000	190,000	1,110,000	6,325	-
<u>9,050,000</u>	<u>5,215,000</u>	<u>4,770,000</u>	<u>9,495,000</u>	<u>319,437</u>	<u>-</u>
130,000	-	24,000	106,000	3,540	-
82,000	-	40,000	42,000	4,327	-
835,000	-	220,000	615,000	39,078	-
195,000	-	195,000	-	5,137	-
175,000	-	175,000	-	5,425	-
1,920,507	2,455,849	-	4,376,356	93,876	-
555,000	-	65,000	490,000	14,108	-
<u>3,892,507</u>	<u>2,455,849</u>	<u>719,000</u>	<u>5,629,356</u>	<u>165,491</u>	<u>-</u>
39,938	-	19,482	20,456	1,997	-
<u>\$ 12,982,445</u>	<u>7,670,849</u>	<u>5,508,482</u>	<u>15,144,812</u>	<u>486,925</u>	<u>-</u>
\$ 1,825,000	-	235,000	1,590,000	66,345	-
930,000	-	930,000	-	35,185	-
9,040,000	-	-	9,040,000	270,114	-
<u>\$ 11,795,000</u>	<u>-</u>	<u>1,165,000</u>	<u>10,630,000</u>	<u>371,644</u>	<u>-</u>

CITY OF INDIANOLA

Bond and Note Maturities  
June 30, 2011

YEAR ENDING JUNE 30,	GENERAL			
	SEWER & WATER IMPROVEMENTS		STREET IMPROVEMENTS & EQUIPMENT	
	ISSUED OCTOBER 1, 2003		ISSUED MAY 22, 2008	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2012	3.50	\$ 210,000	3.80	\$ 145,000
2013	3.75	220,000	3.00	145,000
2014	3.90	225,000	3.15	150,000
2015	4.00	100,000	3.30	160,000
2016	4.05	105,000	3.40	165,000
2017	4.15	110,000	3.50	170,000
2018	4.25	115,000	3.60	175,000
2019		-		-
2020		-		-
		<u>\$ 1,085,000</u>		<u>\$ 1,110,000</u>

YEAR ENDING JUNE 30,	OTHER DEBT	
	EQUIPMENT LOAN	
	ISSUED FEBRUARY 15, 2006	
INTEREST RATE	AMOUNT	
2012	4.99	\$ 20,456

## OBLIGATION

STREET IMPROVEMENTS & EQUIPMENT		GENERAL OBLIGATION REFUNDING		REFUNDING & SEWER IMPROVEMENTS		
ISSUED AUGUST 31, 2009		ISSUED JANUARY 13, 2011		ISSUED JANUARY 13, 2011		
INTEREST		INTEREST		INTEREST		
RATE	AMOUNT	RATE	AMOUNT	RATE	AMOUNT	TOTAL
2.00	\$ 230,000	1.00	\$ 550,000	1.00	\$ 275,000	\$ 1,410,000
2.00	230,000	1.00	880,000	1.00	275,000	1,750,000
2.20	235,000	1.25	895,000	1.25	280,000	1,785,000
2.50	245,000	2.00	775,000	2.00	280,000	1,560,000
2.75	250,000	2.00	535,000		-	1,055,000
2.95	260,000	2.00	180,000		-	720,000
3.20	265,000	2.50	100,000		-	655,000
3.40	275,000		-		-	275,000
3.60	285,000		-		-	285,000
	<u>\$ 2,275,000</u>		<u>\$ 3,915,000</u>		<u>\$ 1,110,000</u>	<u>\$ 9,495,000</u>

CITY OF INDIANOLA

Bond and Note Maturities  
June 30, 2011

YEAR ENDING JUNE 30,	SEWER REVENUE		ESSENTIAL CORPORATE PURPOSE		CAPITAL ESSENTIAL CORPORATE PURPOSE	
	ISSUED JUNE 21, 1995		ISSUED FEBRUARY 15, 2002		ISSUED MAY 1, 2002	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2012	3.00	\$ 25,000	5.35	\$ 42,000	4.30	\$ 230,000
2013	3.00	26,000		-	4.45	70,000
2014	3.00	27,000		-	4.50	75,000
2015	3.00	28,000		-	4.60	75,000
2016		-		-	4.70	80,000
2017		-		-	4.80	85,000
2018		-		-		-
2019		-		-		-
2020		-		-		-
2021		-		-		-
2022		-		-		-
2023		-		-		-
2024		-		-		-
2025		-		-		-
2026		-		-		-
2027		-		-		-
2028		-		-		-
2029		-		-		-
2030		-		-		-
		<u>\$ 106,000</u>		<u>\$ 42,000</u>		<u>\$ 615,000</u>

See accompanying independent auditor's report.

LOAN NOTES

<u>SEWER REVENUE</u>		<u>GENERAL OBLIGATION</u>		
<u>ISSUED MAY 20, 2009</u>		<u>ISSUED AUGUST 31, 2009</u>		
<u>INTEREST</u>		<u>INTEREST</u>		
<u>RATE</u>	<u>AMOUNT</u>	<u>RATE</u>	<u>AMOUNT</u>	<u>TOTAL</u>
3.00	\$ 1,000	2.25	\$ 65,000	\$ 363,000
3.00	193,000	2.25	65,000	354,000
3.00	200,000	2.25	70,000	372,000
3.00	206,000	2.80	70,000	379,000
3.00	213,000	2.80	70,000	363,000
3.00	220,000	3.25	75,000	380,000
3.00	227,000	3.25	75,000	302,000
3.00	234,000		-	234,000
3.00	242,000		-	242,000
3.00	250,000		-	250,000
3.00	258,000		-	258,000
3.00	266,000		-	266,000
3.00	275,000		-	275,000
3.00	284,000		-	284,000
3.00	293,000		-	293,000
3.00	302,000		-	302,000
3.00	312,000		-	312,000
3.00	322,000		-	322,000
3.00	78,356		-	78,356
	<u>\$ 4,376,356</u>		<u>\$ 490,000</u>	<u>\$ 5,629,356</u>

CITY OF INDIANOLA

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Receipts</b>					
Property tax	\$ 4,836,322	4,826,350	4,739,284	4,380,621	4,302,700
Tax increment financing collections	865,761	712,476	632,566	652,571	414,117
Other city tax	137,481	118,906	116,449	119,660	115,249
Licenses and permits	197,339	96,392	66,923	187,498	198,688
Use of money and property	318,803	366,427	339,169	320,015	377,916
Intergovernmental	1,825,569	2,337,365	1,648,354	1,813,522	2,252,514
Charges for service	982,632	888,563	1,117,293	1,033,928	867,941
Special assessments	92,034	197,299	161,882	331,949	284,420
Miscellaneous	<u>623,383</u>	<u>418,791</u>	<u>351,465</u>	<u>648,262</u>	<u>620,475</u>
Total	<u>\$ 9,879,324</u>	<u>9,962,569</u>	<u>9,173,385</u>	<u>9,488,026</u>	<u>9,434,020</u>
<b>Disbursements</b>					
Operating					
Public safety	3,574,355	3,356,421	3,269,051	3,173,199	3,085,903
Public works	1,185,798	1,151,366	1,282,170	1,348,228	1,256,853
Culture and recreation	1,992,708	2,020,345	2,316,774	1,904,951	1,936,423
Community and economic development	123,554	96,617	104,155	83,781	617,772
General government	1,196,933	1,144,194	1,037,373	995,407	965,143
Debt service	5,718,378	2,276,339	2,219,139	1,956,788	2,792,481
Capital projects	<u>1,904,710</u>	<u>2,713,016</u>	<u>1,678,814</u>	<u>966,954</u>	<u>3,041,721</u>
Total	<u>\$ 15,696,436</u>	<u>12,758,298</u>	<u>11,907,476</u>	<u>10,429,308</u>	<u>13,696,296</u>

See accompanying independent auditor's report.

## Schedule 5

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
4,193,385	3,953,158	3,657,046	3,313,265	3,058,458
242,398	188,396	104,611	101,614	85,525
113,263	127,553	118,717	116,006	128,958
163,875	194,540	209,890	155,117	152,391
198,498	177,341	160,428	198,625	161,440
1,366,839	2,082,365	1,514,317	1,610,670	1,391,440
897,130	765,904	746,475	859,959	835,398
148,054	310,621	101,884	140,938	198,685
<u>410,502</u>	<u>243,665</u>	<u>246,324</u>	<u>334,933</u>	<u>317,129</u>
<u>7,733,944</u>	<u>8,043,543</u>	<u>6,859,692</u>	<u>6,831,127</u>	<u>6,329,424</u>
3,098,731	3,064,421	2,575,156	2,238,824	2,555,746
1,338,626	1,159,048	1,236,315	1,247,388	1,182,720
1,933,962	1,661,909	1,681,481	1,805,974	1,515,828
65,386	90,030	109,684	307,054	375,401
972,894	931,372	838,593	795,336	1,006,773
1,623,791	1,562,645	1,412,173	1,547,690	2,012,010
<u>962,040</u>	<u>1,790,459</u>	<u>194,327</u>	<u>187,119</u>	<u>162,661</u>
<u>9,995,430</u>	<u>10,259,884</u>	<u>8,047,729</u>	<u>8,129,385</u>	<u>8,811,139</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, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our reports thereon dated January 31, 2012. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies in internal control over financial reporting.

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

A significant deficiency is a deficiency, or combination of control deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### 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, 2011 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.*

January 31, 2012

CITY OF INDIANOLA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

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

- (A) Unqualified opinions were 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-11      Certified Budget - Disbursements during the year ended June 30, 2011, exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 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, 2011

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

- IV-B-11      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-11      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-11      Business Transactions - No business transactions between the City and City officials or employees were noted.
- IV-E-11      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-11      Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-11      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-11      Revenue Bonds - No violations of provisions of revenue bond resolution requirements were noted.
- IV-I-11      Financial Condition - The City had the following deficit balances at June 30, 2011:

Capital Projects Fund:	
Community Redevelopment	\$ 249,008
Enterprise Fund:	
Stormwater Utility	51,024

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

Response – We will do so.

Conclusion – Response accepted.