

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 6, 2013

Subject to compliance by the Issuer with certain covenants, in the opinion of Ahlers & Cooney, P.C., Bond Counsel, under present laws, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes. Interest is not an item of tax preference in computing the federal alternative minimum tax for individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax for certain corporations. Interest on the Bonds is not exempt from present Iowa income taxes. The Bonds will be designated as "qualified tax exempt bonds." See "TAX MATTERS" herein.

REFUNDING ISSUE

DTC BOOK ENTRY ONLY

MOODY'S RATING REQUESTED

CITY OF INDIANOLA, IOWA

\$2,065,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013C

DATED: July 17, 2013 (Expected Date of Delivery)

DUE: June 1, as shown below

The \$2,065,000*General Obligation Refunding Bonds, Series 2013C (the "Series 2013C Bonds" or the "Bonds") described above are issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as bondholder and nominee of the Depository Trust Company, New York, NY ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by the City Clerk, Indianola, Iowa as Registrar and Paying Agent (the "Registrar"), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC Participants, indirect participants or the persons for whom they act as nominee with respect to the Bonds.

Interest on the Bonds are payable on June 1 and December 1 in each year, beginning December 1, 2013 to the registered owners thereof. The Bonds mature on June 1 in the years and amounts and bear interest at the rates as set out below:

SERIES 2013C BONDS

<u>Year</u>	<u>Amount</u>
<u>(June 1)</u>	
2015	\$170,000
2016	445,000
2017	450,000
2018	450,000
2019	275,000
2020	275,000

\$ ____ ** Term Bonds due June 1, 20__ priced to yield ____%

\$ ____ ** Term Bonds due June 1, 20__ priced to yield ____%

REDEMPTION:

The Bonds are not subject to redemption prior to maturity.

MINIMUM BID:

\$2,054,675.00 [99.5%]

GOOD FAITH DEPOSIT:

Required of Purchaser Only

The Bonds are being issued by the City of Indianola, Iowa (the "City" or "Issuer") pursuant to and in strict compliance with the provisions of Chapter 384 of the City Code of Iowa and all other laws amendatory thereof and supplemental thereto, and in conformity with resolutions of the City Council.

The Series 2013C Bonds are being issued to evidence the City's obligation, in the aggregate principal amount of \$2,065,000, in order to provide funds to pay costs of crossover advance refunding, on June 1, 2014, the 2015-18 maturities of General Obligation Bonds, Series 2008, dated May 22, 2008 (the "Series 2008 Bonds") and crossover advance refunding, on June 1, 2015, the 2016-20 maturities of the General Obligation Bonds, Series 2009A dated August 31, 2009 (the "Series 2009A Bonds"). The Bonds will constitute valid and binding general obligations of the City payable from the levy of unlimited ad valorem taxes on all the taxable property within the City.

The Bonds are offered when, as and if issued and subject to receipt of the approving legal opinion of Ahlers & Cooney, P.C., Des Moines, Iowa, which opinion will be furnished at closing. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about July 17, 2013.

BID OPENING:

Monday, June 17, 2013, 10:30 A.M., Central Time

Office of the City Manager

110 North 1st Street, PO Box 299

Indianola, Iowa 50125

Phone: 515/961-9410; Fax: 515/961-9402

PARITY® Bidding Available

AWARD:

Monday, June 17, 2013, 6:00 P.M., Central Time

RUAN SECURITIES
A Division of **D.A. Davidson & Co.**
member SIPC

* Preliminary, subject to change. The City reserves the right to adjust the principal amount of the Bonds as necessary to effectuate the refunding, but does not anticipate adjusting the aggregate par amount of the Bonds above \$2,075,000. Adjustments will be in increments of \$5,000 and may be made in any maturities. In the event of adjustment, the purchase price of the Bonds will be adjusted proportionately allowing the same dollar amount of gross spread per \$1,000 Bond.

** Bids for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption and must conform to the maturity schedule set forth above. In order to designate term bonds, the bid must specify "Years of Term Maturities" in the spaces provided on the respective Bid Form.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

NOTICE OF BOND SALE

Time and Place of Sealed Bids: Bids for the sale of General Obligation Refunding Bonds, Series 2013C, of the City of Indianola, State of Iowa, will be received at the office of the City Manager, City Hall, 110 N. 1st Street, P.O. Box 299, Indianola, Iowa 50125-0299; Telephone: 515-961-9410 (the "Issuer") before 10:30 A.M., on the 17th day of June, 2013. The bids will then be publicly opened and referred for action to the meeting of the City Council in conformity with the TERMS OF OFFERING.

The Bonds: The bonds to be offered are the following:

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013C, in the amount of not to exceed \$2,065,000*, to be dated July 17, 2013 (the "Bonds")

* Preliminary, subject to change. The City reserves the right to adjust the principal amount of the Bonds as necessary to effectuate the refunding, but does not anticipate adjusting the aggregate par amount of the Bonds above \$2,075,000. Adjustments will be in increments of \$5,000 and may be made in any maturities. In the event of adjustment, the purchase price of the Bonds will be adjusted proportionately allowing the same dollar amount of gross spread per \$1,000 Bond.

Manner of Bidding: Open bids will not be received. Bids will be received in any of the following methods:

- Sealed Bidding: Sealed bids may be submitted and will be received at the office of the City Manager at City Hall, 110 N. 1st Street, P.O. Box 299, Indianola, Iowa 50125-0299.
- Electronic Internet Bidding: Electronic internet bids will be received at the office of the City Manager at City Hall, 110 N. 1st Street, P.O. Box 299, Indianola, Iowa 50125-0299. The bids must be submitted through the PARITY® competitive bidding system.
- Electronic Facsimile Bidding: Electronic facsimile bids will be received at the office of the City Manager at City Hall, 110 N. 1st Street, P.O. Box 299, Indianola, Iowa 50125-0299 (facsimile number: 515-961-9402) Electronic facsimile bids will be sealed and treated as sealed bids.

Consideration of Bids: After the time for receipt of bids has passed, the close of sealed bids will be announced. Sealed bids will then be publicly opened and announced. Finally, electronic internet bids will be accessed and announced.

Sale and Award: The sale and award of the Bonds will be held at the Council Chambers, City Hall, 110 N. 1st Street, Indianola, Iowa at a meeting of the City Council on the above date at 6:00 o'clock P.M.

Official Statement: The Issuer has issued an Official Statement of information pertaining to the Bonds to be offered, including a statement of the Terms of Offering and an Official Bid Form, which is incorporated by reference as a part of this notice. The Official Statement may be obtained by request addressed to the City Clerk, City Hall, 110 N. 1st Street, P.O. Box 299, Indianola, Iowa 50125-0299; Telephone: 515-961-9410 or the Issuer's Financial Advisor, Ruan Securities, a division of D.A. Davidson & Co., 515 East Locust Suite 200, Des Moines, Iowa 50309, 515-471-2700.

Terms of Offering: All bids shall be in conformity with and the sale shall be in accord with the Terms of Offering as set forth in the Official Statement.

Legal Opinion: The bonds will be sold subject to the opinion of Ahlers & Cooney, P.C., Attorneys of Des Moines, Iowa, as to the legality and their opinion will be furnished together with the printed bonds without cost to the purchaser and all bids will be so conditioned. Except to the extent necessary to issue their opinion as to the legality of the bonds, the attorneys will not examine or review or express any opinion with respect to the accuracy or completeness of documents, materials or statements made or furnished in connection with the sale, issuance or marketing of the bonds.

Rights Reserved: The right is reserved to reject any or all bids, and to waive any irregularities as deemed to be in the best interests of the public.

By order of the City Council of the City of Indianola, State of Iowa.

City Clerk, City of Indianola, State of Iowa

TERMS OF OFFERING

In addition to the provisions of the official Notice of Sale, this section sets forth the description of certain of the terms of the Bonds as well as the terms of offering with which all bidders and bid proposals are required to comply, as follows:

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013C (the “Bonds” or the “Series 2013C Bonds”) in the principal amount of \$2,065,000* to be dated the date of delivery in the denomination of \$5,000 or multiples thereof, and to mature as follows:

SERIES 2013C BONDS

<u>Year</u> <u>(June 1)</u>	<u>Amount</u>
2015	\$170,000
2016	445,000
2017	450,000
2018	450,000
2019	275,000
2020	275,000

\$____,____ ** Term Bonds due June 1, 20__ priced to yield ____%
\$____,____ ** Term Bonds due June 1, 20__ priced to yield ____%

** Preliminary, subject to change. The City reserves the right to adjust the principal amount of the Bonds as necessary to effectuate the refunding, but does not anticipate adjusting the aggregate par amount of the Bonds above \$2,075,000. Adjustments will be in increments of \$5,000 and may be made in any maturities. In the event of adjustment, the purchase price of the Bonds will be adjusted proportionately allowing the same dollar amount of gross spread per \$1,000 Bond.*

Optional Redemption: The Bonds are not subject to redemption prior to maturity.

Interest: Interest on the Bonds are payable on June 1 and December 1 in each year, beginning December 1, 2013 to the registered owners thereof. The Bonds mature on June 1 in the years and amounts and bear interest at the rates as set out below: Principal and interest will be payable at the office of the City Clerk, Indianola, Iowa.

Book Entry System: The Bonds will be issued in fully registered form in denominations of \$5,000 each or multiples thereof and, when issued, will be registered in the name of Cede & Co. as bondholder and nominee of the Depository Trust Company, New York, NY (“DTC”). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchasers of the Bonds will not receive certificates representing their interest on the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by the City Clerk, Indianola, Iowa, as Registrar and Paying Agent (the “Registrar”), or its successors, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC participants, indirect participants or the persons for whom they act as nominee with respect to the Bonds.

Bid Security: A Good Faith Deposit (“Deposit”) in the amount of one percent (1%) for the Bonds is required of the lowest bidder. The lowest bidder is required to submit such Deposit payable to the order of the City in the form of either (i) a cashier’s check provided to the City or its Financial Advisor prior to the opening of bids or (ii) a wire transfer as instructed by the City’s Financial Advisor not later than 12:30 P.M. Central Time on the day of sale of the Bonds. If not so received, the bid of the lowest bidder will be rejected and the City may direct the second lowest bidder for the Bonds to submit a Deposit and thereafter may award the sale of the Bonds to the same. No interest on a Deposit will accrue to a successful bidder (the “Purchaser”). The Deposit will be applied to the purchase price of the Bonds. In the event a Purchaser fails to honor its accepted bid proposal, the Deposit will be retained by the City.

Sealed Bidding: Sealed bids may be submitted and will be received at the office of the City Manager at City Hall, 110 N. 1st Street, P.O. Box 299, Indianola, Iowa 50125-0299.

Facsimile Bidding: Bids may be submitted via facsimile at (515) 961-9402. Facsimile bids will be sealed and treated as sealed bids. Neither the Issuer nor its agents will assume liability for the inability of the bidder to reach the above named fax number prior to the time of sale specified above. Time of receipt shall be the time recorded by the facsimile receiver.

Internet Bidding: Internet bids must be submitted through PARITY® (“the Internet Bid System”). Information about the Internet Bid System may be obtained by calling (212)849-5021.

Each bidder shall be solely responsible for making necessary arrangements to access the Internet Bid System for purposes of submitting its internet bid in a timely manner and in compliance with the requirements of the Terms of Offering. The Issuer is permitting bidders to use the services of the Internet Bid System solely as a communication mechanism to conduct the internet bidding and the Internet Bid System is not an agent of the Issuer. Provisions of the Notice of Sale, Terms of Offering or Official Bid Form shall control in the event of conflict with information provided by the Internet Bid System.

Form of Bids and Award: All bids shall be unconditional for an entire issue of the Bonds for a price not less than \$2,054,675 (99.5% of par) plus accrued interest, and shall specify the rate or rates of interest in conformity to the limitations of the following paragraph. Bids must be submitted on or in substantial compliance with the official bid form provided by the Issuer or through the Internet Bid System. The Bonds will be awarded to the bidder offering the lowest true interest rate to be determined on a true interest cost basis (TIC).

Rates of Interest: The rates of interest specified in the bidder’s proposal must conform to the limitations following:

1. All Bonds of each annual maturity must bear the same interest rate.
2. Rates bid must be in multiples of one-eighth or one-twentieth of one percent.
3. Each rate of interest specified for Bonds of any maturity shall not exceed 5.00%.

Delivery: The Bonds will be delivered to the purchaser through DTC in New York, New York, against full payment in immediately available cash or federal funds. The Bonds are expected to be delivered within thirty days after the sale. Should delivery be delayed beyond sixty days from date of sale for any reason except failure to performance by the purchaser, the purchaser may withdraw their bid and thereafter their interest in and liability for the Bonds will cease. (When the Bonds are ready for delivery, the Issuer may give the successful bidder five working days’ notice of the delivery date and the Issuer will expect payment in full on that date, otherwise reserving the right at its option to determine that the bidder has failed to comply with the offer of purchase.)

Certificate of Purchaser: The Purchaser of the Bonds will be required as a condition of the sale to execute and submit to the Issuer within 15 days after the date of sale, a Certificate in a form satisfactory to the Issuer as to the initial offering price of the Bonds to the public (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds (not less than 10% of each maturity) were in fact sold, and certifying that the prices are not greater than as shown on the Certificate and that the prices are not unreasonably low.

Official Statement: The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts, and interest rates of the Bonds, and any other information required by law or deemed appropriate by the Issuer, shall constitute a “Final Official Statement” of the Issuer with respect to the Bonds, as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”). By awarding the Bonds to any underwriter or underwriting syndicate submitting an Official Bid Form therefor, the Issuer agrees that, no more than seven (7) business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 10 copies of the Official Statement and the addendum described in the preceding sentence to permit each “Participating Underwriter” (as that term is defined in the Rule) to comply with the provisions of such Rule. The Issuer shall treat the senior managing underwriter of the syndicate to which the Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the Bonds agrees thereby that if its bid is accepted by the Issuer, (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

CUSIP Numbers: It is anticipated that CUSIP numbers will be printed on the Bonds and the purchaser must agree in the bid proposal to pay the cost thereof. In no event will the Issuer be responsible for or Bond Counsel review or express any opinion of the correctness of such numbers, and incorrect numbers on said Bonds shall not be cause for the purchaser to refuse to accept delivery of said Bonds.

OFFICIAL BID FORM

**TO: Mayor and City Council
Indianola, Iowa**

**Due: June 17, 2013
10:30 A.M. Central**

**RE: \$2,065,000* General Obligation Refunding Bonds, Series 2013C
Dated July 17, 2013**

For all or none of the above Bonds, in accordance with the Notice of Sale and Terms of Offering, we will pay you \$_____ (not less than \$2,054,675 [99.5% of par]) and accrued interest to date of delivery for Bonds bearing interest rates and maturing on June 1 in each of the stated years as follows:

_____ % for \$170,000 due in 2015	_____ % for \$450,000 due in 2018
_____ % for \$445,000 due in 2016	_____ % for \$275,000 due in 2019
_____ % for \$450,000 due in 2017	_____ % for \$275,000 due in 2020

** Preliminary, subject to change. The City reserves the right to adjust the principal amount of the Bonds as necessary to effectuate the refunding, but does not anticipate adjusting the aggregate par amount of the Bonds above \$2,075,000. Adjustments will be in increments of \$5,000 and may be made in any maturities. In the event of adjustment, the purchase price of the Bonds will be adjusted proportionately allowing the same dollar amount of gross spread per \$1,000 Bond.*

This bid is for prompt acceptance and for delivery of said Bonds to us in compliance with the Notice of Sale and Terms of Offering of the General Obligation Refunding Bonds, Series 2013C which is made a part of the proposal by reference.

According to our computations (the correct computation being controlling in the award), we compute the following:

NET INTEREST COST

\$_____

TRUE INTEREST COST

**_____ %
(based on dated date of July 17, 2013)**

Respectfully submitted,

Account Manager: _____ (Representing associated firms listed on back)

By: _____

Phone No. _____

.....
The foregoing offer is hereby accepted by and on behalf of the city of Indianola, Iowa, this 17th day of June 2013.

BY: _____ ATTEST: _____
Mayor City Clerk

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), this document as the same may be supplemented or corrected by the City from time to time (collectively the “Official Statement”) may be treated as an Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the City.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a “Final Official Statement” of the City with respect to the Bonds as that term is defined in the Rule. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

No broker, dealer, salesman, or other person has been authorized by the Issuer to give any information or to make any representations with respect to the Bonds other than as contained in the Official Statement of the Final Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City.

Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness. The information and expressions of opinion in the Official Statement are subject to change, and neither the delivery of the Official Statement nor any sale made under such document shall create any implication that there has been no change in the affairs of the City since the date thereof.

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CITY OF INDIANOLA, IOWA

ELECTED OFFICIALS

Kenan Bresnan, Mayor Term expires January 1, 2014
Greg Marchant, Council Member Term expires January 1, 2016
Pete Berry, Council Member Term expires January 1, 2014
John Parker, Council Member Term expires January 1, 2016
Eric Mathieu, Council Member Term expires January 1, 2016
John Sirianni, Council Member Term expires January 1, 2014
Pam Pepper, Council Member Term expires January 1, 2014

ADMINISTRATIVE OFFICIALS

Eric Hanson, City Manager
Jean Furler*, Director of Finance and
Administrative Services
Diana Bowlin, City Clerk
Doug Shull, City Treasurer

* Ms. Furler has resigned her position and
her last day with the City will be May 31, 2013

CITY HALL

110 N. 1st Street, PO Box 299
Indianola, IA 50125-0299
(515) 961-9410
Fax (515) 961-9402

BOND COUNSEL

Ahlers & Cooney, P.C.
100 Court Avenue, Suite 600
Des Moines, IA 50309
(515) 243-7611

FINANCIAL CONSULTANT

Ruan Securities
a Division of D.A. Davidson & Co.
515 East Locust Street, Suite 200
Des Moines, IA 50309
(515) 471-2700
Fax (515) 471-2702

*Copies of this Official Statement may be obtained from Diana Bowlin, City Clerk,
or from the Financial Consultant for the City*

OFFICIAL STATEMENT

CITY OF INDIANOLA, IOWA

\$2,065,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013C

INTRODUCTION

This Official Statement, including the cover page and any and all appendices, is provided to set forth certain information with respect to the issuance of not to exceed \$2,065,000* General Obligation Refunding Bonds, Series 2013C (the “Series 2013C Bonds” or “Bonds”) described above of the City of Indianola, Warren County, Iowa (the “City” or “Issuer”). None of the references to or summaries of the laws of the State of Iowa or any documents referred to in this Official Statement purport to be complete, and all such references are qualified in their entirety by reference to the complete provisions thereof.

DESCRIPTION OF BONDS

The Bonds are dated the Date of Delivery (expected on or about July 17, 2013), and will be issued as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee of the Depository Trust Company, New York, NY (“DTC”). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the bondholder, the principal and interest on the Bonds will be paid by the City Clerk, Indianola, Iowa as Registrar and Paying Agent (the “Registrar”), or its successor, to DTC or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein.

The Bonds will bear interest from their date at such rates and mature on the dates and in the amounts set forth on the cover page hereof, said interest being payable December 1, 2013, and semiannually thereafter on the first day of June and December in each year until maturity or earlier redemption. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Payments of principal and interest shall be made to the registered holder thereof or to their designated Agent as the same appear on the books of the Registrar on the 15th day preceding the payment date.

PURPOSE AND AUTHORITY

The Bonds are being issued to evidence the City’s obligation, in the aggregate principal amount of \$2,065,000, in order to provide funds to pay costs of crossover advance refunding, on June 1, 2014, the 2015-18 maturities of General Obligation Bonds, Series 2008, dated May 22, 2008 (the “Series 2008 Bonds”) and crossover advance refunding, on June 1, 2015, the 2016-20 maturities of the General Obligation Bonds, Series 2009A dated August 31, 2009 (the “Series 2009A Bonds”), as shown below. The Bonds are being issued by the City pursuant to and in strict compliance with the provisions of Chapter 384 of the Code of Iowa and all other laws amendatory thereof and supplemental thereto, and in conformity with resolutions of the City Council.

<u>Name of Issue to be Refunded</u>	<u>Call Date</u>	<u>Call Price</u>	<u>Maturities to be Refunded</u>	<u>Principal Amount</u>	<u>Coupon</u>
Series 2008 Bonds	June 1, 2014	100.000	June 1, 2015	\$160,000	3.300%
	June 1, 2014	100.000	June 1, 2016	165,000	3.400%
	June 1, 2014	100.000	June 1, 2017	170,000	3.500%
	June 1, 2014	100.000	June 1, 2018	<u>175,000</u>	3.600%
				\$670,000	
<u>Name of Issue to be Refunded</u>	<u>Call Date</u>	<u>Call Price</u>	<u>Maturities to be Refunded</u>	<u>Principal Amount</u>	<u>Coupon</u>
Series 2009A Bonds	June 1, 2015	100.000	June 1, 2016	\$250,000	2.750%
	June 1, 2015	100.000	June 1, 2017	260,000	2.950%
	June 1, 2015	100.000	June 1, 2018	265,000	3.200%
	June 1, 2015	100.000	June 1, 2019	275,000	3.400%
	June 1, 2015	100.000	June 1, 2020	<u>285,000</u>	3.600%
				\$1,335,000	

* Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the City and the unlimited taxing powers of the City are irrevocably pledged for their payment. Upon issuance of the Bonds, the City will levy taxes for the years and in amounts sufficient to provide 100% of annual principal and interest due. The City is required to levy ad valorem taxes upon all taxable property in the City without limit as to rate or amount sufficient to pay the debt service except to the extent that other monies are deposited in the debt service fund for such purposes.

OPTIONAL REDEMPTION

The Series 2013C Bonds are not callable prior to their maturity date.

UNDERWRITING

The Underwriter, _____, has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds at an aggregate purchase price of \$_____ plus accrued interest to the closing date.

The Underwriter intends to offer the Bonds to the public initially at the offering prices or bond yields as set forth in the cover page of this Official Statement, which may be changed, from time to time, by the Underwriter without any requirement of public notice. The Underwriter may offer and sell the Bonds to certain dealers at prices lower than the initial public offering prices stated on the cover page. The Underwriter may engage in secondary market trading of the Bonds, subject to applicable securities laws, but is not obligated, however, to repurchase any of the Bonds at the request of the holder thereof.

Information from the Underwriter

The Underwriter will be required to certify to the Issuer immediately after the opening of bids: (i) the initial public offering price of each maturity of the Bonds (not including sales to bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds (not less than 10% of each maturity) were sold to the public; or (ii) if less than 10% of any maturity has been sold, the price for that maturity determined as of the time of the sale based upon the reasonably expected initial offering price to the public; and (iii) that the initial public offering price does not exceed their fair market value of the Bonds on the sale date. The Underwriter will also be required to provide a certificate in a form satisfactory to the Issuer and Bond Counsel at closing confirming the information required by this paragraph.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

BOOK ENTRY ONLY SYSTEM

The information contained in the following paragraphs of this subsection "Book-Entry Only System" has been extracted from a schedule prepared by Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE". The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to the Resolutions the Issuer will covenant and agree for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Issuer to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to the Municipal Securities Rulemaking Board and to any state information depository. The specific nature of the information to be contained in the annual report or the notices of material events is set forth in the continuing Disclosure Certificate to be executed and delivered by the Issuer at closing in substantially the form attached hereto as Appendix C.

Currently the City is compliant with its Disclosure Covenants. However, the City inadvertently failed to comply with its previous continuing disclosure undertakings. The required annual reports, financial and operating data, were filed as of December 2012 in accordance with the Rule. The City has taken steps to ensure continued compliance with its continuing disclosure requirements and is currently in compliance with the provisions of the Rule.

A failure by the Issuer to comply with any provision of the Continuing Disclosure Certificate will not constitute an event of default on the Bonds (although holders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

FUTURE FINANCING:

The City and other entities issuing obligations on behalf of the City reasonably expect to issue the following additional obligations during calendar year 2013: approximately \$500,000 of additional General Obligation debt. In January of 2013, the City issued \$1,865,000 General Obligation Bonds, Series 2013A and \$5,510,000 General Obligation Bonds, Series 2013B. Not more than \$10,000,000 of tax-exempt obligations are anticipated to be issued by the City or affiliated entities in calendar year 2013.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the opinion of Ahlers & Cooney, P.C., Bond Counsel of Des Moines, Iowa, as to validity and tax exemption. The opinion will be substantially in the form set forth in Appendix B attached hereto. Bond Counsel has not participated in the preparation of this Official Statement.

The legal opinion to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, or of the transaction on which the opinions are rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Limitations of Actions. In accordance with Iowa Code section 384.33, no legal or equitable action can be brought with respect to any legislative acts or proceedings in connection with the power of the City to issue the Bonds or the effectiveness of any proceedings relating to the authorization and issuance of the Bonds from and after sixty days from the time the Bonds are ordered issued by the City.

LITIGATION

There is no litigation now pending or, to the knowledge of Officials of the Issuer, threatened which questions the validity of the Bonds or of any proceedings of the Issuer taken with respect to the issuance or sale thereof.

DEBT PAYMENT HISTORY

The Issuer is not aware of any instance in which it has defaulted on the payment of principal and interest debt payments.

RATING

The Issuer has requested a rating on the Bonds from Moody's Investors Service. The outstanding general obligation debt of the City is currently rated 'Aa3' by Moody's. All fees relating to this rating will be paid by the Issuer. Any explanation of the significance of the rating may be obtained only from the rating agency. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised or withdrawn if, in the judgment of the rating agency, circumstances so warrant. Any such change in or withdrawal of the rating could have an adverse effect on the market price of the Bonds.

FINANCIAL CONSULTANT

The Issuer has retained Ruan Securities, a division of D.A. Davidson & Co., as financial advisor (the "Financial Consultant") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Consultant has relied upon governmental officials, and other sources who have access to relevant data to provide accurate information for the Official Statement, and the Financial Consultant has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Consultant is not a public accounting firm and has not been engaged by the Issuer to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

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TAX MATTERS

Federal tax law contains a number of requirements and restrictions that apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of the Bonds proceeds and facilities financed with the Bonds proceeds, and certain other matters. The Issuer has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the Issuer's compliance with the covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes. Interest is not an item of tax preference in computing the federal alternative minimum tax for individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax for certain corporations.

The interest on the Bonds is not exempt from present Iowa income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt bonds. Bonds Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

Qualified Tax-Exempt Bonds

The Issuer intends to designate the Bonds as qualified tax-exempt bonds under the exception provided in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Tax Code.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption". Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt bonds. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount of such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Related Tax Matters

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt bonds to determine whether, in the view of the Service, interest on such tax-exempt bonds is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the Issuer as a taxpayer and the bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of tax-exempt bonds are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

There are or may be pending in the Congress of the United States, legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to in this section or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment.

It is possible that further legislation will be proposed or introduced that could result in changes in the way that tax exemption is calculated, or whether interest on certain securities are exempt from taxation at all. Bond Counsel expresses no opinion regarding any pending or proposed federal or state tax legislation. Prospective purchasers should consult with their own tax advisors regarding the Jobs Act and any other pending or proposed federal income tax legislation.

Opinions

Bond Counsel’s opinion is not a guarantee of a result, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described in this section. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel and Bond Counsel’s opinion is not binding on the Service. Bond Counsel assumes no obligation to update its opinion after the issue date to reflect any further action, fact or circumstance, or change in law or interpretation, or otherwise.

PENSION AND RETIREMENT BENEFITS

The City of Indianola is a participating employer in the Iowa Public Employees Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa (MFPRS). For details, see the Notes to Financial Statements in Appendix A.

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.

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, 2012 (most recent year for which audited data is available), the City contributed \$0 and plan members eligible for benefits contributed \$22,300 to the plan.

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THE CITY

INDIANOLA, the county seat of Warren County, is located in central Iowa about seventeen miles south of Des Moines, the State capital. The city covers nine square miles. Indianola was incorporated in 1864 and is a progressively growing community. Census figures for 2010 indicated 14,782 residents, up 9% from the 2000 census.

Indianola is minutes away from Des Moines by double-lane U.S. Highway 65-69; Interstate Highways 35 and 80 are only twenty miles away. The Des Moines International Airport is a twenty-minute drive from Indianola.

From 1970 until 1987 Indianola was the site of the U.S. Hot Air Balloon Championship, the premier hot air ballooning event in the U.S. A private non-profit group continues to sponsor balloon races which are spectator-oriented and draw large audiences. The City is also home of the National Balloon Museum.

Indianola Community School District serves the entire community plus 150 square miles of surrounding rural Warren County with three elementary schools, a middle school, and a senior high school. Current enrollment totals 3,349 and the District population is estimated at over 19,500. There is also a private school for grades K-8 with estimated enrollment of approximately 50. Indianola is also fortunate to have Simpson College, a four-year liberal arts school, located in the City. Drake University is seventeen miles north in Des Moines and Des Moines Area Community College is twenty-two miles north in Ankeny.

Indianola Development Association, comprised of local business people, owns an industrial park in the northeast corner of the City. Three other industrial sites are available. Electric, water, gas, and sewer service are available at all sites.

The City has excellent utilities. Elevated water storage capacity is 1.75 million gallons and four wells are the source of supply. Average daily consumption is 1.3 million gallons and peak consumption is 1.9 million gallons per day. The water plant has a capacity of 3.8 million gallons. A new water tower and several new water mains have been constructed. Electricity, water and communication services are supplied by the Utility, and MidAmerican Energy Company distributes natural gas to the area. The sanitary sewage treatment plant owned by the City handles an average load of 1.5 million gallons per day and peak load of 1.8 million gallons per day. The facility was designed to handle Indianola's expected growth with a design capacity of 4.325 million gallons per day. A fiber optic loop was constructed in 2000 and links municipal, county, and school information systems. In 2005, the municipal communications utility entered into a public/private partnership that will provide voice and high-speed data services over the fiber optic loop.

Municipal services include a police department with nineteen full-time policemen, a fire department with eight full-time and fifty volunteer personnel, a rescue service with two full-time ambulances and a third on standby. Indianola's fire department has a rating of five by the Insurance Service Office, the highest rating available for volunteer departments. Three medical clinics serve the City and hospital facilities are located in nearby Des Moines. Several new softball, soccer and baseball fields are being constructed through a joint effort of the city, school, Soccer Tribe and Little League.

Indianola has a variety of leisure activities to please everyone's needs. The City Library collection includes approximately 45,000 books. The Des Moines Metro Opera Festival performs annually at Simpson College's Performing Arts Center. The City also offers supervised tennis, archery, golf, and softball. Located in the City are nine outdoor tennis courts, six gyms, swimming pools, private and public golf courses, fourteen public parks comprised of over 239 acres, a nature trail, and a country club.

The population trends for the city, county and state are as follows:

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
City of Indianola	10,843	11,340	12,998	14,782
Warren County	34,878	36,033	40,671	46,625
State of Iowa	2,914,000	2,776,755	2,926,324	3,046,355

TAXABLE RETAIL SALES TREND

Fiscal Year Ended:	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>3/31/2008</u>	<u>3/31/2007</u>
City of Indianola	\$166,286,139	\$155,566,297	\$151,686,383	\$152,921,291	\$154,084,136	\$148,958,648
No. of Businesses	517	512	508	518	497	478
Warren County	\$249,376,876	\$233,030,815	\$225,792,336	\$227,622,442	\$222,050,826	\$215,606,176
No. of Businesses	1,023	1,007	999	1,019	967	926

SOURCE: Iowa Department of Revenue and Finance, Iowa Retail Sales and Use Tax Report.

LARGER EMPLOYERS

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate No. of Employees</u>
Indianola Community School District	education	425
Wal-Mart	retail sales	340
Hy-Vee Store	grocery store	235
Simpson College	higher education	217
Warren County	county government	200
Herschel-Adams Corporation	agricultural OEM supplies	175
Indianola Good Samaritan	long-term health care	150
Christian Opportunity Center	Supporting people w/disabilities	100
Cemen Tech	concrete systems	90
Phillips Floors	flooring services	80
Downing Construction	building construction	43
Record/Herald and Indianola Tribune	print media	37
Vanderpool Construction	heavy construction	32
Midwest Uncuts	optometric supplies/lenses	36
Number of Major Manufacturing Plants in the Community:		5
Number of Manufacturing Employees in the Community:		430

SOURCE: LocationOne Information Systems

UNEMPLOYMENT STATISTICS

<u>Year</u>	<u>Warren County</u>	<u>State of Iowa</u>
2013 (4 mo)	5.3%	4.9%
2012	5.1%	5.2%
2011	5.5%	5.9%
2010	5.2%	5.6%
2009	5.5%	6.0%
2008	3.7%	4.1%
2007	3.3%	3.7%
2006	3.3%	3.8%

SOURCE: Iowa Department of Job Service

AGRICULTURAL STATISTICS

	<u>Warren County</u>	<u>State of Iowa</u>
Number of Farms (2010)	1,200	92,400
Average Farm size, acres	208	338
Farmland values, per acre (2011)	\$5,684	\$6,708
Corn/grain: Acres harvested (2011)	67,200	13,700,000
Yield per acre	129.1	172
Production (000 bu.)	8,677	2,356,400
Soybeans: Acres harvested (2011)	64,600	9,230,000
Yield per acre	44.6	50.5
Production (000 bu.)	2,881	466,115

BUILDING PERMIT TREND

<u>Calendar Year</u>	<u>Value of New Residential & Multi-Family Construction</u>	<u>Value of New Non-Residential Construction</u>	<u>Value of Add.; Alt. and Others</u>	<u>No. of Single Family Homes</u>	<u>No. of Permits Issued</u>
2012	\$ 8,286,200	\$19,690,301	\$545,967	14	115
2011	\$ 3,585,600	\$21,061,458	\$20,093,044	21	136
2010	\$13,166,884	\$ 1,052,865	\$5,845,727	30	179
2009	\$ 8,094,398	\$ 1,783,743	\$3,097,098	22	101
2008	\$17,972,942	\$ 895,000	\$1,200,801	22	157
2007	\$13,250,371	\$11,419,765	\$9,903,704	63	193
2006	\$18,450,920	\$ 2,734,875	\$4,646,952 ⁽¹⁾	71	188
2005	\$11,985,967	\$ 2,955,380	\$3,027,231	70	191

(1) Includes \$7,856,386 for 20 non-residential additions or alterations

PROPERTY VALUATIONS AND TAX COLLECTION PROCEDURES

All property subject to taxation is valued in compliance with State law every two years subject to an equalization action of the State Department of Revenue. All property except utility property is assessed at the local level. The State Department of Revenue assesses utility property.

The Assessor establishes the actual valuation (100%) as of January 1 in a calendar year for taxes payable in the succeeding fiscal year, i.e. valuations made in 2012 are for taxes payable in the fiscal year 2013/14. The actual value of parcels is provided by the assessor to the county auditor who then determines the taxable value. The taxable value is computed by adjusting the actual value of various classes of real property, principally residential property, by percentages (roll back rates) determined by the State Department of Revenue. The roll back percentages for residential property values for the years shown are:

<u>Fiscal Year</u>	<u>Percentage</u>
2013/14	52.8166%
2012/13	50.7518%
2011/12	48.5299%
2010/11	46.9094%
2009/10	45.5893%
2008/09	44.0803%
2007/08	45.5596%
2006/07	45.9960%
2005/06	47.9642%

LEGISLATION – PROPERTY TAX MATTERS

It can be anticipated that, from time to time, legislative proposals may be considered by the Iowa General Assembly that would, if enacted, alter or amend one or more of the tax matters described herein. It cannot be predicted whether or in what forms any of such proposals may be enacted, and there can be no assurance that such proposals will not apply to valuation, assessment or levy procedures for the levy of taxes by the Issuer.

During the most recent legislative session, the Iowa General Assembly passed Senate File 295, which the Governor is expected to sign, that reduces taxes on commercial, industrial, multi-residential and telecommunications property and limits growth in assessed value for residential and agricultural property. Local governments, including the Issuer, are likely to experience modest reductions in property tax revenues starting in fiscal 2015, with sizeable reductions possible starting in fiscal 2018. Local governments that may experience disproportionately higher revenue losses include regions that have a substantial commercial base, a large share of multi-residential developments (such as college towns), or significant amounts of telecommunications property. The legislation applies to the value of the property on which the debt service for the Bonds is levied. The Issuer has not attempted to quantify the impact of the legislation on its operations but such effect could be significant.

Iowa Code section 76.2 provides that when an Iowa political subdivision issues general obligation bonds, “The governing authority of these political subdivisions before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding twenty years. A certified copy of this resolution shall be filed with the county auditor or the auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full.”

SCHEDULE OF RECEIPTS AND DISBURSEMENTS (General Fund)

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
2012/13	\$2,385,825	\$6,850,234	\$6,477,547	\$2,758,512**
2011/12	\$2,652,716	\$7,565,468	\$7,832,359	\$2,385,825
2010/11	\$2,500,063	\$7,405,733	\$7,253,080	\$2,652,716
2009/10	\$2,372,665*	\$7,366,801	\$7,239,403	\$2,500,063
2008/09	\$2,348,489	\$7,984,168	\$7,647,961	\$2,684,696
2007/08	\$1,971,659	\$4,299,513	\$4,473,190	\$1,797,982
2006/07	\$1,484,526	\$7,531,861	\$7,044,728	\$1,971,659

* Beginning balance restated due to chart of account conversion in FY2010

** As of May 15, 2013

CURRENT FUND BALANCES (as of April 30, 2013)

General Fund.....	\$ 2,720,327
Debt Service Fund	\$ 3,353,645
Special Revenue Funds (total only)	\$ 1,762,558
Capital Project Funds (total)	\$ 4,641,496
City Utility and Other	\$ 3,204,695
Indianola Municipal Utilities	\$ 10,712,160

TAX COLLECTION TREND (All Funds)

<u>Levy Year</u>	<u>Collection Year</u>	<u>Amount Levied</u>	<u>Amount Collected*</u>	<u>Percent Collected</u>
2012	2013/14	\$5,339,600	N/A	
2011	2012/13	\$5,147,900	\$4,802,734	93.0%**
2010	2011/12	\$4,916,800	\$4,929,376	100.3%
2009	2010/11	\$4,813,101	\$4,836,322	101.0%
2008	2009/10	\$4,813,982	\$4,826,350	100.8%
2007	2008/09	\$4,745,078	\$4,745,007	100.0%
2006	2007/08	\$4,375,177	\$4,380,621	100.1%

* Including delinquent taxes, if any

** as of April 30, 2013

BREAKDOWN OF CITY TAX LEVY

Valuation Year:	2011	2010	2009	2008	2007
Collection Year:	<u>2012/13</u>	<u>2011/12</u>	<u>2010/11</u>	<u>2009/10</u>	<u>2008/09</u>
General	\$ 8.09938	\$ 7.99949	\$ 8.09999	\$ 8.10000	\$ 8.10000
Employee Benefits	\$ 1.19993	\$ 1.35424	\$ 1.30001	\$ 1.35000	\$ 1.54889
Debt Service	<u>\$ 1.90795</u>	<u>\$ 1.84997</u>	<u>\$ 1.90000</u>	<u>\$ 1.90000</u>	<u>\$ 2.00000</u>
Total Levy	\$ 11.20726	\$ 11.20370	\$ 11.30000	\$ 11.35000	\$ 11.64889
City Ag Land	\$ 3.00375	\$ 3.00375	\$ 3.00375	\$ 3.00375	\$ 3.00375

TAX RATE PER \$1,000 OF TAXABLE VALUATION *(Combined Levy for all Taxing Districts)*

Valuation Year:	2011	2010	2009	2008	2007
Collection Year:	<u>2012/13</u>	<u>2011/12</u>	<u>2010/11</u>	<u>2009/10</u>	<u>2008/09</u>
City of Indianola	\$ 11.20726	\$ 11.20370	\$ 11.30000	\$ 11.35000	\$ 11.64889
Warren County	\$ 5.73932	\$ 5.78580	\$ 5.98385	\$ 6.14682	\$ 6.40543
County Assessor	\$.37767	\$.32000	\$.32013	\$.35484	\$.42011
Ag Extension	\$.05247	\$.05912	\$.06179	\$.06163	\$.06472
Indianola CSD	\$ 20.45943	\$ 20.89666	\$ 20.89666	\$ 19.99645	\$ 20.05418
DMACC	\$.58466	\$.59018	\$.56008	\$.56778	\$.56386
State (Bruc./TB)	<u>\$.00330</u>	<u>\$.00340</u>	<u>\$.00340</u>	<u>\$.00350</u>	<u>\$.00350</u>
Total Levy	\$ 38.42411	\$ 38.85886	\$ 39.12591	\$ 38.48102	\$ 39.16069

VALUATION TREND

Valuation Year	Payable Fiscal Year	100% Actual Valuation	Taxable Valuation (With Rollback)	Taxable TIF Increment Valuation	Total Taxable Valuation
2012	2013/14	\$819,304,224	\$468,464,180	\$47,507,247	\$515,971,427
2011	2012/13	807,530,805	451,775,383	42,652,063	494,427,446
2010	2011/12	792,867,721	431,417,624	35,690,858	467,108,482
2009	2010/11	774,913,884	421,101,424	26,874,547	447,975,971
2008	2009/10	780,548,479	419,994,546	22,769,004	442,763,550
2007	2008/09	761,974,598	403,600,366	19,978,653	423,579,019
2006	2007/08	669,960,773	365,510,016	20,144,573	385,654,589

The 100% actual valuations, before rollback and after reduction of military exemption, include ag land and buildings, TIF increment, and gas and electric utilities and are used for calculating debt capacity. The taxable valuations, with the rollback and after the reduction of military exemption, include gas and electric utilities, exclude ag land and buildings and exclude taxable TIF increment value, which is shown separately. Iowa cities certify operating levies against taxable value excluding TIF increment. However, debt service levies are certified against taxable value including TIF increment.

CURRENT VALUATION BY PROPERTY CLASSIFICATION

The following shows the January 1, 2012 100% Assessed and Taxable Valuations of the City (for Fiscal Year 2013/14 tax levies) as well as the January 1, 2011 Assessed and Taxable Valuations for Fiscal Year 2012/13 tax levies).

	<u>January 1, 2011</u>		<u>January 1, 2012</u>	
	<u>Assessed Value (100% Valuation)</u>	<u>Taxable Valuation</u>	<u>Assessed (100% Valuation)</u>	<u>Taxable Valuation</u>
Residential	\$ 627,767,596	\$ 317,835,762	\$ 632,572,606	\$ 332,875,413
Agricultural	\$ 2,078,466	\$ 1,100,508	\$ 2,303,589	\$ 1,154,991
Ag Buildings	\$ 85,013	\$ 48,032	\$ 90,311	\$ 52,287
Commercial	\$ 127,934,078	\$ 127,934,078	\$ 127,747,287	\$ 127,747,287
Industrial	\$ 2,613,568	\$ 2,613,568	\$ 4,587,805	\$ 4,587,805
Utilities (w/o Gas & Electric)	\$ 2,636,987	\$ 2,636,987	\$ 2,577,529	\$ 2,577,529
Utilities (Gas & Electric)	\$ 3,232,596	\$ 2,224,550	\$ 3,372,596	\$ 2,130,892
Gross	\$ 766,348,304	\$ 454,393,485	\$ 773,251,723	\$ 471,126,204
Less Military Exemption	\$ 1,469,562	\$ 1,469,562	\$ 1,454,746	\$ 1,454,746
Net Valuation	\$ 764,787,742	\$ 452,923,923	\$ 771,796,977	\$ 469,671,458
TIF	\$ 42,652,063	\$ 42,652,063	\$ 47,507,247	\$ 47,507,247
TOTAL	\$ 807,530,805	\$ 495,575,986	\$ 819,304,224	\$ 517,178,705

SOURCE: Department of Management, State of Iowa

LARGER TAXPAYERS

Set forth in the following table are the persons or entities which represent the largest taxpayers within the boundaries of the Issuer, as provided by the Warren County Assessor's office. No independent investigation has been made of and no representation is made herein as to the financial condition of any of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the City. The Issuer's mill levy is uniformly applicable to all of the properties included in the table, and thus taxes expected to be received by the Issuer from such taxpayers will be in proportion to the assessed valuations of the properties. The total tax bill for each of the properties is dependent upon the mill levies of the other taxing entities which overlap the properties.

<u>Taxpayer Name</u>	<u>2012 Actual Valuation</u>	<u>2011 Actual Value</u>
Wesley Retirement Services Inc.	\$16,246,700	\$15,782,200
Wal-Mart Store	\$11,232,300	\$11,273,900
GFP Investment Co., LC	\$6,136,800	\$6,136,800
Tulip Apartment Group Inc.	\$4,077,700	\$4,077,700
The Toy Warehouse LLC	\$4,355,700	\$4,355,700
JRB Enterprises LLC	\$4,479,830	\$4,160,060
910 N Jefferson Street	\$4,578,300	\$4,578,300
Ev Lutheran Good Samaritan	\$3,843,220	\$3,843,200
Danlee Corp.	\$3,533,260	\$3,381,260

SOURCE: Warren County Assessor.

GENERAL OBLIGATION DEBT – Unlimited Tax Portion Only

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding as of 7/17/13</u>
5/08	1,575,000	Various Improvements and Equipment	^[1] 6/14	\$150,000
8/09A	2,500,000	Various Improvements and Equipment	^[1] 6/15	480,000
1/11A	3,915,000	Advance Refunding (Series 2002B, 2003, 2006A)	6/18	2,485,000
1/11B	1,300,000	Current Refunding (Series 2004B)	6/15	560,000
10/11C	850,000	Street, Utility Impvts., and Park Equipment	6/21	740,000
12/11D	700,000	Street and Sanitary Sewer Improvements	6/17	565,000
12/11E	2,410,000	Wellness Center Project	6/31	2,410,000
5/12A	4,580,000	YMCA Project	6/29	4,580,000
5/12B	3,875,000	Street Improvements, Various Purposes	6/25	3,800,000
1/13A	1,865,000	Fire Truck, Dump Trucks, Park Improvements	6/23	1,865,000
1/13B	5,510,000	YMCA Project	6/29	5,255,000
7/13C	2,065,000	Refunding Bonds	6/20	<u>2,065,000</u>
Total				\$24,955,000

[1] The Series 2013C Bonds will crossover advance refund the 2015-18 maturities of the Series 2008 Bonds on June 1, 2014

[2] The Series 2013C Bonds will crossover advance refund the 2016-20 maturities of the Series 2009A Bonds on June 1, 2015

Fiscal Year General Obligation Debt Payments – Unlimited Tax Portion

<u>Period Ending</u>	<u>Currently Outstanding General Obligation Bonds</u>		<u>2013C General Obligation Refunding Bonds</u>		<u>Total Principal and Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	(estimated) <u>Interest</u>	
2014	\$2,395,000	\$479,824		\$16,223	\$2,891,047
2015	2,315,000	415,893	\$170,000	18,600	2,919,493
2016	1,960,000	334,290	445,000	17,920	2,757,210
2017	1,800,000	304,558	450,000	15,250	2,569,808
2018	1,595,000	278,008	450,000	11,650	2,334,658
2019	1,525,000	254,270	275,000	7,150	2,061,420
2020	1,555,000	230,945	<u>275,000</u>	<u>3,850</u>	2,064,795
2021	1,560,000	206,340			1,766,340
2022	1,465,000	179,733			1,644,733
2023	1,495,000	153,400			1,648,400
2024	1,250,000	124,553			1,374,553
2025	975,000	97,718			1,072,718
2026	745,000	76,103			821,103
2027	770,000	59,135			829,135
2028	785,000	40,735			825,735
2029	390,000	21,580			411,580
2030	150,000	9,925			159,925
2031	<u>160,000</u>	<u>5,200</u>			<u>165,200</u>
Total	\$22,890,000	\$3,272,206	\$2,065,000	\$90,643	\$28,317,850

GENERAL OBLIGATION DEBT – General Fund Portion Only ^[1]

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding as of 7/17/13</u>
8/09B	\$620,000	Municipal Building Improvements	6/18	\$360,000

Fiscal Year General Obligation Debt Payments – General Fund Portion

<u>Fiscal Year</u>	<u>Current Outstanding G.O. Debt</u>		
	<u>Outstanding Principal</u>	<u>Outstanding Interest</u>	<u>Total Principal and Interest</u>
2013/14	\$70,000	\$10,370	\$80,370
2014/15	70,000	8,795	78,795
2015/16	70,000	6,835	76,835
2016/17	75,000	4,875	79,875
2017/18	<u>75,000</u>	<u>2,438</u>	<u>77,438</u>
2018/19			
2019/20			
2020/21			
2021/22			
Total	\$360,000	\$33,313	\$393,313

[1] Consists of Bonds and/or Notes which are valid and binding direct obligations of the City payable from its General Fund. If not so paid, the bonds will be eligible to be placed in judgment or refunded by General Obligation Bonds, either of which is payable from taxes levied against all of the taxable property within the City without limitation as to rate.

DEBT LIMIT CALCULATION

The amount of general obligation debt a political subdivision of the State of Iowa can incur is controlled by constitutional debt limit which is an amount equal to 5% of the value of taxable property within its limits as ascertained by the last state and county tax lists. The Issuer's debt limit, based upon 2012 property valuations, is illustrated below:

Actual Valuation, 2012	\$ 820,758,970
Less Military Exemption	<u>\$ 1,454,746</u>
	\$ 819,304,224
	<u> x 5%</u>
Debt Limit	\$ 40,965,211
Less Amount of Debt Applicable to Limit:	
General Obligation Debt-Unlimited Tax	\$ 24,955,000
General Obligation Debt-General Fund	<u>\$ 360,000</u>
Total General Obligation Debt	\$ 25,315,000
Amount of Debt Capacity Remaining	\$ 15,650,211
Percent of Debt Capacity Remaining	38.20%

FINANCIAL SUMMARY

City of Indianola, Iowa (as of July 17, 2013)

2012 100% Valuation	\$ 819,304,224.00
2012 Taxable Valuation (<i>excludes \$1,207,278 ag value</i>)	\$ 515,971,427.00
General Obligation Bonded Debt (<i>includes this issue</i>)	\$ 25,315,000.00
Direct General Obligation Debt per Capita (14,782)	\$ 1,712.56
Total Direct and Overlapping General Obligation Debt per Capita	\$ 2,633.38
Ratio of Direct General Obligation Debt to 100% Valuation	3.09%
Ratio of Direct and Overlapping General Obligation Debt to 100% Valuation	4.75%
100% Valuation per Capita	\$ 55,425.80
Sewer Revenue Debt	\$ 10,125,144.69
Water Revenue Debt (Municipal Utilities)	\$ 1,085,000.00
Electric Revenue Debt (Municipal Utilities)	\$ 9,000,000.00

Overlapping Debt

Warren County	
2012 100% Valuation	\$ 3,238,437,766.00
2012 Taxable Valuation	\$ 1,899,385,908.00
General Obligation Bonded Debt	\$.00
Indianola Community School District	
2012 100% Valuation	\$ 1,314,459,651.00
2012 Taxable Valuation	\$ 792,890,148.00
General Obligation Bonded Debt	\$ 20,825,000.00
Percent allocable to City	65.22%
Amount allocable to City	\$ 13,583,530.00
City's share of Debt per Capita	\$ 918.92
Des Moines Area Community College (Merged Area XI)	
2012 100% Assessed Valuation	\$ 60,423,739,459.00
2012 Taxable Valuation	\$ 38,538,891,860.00
Bonded Debt:	
Capital Loan Notes	\$ 2,095,000.00 ⁽¹⁾
Industrial New Jobs Training Certificates	\$ 70,295,000.00 ⁽²⁾
Percent Allocable to City (<i>exclusive of New Jobs Training Certificates and Housing Bonds</i>)	1.34%
Amount Allocable to City (<i>exclusive of New Jobs Training Certificates and Housing Bonds</i>)	\$ 28,114.18
City's Share of Debt per Capita	\$ 1.90

(1) The Certificates were issued to finance projects which provide education and training of workers for new or expanding industry in the Merged Area. While secured by an annual levy of a standby tax upon all taxable property in the Merged Area, the debt service is payable from revenues of the respective projects and the standby tax will be collected only in the event such revenues are insufficient. The Certificates are currently believed to be self-supporting.

(2) The Notes are payable from a levy of tax in an amount not to exceed 20¼¢ per \$1,000 of taxable valuation in any one year. Taxes collected pursuant to such levy are irrevocably pledged by the college to the payment of principal of and interest on the Notes.

CERTIFICATION

We have examined this Official Statement prepared on behalf of the City by Ruan Securities, a division of D.A. Davidson & Co. Various city officials, school officials, county officials and other government and private sources have contributed to the data presented herein. While this information is not guaranteed as to accuracy, it has been carefully compiled and checked and, to the best of our knowledge and belief, it is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized.

City of Indianola, Iowa

/s/ Eric Hanson

City Manager

APPENDIX “A”

AUDITED FINANCIAL STATEMENTS

The auditors have not performed any additional review and have not consented to the inclusion of the report or extracts from the report in this Official Statement.
The consent of the auditors was not sought by the Issuer.

CITY OF INDIANOLA

General and Statistical Information

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

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

Schedule of Findings

Year Ended June 30, 2012



Shull
and Co. P.C.
certified public accountants

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CITY OF INDIANOLA

Chief Accounting Officer's Report

March 1, 2013

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, 2012 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, 2012 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 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 2.71%. 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 \$182,635 as of June 30, 2012.

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, 2012.

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, 2012**

<u>Name of Official</u>	<u>Official Title</u>	<u>Term Expires December 31</u>	<u>Amount Of Bond</u>
Kenan Bresnan	Mayor	2013	300,000
John Parker Jr.	Councilperson First Ward	2015	300,000
Eric Mathieu	Councilperson Third Ward	2015	300,000
Greg Marchant	Councilperson At-Large	2015	300,000
Pam Pepper	Councilperson At-Large	2013	300,000
Pete Berry	Councilperson Fourth Ward	2013	300,000
John Sirianni	Councilperson Second Ward	2013	300,000
	City Manager		300,000
Jean Furler	Director of Finance & Community Services		300,000
RoxAnne Hunerdosse	Human Resource Director		300,000
Diana Bowlin	City Clerk		300,000
Doug Shull	City Treasurer		300,000
	City Solicitor		300,000

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

Clark Raney		2013	300,000
Chris Boone		2014	300,000
Eric Vander Linden		2015	300,000
Bob Lester	Chairperson	2016	300,000
Pat Reding		2018	300,000
Todd Kielkopf	General Manager of Utilities		300,000

All other city employees are bonded under the Cincinnati Insurance Employee Loss Coverage, "Faithful Performance Blanket Position Bond," # B0359727 in the amount of \$300,000.

Council Committee

Council Study Committee

Pete Berry
Greg Marchant
Eric Mathieu
John Parker Jr.
Pam Pepper
John Sirianni

**CITY OF INDIANOLA
CITY BOARD AND COMMISSIONS
JUNE 30, 2012**

LIBRARY BOARD

Authority: Indianola Ordinance Chapter 17.3

Term - 6 Years

Meeting: 2nd Tuesday of every month

<u>Name</u>	<u>Term Expires</u>
Jon Richardson	July 1, 2014
Pat Hicks	July 1, 2014
Dick Kerr	July 1, 2016
Kathy Farris	July 1, 2016
Mark Juffernbruch	July 1, 2016
Mary Jane Cassady	July 1, 2018
Rhonda Sayler	July 1, 2018

PARK AND RECREATION COMMISSION

Authority: Indianola Ordinance No. 520

Term - 3 Years

Meeting: 1st Wednesday of every month

Jennifer Leech	January 1, 2013
Dave Button	January 1, 2014
John Hagener	January 1, 2014
Jon Anderson	January 1, 2014
Laura Beals	January 1, 2015
Cyd Dyer	January 1, 2015

PLANNING AND ZONING COMMISSION

Authority: Indianola Ordinance Chapter 16.2

Term - 5 Years

Meeting: 2nd Tuesday of every month

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
Tiffany Coleman	February 1, 2017
Dan Wood	February 1, 2017

**CITY OF INDIANOLA
CITY BOARDS AND COMMISSIONS
JUNE 30, 2012**

BOARD OF ADJUSTMENT

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

Term - 5 Years

Meeting: 1st Wednesday of month on call

<u>Name</u>	<u>Term Expires</u>
Doug Dowie	December 31, 2012
Jim Garrett	December 31, 2013
Marty Miller	December 31, 2014
James Sullivan	December 31, 2015
Dennis Parker	December 31, 2016

MEMORIAL BUILDING COMMISSION

Authority: Code of Iowa Chapter 37.9

Term - 3 Years - Meeting: On Call

Ron Werling	July 1, 2013
Robert Guilford	July 1, 2013
Bob Greener	July 1, 2013
Ray Walton	July 1, 2014
Dan Aldridge	July 1, 2015

CIVIL SERVICE COMMISSION

Authority: Indianola Ordinance No. 378

Term - 4 Years

Meeting: On Call

Celeste Gebhart	First Monday in April, 2014
Wayne Petersen	First Monday in April, 2015
Fred Jones	First Monday in April, 2016

FINE ARTS & COMMUNITY BEAUTIFICATION COMMISSION

Authority: Indianola Ordinance No. 423

Term - 3 Years

Meeting: 1st Tuesday of every month

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 2011-12 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 6056 calls for service in calendar year 2012. The department is at full staff (19 sworn including the chief and lieutenant) and all officers are state certified.
- **Fire and Ambulance:** The Indianola Fire Department experienced slight increase in calls for the 2011 calendar year for a new record year. There were three major fire losses listed in order of dollar loss; 901 E. Iowa (248,000), 15300 Highway 92 (\$130,000), and 806 N. Howard (65,000). Total dollar loss for the year was \$850,250. We were successful in working with the Police Department, State Fire Marshal's office and several other agencies in solving the DHS arson fire. This did lead to the conviction of an individual for this incident. In addition to the regular activities that the full and part-time staff accomplished each day, staff responded to 1,732 fire and EMS incidents. This is a small increase of 3 calls over the previous year. The 1,732 alarms consisted of: 85 fires; 42 Haz-Mat; 51 good intent; 86 false alarms; 3 weather-related and 3 other. The balance accounts for 1,460 EMS calls.

As of January 1, 2012, the department had one full-time chief, one full-time training officer, one full-time technician, six full-time firefighters/medics, 1 part-time billing specialist, 18 part-time firefighter/medics, 24 paid on call for a total staff of 52 with no members on leave. 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 also 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 and weekends. Some attend area fire schools and EMS conferences to keep their certifications current. The total hours that POC staff give for training held within our department was 4,995 hours and responses were 3,224 hours for a total of 8,219 hours. This equates to the average paid on call staff giving over 300 hours toward regular training and calls each year. These calculations exclude the time the full-time staff puts toward calls and training.

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, crack sealing, 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. New events in the parks included Yoga in the Park, Buxton Park Coffee Club presentations, Story walk, Pottery in the Park, DeNelsky park cell phone audio tour in addition to the movies in the park. The mayor's youth council put on a bicycle fest, we partnered with the chamber and National Balloon Classic with the first annual July 4th celebration (over 5,000 attended), and we initiated 3 dog activities – Yappy Hour, a dog playground volunteer ambassador program and a bark in the park event. Also offered were Family Canoe Adventures, Cardboard Boat Races, morning outdoor aquacizing, adult kickball and Stand UP Paddling. 8 new adult programs were also offered including Digital Photography, Composting 101, Cooking for the Heart, Couponing 101 and Spring Floral Arranging Workshop. The 55+ seniors kept active with a new speaker's series, day trips, AARP driver safety, SHIPP and put on a Children's Easter Egg Coloring event. The Zone (6th-8th grade after school program) and early out events remained popular, many volunteers helped with the recreation programs and events and over 150 different programs/events were offered during the year.
- **Parks & Horticulture Division:** The 3rd annual spring planting blitz was held with many volunteers again planting all flowerbeds in 1 week, 3 wind sculptures were dedicated at Buxton Park, a new play structure was dedicated at McCord Park & the shelter got a new roof, an enhancement plan for Buxton Park was completed, a Pickard Park entrance & sign design was completed, and a 6 station cell phone audio tour was added to DeNelsky Park. 25-30 trees were planted and the 9th annual spring garden seminar had over 80 participants. Over 10,000 flowers were grown in the greenhouse and 123 trees were adopted by residents (48-Indianola, 75-Warren County).
- **Administration Division:** Our a Face book page had 573 fans (increase of 150) and our Twitter Page had 265 followers (increase of 63), we had 1343 on our e-newsletter list, and 6279 website visits with 3898 (41.55%) new visits. Staff again worked with the Keep Indianola Beautiful Committee with the Salem Court entertainment. We initiated a Where is Scooter Travel Pack, Scooter Collector Cards, held a Trail Information Forum and installed a wireless access internet hub at the activity center. Building & grounds improvements to the activity center included new asphalt overlay on the old ½ of the parking lot and all new T-8 light fixtures conversion in the entire building.

CITY OF INDIANOLA

Operational Review (Continued)

- **Veterans Memorial Aquatic Center:** Attendance at the aquatic center was 46,965 including all use – open swim, events, rentals, lessons. Due to weather, the aquatic center had 1 day when it closed early and 6 days when it was closed for the entire day. Participation included: lap swim/water walk – 1407; private pool rental – 1954; swim lessons - 624; tot swim – 2230. Additionally there were 177 in mighty minnows swim classes. The Iowa Dept. of Public Health no longer allowed the dive-in movies, a new enclosed waterslide was added and finger vein scanning was offered for season pass holder admissions in addition to photo pass cards.

The following table details the park system:

	<u>Acres</u>
Barker Park	1.20
Buxton Park	5.43
Dayton Park	1.08
DeNelsky Park	22.9
Downey Memorial Park	10.62
Easton Park	2.39
Indianola Activity Center Property	9.60
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	<u>0.65</u>
	269.85

- **Indianola Public Library:** Library patrons checked out 144,964 items which equals 9.8 items checked out by each resident. Attendance at 495 programs totaled 10,687. Library computers were used 16,806 times. Each item in the Library's collection was checked out an average of 3.75 times. During the fiscal year, an estimated 120,636 people visited the Library.

Ebooks became more and more popular and library staff continued to help people understand how to download Ematerials. A grant from the Warren County Philanthropic Partnership for all the county libraries helped purchase the newest Ereaders for staff to practice and become proficient on their use.

The summer reading program continues to be a huge success. It is funded primarily with donations from the Friends of the Indianola Public Library Foundation and contributions from local merchants.

CITY OF INDIANOLA
Operational Review (Continued)

- **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 2011-12 fiscal year.
- **Water Pollution Control Department:** The WPC department was at full staff for last year. Full staff includes the Superintendent, 6 operators and a part-time office manager. We remain under a Consent Order from the Iowa Department of Natural Resources that mandates Infiltration & Inflow (I&I) removal through the entire public collection system to eliminate sanitary sewer overflows and basement backups by January 2013. The IDNR has approved an amendment to our consent order. The amendment reduces the number of residential inspection to 150 per year until the year of 2024.

With assistance from V&K Engineering and City Staff, the city has completed construction and repairs on Phases II, Inspections on Phase IV (final phase) was completed. V&K will complete the study and specifications and bid Phase IV in the summer of 2012 with construction beginning in the fall 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 and NE Service Area#1 was completed in 2011. We are planning to begin the NE Service Area #2 with a neighborhood meeting in March of 2012. We will begin with visual inspections in the NE #2 Area in March and April 2012. We have delayed the injection testing until we have ground water.

Plainview lift station rehab is in progress, and we have replaced the boiler and flare at the North Plant. We continue to review a draft of the Facility Plan for the North Treatment Plant. We replaced one pickup truck with an F-150 4X4 and have replaced the Jet/Vac with a new Vactor Jet/Vac combo truck. Staff installed a new ball valve and check valve on the #2 Morlock pump. We will be replacing the south plant Wilo-EMU pumps with new Flygt Pumps. We have replaced the transformer breaker at the McCord lift station and will be rebuilding the transformer breaker for Plainview lift station.

Emergency generators are on an annual preventive maintenance program with Interstate Power. We are now required to share a Title V air quality permit with IMU. We will be required to pay annual license fees and provide monitoring reports for the emergency generators at the North Plant and Morlock. We also will be required to monitor the boiler and flare at the North Plant.

CITY OF INDIANOLA
Operational Review (Continued)

- **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:
 - Completion of a master electric facilities plan
 - Amendment to the capacity contract with wholesale power provider
 - Implemented a 7.4% (average) electric rate increase
 - 3-Phase underground conversion along Hwy 65/69 corridor
 - Increased assignable renewable energy purchases through landfill gas agreement
 - 9th Street substation removed from service
- **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:
 - Hillcrest tower coating and repair project
- **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:
 - Conducted telecom market research via a customer survey in the Phase I service area
 - Trustees approve fiber expansion project in Phase I residential area
- **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.

CITY OF INDIANOLA

Operational Review (Continued)

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 entire community will benefit through decreased operation and maintenance expenses, decreased capital expenses, and increased sewer plant capacity.
- Building and financing of a new 60,000 plus square feet recreational/wellness facility with 2 pools, a walking track, exercise rooms, racquetball courts and a gymnasium.

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.

CITY OF INDIANOLA
Operational Review (Continued)

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

Permits/Licenses	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Water	82	80	80	90	11	38	35
Plumbing	93	137	106	62	75	42	62
Electric	118	169	113	60	93	103	99
Mechanical	102	110	104	62	42	56	97
Sewer	84	81	95	61	19	66	39
Warrants Written	9,037	9,037	8,865	8,883	8,921	9,257	9,237
Ordinance Adopted	39	22	19	22	24	23	26
Cigarette	20	20	18	18	20	17	17
Bicycle	19	9	5	5	2	2	2
Beer	14	15	15	15	15	15	16
Beer-Liquor	15	15	15	15	15	17	18
Sunday Beer & Liquor	29	29	29	29	29	29	28
Beer-Wine	2	3	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
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
2012		3,893,610	1,320,362		2,097,728	1,295,997	1,292,181	3,368,178	2,778,035	24,171,255	40,217,346

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
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
2012	6,229,085	144,940	1,651,642	987,982	81,150	298,088	139,226	334,909	9,867,022

*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 TIF	Fees	Hotel/Motel	Total
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
2012	4,929,376	1,146,801	85,196	67,712	6,229,085

CITY OF INDIANOLA
Statistical Section (Continued)

Tax Collection Trend

(Collection) Fiscal Year	Total Levied	Amount Collected*	% Collected
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%
2012	4,916,871	4,929,376	100.3%

* 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
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
2012	8.10	1.25	1.85	11.20	3.50	2.28	5.78	16.04	4.85	20.89	0.99	38.86

Ag Land

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
2012	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
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
2012	625,085,080	1,839,975	145,851,590	15,799,955	-	5,777,351	794,353,951	1,486,230	792,867,721

*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
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
2012	297,423,424	1,222,266	127,240,836	4,649,639		4,812,221	435,348,386	1,486,230	433,862,156

*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%
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%
2012	432,639,890	35,690,858	468,330,748	792,867,721	59.1%

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
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	39,027,423	11,268,384	27,759,039	28.9%
2011	38,745,694	13,362,456	25,383,238	34.5%
2012	39,643,386	21,823,249	17,820,137	55.0%

CITY OF INDIANOLA
Statistical Section (Continued)

Building Permit Trends

Calendar Year	Construction Value of new		Construction Value of			Total New		Construction Value of		Total Residential Construction Value
	Single Family Dwellings	No. of Permits	Multi-Family Dwellings	No. of Permits	No. of Units	Residential Construction	Total No. of Units	Alterations & Additions	No. of Permits	
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
2012	2,035,200	14	6,251,000	4	45	8,286,200	59	262,201	42	8,548,401

	Construction Value of		Construction Value of		Total Construction	
	Commercial/ Industrial	No. of Permits	Non-taxable Construction	No. of Permits	Value of Construction	Total No. of Permits
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
2012	19,690,301	29	18,436,157	14	28,522,468	115

CITY OF INDIANOLA
Statistical Section (Continued)

Demographic Information

Trends:	<u>Calendar Year</u>	<u>Iowa Unemployment</u>		
	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%		
	2011	6.0%		
	2012	5.1%		

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, 2012, 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, 2012, 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 December 4, 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.

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 eleven years ended June 30, 2011 (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. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards of the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. Management's Discussion and Analysis and budgetary comparison information on pages 28 through 35 and 63 through 64 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Stuell & Co., P.C.

December 4, 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, 2012. 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.

2012 Financial Highlights

- The City of Indianola has an ending cash balance of \$27,870,713 to meet the government's ongoing obligations to citizens and creditors. Of this, \$18,451,166 is under the direct management and control of the primary government with \$15,834,792 for governmental activities and \$2,616,374 for business-type activities. The remaining \$9,419,547 from the component unit, Indianola Municipal Utilities.
- Total cash balances increased \$9,176,558 for the primary government and decreased \$124,497 for the component unit. The primary reason for the increase is bonds were issued in 2011-12 for the wellness center and street replacement projects and continue to be drawn down with an estimated completion date of summer/fall 2013.

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: The table below shows restricted and unrestricted net assets on a cash basis. 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)

	Year ended June 30,		
	2012	2011	Change
Governmental Activities			
Restricted	2,507,952	2,533,497	(25,545)
Unrestricted	14,425,455	5,856,849	8,568,606
Business Type Activities			
Restricted	54,279	75,942	(21,663)
Unrestricted	1,048,930	441,371	607,559
Total Primary Government			
Restricted	2,562,231	2,609,439	(47,208)
Unrestricted	15,474,385	6,298,220	9,176,165
Component Unit			
Restricted	1,562,317	1,562,317	-
Unrestricted	8,271,771	8,348,689	(76,918)

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

Governmental funds: Governmental funds ended the fiscal year with a balance of \$15,834,798 an increase of \$8,410,504 over the prior year. This is mainly due to debt issued in FY12 for the wellness center and scheduled to be drawn down in FY13 and FY14.

The table below summarizes changes in net assets.

Changes in Net Assets Governmental Funds		
	Year ended June 30,	
	2012	2011
Receipts		
Property tax	\$ 4,929,375	4,836,322
Tax increment financing collections	1,146,801	865,761
Other city tax	152,908	137,481
Licenses and permits	144,940	197,339
Use of money and property	298,072	318,803
Intergovernmental	1,651,642	1,825,569
Charges for service	983,827	982,632
Special assessments	139,226	92,034
Miscellaneous	416,059	623,383
Total Receipts	<u>9,862,850</u>	<u>9,879,324</u>
Disbursements		
Public safety	3,953,821	3,574,355
Public works	1,329,010	1,185,798
Culture and recreation	2,113,184	1,992,708
Community and economic development	1,295,997	123,554
General government	1,303,284	1,196,933
Debt service	3,368,178	5,718,378
Capital projects	2,778,049	1,904,710
Total disbursements	<u>16,141,523</u>	<u>15,696,436</u>
Other financing sources (uses)		
Bond proceeds, net of premiums/discounts	12,077,210	3,666,094
Capital loan note proceeds	570,000	-
Sale of capital assets	42,167	37,622
Operating transfers in (out)	1,999,800	1,841,525
Total other financing sources (uses)	<u>14,689,177</u>	<u>5,545,241</u>
Net change in cash balances	8,410,504	(271,871)
Cash balances, beginning of year	7,424,294	7,696,165
Cash balances, end of year	<u>\$ 15,834,798</u>	<u>7,424,294</u>

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

Business type funds: Business type funds ended the fiscal year with \$1,103,209 in cash basis fund balances, an increase of \$585,896 over the prior year. This is mainly due to bond proceeds borrowed for the Wastewater Infiltration & Inflow program and not yet spent.

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>2012</u>	<u>2011</u>
Receipts		
Property tax	50%	49%
Tax increment financing collections	11%	9%
Other city tax	2%	1%
Licenses and permits	1%	2%
Use of money and property	3%	3%
Intergovernmental	17%	19%
Charges for service	10%	10%
Special assessments	1%	1%
Miscellaneous	5%	6%
Total Receipts	<u>100%</u>	<u>100%</u>
Disbursements		
Public safety	25%	22%
Public works	8%	8%
Culture and recreation	13%	13%
Community and economic development	8%	1%
General government	8%	8%
Debt service	21%	36%
Capital projects	17%	12%
Total disbursements	<u>100%</u>	<u>100%</u>

Property tax revenues increased slightly due to taxable valuation growth of 4% and an increase of 2% in the rollback (set by the state) however the tax rate decreased 10 cents to \$11.20 per \$1,000 of taxable valuation. The majority of the remaining revenues held relatively stable in comparison to total receipts. Public safety, Community & Economic Development and Capital Projects disbursements increased between the two years while public works, culture & recreation and general government remained steady.

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 2012 budget was amended in May of 2012 to reflect the following items:

- Expenditures
 - Business Type/Enterprise increased \$5,347,000 due to timing of capital projects including Electric at \$1,613,300, \$3,178,800 for the Infiltration & Inflow Project (bonds issued in 2009) and 3rd Ave & "B" Street emergency sewer repairs and \$554,900 for the Storm water Utility Project.

Capital Asset and Debt Administration

In FY 2012, the City issued \$12,415,000 in General Obligation Bonds for capital projects including \$6,990,000 for the wellness center and the remainder for street, sewer, parks and ambulance department improvements. Tax increment financing revenue, 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 21 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 Warren County Economic Development Corporation and Greater Des Moines Partnership to support economic development in the region. The component unit also offers its own revolving loan program to spur economic development.

Development on the city's north side along Highway 65/69 increased commercial values by approximately \$17 million with the addition of two medical clinics, a retirement community and care facility and a retail store. The new 60,000 plus sq. ft. YMCA scheduled for completion in fall 2013 is also located in this development area.

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 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 \$12.5 million. 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 and 3 were complete in FY12 as effort on Phases 2 and 4 continues. Total project completion is 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. The city is currently reviewing a potential upgrade or rehabilitation to the sewer plant.

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 2012 decreased from \$11.30 in FY11 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, 2012

		Program	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions / Programs			
Primary Government:			
Governmental activities			
Public safety	\$ 3,888,392	821,181	149,673
Public works	1,309,489	153,721	1,402,831
Culture and recreation	2,091,237	373,615	222,566
Community and economic development	1,295,997	1,500	14,549
General government	1,277,936	92,944	15,031
Debt service	3,368,178	-	-
Capital projects	<u>2,778,034</u>	<u>7,029</u>	<u>-</u>
Total governmental activities	<u>16,009,263</u>	<u>1,449,990</u>	<u>1,804,650</u>
Business type activities			
Sewer	5,131,399	2,644,253	84,536
Other nonmajor	<u>794,615</u>	<u>410,181</u>	<u>-</u>
Total business type activities	<u>5,926,014</u>	<u>3,054,434</u>	<u>84,536</u>
Total Primary Government	<u>\$ 21,935,277</u>	<u>4,504,424</u>	<u>1,889,186</u>
Component Unit:			
Municipal Utilities	<u>\$ 16,915,878</u>	<u>13,911,627</u>	<u>69,949</u>
General Receipts and Transfers			
Property and other city tax levied for			
General purposes			
Debt service			
Employee benefits			
Tax increment financing			
Utility tax replacement excise tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Bond, note and loan proceeds			
Rent			
Sale of assets			
Transfers			
Total general receipts and transfers			

Receipts	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Primary Government			Component Unit
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	Municipal Utilities
-	(2,917,538)	-	(2,917,538)	-
-	247,063	-	247,063	-
-	(1,495,056)	-	(1,495,056)	-
-	(1,279,948)	-	(1,279,948)	-
-	(1,169,961)	-	(1,169,961)	-
-	(3,368,178)	-	(3,368,178)	-
<u>123,268</u>	<u>(2,647,737)</u>	<u>-</u>	<u>(2,647,737)</u>	<u>-</u>
<u>123,268</u>	<u>(12,631,355)</u>	<u>-</u>	<u>(12,631,355)</u>	<u>-</u>
-	-	(2,402,610)	(2,402,610)	-
-	-	(384,434)	(384,434)	-
-	-	(2,787,044)	(2,787,044)	-
<u>123,268</u>	<u>(12,631,355)</u>	<u>(2,787,044)</u>	<u>(15,418,399)</u>	<u>-</u>
<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,634,302)</u>
	3,313,104	-	3,313,104	-
	1,022,601	-	1,022,601	-
	593,671	-	593,671	-
	1,146,801	-	1,146,801	-
	85,196	-	85,196	-
	67,712	-	67,712	-
	246,008	11,779	257,787	268,010
	12,647,194	4,365,001	17,012,195	3,156,644
	10,162	53,660	63,822	64,480
	42,167	-	42,167	10,550
	<u>1,999,800</u>	<u>(1,057,500)</u>	<u>942,300</u>	<u>(942,300)</u>
	<u>21,174,416</u>	<u>3,372,940</u>	<u>24,547,356</u>	<u>2,557,384</u>

CITY OF INDIANOLA
Statement of Activities and Net Assets – Cash Basis
As of and for the Year Ended June 30, 2012

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>
8,543,061	585,896	9,128,957	(76,918)
<u>8,390,346</u>	<u>517,313</u>	<u>8,907,659</u>	<u>9,911,006</u>
<u>\$ 16,933,407</u>	<u>1,103,209</u>	<u>18,036,616</u>	<u>9,834,088</u>
646,069	-	646,069	-
1,836,452	54,279	1,890,731	1,562,317
25,431	-	25,431	-
<u>14,425,455</u>	<u>1,048,930</u>	<u>15,474,385</u>	<u>8,271,771</u>
<u>\$ 16,933,407</u>	<u>1,103,209</u>	<u>18,036,616</u>	<u>9,834,088</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, 2012

	General	Special Revenue Road Use Tax
Receipts		
Property tax	\$ 3,473,769	-
Tax increment financing	-	-
Other city tax	152,908	-
Licenses and permits	144,940	-
Use of money and property	293,661	-
Intergovernmental	213,355	1,402,089
Charges for service	983,827	-
Special assessments	-	-
Miscellaneous	308,532	4,313
Total receipts	<u>5,570,992</u>	<u>1,406,402</u>
Disbursements		
Operating		
Public safety	3,940,260	-
Public works	150,952	1,178,058
Culture and recreation	2,113,184	-
Community and economic development	547,395	-
General government	1,303,284	-
Debt service	122,542	-
Capital projects	-	-
Total disbursements	<u>8,177,617</u>	<u>1,178,058</u>
Excess of receipts over disbursements	<u>(2,606,625)</u>	<u>228,344</u>
Other financing sources (uses)		
Bond proceeds, net of premiums/discounts	-	-
Capital loan note proceeds	200,000	-
Sale of capital assets	12,540	-
Operating transfers in (out)	2,093,358	(139,000)
Total other financing sources (uses)	<u>2,305,898</u>	<u>(139,000)</u>

Exhibit B

Debt Service	Capital Projects		Nonmajor	Total
	General Capital Projects	Street Construction		
861,935	-	-	593,671	4,929,375
-	-	-	1,146,801	1,146,801
-	-	-	-	152,908
-	-	-	-	144,940
-	750	-	3,661	298,072
-	8,378	27,820	-	1,651,642
-	-	-	-	983,827
132,197	-	7,029	-	139,226
-	77,376	6,482	19,356	416,059
<u>994,132</u>	<u>86,504</u>	<u>41,331</u>	<u>1,763,489</u>	<u>9,862,850</u>
-	-	-	13,561	3,953,821
-	-	-	-	1,329,010
-	-	-	-	2,113,184
-	-	-	748,602	1,295,997
-	-	-	-	1,303,284
3,245,636	-	-	-	3,368,178
-	1,615,034	1,109,753	53,262	2,778,049
<u>3,245,636</u>	<u>1,615,034</u>	<u>1,109,753</u>	<u>815,425</u>	<u>16,141,523</u>
<u>(2,251,504)</u>	<u>(1,528,530)</u>	<u>(1,068,422)</u>	<u>948,064</u>	<u>(6,278,673)</u>
1,282,464	7,409,457	3,385,289	-	12,077,210
-	-	370,000	-	570,000
-	-	-	29,627	42,167
972,051	20,000	(32,119)	(914,490)	1,999,800
<u>2,254,515</u>	<u>7,429,457</u>	<u>3,723,170</u>	<u>(884,863)</u>	<u>14,689,177</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, 2012

	<u>General</u>	<u>Special Revenue Use Tax</u>
Net change in cash balances	(300,727)	89,344
Cash balances beginning of year	<u>2,969,290</u>	<u>556,725</u>
Cash balances end of year	<u>\$ 2,668,563</u>	<u>646,069</u>
Cash Basis Fund Balances		
Restricted for:		
Streets	\$ -	646,069
Urban renewal purposes	-	-
Debt service	-	-
Other purposes	-	-
Committed	-	-
Unassigned	<u>2,668,563</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 2,668,563</u>	<u>646,069</u>

See notes to financial statements.

Exhibit B
(Continued)

Debt Service	Capital Projects		Nonmajor	Total
	General Capital Projects	Street Construction		
3,011	5,900,927	2,654,748	63,201	8,410,504
<u>1,833,441</u>	<u>677,699</u>	<u>1,490,614</u>	<u>(103,475)</u>	<u>7,424,294</u>
<u>1,836,452</u>	<u>6,578,626</u>	<u>4,145,362</u>	<u>(40,274)</u>	<u>15,834,798</u>
-	-	-	-	646,069
-	-	-	(107,177)	(107,177)
1,836,452	-	-	-	1,836,452
-	-	-	132,608	132,608
-	6,578,626	4,145,362	(65,705)	10,658,283
-	-	-	-	2,668,563
<u>1,836,452</u>	<u>6,578,626</u>	<u>4,145,362</u>	<u>(40,274)</u>	<u>15,834,798</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, 2012

Total government funds cash balances	\$ 15,834,798
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

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

1,098,609

Cash basis net assets of governmental activities	<u>\$ 16,933,407</u>
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Net change in cash balances	\$ 8,410,504
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Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

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

132,557

Change in cash basis net assets of governmental activities	<u>\$ 8,543,061</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, 2012

	Sewer	Enterprise Funds Nonmajor
Operating receipts		
Charges for service	\$ 2,584,145	410,182
Miscellaneous	-	-
Total operating receipts	<u>2,584,145</u>	<u>410,182</u>
Operating disbursements		
Governmental activities		
Public safety	-	-
Public works	-	-
Culture and recreation	-	-
General government	-	-
Business type activities	1,257,248	186,741
Component Unit:		
Municipal Utilities	-	-
Total operating disbursements	<u>1,257,248</u>	<u>186,741</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>1,326,897</u>	<u>223,441</u>
Non-operating receipts (disbursements)		
Interest on investments	65,360	-
Intergovernmental	14,950	-
Special assessments	60,108	-
Miscellaneous	69,586	-
Capital loan note proceeds	3,480,001	-
Bond proceeds	310,000	575,000
Debt Service	(241,664)	-
Capital projects	<u>(3,647,558)</u>	<u>(607,874)</u>
Net non-operating receipts (disbursements)	<u>110,783</u>	<u>(32,874)</u>
Excess of receipts over disbursements	1,437,680	190,567
Operating transfers in (out)	<u>(981,400)</u>	<u>(76,100)</u>
Net change in cash balances	456,280	114,467
Cash balances beginning of year	375,417	24,486
Cash balances end of year	<u>\$ 831,697</u>	<u>138,953</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ 54,279	-
Unrestricted	<u>777,418</u>	<u>138,953</u>
Total cash basis fund balances	<u>\$ 831,697</u>	<u>138,953</u>

See notes to financial statements.

<u>Total</u>	<u>Internal Service Funds</u>
2,994,327	1,441,258
-	59,597
<u>2,994,327</u>	<u>1,500,855</u>
-	447,838
-	104,384
-	178,358
-	165,188
1,443,989	93,776
-	316,392
<u>1,443,989</u>	<u>1,305,936</u>
<u>1,550,338</u>	<u>194,919</u>
65,360	390
14,950	-
60,108	-
69,586	-
3,480,001	-
885,000	-
(241,664)	-
<u>(4,255,432)</u>	<u>-</u>
77,909	390
1,628,247	195,309
<u>(1,057,500)</u>	<u>-</u>
570,747	195,309
<u>399,903</u>	<u>1,450,414</u>
<u>970,650</u>	<u>1,645,723</u>

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, 2012

Total enterprise funds cash balances	\$	970,650
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

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

132,559

Cash basis net assets of business type activities	\$	<u>1,103,209</u>
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Net change in cash balances	\$	570,747
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Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:

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

15,149

Change in cash balance net assets of business type activities	\$	<u>585,896</u>
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See notes to financial statements.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2012

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, 2012

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, 2012

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 generally accepted accounting principles of the United States of America.

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, 2012

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 the preceding classifications.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the debt service and community and economic development functions.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED Year Ended June 30, 2012

2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2012 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, 2012 were as follows:

	CARRYING AMOUNT	MARKET VALUE
Money market accounts	\$ 4,461,894	4,461,894
Certificates of Deposit	1,000,000	1,000,000
U.S. government obligations	761,846	770,627
U.S. agency mortgage pass-through	1,457,445	1,583,387
U.S. agency bonds and notes	10,344,082	10,488,127
U.S. agency collateralized mortgage obligations	5,887,922	6,117,466
U.S. agency asset backed securities	1,639,825	1,719,702
Corporate Bonds	251,787	253,817
	<u>\$25,804,801</u>	<u>26,395,020</u>

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$111,083 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

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 \$11,439,108 are rated AAA. The balance of the investments is not rated.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2012

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, 2012 are as follows:

YEAR	GENERAL OBLIGATION		CAPITAL		REVENUE CAPITAL		TOTAL	
ENDING	BONDS & NOTES		LOAN NOTES		LOAN NOTES		TOTAL	
June 30,	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2013	\$ 1,660,000	399,374	200,000	25,002	219,000	233,801	2,079,000	658,177
2014	2,015,000	364,720	210,000	17,715	227,000	227,216	2,452,000	609,651
2015	2,020,000	336,788	210,000	14,320	234,000	220,391	2,464,000	571,499
2016	1,790,000	298,297	210,000	10,540	213,000	213,791	2,213,000	522,628
2017	1,610,000	262,525	220,000	6,760	220,000	207,401	2,050,000	476,686
2018	1,445,000	229,278	75,000	2,438	227,000	200,801	1,747,000	432,517
2019	1,200,000	196,987	-	-	234,000	193,991	1,434,000	390,978
2020	1,230,000	171,203	-	-	242,000	186,971	1,472,000	358,174
2021	940,000	143,047	-	-	250,000	179,711	1,190,000	322,758
2022	835,000	124,190	-	-	258,000	172,211	1,093,000	296,401
2023	850,000	106,678	-	-	266,000	164,471	1,116,000	271,149
2024	875,000	87,827	-	-	275,000	156,491	1,150,000	244,318
2025	595,000	67,367	-	-	284,000	148,241	879,000	215,608
2026	355,000	52,593	-	-	293,000	139,721	648,000	192,314
2027	370,000	43,035	-	-	302,000	130,930	672,000	173,965
2028	380,000	32,635	-	-	312,000	121,870	692,000	154,505
2029	390,000	21,580	-	-	322,000	112,511	712,000	134,091
2030	150,000	9,925	-	-	333,000	102,850	483,000	112,775
2031	160,000	5,200	-	-	344,000	92,861	504,000	98,061
2032	-	-	-	-	355,000	82,540	355,000	82,540
2033	-	-	-	-	366,000	71,891	366,000	71,891
2034	-	-	-	-	378,000	60,910	378,000	60,910
2035	-	-	-	-	391,000	49,571	391,000	49,571
2036	-	-	-	-	403,000	37,840	403,000	37,840
2037	-	-	-	-	417,000	25,751	417,000	25,751
2038	-	-	-	-	430,000	13,240	430,000	13,240
2039	-	-	-	-	11,357	340	11,357	340
	<u>\$ 18,870,000</u>	<u>2,953,249</u>	<u>1,125,000</u>	<u>76,775</u>	<u>7,806,357</u>	<u>3,548,314</u>	<u>27,801,357</u>	<u>6,578,338</u>

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2012

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

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$383,000 of Sewer Revenue Capital Loan Notes, Series 1995, issued in June 1995. Proceeds from the notes provided financing for improvements and extensions to the municipal sewer system utility. The notes are payable solely from sewer customer net receipts and are payable through 2015. Annual principal and interest payments on the notes are expected to require less than 6% of net receipts. The total principal and interest remaining to be paid on the notes is \$84,705. For the current year, principal and interest paid and total customer net receipts were \$27,805 and \$465,063, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$9,090,000 of Sewer Revenue Capital Loan Notes, Series 2009, issued in May 2009. Proceeds from the notes provided financing for the costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping of the municipal sewer system utility. The notes are payable solely from sewer customer net receipts and are payable through 2041. Annual principal and interest payments on the notes are expected to require less than 41% of net receipts. The total principal and interest remaining to be paid on the notes is \$11,269,960. For the current year, principal and interest paid and total customer net receipts were \$191,081 and \$465,063, respectively.

The resolution providing for the issuance of the revenue capital loan notes include the following provisions:

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a separate water revenue sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.
- c. All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to retire any subordinate obligations, to pay for extraordinary repairs or replacements to the water system, or to pay or redeem the notes or parity obligations, and then can be used for any lawful purpose.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2012

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

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.

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.

In October 2011 the City issued \$850,000 of General Obligation Bonds. The proceeds from the bonds were used to pay costs of street improvements, utility improvements and equipping city parks.

In December 2011 the City issued \$700,000 of General Obligation Capital Loan Notes. The proceeds from the bonds were used to pay costs of emergency sewer repairs and improvements, and street improvements.

In December 2011 and May 2012 the City issued \$2,410,000 and \$4,580,000, respectively, of General Obligation Urban Renewal Bonds. The proceeds from the bonds were used to pay costs of aiding in the planning, undertaking, and carrying out of urban renewal projects, including the construction of a community/wellness center.

In May 2012 the City issued \$3,875,000 of General Obligation Bonds. The proceeds from the bonds were used to pay costs street improvements, utility improvements, traffic light, equipping sewer department, improvements to the City pool, and the acquisition of ambulance.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2012

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, 2012, 2011 and 2010 were \$275,284, \$205,493 and \$164,708, 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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$254,715, \$217,336 and \$202,939, 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, 2012

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, 2012, 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, 2012, primarily relating to the General Fund, was as follows:

Vacation	\$ 320,838
Sick leave	<u>1,045,801</u>
	\$ <u>1,366,639</u>

This liability has been computed based on rates of pay as of June 30, 2012.

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 \$182,635 as of June 30, 2012.

CITY OF INDIANOLA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2012

8. **INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 133,000
	Employee Benefits Levy	593,671
	Downtown Tax Increment	220,000
	East 92 Tax Increment	28,500
	Police Retirement	12,500
	Enterprise:	
	Sewer	326,500
	Recycling	16,100
	Component Unit	<u>836,200</u>
		<u>2,166,471</u>
Debt Service	General	52,113
	Special Revenue:	
	East 92 Tax Increment	60,819
	Capital Projects:	
	Street Construction	32,119
	Enterprise:	
	Sewer	648,900
	Stormwater Utility	60,000
	Component Unit	<u>118,100</u>
		<u>972,051</u>
Capital Projects:		
Capital Projects Fund	General	<u>20,000</u>
Community Athletic Facility	General	<u>1,000</u>
Community Redevelopment	Special Revenue:	
	Downtown Tax Increment	<u>200,427</u>
Component Unit	Special Revenue:	
	Road Use Tax	6,000
	Enterprise:	
	Sewer	<u>6,000</u>
		<u>12,000</u>
		<u>\$ 3,371,949</u>

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED Year Ended June 30, 2012

8. INTERFUND TRANSFERS (CONTINUED)

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 663 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.

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, 2012 were \$114,775 (2011 - \$118,250).

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.

CITY OF INDIANOLA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2012

9. **RISK MANAGEMENT (CONTINUED)**

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, 2012, 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.

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, 2012 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2012, the City paid workers' compensation insurance premiums of \$122,412 (2011 - \$117,185) to the Association.

10. **COMMITMENTS**

The City has entered into contracts for a wastewater collection system rehabilitation project, a sewer extension projects, street improvement projects, and other projects totaling approximately \$11,190,668. The remaining commitment on these contracts at June 30, 2012 is \$3,345,322.

11. **DEFICIT BALANCES**

The City had deficit balances in the following funds at June 30, 2012:

Special Revenue:	
Industrial Park Urban Renewal Tax Increment	\$ 107,177
Capital Projects Fund:	
Community Redevelopment	66,769

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

OTHER 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 Other Information Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual
Receipts		
Property tax	\$ 4,929,375	-
Tax increment financing collections	1,146,801	-
Other city tax	152,908	-
Licenses and permits	144,940	-
Use of money and property	305,682	65,750
Intergovernmental	1,651,642	14,950
Charges for service	983,827	4,435,585
Special assessments	139,226	60,108
Miscellaneous	<u>416,059</u>	<u>129,183</u>
Total receipts	<u>9,870,460</u>	<u>4,705,576</u>
Disbursements		
Public safety	3,953,821	447,838
Public works	1,329,010	104,384
Culture and recreation	2,113,184	178,358
Community and economic development	1,295,997	-
General government	1,303,284	165,188
Debt service	3,368,178	-
Capital projects	2,205,331	-
Business type activities	<u>-</u>	<u>6,351,253</u>
Total disbursements	<u>15,568,805</u>	<u>7,247,021</u>
Excess of receipts over disbursements	(5,698,345)	(2,541,445)
Other financing sources, net	<u>14,108,849</u>	<u>3,307,501</u>
Excess of receipts and other financing sources over disbursements and other financing uses	8,410,504	766,056
Balances beginning of year	<u>7,424,294</u>	<u>1,850,317</u>
Balances end of year	<u>\$ 15,834,798</u>	<u>2,616,373</u>
See accompanying independent auditor's report.		

Less Funds not Required to to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	4,929,375	4,891,880	4,891,880	37,495
-	1,146,801	1,164,900	1,164,900	(18,099)
-	152,908	158,491	158,491	(5,583)
-	144,940	143,600	143,600	1,340
390	371,042	288,800	288,800	82,242
-	1,666,592	1,545,300	1,545,300	121,292
1,441,258	3,978,154	3,759,200	3,759,200	218,954
-	199,334	105,300	105,300	94,034
<u>59,597</u>	<u>485,645</u>	<u>1,725,600</u>	<u>1,725,600</u>	<u>(1,239,955)</u>
<u>1,501,245</u>	<u>13,074,791</u>	<u>13,783,071</u>	<u>13,783,071</u>	<u>(708,280)</u>
447,838	3,953,821	3,961,800	3,961,800	7,979
104,384	1,329,010	1,431,300	1,431,300	102,290
178,358	2,113,184	2,138,800	2,138,800	25,616
-	1,295,997	385,200	385,200	(910,797)
165,188	1,303,284	1,319,800	1,319,800	16,516
-	3,368,178	2,256,900	2,256,900	(1,111,278)
-	2,205,331	3,725,000	3,725,000	1,519,669
410,168	5,941,085	4,622,200	8,355,900	2,414,815
<u>1,305,936</u>	<u>21,509,890</u>	<u>19,841,000</u>	<u>23,574,700</u>	<u>2,064,810</u>
195,309	(8,435,099)	(6,057,929)	(9,791,629)	1,356,530
<u>-</u>	<u>17,416,350</u>	<u>3,646,200</u>	<u>3,646,200</u>	<u>13,770,150</u>
195,309	8,981,251	(2,411,729)	(6,145,429)	15,126,680
<u>1,450,414</u>	<u>7,824,197</u>	<u>8,035,783</u>	<u>8,035,783</u>	<u>(211,586)</u>
<u>1,645,723</u>	<u>16,805,448</u>	<u>5,624,054</u>	<u>1,890,354</u>	<u>14,915,094</u>

CITY OF INDIANOLA

Notes to Other Information – Budgetary Reporting

June 30, 2012

The budgetary comparison is presented 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. These nine 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 \$5,347,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the debt service and community and economic development functions.

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, 2012

				Special
	Industrial Park Urban Renewal Tax Increment	Employee Benefits Levy	Downtown Tax Increment	East 92 Tax Increment
Receipts				
Property tax	\$ -	593,671	-	-
Tax increment financing collections	637,055	-	420,427	89,319
Use of money and property	-	-	-	-
Miscellaneous	4,370	-	-	-
Total receipts	<u>641,425</u>	<u>593,671</u>	<u>420,427</u>	<u>89,319</u>
Disbursements				
Operating				
Public safety	-	-	-	-
Community and economic development	748,602	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>748,602</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(107,177)</u>	<u>593,671</u>	<u>420,427</u>	<u>89,319</u>
Other financing uses				
Sale of capital assets	-	-	-	-
Operating transfers in (out)	-	(593,671)	(420,427)	(89,319)
Total other financing sources (uses)	<u>-</u>	<u>(593,671)</u>	<u>(420,427)</u>	<u>(89,319)</u>
Net change in cash balances	(107,177)	-	-	-
Cash balances beginning of year	-	-	-	-
Cash balances end of year	<u>\$ (107,177)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	\$ (107,177)	-	-	-
Other purposes	-	-	-	-
Committed	-	-	-	-
Total cash basis fund balances	<u>\$ (107,177)</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying independent auditor's report.

Schedule 1

Revenue		Capital Projects		
		Community		
Police Retirement	Police Seizures	Athletic Facility	Community Redevelopment	Total
-	-	-	-	593,671
-	-	-	-	1,146,801
3,564	-	97	-	3,661
-	11,774	3,212	-	19,356
<u>3,564</u>	<u>11,774</u>	<u>3,309</u>	<u>-</u>	<u>1,763,489</u>
-	13,561	-	-	13,561
-	-	-	-	748,602
-	-	5,447	47,815	53,262
-	<u>13,561</u>	<u>5,447</u>	<u>47,815</u>	<u>815,425</u>
<u>3,564</u>	<u>(1,787)</u>	<u>(2,138)</u>	<u>(47,815)</u>	<u>948,064</u>
-	-	-	29,627	29,627
<u>(12,500)</u>	-	<u>1,000</u>	<u>200,427</u>	<u>(914,490)</u>
<u>(12,500)</u>	-	<u>1,000</u>	<u>230,054</u>	<u>(884,863)</u>
(8,936)	(1,787)	(1,138)	182,239	63,201
<u>141,519</u>	<u>1,812</u>	<u>2,202</u>	<u>(249,008)</u>	<u>(103,475)</u>
<u>132,583</u>	<u>25</u>	<u>1,064</u>	<u>(66,769)</u>	<u>(40,274)</u>
-	-	-	-	(107,177)
132,583	25	-	-	132,608
-	-	1,064	(66,769)	(65,705)
<u>132,583</u>	<u>25</u>	<u>1,064</u>	<u>(66,769)</u>	<u>(40,274)</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, 2012

	Enterprise			Internal	
	Recycling	Stormwater Utility	Total	Health Insurance Reserve	Property Insurance Council
Operating receipts					
Charges for service	\$ 177,380	232,802	410,182	16,734	-
Miscellaneous	-	-	-	42,503	17,094
Total operating receipts	<u>177,380</u>	<u>232,802</u>	<u>410,182</u>	<u>59,237</u>	<u>17,094</u>
Operating disbursements					
Governmental activities					
Public safety	-	-	-	15,438	-
Public works	-	-	-	3,634	200
Culture and recreation	-	-	-	6,140	4,676
General government	-	-	-	6,187	362
Business type activities					
Sewer	-	-	-	3,634	1,121
Other	152,467	34,274	186,741	-	-
Component Unit:					
Municipal Utilities	-	-	-	11,802	-
Total disbursements	<u>152,467</u>	<u>34,274</u>	<u>186,741</u>	<u>46,835</u>	<u>6,359</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>24,913</u>	<u>198,528</u>	<u>223,441</u>	<u>12,402</u>	<u>10,735</u>
Non-operating receipts (disbursements)					
Interest on investments	-	-	-	-	390
Capital loan note proceeds	-	575,000	575,000	-	-
Capital projects	-	(607,874)	(607,874)	-	-
Net non-operating receipts (disbur	-	(32,874)	(32,874)	-	390
Excess of receipts over disbursements	24,913	165,654	190,567	12,402	11,125
Operating transfers in (out)	(16,100)	(60,000)	(76,100)	-	-
Net change in cash balances	8,813	105,654	114,467	12,402	11,125
Cash balances beginning of year	<u>75,510</u>	<u>(51,024)</u>	<u>24,486</u>	<u>190,008</u>	<u>9,610</u>
Cash balances end of year	<u>\$ 84,323</u>	<u>54,630</u>	<u>138,953</u>	<u>202,410</u>	<u>20,735</u>
Cash Basis Fund Balances					
Unrestricted	<u>84,323</u>	<u>54,630</u>	<u>138,953</u>	<u>202,410</u>	<u>20,735</u>
Total cash basis fund balances	<u>\$ 84,323</u>	<u>54,630</u>	<u>138,953</u>	<u>202,410</u>	<u>20,735</u>

See accompanying independent auditor's report.

Service

Health Pool	Health Reimbursement Arrangement		Total
1,325,780	98,744		1,441,258
-	-		59,597
1,325,780	98,744		1,500,855
402,084	30,316		447,838
96,514	4,036		104,384
156,177	11,365		178,358
147,871	10,768		165,188
82,476	6,545		93,776
-	-		-
284,746	19,844		316,392
1,169,868	82,874		1,305,936
155,912	15,870		194,919
-	-		390
-	-		-
-	-		-
-	-		390
155,912	15,870		195,309
-	-		-
155,912	15,870		195,309
1,084,031	166,765		1,450,414
1,239,943	182,635		1,645,723
1,239,943	182,635		1,645,723
1,239,943	182,635		1,645,723

CITY OF INDIANOLA

Schedule of Indebtedness
Year Ended June 30, 2012

OBLIGATION	DATE OF ISSUE	INTEREST RATES	AMOUNT ORIGINALLY ISSUED
2003 Sewer & Water Improvements	10/1/2003	2.25-4.25	2,410,000
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
2011 General Obligation	10/19/2011	0.55-2.25	850,000
2011 General Obligation Urban Renewal	12/28/2011	1.30-2.95	2,410,000
2012 General Obligation Urban Renewal	5/1/2012	2.00-2.95	4,580,000
2012 General Obligation	5/1/2012	0.50-2.40	3,875,000
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
2009 Sewer Revenue	5/20/2009	3.00	9,090,000
2009 General Obligation	8/31/2009	1.25-3.25	620,000
2011 General Obligation	12/20/2011	1.30	700,000
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
2010 Electric Revenue Capital Loan Notes	6/15/2010	2.00-4.00	9,040,000
2011 Electric Revenue Bonds	12/29/2011	2.00-2.30	1,800,000
2011 Water Revenue Refunding	12/29/2011	0.50-1.30	1,350,000

See accompanying independent auditor's report.

<u>BALANCE BEGINNING OF YEAR</u>	<u>ISSUED DURING YEAR</u>	<u>REDEEMED DURING YEAR</u>	<u>BALANCE END OF YEAR</u>	<u>INTEREST PAID</u>	<u>INTEREST DUE AND UNPAID</u>
\$ 1,085,000	-	1,085,000	-	42,080	-
1,110,000	-	145,000	965,000	37,725	-
2,275,000	-	230,000	2,045,000	63,130	-
3,915,000	-	550,000	3,365,000	57,788	-
1,110,000	-	275,000	835,000	14,600	-
-	850,000	55,000	795,000	8,138	-
-	2,410,000	-	2,410,000	-	-
-	4,580,000	-	4,580,000	-	-
-	3,875,000	-	3,875,000	-	-
<u>9,495,000</u>	<u>11,715,000</u>	<u>2,340,000</u>	<u>18,870,000</u>	<u>223,461</u>	<u>-</u>
106,000	-	25,000	81,000	2,805	-
42,000	-	42,000	-	2,247	-
615,000	-	615,000	-	27,670	-
4,376,356	3,350,001	1,000	7,725,357	190,081	-
490,000	-	65,000	425,000	13,295	-
-	700,000	-	700,000	-	-
<u>5,629,356</u>	<u>4,050,001</u>	<u>748,000</u>	<u>8,931,357</u>	<u>236,098</u>	<u>-</u>
20,456	-	20,456	-	1,023	-
<u>\$ 15,144,812</u>	<u>15,765,001</u>	<u>3,108,456</u>	<u>27,801,357</u>	<u>460,582</u>	<u>-</u>
\$ 1,590,000	-	1,590,000	-	37,441	-
9,040,000	-	830,000	8,210,000	307,725	-
-	1,800,000	-	1,800,000	-	-
-	1,350,000	-	1,350,000	5,147	-
<u>\$ 10,630,000</u>	<u>3,150,000</u>	<u>2,420,000</u>	<u>11,360,000</u>	<u>350,313</u>	<u>-</u>

CITY OF INDIANOLA

Bond and Note Maturities

June 30, 2012

YEAR ENDING JUNE 30,	GENERAL			
	STREET IMPROVEMENTS & EQUIPMENT		STREET IMPROVEMENTS & EQUIPMENT	
	ISSUED MAY 22, 2008		ISSUED AUGUST 31, 2009	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2013	3.00	\$ 145,000	2.00	\$ 230,000
2014	3.15	150,000	2.20	235,000
2015	3.30	160,000	2.50	245,000
2016	3.40	165,000	2.75	250,000
2017	3.50	170,000	2.95	260,000
2018	3.60	175,000	3.20	265,000
2019		-	3.40	275,000
2020		-	3.60	285,000
2021		-		-
		<u>\$ 965,000</u>		<u>\$ 2,045,000</u>

YEAR ENDING JUNE 30,	GENERAL			
	GENERAL OBLIGATION URBAN RENEWAL		GENERAL OBLIGATION URBAN RENEWAL	
	ISSUED DECEMBER 28, 2011		ISSUED MAY 1, 2012	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2013		\$ -		\$ -
2014	1.30	100,000		-
2015	1.30	100,000	2.00	100,000
2016	1.50	100,000	2.00	380,000
2017	1.50	100,000	2.00	485,000
2018	1.50	100,000	2.00	380,000
2019	1.65	100,000	2.00	390,000
2020	1.90	150,000	2.00	350,000
2021	2.05	150,000	2.00	335,000
2022	2.20	150,000	2.05	345,000
2023	2.30	150,000	2.20	355,000
2024	2.40	150,000	2.35	370,000
2025	2.60	150,000	2.50	195,000
2026	2.75	150,000	2.65	205,000
2027	2.90	150,000	2.75	220,000
2028	3.00	150,000	2.85	230,000
2029	3.05	150,000	2.95	240,000
2030	3.15	150,000		-
2031	3.25	160,000		-
		<u>\$ 2,410,000</u>		<u>\$ 4,580,000</u>

OBLIGATION

GENERAL OBLIGATION REFUNDING		REFUNDING & SEWER IMPROVEMENTS		GENERAL OBLIGATION	
ISSUED JANUARY 13, 2011		ISSUED JANUARY 13, 2011		ISSUED	
INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
1.00	\$ 880,000	1.00	\$ 275,000	0.55	\$ 55,000
1.25	895,000	1.25	280,000	1.00	55,000
2.00	775,000	2.00	280,000	1.00	55,000
2.00	535,000		-	1.35	55,000
2.00	180,000		-	1.35	105,000
2.50	100,000		-	1.65	110,000
	-		-	1.90	115,000
	-		-	2.10	120,000
	-		-	2.25	125,000
	<u>\$ 3,365,000</u>		<u>\$ 835,000</u>		<u>\$ 795,000</u>

OBLIGATION

GENERAL OBLIGATION		
ISSUED MAY 1, 2012		
INTEREST		
RATE	AMOUNT	TOTAL
0.50	\$ 75,000	\$ 1,660,000
0.50	300,000	2,015,000
0.70	305,000	2,020,000
0.90	305,000	1,790,000
1.10	310,000	1,610,000
1.30	315,000	1,445,000
1.50	320,000	1,200,000
1.70	325,000	1,230,000
1.90	330,000	940,000
2.10	340,000	835,000
2.20	345,000	850,000
2.30	355,000	875,000
2.40	250,000	595,000
	-	355,000
	-	370,000
	-	380,000
	-	390,000
	-	150,000
	-	160,000
	<u>\$ 3,875,000</u>	<u>\$ 18,870,000</u>

CITY OF INDIANOLA

Bond and Note Maturities
June 30, 2012

CAPITAL						
YEAR ENDING JUNE 30,	SEWER REVENUE ISSUED JUNE 21, 1995		SEWER REVENUE ISSUED MAY 20, 2009		GENERAL OBLIGATION ISSUED AUGUST 31, 2009	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2013	3.00	\$ 26,000	3.00	\$ 193,000	2.25	\$ 65,000
2014	3.00	27,000	3.00	200,000	2.25	70,000
2015	3.00	28,000	3.00	206,000	2.80	70,000
2016		-	3.00	213,000	2.80	70,000
2017		-	3.00	220,000	3.25	75,000
2018		-	3.00	227,000	3.25	75,000
2019		-	3.00	234,000		-
2020		-	3.00	242,000		-
2021		-	3.00	250,000		-
2022		-	3.00	258,000		-
2023		-	3.00	266,000		-
2024		-	3.00	275,000		-
2025		-	3.00	284,000		-
2026		-	3.00	293,000		-
2027		-	3.00	302,000		-
2028		-	3.00	312,000		-
2029		-	3.00	322,000		-
2030		-	3.00	333,000		-
2031		-	3.00	344,000		-
2032		-	3.00	355,000		-
2033		-	3.00	366,000		-
2034		-	3.00	378,000		-
2035		-	3.00	391,000		-
2036		-	3.00	403,000		-
2037		-	3.00	417,000		-
2038		-	3.00	430,000		-
2039		-	3.00	11,357		-
		<u>\$ 81,000</u>		<u>\$ 7,725,357</u>		<u>\$ 425,000</u>

See accompanying independent auditor's report.

LOAN NOTES

GENERAL OBLIGATION
ISSUED DECEMBER 20, 2011

INTEREST RATE	AMOUNT	TOTAL
1.30	\$ 135,000	\$ 419,000
1.30	140,000	437,000
1.30	140,000	444,000
1.30	140,000	423,000
1.30	145,000	440,000
	-	302,000
	-	234,000
	-	242,000
	-	250,000
	-	258,000
	-	266,000
	-	275,000
	-	284,000
	-	293,000
	-	302,000
	-	312,000
	-	322,000
	-	333,000
	-	344,000
	-	355,000
	-	366,000
	-	378,000
	-	391,000
	-	403,000
	-	417,000
	-	430,000
	-	11,357
	<u>\$ 700,000</u>	<u>\$ 8,931,357</u>

CITY OF INDIANOLA

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

	2012	2011	2010	2009	2008
Receipts					
Property tax	\$ 4,929,375	4,836,322	4,826,350	4,739,284	4,380,621
Tax increment financing collections	1,146,801	865,761	712,476	632,566	652,571
Other city tax	152,908	137,481	118,906	116,449	119,660
Licenses and permits	144,940	197,339	96,392	66,923	187,498
Use of money and property	298,072	318,803	366,427	339,169	320,015
Intergovernmental	1,651,642	1,825,569	2,337,365	1,648,354	1,813,522
Charges for service	983,827	982,632	888,563	1,117,293	1,033,928
Special assessments	139,226	92,034	197,299	161,882	331,949
Miscellaneous	416,059	623,383	418,791	351,465	648,262
Total	<u>\$ 9,862,850</u>	<u>9,879,324</u>	<u>9,962,569</u>	<u>9,173,385</u>	<u>9,488,026</u>
Disbursements					
Operating					
Public safety	3,953,821	3,574,355	3,356,421	3,269,051	3,173,199
Public works	1,329,010	1,185,798	1,151,366	1,282,170	1,348,228
Culture and recreation	2,113,184	1,992,708	2,020,345	2,316,774	1,904,951
Community and economic development	1,295,997	123,554	96,617	104,155	83,781
General government	1,303,284	1,196,933	1,144,194	1,037,373	995,407
Debt service	3,368,178	5,718,378	2,276,339	2,219,139	1,956,788
Capital projects	2,778,034	1,904,710	2,713,016	1,678,814	966,954
Total	<u>\$ 16,141,508</u>	<u>15,696,436</u>	<u>12,758,298</u>	<u>11,907,476</u>	<u>10,429,308</u>

See accompanying independent auditor's report.

Schedule 5

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



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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our reports thereon dated December 4, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another 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

The management of the City of Indianola is responsible for establishing and maintaining effective 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 an 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.

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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. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the Year Ended June 30, 2012 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.

December 4, 2012

CITY OF INDIANOLA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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-12 Certified Budget - Disbursements during the year ended June 30, 2012, exceeded the amounts budgeted in the debt service and community and economic development functions. 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, 2012

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

- IV-B-12 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-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-12 Business Transactions - No business transactions between the City and City officials or employees were noted.
- IV-E-12 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-12 City Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-12 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-12 Revenue Bonds and Notes - The requirements of the sewer revenue bonds and notes resolutions were not met during the year ended June 30, 2012. The sewer sinking fund was underfunded by \$29,201

Recommendation - The City should transfer the appropriate amounts according to the requirements of the water revenue bonds and notes resolutions.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.

CITY OF INDIANOLA

Schedule of Findings - Continued
Year Ended June 30, 2012

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

IV-I-12 Financial Condition - The City had the following deficit balances at June 30, 2012:

Special Revenue:

Industrial Park Urban Renewal Tax Increment \$ 107,177

Capital Projects Fund:

Community Redevelopment 66,769

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.

APPENDIX “B”

PRELIMINARY LEGAL OPINION

as furnished by
Ahlers & Cooney, P.C., Attorneys
Des Moines, Iowa

AHLERS & COONEY, P.C.

100 COURT AVENUE, SUITE 600
DES MOINES, IOWA 50309-2231
PHONE: 515-243-7611
FAX: 515-243-2149
WWW.AHLERSLAW.COM

DRAFT

We hereby certify that we have examined a certified transcript of the proceedings of the City Council and acts of administrative officers of the City of Indianola, State of Iowa (the "Issuer"), relating to the issuance of General Obligation Refunding Bonds, Series 2013C, by said City, dated July 17, 2013, in the denomination of \$5,000 or multiples thereof, in the aggregate amount of \$2,065,000*.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion as bond counsel.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Resolution authorizing issuance of the Bonds (the "Resolution") and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

We have not been engaged to or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the Bonds and we express no opinion relating thereto.

Based on our examination and in reliance upon the certified proceedings and other certifications described above, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a body corporate and politic and political subdivision of the State of Iowa with the corporate power to adopt and perform the Resolution and issue the Bonds.
2. The Bonds are valid and binding general obligations of the Issuer.
3. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. Taxes have been levied by the Resolution for the payment of the Bonds and the Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.

4. The interest on the Bonds is excluded from gross income for federal income tax purposes and interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is included in adjusted current earnings for the purpose of determining the alternative minimum tax imposed on such corporations. The Issuer has designated the Notes "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on the Bonds.

For the purpose of rendering the opinion set forth in paragraph numbered 4 above, we have assumed compliance by the Issuer with requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Bonds in order that interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with such requirements.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX “C”

FORM OF CONTINUING DISCLOSURE

as furnished by
Ahlers & Cooney, P.C., Attorneys
Des Moines, Iowa

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Indianola, State of Iowa (the "Issuer"), in connection with the issuance of \$2,065,000¹ General Obligation Refunding Bonds, Series 2013C (the "Bonds") dated July 17, 2013. The Bonds are being issued pursuant to a Resolution of the Issuer approved on July 1, 2013 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Business Day" shall mean a day other than a Saturday or a Sunday or a day on which banks in Iowa are authorized or required by law to close.

"Dissemination Agent" shall mean the Issuer or any Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

¹ Preliminary, subject to change.

"Holders" shall mean the registered holders of the Bonds, as recorded in the registration books of the Registrar.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Municipal Securities Rulemaking Board" or "MSRB" shall mean the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314.

"National Repository" shall mean the MSRB's Electronic Municipal Market Access website, a/k/a "EMMA" (emma.msrb.org).

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Iowa.

SECTION 3. Provision of Annual Reports.

- (a) The Issuer shall, or shall cause the Dissemination Agent to, not later than two hundred seventy (270) days after the end of the Issuer's fiscal year (presently June 30th), commencing with the report for the 2012/2013 fiscal year, provide to the National Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in such format as is required by the MSRB (currently in "searchable PDF" format). The Annual Report may be submitted as a single document or as separate documents comprising a package. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).
- (b) If the Issuer is unable to provide to the National Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice

to the Municipal Securities Rulemaking Board, if any, in substantially the form attached as Exhibit A.

- (c) The Dissemination Agent shall:
 - (i) each year file the Annual Report with the National Repository; and
 - (ii) (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying that the Annual Report has been filed pursuant to this Disclosure Certificate, stating the date it was filed.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

- (a) The last available audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the Issuer's audited financial statements for the preceding years are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.
- b) A table, schedule or other information reflecting "Debt Limit Calculation", "General Obligation Debt", "Current Valuation by Property Classification", "Tax Rate Per \$1,000 of Taxable Valuation", "Valuation Trend", and "Tax Collection Trend".

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been filed with the National Repository. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

- (a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than 10 Business Days after the day of the occurrence of the event;
- (1) Principal and interest payment delinquencies;
 - (2) Non-payment related defaults, if material;
 - (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
 - (5) Substitution of credit or liquidity providers, or their failure to perform;
 - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series Bonds, or material events affecting the tax-exempt status of the Bonds;
 - (7) Modifications to rights of Holders of the Bonds, if material;
 - (8) Bond calls (excluding sinking fund mandatory redemptions), if material, and tender offers;
 - (9) Defeasances of the Bonds;
 - (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (11) Rating changes on the Bonds;
 - (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;

- (13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Whenever the Issuer obtains the knowledge of the occurrence of a Listed Event, the Issuer shall determine if the occurrence is subject to notice only if material, and if so shall as soon as possible determine if such event would be material under applicable federal securities laws.
 - (c) If the Issuer determines that knowledge of the occurrence of a Listed Event is not subject to materiality, or determines such occurrence is subject to materiality and would be material under applicable federal securities laws, the Issuer shall promptly, but not later than 10 Business Days after the occurrence of the event, file a notice of such occurrence with the Municipal Securities Rulemaking Board through the filing with the National Repository.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the Issuer's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made will present a comparison or other discussion in narrative form (and also, if feasible, in quantitative form) describing or illustrating the material differences between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure

Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____ day of _____, 2013

CITY OF INDIANOLA, STATE OF IOWA

By: _____
Mayor

ATTEST:

By: _____
City Clerk

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Indianola, Iowa.

Name of Bond Issue: \$2,065,000* General Obligation Refunding Bonds, Series 2013C

Dated Date of Issue: July 17, 2013

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate delivered by the Issuer in connection with the Bonds. The Issuer anticipates that the Annual Report will be filed by _____, 20____.

Dated: _____ day of _____, 20____.

CITY OF INDIANOLA, STATE OF IOWA

By: _____
Its: _____

