INDIANOLA MUNICIPAL UTILITIES

IMU

Electric • Communications • Water

IMU Board of Trustees
March 9, 2015
City Hall Council Chambers
5:30 p.m.

Agenda

1. Roll Call

2. Consent

   A. Claims

   B. Minutes

3. Reports

   A. General Manager

   B. Director of Finance

   C. Chairperson

   D. FY 2014 Audited Financial Statements

4. Red Rock Area Community Action Program, Inc. Funding Request

5. 2015 Vehicle Storage Building Project

   A. Public Hearing on the Plans, Specifications, Form of Contract and Estimate of Cost

   B. Resolution Adopting Plans, Specifications, Form of Contract, and Estimate of Cost

   C. Receive Bids

   D. Resolution Making Award of Construction Contract

   E. Any other items thereto.

6. Y Street and Hwy 92 Water Main Relocation Project

   A. Consider Award and Construction Contract Authorization

   B. Any other items thereto.

7. $7,241,000 Electric Revenue Refunding Capital Loan Notes, Series 2015

   A. Approval of Tax Exemption Certificate

   B. Resolution approving and authorizing a form of Loan Agreement and authorizing and providing for the issuance of Notes and the Note payment method

8. Other Business

9. Adjourn

IMU Regular Downstairs **2. A.**
Meeting Date: 03/09/2015

Information

Subject

Claims

Information

The March 2, 2015 Claims List was distributed previously.

Financial Impact

N/A

Staff Recommendation

IMU Regular Downstairs **2. B.**

Meeting Date: 03/09/2015

Information

Subject

Minutes

Information

Minutes of the following meetings are attached:

February 23, 2015
March 2, 2015
March 4, 2015

Financial Impact

N/A

Staff Recommendation

Attachments

Minutes Feb 23

Minutes Mar 2

Minutes Mar 4

BOARD OF TRUSTEE MINUTES
REGULAR SESSION – FEBRUARY 23, 2015

The Board of Trustees met in regular session at 5:30 p.m. on February 23, 2015 in the City Hall Council Chambers. Chairperson Pat Reding called the meeting to order and on roll call the following members were present: Grant Johnson (via phone), Jim McClymond (via phone), Pat Reding and Deb White. Absent: Heather Hulen.

A public hearing was held to consider the FY 2016 budget. There were no objections either oral or written. Board member Johnson introduced the following resolution entitled, “RESOLUTION ADOPTING THE BUDGET FOR FY 2016 YEAR ENDING JUNE 30, 2016”. Board member McClymond seconded the motion to adopt. On roll call the vote was, AYES: White, Reding, McClymond and Johnson. NAYS: None. Absent: Hulen. Whereupon the Chairperson declared the motion carried unanimously and the following resolution duly adopted.

RESOLUTION ADOPTING THE BUDGET
FOR FY 2016 YEAR ENDING
JUNE 30, 2016

(The complete resolution may be viewed at the City Clerk’s Office)

The Chairperson announced that this was the time and place for the public hearing and meeting on the matter of the authorization of a Loan Agreement and the issuance of not to exceed $8,050,000 Electric Revenue Refunding Capital Loan Notes, Series 2015, in order to provide funds to pay costs of refunding outstanding electric revenue indebtedness, including the Electric Revenue Capital Loan Notes, Series 2010, dated June 15, 2010, and the Electric Revenue Bonds, Series 2011, dated December 29, 2011, and that notice of the proposed action by the Board to institute proceedings for the authorization of the Loan Agreement and the issuance of the Notes, had been published pursuant to the provisions of Sections 384.24A and 384.83 of the City Code of Iowa, as amended. Chip Schultz, D.A. Davidson & Co., updated the Board on the refinancing of the Electric Revenue Refunding Capital Loan Notes.

The Chairperson then asked the Secretary whether any written objections had been filed by any city resident or property owner to the proposal. The Secretary advised the Chairperson and the Board that no written objections had been filed. The Chairperson then called for oral objections to the proposal and none were made. Whereupon, the Chairperson declared the time for receiving oral and written objections to be closed.

The Board then considered the proposed action and the extent of objections thereto.

Whereupon, Board Member White introduced and delivered to the Secretary the Resolution hereinafter set out entitled "RESOLUTION INSTITUTING PROCEEDINGS TO TAKE ADDITIONAL ACTION FOR THE AUTHORIZATION OF A LOAN AGREEMENT AND THE ISSUANCE OF NOT TO EXCEED $8,050,000 ELECTRIC REVENUE REFUNDING CAPITAL LOAN NOTES, SERIES 2015", and moved that the Resolution be adopt. Board member McClymond seconded the motion to adopt. The roll was called and the vote was, AYES: Reding, McClymond, Johnson and White. NAYS: None. ABSENT: Hulen. Whereupon, the Chairperson declared the measure duly adopted.

RESOLUTION INSTITUTING PROCEEDINGS TO TAKE ADDITIONAL ACTION FOR THE AUTHORIZATION OF A LOAN AGREEMENT AND THE ISSUANCE OF NOT TO EXCEED $8,050,000 ELECTRIC REVENUE REFUNDING
CAPITAL LOAN NOTES, SERIES 2015

(The complete resolution may be viewed at the City Clerk's Office)

Jim McClymond was excused from the meeting.

A motion was made by White and seconded by Johnson to approve the Bond Counsel Engagement Agreement with Ahlers and Cooney, P.C. and Placement Agent Engagement Letter with D.A. Davidson for the not to exceed $8,050,000 Electric Revenue Refunding Capital Loan Notes, Series 2015. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

The consent agenda consisting of the following was approved on a motion by Johnson and seconded by White. Question was called for and on voice vote the Vice Chairperson declared the motion carried unanimously.

February 17, 2015 claims

February 9, 2015 minutes

Salaries: Jason Henle, Line Mechanic, from Range 26-6 at $57,483/year to Range 27-6+ $63,554/year plus longevity effective February 22, 2015 through September 5, 2015, unless otherwise promoted, for assigned Crew Chief duties

Justin Brand, Water Operator, from Range 21-2.5 $45,537/year to Range 21-3 $46,430/year effective March 8, 2015

Re-Adoption of the Investment Policy (The complete policy may be viewed at the City Clerk's Office)

Resolution Naming Depositories (The complete resolution may be viewed at the City Clerk's Office)

Amounts to be forwarded to the State Offset Program $29,854.24 (electric) and $4,875.11 (water)

Resolution Approving Continuing Disclosure Policy (The complete resolution may be viewed at the City Clerk's Office)

A motion was made by Johnson and seconded by White to approve the January 2015 Treasurer's Report and budget variance reports. Question was called for and on voice vote the Vice Chairperson declared the motion carried unanimously.

Meeting adjourned on a motion by White and seconded by Johnson.

Pat Reding, Chairperson

Diana Bowlin, City Clerk

BOARD OF TRUSTEE MINUTES
SPECIAL SESSION – MARCH 2, 2015

The Board of Trustees met in special session at 5:30 p.m. on March 2, 2015 in the City Hall Conference Room. Chairperson Pat Reding called the meeting to order and on roll call the following members were present: Heather Hulen, Grant Johnson, Jim McClymond (via phone), Pat Reding and Deb White.

Mike Maloney with D.A. Davidson presented two options for refunding electric revenue capital loan notes, series 2015. Trustee consensus is to move forward with refunding the loan notes in the amount of $7.241 million at a fixed rate for a 7 year term at 2.6% interest with a rate reset with cap and floor for the remaining 3 year term. Trustees will formally consider and adopt the loan agreement at the March 9, 2015 Trustee meeting.

A motion was made by Johnson and seconded by White to approve Change Order #3 for the 2013 West Hwy 92 Distribution Relocation Project in the amount of $1,190.06 for the Watts Electric Contract. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

A motion was made by Hulen and seconded by Johnson to approve Change Order #4 for the 2013 West Hwy 92 Distribution Relocation Project in the amount of $42,595.00 for the Watts Electric Contract. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

A motion was made by Johnson and seconded by White to approve Change Order #1 for the 2013 West Hwy 92 Distribution Relocation Project in the amount of $36,701.00 for the Dig America Contract. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

A motion was made by Johnson and seconded by Hulen to enter into closed session as permitted under Iowa Code Section 21.5(i) to discuss the General Manager's FY 2014 evaluation. On roll call vote the vote was AYES: Hulen, White, McClymond, Reding and Johnson. NAYS: None. Whereupon the Chairperson declared the motion carried unanimously.

A motion was made by Hulen and seconded by White to return to special session. On roll call vote the vote was AYES: White, McClymond, Reding, Johnson and Hulen. NAYS: None. Whereupon the Chairperson declared the motion carried unanimously.

Meeting adjourned on a motion by Johnson and seconded by White.

Pat Reding, Chairperson

Diana Bowlin, City Clerk

BOARD OF TRUSTEE MINUTES
SPECIAL SESSION – MARCH 4, 2015

The Board of Trustees met in special session at 5:30 p.m. on March 4, 2015 in the IMU Conference Room of the IMU Administrative Office. Chairperson Pat Reding called the meeting to order and on roll call the following members were present: Heather Hulen, Grant Johnson, Pat Reding and Deb White. Absent: Jim McClymond. Also present: Todd Kielkopf, IMU General Manager

A motion to enter into closed session as permitted under IA Code Chapter 21.5(1)i to discuss the General Manager's FY 2014 evaluation was approved upon a motion by Johnson, seconded by Hulen. On roll call vote the vote was AYES: White, Reding, Johnson and Hulen. NAYS: None. ABSENT: McClymond. Whereupon the Chairperson declared the motion carried unanimously.

A motion was made by Hulen and seconded by White to return to special session. On roll call vote the vote was AYES: White, Reding, Johnson and Hulen. NAYS: None. ABSENT: McClymond. Whereupon the Chairperson declared the motion carried unanimously.

Meeting adjourned on a motion by Johnson and seconded by White.

Pat Reding, Chairperson

Diana Bowlin, City Clerk

IMU Regular Downstairs **3. A.**

Meeting Date: 03/09/2015

Information

Subject

Administrative News Items

Information

A report may be provided at the meeting, however given the short time between meetings, there haven't been notable events.

Financial Impact

N/A

Staff Recommendation

IMU Regular Downstairs **3. D.**

Meeting Date: 03/09/2015

Information

Subject

Financials

Information

Arlen Schrum of Shull & Co. will present the audit results for the FY 2014 consolidated financial statements, which are attached.

Reports that segregate only the Electric Utility and the Water Utility are also attached.

All reports show that IMU was in a strong financial position for the fiscal year period ended June 30, 2014.

Highlights include continued scheduled debt repayments ($1.464 million), investments in capital projects ($2.433 million), and rates that sustained operations with $1.005 million of net income.

Debt service coverage was adequate, debt/asset ratios improved, and total operating expenses under management's control grew a modest 2.4%.

IMU's electric, water, and telecom rates were unchanged from July 2013 - June 2014, which had not occurred in the recent past.

Financial Impact

N/A

Staff Recommendation

Attachments

IMU Report

Electric Utility Report

Water Utility Report

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Financial Statements
(With Independent Auditor's Report Thereon)

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

Schedule of Findings

June 30, 2014 and 2013

Shull
and Co. P.C.
certified public accountants

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Table of Contents

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Officials

June 30, 2014

Electric and Water Utility Board of Trustees
Authority: Indianola City Ordinance No. 642

		Term Expires December 31	Amount of Bond
Eric Vander Linden	January 2014 Chairperson	2014	300,000
Bob Lester	(to July 2014)	2015	300,000
Deb White	(from July 2014)	2015	300,000
Pat Reding		2017	300,000
Grant Johnson		2018	300,000
Heather Hulen		2019	300,000

Indianola Municipal Utilities Management

Todd Kielkopf	General Manager	300,000
Bob Miller	Electric Superintendent	300,000
Lou Elbert	Water Superintendent	300,000
Mike Metcalf	Director of Technical Services	300,000
Chris Longer	Program Coordinator	300,000

City Officials and Management

Christopher DesPlanques	Director of Finance	300,000
Roxanne Hunerdosse	Director of Human Resources	300,000
Diana Bowlin	City Clerk	300,000
Douglas Shull	City Treasurer	300,000

All other city employees are bonded under the Cincinnati Insurance Employee Loss Coverage, "Faithful Performance Blanket Position Bond," # BD0359727 in the amount of $300,000.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Board of Trustees Report

March 1, 2015

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

This report consists of the board and management's representations concerning the finances of Indianola Municipal Utilities. Consequently, the board and management assume 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, the board and management have established a comprehensive internal control framework that is designed both to protect the utility's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of these financial statements. Because the cost of internal controls should not outweigh their benefits, the utility'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. The board and management assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Indianola Municipal Utilities' financial statements have been audited by Shull & Co., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Indianola Municipal Utilities' financial statements for the fiscal year ended June 30, 2014 are fairly presented. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

Profile of the Utility Board of Trustees

The City of Indianola, incorporated in 1864 and the county seat of Warren County, is located in the central part of the state approximately 17 miles south of the state capital, Des Moines. Indianola is considered part of the Des Moines MSA, one of the top growth areas in the state. The City of Indianola encompasses an area of approximately nine square miles and a population of 14,782. The city 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). This system of management and control was established by a vote of the electorate and implemented by city ordinance in 1973 as provided in Iowa Code.

Electric and water utility territories are fixed in that any new territory expansions must be negotiated and purchased from incumbent service providers. The telecommunications utility has no fixed territory and leases fiber optic lines to customers and has a licensing arrangement with a private telecom service provider.

Utility board. Utility boards are vested with the authorities of the city in relation to these utilities, with the exceptions that the board may not certify taxes to be levied, pass ordinances or amendments, or issue general obligation or special assessment bonds. Real property is held in the name of the city, but the utility board has all the powers and authorities of the city with respect to the acquisition by purchase, condemnation, or otherwise, lease, sale, or other disposition of such property, and the management, control, and operation of the same, subject to provisions of any outstanding obligations which are payable from the revenues of the city utility. Separate funds are maintained for each utility. Utility fund balances deemed by the board of trustees to be in excess of the needs of a utility may be transferred to any other fund, upon approval by the city council. The five trustees are appointed by the mayor and approved by the city council, each serving staggered six-year terms.

Management. 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.

Other officials. A director of finance serves as the chief accounting officer for all city services, including those provided by IMU, and submits budget and year-end financial reports required of the utility. There is also an appointed clerk, which serves as the secretary of the board of trustees and as such has custodial duties prescribed in Iowa Code, local ordinances, board resolutions, and by management discretion. An appointed treasurer serves as custodian for all funds. An attorney is also appointed to represent the city, its boards, and its commissions and performs certain functions prescribed in local ordinances and in the Iowa Code.

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

- The general manager submits a 5-year capital improvement project budget to the board of trustees for review and adoption.
- Departments submit operating budget requests to the general manager.
- The general manager compiles the annual budgets for review.
- The board of trustees adopts budgets for the electric, water, and telecommunications utilities. These are compiled with the City of Indianola's governmental services' budgets and that of the sewer utility for presentation to the public in publication form.
- The city council sets and conducts a public hearing on the budget.
- Any proposed changes to the IMU budget are referred back to the board of trustees.
- The city council adopts the overall budget and the budget is filed with the county auditor and the State of Iowa no later than March 15 of each year.

The State of Iowa limits expenditures to the total amount budgeted by function. Expenditures for individual departments or services may exceed those budgeted as long as total expenditures by function are not exceeded. Budget amendments are permitted under provisions similar to the adoption of the original budget. Budget-to-actual comparisons are provided in this report on a cash accounting basis, which is consistent with the city's financial basis of accounting.

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

Cash temporarily idle during the year was invested in bank deposits or money market funds, repurchase agreements, and the Iowa Public Agency Investment Trust. These temporary cash deposits were maintained in stable value investments with a June 30, 2014 rate of return of 0.35%.

The utility 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, 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 was 2.9 years with a current yield of 2.15%. Reported returns may include changes in fair value during the year but do not necessarily represent continuing returns; nor is it always possible to realize changes in fair value, especially in the case of temporary changes for securities the city intends to hold until maturity.

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

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

Pension and other post-employment benefits. Indianola Municipal Utilities provides pension benefits for its employees. These benefits are provided through a statewide plan managed by the Iowa Public Employees Retirement System. Indianola Municipal Utilities has no obligation in connection with employee benefits offered through this plan beyond its periodic payments based on earned compensation by active employees.

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

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

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

Closing

State law and city ordinance require municipal utility boards to provide the city council an annual report with complete financial statements. State law also requires the city to publish within nine months of the close of each fiscal year a complete set of financial statements, including that of municipal utilities as a component unit. State law requires that financial statements must be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to these requirements, we hereby issue this report for Indianola Municipal Utilities for the fiscal year ending June 30, 2014.

Todd Kielkopf
General Manager

Christopher DesPlanques
Director of Finance & Administrative Services

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Operational Review

Utility operations are divided into departments, all of which work toward the common goal of providing superior services to the citizens of Indianola. The IMU Board of Trustees annually adopts a Strategic Plan complete with service objectives, operating strategies, and annual goals. Performance towards plan objectives is reported on a quarterly basis.

The following summary provides a brief review of the various departmental activities and accomplishments in FY 2014.

- **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 toward implementing operational strategies include:

    - Continued wreck-out of the East Side Conversion Project; negotiated final terms and conditions towards accepting the project as-is with IMU to complete restoration work
    - Finished plans & specifications for the I-35 Transmission Relocation Project; purchased materials
    - Added to authorized amounts of participation (using existing bond proceeds) in the CAPX2020 project to reflect lower-than-budgeted construction costs
    - Proactively hired one new lineman position, which resulted in shifting of positions among several IMU crew members
    - Continued termination work on the Hwy 65/69 Conversion Project
    - Adopted plans to start replacing streetlights on The Square (in the fall of 2014)
    - Monitored construction of the I-35 Transmission Relocation project
    - Worked to complete plans and revised drafts for the W Hwy 92 Transmission Relocation project

- **Water Utility.** The water utility provides reliable water service by pumping it from wells, treating it, keeping enough in storage to meet daily needs, and distributing it to customers. Significant progress towards implementing operational strategies include:

    - Completed construction on the Ann Parkway Water Main project
    - Finalized the A.T&T. (New Cingular) cellular tower lease contract to be located at the Simpson Water Tower
    - Transferred 210 N. First to the City of Indianola in exchange for $100,000 over 5 years
    - Accepted a contract for the aerator replacement project (fall 2014 construction)
    - Updated Fluoride notices with an FAQ and other pertinent information
    - Completed repairs to Well #11
    - Well #9 developed casing issues; scheduled initial repairs
    - Let the 2014 W IA Ave. Water Main replacement 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:
  - Continued to connect new residential & commercial customers and address operational issues with MCG
  - Worked to initiate service at the Indianola YMCA after competitors were not able/willing to serve the new facility
  - Worked with MCG staff on new marketing efforts & implemented connections at multi-family dwellings transitioning from free internet service (as part of rent) to MCG service
  - Revised expansion priorities; now planning for W Hwy 92, then N. Howard area, then proceed with fill-in projects

- **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.

  Public Works:

  - Continued removing IMU poles; indication from both Century Link & Mediacom that they will soon start on priority areas
  - Repainted street lights along north Hwy 65/69 (from Hillcrest south) where corrosion was visible
  - Mediacom bored conduit in priority areas; cable is still aerial, however
  - Finalized plans to replace streetlights on The Square (fall 2014)

  Economic Development & Community Betterment:

  - Planning meetings held regarding potential on-campus and outreach EMERGE programs
  - Classes held to help new small business owners
  - Meetings held with Simpson College regarding their upcoming strategic planning and developing EMERGE@Simpson College stands as a priority program
  - Meetings held with the IDA & Warren County to review both the proposed EMERGE hub (software platform), 28E building proposal, and local programs

Economic Development & Community Betterment - Continued:

- Reports made by the IDA on progress over the past 2 years
- Continued EMERGE Hub planning with design team; continued EMERGE@Simpson College planning with Simpson leadership & IDA staff
- Continued EMERGE Hub planning with design team
- EMERGE@Simpson College direction set for 2014 & 2015
- Drafted IMU Partners scope of services with the IDA for FY 2015

Technical Services & Programs

- IMU Network Services summary edited & published in the founding issue of innovationIOWA
- Held the annual Customer Appreciation Luncheon in the IMU line shop
- Finished drafting bylaws to form the IMU Partners Agency (sent on for legal review)
- Set up Internet video channel; held planning meetings regarding video options
- Renewed the GIS Agreement with Warren Co. & City of Indianola
- Began using LinkedIn to update customers on IMU activities
- Expanded Key Account personal visits with larger customers
- Began investigation of the factors that determine the viability of a community-owned solar array
- Continued planning for the W. Hwy 92 relocation projects
- Revised IAMU Apprenticeship expectations/program adoption
- Held first meeting of IMU Partners, adopted policies, and discussed potential FY 2015 activities.
- Worked with MCG on new marketing plans (implementing the summer/fall of 2014)
- IMU staff more proactively meeting with WCEDC & Chamber of Commerce staff and attending their events
- Started participating as a member of the design team on an IAMU community solar (proposed to US Dept. of Energy, local match by the IA Energy Center) grant project
- Planned for a community sustainability planning forum
- The State of Iowa adopted the 2012 National Electric Safety Code, which is referenced in IMU safety & service plan documents

Governance and Professional Services:

- Adopted the 2013-15 Strategic Plan and reviewed associated Capital Improvement Plan components
- Updated & adopted new Employee Handbook, Mgmt. Personnel Policy Manual, and misc. policy manual
- Held first "General Manager Year-End" event and selected Jason Henle as the first IMU Employee of the Year

Governance and Professional Services - Continued:

- Developed a hiring plan to begin training new linemen in anticipation of pending retirements over the next 3-5 years
- General Manger Todd Kielkopf was named Chair of the MEAN Risk Management Committee and elected Secretary/Treasurer of the MEAN Board of Directors
- Adopted FY 2015 budget within the context of ratios needed to retain an "A" rating
- Reviewed insurance deductibles/coverage options
- Technical Services Director Mike Metcalf was selected to serve on the IAMU Electrical Safety & Training Committee
- Completed union negotiations resulting in a 2-year agreement
- IMU awarded Platinum-level RP3 status by APPA
- Adopted a policy pertaining to imposing a Cost of Power Adjustment for bills issued starting July 1, 2014
- Monitored EPA pronouncements pertaining to new rules on carbon reduction targets for existing power plants
- Held joint meeting with the Mayor/City Council
- Issued RFP for Banking Services; awarded to City State Bank (summer 2014 transition)

Shull
and Co. P.C.
certified public accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Indianola Municipal Utilities
Indianola, Iowa

Report on the Financial Statements

We have audited the accompanying statement of net position of the Indianola Municipal Utilities, a component unit of the City of Indianola, Iowa, as of June 30, 2014 and 2013 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, which collectively comprise the Utilities' financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

1111 North Jefferson
Indianola, Iowa 50125
515-961-2571 • Fax 515-961-4253

133 West Washington Street
Osceola, Iowa 50213
641-342-2611 • Fax 641-342-2746

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indianola Municipal Utilities as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

The other information, Management's Discussion and Analysis and budgetary comparison information on pages 13 through 19 and 37 through 40 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards we have also issued our report dated January 16, 2015 on our consideration of the Indianola Municipal Utilities' 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 in considering the Indianola Municipal Utilities' internal control over financial reporting and compliance.

Shull & Co., P.C.

January 16, 2015

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES

Management Discussion and Analysis (MD&A)

Indianola Municipal Utilities offers readers of its financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. 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.

2014 Financial Highlights

- Indianola Municipal Utilities has ending cash and investment balances totaling $8,685,834 to meet the utility's ongoing obligations to citizens, creditors, for capital reinvestment in utility operations, and for emergency repairs.

- The utility annually uses prior years' positive cash flow and balances to reinvest in capital assets, as detailed in the "Long term financial planning" section of this MD&A.

- As reported on the Statement of Cash Flows, total cash and investment balances decreased by $1,215,399.

- Net cash provided by operating activities was $2,776,002, which decreased by $1,241,260 compared with the prior year.

- At the end of the current fiscal year, unrestricted and undesignated net assets totaled $11,090,109, which decreased by $585,659 over the prior year.

- The utility's total liabilities decreased $1,415,728 during the current fiscal year. Current liabilities decreased by $504,966, primarily from decreased Electric Revenue Capital Loan Notes.

Using this Annual Report

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

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

The Financial Statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. These statements provide information about the activities of the utility as a whole and present an overall view of the utility's finances.

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

Basis of accounting. Indianola Municipal Utilities maintains its financial records on the accrual basis and the financial statements presented in this report are prepared on that basis. The financial statements present the financial position and changes in financial position of the funds in accordance with U.S. generally accepted accounting principles.

Reporting the Utility's Financial Activities

One of the most important questions asked about the utility's finances is, "Is Indianola Municipal Utilities as a whole better off or worse off as a result of the year's activities?" The Financial Statements reports information which helps answer this question.

Fund Accounting. 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. Separate funds are maintained for each utility. These funds are classified as business type, or proprietary, funds for reporting purposes.

Financial Statements. The Statement of Net Assets presents information on each utility's assets, liabilities, and equity. Over time, increases or decreases in unrestricted and undesignated net assets may serve as a useful indicator of whether the financial position of the utility is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets details the financial operating results of the utility during the most recent fiscal year, with a comparison to the prior year.

The Statement of Cash Flows provides the net increase or decrease in cash and investments as a result of operating, financing, and investment activities.

Analysis of Financial Activities

This section of the MD&A summarizes the financial data contained in the utility's financial statements. It also provides an analysis of the major activities affecting changes from the previous fiscal year.

Statement of Net Position	Year ended June 30, 2014	2013
Assets		
Current	$ 12,782,442	13,303,155
Restricted	1,721,193	1,888,313
Other	205,133	225,000
Capital	44,485,768	44,123,046
Total Assets	59,194,536	59,539,514
Liabilities		
Current	2,908,573	3,367,860
Long Term	8,806,010	9,762,451
Total Liabilities	11,714,583	13,130,311
Net Position		
Invested Capital Assets	35,524,758	34,206,195
Restricted	865,086	527,240
Designated	498,988	499,642
Unrestricted & Undesignated	10,591,121	11,176,126
Total Net Position	$ 47,479,953	46,409,203

As shown above, total utility assets remained relatively stable, decreasing 0.58% or $344,978. Invested Capital Assets increased by $1,318,563 as construction projects progressed. The utility also repaid $1,464,400 of indebtedness in FY 2014.

Analysis of Financial Activities - Continued

Net Income	Year ended June 30, 2014	2013
Operating revenues		
Sales of electricity	$ 12,168,779	11,541,231
Electrical capacity contract fees	532,920	378,840
Electrical transmission revenue	544,971	314,670
Sales of water	2,294,079	2,275,942
Fiber communications rental fees	236,483	234,494
Other	243,185	261,255
Total operating revenue	16,020,417	15,006,432
Operating expenses		
Electric utility	11,107,520	10,043,853
Water utility	1,488,732	1,351,320
Fiber communications utility	61,069	41,052
Administrative and general	1,383,717	1,354,216
Transfer to city for Clerk's operations	316,600	320,900
Transfer to city in lieu of property taxes	609,500	561,900
Total operating expenses	14,967,138	13,673,241
Income from operations	1,053,279	1,333,191
Nonoperating revenue (expenses)		
Revenue	389,139	508,248
Expenses	(437,011)	(394,364)
Net Income	$ 1,005,407	1,447,075

Income from operations decreased by $279,912. This was due to a combination of higher cost of power in the electrical utility offset by the lagging cost of power adjustment revenue.

Budgetary Highlights

The board of trustees annually adopts a budget for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level (i.e. proprietary) for the city as a whole, not at the fund or fund type level. Notice is given and a public hearing is held on the budget. 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.

Budgetary Highlights - Continued

Information pertaining to budgetary to actual receipts, disbursements, and changes in balances is provided in the financial statements on a cash basis.

Capital Asset and Debt Administration

The utility issued no additional debt during the fiscal year.

The utility pledges electric rates to be sufficient to pay its pro-rata share of outstanding debt obligations of the Municipal Energy Agency of Nebraska under its wholesale energy contract.

The utility's bond rating remained A2 (Moody's) and A+ (S&P).

	Outstanding Debt at Year ended June 30, 2014	2013
Electric utility		
Revenue bonds	$ 7,960,000	9,000,000
Water utility		
Revenue bonds	815,000	1,085,000
General Obligation bonds (issued by city)	937,300	1,091,700
Communications utility	-	-
Total	$ 9,712,300	11,176,700
Internal loan from Electric utility to Water utility	$ 1,783,184	2,338,000

Economic Factors and Next Year's Budgets and Rates

Local economy. The City of Indianola currently enjoys a favorable economic environment and local indicators point to continued moderate growth. The projection in 2015 is for Indianola to grow to a population of approximately 15,500, which represents and increase of 5% from the 2010 census. Although a primarily residential community, the varied nature of the educational, light manufacturing, agriculture services, and retail sectors of the local economy provides relative employment stability. Close proximity to the Des Moines metro area, the state capital with a combined population of approximately 460,000, provides employment for approximately 60% of the available workforce. Over the past 7 years, retail sales have grown at an annual average of over 1.5% and new single-family dwellings have been constructed at an average annual rate in excess of 50 units.

The region (which includes the City of Indianola and the surrounding unincorporated area within Warren County) has a moderate growth employment outlook over the next several years. New commercial construction is occurring along the four-lane highway between the City of Indianola and the Des Moines metropolitan area. 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 utility makes annual financial commitments to the Indianola Development Corporation and Warren County Economic Development Corporation, both non-related entities to the city, to support economic development in the region. The utility also offers its own revolving loan program to spur economic development and participates in the Choose Des Moines Communities program of the Greater Des Moines Partnership.

Long-term financial planning. The utility annually adopts a 5-year capital improvement budget that prioritizes foreseen projects. Those with potential long-term significant impacts to the cash balances and financial operations of the utility are:

- Phase II of the long-term electric underground conversion project. Additional debt of $5 million can be structured within current electric rates. It is anticipated this would be issued within 3-5 years.

- Water main replacements estimated at $500,000 using available cash in excess of the utility's reserve policy.

- Construction of additional fiber optic trunk lines within the next 5 years (amount dependent upon opportunities to obtain adequate financial returns on investment).

Potential regulatory changes over the next 3-5 years with the most fiscal impact is climate control legislation and renewable energy purchasing requirements. Both could increase wholesale energy purchase costs per kwh. However, the cost of energy adjustment could be imposed to recover unanticipated costs without the need for board action.

Economic Factors and Next Year's Budgets and Rates - Continued

The utility has hedged these risks by purchasing 11.5% of its wholesale supply from alternative energy sources. New alternative supplies that would be required could be at a much higher price. Regulations could also cause higher average prices for conventional energy. The landfill gas project is structured such that higher daily prices benefit the utility.

Budgets and Rates. Indianola Municipal Utilities maintain existing electrical rates in FY 2014, however, it did add a cost of power adjustment to recover electrical expenses in excess of expected costs, annual rate increase are expected to fund capital projects and to pay for projected wholesale energy costs. Water rates remained stable. The communications utility entered into a new agreement with its private partner to begin receiving that offset debt carrying costs.

Requests for Information

This financial report is designed to provide a general overview of Indianola Municipal Utilities' finances for all those with an interest in the utility'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 or to the City Clerk, who serves as the Secretary of the Board of Trustees. Their offices are located at 110 N. First St., PO Box 299, Indianola, IA 50125 with a telephone number of 515-961-9410.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Net Position
June 30, 2014 and 2013

ASSETS	2014	2013
Current assets		
Cash and investments	$ 6,964,641	8,012,920
Accounts receivable - customers	2,799,407	2,529,792
Other accounts receivable	20,175	35,640
Accrued interest receivable	34,521	26,678
Deferred charges	314,977	-
Inventories	2,556,854	2,623,125
Receivable from the City of Indianola within one year	16,867	-
Promissory note receivable within one year	75,000	75,000
Total current assets	12,782,442	13,303,155
Restricted assets - cash and investments		
Electric revenue note and interest sinking fund	163,200	224,800
Electric revenue note debt service reserve fund	979,000	1,084,000
Electric revenue note improvement fund	207,691	207,691
Water revenue bond and interest sinking fund	161,302	161,822
Water revenue bond debt service reserve fund	135,000	135,000
Water revenue bond water improvement fund	75,000	75,000
	1,721,193	1,888,313
Receivable from the City of Indianola after one year	55,133	-
Promissory note receivable after one year	150,000	225,000
	205,133	225,000
Electric utility plant and equipment, net of accumulated depreciation of $25,530,981 (2013 - $24,187,333)	30,162,033	29,459,735
Water utility plant and equipment, net of accumulated depreciation of $10,647,227 (2013 - $10,074,855)	14,214,628	14,536,506
Fiber communications utility plant and equipment, net of accumulated depreciation of $790,603 (2013 - $772,905)	109,107	126,805
	44,485,768	44,123,046
	$ 59,194,536	59,539,514

See accompanying notes to financial statements.

LIABILITIES	2014	2013
Current liabilities		
Accounts payable	$ 1,672,847	1,648,194
Wages and benefits payable	215,543	192,427
Sales tax payable	248	2,106
Deferred rental fees	7,369	8,071
Accrued interest payable	1,459	1,589
General obligation bonds payable within one year	155,000	154,400
Total current liabilities	2,052,466	2,006,787
Current liabilities payable from restricted assets		
Accrued interest payable	46,107	51,073
Electric revenue capital loan notes and bonds payable within one year	540,000	1,040,000
Water revenue refunding capital loan notes and bonds payable within one year	270,000	270,000
Current liabilities payable from restricted assets	856,107	1,361,073
Electric revenue capital loan notes and bonds payable after one year (including unamortized premium of $74,154 (2013 - $70,438))	7,494,154	8,030,438
General obligation bonds payable after one year (net of unamortized discount of $16,452 (2013 - $20,698))	765,848	916,602
Water revenue refunding capital loan notes and bonds payable after one year (including of unamortized premium of $1,008 (2013 - $411))	546,008	815,411
Total long term liabilities	8,806,010	9,762,451
Total liabilities	$ 11,714,583	13,130,311
NET POSITION		
Invested in capital assets, net of related debt	$ 35,524,758	34,206,195
Restricted for debt service	582,395	244,549
Restricted for electric utility improvements	207,691	207,691
Restricted for water utility improvements	75,000	75,000
Unrestricted		
Designated for payment of insurance coverage deductibles	20,827	22,851
Designated for economic development revolving loan fund	478,161	476,791
Undesignated	10,591,121	11,176,126
Total unrestricted	11,090,109	11,675,768
Total net position	$ 47,479,953	46,409,203

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013

	2014	2013
Operating revenues		
Sales of electricity	$ 12,168,779	11,541,231
Sales of water	2,294,079	2,275,942
Fiber communications rental fees	236,483	234,494
Capacity contract fees	532,920	378,840
Transmission revenue	544,971	314,670
Other	243,185	261,255
Total operating revenues	16,020,417	15,006,432
Operating expenses		
Electric utility		
Purchased energy	8,254,437	7,152,377
Plant operation and maintenance	379,986	481,600
Distribution operation and maintenance	1,117,741	1,091,407
Transmission operation and maintenance	11,708	29,701
Depreciation and amortization	1,343,648	1,288,768
Water utility		
Plant operation and maintenance	575,122	554,312
Distribution operation and maintenance	341,238	227,596
Depreciation and amortization	572,372	569,412
Fiber communications utility		
Operation and maintenance	43,371	23,354
Depreciation and amortization	17,698	17,698
Administrative and general	1,383,717	1,354,216
Transfer to city for Clerk's operations	316,600	320,900
Transfer to city in lieu of property taxes	609,500	561,900
Total operating expenses	14,967,138	13,673,241
Income from operations	1,053,279	1,333,191

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Revenues, Expenses and Changes in Net Position - Continued
Years Ended June 30, 2014 and 2013

	2014	2013
Nonoperating revenues (expenses)		
Investment income	142,487	197,320
Connection fees	56,442	46,051
Gain (loss) on sale or transfer of capital assets	(96,829)	(14,346)
Other	190,210	264,877
Interest expense	(340,182)	(380,018)
	(47,872)	113,884
Net income	1,005,407	1,447,075
Capital contributions from customers and developers	61,875	220,510
Capital contributions from water main connection fees	3,468	7,958
Change in net position	1,070,750	1,675,543
Net position, beginning of year	46,409,203	44,733,660
Net position, end of year	$ 47,479,953	46,409,203

See accompanying notes to financial statements.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Cash received from customers	$ 15,645,096	15,093,159
Cash paid to suppliers	(11,031,628)	(9,367,202)
Cash paid to employees	(2,084,118)	(2,019,623)
Other nonoperating fees and revenues received	246,652	310,928
Net cash provided by operating activities	2,776,002	4,017,262
Cash flows from capital and related financing activities		
Purchases and construction of electric utility plant and equipment	(1,984,071)	(1,853,830)
Purchases and construction of water utility plant and equipment	(439,323)	(221,233)
Proceeds from sale of capital assets	-	29,954
Water main connection fees received	3,468	7,958
General obligation bond principal paid	(154,400)	(126,000)
General obligation bond interest paid	(19,099)	(20,225)
Electric revenue capital loan notes and bonds principal paid	(1,040,000)	(1,010,000)
Electric revenue capital loan notes and bonds interest paid	(307,700)	(340,363)
Water revenue refunding bonds principal paid	(270,000)	(265,000)
Water revenue refunding bonds interest paid	(9,920)	(11,528)
Net cash used by capital and related financing activities	(4,221,045)	(3,810,267)
Cash flows from investing activities		
Principal payment received from the City of Indianola	20,000	-
Promissory note principal received	75,000	75,000
Investment income received	134,644	199,692
Net cash provided by investing activities	229,644	274,692
Net increase (decrease) in cash and investments	(1,215,399)	481,687
Cash and investments, beginning of year	9,901,233	9,419,546
Cash and investments, end of year	$ 8,685,834	9,901,233

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Cash Flows - Continued
Years Ended June 30, 2014 and 2013

	2014	2013
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	$ 1,053,279	1,397,393
Adjustments		
Other nonoperating fees and revenues	246,652	310,928
Depreciation and amortization	1,933,718	1,875,878
(Increase) decrease in accounts receivable	(254,150)	212,401
Increase in deferred charges	(314,977)	-
Decrease in inventories	66,271	306,459
Increase (decrease) in accounts, wages and benefits, and sales tax payable	45,911	(85,095)
Decrease in deferred rental fees	(702)	(702)
Net cash provided by operating activities	$ 2,776,002	4,017,262
Noncash capital and related financing and investing activities		
Developer contributions of electric utility plant and equipment	$ 61,875	107,950
Developer contributions of water utility plant and equipment	-	112,560
Land transferred for receivable from the City of Indianola	92,000	-

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements present the financial position, changes in financial position and cash flows of the Indianola Municipal Utilities of the City of Indianola, Iowa. The Utilities are governed by a five member board appointed by the City Council and is considered a component unit of the City of Indianola, Iowa. These financial statements are not intended to present the financial position of the City of Indianola, Iowa, and the changes in its financial position and cash flows of its proprietary fund types.

Accounting method - The accounting records of the Utilities are maintained on a cash basis. The accompanying financial statements have been prepared, after giving effect to all material adjustments including amounts due from utility customers and due to suppliers of goods and services, to reflect the account balances and results of operations on the accrual basis.

The Utilities report their financial activity in accordance with all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) pronouncements unless those pronouncements conflict with or contradict GASB pronouncements.

Inventories - Inventories, which consist of fuel oil and supplies, are stated at the lower of cost (first-in, first-out basis) or net realizable value.

Depreciation - Depreciation expense is computed using the straight-line method and estimated useful lives as follows:

Electric utility	
Power plant building	50 years
Generating units	25 years
Transmission and distribution systems	40 years
Vehicles	10 years
Computer equipment	5 years
Water utility	
Buildings and plant	40 years
Wells and towers	30-50 years
Mains and hydrants	50 years
Meters	20 years
Machinery and equipment	15 years
Vehicles	10 years
Fiber communications utility	
Distribution and connection systems	10 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Investments and Interest Income - Cash balances available from each of the funds of the City of Indianola, Iowa are pooled for investment and cash management purposes. Investments purchased by the pool are stated at cost or amortized cost. Interest earned on pooled investments is allocated monthly on the basis of the funds' ending cash and investment balances. Because the cash of Indianola Municipal Utilities is deposited with or withdrawn from the cash and investment pool without restriction the allocated share of the pool has been treated as a cash equivalent in the accompanying statement of cash flows.

2. UTILITY PLANT AND EQUIPMENT

The following is a summary of utility plant and equipment in service as of June 30, 2014 and 2013:

	2014	2013
Electric utility		
Land	$ 359,207	359,207
Service territory	446,000	446,000
Generating units	15,161,374	15,161,374
Transmission and distribution systems	34,967,924	33,019,679
Power plant building	2,120,678	2,120,678
Computer equipment	403,968	403,968
Equipment	751,238	751,238
Vehicles	1,482,625	1,384,924
	$ 55,693,014	53,647,068
Water utility		
Land	$ 227,441	416,270
Service territory	328,412	328,412
Buildings and plant	7,595,528	7,595,528
Wells and towers	4,692,597	4,654,755
Mains, hydrants and meters	11,193,276	10,816,694
Machinery and equipment	598,512	298,512
Vehicles	226,089	201,190
	$ 24,861,855	24,311,361
Fiber communications utility		
Distribution and connection systems	$ 899,710	899,710

3. DEFERRED CHARGES

In May 2014 the Board of Trustees determined a cost of energy adjustment would be imposed under the provisions of its electric rate resolution. The initial costs to be recovered are the sum of the purchased energy adjustments assessed from July 2013 through March 2014 by IMU's wholesale electric power supplier under the terms of its power supply contract. The charges are expected to be recovered over a one year period as an additional per kilowatt hour surcharge to all utility customers. Each quarter actual energy costs charged by IMU's wholesale electric power supplier in excess of the base energy costs included in the rate resolution are added to deferred charges and surcharges collected from customers are subtracted from deferred charges to determine the per kilowatt hour surcharge to be imposed until all excess energy costs are recovered.

4. TRANSFER OF LAND

In September 2013 the Board of Trustee transferred management and control of land no longer needed in its water utility operations to the City of Indianola in exchange for $92,000 plus interest, payable in annual installments of $20,000, including interest, through September 2017.

Maturities of the receivable from the City of Indianola as of June 30, 2014 were as follows:

Year ending June 30,		
2014	$	16,867
2015		17,601
2016		18,366
2017		19,166
	$	72,000

5. PROMISSORY NOTE

The Utility has a promissory note receivable in connection with the Utility's revolving loan fund. Principal, with no interest thereon, is payable annually from October 2012. Principal not paid when due shall accrue interest at the rate of 8% per annum.

5. PROMISSORY NOTE-Continued

Promissory note maturities are as follows as of June 30, 201:

Year ending June 30,		
2015	$	75,000
2016		75,000
2017		75,000
	$	225,000

6. REVENUE CAPITAL LOAN NOTES AND BONDS PAYABLE

The Utility has pledged future electric customer receipts, net of specified operating disbursements, to repay $9,040,000 of Electric Revenue Capital Loan Notes issued in June 2010. Proceeds from the notes provided financing for improvements and extensions to the Municipal Electric Utility. The notes are payable solely from electric net revenues, as defined, and are payable through 2025. Annual principal and interest payments on the notes are expected to require less than 100% of net revenues. The total principal and interest remaining to be paid on the notes is $8,179,175. For the current year, principal and interest paid and total net revenues were $1,144,125 and $2,338,241, respectively.

The Utility has pledged future electric customer receipts, net of specified operating disbursements, to repay $1,800,000 of Electric Revenue Bonds issued in December 2011. Proceeds from the notes provided financing for improvements and extensions to the Municipal Electric Utility, including underground distribution lines and communication systems, plant improvements and related equipment. The notes are payable solely from electric net revenues, as defined, and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 100% of net revenues. The total principal and interest remaining to be paid on the notes is $1,814,385. For the current year, principal and interest paid and total net revenues were $203,575 and $2,338,241, respectively.

The resolutions providing for the issuance of the revenue capital loan notes and bonds 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 electric revenue sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.

6. REVENUE CAPITAL LOAN NOTES AND BONDS PAYABLE- Continued

c. Additional monthly transfers of 25% of the amount required to be deposited in the water revenue sinking account shall be made to a separate electric revenue debt service reserve account until specific minimum balances have been accumulated in the accounts. Use of funds is restricted to funding any deficit in the sinking account.

d. Additional monthly transfers of $3,500 shall be made to a separate electric improvement account until specific minimum balance of $200,000 has been accumulated in the account. Use of funds is restricted to funding any deficit in the sinking and reserve accounts or paying the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget of revenues and current expenses, payments of rentals on any part of the system, and for capital improvements to the system.

e. 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 electric system, or to pay or redeem any notes or bonds, and then can be used for any lawful purpose.

Revenue capital loan note and bond debt service requirements are as follows as of June 30, 2014:

Year Ending June 30,	Principal	Interest	Total
2015	$ 540,000	278,200	818,200
2016	555,000	263,750	818,750
2017	730,000	248,850	978,850
2018	745,000	227,375	972,375
2019	770,000	201,175	971,175
2020-2024	3,875,000	580,835	4,455,835
2025	745,000	29,800	774,800
	$ 7,960,000	1,829,985	9,789,985

In December 2011 the Utility issued $1,350,000 of Water Revenue Refunding Bonds, with interest rates ranging from .5% to 1.3%, for a current refunding of a portion of refunding capital loan notes issued August 2004. The Utility refunded the capital loan notes to reduce its total debt service payments by approximately $91,800 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $88,400.

6. REVENUE CAPITAL LOAN NOTES AND BONDS PAYABLE- Continued

The Utility has pledged future water customer receipts, net of specified operating disbursements, to repay $1,350,000 of Water Revenue Refunding Bonds issued in December 2011. Proceeds from the notes provided financing for the current refunding of a portion of the refunding capital loan notes issued August 2004. The notes are payable solely from water net revenues, as defined, and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 50% of net receipts. The total principal and interest remaining to be paid on the notes is $829,608. For the current year, principal and interest paid and total net revenues were $279,920 and $1,035,392, respectively.

The resolution providing for the issuance of the revenue bonds 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. Additional monthly transfers of 25% of the amount required to be deposited in the water revenue sinking account shall be made to a separate water revenue debt service reserve account until specific minimum balances have been accumulated in the accounts. Use of funds is restricted to funding any deficit in the sinking account.

d. 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 any bonds, and then can be used for any lawful purpose.

Revenue refunding bond debt service requirements were as follows as of June 30, 2014:

Year ending June 30,	Principal	Interest	Total
2015	$ 270,000	7,760	300,617
2016	270,000	5,060	301,345
2017	275,000	1,788	298,030
	$ 815,000	14,608	829,608

7. GENERAL OBLIGATION BONDS PAYABLE

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 October 2003. Although the bonds are a general obligation of the City and the City has authority to levy property taxes to pay the bonds and related interest, as payments come due, it is the intention of the City Council that the payments of $735,000 of bond principal and related interest be financed by the operations of the Municipal Water Utility. Accordingly, that portion of the bonds is reported as a liability and the interest payments are reported as an expense of the Utilities in these financial statements. Municipal Water Utility principal payments are due on the notes in the amounts of $100,000 to $115,000 from June 1, 2012 through June 1, 2018. Interest on the notes at rates of 1.0% to 2.0% per annum is due semiannually beginning December 1, 2011.

In May 2012 the City issued $3,875,000 of General Obligation Bonds, a portion of which was used to finance water main improvements. Although the bonds are a general obligation of the City and the City has authority to levy property taxes to pay the bonds and related interest, as payments come due, it is the intention of the City Council that the payments of $572,700 of bond principal and related interest be financed by the operations of the Municipal Water Utility. Accordingly, that portion of the bonds is reported as a liability and the interest payments are reported as an expense of the Utilities in these financial statements. Municipal Water Utility principal payments are due on the notes in the amounts of $11,000 to $52,500 from June 1, 2013 through June 1, 2025. Interest on the notes at rates of .5% to 2.4% per annum is due semiannually beginning December 1, 2012.

The Municipal Water Utility portion of general obligation bond debt service requirements are as follows as of June 30, 2014:

Year ending June 30,	Principal	Interest	Total
2015	$ 155,000	17,500	172,500
2016	155,000	14,900	169,900
2017	145,800	12,300	158,100
2018	146,600	9,800	156,400
2019	47,300	6,700	54,000
2020-2024	250,600	20,800	271,400
2025	37,000	900	37,900
	$ 937,300	82,900	1,020,200

8. COMPENSATED ABSENCES

Indianola Municipal Utilities employees accumulate vacation hours, compensating time off and sick leave for subsequent use. Unused vacation hours and compensating time off are payable upon termination, retirement or death. These amounts are included in wages and benefits payable as of June 30, 2014 and 2013. Accrued sick leave benefits as of June 30, 2014 of approximately $333,727 (2013 - $314,276) are payable only when used and have not been accrued.

9. PENSION AND RETIREMENT BENEFITS

The Indianola Municipal Utilities 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 regular plan members are required to contribute 5.95% (2013 – 5.78%) of their annual covered salary and Indianola Municipal Utilities is required to contribute 8.93% (2013 - 8.67%) of annual covered salary. Contribution requirements are established by state statute. Indianola Municipal Utilities contribution to IPERS for the year ended June 30, 2014 was $132,065 (2013 - $124,588), equal to the required contribution for the year.

10. RISK MANAGEMENT

The City of Indianola is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 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 and machinery. There have been no reductions in insurance coverage from prior years.

10. RISK MANAGEMENT - Continued

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 estimated for the fiscal 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 at a level by the Board not to exceed 300% of the basis rate 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, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 Indianola Municipal Utilities' 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 Utilities' annual contributions to the Pool for the year ended June 30, 2014 were $123,969 (2013 - $117,182).

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City of Indianola's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location. Property risks exceeding $150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City of Indianola's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. The Utilities do not report a liability for losses in excess of reinsurance or excess risk - sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the Utilities financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

10. RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the refunded to the withdrawing member.

Indianola Municipal Utilities 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. Indianola Municipal Utilities has executed a Worker's Compensation Coverage Agreement with the Association which extends through June 30, 2014 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2014, Indianola Municipal Utilities paid workers' compensation insurance premiums of $31,312 (2013 - $30,752) to the Association.

11. JOINTLY GOVERNED ORGANIZATIONS

The Indianola Municipal Utilities is a member-owner of the Municipal Energy Agency of Nebraska (MEAN), a joint action agency organized as a body corporate and politic under the laws of the State of Nebraska. MEAN's Power Supply System consists of ownership and contractual rights and interests in various electric generating and transmission resources and supplies. MEAN uses these to provide wholesale power supply, transmission, and ancillary services to its 65 participating municipal utilities. Each MEAN participant has entered into the Electrical Resources Pooling Agreement (ERPA) with MEAN, which provides for various service schedules.

IMU elected in 2009 to become a Total Requirements Participant and as such receives all power and energy from MEAN, and entered into Service Schedule M of the ERPA. As such, IMU has agreed to purchase its power and energy at rates sufficient (together with other MEAN revenues) to enable MEAN to pay all its net costs of MEAN's Power Supply System. Annual costs to be recovered and associated rates are evaluated annually by the MEAN Board of Directors. If imposed, IMU is also subject to a Purchased Energy Adjustment clause based on MEAN's actual cost of energy compared to those budgeted & collected through base rates during its fiscal year of April 2013 - March 2014.

11. JOINTLY GOVERNED ORGANIZATIONS - Continued

IMU's pro-rata share of net at-risk annual costs borne by Schedule M participants is approximately 9.5% in 2014 (2013 – 9.3%), subject to annual fluctuation based on demand and energy, and are explicitly categorized as IMU annual operating expenditures. Long-term Power Supply Contracts are currently set to expire in 2041, after the final maturity of MEAN's 2008 Series A Bonds in 2039. IMU's obligation to MEAN beyond that date is contingent on its approval of any new debt to be issued by MEAN with a maturity date beyond that date.

The Indianola Municipal Utilities became a participant in the Central Minnesota Municipal Power Agency (CMMPA) Brookings-Twin Cities Transmission Project (CMMPA-Brookings Project) in 2011. CMMPA is a joint action agency formed under the laws of the State of Minnesota. The CMMPA-Brookings Project consists of 15 municipal utilities that agreed to pay pro-rated annual costs, net of transmission tariff revenue collected, related to CMMPA's fractional assigned ownership of transmission facilities commonly referred to as the CAPX2020 Brookings-Twin Cities Development Project. IMU's Election Share is 3.34% of the CMMPA-Brookings Project, which in total is 3.6% of the total CAPX2020 Brookings-Twin Cities Development Project. Any net costs associated with IMU's participation are explicitly categorized as annual operating expenditures.

12. COMMITMENTS

The Indianola Municipal Utilities have entered into contracts for transmission line relocation, electric underground conversion, a water main improvement project and other projects totaling approximately $3,876,000. The remaining commitment on these contracts at June 30, 2014 is approximately $2,212,400.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Budgetary Comparison Schedule of Receipts, Disbursements
And Changes in Balances – Budget and Actual (Cash Basis)
Year Ended June 30, 2014

	Actual	Budget Amounts Original	Budget Amounts Final	Final to Actual Variance
Receipts				
Use of money and property	$ 414,426	444,700	444,700	(30,274)
Intergovernmental	-	300,000	300,000	(300,000)
Charges for service	16,164,010	15,338,400	15,338,400	825,610
Special assessments	3,467	-	-	3,467
Miscellaneous	206,741	1,425,000	1,425,000	(1,218,259)
Total receipts	16,788,644	17,508,100	17,508,100	(719,456)
Disbursements				
Business type activities	16,921,220	16,186,300	16,186,300	(734,920)
Excess of receipts over (under) disbursements	(132,576)	1,321,800	1,321,800	(1,454,376)
Other financing sources (uses)				
Proceeds of debt	-	4,961,500	4,961,500	(4,961,500)
Sale of capital assets	20,000	-	-	20,000
Operating transfers in (out)	(1,102,822)	(1,099,600)	(1,099,600)	(3,222)
Total other financing sources (uses)	(1,082,822)	3,861,900	3,861,900	(4,944,722)
Excess of receipts and other financing sources over (under) disbursements and other financing uses	(1,215,398)	5,183,700	5,183,700	(6,399,098)
Balances, beginning of year	9,901,233	9,901,233	9,901,233	-
Balances, end of year	$ 8,685,835	15,084,933	15,084,933	(6,399,098)

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

In accordance with the code of Iowa, the Board of Trustees with the approval of 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, for the City of Indianola as a whole, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

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

Board of Trustees
Indianola Municipal Utilities
Indianola, Iowa

We have audited 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, the financial statements of the Indianola Municipal Utilities of the City of Indianola, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, and have issued our report thereon dated January 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Indianola Municipal Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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 Indianola Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Indianola Municipal Utilities' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies in internal control.

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 Indianola Municipal Utilities' 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.

1111 North Jefferson
Indianola, Iowa 50125
515-961-2571 • Fax 515-961-4253

133 West Washington Street
Osceola, Iowa 50213
641-342-2611 • Fax 641-342-2746

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Indianola Municipal Utilities' 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. 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 Indianola Municipal Utilities' Responses to Findings

The Indianola Municipal Utilities' responses to findings identified in our audit are described in the accompanying Schedule of Findings. The Indianola Municipal Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Shull & Co., P.C.

January 16, 2015

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

None

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - Disbursements during the year ended June 30, 2014, did not exceed the amounts budgeted.

II-B-13 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.

II-C-13 Travel Expense - No expenditures of Utilities money for travel expenses of spouses of Utilities officials or employees were noted.

II-D-13 Business Transactions – No business transactions between the Indianola Municipal Utilities officials or employees were noted.

II-E-13 Bond Coverage - Surety bond coverage of Utilities 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.

II-F-13 Trustee Minutes - No transactions were found that we believe should have been approved in the Trustee minutes but were not.

II-G-13 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 Utilities' investment policy were noted.

II-H-13 Revenue Bonds and Notes –The requirements of the electric revenue bonds and notes resolutions were met during the year ended June 30, 2014.

II-I-13 Telecommunications Services –No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY

Financial Statements
June 30, 2014 and 2013
(With Independent Auditor's Report Thereon)

Shull
and Co. P.C.
certified public accountants

Shull
and Co. P.C.
certified public accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Indianola
Indianola, Iowa

We have audited the financial statements of the Municipal Electric Utility of the City of Indianola, Iowa, which comprise the statement of net position as of June 30, 2014 and 2013 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utility's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

1111 North Jefferson
Indianola, Iowa 50125
515-961-2571 • Fax 515-961-4253

133 West Washington Street
Osceola, Iowa 50213
641-342-2611 • Fax 641-342-2746

Basis for Adverse Opinion

As discussed in Note 1, the financial statements present only the Municipal Electric Utility of the City of Indianola, Iowa. Accounting principles generally accepted in the United States of America require that the City of Indianola, Iowa's financial statements present the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Indianola, Iowa.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the City of Indianola, Iowa as of June 30, 2014 and 2013, or the changes in financial position or cash flows thereof for the year then ended.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Electric Utility as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the Municipal Electric Utility. The other information included in the accompanying schedule of operations is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of operations 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. Such information has been subjected to the auditing procedures applied in the audit of the 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 financial statements taken as a whole.

Shull & Co., P.C.

January 16, 2015

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Statement of Net Position
June 30, 2014 and 2013

ASSETS	2014	2013
Current assets		
Cash and investments	$ 5,075,334	5,874,276
Accounts receivable - customers	2,393,206	2,134,066
Other accounts receivable	20,175	35,640
Accrued interest receivable	25,803	21,432
Deferred charges	314,977	-
Inventory - fuel oil	645,770	659,194
Inventory - supplies	1,874,314	1,927,444
Loan receivable from municipal water utility within one year	228,847	214,816
Total current assets	10,578,426	10,866,868
Restricted assets - cash and investments		
Revenue capital loan notes and bonds bond and interest sinking fund	163,200	224,800
Revenue capital loan notes and bonds debt service reserve fund	979,000	1,084,000
Revenue capital loan notes and bonds improvement fund	207,691	207,691
Total restricted assets	1,349,891	1,516,491
Loan receivable from municipal water utility after one year	1,554,337	2,123,184
Electric utility plant and equipment		
Land	359,207	359,207
Service territory	446,000	446,000
Generating units	15,161,374	15,161,374
Distribution system	30,309,781	28,361,536
Transmission system	4,658,143	4,658,143
Power plant building	2,120,678	2,120,678
Computer equipment	403,968	403,968
Equipment	751,238	751,238
Vehicles	1,482,625	1,384,924
	55,693,014	53,647,068
Less accumulated depreciation	25,530,981	24,187,333
Net utility plant in service	30,162,033	29,459,735
	$ 43,644,687	43,966,278

See accompanying notes to financial statements.

	2014	2013
LIABILITIES		
Current liabilities		
Accounts payable	$ 1,542,643	1,582,765
Wages and benefits payable	112,069	100,437
Sales tax payable	187	2,056
Total current liabilities	1,654,899	1,685,258
Current liabilities payable from restricted assets		
Accrued interest payable	45,359	50,168
Revenue capital loan notes and bonds payable within one year	540,000	1,040,000
Current liabilities payable from restricted assets	585,359	1,090,168
Long-term debt		
Revenue capital loan notes and bonds payable after one year (including unamortized premium of $74,154 (2013 - $70,438)	7,494,154	8,030,438
NET POSITION		
Invested in capital assets, net of related debt	22,667,879	21,429,297
Restricted for debt service	556,841	218,632
Restricted for plant improvement	207,691	207,691
Unrestricted	10,477,864	11,304,794
Total net position	33,910,275	33,160,414
	$ 43,644,687	43,966,278

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013

	2014	2013
Operating revenues		
Sale of electricity	$ 12,168,779	11,541,231
Capacity contract fees	532,920	378,840
Peaking power charges	114,903	140,270
Service installation fees	35,180	48,683
Fiber lease fees	189,536	98,300
Transmission revenue	544,971	314,670
Other	27,149	27,458
Total operating revenues	13,613,438	12,549,452
Operating expenses		
Plant operation	208,116	214,465
Plant maintenance	171,870	267,135
Purchased energy	8,254,437	7,152,377
Depreciation	1,343,648	1,288,768
Distribution operation	131,041	126,018
Distribution maintenance	986,700	965,389
Transmission operation and maintenance	11,708	29,701
Meter reading	41,361	39,820
Administrative and general	1,780,888	1,758,118
Total operating expenses	12,929,769	11,841,791
Income (loss) from operations	683,669	707,661
Nonoperating revenues (expenses)		
Interest on investments	104,842	147,056
Interest on loan to municipal water utility	56,000	99,649
Connect charges and service fees	32,833	27,468
Gain (loss) on sale of capital assets	-	(14,346)
Other revenues	117,249	191,688
Interest expense	(306,607)	(342,481)
	4,317	109,034
Net income	687,986	816,695
Capital contributions from developers	61,875	107,950
Change in net position	749,861	924,645
Net position, beginning of year	33,160,414	32,235,769
Net position, end of year	$ 33,910,275	33,160,414

See accompanying notes to financial statements.

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Statement of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Cash received from customers	$ 13,269,792	12,598,706
Cash paid to suppliers	(10,666,777)	(9,074,375)
Cash paid to employees	(1,098,155)	(1,074,050)
Nonoperating revenues received	150,082	219,156
Net cash provided by operating activities	1,654,942	2,669,437
Cash flows from capital and related financing activities		
Purchases and construction of utility plant	(1,984,071)	(1,853,830)
Proceeds from sale of capital assets	-	29,954
Revenue capital loan notes and bonds principal paid	(1,040,000)	(1,010,000)
Revenue capital loan notes and bonds interest paid	(307,700)	(340,363)
Net cash used by capital and related financing activities	(3,331,771)	(3,174,239)
Cash flows from investing activities		
Loan principal received	554,816	587,046
Interest income received	156,471	248,492
Net cash provided by investing activities	711,287	835,538
Net increase (decrease) in cash and investments	(965,542)	330,736
Cash and investments, beginning of year	7,390,767	7,060,031
Cash and investments, end of year	$ 6,425,225	7,390,767
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	$ 683,669	707,661
Adjustments		
Nonoperating revenues	150,082	219,156
Depreciation	1,343,648	1,288,768
(Increase) decrease in accounts receivable	(243,675)	155,528
Increase in deferred charges	(314,977)	-
Decrease in inventories	66,554	309,949
Decrease in accounts, wages and benefits, and sales tax payable	(30,359)	(11,625)
Net cash provided by operating activities	$ 1,654,942	2,669,437
Noncash capital and related financing activities		
Developer contributions of utility plant and equipment	$ 61,875	107,950

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements present only the financial position, changes in financial position and cash flows of the Municipal Electric Utility of the City of Indianola, Iowa and are not intended to present the financial position of Indianola Municipal Utilities or the City of Indianola, Iowa, and the changes in its financial position and cash flows of its proprietary fund types.

Accounting method - The accounting records of the Municipal Electric Utility are maintained on a cash basis. The accompanying financial statements have been prepared, after giving effect to all material adjustments including amounts due from utility customers and due to suppliers of goods and services, to reflect the account balances and results of operations on the accrual basis.

The Municipal Electric Utility reports its financial activity in accordance with applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) pronouncements unless those pronouncements conflict with or contradict GASB pronouncements.

Inventories - Inventories consist principally of materials and supplies for maintenance and construction and fuel oil to operate generators and are stated at the lower of cost (first-in, first-out basis) or market.

Electric Utility Plant in Service - The amounts shown for Plant in Service, other than land and vehicles, are the result of an appraisal by Associated Engineers, Minneapolis, Minnesota in 1971 plus the cost of additions to the various accounts in subsequent years. Appraisal values were determined at replacement cost and adjusted by a price level index factor applicable to the actual year of acquisition. The appraisal values were as follows:

Generating units	$ 2,648,267
Distribution system	1,185,568
Power plant building	337,250

The accumulated depreciation as of June 30, 2014 and 2013 and the related charge to operations for the years then ended were determined using the following group depreciation rates:

Generating units	4.0%
Transmission and distribution systems	2.5%
Power plant building	2.0%
Computer equipment & equipment	20.0%
Vehicles	10.0%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Cash and Investments and Interest Income - Cash balances available from each of the funds of the City of Indianola, Iowa are pooled for investment and cash management purposes. Investments purchased by the pool are stated at cost or amortized cost. Interest earned on pooled investments is allocated monthly on the basis of the funds' ending cash and investment balances. Because the cash of the Municipal Electric Utility is deposited with or withdrawn from the cash and investment pool without restriction its allocated share of the pool has been treated as a cash equivalent in the accompanying statement of cash flows.

2. POWER SUPPLY CONTRACTS

The Indianola Municipal Utilities (IMU) is a member-owner of the Municipal Energy Agency of Nebraska (MEAN), a joint action agency organized as a body corporate and politic under the laws of the State of Nebraska. MEAN's Power Supply System consists of ownership and contractual rights and interests in various electric generating and transmission resources and supplies. MEAN uses these to provide wholesale power supply, transmission, and ancillary services to its 65 participating municipal utilities. Each MEAN participant has entered into the Electrical Resources Pooling Agreement (ERPA) with MEAN, which provides for various service schedules.

IMU elected in 2009 to become a Total Requirements Participant and as such receives all power and energy from MEAN, and entered into Service Schedule M of the ERPA. As such, IMU has agreed to purchase its power and energy at rates sufficient (together with other MEAN revenues) to enable MEAN to pay all its net costs of MEAN's Power Supply System. Annual costs to be recovered and associated rates are evaluated annually by the MEAN Board of Directors. If imposed, IMU is also subject to a Purchased Energy Adjustment based on MEAN's actual cost of energy compared to those budgeted and collected through base rates during its fiscal year of April through March.

IMU's pro-rata share of net at-risk annual costs borne by Schedule M participants is approximately 9.5% in 2014 (2013 – 9.3%), subject to annual fluctuation based on demand and energy, and are explicitly categorized as IMU annual operating expenditures. Long-term Power Supply Contracts are currently set to expire in 2041, after the final maturity of MEAN's 2008 Series A Bonds in 2039. IMU's obligation to MEAN beyond that date is contingent on its approval of any new debt to be issued by MEAN with a maturity date beyond that date.

2. POWER SUPPLY CONTRACTS-Continued

The Indianola Municipal Utilities became a participant in the Central Minnesota Municipal Power Agency (CMMPA) Brookings-Twin Cities Transmission Project (CMMPA-Brookings Project) in 2011. CMMPA is a joint action agency formed under the laws of the State of Minnesota. The CMMPA-Brookings Project consists of 15 municipal utilities that agreed to pay pro-rated annual costs, net of transmission tariff revenue collected, related to CMMPA's fractional assigned ownership of transmission facilities commonly referred to as the CAPX2020 Brookings-Twin Cities Development Project. IMU's Election Share is 3.34% of the CMMPA-Brookings Project, which in total is 3.6% of the total CAPX2020 Brookings-Twin Cities Development Project. Any net costs associated with IMU's participation are explicitly categorized as annual operating expenditures.

3. DEFERRED CHARGES

In May 2014 the Board of Trustees determined a cost of energy adjustment would be imposed under the provisions of its electric rate resolution. The initial costs to be recovered are the sum of the purchased energy adjustments assessed from July 2013 through March 2014 by MEAN under the terms of its power supply contract. The charges are expected to be recovered over a one year period as an additional per kilowatt hour surcharge to all utility customers. Each quarter actual energy costs charged by MEAN in excess of the base energy costs included in the rate resolution are added to deferred charges and surcharges collected from customers are subtracted from deferred charges to determine the per kilowatt hour surcharge to be imposed until all excess energy costs are recovered.

4. LOAN RECEIVABLE FROM MUNICIPAL WATER UTILITY

The Board of Trustees have approved the following loans to the Municipal Water Utility: in September 1992 for the amount of $500,000; in January 1994 for the amount of $1,000,000; in September 1994 for the amount of $1,000,000; in December 1995 for the amount of $500,000; in July 1996 for the amount of $2,000,000; in December 1997 for the amount of $500,000; and in June 1999 for the amount of $200,000. In August 1999 the Trustees elected to defer interest payments for one year and continue to make regular principal payments on the loans. In August 2000 the Trustees restructured all of the loans and the deferred interest into one loan of $4,826,779 payable in monthly installments of $33,300, including interest at 5% per annum. In May 2003 the Trustees restructured the loan to be payable in monthly installments of $31,100, including interest at 4% per annum, through February 2019. In November 2003 the Trustees restructured the loan again to be payable in monthly installments of $22,568, including interest at 2.5% per annum, through October 2023. In July 2005 the Trustees restructured the loan again to be payable in monthly installments of $22,568, including interest at 3.5% per annum, through February 2026. In February 2013 the Trustees restructured the loan again to be payable in monthly installments of $22,568, including interest at 2.5% per annum, through March 2023. In June 2014 a $340,000 principal prepayment was made on the loan.

4. LOAN RECEIVABLE FROM MUNICIPAL WATER UTILITY-Continued

Aggregate maturities of loan principal to reflect the restructured loan as of June 30, 2014 were as follows:

Year ending June 30,		
2015	$	228,847
2016		234,634
2017		240,568
2018		246,651
2019		252,888
2020-2022		579,596
	$	1,783,184

5. ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE

For the years ended June 30, 2014 and 2013, the accumulated depreciation and depreciation expense were as follows:

Electric utility plant and equipment	Accumulated Depreciation 2014	Depreciation Expense 2014	Accumulated Depreciation 2013	Depreciation Expense 2013
Service territory	$ 184,525	22,300	162,225	22,300
Generating units	11,299,900	367,276	10,932,624	367,282
Distribution system	9,025,514	662,262	8,363,252	589,733
Transmission system	2,039,243	116,453	1,922,790	116,453
Power plant building	939,628	33,364	906,264	40,572
Computer equipment	397,308	10,118	387,190	21,110
Equipment	661,275	59,577	601,698	62,194
Vehicles	983,588	72,298	911,290	69,124
	$ 25,530,981	1,343,648	24,187,333	1,288,768

6. REVENUE CAPITAL LOAN NOTES AND BONDS

The Utility has pledged future electric customer receipts, net of specified operating disbursements, to repay $9,040,000 of Electric Revenue Capital Loan Notes issued in June 2010. Proceeds from the notes provided financing for improvements and extensions to the Municipal Electric Utility. The notes are payable solely from electric net revenues and are payable through 2025. Annual principal and interest payments on the notes are expected to require less than 100% of net revenues. The total principal and interest remaining to be paid on the notes is $8,179,175. For the current year, principal and interest paid and total net revenues were $1,141,125 and $2,338,241, respectively.

6. REVENUE CAPITAL LOAN NOTES AND BONDS-Continued

The Utility has pledged future electric customer receipts, net of specified operating disbursements, to repay $1,800,000 of Electric Revenue Bonds issued in December 2011. Proceeds from the notes provided financing for improvements and extensions to the Municipal Electric Utility, including underground distribution lines and communication systems, plant improvements and related equipment. The notes are payable solely from electric net revenues and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 100% of net receipts. The total principal and interest remaining to be paid on the notes is $1,610,810. For the current year, principal and interest paid and total net revenues were $203,575 and $2,338,241, respectively.

The resolutions providing for the issuance of the revenue capital loan notes and bonds 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 electric revenue sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.

c. Additional monthly transfers of 25% of the amount required to be deposited in the water revenue sinking account shall be made to a separate electric revenue debt service reserve account until specific minimum balances have been accumulated in the accounts. Use of funds is restricted to funding any deficit in the sinking account.

d. Additional monthly transfers of $3,500 shall be made to a separate electric improvement account until specific minimum balance of $200,000 has been accumulated in the account. Use of funds is restricted to funding any deficit in the sinking and reserve accounts or paying the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget of revenues and current expenses, payments of rentals on any part of the system, and for capital improvements to the system.

e. 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 electric system, or to pay or redeem any notes or bonds, and then can be used for any lawful purpose.

6. REVENUE CAPITAL LOAN NOTES AND BONDS-Continued

Revenue capital loan note and bond debt service requirements are as follows as of June 30, 2013:

Year Ending June 30,	Principal	Interest	Total
2015	$ 540,000	278,200	818,200
2016	555,000	263,750	818,750
2017	730,000	248,850	978,850
2018	745,000	227,375	972,375
2019	770,000	201,175	971,175
2020-2024	3,875,000	580,835	4,455,835
2025	745,000	29,800	774,800
	$ 7,960,000	1,829,985	9,789,985

7. COMPENSATED ABSENCES

Utility employees accumulate vacation hours, compensating time off and sick leave for subsequent use. Unused vacation hours and compensating time off are payable upon termination, retirement or death. These amounts are included in wages and benefits payable, as of June 30, 2014 and 2013. Accumulated sick leave benefits as of June 30, 2014 of $160,922 (2013 - $149,795) are payable only when used and have not been accrued.

8. PENSION AND RETIREMENT BENEFITS

The Municipal Electric Utility 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 regular plan members are required to contribute 5.95% of their annual covered salary and the Municipal Electric Utility is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The Municipal Electric Utility contribution to IPERS for the year ended June 30, 2014 was $69,432 (2016 - $68,236), equal to the required contribution for the year.

9. RISK MANAGEMENT

The City of Indianola 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 679 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 and 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 estimated for the fiscal 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 at a level by the Board not to exceed 300% of the basis rate 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, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 Municipal Electric Utility'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 Utility's annual contributions to the Pool for the year ended June 30, 2014 were $94,135 (2013 - $70,292).

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City of Indianola's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location. Property risks exceeding $150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City of Indianola's risk-sharing certificate.

9. RISK MANAGEMENT - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. The Utility does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the Utility's financial statements. As of June 30, 2014, 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 casualty 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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, 2014 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2014, the Utility paid workers' compensation insurance premiums of $18,852 (2013 - $19,244) to the Association.

10. COMMITMENTS

The Municipal Electric Utility has entered into contracts for transmission line relocation, electric underground conversion and other projects totaling approximately $3,357,000. The remaining commitment on these contracts at June 30, 2014 is approximately $2,068,000.

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Schedule of Operations
Years Ended June 30, 2014 and 2013

	2014	2013
Operating revenues		
Sale of electricity		
Residential	$ 6,644,649	6,481,103
Commercial	2,889,737	2,831,514
Large industrial	1,084,450	866,702
Small industrial	752,875	596,836
Street lighting	135,146	134,690
Other public authorities	255,319	257,952
Interdepartment sales	406,603	372,434
	12,168,779	11,541,231
Capacity contract fees	532,920	378,840
Peaking power charges	114,903	140,270
Service installation fees	35,180	48,683
Fiber lease	189,536	98,300
Transmission revenue	544,971	314,670
Penalties	27,149	27,458
Total operating revenue	13,613,438	12,549,452
Operating and maintenance expenses		
Plant operation		
Salaries	61,445	58,414
Payroll tax	11,204	9,134
IPERS	13,355	10,516
Fuel	79,751	95,863
Material and supplies	1,231	937
Other	41,130	39,601
	208,116	214,465
Plant maintenance		
Salaries	55,929	56,635
Maintenance and repairs	115,941	210,500
	171,870	267,135
Purchased energy	8,254,437	7,152,377
Depreciation	1,343,648	1,288,768

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Schedule of Operations - Continued
Years Ended June 30, 2014 and 2013

	2014	2013
Operating and maintenance expenses (continued)		
Distribution operation		
Salaries	84,685	79,889
Payroll tax	6,309	6,011
IPERS	7,056	6,695
Training	13,966	7,361
Other	19,025	26,062
	131,041	126,018
Distribution maintenance		
Salaries	547,824	526,430
Payroll tax	38,967	39,645
IPERS	45,579	45,269
Materials and supplies	289,047	253,745
Fleet operations and repairs	65,283	100,300
	986,700	965,389
Transmission operation and maintenance		
Salaries	10,174	12,933
Payroll tax	318	308
IPERS	371	352
Maintenance and repairs	-	13,543
Other	845	2,565
	11,708	29,701
Meter reading		
Salaries	34,462	31,755
Payroll tax	2,609	2,627
IPERS	3,071	3,004
Other	1,219	2,434
	41,361	39,820
Administrative and general		
Accounting and collections - transfer to IMU Administration	713,612	707,443
In lieu of property taxes - transfer to City General Fund	538,700	501,300
Insurance	154,547	149,299
Group Insurance	186,429	186,353

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Schedule of Operations - Continued
Years Ended June 30, 2014 and 2013

	2014	2013
Operating and maintenance expenses (continued)		
Administrative and general (continued)		
Energy efficiency programs	28,486	35,838
Bad debts	99,971	106,274
Donations	52,291	62,560
Miscellaneous	6,852	9,051
	1,780,888	1,758,118
Total operating expenses	12,929,769	11,841,791
Income (loss) from operations	683,669	707,661
Nonoperating revenues (expenses)		
Interest on investments	104,842	147,056
Interest on loan to municipal water utility	56,000	99,649
Electric service fees	7,085	3,605
Connect charges	25,748	23,863
Cable franchise fees	35,190	33,300
Gain (loss) on sale of capital assets	-	(14,346)
Miscellaneous	82,059	158,388
Interest expense	(306,607)	(342,481)
	4,317	109,034
Net income	$ 687,986	816,695

CITY OF INDIANOLA, IOWA
MUNICIPAL WATER UTILITY

Financial Statements
June 30, 2014 and 2013
(With Independent Auditor's Report Thereon)

Shull
and Co. P.C.
certified public accountants

Shull
and Co. P.C.
certified public accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Indianola
Indianola, Iowa

We have audited the accompanying financial statements of the Municipal Water Utility of the City of Indianola, Iowa, which comprise the statement of net position as of June 30, 2014 and 2013 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utility's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

1111 North Jefferson
Indianola, Iowa 50125
515-961-2571 • Fax 515-961-4253

133 West Washington Street
Osceola, Iowa 50213
641-342-2611 • Fax 641-342-2746

Basis for Adverse Opinion

As discussed in Note 1, the financial statements present only the municipal Water Utility of the City of Indianola, Iowa. Accounting principles generally accepted in the United States of America require that the City of Indianola, Iowa's financial statements present the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Indianola, Iowa.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the City of Indianola, Iowa as of June 30, 2014 and 2013, or the changes in financial position or cash flows thereof for the years then ended

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Water Utility as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the Municipal Water Utility. The other information included in the accompanying schedule of operations is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of operations 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. Such information has been subjected to the auditing procedures applied in the audit of the 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 financial statements taken as a whole.

Shull & Co., P.C.

January 16, 2015

CITY OF INDIANOLA, IOWA
MUNICIPAL WATER UTILITY
Statement of Net Position
June 30, 2014 and 2013

	2014	2013
ASSETS		
Current assets		
Cash and investments	$ 1,283,348	1,510,033
Accounts receivable - customers	406,201	395,726
Accrued interest receivable	8,718	5,246
Receivable from the City of Indianola within one year	16,867	-
Inventories	36,770	36,487
Total current assets	1,751,904	1,947,492
Restricted assets - cash and investments		
Revenue bond and interest sinking fund	161,302	161,822
Revenue bond debt service reserve fund	135,000	135,000
Revenue bond water improvement fund	75,000	75,000
	371,302	371,822
Receivable from the City of Indianola after one year	55,133	-
Water utility plant & equipment		
Land	227,441	416,270
Service territory	328,412	328,412
Buildings and plant	7,595,528	7,595,528
Wells and towers	4,692,597	4,654,755
Mains, hydrants and meters	11,193,276	10,816,694
Machinery and equipment	598,512	598,512
Vehicles	226,089	201,190
	24,861,855	24,611,361
Less accumulated depreciation	10,647,227	10,074,855
Net utility plant in service	14,214,628	14,536,506
	$ 16,392,967	16,855,820

See accompanying notes to financial statements.

	2014	2013
LIABILITIES		
Current liabilities		
Accounts payable	$ 121,838	54,377
Wages and benefits payable	61,961	57,071
Sales tax payable	61	50
Accrued interest payable	1,459	1,589
Loan payable to municipal electric utility within one year	228,847	214,816
General obligation bonds payable within one year	155,000	154,400
Total current liabilities	569,166	482,303
Current liabilities payable from restricted assets		
Accrued interest payable	748	905
Revenue refunding bonds payable within one year	270,000	270,000
Current liabilities payable from restricted assets	270,748	270,905
Long-term debt		
Loan payable to municipal electric utility after one year	1,554,337	2,123,184
Revenue refunding bonds payable after one year (including unamortized premium of $1,008 (2013 - $411))	546,008	815,411
General obligation bonds payable after one year (net of unamortized discount of $16,452 (2013 - $20,698))	765,848	916,602
	2,866,193	3,855,197
NET POSITION		
Invested in capital assets, net of related debt	10,964,588	10,312,093
Restricted for debt service	25,554	25,917
Restricted for water improvements	75,000	75,000
Unrestricted	1,621,718	1,834,405
Total net position	12,686,860	12,247,415
	$ 16,392,967	16,855,820

CITY OF INDIANOLA, IOWA
MUNICIPAL WATER UTILITY
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014 and 2013

	2014	2013
Operating revenues		
Sale of water	$ 2,294,079	2,275,942
Other	62,073	42,186
Total operating revenues	2,356,152	2,318,128
Operating expenses		
Plant operation	538,752	517,832
Plant maintenance	36,370	36,480
Distribution maintenance	321,209	208,095
Vehicle operations and maintenance	20,029	19,501
Meter reading	10,795	11,240
Administrative and general	361,417	349,267
Depreciation	572,372	569,412
Total operating expenses	1,860,944	1,711,827
Income from operations	495,208	606,301
Nonoperating revenues (expenses)		
Interest on investments	30,618	39,320
Connection fees	23,609	18,583
Other revenues	72,946	64,019
Loss on transfer of land	(96,829)	-
Interest expense	(89,575)	(137,186)
	(59,231)	(15,264)
Net income	435,977	591,037
Capital contributions from customers and developers	-	112,560
Capital contributions from water main connection fees	3,468	7,958
Change in net position	439,445	711,555
Net position, beginning of year	12,247,415	11,535,860
Net position, end of year	$ 12,686,860	12,247,415

See accompanying notes to financial statements.

CITY OF INDIANOLA, IOWA
MUNICIPAL WATER UTILITY
Statement of Cash Flows
Year Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Cash received from customers	$ 2,325,179	2,356,303
Cash paid to suppliers	(654,353)	(592,952)
Cash paid to employees	(541,642)	(534,282)
Other nonoperating fees and revenues received	96,555	82,602
Net cash provided by operating activities	1,225,739	1,311,671
Cash flows from capital and related financing activities		
Purchases and construction of plant and equipment	(439,323)	(221,233)
Water main connection fees received	3,468	7,958
Principal paid to municipal electric utility	(554,816)	(587,046)
Interest paid to municipal electric utility	(56,000)	(99,649)
Revenue refunding bonds principal paid	(270,000)	(265,000)
Revenue refunding bonds interest paid	(9,920)	(11,528)
General obligation bonds principal paid	(154,400)	(126,000)
General obligation bonds interest paid	(19,099)	(20,225)
Net cash used by capital and related financing activities	(1,500,090)	(1,322,723)
Cash flows from investing activities		
Principal payment received from the City of Indianola	20,000	-
Interest income received	27,146	39,905
Net cash provided by investing activities	47,146	39,905
Net increase(decrease) in cash and investments	(227,205)	28,853
Cash and investments, beginning of year	1,881,855	1,853,002
Cash and investments, end of year	$ 1,654,650	1,881,855
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	$ 495,208	606,301
Adjustments		
Other nonoperating fees and revenues	96,555	82,602
Depreciation	572,372	569,412
(Increase) decrease in accounts receivable	(10,475)	56,873
Decrease in prepaid rental fees	-	-
Increase in inventory	(283)	(3,490)
Increase (decrease) in accounts, wages and benefits, and sales tax payable	72,362	(27)
Net cash provided by operating activities	$ 1,225,739	1,311,671
Noncash capital and related financing and investing activities:		
Developer contributions of utility plant and equipment	$ -	112,560
Land transerred for receivable from the City of Indianola	92,000	-

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements present only the financial position, changes in financial position and cash flows of the Municipal Water Utility of the City of Indianola, Iowa and are not intended to present the financial position of Indianola Municipal Utilities or the City of Indianola, Iowa, and the changes in its financial position and cash flows of its proprietary fund types.

Accounting method - The accounting records of the Municipal Water Utility are maintained on a cash basis. The accompanying financial statements have been prepared, after giving effect to all material adjustments including amounts due from utility customers and due to suppliers of goods and services, to reflect the account balances and results of operations on the accrual basis.

The Municipal Water Utility reports its financial activity in accordance with applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) pronouncements unless those pronouncements conflict with or contradict GASB pronouncements.

Inventories - Inventories consist principally of maintenance materials and supplies and are stated at the lower of cost (first-in, first-out basis) or market.

Depreciation - Depreciation expense is computed using the straight-line method and estimated useful lives as follows:

Buildings and plant	40 years
Machinery and equipment	15 years
Wells and towers	30-50 years
Mains and hydrants	50 years
Meters	20 years
Vehicles	10 years

Cash and Investments and Interest Income - Cash balances available from each of the funds of the City of Indianola, Iowa are pooled for investment and cash management purposes. Investments purchased by the pool are stated at cost or amortized cost. Interest earned on pooled investments is allocated monthly on the basis of the funds' ending cash and investment balances. Because the cash of the Municipal Water Utility is deposited with or withdrawn from the cash and investment pool without restriction its allocated share of the pool has been treated as a cash equivalent in the accompanying statement of cash flows.

2. TRANSFER OF LAND

In September 2013 the Board of Trustees transferred management and control of land no longer needed in its operations to the City of Indianola in exchange for $92,000 plus interest, payable in annual installments of $20,000, including interest, through September 2017.

Maturities of the receivable from the City of Indianola as of June 30, 2014 were as follows:

Year ending June 30,		
2014	$	16,867
2015		17,601
2016		18,366
2017		19,166
	$	72,000

3. REVENUE REFUNDING BONDS

In December 2011 the Utility issued $1,350,000 of Water Revenue Refunding Bonds, with interest rates ranging from .5% to 1.3%, for a current refunding of a portion of the refunding capital loan notes issued August 2004. The Utility refunded the capital loan notes to reduce its total debt service payments by approximately $91,800 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately $88,400.

The Utility has pledged future water customer receipts, net of specified operating disbursements, to repay $1,350,000 of Water Revenue Refunding Bonds issued in December 2011. Proceeds from the notes provided financing for the current refunding of a portion of the refunding capital loan notes issued August 2004. The notes are payable solely from water customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 50% of net receipts. The total principal and interest remaining to be paid on the notes is $829,608. For the current year, principal and interest paid and total customer net receipts were $279,920 and $1,035,392, respectively.

The resolution providing for the issuance of the revenue bonds 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.

3. REVENUE REFUNDING BONDS-Continued

c. Additional monthly transfers of 25% of the amount required to be deposited in the water revenue sinking account shall be made to a separate water revenue debt service reserve account until specific minimum balances have been accumulated in the accounts. Use of funds is restricted to funding any deficit in the sinking account.

d. 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 any bonds, and then can be used for any lawful purpose.

The revenue bonds mature in annual installments of $265,000 to $275,000 through December 2016 and bear interest at rates of 0.50% to 1.30% payable semiannually. Debt service requirements were as follows as of June 30, 2014:

Year ending June 30,	Principal	Interest	Total
2015	$ 270,000	7,760	277,760
2016	270,000	5,060	275,060
2017	275,000	1,788	276,788
	$ 815,000	14,608	829,608

4. GENERAL OBLIGATION BONDS PAYABLE

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 October 2003. Although the bonds are a general obligation of the City and the City has authority to levy property taxes to pay the bonds and related interest, as payments come due, it is the intention of the City Council that the payments of $735,000 of bond principal and related interest be financed by the operations of the Municipal Water Utility. Accordingly, that portion of the bonds is reported as a liability and the interest payments are reported as an expense of the Utility in these financial statements. Municipal Water Utility principal payments are due on the notes in the amounts of $100,000 to $115,000 from June 1, 2012 through June 1, 2018. Interest on the notes at rates of 1.0% to 2.0% per annum is due semiannually beginning December 1, 2011.

In May 2012 the City issued $3,875,000 of General Obligation Bonds, a portion of which was used to finance water main improvements. Although the bonds are a general obligation of the City and the City has authority to levy property taxes to pay the bonds and related interest, as payments come due, it is the intention of the City Council that the payments of $572,700 of bond principal and related interest be financed by the operations of the Municipal Water

4. GENERAL OBLIGATION BONDS PAYABLE-Continued

Utility. Accordingly, that portion of the bonds is reported as a liability and the interest payments are reported as an expense of the Utilities in these financial statements. Municipal Water Utility principal payments are due on the notes in the amounts of $11,000 to $52,500 from June 1, 2013 through June 1, 2025. Interest on the notes at rates of .5% to 2.4% per annum is due semiannually beginning December 1, 2012.

The Municipal Water Utility portion of general obligation bond debt service requirements are as follows as of June 30, 2014:

Year ending June 30,	Principal	Interest	Total
2015	$ 155,000	17,500	172,500
2016	155,000	14,900	169,900
2017	145,800	12,300	158,100
2018	146,600	9,800	156,400
2019	47,300	6,700	54,000
2020-2024	250,600	20,800	271,400
2025	37,000	900	37,900
	$ 937,300	82,900	1,020,200

5. LOAN PAYABLE TO MUNICIPAL ELECTRIC UTILITY

The Board of Trustees have approved the following loans from the Municipal Electric Utility: in September 1992 for the amount of $500,000; in January 1994 for the amount of $1,000,000; in September 1994 for the amount of $1,000,000; in December 1995 for the amount of $500,000; in July 1996 for the amount of $2,000,000; in December 1997 for the amount of $500,000; and in June 1999 for the amount of $200,000. In August 1999 the Trustees elected to defer interest payments for one year and continue to make regular principal payments on the loans. In August 2000 the Trustees restructured all of the loans and the deferred interest into one loan of $4,826,779 payable in monthly installments of $33,300, including interest at 5% per annum. In May 2003 the Trustees restructured the loan to be payable in monthly installments of $31,100, including interest at 4% per annum, through February 2019. In November 2003 the Trustees restructured the loan again to be payable in monthly installments of $22,568, including interest at 2.5% per annum, through October 2023. In July 2005 the Trustees restructured the loan again to be payable in monthly installments of $22,568, including interest at 3.5% per annum, through February 2026. In February 2013 the Trustees restructured the loan again to be payable in monthly installments of $22,568, including interest at 2.5% per annum, through March 2023. In June 2014 a $340,000 principal prepayment was made on the loan.

5. LOAN PAYABLE TO MUNICIPAL ELECTRIC UTILITY - Continued

Aggregate maturities of the loans payable to reflect the restructured loan as of June 30, 2014 were as follows:

Year ending June 30,		
2015	$	228,847
2016		234,634
2017		240,568
2018		246,651
2019		252,888
2020-2022		579,596
	$	1,783,184

6. COMPENSATED ABSENCES

Municipal Water Utility employees accumulate vacation hours, compensating time off and sick leave for subsequent use. Unused vacation hours and compensating time off are payable upon termination, retirement or death. These amounts are included in wages and benefits payable as of June 30, 2014 and 2013. Accumulated sick leave benefits as of June 30, 2014 of $81,008 (2013 -$76,609) are payable only when used and have not been accrued.

7. PENSION AND RETIREMENT BENEFITS

The Municipal Water Utility 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 regular plan members are required to contribute 5.95% of their annual covered salary and the Municipal Water Utility is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The Municipal Water Utility contribution to IPERS for the year ended June 30, 2014 was $34,494 (2013 - $32,448), equal to the required contribution for the year.

8. RISK MANAGEMENT

The City of Indianola 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 679 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 and 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 estimated for the fiscal 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 at a level by the Board not to exceed 300% of the basis rate 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, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 Municipal Water Utility'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 Utility's annual contributions to the Pool for the year ended June 30, 2014 were $25,334 (2013 - $24,937).

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protections provided by the City of Indianola's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location. Property risks exceeding $150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City of Indianola's risk-sharing certificate.

8. RISK MANAGEMENT - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. The Utility does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the Utility's financial statements. As of June 30, 2014, 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 casualty 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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, 2014 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2014, the Utility paid workers' compensation insurance premiums of $8,157 (2013 - $7,832) to the Association.

9. COMMITMENTS

The Municipal Water Utility has entered into contracts for plant improvements and a water main project totaling approximately $512,200. The remaining commitment on these contracts at June 30, 2014 is approximately $144,500.

CITY OF INDIANOLA, IOWA
MUNICIPAL WATER UTILITY
Schedule of Operations
Year Ended June 30, 2014 and 2013

	2014	2013
Operating revenues		
Sale of water		
Residential	$ 1,741,252	1,779,279
Commercial	481,989	420,538
Other public authorities	52,605	52,754
Interdepartment sales	18,233	23,371
	2,294,079	2,275,942
Other		
Sale of water meters	39,720	18,340
Penalty charges	22,353	23,846
	62,073	42,186
Total operating revenue	2,356,152	2,318,128
Operating expenses		
Plant operation		
Salaries	252,967	251,992
Payroll tax	21,260	21,631
IPERS	24,095	24,061
Utilities	153,697	127,096
Chemicals and supplies	68,079	74,692
Other	18,654	18,360
	538,752	517,832
Plant maintenance		
Equipment maintenance and repairs	35,067	23,503
Plant and grounds maintenance and repairs	1,303	12,977
	36,370	36,480
Distribution maintenance		
Salaries	146,941	134,384
Payroll tax	8,196	7,365
IPERS	9,631	8,452
Maintenance and repairs	156,441	57,894
	321,209	208,095
Vehicle operations and maintenance		
Materials and supplies	13,797	16,097
Maintenance and repair	6,232	3,404
	20,029	19,501

CITY OF INDIANOLA, IOWA
MUNICIPAL WATER UTILITY
Schedule of Operations - Continued
Year Ended June 30, 2014 and 2013

	2014	2013
Operating expenses (continued)		
Meter reading		
Salaries	8,522	8,463
Payroll tax	652	657
IPERS	768	751
Other	853	1,369
	10,795	11,240
Administrative and general		
Accounting and collections - transfer to IMU Administration	160,064	150,600
In lieu of property taxes - transfer to General Fund	70,800	60,600
Insurance	36,169	35,447
Group Insurance	73,500	80,814
Professional fees	-	2,778
Bad debts	20,498	18,698
Other	386	330
	361,417	349,267
Depreciation	572,372	569,412
Total operating expenses	1,860,944	1,711,827
Income from operations	495,208	606,301
Nonoperating revenues (expense)		
Interest on investments	28,268	39,320
Connection fees	23,609	18,583
Other	72,946	64,019
Loss on transfer of land	(96,829)	-
Interest expense	(87,225)	(137,186)
	(59,231)	(15,264)
Net income	$ 435,977	591,037

IMU Regular Downstairs **4.**

Meeting Date: 03/09/2015

Information

Subject

Red Rock Community Action Program, Inc. Funding Request

Information

Attached is a letter from RRACAP Outreach Specialist Joanna Crane requesting IMU funding for administration expenses related to their providing contractual services for the Low Income Heating and Energy Assistance Program (LIHEAP), supplemental funding of rebates and weatherization programs they offer, and winterization programs.

Determining customer eligibility and granting funding for LIHEAP is essentially a service RRACAP provides the IMU electric utility. IMU has not had to provide funding for administrative expenses in the past, as federal monies were adequate and the City of Indianola historically provided a small stipend from their general fund. As noted in the letter, other communities do provide funding and I am aware that Mid American Energy also provides funding. As noted in the letter, these sources are no longer adequate. A request for $5,000 has been made for providing this service. The service not only alieviates specialized workload at a highly affordable cost. They also provide value-added incentives for people receiving assistance to learn how to better budget their limited resources to better account for utility expenses.

RRACAP also has weatherization and winterization programs. A concept presented in the letter is for IMU to provide direct funding, at a $4,000 set amount, so that RRACAP can redirect their own funding towards the capacity for delivering services in general.

Funds for the weatherization/winterization programs are likely available most years withing today's budget within un-expended amounts in the energy efficiency program. Funding for administrative expenses would need to be worked into the community program budget. However, the amount seems reasonable.

Trustees can either grant the funding request at this meeting or request additional information.

Financial Impact

N/A

Staff Recommendation

Attachments

Request Letter

January 28, 2015

Todd Kielkops
General Manager, IMU
111 S. Buxton
PO Box 356
Indianola, IA 50125

Todd,

Thank you for meeting with me and Karen DeVore, RRACAP Board member and Warren County Advisory Board member. It was great to talk to you and get ideas on ways we could partner to help our clients.

We talked quite a bit about funding cuts and restraints for LIHEAP and Weatherization. Our LIHEAP and Weatherization Coordinators gave me the following program information:

Liheap:

For future fiscal years the Federal government has restructured the way in which State and Local agencies can allocate administrative funds for the Liheap Program. In previous years local agencies were allowed to supplement Liheap administrative funding with other federal funding that allowed for efficient operation of the program with no individual program limits. Going forward agencies will only be able to allocate a 10% maximum of federal funding dollars to administer the program, either alone or co-funded. This constraint could potentially mean cuts to staff so independent administrative funding could significantly lessen the impact of this limitation.

Weatherization:

Weatherization is funded through grants from Department of Energy, Home Energy Assistance Program, Alliant Energy, MidAmerican Energy and Black Hills Energy. Possible upgrades to homes include insulation, furnace and water heater replacement, health and safety repairs, incidental repairs, infiltration repairs, energy star refrigerator and freezer replacement, cfl light bulbs, smoke alarms, co alarms, water heater pipe wrap, low flow showerheads and aerators. Support costs for the Evaluator and Coordinator, as well as outreach staff are paid as a percentage of the cost of each house. The program is largely self-supported.

Outreach Center Support:

You had some questions about local funding for our center. In FY2014, we received the following funds through requests to area cities and the county:

Warren County - $29,300.00
New Virginia - $550.00
Carlisle - $2,682.00
City of Hartford - $900.00
City of Lacona - $693.00
City of Norwalk - $2,464.00

These public funds are used for staff salary support and local programs like Cash Food Voucher Program and Emergency funds for rent, utilities, deposits, etc. Our Chore Service Program was almost completely funded with funds from the Warren County Supervisors.

Collaborations with local churches and community groups, as well as private donations, provide complete funding totaling $7,402.00 for local programs including School Supplies, Garden Program, Christmas Dinner Baskets and the Summer Cooling Program. We also submit grant requests to companies like Caseys, WalMart and Prairie Meadows to supplement costs for these programs.

Partnering ideas that would benefit our IMU clients include:

1. $5000 administrative funding for LIHEAP to offset the new limitations set by the grantors. 100% would be used in Warren County. In FY 2014, LIHEAP funds were dispersed to 143 households with IMU as primary and secondary vendor and 203 households with IMU as secondary vendor. All income qualified households in Indianola are also eligible for ECIP (Emergency Crisis Intervention Program) funds and local funds to be applied to electric and water bills.

   In the future we will be working to reach more Indianola residents in poverty. Activities planned include placing an informational insert in all IMU billing statements (March and September) and partnering with Indianola schools to distribute the same information in their electronic bulletins to parents. Additional informational flyers and brochures will be placed in churches, county and city offices, Head Start classrooms and apartment complexes.

2. $2000 for Energy Star appliance replacement of stoves, washers and dryers in weatherized homes. 100% benefit to IMU clients on their electric bill.

3. $2000 Winterization of homes that are not currently eligible for Weatherization. Window plastic, weather-strip, caulk to reduce infiltration. 100% benefit to IMU clients who have IMU as primary and secondary vendor.

If you have any questions, or would like to discuss these ideas further, please give me a call. We are open to any other suggestions you may have that would benefit the low-income residents of Indianola that we serve.

Sincerely,

Joanna Crane

Joanna Crane
Outreach Specialist
Red Rock Area Community Action Program, Inc.

IMU Regular Downstairs **5. A.**

Meeting Date: 03/09/2015

Information

Subject

Public Hearing on the Plans, Specifications, Form of Contract and Estimate of Cost

Information

The first agenda item pertaining to the construction of the vehicle storage building at the Water plant is to conduct a public hearing.

The board Chair opens the public hearing, receives comments, and closes the hearing.

No other actions are required.

Financial Impact

N/A

Staff Recommendation

IMU Regular Downstairs **5. B.**

Meeting Date: 03/09/2015

Information

Subject

Resolution Adopting Plans, Specifications, Form of Contract, and Estimate of Cost

Information

The next step is to adopt the attached resolution approving the plans, specifications, form of contract, and cost estimate.

Financial Impact

N/A

Staff Recommendation

Roll call vote on the attached resolution is in order.

Attachments

Resolution

INDIANOLA MUNICIPAL UTILITIES

PUBLIC IMPROVEMENT CONSTRUCTION DOCUMENTS FOR:

2015 VEHICLE STORAGE BUILDING CONSTRUCTION PROJECT FOR INDIANOLA MUNICIPAL UTILITIES, INDIANOLA, IOWA.

The Meeting was called to order by the Chair, Patrick Reding, and on roll call the following Board Members were

Present:____

Absent:____

This being the time and place fixed for a public hearing on the matter of the adoption of plans, specifications, form of contract and estimate of cost relative to the 2015 Vehicle Storage Building Project for Indianola Municipal Utilities, Indianola, Iowa, the Chair called for any oral objections to the adoption of the plans, specifications, form of contract and estimate of cost. No oral objections were offered and the Trustee Clerk reported that no written objections had been filed.

Board Member_____________________________________introduced the following Resolution entitled "RESOLUTION ADOPTING PLANS, SPECIFICATIONS, FORM OF CONTRACT AND ESTIMATE OF COST", and moved that it be adopted. Board Member ________________________________ seconded the motion to adopt. The roll was called and the vote was,

AYES:____

NAYS:____

Whereupon, the Chair declared the following resolution duly adopted:

RESOLUTION ADOPTING PLANS, SPECIFICATIONS,
FORM OF CONTRACT AND ESTIMATE OF COST

WHEREAS, on the_______day of__________________, 2015, plans, specifications, form of contract and estimate of cost were filed with the City Clerk for the Indianola Municipal Utilities, for certain public improvements described in general as the 2015 Vehicle Storage Building Project for Indianola Municipal Utilities, Indianola, Iowa, and

WHEREAS, notice of hearing on plans, specifications, form of contract and estimate of costs of the public improvements was published as required by law.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE INDIANOLA MUNICIPAL UTILITIES:

Section 1. The plans, specifications, form of contract and estimate of cost are approved as the plans, specifications, form of contract and estimate of cost for the public improvements described in the preamble of this Resolution.

PASSED AND APPROVED this______day of________________, 2015.

____
PATRICK REDING, Chair

ATTEST:

____
DIANA BOWLIN, City Clerk

The Chair then announced that the City Clerk and the IMU General Manager had opened and tabulated the bids for the public improvements described in general as the 2015 Vehicle Storage Building Project for Indianola Municipal Utilities, Indianola, Iowa, in accordance with the plans and specifications previously adopted.

The following bids were presented by the City Clerk and the IMU General Manager.

Name and Address of Bidder	Amount of Bid

The City Clerk and the IMU General Manager then recommended that the bid of ______________________________________ in the amount of $_______________be accepted.

Board Member_____________________________introduced the following resolution entitled "RESOLUTION MAKING AWARD OF CONSTRUCTION CONTRACT", and moved its adoption. Board Member ____________________ seconded the motion to adopt. The roll was called and the vote was:

AYES:____

NAYS:____

Whereupon, the Chair declared the following Resolution duly adopted:

RESOLUTION MAKING AWARD OF CONSTRUCTION CONTRACT

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE INDIANOLA MUNICIPAL UTILITIES:

Section 1. The bid of____________________________________ in the amount of $______________for the 2015 Vehicle Storage Building Project for Indianola Municipal Utilities, Indianola, Iowa, described in the plans and specifications previously adopted by this Board on the_______day of __________________, 2015, is accepted, it being the lowest responsible bid for the work and materials.

Section 2. The IMU General Manager and the City Clerk are directed to execute a contract with the contractor for the construction of the public improvement. The contract not to be binding on the Board of Trustees until approved by the Board.

PASSED AND APPROVED this_______day of_________________, 2015.

____
PATRICK REDING, Chair

ATTEST:

____
DIANA BOWLIN, City Clerk

IMU Regular Downstairs **5. C.**

Meeting Date: 03/09/2015

Information

Subject

Receipt of Bids

Information

See the attached bid tabulation and recommendation to designate Septagon Construction Co., Inc. as the apparent low bidder in the amount of $364,900.00.

Even though the 5 bids were within a competitive range, the bids are significantly higher than the project's $200,000 budget. V&K and IMU staff are reviewing the plans and submissions to determine potential cost savings available through re-designing the scope of work.

Therefore V&K and staff are recommending to only designate the apparent low bidder at this time and table other actions. IMU will have 30 days to award a contract or abandon it, revise plans, and re-bid.

Financial Impact

N/A

Staff Recommendation

Simple motion acknowledging bids received and designating Septagon Construction Co., Inc. as the apparent low bidder in the amount of $364,900 is in order.

Attachments

Bid tab

Recommendation

VEHICLE STORAGE BUILDING
INDIANOLA MUNICIPAL UTILITIES
INDIANOLA, IOWA
BID TABULATION

Construct pre-engineered metal building with standing seam metal roof panels, metal and wainscot brick siding, insulation, concrete floor and foundation, doors, overhead doors, mechanical, electrical, sitework and miscellaneous associated work, including cleanup for the Bid Price of:

Septagon Construction Company, Inc. 2950 SE Gateway Drive Grimes, Iowa 50111	Boyd Construction, LLC 1007 West First Street Leon, Iowa 50144	Downing Construction, Inc. 2500 West 2nd Avenue Indianola, Iowa 50125	Breiholz Construction Company 1527 Maine Street Des Moines, Iowa 50314
$364,900.00	$369.900.00	$371,898.00	$374,300.00
Jensen Builders, LTD 2097 NE 60th Des Moines, Iowa 50313			
$386,900.00			

INDIANOLA MUNICIPAL UTILITIES
INDIANOLA, IOWA
BID TABULATION

PROFESSIONAL ENGINEER
Forrest S.
Aldrich
No.
12248
LICENSED * IOWA *

I hereby certify that this is a true tabulation of bids received on March 4, 2015 by the Indianola Municipal Utilities, Indianola, Iowa

Forrest Aldrich

Forrest S. Aldrich, P.E
Iowa License No.
My license renewal date is December 31, 2015

VEENSTRA & KIMM, INC.
3000 Westown Parkway • West Des Moines, Iowa 50266-1320
515-225-8000 • 515-225-7848(FAX) • 800-241-8000(WATS)

March 5, 2015

Todd Kielkopf
General Manager
Indianola Municipal Utilities
111 South Buxton
P.O. Box 356
Indianola, IA 50125

INDIANOLA MUNICIPAL UTILITIES
INDIANOLA, IOWA
VEHICLE STORAGE BUILDING
RECOMMENDATION OF AWARD

The Indianola Municipal Utilities received bids until 2:00 P.M., March 4, 2015 for the Vehicle Storage Building project. A total of five bids were received as follows:

Contractor	Total Bid
Septagon Construction Co., Inc.	$364,900.00
Boyd Construction, LLC	$369,900.00
Downing Construction, Inc.	$371,898.00
Breiholz Construction Company	$374,300.00
Jensen Builders, LTD	$386,900.00

The apparent low bid was submitted by Septagon Construction Co., Inc. from Grimes, Iowa in the amount of $364,900.00.

We recommend Indianola Municipal Utilities designate Septagon Construction Co., Inc. as the apparent low bidder in the amount of $364,900.00.

Enclosed is a copy of our tabulation of bids.

If you have any questions or comments concerning the project, please contact us at 225-8000.

VEENSTRA & KIMM, INC.

Forrest Aldrich

Forrest S. Aldrich

FSA:jrh
28586
Enclosure

Information

Subject

Resolution Making Award of Construction Contract

Information

Again, staff and V&K are recommending not awarding the construction contract at this meeting.

This agenda item is on the agenda in the event additional compelling information pertaining to the ability to reduce the project's cost becomes available prior to the meeting.

Financial Impact

N/A

Staff Recommendation

Table the award of contract. If the award of the construction contract proceeds, a roll call vote is in order.

IMU Regular Downstairs **6. A.**

Meeting Date: 03/09/2015

Information

Subject

Award Construction Contract

Information

Vanderpool Construction was the only respondent for the relocation project at Hwy 92 and Y St.

V&K recommends approval of the $34,260 quote based on their estimate of the value of the work, a much higher amount submitted by Dig America when asked for a quote as a change order to the electrical work, and time constraints to complete the work prior to IDOT commencing with the roadway relocation in April.

As recap, IDOT will very likely reimburse IMU for the majority of this out of pocket expense since it is mainly outside of the right of way. V&K will work with IDOT to draft a reimbursement agreement.

IMU staff and V&K also recommend that Trustees authorize the IMU General Manager to approve entering into a V&K-drafted general construction contract based on the previously-approved plans and the attached quote, subject to final approval of the City Attorney that the necessary bonds are in order.

This will allow work to proceed as quickly as possible and is a method used in previous similar situations where expediency is a priority.

Financial Impact

N/A

Staff Recommendation

Simple motion authorizing the General Manager to enter into a general construction contract for water utility relocation work pertaining to the Y Street & Hwy 92 project, in the amount of $34,260, subject to attorney review, is in order.

Attachments

Quote

Recommendation

QUOTATION

Y STREET WATER MAIN RELOCATION
INDIANOLA MUNICIPAL UTILITIES
INDIANOLA, IOWA

Name of Firm **VANDERPOOL CONSTRUCTION, INC.**
1100 N. 14TH ST.
INDIANOLA, IA 50125-1506

Address of Firm

To: Board of Trustees
Indianola Municipal Utilities
111 South Buxton
Indianola, Iowa 50125

The undersigned, having examined the plans and having familiarized himself with the nature and location of the work to be done and the conditions under which the work will be performed, hereby proposes to provide the required labor, services and materials and to perform the work described on the plans, within the time and for the sums stated hereinafter on attached Quotation Schedule; which Quotation Schedule is hereby made a part of this Quotation.

The undersigned certifies that this Quotation is offered in good faith, without collusion or connection with any other persons quoting on the work.

The undersigned states that this Quotation is offered in conformity with the plans and scope of work and agrees that in the event of any discrepancies or differences between any conditions of his quotation and the scope of work prepared by VEENSTRA & KIMM, INC. that the provisions of the latter shall prevail.

Name of Firm **VANDERPOOL CONSTRUCTION, INC.**
1100 N. 14TH ST.
INDIANOLA, IA 50125-1506

By *Randy Oldenburg*

Title *Project Manager / Estimator*

QUOTATION SCHEDULE

Y STREET WATER MAIN RELOCATION

1. Construct Y Street Water Main Relocation for the following unit and lump sum prices:

Item No.	Description	Unit	Estimated Quantity	Unit Price	Extended Price
1.1	12" Water Main Directional Bored in Place	LF	180	$ 107.00	$ 19,260.00
1.2	Connection to Existing System	Ea.	1	6,500.00	6,500.00
1.3	Tapping Valve & Sleeve	Ea.	1	8,500.00	8,500.00

TOTAL QUOTATION (Items 1.1 - 1.3) $ 34,260.00

2. The work shall commence within ten (10) days after written Notice to Proceed. All work on the project shall be completed by April 4, 2015.

3. Liquidated damages in the amount of One Thousand Dollars ($1,000.00) per calendar day will be assessed for each calendar day that work shall remain uncompleted after the end of the contract period, with due allowance for extensions of the contract period due to conditions beyond the control of the Contractor.

4. Required attachment:
   - Bidder Status Form

Bidder Status Form

To be completed by all bidders

Part A

Please answer "Yes" or "No" for each of the following:

☑ Yes ☐ No My company is authorized to transact business in Iowa.
(To help you determine if your company is authorized, please review the worksheet on the next page).

☑ Yes ☐ No My company has an office to transact business in Iowa.

☑ Yes ☐ No My company's office in Iowa is suitable for more than receiving mail, telephone calls, and e-mail.

☑ Yes ☐ No My company has been conducting business in Iowa for at least 3 years prior to the first request for bids on this project.

☑ Yes ☐ No My company is not a subsidiary of another business entity or my company is a subsidiary of another business entity that would qualify as a resident bidder in Iowa.

If you answered "Yes" for each question above, your company qualifies as a resident bidder. Please complete Parts B and D of this form.

If you answered "No" to one or more questions above, your company is a nonresident bidder. Please complete Parts C and D of this form.

To be completed by resident bidders

Part B

My company has maintained offices in Iowa during the past 3 years at the following addresses:

Dates: 6 / 1 / 2000 to PRESENT Address: VANDERPOOL CONSTRUCTION, INC. 1100 N. 14TH ST.
City, State, Zip: INDIANOLA, IA 50125-1506

Dates: ____ /____ /____ to ____ /____ /____ Address: ____________
City, State, Zip: ____________

Dates: ____ /____ /____ to ____ /____ /____ Address: ____________
You may attach additional sheet(s) if needed. City, State, Zip: ____________

To be completed by non-resident bidders

Part C

1. Name of home state or foreign country reported to the Iowa Secretary of State:

____

2. Does your company's home state or foreign country offer preferences to bidders who are residents? ☐ Yes ☐ No
3. If you answered "Yes" to question 2, identify each preference offered by your company's home state or foreign country and the appropriate legal citation.

____

____

____________ *You may attach additional sheet(s) if needed.*

To be completed by all bidders

Part D

I certify that the statements made on this document are true and complete to the best of my knowledge and I know that my failure to provide accurate and truthful information may be a reason to reject my bid.

Firm Name: VANDERPOOL CONSTRUCTION, INC. 1100 N. 14TH ST. INDIANOLA, IA 50125-1506

Signature: [signature] Date: 3-4-15

You must submit the completed form to the governmental body requesting bids per 875 Iowa Administrative Code Chapter 156.
This form has been approved by the Iowa Labor Commissioner.

309-6001 02-14

Worksheet: Authorization to Transact Business

This worksheet may be used to help complete Part A of the Resident Bidder Status form. If at least one of the following describes your business, you are authorized to transact business in Iowa.

☑ Yes ☐ No	My business is currently registered as a contractor with the Iowa Division of Labor.
☐ Yes ☑ No	My business is a sole proprietorship and I am an Iowa resident for Iowa income tax purposes.
☐ Yes ☑ No	My business is a general partnership or joint venture. More than 50 percent of the general partners or joint venture parties are residents of Iowa for Iowa income tax purposes.
☑ Yes ☐ No	My business is an active corporation with the Iowa Secretary of State and has paid all fees required by the Secretary of State, has filed its most recent biennial report, and has not filed articles of dissolution.
☐ Yes ☑ No	My business is a corporation whose articles of incorporation are filed in a state other than Iowa, the corporation has received a certificate of authority from the Iowa secretary of state, has filed its most recent biennial report with the secretary of state, and has neither received a certificate of withdrawal from the secretary of state nor had its authority revoked.
☐ Yes ☑ No	My business is a limited liability partnership which has filed a statement of qualification in this state and the statement has not been canceled.
☐ Yes ☑ No	My business is a limited liability partnership which has filed a statement of qualification in a state other than Iowa, has filed a statement of foreign qualification in Iowa and a statement of cancellation has not been filed.
☐ Yes ☑ No	My business is a limited partnership or limited liability limited partnership which has filed a certificate of limited partnership in this state, and has not filed a statement of termination.
☐ Yes ☑ No	My business is a limited partnership or a limited liability limited partnership whose certificate of limited partnership is filed in a state other than Iowa, the limited partnership or limited liability limited partnership has received notification from the Iowa secretary of state that the application for certificate of authority has been approved and no notice of cancellation has been filed by the limited partnership or the limited liability limited partnership.
☐ Yes ☑ No	My business is a limited liability company whose certificate of organization is filed in Iowa and has not filed a statement of termination.
☐ Yes ☑ No	My business is a limited liability company whose certificate of organization is filed in a state other than Iowa, has received a certificate of authority to transact business in Iowa and the certificate has not been revoked or canceled.

VEENSTRA & KIMM, INC.
3000 Westown Parkway • West Des Moines, Iowa 50266-1320
515-225-8000 • 515-225-7848(FAX) • 800-241-8000(WATS)

March 5, 2015

Todd Kielkopf
General Manager
Indianola Municipal Utilities
111 South Buxton
P.O. Box 356
Indianola, IA 50125

INDIANOLA MUNICIPAL UTILITIES
INDIANOLA, IOWA
Y STREET WATER MAIN RELOCATION
RECOMMENDATION OF AWARD

The Indianola Municipal Utilities received quotations until 2:00 P.M., March 4, 2015 for the Y Street Water Main Relocation project. A total of one quotation was received as follows:

Contractor	Total Quotation
Vanderpool Construction, Inc.	$34,260.00

The apparent low quotation was submitted by Vanderpool Construction, Inc. from Indianola, Iowa in the amount of $34,260.00.

We recommend Indianola Municipal Utilities designate Vanderpool Construction, Inc. as the apparent low bidder and award the contract to Vanderpool Construction, Inc. in the amount of $34,260.00.

Enclosed is a copy of our tabulation of quotation.

If you have any questions or comments concerning the project, please contact us at 225-8000.

VEENSTRA & KIMM, INC.

Forrest S. Aldrich

FSA:jrh
28595
Enclosure

QUOTATION TABULATION
INDIANOLA MUNICIPAL UTILITIES
INDIANOLA, IOWA
Y STREET WATER MAIN RELOCATION

1. Construct Y Street Water Main Relocation for the following unit and lump sum prices:				Vanderpool Construction, Inc. 1100 N. 14th Street Indianola, Iowa 50125	
ITEM NO.	**DESCRIPTION**	**UNIT**	**ESTIMATED QUANTITY**	**UNIT PRICE**	**EXTENDED PRICE**
1.1	12" Water Main Directional Bored in Place	LF	180	$ 107.00	$ 19,260.00
1.2	Connection to Existing System	Ea.	1	6,500.00	6,500.00
1.3	Tapping Valve & Sleeve	Ea.	1	8,500.00	8,500.00
			TOTAL BASE QUOTATION (Items 1.1 - 1.3)		**$34,260.00**

I hereby certify that this is a true tabulation of
quotations received on March 4, 2015 by
the Indianola Municipal Utilities
Indianola, Iowa

LICENSED PROFESSIONAL ENGINEER
Forrest S. Aldrich
No. 12248
* IOWA *

Forrest S. Aldrich, P.E.
Iowa License No. 12248
My license renewal date is December 31, 2015

IMU Regular Downstairs **7.**

Meeting Date: 03/09/2015

Information

Subject

$7,241,000 Electric Revenue Refunding Capital Loan Notes, Series 2015

Information

Bond attorneys at Ahlers & Cooney provided the attached letter of instructions, which provides an overview of the remaining process to issue the advance refunding notes.

This is an informational item only.

Financial Impact

N/A

Staff Recommendation

Attachments

Ahlers Letter

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

Steven M. Nadel
snadel@ahlerslaw.com

Direct Dial:
(515)246-0306

March 4, 2015

Mr. Todd Kielkopf
Indianola Municipal Utilities
111 South Buxton
P.O. Box 356
Indianola, Iowa 50125

Re: Indianola Municipal Utilities, State of Iowa - $7,241,000 Electric Revenue Refunding Capital Loan Notes, Series 2015

Dear Mr. Kielkopf:

Enclosed are documents to complete Board action in connection with the authorization for the issuance of the above Notes.

A. The Board procedure consists of the following:

1. Resolution authorizing the issuance of the Notes. The resolution also incorporates by reference the form of the Tax Exemption Certificate.

There are blank spaces appearing in the form of Note set out in the resolution. These need not be completed but may be left blank as a guide since different amounts, dates and percents will be inserted within the blank spaces.

The resolution must be adopted by an affirmative vote equal to a majority of the full Board membership.

2. Tax Exemption Certificate. The Tax Exemption Certificate sets out in detail a number of facts, promises and obligations which must be met and agreed to by the City in order to maintain these Notes as tax exempt. This Certificate may contain some blank spaces relating to matters of information dependent upon the resale price of the Notes which are not known and available at this time. The information will be calculated and added to this certificate prior to closing and completed copies of pages with blank spaces will be provided to you. This certificate should be SIGNED BUT NOT DATED. Please return the "Complete and Return" copy and Purchaser's copy to our office prior to closing.

B. Closing Certificates and Documents:

3. Purchase Agreement. Please execute all copies and return the same to our office.

4. Loan Agreement. Please execute all copies and return the same to our office.

5. Original Note. The notes are enclosed to be executed by the Chairperson and the Secretary in the spaces provided and impressed with the Utility's seal. The Date of Authentication will be the date of closing. Tags are attached to Note No. 1 showing where signatures, seals and dates should appear on all Notes. Please have the executed Notes returned to us as soon as possible.

6. Delivery Certificate. This certificate also should be signed, BUT NOT DATED. Please return the "Complete and Return" copy to my attention prior to closing.

7. Transcript Certificate. This certificate is to be executed and sealed in the manner indicated on the second page and may be dated at the time of completion. A notary attestation for all official signatures is required. Please return the "Complete and Return" copy to my attention prior to closing.

8. Form 8038-G -- Information Return for Tax Exempt Governmental Obligations. Please sign, BUT DO NOT DATE, and return the form to us prior to closing.

9. Board of Trustees Certificate. The City Clerk should complete and execute this Certificate. Please return the "Complete and Return" copy.

10. Board of Trustees Organization Certificate. This Certificate shows the term of office for each Board Member. The Mayor and City Clerk should complete and execute this Certificate. Please return the "Complete and Return" copy.

11. Refunding Trust Agreement. Please execute all copies of this Agreement and return them to our office. We will obtain the necessary signatures of the Trustee and return a fully executed copy to you.

12. Bank Qualification Certificate. Please execute and date and return the "Complete and Return" copy to my attention prior to closing.

Tax Exemption

The Tax Exemption Certificate is an important document and contains important information concerning the calculated yield on the Notes and a number of covenants and obligations on the part of the Utility. This certificate should be retained along with all of your records regarding the use of proceeds, expenditure dates and investment information needed to comply with IRS guidelines (See exhibit attached). I will not attempt to summarize all of the matters which are included in this certificate but I do want to point out some important ones.

Tax exemption is based in part upon the fact that the use of the facilities acquired by the Utility with the proceeds of the refunded notes will continue to be used by the public and will not be used in the private trade or business of any business or non-tax-exempt entity. The properties acquired with the original proceeds must not be sold or diverted to any private or nonpublic use unless the significance of that action is reviewed by bond counsel.

The Tax Exemption Certificate sets forth the best knowledge and belief which you have as of today concerning the timely expenditure of the proceeds as the Utility reasonably expects expenditures to occur. If for any reason the Utility finds it will be prevented from expending the Note proceeds to refund the outstanding obligations in the manner described in the authorizing resolution and Refunding Trust Agreement, that matter should be referred to us.

Also, these Notes are designated as qualified tax-exempt obligations, making them desirable for certain banks as investments and making possible a more favorable interest rate. For this designation to be proper, it is necessary that the City reasonably expects to issue $10,000,000 or less of notes or other obligations in the course of this calendar year. If that amount should be exceeded, it would be necessary to review the situation immediately.

There are a number of other general promises and commitments by the City to take or refrain from action, which are necessary to maintain the tax exemption of these Notes. You should recognize that these promises and commitments are required of the City on an ongoing basis and that the possibility of some additional future action does exist.

Closing Matters.

As you know, closing of this issue is scheduled to occur on or about March 26, 2015. At the time of closing, the "Purchaser's" copies of the above items and the original Notes will be delivered to the Purchaser of the Notes in exchange for the agreed purchase price. Our legal opinion also will be delivered to the Purchaser at that time.

Should you have any questions, or if we can be of any assistance in completing the enclosed items, please don't hesitate to contact me.

Very truly yours,

Steven M. Nadel
FOR THE FIRM

SMN:ae
Encl.

cc: Chip Schultz, and Michael Maloney, D.A. Davidson & Co.

01088684-2\10616-023

IMU Regular Downstairs **7. A.**

Meeting Date: 03/09/2015

Information

Subject

Approval of Tax Exemption Certificate

Information

The tax exemption certificate process is incorporated into the resolution to be adopted in the following agenda item but requires a separate vote to approve and issue.

The certificate drafted by bond attorneys at Ahlers & Cooney is attached.

Financial Impact

N/A

Staff Recommendation

Roll call vote to approve the Tax Exemption Certificate is in order.

Attachments

Tax Exemption Certificate

COMPLETE AND RETURN TO
MR. NADEL

TAX EXEMPTION CERTIFICATE

of

CITY OF INDIANOLA, BY AND THROUGH ITS BOARD OF TRUSTEES OF THE INDIANOLA MUNICIPAL UTILITIES, STATE OF IOWA, ISSUER

$7,241,000 Electric Revenue Refunding Capital Loan Notes, Series 2015

This instrument was prepared by:

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

TABLE OF CONTENTS

This Table of Contents is not a part of this Tax Exemption Certificate and is provided only for convenience of reference.

TAX EXEMPTION CERTIFICATE

CITY OF INDIANOLA, STATE OF IOWA

THIS TAX EXEMPTION CERTIFICATE made and entered into on March 26, 2015, by the City of Indianola, by and through its Board of Trustees of the Indianola Municipal Utilities, State of Iowa (the "Issuer").

INTRODUCTION

This Certificate is executed and delivered in connection with the issuance by the Issuer of its $7,241,000 Electric Revenue Refunding Capital Loan Notes, Series 2015 (the "Bonds"). The Bonds are issued pursuant to the provisions of the Resolution of the Issuer authorizing the issuance of the Bonds. Such Resolution provides that the covenants contained in this Certificate constitute a part of the Issuer's contract with the owners of the Bonds.

The Issuer recognizes that under the Code (as defined below) the tax-exempt status of the interest received by the owners of the Bonds is dependent upon, among other things, the facts, circumstances, and reasonable expectations of the Issuer as to future facts not in existence at this time, as well as the observance of certain covenants in the future. The Issuer covenants that it will take such action with respect to the Bonds as may be required by the Code, and pertinent legal regulations issued thereunder in order to establish and maintain the tax-exempt status of the Bonds, including the observance of all specific covenants contained in the Resolution and this Certificate.

ARTICLE I

DEFINITIONS

The following terms as used in this Certificate shall have the meanings set forth below. The terms defined in the Resolution shall retain the meanings set forth therein when used in this Certificate. Other terms used in this Certificate shall have the meanings set forth in the Code or in the Regulations.

"Annual Debt Service" means the principal of and interest on the Bonds scheduled to be paid during a given Bond Year.

"Bonds" means the $7,241,000 aggregate principal amount of Electric Revenue Refunding Capital Loan Notes, Series 2015, of the Issuer issued in registered form pursuant to the Resolution.

"Bond Counsel" means Ahlers & Cooney, P.C., Des Moines, Iowa, or an attorney at law or a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt status of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any State of the United States of America.

"Bond Fund" means the Sinking Fund described in the Resolution.

"Bond Purchase Agreement" means the binding contract in writing for the sale of the Bonds.

"Bond Year" as defined in Regulation 1.148-1(b), means a one-year period beginning on the day after expiration of the preceding Bond Year. The first Bond Year shall be the one-year or shorter period beginning on the Closing Date and ending on a principal or interest payment date, unless Issuer selects another date.

"Bond Yield" means the yield on the Bonds computed under Section 1.148-4(c) of the Regulations, which will be computed as a variable rate issue.

"Certificate" means this Tax Exemption Certificate.

"Closing" means the delivery of the Bonds in exchange for the agreed upon purchase price.

"Closing Date" means the date of Closing.

"Code" means the Internal Revenue Code of 1986, as amended, and any statutes which replace or supplement the Internal Revenue Code of 1986.

"Computation Date" means each five-year period from the Closing Date through the last day of the fifth and each succeeding fifth Bond Year.

"Escrow Fund" means the Refunded Bond Trust Fund created by the Issuer under the terms of a Refunding Trust Agreement dated as of March 26, 2015, for the deposit of the Sale Proceeds.

"Excess Earnings" means the amount earned on all Nonpurpose Investments minus the amount which would have been earned if such Nonpurpose Investments were invested at a rate equal to the Bond Yield, plus any income attributable to such excess.

"Final Bond Retirement Date" means the date on which the Bonds are actually paid in full.

"Governmental Obligations" means direct general obligations of, or obligations the timely payment of the principal of and interest on which is unconditionally guaranteed by the United States.

"Gross Proceeds" as defined in Regulation 1.148-l(b), means any Proceeds of the Bonds and any replacement proceeds (as defined in Regulation 1.148-1(c)) of the Bonds.

"Gross Proceeds Funds" means the Escrow Fund, Proceeds held to pay cost of issuance, and any other fund or account held for the benefit of the owners of the Bonds or containing Gross Proceeds of the Bonds except the Bond Fund and the Rebate Fund.

"Issue Price" as defined in Regulation 1.148-l(b), means the price paid by the Purchaser of the Bonds. The Issue Price is $7,241,000.

"Issuer" means the City of Indianola, by and through its Board of Trustees of the Indianola Municipal Utilities, a municipal corporation in the County of Warren, State of Iowa.

"Minor Portion of the Bonds", as defined in Regulation 1.148-2(g), means the lesser of five (5) percent of Proceeds or $100,000. The Minor Portion of the Bonds is computed to be $100,000.

"Nonpurpose Investments" means any investment property which is acquired with Gross Proceeds and is not acquired to carry out the governmental purpose of the Bonds, and may include but is not limited to U.S. Treasury bonds, corporate bonds, or certificates of deposit.

"Proceeds" as defined in Regulation 1.148-l(b), means Sale Proceeds, investment proceeds and transferred proceeds of the Bonds.

"Project" means the refunding outstanding electric revenue indebtedness, including the Electric Revenue Capital Loan Notes, Series 2010, dated June 15, 2010, and the Electric Revenue Bonds, Series 2011, dated December 29, 2011 as more fully described in the Resolution.

"Purchasers" means Peoples Savings Bank of Indianola, Iowa, constituting the initial purchasers of the Bonds from the Issuer.

"Rebate Amount" means the amount computed as described in this Certificate.

"Rebate Fund" means the fund to be created, if necessary, pursuant to this Certificate.

"Rebate Payment Date" means a date chosen by the Issuer which is not more than 60 days following each Computation Date or the Final Bond Retirement Date.

"Refunded Bonds" means $6,490,000 of the $9,040,000 Electric Revenue Capital Loan Notes, Series 2010 dated June 15, 2010 and $1,470,000 of the $1,800,000 Electric Revenue Capital Loan Notes, Series 2011 dated December 29, 2011.

"Refunding Bonds" means the Bonds.

"Regulations" means the Income Tax Regulations, amendments and successor provisions promulgated by the Department of the Treasury under Sections 103, 148 and 149 of the Code, or other Sections of the Code relating to "arbitrage bonds", including without limitation Regulations 1.148-1 through 1.148-11, 1.149(b)-1, 1.149-d(1), 1.150-1 and 1.150-2.

"Replacement Proceeds" include, but are not limited to, sinking funds, amounts that are pledged as security for an issue, and amounts that are replaced because of a sufficiently direct nexus to a governmental purpose of an issue.

"Resolution" means the resolution of the Issuer adopted on March 9, 2015, authorizing the issuance of the Bonds.

"Sale Proceeds" as defined in Regulation 1.148-1(b), means any amounts actually or constructively received from the sale of the Bonds, including amounts used to pay underwriter's discount or compensation and accrued interest other than pre-issuance accrued interest.

"Sinking Fund" means the Bond Fund.

"SLGS" means demand deposit Treasury securities of the State and Local Government Series.

"Tax Exempt Obligations" means bonds or other obligations the interest on which is excludable from the gross income of the owners thereof under Section 103 of the Code and include certain regulated investment companies, stock in tax-exempt mutual funds and demand deposit SLGS.

"Taxable Obligations" means all investment property, obligations or securities other than Tax Exempt Obligations.

"Verification Certificate" means the Bond Purchase Agreement and the Independent Accountant's Verification Report dated March 26, 2015.

ARTICLE II

SPECIFIC CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

The Issuer hereby certifies, represents and agrees as follows:

<u>Section 2.1 Authority to Certify and Expectations</u>

(a) The undersigned officer of the Issuer along with other officers of the Issuer, are charged with the responsibility of issuing the Bonds.

(b) This Certificate is being executed and delivered in part for the purposes specified in Section 1.148-2(b)(2) of the Regulations and is intended (among other purposes) to establish reasonable expectations of the Issuer at this time.

(c) The Issuer has not been notified of any disqualification or proposed disqualification of it by the Commissioner of the Internal Revenue Service as a bond issuer which may certify bond issues under Section 1.148-2(b)(2) of the Regulations.

(d) The certifications, representations and agreements set forth in this Article II are made on the basis of the facts, estimates and circumstances in existence on the date hereof, including the following: (1) with respect to amounts expected to be received from delivery of the Bonds, amounts actually received, (2) with respect to payments of amounts into various funds or accounts, review of the authorizations or directions for such payments made by the Issuer pursuant to the Resolution and this Certificate, (3) with respect to the Issue Price, the certifications of the Purchasers as set forth in the Verification Certificate, (4) with respect to expenditure of the Proceeds of the Bonds, actual expenditures and reasonable expectations of the Issuer as to when the Proceeds will be spent for purposes of the Project, (5) with respect to Bond Yield, review of the Verification Certificate, and (6) with respect to the amount of governmental and qualified 501(c)(3) bonds to be issued during the calendar year, the budgeting and present planning of Issuer. The Issuer has no reason to believe such facts, estimates or circumstances are untrue or incomplete in any material way.

(e) To the best of the knowledge and belief of the undersigned officer of the Issuer, there are no facts, estimates or circumstances that would materially change the representations, certifications or agreements set forth in this Certificate, and the expectations herein set out are reasonable.

(f) No arrangement exists under which the payment of principal or interest on the Bonds would be directly or indirectly guaranteed by the United States or any agency or instrumentality thereof.

(g) After the expiration of any applicable temporary periods, and excluding investments in a bona fide debt service fund or reserve fund, not more than five percent (5%) of the Proceeds of the Bonds will be (a) used to make loans which are guaranteed by the United States or any agency or instrumentality thereof, or (b) invested in federally insured deposits or accounts.

(h) The Issuer will file with the Internal Revenue Service in a timely fashion Form 8038-G, Information Return for Tax-Exempt Governmental Obligations with respect to the Bonds and such other reports required to comply with the Code and applicable Regulations.

(i) The Issuer will take no action which would cause the Bonds to become "private activity bonds" as defined in Section 141 (a) of the Code, including any use of the Project by any person other than a governmental unit if such use will be by other than a member of the general public. None of the Proceeds of the Bonds will be used directly or indirectly to make or finance loans to any person other than a governmental unit.

(j) The Issuer will make no change in the nature or purpose of the Project except as provided in Section 6.1 hereof.

(k) Except as provided in the Resolution, the Issuer will not establish any sinking fund, bond fund, reserve fund, debt service fund or other fund reasonably expected to be used to pay debt service on the Bonds (other than the Bond Fund and any Reserve Fund), exercise its option to redeem Bonds prior to maturity or effect a refunding of the Bonds.

(l) No bonds or other obligations of the Issuer (1) were sold in the 15 days preceding the date of sale of the Bonds, (2) were sold or will be sold within the 15 days after the date of sale of the Bonds, (3) have been delivered in the past 15 days or (4) will be delivered in the next 15 days pursuant to a common plan of financing for the issuance of the Bonds and payable out of substantially the same source of revenues.

(m) None of the Proceeds of the Bonds will be used directly or indirectly to replace funds of the Issuer used directly or indirectly to acquire obligations having a yield higher than the Bond Yield.

(n) No portion of the Bonds is issued for the purpose of investing such portion at a higher yield than the Bond Yield.

(o) The Issuer does not expect that the Proceeds of the Bonds will be used in a manner that would cause them to be "arbitrage bonds" as defined in Section 148(a) of the Code. The Issuer does not expect that the Proceeds of the Bonds will be used in a manner that would cause the interest on the Bonds to be includible in the gross income of the owners of the Bonds under the Code. The Issuer will not intentionally use any portion of the Proceeds to acquire higher yielding investments.

(p) The Issuer will not use the Proceeds of the Bonds to exploit the difference between tax-exempt and taxable interest rates to obtain a material financial advantage.

(q) The Issuer has not issued more Bonds, issued the Bonds earlier, or allowed the Bonds to remain outstanding longer than is reasonably necessary to accomplish the governmental purposes of the Bonds and in fact, the Bonds will not remain outstanding longer than 120% of the economic useful life of the assets financed with the Proceeds of the Bonds.

(r) The Bonds will not be Hedge Bonds as described in Section 149(g)(3) of the Code because the Issuer reasonably expects that it will meet the Expenditure test set forth in Section 2.5(b) hereof and that 50% or more of the Proceeds will not be invested in Nonpurpose Investments having a substantially guaranteed yield for four or more years.

(s) The Issuer has not employed a device in connection with the issuance of the Bonds to obtain a material financial advantage (based on arbitrage) apart from savings attributable to lower interest rates. The Issuer will not realize any material financial advantage (based on arbitrage or otherwise) in connection with the issuance of the Bonds, or in connection with any transaction or series of transactions connected with the issuance of the Bonds, apart from savings attributable to lower interest rates.

Except for costs of issuance, all Sale Proceeds and investment earnings thereon will be expended for costs of the type that would be chargeable to capital accounts under the Code pursuant to federal income tax principles if the Issuer were treated as a corporation subject to federal income taxation.

Section 2.2 Receipts and Expenditures of Sale Proceeds

Sale Proceeds and pre-issuance accrued interest received at Closing, plus $979,000 released from the Issuer's existing electric revenue debt service reserve fund and $390,000 released from the Issuer's existing electric revenue sinking fund, are expected to be deposited and expended as follows:

(a) $0 representing pre-issuance accrued interest will be deposited into the Bond Fund and will be used to pay a portion of the interest accruing on the Bonds on the first interest payment date; and

(b) $103,380.31 representing costs of issuing the Bonds will be used within six months of the Closing Date to pay the costs of issuance of the Bonds (with any excess remaining on deposit in the Escrow Fund); and

(c) $8,506,619.69 will be deposited into the Escrow Fund and will be used together with earnings thereon to pay the principal, interest and redemption premium, if any, on the Refunded Bonds; and

Section 2.3 Purpose of Bonds

The Issuer is issuing the Bonds to refund the Refunded Bonds prior to maturity in order to realize debt service savings due to lower interest rates payable on the Refunding Bonds.

Section 2.4 Facts Supporting Tax-Exemption Classification

Governmental Bonds

Private Business Use/Private Security or Payment Tests

The Bonds are considered to be governmental bonds, not subject to the provisions of the alternate minimum tax. The Proceeds will be used for the purposes described in Section 2.3 hereof. These bonds are not private activity bonds because no amount of Proceeds of the Refunded Bonds were used in a trade or business carried on by a non-governmental unit. Rather, the Proceeds will be used to finance the general government operations and facilities of the Issuer described in Section 2.3 hereof. None of the payment of principal or interest on the Bonds will be derived from, or secured by, money or property used in a trade or business of a non-governmental unit. In addition, none of the governmental operations or facilities of the Issuer being financed with the Proceeds of the Bonds are subject to any lease, management contract or other similar arrangement or to any arrangement for use other than as by the general public.

Private Loan Financing Test

No amount of Proceeds of the Refunded Bonds were used directly or indirectly to make or finance loans to persons other than governmental units.

Refunding of Governmental or Private Activity Exempt Facility Bonds (where Refunded Bonds must meet requirements)

The Issuer will use the Proceeds of the Bonds to refund the Refunded Bonds. The Issuer has complied with the covenants and restrictions with respect to arbitrage and investment requirements, yield restrictions, and post-closing restrictions on reissuance, reimbursement and change in use imposed by the Code and Regulations on the Refunded Bonds since the issue date of the Refunded Bonds so as to maintain the tax-exempt status of the interest on the Refunded Bonds. The Issuer will comply with all certifications set forth in Article VIII herein.

The Refunded Bonds were exempt from rebate requirements because they met the following exception(s):

- 24-month spending exception- Series 2010 and Series 2011

The Issuer has complied with and will continue to comply with the Code and Regulations with respect to output facilities applicable to the Refunded Bonds.

Section 2.5 Facts Supporting Temporary Periods for Proceeds

(a) Time Test. Not later than six months after the Closing Date, the Issuer will incur a substantial binding obligation to a third party to expend at least 5% of the net Sale Proceeds of the Bonds.

(b) Expenditure Test. Not less than 85% of the net Sale Proceeds will be expended for Project costs, including the reimbursement of other funds expended to date, within a three-year temporary period from the Closing Date.

(c) Due Diligence Test. The Issuer has incurred a substantial binding obligation to accomplish the refunding. The refunding will proceed with due diligence to completion.

(d) Proceeds of the Bonds representing less than six months accrued interest on the Bonds will be spent within six months of this date to pay interest on the Bonds, and will be invested without restriction as to yield for a temporary period not in excess of six months.

Section 2.6 Resolution Funds at Restricted or Unrestricted Yield

(a) Proceeds of the Bonds will be held and accounted for in the manner provided in the Resolution. The Issuer has not and does not expect to create or establish any other bond fund, reserve fund, or similar fund or account for the Bonds. The Issuer has not and will not pledge any moneys or Taxable Obligations in order to pay debt service on the Bonds or restrict the use of such moneys or Taxable Obligations so as to give reasonable assurances of their availability for such purposes.

(b) Any monies which are invested beyond a temporary period are expected to constitute less than a major portion of the Bonds or to be restricted for investment at a yield not greater than .001% above the Bond Yield.

(c) The Issuer has established and will use the Bond Fund primarily to achieve a proper matching of revenues and debt service within each Bond Year and the Issuer will apply moneys deposited into the Bond Fund to pay the principal of and interest on the Bonds. Such Fund will be depleted at least once each Bond Year except for a reasonable carryover amount. The carryover amount will not exceed the greater of (1) one year's earnings on the Bond Fund or (2) one-twelfth of Annual Debt Service. The Issuer will spend moneys deposited from time to time into such fund within 13 months after the date of deposit. Revenues, intended to be used to pay debt service on the Bonds, will be deposited into the Bond Fund as set forth in the Resolution. The Issuer will spend interest earned on moneys in such fund not more than 12 months after receipt. Accordingly, the Issuer will treat the Bond Fund as a bona fide debt service fund as defined in Regulation 1.148-1(b).

Investment of amounts on deposit in the Bond Fund will not be subject to arbitrage rebate requirements as [the Bonds meet the safe harbor set forth in Regulation 1.148-3(k), because the average annual debt service on the Bonds will not exceed $2,500,000.

(d) The Minor Portion of the Bonds will be invested without regard to yield.

(e) [Intentionally omitted.]

(f) [Intentionally omitted.]

(g) [Intentionally omitted.]

(h) The Bond Fund is a fund which either (a) is reasonably expected to be used to pay debt service on the Bonds and Parity Bonds, or (b) is pledged to the payment of debt service on the Parity Bonds should other sources prove insufficient. The Bond Fund is a "sinking fund" as defined in Regulation 1.148-1(c)(2). The Bond Fund applies to two or more issues, and each fund in the aggregate shall be referred to as a "Commingled Fund". Each Commingled Fund shall be allocated among the various issues of Bonds and Parity Bonds according to the methods described below.

(i) For purposes of Subsection (h), the following terms shall have the meanings set forth below:

(i) "Bond Fund Allocation Factor" shall be determined by dividing the original face amount of the Bonds, $7,241,000, by the sum of the original face amounts of all outstanding Parity Bonds.

(ii) "Parity Bonds" means the Bonds, and all other outstanding bonds of the Issuer ranking on a parity with the Bonds as set forth in the Resolution.

(iii) Intentionally omitted.

A portion of the investments in each Commingled Fund and earnings thereon shall be allocated to the Bonds by applying a certain percentage (the "Series 2015 Share") of the market value of the investments in the applicable Commingled Fund. Each time an issue of Parity Bonds is no longer outstanding and each time additional Parity Bonds are issued, the Issuer shall calculate the Series 2015 Share for the Bond Fund. The Series 2015 Share is determined for each Commingled Fund by applying the Bond Fund Allocation Factor. Each time it shall be necessary to determine the earnings on the Bond Fund, the Issuer shall multiply the earnings for the Commingled Fund by the Series 2015 Share. The Issuer may, at any time, use any other allocation method for the Bond Fund allowed by Regulation 1.148-6(e)(6).

Section 2.7 Pertaining to Yields

(a) The purchase price of all Taxable Obligations to which restrictions apply under this Certificate as to investment yield or rebate of Excess Earnings, if any, has been and shall be calculated using (i) the price taking into account discount, premium and accrued interest, as applicable, actually paid or (ii) the fair market value if less than the price actually paid and if such Taxable Obligations were not purchased directly from the United States Treasury. The Issuer will acquire all such Taxable Obligations directly from the United States Treasury or in an arm's length transaction without regard to any amounts paid to reduce the yield on such Taxable Obligations. The Issuer will not pay or permit the payment of any amounts (other than to the United States) to reduce the yield on any Taxable Obligations. Obligations pledged to the payment of debt service on the Bonds, or deposited into any reserve fund after they have been acquired by the Issuer will be treated as though they were acquired for their fair market value on the date of such pledge or deposit. Obligations on deposit in any reserve fund on the Closing Date shall be treated as if acquired for their fair market value on the Closing Date.

(b) Qualified guarantees have not been used in computing yield.

(c) The Bond Yield of the Notes is variable and, as such, no calculation of the yield on the Notes may be made as of the date hereof. For purposes of computing the yield on the Notes, the first yield period shall begin on the Closing Date and end on the first Computation Date. Each succeeding yield period shall begin on the day immediately following the Computation Date and end on the next succeeding Computation Date.

(d) The yield of the Escrow Fund has been computed as not more than 0.67424178 percent. Such yield has been computed using the Government Obligations deposited into the Escrow Fund at Closing and does not take into account any reinvestments which may be made. No such reinvestments are expected. The purchase price of the Government Obligations is the price actually paid.

ARTICLE III

REBATE

Section 3.1 Records

Sale Proceeds of the Bonds will be held and accounted for in the manner provided in the Resolution. The Issuer will maintain adequate records for funds created by the Resolution and this Certificate including all deposits, withdrawals, transfers from, transfers to, investments, reinvestments, sales, purchases, redemptions, liquidations and use of money or obligations until six years after the Final Bond Retirement Date.

Section 3.2 Rebate Fund

(a) In the Resolution, the Issuer has covenanted to pay to the United States the Rebate Amount, an amount equal to the Excess Earnings on the Gross Proceeds Funds, if any, at the times and in the manner required or permitted and subject to stated special rules and allowable exceptions.

(b) The Issuer may establish a fund pursuant to the Resolution and this Certificate which is herein referred to as the Rebate Fund. The Issuer will invest and expend amounts on deposit in the Rebate Fund in accordance with this Certificate.

(c) Moneys in the Rebate Fund shall be held by the Issuer or its designee and, subject to Sections 3.4, 3.5 and 6.1 hereof, shall be held for future payment to the United States as contemplated under the provisions of this Certificate and shall not constitute part of the trust estate held for the benefit of the owners of the Bonds or the Issuer.

(d) The Issuer will pay to the United States from legally available money of the Issuer (whether or not such available money is on deposit in any fund or account related to the Bonds) any amount which is required to be paid to the United States.

Section 3.3 Exceptions to Rebate

As an advance refunding, the Issuer reasonably expects that the Bonds are not eligible for an exception from the arbitrage rebate rules set forth in the Regulations. However, barring an error in the Independent Auditor's Verification Report, no arbitrage will be earned on the Escrow Fund. If the Bonds become subject to arbitrage, the Issuer will comply with the provisions of this Article III.

Section 3.4 Calculation of Rebate Amount

(a) As soon after each Computation Date as practicable, the Issuer shall, if necessary, calculate and determine the Excess Earnings on the Gross Proceeds Funds (the "Rebate Amount"). All calculations and determinations with respect to the Rebate Amount will be made on the basis of actual facts as of the Computation Date and reasonable expectations as to future events.

(b) If the Rebate Amount exceeds the amount currently on deposit in the Rebate Fund, the Issuer may deposit an amount in the Rebate Fund such that the balance in the Rebate Fund after such deposit equals the Rebate Amount. If the amount in the Rebate Fund exceeds the Rebate Amount, the Issuer may withdraw such excess amount provided that such withdrawal can be made from amounts originally transferred to the Rebate Fund and not from earnings thereon, which may not be transferred, and only if such withdrawal may be made without liquidating investments at a loss.

Section 3.5 Rebate Requirements and the Bond Fund

It is expected that the Bond Fund described in the Resolution and Section 2.6(c) of this Certificate will be treated as a bona fide debt service fund as defined in Regulation 1.148-1(b). As such, any amount earned during a Bond Year on the Bond Fund and amounts earned on such amounts, if allocated to the Bond Fund, will not be taken into account in calculating the Rebate Amount if the annual gross earnings on the Bond Fund for such Bond Year are less than $100,000 or if average annual debt service will not exceed $2,500,000. However, should annual gross earnings exceed $100,000 or should the Bond Fund cease to be treated as a bona fide debt service fund, the Bond Fund will become subject to the rebate requirements set forth in Section 3.4 hereof.

Section 3.6 Investment of the Rebate Fund

(a) Immediately upon a transfer to the Rebate Fund, the Issuer may invest all amounts in the Rebate Fund not already invested and held in the Rebate Fund, to the extent possible, in (1) SLGS, such investments to be made at a yield of not more than one-eighth of one percent above the Bond Yield, (2) Tax Exempt Obligations, (3) direct obligations of the United States or (4) certificates of deposit of any bank or savings and loan association. All investments in the Rebate Fund shall be made to mature not later than the next Rebate Payment Date.

(b) If the Issuer invests in SLGS, the Issuer shall file timely subscription forms for such securities (if required). To the extent possible, amounts received from maturing SLGS shall be reinvested immediately in zero yield SLGS maturing on or before the next Rebate Payment Date.

Section 3.7 Payment to the United States

(a) On each Rebate Payment Date, the Issuer will pay to the United States at least ninety percent (90%) of the Rebate Amount less a computation credit of $1,000 per Bond Year for which the payment is made.

(b) The Issuer will pay to the United States not later than sixty (60) days after the Final Bond Retirement Date all the rebatable arbitrage as of such date and any income attributable to such rebatable arbitrage as described in Regulation 1.148-3(f)(2).

(c) If necessary, on each Rebate Payment Date, the Issuer will mail a check to the Internal Revenue Service Center, Ogden, UT 84201. Each payment shall be accompanied by a copy of Form 8038-T, Arbitrage Rebate, filed with respect to the Bonds or other information reporting form as is required to comply with the Code and applicable Regulations.

Section 3.8 Records

(a) The Issuer will keep and retain adequate records with respect to the Bonds, the Gross Proceeds Funds, the Bond Fund, and the Rebate Fund until six years after the Final Bond Retirement Date. Such records shall include descriptions of all calculations of amounts transferred to the Rebate Fund, if any, and descriptions of all calculations of amounts paid to the United States as required by this Certificate. Such records will also show all amounts earned on moneys invested in such funds, and the actual dates and amounts of all principal, interest and redemption premiums (if any) paid on the Bonds.

(b) Records relating to the investments in such Funds shall completely describe all transfers, deposits, disbursements and earnings including:

(i) a complete list of all investments and reinvestments of amounts in each such Fund including, if applicable, purchase price, purchase date, type of security, accrued interest paid, interest rate, dated date, principal amount, date of maturity, interest payment dates, date of liquidation, receipt upon liquidation, market value of such investment on the Final Bond Retirement Date if held by the Issuer on the Final Bond Retirement Date, and market value of the investment on the date pledged to the payment of the Bonds or the Closing Date if different from the purchase date.

(ii) the amount and source of each payment to, and the amount, purpose and payee of each payment from, each such Fund.

Section 3.9 Additional Payments

The Issuer hereby agrees to pay to the United States from legally available money of the Issuer (whether or not such available money is on deposit in any fund or account related to the Bonds) any amount which is required to be paid to the United States, but which is not available in a fund related to the Bonds for transfer to the Rebate Fund or payment to the United States.

ARTICLE IV

INVESTMENT RESTRICTIONS

Section 4.1 Avoidance of Prohibited Payments

The Issuer will not enter into any transaction that reduces the amount required to be deposited into the Rebate Fund or paid to the United States because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Bond Yield not been relevant to either party. The Issuer will not invest or direct the investment of any funds in a manner which reduces an amount required to be paid to the United States because such transaction results in a small profit or larger loss than would have resulted if the transaction had been at arm's length and had the Bond Yield not been relevant to the Issuer. In particular, notwithstanding anything to the contrary contained herein or in the Resolution, the Issuer will not invest or direct the investment of any funds in a manner which would violate any provision of this Article IV.

Section 4.2 Market Price Requirement

(a) The Issuer will not purchase or direct the purchase of Taxable Obligations for more than the then available market price for such Taxable Obligations. The Issuer will not sell, liquidate or direct the sale or liquidation of Taxable Obligations for less than the then available market price.

(b) For purposes of this Certificate, United States Treasury obligations purchased directly from the United States Treasury will be deemed to be purchased at the market price.

Section 4.3 Investment in Certificates of Deposit

(a) Notwithstanding anything to the contrary contained herein or in the Resolution, the Issuer will invest or direct the investment of funds on deposit in the Reserve Fund, any other Gross Proceeds Fund, the Bond Fund, and the Rebate Fund, in a certificate of deposit of a bank or savings bank which is permitted by law and by the Resolution only if the purchase price of such a certificate of deposit is treated as its fair market value on the purchase date and if the yield on the certificate of deposit is not less than (1) the yield on reasonably comparable direct obligations of the United States; and (2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(b) The certificate of deposit described in paragraph 4.3(a) above must be executed by a dealer who maintains an active secondary market in comparable certificates of deposit and must be based on actual trades adjusted to reflect the size and term of that certificate of deposit and the stability and reputation of the bank or savings bank issuing the certificate of deposit.

Section 4.4 Investment Pursuant to Investment Contracts and Agreements

The Issuer will invest or direct the investment of funds on deposit in the Gross Proceeds Funds, the Bond Fund, and the Rebate Fund pursuant to an investment contract (including a repurchase agreement) only if all of the following requirements are satisfied:

(a) The Issuer makes a bona fide solicitation for the purchase of the investment. A bona fide solicitation is a solicitation that satisfies all of the following requirements:

> (1) The bid specifications are in writing and are timely forwarded to potential providers.

(2) The bid specifications include all material terms of the bid. A term is material if it may directly or indirectly affect the yield or the cost of the investment.

(3) The bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the issuer or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted solely as a courtesy to the issuer or any other person for purposes of satisfying the requirements of paragraph (d)(6)(iii)(B)(1) or (2) of section 1.148-5 of the Regulations.

(4) The terms of the bid specifications are commercially reasonable. A term is commercially reasonable if there is a legitimate business purpose for the term other than to increase the purchase price or reduce the yield of the investment.

(5) For purchases of guaranteed investment contracts only, the terms of the solicitation take into account the Issuer's reasonably expected deposit and drawdown schedule for the amounts to be invested.

(6) All potential providers have an equal opportunity to bid and no potential provider is given the opportunity to review other bids (i.e., a last look) before providing a bid.

(7) At least three reasonably competitive providers are solicited for bids. A reasonably competitive provider is a provider that has an established industry reputation as a competitive provider of the type of investments being purchased.

(b) The bids received by the Issuer meet all of the following requirements:

(1) The Issuer receives at least three bids from providers that the Issuer solicited under a bona fide solicitation meeting the requirements of paragraph (d)(6)(iii)(A) of section 1.148-5 of the Regulations and that do not have a material financial interest in the issue. A lead underwriter in a negotiated underwriting transaction is deemed to have a material financial interest in the issue until 15 days after the issue date of the issue. In addition, any entity acting as a financial advisor with respect to the purchase of the investment at the time the bid specifications are forwarded to potential providers has a material financial interest in the issue. A provider that is a related party to a provider that has a material financial interest in the issue is deemed to have a material financial interest in the issue.

(2) At least one of the three bids described in paragraph (d)(6)(iii)(B)(1) of section 1.148-5 of the Regulations is from a reasonably competitive provider, within the meaning of paragraph (d)(6)(iii)(A)(7) of section 1.148-5 of the Regulations.

(3) If the Issuer uses an agent to conduct the bidding process, the agent did not bid to provide the investment.

(c) The winning bid meets the following requirements:

(1) Guaranteed investment contracts. If the investment is a guaranteed investment contract, the winning bid is the highest yielding bona fide bid (determined net of any broker's fees).

(2) Other investments. If the investment is not a guaranteed investment contract, the winning bid is the lowest cost bona fide bid (including any broker's fees).

(d) The provider of the investments or the obligor on the guaranteed investment contract certifies the administrative costs that it pays (or expects to pay, if any) to third parties in connection with supplying the investment.

(e) The Issuer will retain the following records with the bond documents until three years after the last outstanding bond is redeemed:

(1) For purchases of guaranteed investment contracts, a copy of the contract, and for purchases of investments other than guaranteed investment contracts, the purchase agreement or confirmation.

(2) The receipt or other record of the amount actually paid by the Issuer for the investments, including a record of any administrative costs paid by the Issuer, and the certification under paragraph (d)(6)(iii)(D) of section 1.148-5 of the Regulations.

(3) For each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results.

(4) The bid solicitation form and, if the terms of the purchase agreement or the guaranteed investment contract deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation.

(5) For purchases of investments other than guaranteed investment contracts, the cost of the most efficient portfolio of State and Local Government Series Securities, determined at the time that the bids were required to be submitted pursuant to the terms of the bid specifications.

Section 4.5 Records

The Issuer will maintain records of all purchases, sales, liquidations, investments, reinvestments, redemptions, disbursements, deposits, and transfers of amounts on deposit.

Section 4.6 Investments to be Legal

All investments required to be made pursuant to this Certificate shall be made to the extent permitted by law. In the event that any such investment is determined to be ultra vires, it shall be liquidated and the proceeds thereof shall be invested in a legal investment, provided that prior to reinvesting such proceeds, the Issuer shall obtain an opinion of Bond Counsel to the effect that such reinvestment will not cause the Bonds to become arbitrage bonds under Sections 103, 148, 149, or any other applicable provision of the Code.

ARTICLE V

GENERAL COVENANTS

The Issuer hereby covenants to perform all acts within its power necessary to ensure that the reasonable expectations set forth in Article II hereof will be realized. The Issuer reasonably expects to comply with all covenants contained in this Certificate.

ARTICLE VI

AMENDMENTS AND ADDITIONAL AGREEMENTS

Section 6.1 Opinion of Bond Counsel; Amendments

The various provisions of this Certificate need not be observed and this Certificate may be amended or supplemented at any time by the Issuer if the Issuer receives an opinion or opinions of Bond Counsel that the failure to comply with such provisions will not cause any of the Bonds to become "arbitrage bonds" under the Code and that the terms of such amendment or supplement will not cause any of the Bonds to become "arbitrage bonds" under the Code, or otherwise cause interest on any of the Bonds to become includable in gross income for federal income tax purposes.

Section 6.2 Additional Covenants, Agreements

The Issuer hereby covenants to make, execute and enter into (and to take such actions, if any, as may be necessary to enable it to do so) such agreements as may be necessary to comply with any changes in law or regulations in order to preserve the tax-exempt status of the Bonds to the extent that it may lawfully do so. The Issuer further covenants (1) to impose such limitations on the investment or use of moneys or investments related to the Bonds, (2) to make such payments to the United States Treasury, (3) to maintain such records, (4) to perform such calculations, and (5) to perform such other lawful acts as may be necessary to preserve the tax-exempt status of the Bonds.

Section 6.3 Internal Revenue Service Audits

The Internal Revenue Service has not audited the Issuer regarding any obligations issued by or on behalf of the Issuer. To the best knowledge of the Issuer, no such obligations of the Issuer are currently under examination by the Internal Revenue Service.

Section 6.4 Amendments

Except as otherwise provided in Section 6.1 hereof, all the rights, powers, duties and obligations of the Issuer shall be irrevocable and binding upon the Issuer and shall not be subject to amendment or modification by the Issuer.

ARTICLE VII

QUALIFIED TAX EXEMPT OBLIGATIONS

The Issuer, a "qualified small issuer," designates the Bonds as "qualified tax exempt obligations" as defined in Code Section 265(b)(3) and represents that the reasonably anticipated amount of tax-exempt governmental and qualified 501(c)(3) obligations (including for this purpose tax exempt installment sales, lease or lease purchase agreements or other tax exempt obligations) which will be issued during the current calendar year will not exceed ten million dollars ($10,000,000).

In support of the foregoing, the Issuer states:

(a) In the current calendar year the Issuer has issued governmental or qualified 501(c)(3) obligations as follows:

$7,241,000 Electric Revenue Refunding Capital Loan Notes, Series 2015 (this issue)

(b) The Issuer expects to issue during the remainder of the calendar year governmental or qualified 501(c)(3) obligations as follows:

NONE

(c) The Issuer has subordinate entities or is subordinate to another entity governed by separate governing bodies which have issued or expect to issue governmental or qualified 501(c)(3) obligations on behalf of the Issuer during the calendar year which must be aggregated under Code section 265(b)(3)(E) as follows:

NONE

(d) The Issuer is a member of or affiliated with one or more organizations (such as an Iowa Code Chapter 28E or 28F organization or other multimember body under which more than one governmental entity receives benefits) governed by a separate governing body which has or expects to issue governmental or qualified 501(c)(3) obligations during the calendar year all or a portion of which are allocable to the Issuer under Code section 265(b)(3)(C)(iii) as follows:

NONE

ARTICLE VIII

FURTHER CERTIFICATIONS WITH RESPECT TO REFUNDING BONDS

(a) Property financed with the Proceeds of the Refunded Bonds will not be sold or disposed of, in whole or in part, prior to the last maturity date of either the obligations or the last maturity of the Bonds.

(b) All of the Proceeds of the Refunded Bonds were used to provide facilities used in the regular operations of the Issuer and neither the facilities nor the output thereof have been or are expected to be used in the trade or business of any person other than the Issuer.

(c) Reimbursement Allocations and Original Expenditures, if any, reimbursed from proceeds of the Refunded Bonds complied with the Reimbursement Regulations in effect at the time of issuance of the Refunded Bonds.

(d) The Refunded Bonds were originally issued after December 31, 1985 and the Refunding Bonds are the first advance refunding of the Refunded Bonds.

(e) The Issuer will realize present value debt service savings determined without regard to administrative expenses in connection with the Refunding Bonds, the Refunded Bonds will be redeemed not later than the earliest date on which they may be redeemed.

(f) The Proceeds of the Refunding Bonds may be invested in materially higher yield acquired obligations for a temporary period of not to exceed 30 days.

(g) No Proceeds of the Refunded Bonds remain unspent. No sinking fund (other than the Escrow Fund) has been established for the Refunded Bonds. No amount of proceeds of the Refunded Bonds are invested for a temporary period or as part of a minor portion of the Refunded Bonds.

IN WITNESS WHEREOF, the Issuer has caused this Certificate to be executed by its duly authorized officer, all as of the day first above written.

____

Secretary of the Board of Trustees of the,
Indianola Municipal Utilities, City of Indianola,
State of Iowa

(SEAL)

01088412-2\10616-023

IMU Regular Downstairs **7. B.**

Meeting Date: 03/09/2015

Information

Subject

Resolution approving and authorizing a form of Loan Agreement and authorizing and providing for the issuance of Notes and providing a method of payment of the Notes.

Information

Two documents are attached to this agenda item.

The first is the resolution authorizing the issuance of the refunding notes itself.

The resolution contains the formal provisions contained in the final term sheet, which is also attached for reference purposes.

Financial Impact

N/A

Staff Recommendation

Roll call vote approving the Resolution Approving and Authorizing a Form of Loan Agreement and Authorizing and Providing for the Issuance and Securing the Payment of $7,241,000 Electric Revenue Refunding Capital Loan Notes, Series 2015, of the City of Indianola, State of Iowa, Under the Provisions of the City Code of Iowa, and Providing for a Method of Payment of the Notes is in order.

Attachments

Resolution

Term Sheet

(This Notice to be posted)

NOTICE AND CALL OF PUBLIC MEETING

Governmental Body: The Board of Trustees of the Indianola Municipal Utilities of the City of Indianola, State of Iowa.

Date of Meeting: March 9, 2015.

Time of Meeting: __________ o'clock _____.M.

Place of Meeting: Council Chambers, City Hall, Indianola, Iowa.

PUBLIC NOTICE IS HEREBY GIVEN that the above mentioned governmental body will meet at the date, time and place above set out. The tentative agenda for the meeting is as follows:

$7,241,000 Electric Revenue Refunding Capital Loan Notes, Series 2015.

- Approval of Tax Exemption Certificate.
- Resolution approving and authorizing a form of Loan Agreement and authorizing and providing for the issuance of Capital Loan Notes and providing for a method of payment of the Notes.

Such additional matters as are set forth on the additional ______ page(s) attached hereto.
(number)

This notice is given at the direction of the Chairperson pursuant to Chapter 21, Code of Iowa, and the local rules of the governmental body.

____

Secretary of the Board of Trustees of the Indianola Municipal Utilities, City of Indianola, State of Iowa

March 9, 2015

The Board of Trustees of the Indianola Municipal Utilities of the City of Indianola, State of Iowa, met in ________________ session, in the Council Chambers, City Hall, Indianola, Iowa, at __________ o'clock _____.M., on the above date. There were present Chairperson ________________, in the chair, and the following named Board Members:

____

____

Absent: ____

* * * * * * *

Board Member ____________________ moved that the form of Tax Exemption Certificate be placed on file and approved. Board Member ____________________ seconded the motion and the roll being called thereon, the vote was as follows:

AYES: ____

____

NAYS: ____

Board Member ____________________ introduced the following Resolution entitled "A RESOLUTION APPROVING AND AUTHORIZING A FORM OF LOAN AGREEMENT AND AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF $7,241,000 ELECTRIC REVENUE REFUNDING CAPITAL LOAN NOTES, SERIES 2015, OF THE CITY OF INDIANOLA, STATE OF IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF THE NOTES ", and moved its adoption. Board Member ____________________ seconded the motion to adopt. The roll was called and the vote was:

AYES: ____

____

NAYS: ____

Whereupon the Chairperson declared the following Resolution duly adopted:

A RESOLUTION APPROVING AND AUTHORIZING A FORM OF LOAN AGREEMENT AND AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF $7,241,000 ELECTRIC REVENUE REFUNDING CAPITAL LOAN NOTES, SERIES 2015, OF THE CITY OF INDIANOLA, STATE OF IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF THE NOTES

WHEREAS, the Board of Trustees of the Indianola Municipal Utilities of the City of Indianola, State of Iowa, sometimes hereinafter referred to as the "Issuer", has heretofore established charges, rates and rentals for services which are and will continue to be collected as system revenues of the Municipal Electric Utility, sometimes hereinafter referred to as the "System", and the revenues have not been pledged and are available for the payment of Electric Revenue Refunding Capital Loan Notes, Series 2015, subject to the following premises; and

WHEREAS, the Issuer is in need of funds to pay costs of adjusting and refunding its existing Electric Revenue Notes as more fully set forth in the schedule of Series 2010 Capital Loan Notes and Series 2011 Bonds to be refunded, hereinafter set forth as Exhibit "A", attached to this Resolution and made a part hereof by reference, and it is deemed necessary that the City should issue Electric Revenue Refunding Capital Loan Notes in the amount of $7,241,000 for such purpose; and

WHEREAS, it is found and determined that the aforesaid refunding of present indebtedness is necessary and in the interest of the Issuer and will benefit the Owners and occupants of properties served by the Indianola Municipal Utilities by the adjustment of its present and anticipated obligations payable from electric revenues and by obtaining and thereby to effect the defeasance of the Electric Revenue Notes presently outstanding and to be refunded so as to avoid the necessity of performing under the provisions of a Resolution dated May 24, 2010, and a Resolution dated December 12, 2011, authorizing the issuance of the outstanding Series 2010 Capital Loan Notes and Series 2011 Bonds to be refunded and the substitution therefor of provisions deemed more advantageous and appropriate; and

WHEREAS, the notice of intention of Issuer to take action for the issuance of $7,241,000 Electric Revenue Refunding Capital Loan Notes, Series 2015, has heretofore been duly published and no objections to such proposed action have been filed:

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE INDIANOLA MUNICIPAL UTILITIES OF THE CITY OF INDIANOLA, IN THE COUNTY OF WARREN, STATE OF IOWA:

Section 1. Definitions. The following terms shall have the following meanings in this Resolution unless the text expressly or by necessary implication requires otherwise:

- "Additional Obligations" shall mean any electric revenue notes or bonds issued on a parity with the Notes in accordance with the provisions of this Resolution.

- "Authorized Denominations" shall mean $1,000 or any integral multiple thereof.

- "Beneficial Owner" shall mean the person in whose name such Note is recorded as the beneficial owner of a Note by a Participant on the records of such Participant or such person's subrogee.

- "Clerk" shall mean the Secretary of the Board of Trustees of the Indianola Municipal Utilities, or such other officer of the successor Governing Body as shall be charged with substantially the same duties and responsibilities.

- "Escrow Fund" shall mean the fund established under the terms of a Refunding Trust Agreement dated March 26, 2015, for the deposit of the proceeds of the Notes issued hereunder.

- "Fiscal Year" shall mean the twelve-month period beginning on July 1 of each year and ending on the last day of June of the following year, or any other consecutive twelve-month period adopted by the Governing Body or by law as the official accounting period of the System. Requirements of a Fiscal Year as expressed in this Resolution shall exclude any payment of principal or interest falling due on the first day of the Fiscal Year and include any payment of principal or interest falling due on the first day of the succeeding Fiscal Year.

- "Governing Body" shall mean the Board of Trustees of the Indianola Municipal Utilities of the City, or its successor in function with respect to the operation and control of the System.

- "Independent Auditor" shall mean an independent firm of Certified Public Accountants or the Auditor of State.

- "Issuer" and "City" shall mean the City of Indianola, by and through its Board of Trustees of the Indianola Municipal Utilities, State of Iowa.

- "Lender" shall mean the Original Purchaser.

- "Loan Agreement" shall mean a Loan Agreement between the Issuer and a lender or lenders in substantially the form attached to and approved by this Resolution.

- "Net Revenues" shall mean gross earnings of the System after deduction of current expenses; "Current Expenses" shall mean and include the reasonable and necessary cost of operating, maintaining, repairing and insuring the System, including purchases at wholesale, if any, salaries, wages, and costs of materials and supplies but excluding depreciation and principal of and interest on the Notes and any Parity Obligations or payments to the various funds established herein; capital costs, depreciation and interest or principal payments are not System expenses.

- "Notes" shall mean $7,241,000 Electric Revenue Refunding Capital Loan Notes, Series 2015, authorized to be issued by this Resolution.

- "Original Purchaser" shall mean the purchaser of the Notes from Issuer at the time of their original issuance.

- "Parity Obligations" shall mean electric revenue notes, bonds or other obligations payable solely from the Net Revenues of the System on an equal basis with the Notes herein authorized to be issued, and shall include Additional Obligations as authorized to be issued under the terms of this Resolution.

- "Paying Agent" shall mean the Director of Finance of the City of Indianola, Iowa, or such successor as may be approved by Issuer as provided herein and who shall carry out the duties prescribed herein as Issuer's agent to provide for the payment of principal of and interest on the Notes as the same shall become due.

- "Permitted Investments" shall mean:

  - direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;

  - obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including:

    - Export - Import Bank
    - Farm Credit System Financial Assistance Corporation
    - USDA Rural Development
    - General Services Administration
    - U.S. Maritime Administration
    - Small Business Administration
    - Government National Mortgage Association (GNMA)
    - U.S. Department of Housing & Urban Development (FHA's)
    - Federal Housing Administration

  - repurchase agreements whose underlying collateral consists of the investments set out above if the Issuer takes delivery of the collateral either directly or through an authorized custodian. Repurchase agreements do not include reverse repurchase agreements;

  - senior debt obligations rated "AAA" by Standard & Poor's Corporation (S&P) or "Aaa" by Moody's Investors Service Inc. (Moody's) issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

  - U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P or "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

  - commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P or "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

  - investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, or "AAA" or "AA" by Moody's Investors Services, Inc.;

■ pre-refunded municipal obligations, defined as any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P or Moody's or any successors thereto; or (b)(i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or direct obligations of the Department of the Treasury of the United States of America, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

■ tax exempt bonds as defined and permitted by section 148 of the Internal Revenue Code and applicable regulations and only if rated within the two highest classifications as established by at least one of the standard rating services approved by the superintendent of banking by rule adopted pursuant to chapter 17A Code of Iowa;

■ an investment contract rated within the two highest classifications as established by at least one of the standard rating services approved by the superintendent of banking by rule adopted pursuant to chapter 17A Code of Iowa; and

■ Iowa Public Agency Investment Trust.

• "Purchase Agreement" shall mean a Purchase Agreement between the Issuer and the Original Purchaser in substantially the form attached to and approved by this Resolution.

• "Refunded Bonds" shall mean $6,490,000 of the $9,040,000 Electric Revenue Capital Loan Notes, Series 2010 dated June 15, 2010, and $1,470,000 of the $1,800,000 Electric Revenue Bonds, Series 2011 dated December 29, 2011.

• "Registrar" shall mean the Director of Finance of the City of Indianola, Iowa, or such successor as may be approved by Issuer as provided herein and who shall carry out the duties prescribed herein with respect to maintaining a register of the owners of the Notes. Unless otherwise specified, the Registrar shall also act as Transfer Agent for the Notes.

- "Resolution" shall mean this resolution authorizing the issuance of the Notes.

- "System" shall mean the Municipal Electric Utility of the Issuer and all properties of every nature hereinafter owned by the Issuer comprising part of or used as a part of the System, including all improvements and extensions made by Issuer while any of the Notes or Parity Obligations remain outstanding; all real and personal property; and all appurtenances, contracts, leases, franchises and other intangibles.

- "Tax Exemption Certificate" shall mean the Tax Exemption Certificate executed by the Treasurer and delivered at the time of issuance and delivery of the Notes.

- "Treasurer" shall mean the Secretary or such other officer as shall succeed to the same duties and responsibilities with respect to the recording and payment of the Notes issued hereunder.

- "Trustee" shall mean Banker's Trust Company of Des Moines, Iowa, or its successor as may be approved pursuant to the "Refunding Trust Agreement" referred to herein between the Issuer and the Trustee for the purpose of insuring the payment of the Refunded Bonds.

- "Yield Restricted" shall mean required to be invested at a yield that is not materially higher than the yield on the Notes under section 148 (a) of the Internal Revenue Code or regulations issued thereunder.

Section 2. <u>Authority</u>. The Loan Agreement and the Notes authorized by this Resolution shall be issued pursuant to Sections 384.24A, 384.82 and 384.83, of the City Code of Iowa, and in compliance with all applicable provisions of the Constitution and laws of the State of Iowa. The Loan Agreement shall be substantially in the form attached to this Resolution and is authorized to be executed and issued on behalf of the Issuer by the Chairperson and attested by the Secretary of the Board of Trustees. A Purchase Agreement substantially in the form attached to this Resolution is authorized to be executed on behalf of the Issuer by the Chairperson and attested by the Secretary of the Board of Trustees.

Section 3. <u>Authorization and Purpose</u>. There are hereby authorized to be issued, negotiable, serial, fully registered Revenue Notes of the City of Indianola, in the County of Warren, State of Iowa, in the aggregate amount of $7,241,000, for the purpose of paying costs of refunding outstanding electric revenue indebtedness, including the Electric Revenue Capital Loan Notes, Series 2010, dated June 15, 2010, and the Electric Revenue Bonds, Series 2011, dated December 29, 2011.

Section 4. <u>Source of Payment</u>. The Notes herein authorized and Parity Notes and Parity Obligations and the interest thereon shall be payable solely and only out of the net earnings of the System and shall be a first lien on the future Net Revenues of the System. The Notes shall not be general obligations of the Issuer nor shall they be payable in any manner by taxation and the Issuer shall be in no manner liable by reason of the failure of the net revenues to be sufficient for the payment of the Notes.

Section 5. Note Details. Electric Revenue Refunding Capital Loan Notes, Series 2015, of the City in the amount of $7,241,000, shall be issued to evidence the obligations of the Issuer under the Loan Agreement pursuant to the provisions of Sections 384.24A, 384.82 and 384.83 of the City Code of Iowa for the aforesaid purpose. The Notes shall be designated "$7,241,000 ELECTRIC REVENUE REFUNDING CAPITAL LOAN NOTES, SERIES 2015", be dated March 26, 2015, and bear interest from the date thereof, until payment thereof, at the office of the Paying Agent, such interest payable on May 1, 2015, and semiannually thereafter on the 1st day of November and May in each year until maturity at the rates hereinafter provided. The Notes shall be initially issued as a single note payable to the Lender.

The Notes shall be executed by the manual or facsimile signature of the Chairperson and attested by the manual or facsimile signature of the Secretary of the Board of Trustees, and impressed or printed with the seal of the City and shall be fully registered as to both principal and interest as provided in this Resolution; principal, interest and premium, if any, shall be payable at the office of the Paying Agent by mailing of a check to the registered owner of the Note. The Notes shall be in the denomination of $1,000 or multiples thereof. The Notes shall mature and bear interest as follows:

Principal Amount	Interest Rate	Maturity May 1st
$300,000	2.600%	2015
$683,000	2.600%	2016
$700,000	2.600%	2017
$718,000	2.600%	2018
$737,000	2.600%	2019
$756,000	2.600%	2020
$776,000	2.600%	2021
$796,000	2.600%	2022
$817,000	*	2023
$838,000	*	2024
$120,000	*	2025

* The interest rate will be 2.600% through May 1, 2022, at which time the rate will adjust to the FHLB Rate (as defined herein) plus 1.650%, subject to a ceiling of 7% and a floor of 2.600%, as set forth herein (the "Adjusted Interest Rate").

Interest Rate: The outstanding principal of the Notes shall bear interest at the initial rate (the "Initial Interest Rate") of 2.600% per annum from the Note Date of the Notes until May 1, 2022. The Interest Rate on the Notes will be adjusted on May 1, 2022 (the "Interest Adjustment Date"), to a rate (the "Adjusted Interest Rate") per annum determined by the Lender to be equal to the FHLB Rate plus 1.650%; provided, however, that the Adjusted Interest Rate shall be subject to a ceiling of 7% and a floor of the Initial Interest Rate. The " FHLB Rate" means the

Federal Home Loan Bank of Des Moines Two-Year Fixed Rate Advance rate as posted on the Federal Home Loan Bank of Des Moines website or as otherwise posted or published by the Federal Home Loan Bank of Des Moines on the last business day preceding the Interest Adjustment Date. In the event that the FHLB Rate cannot be ascertained by the Lender due to changes in reports, publications, market conditions or regulatory requirements, then the Lender shall select a substitute rate or index that is reasonably equivalent to the FHLB Rate and published in the Wall Street Journal.

Section 6. Redemption. Notes maturing at any time may be called for redemption by the Issuer and paid before maturity on any date, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

Thirty days' notice of redemption shall be given to the registered owner of the Note. Failure to give such notice by mail to any registered owner of the Notes or any defect therein shall not affect the validity of any proceedings for the redemption of the Notes. All Notes or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

If selection by lot within a maturity is required, the Registrar shall designate the Notes to be redeemed by random selection of the names of the registered owners of the entire annual maturity until the total amount of Notes to be called has been reached.

Section 7. Registration of Notes; Appointment of Registrar; Transfer; Ownership; Delivery; and Cancellation.

(a) Registration. The ownership of Notes may be transferred only by the making of an entry upon the books kept for the registration and transfer of ownership of the Notes, and in no other way. The Director of Finance of the City of Indianola, Iowa, is hereby appointed as Note Registrar under the terms of this Resolution. Registrar shall maintain the books of the Issuer for the registration of ownership of the Notes for the payment of principal of and interest on the Notes as provided in this Resolution. All Notes shall be negotiable as provided in Article 8 of the Uniform Commercial Code subject to the provisions for registration and transfer contained in the Notes and in this Resolution.

(b) Transfer. The ownership of any Note may be transferred only upon the Registration Books kept for the registration and transfer of Notes and only upon surrender thereof at the office of the Registrar together with an assignment duly executed by the holder or his duly authorized attorney in fact in such form as shall be satisfactory to the Registrar, along with the address and social security number or federal employer identification number of such transferee (or, if registration is to be made in the name of multiple individuals, of all such transferees). In the event that the address of the registered owner of a Note (other than a registered owner which is the nominee of the broker or dealer in question) is that of a broker or dealer, there must be disclosed on the Registration Books the information pertaining to the registered owner required above. Upon the transfer of any such Note, a new fully registered Note, of any denomination or denominations permitted by this Resolution in aggregate principal amount equal to the unmatured and unredeemed principal amount of such transferred fully registered Note, and bearing interest at the same rate and maturing on the same date or dates shall be delivered by the Registrar.

(c) Registration of Transferred Notes. In all cases of the transfer of the Notes, the Registrar shall register, at the earliest practicable time, on the Registration Books, the Notes, in accordance with the provisions of this Resolution.

(d) Ownership. As to any Note, the person in whose name the ownership of the same shall be registered on the Registration Books of the Registrar shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Notes and the premium, if any, and interest thereon shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note, including the interest thereon, to the extent of the sum or sums so paid.

(e) Cancellation. All Notes which have been redeemed shall not be reissued but shall be cancelled by the Registrar. All Notes which are cancelled by the Registrar shall be destroyed and a Certificate of the destruction thereof shall be furnished promptly to the Issuer; provided that if the Issuer shall so direct, the Registrar shall forward the cancelled Notes to the Issuer.

(f) Non-Presentment of Notes. In the event any payment check representing payment of principal of or interest on the Notes is returned to the Paying Agent or if any note is not presented for payment of principal at the maturity or redemption date, if funds sufficient to pay such principal of or interest on Notes shall have been made available to the Paying Agent for the benefit of the owner thereof, all liability of the Issuer to the owner thereof for such interest or payment of such Notes shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the owner of such Notes who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Resolution or on, or with respect to, such interest or Notes. The Paying Agent's obligation to hold such funds shall continue for a period equal to two years and six months following the date on which such interest or principal became due, whether at maturity, or at the date fixed for redemption thereof, or otherwise, at which time the Paying Agent, shall surrender any remaining funds so held to the Issuer, whereupon any claim under this Resolution by the Owners of such interest or Notes of whatever nature shall be made upon the Issuer.

(g) Registration and Transfer Fees. The Registrar may furnish to each owner, at the Issuer's expense, one note for each annual maturity. The Registrar shall furnish additional Notes in lesser denominations (but not less than the minimum denomination) to an owner who so requests.

Section 8. Reissuance of Mutilated, Destroyed, Stolen or Lost Notes. In case any outstanding Note shall become mutilated or be destroyed, stolen or lost, the Issuer shall at the request of Registrar authenticate and deliver a new Note of like tenor and amount as the Note so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Note to Registrar, upon surrender of such mutilated Note, or in lieu of and substitution for the Note destroyed, stolen or lost, upon filing with the Registrar evidence satisfactory to the Registrar and Issuer that such Note has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Registrar and Issuer with satisfactory indemnity and complying with such other reasonable regulations as the Issuer or its agent may prescribe and paying such expenses as the Issuer may incur in connection therewith.

Section 9. Record Date. Payments of principal and interest, otherwise than upon full redemption, made in respect of any Notes, 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 of the month preceding the payment date. All such payments shall fully discharge the obligations of the Issuer in respect of such Notes to the extent of the payments so made. Payment of principal shall only be made upon surrender of the Notes to the Paying Agent.

Section 10. Execution, Authentication and Delivery of the Notes. Upon the adoption of this Resolution, the Chairperson and Secretary shall execute and deliver the Notes to the Registrar, who shall authenticate the Notes and deliver the same to or upon order of the Original Purchaser. No Note shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder unless the Registrar shall duly endorse and execute on such Note a Certificate of Authentication substantially in the form of the Certificate herein set forth. Such Certificate upon any Note executed on behalf of the Issuer shall be conclusive evidence that the Note so authenticated has been duly issued under this Resolution and that the holder thereof is entitled to the benefits of this Resolution.

Section 11. Right to Name Substitute Paying Agent or Registrar. Issuer reserves the right to name a substitute, successor Registrar or Paying Agent upon giving prompt written notice to each registered Noteholder.

Section 12. Form of Note. Notes shall be printed in substantial compliance with standards proposed by the American Standards Institute substantially in the form as follows:

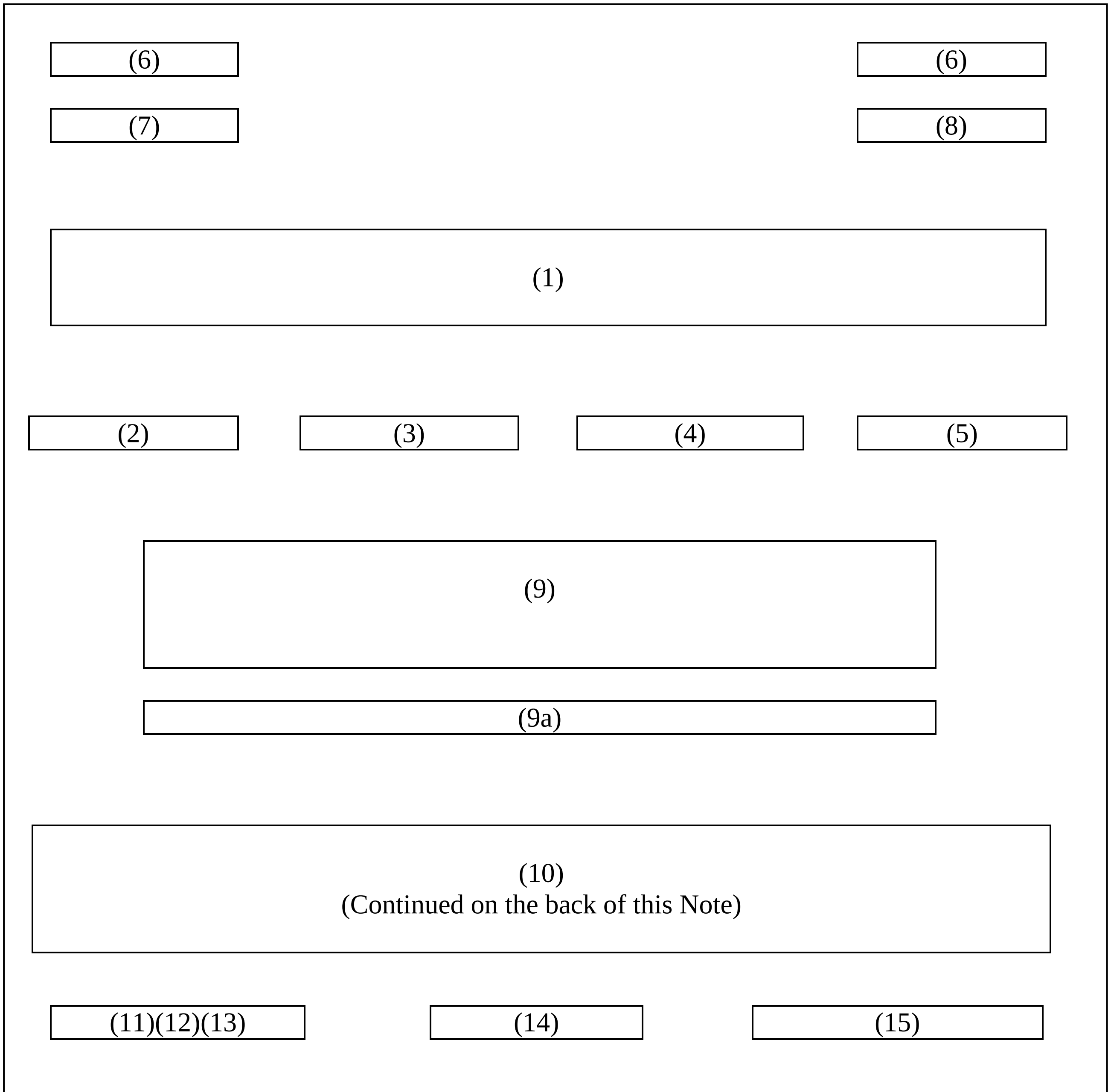

FIGURE 1
(Front)

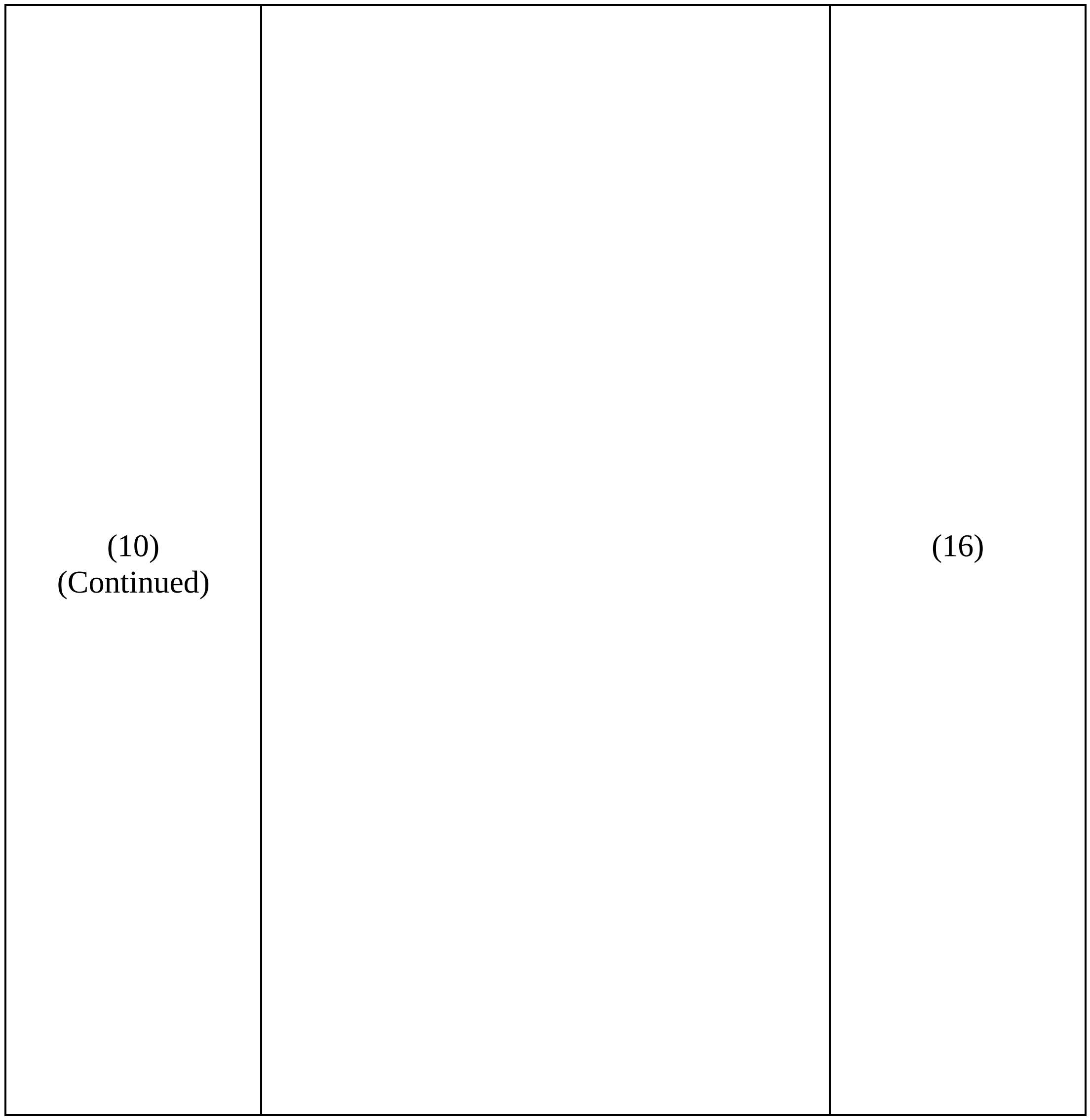

FIGURE 2
(Back)

The text of the Notes to be located thereon at the item numbers shown shall be as follows:

Item 1, figure 1= "STATE OF IOWA"
"COUNTY OF WARREN"
"CITY OF INDIANOLA"
"ELECTRIC REVENUE REFUNDING CAPITAL LOAN NOTE"
"SERIES 2015"

Item 2, figure 1 = Rate: __________
Item 3, figure 1 = Maturity: _______________
Item 4, figure 1 = Note Date: March 26, 2015
Item 5, figure 1 =
Item 6, figure 1 = "Registered"
Item 7, figure 1 = Note No. _______________
Item 8, figure 1 = Principal Amount: $_______________

Item 9, figure 1= The City of Indianola, State of Iowa, a municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of Iowa (the "Issuer"), for value received, promises to pay from the source and as hereinafter provided, on the maturity date indicated above, to

Item 9A, figure 1 = (Registration panel to be completed by Registrar or Printer with name of Registered Owner).

Item 10, figure 1 = or registered assigns, the principal sum of _________________________________ THOUSAND DOLLARS in lawful money of the United States of America, on the maturity date shown above, only upon presentation and surrender hereof at the office of the Director of Finance of the City of Indianola, Iowa, Paying Agent of this issue, or its successor, with interest on such sum from the date hereof until paid at the rate per annum specified above, payable on May 1, 2015 , and semiannually thereafter on the 1st day of November and May in each year.

Interest and principal shall be paid to the registered holder of the Note as shown on the records of ownership maintained by the Registrar as of the 15th day of the month preceding such interest payment date.

This Note is issued pursuant to the provisions of Sections 384.24A and 384.83 of the City Code of Iowa, for the purpose of paying costs of refunding outstanding electric revenue indebtedness, including the Electric Revenue Capital Loan Notes, Series 2010, dated June 15, 2010, and the Electric Revenue Bonds, Series 2011, dated December 29, 2011, and in order to evidence the obligations of the Issuer under a certain Loan Agreement dated March 26, 2015, in conformity to a Resolution of the Board of Trustees of the City duly passed and approved. For a complete statement of the revenues and funds from which and the conditions under which this Note is payable, a statement of the conditions under which additional Notes or Bonds of equal standing may be issued, and the general covenants and provisions pursuant to which this Note is issued, reference is made to the above described Loan Agreement and Resolution.

Notes maturing at any time may be called for redemption by the Issuer and paid before maturity on any date, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

Thirty days' notice of redemption shall be given to the registered owner of the Note. Failure to give such notice by mail to any registered owner of the Notes or any defect therein shall not affect the validity of any proceedings for the redemption of the Notes. All Notes or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

If selection by lot within a maturity is required, the Registrar shall designate the Notes to be redeemed by random selection of the names of the registered owners of the entire annual maturity until the total amount of Notes to be called has been reached.

Ownership of this Note may be transferred only by transfer upon the books kept for such purpose by the Director of Finance of the City of Indianola, Iowa, the Registrar. Such transfer on the books shall occur only upon presentation and surrender of this Note at the office of the Registrar as designated below, together with an assignment duly executed by the owner hereof or his duly authorized attorney in the form as shall be satisfactory to the Registrar. Issuer reserves the right to substitute the Registrar and Paying Agent but shall, however, promptly give notice to registered Noteholders of such change. All Notes shall be negotiable as provided in Article 8 of the Uniform Commercial Code and subject to the provisions for registration and transfer contained in the Note Resolution.

This Note and the series of which it forms a part and any Additional Obligations which may be hereafter issued and outstanding from time to time on a parity with the Notes, as provided in the Note Resolution and Loan Agreement of which notice is hereby given and which are hereby made a part hereof, are payable from and secured by a pledge of the Net Revenues of the Municipal Electric Utility (the "System"), as defined and provided in the Resolution. There has heretofore been established and the City covenants and agrees that it will maintain just and equitable rates or charges for the use of and service rendered by the System in each year for the payment of the proper and reasonable expenses of operation and maintenance of the System and for the establishment of a sufficient sinking fund to meet the principal of and interest on this series of Notes, and other Obligations ranking on a parity therewith, as the same become due. This Note is not payable in any manner by taxation and under no circumstances shall the City be in any manner liable by reason of the failure of the Net Revenues to be sufficient for the payment hereof.

This Note is a "qualified tax-exempt obligation" designated by the City for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986.

And it is hereby represented and certified that all acts, conditions and things requisite, according to the laws and Constitution of the State of Iowa, to exist, to be had, to be done, or to be performed precedent to the lawful issue of this Note, have been existent, had, done and performed as required by law.

IN TESTIMONY WHEREOF, the City by its Board of Trustees of the Indianola Municipal Utilities has caused this Note to be signed by the manual or facsimile signature of its Chairperson and attested by the manual or facsimile signature of its Secretary, with the seal of the Board printed or impressed hereon, and authenticated by the manual signature of an authorized representative of the Registrar, the Director of Finance, Indianola, Iowa.

Item 11, figure 1 = Date of Authentication:

Item 12, figure 1 = This is one of the Notes described in the within mentioned Resolution, as registered by the Director of Finance

DIRECTOR OF FINANCE, Registrar

By: ______________________________

Authorized Signature

Item 13, figure 1 = Registrar and Transfer Agent: Director of Finance, City of Indianola, Iowa

Paying Agent: Director of Finance, City of Indianola, Iowa

SEE REVERSE FOR CERTAIN DEFINITIONS

Item 14, figure 1 = (Seal)

Item 15, figure 1 = (Signature Block)

CITY OF INDIANOLA, BY AND THROUGH ITS BOARD OF TRUSTEES OF THE INDIANOLA MUNICIPAL UTILITIES, STATE OF IOWA

By: (manual or facsimile signature)

Chairperson of the Board of Trustees

ATTEST:

By: (manual or facsimile signature)

Secretary of the Board of Trustees

Item 16, figure 1 = (Assignment Block)

(Information Required for Registration)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto __________________________ (Social Security or Tax Identification No. _______________) the within Note and does hereby irrevocably constitute and appoint __________________________ attorney in fact to transfer the said Note on the books kept for registration of the within Note, with full power of substitution in the premises.

Dated this __________ day of _______________, ______.

____

____
(Person(s) executing this Assignment sign(s) here)

SIGNATURE)
GUARANTEED) ____

IMPORTANT - READ CAREFULLY

The signature(s) to this Power must correspond with the name(s) as written upon the face of the Certificate(s) or Note(s) in every particular without alteration or enlargement or any change whatever. Signature guarantee must be provided in accordance with the prevailing standards and procedures of the Registrar and Transfer Agent. Such standards and procedures may require signature to be guaranteed by certain eligible guarantor institutions that participate in a recognized signature guarantee program.

INFORMATION REQUIRED FOR REGISTRATION OF TRANSFER

Name of Transferee(s) ____

Address of Transferee(s) ____

Social Security or Tax Identification
Number of Transferee(s) ____

Transferee is a(n):

Individual* _____________________ Corporation ________________________

Partnership _____________________ Trust ________________________

* If the Note is to be registered in the names of multiple individual owners, the names of all such owners and one address and social security number must be provided.

The following abbreviations, when used in the inscription on the face of this Note, shall be construed as though written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with rights of survivorship and not as tenants in common
IA UNIF TRANS MIN ACT - .... Custodian ....
(Cust) (Minor)
Under Iowa Uniform Transfers to Minors Act..................
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE ABOVE LIST

Section 13. Equality of Lien. The timely payment of principal of and interest on the Notes and Parity Obligations shall be secured equally and ratably by the Net Revenues of the System without priority by reason of number or time of sale or delivery; and the revenues of the System are hereby irrevocably pledged to the timely payment of both principal and interest as the same become due.

Section 14 Application of Note Proceeds - Escrow Fund. Proceeds of the Notes shall be applied as follows:

- An amount equal to accrued interest shall be deposited in the Sinking Fund for application to the first payment of interest on the Notes.

- $7,137,619.69 of the proceeds, plus transferred proceeds of $979,000 from the Issuer's existing debt service reserve fund and $390,000 from the Issuer's existing sinking fund, for a total of $8,506,619.69, shall be deposited with the Trustee, pursuant to the terms of the Refunding Trust Agreement.

- The balance shall be used for issuance expenses or any other lawful purpose.

Section 15. Banker's Trust Company, is hereby appointed Trustee and fiscal agent for the City for the purpose of insuring payment of the Refunded Bonds. $7,137,619.69 of the proceeds derived from the sale of the notes herein authorized plus accrued interest thereon and cash from the existing Electric Revenue Debt Service Reserve Fund and the existing Electric Revenue Sinking Fund in the amount deemed necessary by the Treasurer shall be placed in trust with the Trustee, as Trustee under the Refunding Trust Agreement, dated as of March 26, 2015 which Trustee shall (1) hold such proceeds in a special and irrevocable trust fund, (2) invest such proceeds only in cash or direct obligations of the United States, and (3) apply such proceeds and earnings thereon only in accordance with the terms and conditions of the Refunding Trust Agreement in such manner that the amounts deposited will be sufficient, without the need for any further investment or reinvestment, to retire all of the Refunded Bonds to be refunded on or prior to maturity and to pay interest thereon as it comes due. All the terms and conditions of the Refunding Trust Agreement are hereby incorporated by reference in this Resolution as if set forth herein in full. The Refunding Trust Agreement is hereby approved and confirmed as binding upon the City, and the Chairperson and Secretary are hereby authorized to execute the same on behalf of the City and to authorize the Trustee to call the appropriate Refunded Bonds for redemption pursuant to the provisions of the resolutions authorizing their issuance.

Section 16. User Rates. There has heretofore been established and published as required by law, just and equitable rates or charges for the use of the service rendered by the System. The rates or charges shall be paid by the owner of each and every lot, parcel of real estate, or building that is connected with and uses the System, by or through any part of the System or that in any way uses or is served by the System. So long as the Notes are outstanding and unpaid the rates or charges to consumers of services of the System shall be sufficient in each year for the payment of the proper and reasonable expenses of operation and maintenance of the System and for the payment of principal and interest on the Notes and Parity Notes and obligations as the same fall due, and to provide for the creation of reserves as hereinafter provided.

Any revenues paid and collected for the use of the System and its services by the Issuer or any department, agency or instrumentality of the Issuer shall be used and accounted for in the same manner as any other revenues derived from the operations of the System.

Section 17. Application of Revenues. From and after the delivery of any Notes, and as long as any of the Notes or Parity Obligations shall be outstanding and unpaid either as to principal or as to interest, or until all of the Notes and Parity Obligations then outstanding shall have been discharged and satisfied in the manner provided in this Resolution, the entire income and revenues of the System shall be deposited as collected in a fund to be known as the Electric Revenue Fund (the "Revenue Fund"), and shall be disbursed only as follows:

(a) Operation and Maintenance Fund. Money in the Revenue Fund shall first be disbursed to make deposits into a separate and special fund to pay current expenses. The fund shall be known as the Electric Revenue Operation and Maintenance Fund (the "Operation and Maintenance Fund"). There shall be deposited in the Operation and Maintenance Fund each month an amount sufficient to meet the current expenses of the month plus an amount equal to 1/12th of expenses payable on an annual basis such as insurance. After the first day of the month, further deposits may be made to this account from the Revenue Fund to the extent necessary to pay current expenses accrued and payable to the extent that funds are not available in the Surplus Fund.

(b) Sinking Fund. Money in the Revenue Fund shall next be disbursed to make deposits into a separate and special fund to pay the principal and interest requirements of the Fiscal Year on the Notes and Parity Obligations. The fund shall be known as the Electric Revenue Note and Interest Sinking Fund (the "Sinking Fund"). The required amount to be deposited in the Sinking Fund in any month shall be the equal monthly amount necessary to pay in full the installment of interest coming due on the next interest payment date on the then outstanding Notes and Parity Obligations, plus the equal monthly amount necessary to pay in full the installment of principal coming due on such Notes on the next succeeding principal payment date until the full amount of such installment is on hand. If for any reason the amount on hand in the Sinking Fund exceeds the required amount, the excess shall forthwith be withdrawn and paid into the Revenue Fund. Money in the Sinking Fund shall be used solely for the purpose of paying principal of and interest on the Notes and Parity Obligations as the same shall become due and payable.

(c) Subordinate Obligations. Money in the Revenue Fund may next be used to pay principal of and interest on (including reasonable reserves therefor) any other obligations which by their terms shall be payable from the revenues of the System, but subordinate to the Notes and Parity Obligations, and which have been issued for the purposes of extensions and improvements to the System or to retire the Notes or Parity Obligations in advance of maturity, or to pay for extraordinary repairs or replacements to the System.

(d) Surplus Revenue. All money thereafter remaining in the Revenue Fund at the close of each month may be deposited in any of the funds created by this Resolution, to pay for extraordinary repairs or replacements to the System, or may be used to pay or redeem the Notes or Parity Obligations, any of them, or for any lawful purpose.

Money in the Revenue Fund shall be allotted and paid into the various funds and accounts hereinbefore referred to in the order in which the funds are listed, on a cumulative basis on the l0th day of each month, or on the next succeeding business day when the l0th shall not be a business day; and if in any month the money in the Revenue Fund shall be insufficient to deposit or transfer the required amount in any of the funds or accounts, the deficiency shall be made up in the following month or months after payments into all funds and accounts enjoying a prior claim to the revenues shall have been met in full. The provisions of this Section shall not be construed to require the Issuer to maintain separate bank accounts for the funds created by this Section; except the Sinking Fund and the Reserve Fund shall be maintained in a separate account but may be invested in conjunction with other funds of the City but designated as a trust fund on the books and records of the City.

Section 18. Investments. All of the funds provided by this Resolution may be invested only in Permitted Investments or deposited in financial institutions which are members of the Federal Deposit Insurance Corporation or its equivalent successor, and the deposits in which are insured thereby and all such deposits exceeding the maximum amount insured from time to time by FDIC or its equivalent successor in any one financial institution shall be continuously secured in compliance with Chapter 12C of the Code of Iowa, 2015, as amended, or otherwise by a valid pledge of direct obligations of the United States Government having an equivalent market value. All such interim investments shall mature before the date on which the moneys are required for the purposes for which the fund was created or otherwise as herein provided but in no event maturing in more than three years in the case of the Reserve Fund.

All income derived from such investments shall be deposited in the Revenue Fund and shall be regarded as revenues of the System. Investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective fund was created.

Section 19. Covenants Regarding the Operation of the System. The Issuer hereby covenants and agrees with each and every holder of the Notes and Parity Obligations:

(a) Maintenance and Efficiency. The Issuer will maintain the System in good condition and operate it in an efficient manner and at reasonable cost.

(b) Sufficiency of Rates. On or before the beginning of each Fiscal Year the Governing Body will adopt or continue in effect rates for all services rendered by the System determined to be sufficient to produce Net Revenues for the next succeeding Fiscal Year adequate to pay principal and interest requirements and create reserves as provided in this Resolution but not less than 110 percent of the principal and interest requirements of the Fiscal Year. No free use of the System by the Issuer or any department, agency or instrumentality of the Issuer shall be permitted except upon the determination of the Governing Body that the rates and charges otherwise in effect are sufficient to provide Net Revenues at least equal to the requirements of this subsection.

(c) Insurance. That the Issuer shall maintain insurance for the benefit of the Noteholders on the insurable portions of the System of a kind and in an amount which normally would be carried by private companies engaged in a similar kind of business. The proceeds of any insurance, except public liability insurance, shall be used to repair or replace the part or parts of the System damaged or destroyed, or if not so used shall be placed in the Revenue Fund.

(d) Accounting and Audits. The Issuer will cause to be kept proper books and accounts adapted to the System and in accordance with generally accepted accounting practices, and will diligently act to cause the books and accounts to be audited annually and reported upon not later than 270 days after the end of each Fiscal Year by an Independent Auditor and will provide copies of the audit report to the holders of any of the Notes and Parity Obligations upon request. The holders of any of the Notes and Parity Obligations shall have at all reasonable times the right to inspect the System and the records, accounts and data of the Issuer relating thereto.

(e) State Laws. The Issuer will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Iowa, including the making and collecting of reasonable and sufficient rates for services rendered by the System as above provided, and will segregate the revenues of the System and apply the revenues to the funds specified in this Resolution.

(f) Property. The Issuer will not sell, lease, mortgage or in any manner dispose of the System, or any capital part thereof, including any and all extensions and additions that may be made thereto, until satisfaction and discharge of all of the Notes and Parity Obligations shall have been provided for in the manner provided in this Resolution; provided, however, that this covenant shall not be construed to prevent the disposal by the Issuer of property which in the judgment of its Governing Body has become inexpedient or unprofitable to use in connection with the System, or if it is to the advantage of the System that other property of equal or higher value be substituted therefor, and provided further that the proceeds of the disposition of such property shall be placed in a revolving fund to be used in preference to other sources for capital improvements to the System. Any such proceeds of the disposition of property acquired with the proceeds of the Notes or Parity Obligations shall not be used to pay principal or interest on the Notes or Parity Obligations or for payments into the Sinking.

(g) Fidelity Bond. The Issuer shall maintain fidelity bond coverage in amounts which normally would be carried by private companies engaged in a similar kind of business on each officer or employee having custody of funds of the System.

(h) Additional Charges. The Issuer will require proper connecting charges and/or other security for the payment of service charges.

(i) Budget. The Governing Body of the Issuer shall approve and conduct operations pursuant to a system budget of revenues and current expenses for each Fiscal Year. Such budget shall take into account revenues and current expenses during the current and last preceding Fiscal Year. Copies of such budget and any amendments thereto shall be provided to the holders of any of the Notes upon request.

Section 20. Remedies of Noteholders. Except as herein expressly limited the holder or holders of the Notes and Parity Obligations shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa, and of the United States of America, for the enforcement of payment of their Notes and interest thereon, and of the pledge of the revenues made hereunder, and of all covenants of the Issuer hereunder.

Section 21. Prior Lien and Parity Obligations. The Issuer will issue no other notes, bonds or obligations of any kind or nature payable from or enjoying a lien or claim on the property or revenues of the System having priority over the Notes or Parity Obligations.

Additional Obligations may be issued on a parity and equality of rank with the Notes with respect to the lien and claim of such Additional Obligations to the revenues of the System and the money on deposit in the funds adopted by this Resolution, for the following purposes and under the following conditions, but not otherwise:

(a) For the purpose of refunding any of the Notes or Parity Obligations which shall have matured or which shall mature not later than three months after the date of delivery of such refunding obligation and for the payment of which there shall be insufficient money in the Sinking Fund;

(b) For the purpose of refunding any outstanding Notes, Parity Obligations or general obligation notes or making extensions, additions, improvements or replacements to the System, if all of the following conditions shall have been met:

(i) before any such Additional Obligations ranking on a parity are issued, there will have been procured and filed with the Secretary of the Board of Trustees, a statement of an Independent Auditor, independent financial consultant or a consulting engineer, not a regular employee of the Issuer, reciting the opinion based upon necessary investigations that the

Net Revenues of the System for the preceding Fiscal Year (with adjustments as hereinafter provided) were equal to at least 1.10 times the maximum amount that will be required in any Fiscal Year prior to the longest maturity of any of the Notes or Parity Obligations for both principal of and interest on all Notes and Parity Obligations then outstanding which are payable from the net earnings of the System and the Additional Obligations then proposed to be issued.

For the purpose of determining the Net Revenues of the System for the preceding Fiscal Year as aforesaid, the amount of the gross revenues for such year may be adjusted by an Independent Auditor, independent financial consultant or a consulting engineer, not a regular employee of the Issuer, so as to reflect any changes in the amount of such revenues which would have resulted had any revision of the schedule of rates or charges imposed at or prior to the time of the issuance of any such Additional Obligations been in effect during all of such preceding Fiscal Year.

The amount of the revenues may be further adjusted for such purpose by a Consulting Engineer as follows: (a) to the extent of any demand charges (as opposed to charges for the purchase of electric energy) paid under any interconnection agreement or contract with another utility system for the interchange of electric service during the preceding Fiscal Year to the extent that such Engineer estimates that such demand charges would have been eliminated or reduced by reason of the improvements and extensions then to be constructed, (b) to the extent that the Engineer estimates that reduction in base load energy costs or savings in the cost of purchased power would have been affected if the improvements and extensions then to be constructed had been in operation during the preceding year, and (c) to the extent of the estimated Net Revenues of the first full Fiscal Year of operation of the improvements and extensions then to be constructed from the sale of surplus power resulting from the addition to the System of the improvements and extensions, provided, however, that such sale or sales may be considered only to the extent the same are supported by firm contracts requiring the purchaser to pay for available surplus power or capacity whether or not it is in fact accepted by the purchaser.

(ii) the Additional Obligations must be payable as to principal and as to interest on the same month and day as the Notes herein authorized.

(iii) for the purposes of this Section, principal and interest falling due on the first day of a Fiscal Year shall be deemed a requirement of the immediately preceding Fiscal Year.

(iv) for the purposes of this Section, general obligation bonds or notes shall be refunded only upon a finding of necessity by the Governing

Body and only to the extent the general obligation bonds or notes were issued or the proceeds thereof were expended for the System.

(v) for purposes of this Section, "preceding Fiscal Year" shall be the most recently completed Fiscal Year for which audited financial statements prepared by a certified public accountant are issued and available, but in no event a Fiscal Year which ended more than eighteen months prior to the date of issuance of Additional Obligations.

Section 22. Disposition of Proceeds; Arbitrage Not Permitted. The Issuer reasonably expects and covenants that no use will be made of the proceeds from the issuance and sale of the Notes issued hereunder which will cause any of the Notes to be classified as arbitrage bonds within the meaning of Section 148(a) and (b) of the Internal Revenue Code of the United States, and that throughout the term of the Notes it will comply with the requirements of such statute and regulations issued thereunder.

To the best knowledge and belief of the Issuer, there are no facts or circumstances that would materially change the foregoing statements or the conclusion that it is not expected that the proceeds of the Notes will be used in a manner that would cause the Notes to be arbitrage notes. Without limiting the generality of the foregoing, the Issuer hereby agrees to comply with the provisions of the Tax Exemption Certificate and the provisions of the Tax Exemption Certificate are hereby incorporated by reference as part of this Resolution. The Treasurer is hereby directed to make and insert all calculations and determinations necessary to complete the Tax Exemption Certificate in all respects and to execute and deliver the Tax Exemption Certificate at issuance of the Notes to certify as to the reasonable expectations and covenants of the Issuer at that date.

The Issuer covenants that it will treat as Yield Restricted any proceeds of the Notes remaining unexpended after three years from the issuance and any other funds required by the Tax Exemption Certificate to be so treated. If any investments are held with respect to the Notes and Parity Obligations, the Issuer shall treat the same for the purpose of restricted yield as held in proportion to the original principal amounts of each issue.

The Issuer covenants that it will exceed any investment yield restriction provided in this Resolution only in the event that it shall first obtain an opinion of recognized bond counsel that the proposed investment action will not cause the Notes to be classified as arbitrage bonds under Section 148(a) and (b) the Internal Revenue Code or regulations issued thereunder.

The Issuer covenants that it will proceed with due diligence to spend the proceeds of the Notes for the purpose set forth in this Resolution. The Issuer further covenants that it will make no change in the use of the proceeds available for the construction of facilities or change in the use of any portion of the facilities constructed therefrom by persons other than the Issuer or the general public unless it has obtained an opinion of bond counsel or a revenue ruling that the proposed project or use will not be of such character as to cause interest on any of the Notes not to be exempt from federal income taxes in the hands of holders other than substantial users of the project, under the provisions of Section 142(a) of the Internal Revenue Code of the United States, related statutes and regulations.

Any funds received from the Trustee for use of the Paying Agent to pay principal and interest on the notes to be refunded shall be held in cash or non-interest bearing demand deposits separate from all other City moneys or accounts.

Section 23. Additional Covenants, Representations and Warranties of the Issuer. The Issuer certifies and covenants with the purchasers and holders of the Notes from time to time outstanding that the Issuer through its officers, (a) will make such further specific covenants, representations and assurances as may be necessary or advisable; (b) comply with all representations, covenants and assurances contained in the Tax Exemption Certificate, which Tax Exemption Certificate shall constitute a part of the contract between the Issuer and the owners of the Notes; (c) consult with bond counsel (as defined in the Tax Exemption Certificate); (d) pay to the United States, as necessary, such sums of money representing required rebates of excess arbitrage profits relating to the Notes; (e) file such forms, statements and supporting documents as may be required and in a timely manner; and (f) if deemed necessary or advisable by its officers, to employ and pay fiscal agents, financial advisors, attorneys and other persons to assist the Issuer in such compliance.

Section 24. Qualified Tax-Exempt Obligations. For the sole purpose of qualifying the Notes as "Qualified Tax-Exempt Obligations" pursuant to Section 265(b) of the Internal Revenue Code of the United States, as amended, the Issuer designates the Notes as qualified tax-exempt obligations and represents that the reasonably anticipated amount of tax exempt governmental obligations which will be issued during the current calendar year will not exceed Ten (10) Million Dollars.

Section 25. Discharge and Satisfaction of Notes. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to the Notes and Parity Obligations, or any of them, in any one or more of the following ways:

(a) By paying the Notes or Parity Obligations when the same shall become due and payable; and

(b) By depositing in trust with the Treasurer, or with a corporate trustee designated by the Governing Body for the payment of the obligations and irrevocably appropriated exclusively to that purpose an amount in cash or direct obligations of the United States the maturities and income of which shall be sufficient to retire at maturity, or by redemption prior to maturity on a designated date upon which the obligations may be redeemed, all of such obligations outstanding at the time, together with the interest thereon to maturity or to the designated redemption date, premiums thereon, if any, that may be payable on the redemption of the same; provided that proper notice of redemption of all such obligations to be redeemed shall have been previously published or provisions shall have been made for such publication.

Upon such payment or deposit of money or securities, or both, in the amount and manner provided by this Section, all liability of the Issuer with respect to the Notes or Parity Obligations shall cease, determine and be completely discharged, and the holders thereof shall be entitled only to payment out of the money or securities so deposited.

Section 26. Resolution a Contract. The provisions of this Resolution shall constitute a contract between the Issuer and the holder or holders of the Notes and Parity Obligations, and after the issuance of any of the Notes no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner, except as provided in the next succeeding Section, until such time as all of the Notes and Parity Obligations, and interest due thereon, shall have been satisfied and discharged as provided in this Resolution.

Section 27. Amendment of Resolution Without Consent. The Issuer may, without the consent of or notice to any of the holders of the Notes and Parity Obligations, amend or supplement this Resolution for any one or more of the following purposes:

(a) to cure any ambiguity, defect, omission or inconsistent provision in this Resolution or in the Notes or Parity Obligations; or to comply with any application provision of law or regulation of federal or state agencies; provided, however, that such action shall not materially adversely affect the interests of the holders of the Notes or Parity Obligations;

(b) to change the terms or provisions of this Resolution to the extent necessary to prevent the interest on the Notes or Parity Obligations from being includable within the gross income of the holders thereof for federal income tax purposes;

(c) to grant to or confer upon the holders of the Notes or Parity Obligations any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the holders of the Notes;

(d) to add to the covenants and agreements of the Issuer contained in this Resolution other covenants and agreements of, or conditions or restrictions upon, the Issuer or to surrender or eliminate any right or power reserved to or conferred upon the Issuer in this Resolution; or

(e) to subject to the lien and pledge of this Resolution additional pledged revenues as may be permitted by law.

Section 28. Amendment of Resolution Requiring Consent. This Resolution may be amended from time to time if such amendment shall have been consented to by holders of not less than two-thirds in principal amount of the Notes and Parity Obligations at any time outstanding (not including in any case any Notes which may then be held or owned by or for the account of the Issuer, but including such refunding obligations as may have been issued for the purpose of refunding any of such Notes if such refunding obligations shall not then be owned by the Issuer); but this Resolution may not be so amended in such manner as to:

(a) Make any change in the maturity of interest rate of the Notes, or modify the terms of payment of principal of or interest on the Notes or any of them or impose any conditions with respect to such payment;

(b) Materially affect the rights of the holders of less than all of the Notes and Parity Obligations then outstanding; and

(c) Reduce the percentage of the principal amount of Notes, the consent of the holders of which is required to effect a further amendment.

Whenever the Issuer shall propose to amend this Resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be filed with the Original Purchaser and to be mailed by certified mail to each registered owner of any Note as shown by the records of the Registrar. Such notice shall set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory Resolution is on file in the office of the Secretary of the Board of Trustees.

Whenever at any time within one year from the date of the mailing of the notice there shall be filed with the Secretary of the Board of Trustees an instrument or instruments executed by the holders of at least two-thirds in aggregate principal amount of the Notes then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory Resolution described in the notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Governing Body of the Issuer may adopt such amendatory Resolution and such Resolution shall become effective and binding upon the holders of all of the Notes and Parity Obligations.

Any consent given by the holder of a Note pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the instrument evidencing such consent and shall be conclusive and binding upon all future holders of the same Note during such period. Such consent may be revoked at any time after six months from the date of such instrument by the holder who gave such consent or by a successor in title by filing notice of such revocation with the Secretary of the Board of Trustees.

The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount and numbers of the Notes held by any person executing such instrument and the date of his holding the same may be proved by an affidavit by such person or by a certificate executed by an officer of a bank or trust company showing that on the date therein mentioned such person had on deposit with such bank or trust company the Notes described in such certificate.

Section 29. Severability. If any section, paragraph, or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions.

Section 30. Repeal of Conflicting Ordinances or Resolutions and Effective Date. All other ordinances, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; and this Resolution shall be in effect from and after its adoption.

ADOPTED AND APPROVED this __________ day of _______________, 2015.

____
Chairperson of the Board of Trustees

ATTEST:

____
Secretary of the Board of Trustees

EXHIBIT "A"

Refunded Bonds

Electric Revenue Capital Loan Notes, Series 2010:

Principal Amount*	Interest Rate	Maturity May 1st
$365,000	3.00%	2015
$380,000	3.00%	2016
$550,000	3.25%	2017
$565,000	4.00%	2018
$585,000	4.00%	2019
$610,000	4.00%	2020
$630,000	4.00%	2021
$660,000	4.00%	2022
$685,000	4.00%	2023
$715,000	4.00%	2024
$745,000	4.00%	2025

Electric Revenue Bonds, Series 2011:

Principal Amount*	Interest Rate	Maturity May 1st
$175,000	2.000%	2015
$175,000	2.000%	2016
$180,000	2.000%	2017
$180,000	2.000%	2018
$185,000	2.000%	2019
$190,000	2.000%	2020
$190,000	2.100%	2021
$195,000	2.300%	2022

*Series 2010 and Series 2011 Refunded Bonds in the aggregate principal amount of $7,960,000 callable on May 1, 2017.

CERTIFICATE

STATE OF IOWA)
) SS
COUNTY OF WARREN)

I, the undersigned Secretary of the Board of Trustees of the Indianola Municipal Utilities, City of Indianola, State of Iowa, do hereby certify that attached is a true and complete copy of the portion of the corporate records of the Board of Trustees showing proceedings of the Board, and the same is a true and complete copy of the action taken by the Board with respect to the matter at the meeting held on the date indicated in the attachment, which proceedings remain in full force and effect, and have not been amended or rescinded in any way; that meeting and all action thereat was duly and publicly held in accordance with a notice of meeting and tentative agenda, a copy of which was timely served on each member of the Board and posted on a bulletin board or other prominent place easily accessible to the public and clearly designated for that purpose at the principal office of the Board (a copy of the face sheet of such agenda being attached hereto) pursuant to the local rules of Chapter 21, Code of Iowa, upon reasonable advance notice to the public and media at least twenty-four hours prior to the commencement of the meeting as required such law and with members of the public present in attendance; I further certify that the individuals named therein were on the date thereof duly and lawfully possessed of their respective offices as indicated therein, that no Board vacancy existed except as may be stated in the proceedings, and that no controversy or litigation is pending, prayed or threatened involving the incorporation, organization, existence or boundaries of the City or the right of the individuals named therein as officers to their respective positions.

WITNESS my hand and the seal of the Board hereto affixed this __________ day of _______________, 2015.

____
Secretary of the Board of Trustees of the
Indianola Municipal Utilities

(SEAL)

01088441-3\10616-023

INDIANOLA MUNICIPAL UTILITIES - CITY OF INDIANOLA, IOWA

$7,241,000 Electric Revenue Refunding Capital
Loan Notes, Series 2015 (Private Placement)

Purpose of Series 2015 Notes:

- Defeasance advance refunding the Utilities' Electric Revenue Capital Loan Notes, Series 2010, dated June 15, 2010, and the Electric Revenue Bonds, Series 2011, dated December 29, 2011.

FINAL TERM SHEET

Date Prepared: March 3, 2015

Dated Date: Date of Delivery (expected on March 26, 2015)

First interest payment date: May 1, 2015 and semi-annually thereafter; interest will be calculated on the basis of a 360 day year of 12, 30 day months.

Interest Rate: The interest rate will be fixed at 2.600% through May 1, 2022. On May 1, 2022, the interest rate will adjust - for the remaining duration of the Notes - to the Des Moines Federal Home Loan Bank Two-Year Advance Rate plus 1.650%, subject to an interest rate floor of 2.600%.

Maturity (May 1)	Amount
2015	$300,000
2016	683,000
2017	700,000
2018	718,000
2019	737,000
2020	756,000
2021	776,000
2022	796,000
2023	817,000
2024	838,000
2025	120,000

Optional redemption: The outstanding balance on the Notes may be called for early payment without penalty at any time at par plus accrued interest. Thirty days' notice of redemption shall be required. Notes may be called in any order of maturity.

Denominations: $1,000

Security: The loan is payable solely from a first lien on the net revenues of the Municipal Electric Utility of the City.

Bond Covenants: 1.10 X rate maintenance test.
1.10 X maximum annual debt service additional bonds test.

Reserve Fund: None

Improvement Fund: None

Paying Agent:	Director of Finance for the City of Indianola
Cusip Numbers:	None
Bank Qualified:	The Notes will be designated as bank-qualified.
Exempt from Continuing Disclosure:	The Notes will be exempt from Rule 15c2-12.
Not Rated:	The Notes will not be rated.
No Current Parity Debt:	At the time of issuance, the Series 2015 Notes will be the only outstanding Parity debt of the Municipal Electric Utility.
Fiscal Year:	Begins on July 1^{st}, ends on June 30^{th}.
Lender:	Peoples Savings Bank (sole lender in documents should be listed as Peoples Savings Bank and then they will participate out the appropriate portions of the loan with the other banks). Participation by bank: Peoples Savings Bank: $2,250,000 (lead bank) Community Bank: $2,250,000 City State Bank: $1,000,000 Cedar Rapids Bank & Trust: $1,741,000
Notes	Federal Tax I.D. of Indianola Municipal Utilities: 42-6004797