INDIANOLA MUNICIPAL UTILITIES

IMU

Electric • Communications • Water

IMU Board of Trustees
April 28, 2014
City Hall Council Chambers
5:30 p.m.

Agenda

1. Roll Call
2. Consent
   - A. Claims
   - B. Minutes
   - C. Quarterly Write-offs to State Offset Program
3. Reports
   - A. Financials
   - B. Director of Finance - FY 2013 Annual Report
   - C. Chairperson
   - D. General Manager
   - E. Program Coordinator - Reliable Public Power Provider Award
4. 2014 W. Hwy 92 Transmission Relocation Project
   - A. Change Order #3
   - B. Change Order #4
5. Streetlights on The Square - Update
6. Other Business
7. Adjourn

IMU Regular Downstairs **2. A.**

Meeting Date: 04/28/2014

Information

Subject

Claims

Information

The April 21, 2014 Claims List was distributed previously.

Financial Impact

N/A

Staff Recommendation

IMU Regular Downstairs **2. B.**

Meeting Date: 04/28/2014

Information

Subject

Minutes

Information

Minutes of the regular meeting held on April 14, 2014 and special meeting held on April 21, 2014 are attached.

Financial Impact

N/A

Staff Recommendation

Attachments

Regular Mtg Minutes

Special Mtg Minutes

BOARD OF TRUSTEE MINUTES
REGULAR SESSION – APRIL 14, 2014

The Board of Trustees met in regular session at 5:30 p.m. on April 14, 2014 in the City Hall Conference Room. Chairperson Eric Vander Linden called the meeting to order and on roll call the following members were present: Heather Hulen, Grant Johnson, Bob Lester (via phone), Pat Reding and Eric Vander Linden.

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

April 7, 2014 claims

March 24, 2014 minutes

The WCEDC report was tabled until the next meeting.

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 2014 Head Tank Aerator Assembly Replacement 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 Reding introduced the following Resolution entitled "RESOLUTION ADOPTING PLANS, SPECIFICATIONS, FORM OF CONTRACT AND ESTIMATE OF COST" for the 2014 Head Tank Aerator Assembly Replacement Project, and moved that it be adopted. Board Member Hulen seconded the motion to adopt. The roll was called and the vote was, AYES: Johnson, Hulen, Lester, Vander Linden and Reding. NAYS: None. Whereupon, the Chair declared the following resolution duly adopted:

RESOLUTION ADOPTING PLANS, SPECIFICATIONS,
FORM OF CONTRACT AND ESTIMATE OF COST
2014 Head Tank Aerator Assembly Replacement Project

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

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 2014 Head Tank Aerator Assembly Replacement 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
Weidner Construction Inc. Marshalltown, Iowa	$ 79,990.00
C.L. Carroll Company, Inc. Des Moines, Iowa	$167,761.00

The City Clerk and the IMU General Manager then recommended that the bid of Weidner Construction Inc. in the amount of $79,990.00 be accepted.

Board Member Johnson introduced the following resolution entitled "RESOLUTION MAKING AWARD OF CONSTRUCTION CONTRACT" to Weidner Construction Inc. for the 2014 Head Tank Aerator Assembly Replacement Project, and moved its adoption. Board Member Reding seconded the motion to adopt. The roll was called and the vote was: AYES: Hulen, Lester, Vander Linden, Reding and Johnson. NAYS: None. Whereupon, the Chair declared the following Resolution duly adopted:

RESOLUTION MAKING AWARD OF CONSTRUCTION CONTRACT
2014 Head Tank Aerator Assembly Replacement Project

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

Board member Reding introduced the following resolution entitled "RESOLUTION APPROVING CONSTRUCTION CONTRACTS AND BONDS" for the 2014 West Iowa Avenue Water Main Project, and moved its adoption. Board member Lester seconded the motion to adopt. The roll was called and the vote was: AYES: Johnson, Hulen, Lester, Vander Linden and Reding. NAYS: None. Whereupon the Chair declared the following Resolution duly adopted;

RESOLUTION APPROVING CONSTRUCTION CONTRACTS AND BONDS
2014 West Iowa Avenue Water Main Project

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

It was moved by Reding and seconded by Lester to approve change order no. 1, which changes the specifications to meet DNR regulations at no additional cost for the 2014 West Iowa Avenue Water Main Project. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Hulen moved and Johnson seconded to approve change order no. 2 in an amount of $1,150 (relates to the MEC under build distribution construction) for the 2014 Hwy 92 & I-35 Transmission Relocation Project. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

Reding moved and Hulen seconded to approve an access easement and a handwritten check to T. Allan Benshoof and Robert Benshoof in an amount of $1,250 for the 2014 Hwy 92 & I-35 Transmission Relocation Project. Question was called for and on voice vote the Chairperson declared the motion carried unanimously.

The Board discussed the IMU Partners/EMERGE update. IDA Jerry Kelley, 510 North "I", and Chris Draper, Director of EMERGE, presented EMERGE Incubator in a Box consisting of:
- The EMERGE Story – How and Why They Began
- Who they serve and what they need
- The Incubator in a Box
- How it works
- Their vision – the ripple effect

Additional information, i.e. 28E Agreement, fees, structure, etc. will presented at a future meeting.

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

Eric Vander Linden, Chairperson

Diana Bowlin, City Clerk

BOARD OF TRUSTEE MINUTES
SPECIAL SESSION – APRIL 21, 2014

The Board of Trustees met in special session at 6:00 p.m. on April 21, 2014 in the City Hall Council Chambers. Chairperson Eric Vander Linden called the meeting to order and on roll call the following members were present: Heather Hulen, Grant Johnson, Pat Reding and Eric Vander Linden. Absent: Bob Lester. Council members present were: Greg Marchant, Eric Mathieu, John Parker Jr., Pam Pepper, Brad Ross, Greta Southall and Mayor Kelly Shaw.

Todd Kielkopf, General Manager, presented a brief update of the electric, water, fiber and telecom projects/items that IMU is currently working on.

The IMU Board of Trustees and the City Council discussed items of mutual interest including:

- Current utility rates (electric, water and sewer)
- Economic development and incentive packages-form a committee of two Board of Trustee members and two Council members to report back to each entity
- Municipal Energy Agency of Nebraska Agreement (MEAN)
- Utility rate survey
- IMU electric territory
- Indianola Development Association (IDA)
- EMERGE
- Warren County Economic Development Corporation (WCEDC)
- Board of Trustee meetings being held in the council chambers
- Street assessments
- Sewer plant

It was the consensus of the group to continue having a joint meeting every quarter or twice a year.

________________________________ ________________________________

Eric Vander Linden, Chairperson Diana Bowlin, City Clerk

Information

Subject

Quarterly Write-offs to State Offset Program

Information

Attached is the quarterly report indicating the amounts being submitted and as a percentage of quarterly billings.

Electric amounts are typical for the January - March quarter (as per the last 3 years) and within the average of the past 10 quarters.

Water amounts are somewhat higher due to (a) two small commercial accounts and (b) a water leak during a foreclosure process at a residence.

Financial Impact

N/A

Staff Recommendation

Attachments

Writeoffs

Historical Write-offs
Mar-14

			Electric	%		Water	%
March	2012	$	10,068.49	0.43%	$	1,552.19	0.29%
June	2012	$	18,338.81	0.90%	$	5,305.90	1.09%
September	2012	$	22,447.38	0.60%	$	4,331.44	0.61%
December	2012	$	26,976.89	0.97%	$	3,778.37	0.84%
March	2013	$	35,766.64	1.40%	$	5,173.54	1.02%
June	2013	$	23,778.95	1.02%	$	5,616.54	1.17%
September	2013	$	22,223.60	0.68%	$	4,456.19	0.71%
December	2013	$	23,783.45	0.78%	$	2,920.64	0.45%
March	2014	$	20,913.08	0.77%	$	5,165.68	1.00%
Average for Qtr				0.87%			0.77%
Average for Report				0.84%			0.80%

IMU Regular Downstairs **3. A.**
Meeting Date: 04/28/2014

Information

Subject

Monthly Financials

Information
The March, 2014 financial reports are attached.

Financial Impact
N/A

Staff Recommendation

Attachments

Financials

IMU Monthly Financial Reports

Notes & Comments

1. Total Cash Flow from all activities the on Treasurer's Report was +$108,249.

2. Electric sales (page 5) are exceeding the re-estimated goal of 120,700,000 by a larger amount than expected. Water consumption (page 6) has returned closer to a range of between 2012 (hot/dry year) and the prior 3-year average. This trend will likely to continue.

3. The Electric Gross Margin (page 7) is slightly below the seasonally-adjusted re-estimated budget. The $62,600 Purchased Energy Adjustment scheduled to be paid in February was accidently not submitted until March. So the month is somewhat better in terms of profitability than what is shown.

   The spread between $/kWh of sales and cost will be less than in the previous year by design, as the Purchased Energy Adjustments imposed in November. IMU's retail rates have not increased in the same manner. More kWhs were sold at lower than average kWh rates due to industrial & all-electric consumption. Reserves remain above policy levels & targets, however the vast majority of that is committed to capital projects (W. Hwy 92, I-35, and Network Services signups).

4. Using the cash-based + depreciation model, Electric Utility Net Income (page 8) fell to a loss of $48,556 vs. a seasonally-adjusted budget of +$34,000. Electric O&M Activities Cash Flow (Page 10) remained as expected as a FYTD negative due to the timing of reimbursements as capital projects are completed.

5. The Water Utility (pages 7 & 12) is meeting seasonal expectations in terms of Net Income and Cash Flow, excluding the re-estimated additional principal payment. Reserves are well above targets due to the timing of capital projects. Staff continues to allocate $340,000 of current balances for a future debt service use (listed as "Desginated for Future Projects" on the Summary Page). There will still be funds for additional projects if needed (page 14).

6. The Communications Utility (page 15) and Admin. Fund (page 16) cash flows are essentially at re-estimated budgets.

FINANCIAL REPORT

MONTH OF MARCH, 2014

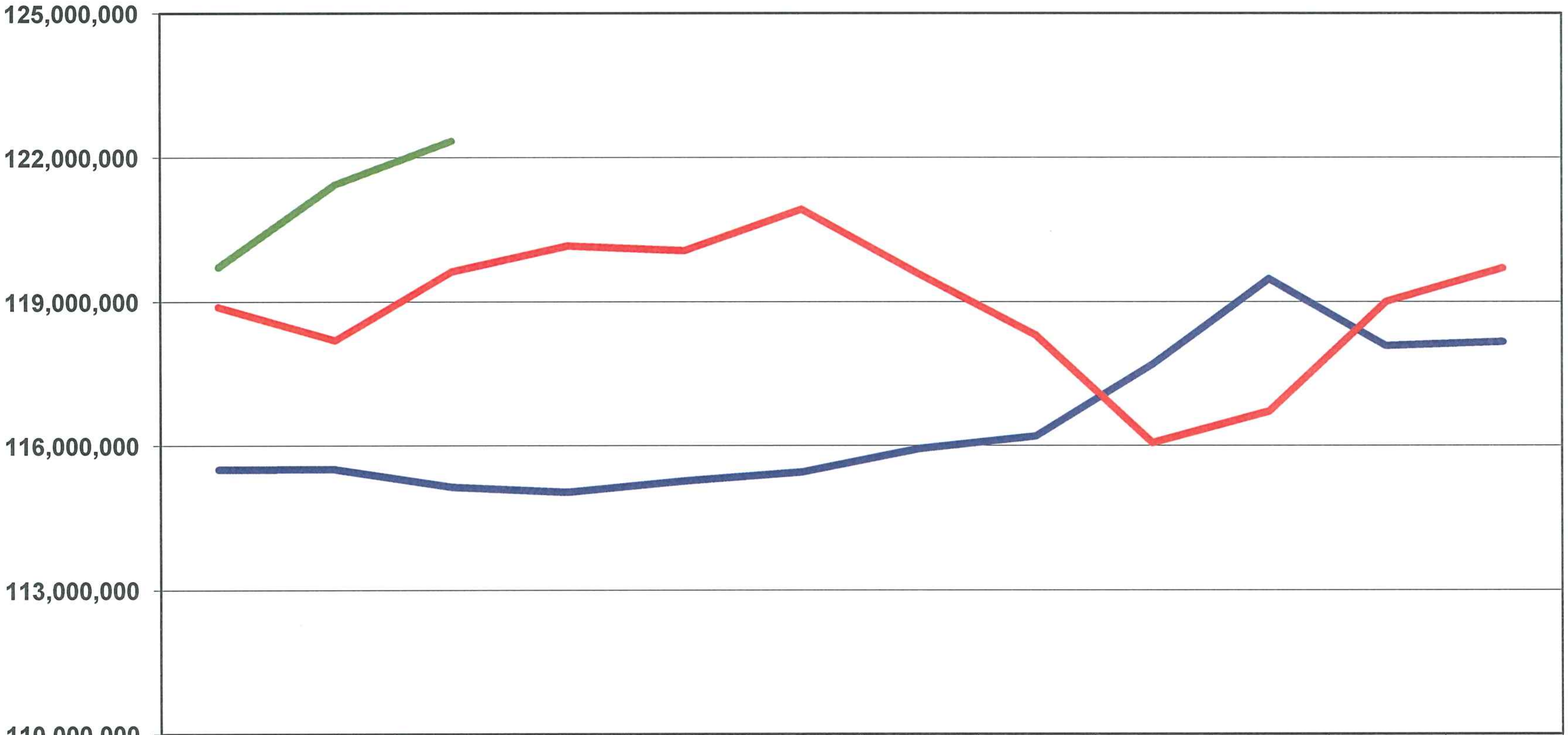
FUND	Beginning Balance	Monies Received	Monies Disbursed	Transfer In	Transfer Out	Clerk's Balance	% of Total
001 General Government	1,092,212.46	51,815.10	157,546.13	105,849.98	2,352.07	1,089,979.34	
011 Police	-70,799.07	69,769.76	209,630.11	29,924.82	339.99	-181,074.59	
015 Fire	67,832.29	11,017.72	32,366.02	1,644.55	27.81	48,100.73	
016 Ambulance	165,233.63	72,036.42	64,689.38	821.51	2,985.02	170,417.16	
041 Library	-68,116.72	14,920.53	42,825.90	1,588.05	77.25	-94,511.29	
042 Park & Recreation	107,978.53	52,767.70	76,709.49	4,832.47	1,805.72	87,063.49	
045 Memorial Pool	-123,818.98	2,226.02	6,467.93	0.00	833.33	-128,894.22	
071 General Fund Deb Service	57,731.71	3,355.16	0.00	0.00	0.00	61,086.87	
099 Franchise Fees-MEC	133,157.52	0.00	0.00	0.00	0.00	133,157.52	
GENERAL FUND SUB-TOTAL	**1,361,411.37**	**277,908.41**	**590,234.96**	**144,661.38**	**8,421.19**	**1,185,325.01**	
110 Road Use Tax (Streets)	794,683.00	138,919.72	87,084.95	0.00	14,733.14	831,784.63	
112 Trust & Agency	0.00	15,269.73	0.00	0.00	15,269.73	0.00	
115 YMCA Maintenance Obligations	40,183.32	0.00	11,714.65	0.00	0.00	28,468.67	
125 TIF--Downtown	203,768.81	14,015.42	0.00	0.00	0.00	217,784.23	
126 TIF--East Hwy 92	0.00	0.00	0.00	0.00	0.00	0.00	
127 TIF--Hillcrest/Industrial Park	176,060.42	50,696.14	0.00	0.00	0.00	226,756.56	
141 Library Special Revenue	34,406.01	1,490.08	1,567.20	0.00	0.00	34,328.89	
142 Park & Rec Special Revenue	108,616.12	586.18	3,321.50	0.00	0.00	105,880.80	
160 Downtown Revolving Loan	59,580.75	0.00	0.00	0.00	0.00	59,580.75	
161 Downtown Business Inc Program	-22,773.01	0.00	0.00	0.00	0.00	-22,773.01	
177 Police Forfeiture	18,420.31	0.00	0.00	0.00	0.00	18,420.31	
190 Vehicle Reserve	112,402.47	0.00	0.00	1,666.67	0.00	114,069.14	
199 Police Retirement	115,407.06	162.95	0.00	0.00	1,041.67	114,528.34	
SPECIAL REVENUES SUB-TOTAL	**1,640,755.26**	**221,140.22**	**103,688.30**	**1,666.67**	**31,044.54**	**1,728,829.31**	
200 **DEBT SERVICE (SUB-TOTAL)**	**2,896,500.85**	**33,331.94**	**0.00**	**70,083.32**	**0.00**	**2,999,916.11**	
301 Capital Projects (General)	543,187.38	6.99	87,276.36	0.00	0.00	455,918.01	
321 Capital Projects (Streets)	1,117,661.45	485.00	13,797.00	0.00	0.00	1,104,349.45	
344 Community Athletic Facility	4,611.03	0.00	40.00	1,666.67	0.00	6,237.70	
353 Community ReDevelopment (D&D)	19,766.92	165.92	1,690.00	0.00	0.00	18,242.84	
CAPITAL PROJECTS SUB-TOTAL	**1,685,226.78**	**657.91**	**102,803.36**	**1,666.67**	**0.00**	**1,584,748.00**	
610 Sewer	87,909.91	0.00	124,428.94	139,250.00	33,283.14	69,447.83	
650 Stormwater Utility	240,637.07	18,053.35	0.00	0.00	5,208.33	253,482.09	
670 Recycling	56,623.49	18,298.08	28,012.50	0.00	1,375.00	45,534.07	
710 Sewer Capital Projects	464,323.15	451,662.99	9,062.71	0.00	256,391.66	650,531.77	
771 Sewer Reserve	114,238.70	0.00	0.00	0.00	0.00	114,238.70	
781 Sewer Plant Improvement	309,239.23	0.00	0.00	2,083.33	0.00	311,322.56	
791 Sewer Revenue Bonds	471,673.89	0.00	0.00	67,500.00	0.00	539,173.89	
820 Health Insurance	1,101,186.22	117,398.35	87,667.65	0.00	0.00	1,130,916.92	
830 Health Reimbursement Account	254,011.09	0.00	10,906.12	0.00	0.00	243,104.97	
840 Flex/STD	236,840.09	2,777.60	7,929.94	1,467.84	0.00	233,155.59	
850 Liability Insurance Reserve--City	2,057.89	1,676.42	128.00	0.00	0.00	3,606.31	
CITY UTILITY & IS SUB-TOTAL	**3,338,740.73**	**609,866.79**	**268,135.86**	**210,301.17**	**296,258.13**	**3,594,514.70**	
TOTAL CITY FUNDS	**10,922,634.99**	1,142,905.27	1,064,862.48	428,379.21	335,723.86	**11,093,333.13**	**53%**
TOTAL IMU FUNDS	**9,820,075.93**	1,432,630.98	1,231,727.12	276,668.01	369,323.36	**9,928,324.44**	**47%**
GRAND TOTAL CITY & IMU	**20,742,710.92**	2,575,536.25	2,296,589.60	705,047.22	705,047.22	**21,021,657.57**	
Cross Check Total						21,021,657.57	

Investments				Clerk's Balance	21,021,657.57
Bankers Trust	$	18,528,826.63	2.06%		
Bankers Trust - Wellness Center Project	$	80,003.25	0.01%		
Iowa Public Agency Inv. Trust	$	111,102.89	0.010%	Plus Outstanding Checks	1,042,436.01
Payroll Account, Community State	$	0.43	Earnings Credit	Unreconcilable Item	
Checking Account, Community State	$	249,774.36	Earnings Credit	Less Outstanding Deposits	-13,792.28
Sweep Account, Community State	$	3,080,593.74	0.25%		
BANK BALANCE		**22,050,301.30**			**22,050,301.30**

600 Water	342,040.37	207,969.36	74,091.29	0.00	114,494.03	361,424.41
620 IMU Administration	35,711.83	0.00	54,603.29	84,458.34	28,611.80	36,955.08
625 Revolving Economic Development	102,722.60	145.17	0.00	0.00	0.00	102,867.77
626 USDA RLF	150,000.00	0.00	0.00	0.00	0.00	150,000.00
630 Electric	1,549,268.62	1,089,396.63	965,133.12	22,568.00	218,725.86	1,477,374.27
640 Fiber/Communications	349,991.42	20,776.06	18,438.39	0.00	7,491.67	344,837.42
700 Water Capital Projects	1,392,160.96	0.00	14,823.42	34,000.00	0.00	1,411,337.54
730 Electric Capital Projects	3,334,028.19	114,314.13	104,637.61	0.00	0.00	3,343,704.71
740 Fiber/Comm Capital Projects	0.00	0.00	0.00	0.00	0.00	0.00
770 Water Reserve	135,000.00	0.00	0.00	0.00	0.00	135,000.00
773 Electric Reserve	1,084,000.00	0.00	0.00	0.00	0.00	1,084,000.00
780 Water Capital Improvement	75,000.00	0.00	0.00	0.00	0.00	75,000.00
783 Electric Improvement	207,691.35	0.00	0.00	0.00	0.00	207,691.35
790 Water Revenue Bonds	72,739.68	0.00	0.00	23,325.00	0.00	96,064.68
793 Electric Revenue Bonds	968,983.36	0.00	0.00	112,316.67	0.00	1,081,300.03
855 Liability Insurance Reserve--IMU	20,737.55	29.63	0.00	0.00	0.00	20,767.18
IMU SUB-TOTAL	**9,820,075.93**	**1,432,630.98**	**1,231,727.12**	**276,668.01**	**369,323.36**	**9,928,324.44**

INTEREST DISTRIBUTION	INTEREST INCOME	% OF TOTAL	CALYTD	FYTD
Electric Funds	$ 11,184.46	37.75%	$ 27,634.25	$ 85,210.66
Water Funds	$ 2,785.01	9.40%	$ 6,841.65	$ 21,226.35
Sewer Funds	$ 1,745.07	5.89%	$ 3,528.02	$ 8,889.93
Police Retirement	$ 162.95	0.55%	$ 410.14	$ 1,267.55
Community Redevelopment	$ 165.92	0.56%	$ 445.74	$ 1,549.61
All other	$ 13,584.35	45.85%	$ 35,180.98	$ 107,300.46
TOTAL	$ 29,627.76	100.00%	$ 74,040.78	$ 225,444.56

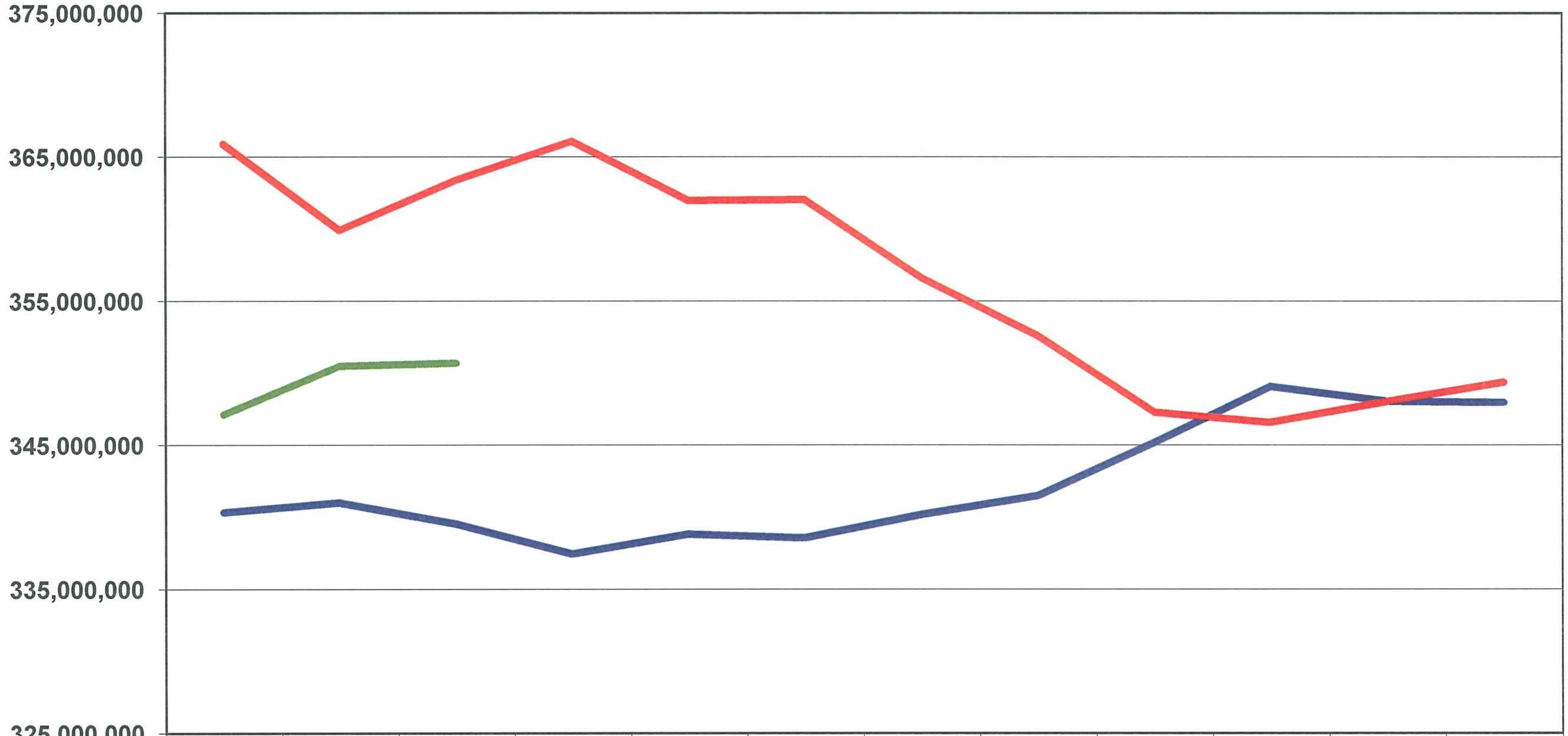
KWH's Sold
(Kwh's sold based on a rolling 12 month total)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010-12 EL Avg	115,504,571	115,510,191	115,146,374	115,035,112	115,264,081	115,450,035	115,932,776	116,191,990	117,696,056	119,480,253	118,086,537	118,170,412
2013	118,891,021	118,202,221	119,631,688	120,171,895	120,076,507	120,932,710	119,588,591	118,315,752	116,056,744	116,714,088	119,004,031	119,704,377
2014	119,720,292	121,443,815	122,342,355									

2010-12 EL Avg   2013   2014

Gallons Sold
(Gallons sold based on a rolling 12 month total)



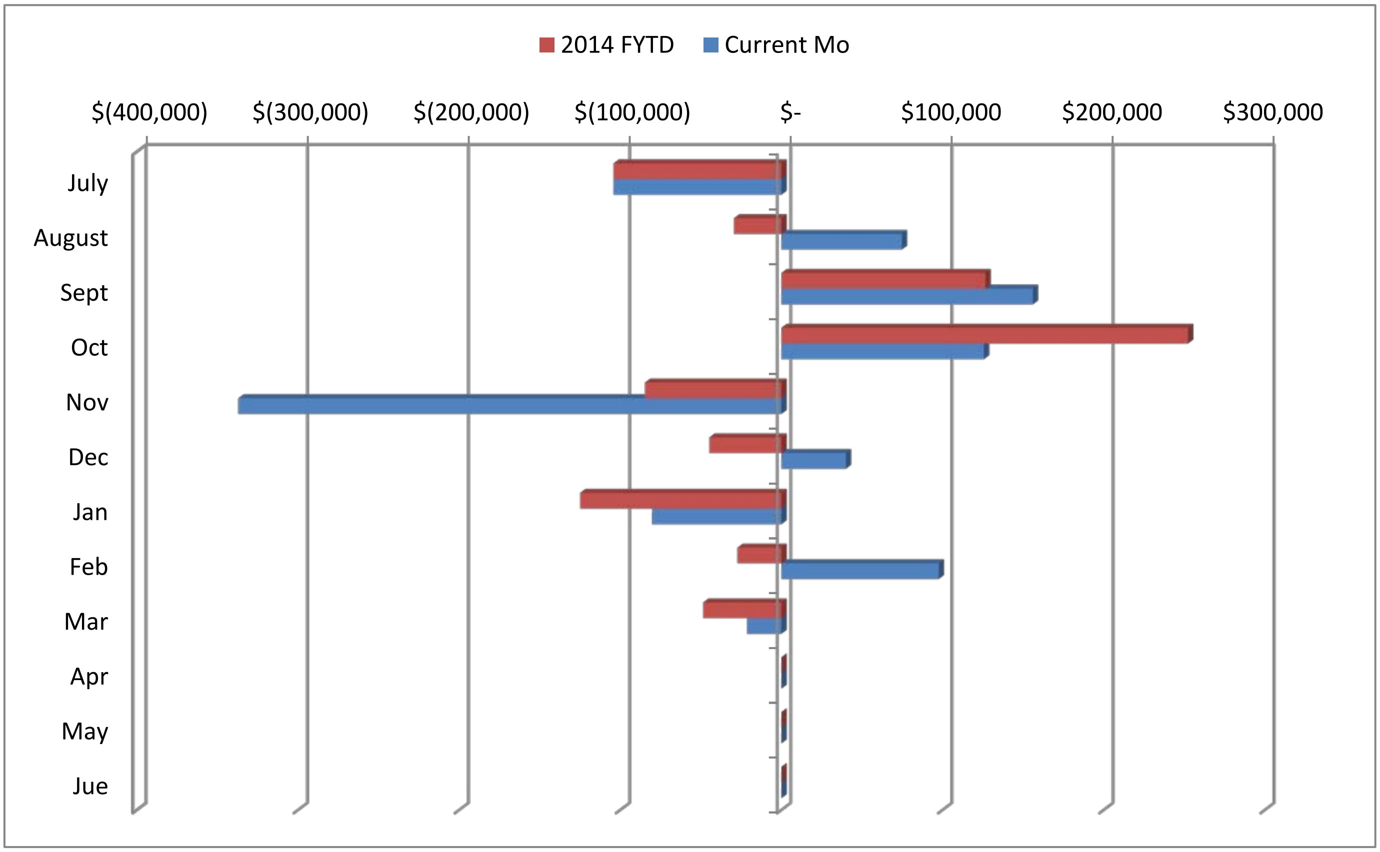
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010-12 WA Avg	340,342,990	341,005,490	339,539,389	337,453,792	338,839,263	338,574,698	340,162,998	341,474,254	345,182,293	349,066,685	348,054,010	347,985,339
2013	365,895,631	359,942,960	363,394,396	366,100,603	362,000,442	362,055,593	356,662,419	352,641,949	347,305,723	346,600,567	348,031,082	349,385,924
2014	347,116,769	350,493,280	350,702,914									

2010-12 WA Avg   2013   2014

2014 March IMU Financial Report Summary

	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Electric Utility:			
Gross Margin	$ 2,052,916	$ 2,212,700	$ (159,784)
Cash-based Net Income (incl. Depr.)	$ (48,556)	$ 34,000	$ (82,556)
Net O&M + Capital Funds Cash Flow	$ (1,035,147)	$ (393,500)	$ (641,647)
Ending O&M and Capital Fund Balances	$ 4,821,079	$ 5,550,800	
Less-			
Designated for Future Projects	-	-	-
Reserve Targets	3,732,900	3,732,900	-
Over/(Under)	$ 1,088,179	$ 1,817,900	$ (729,721)
Debt Service Coverage Ratio w/o PILOT	1.19	1.27	
Water Utility:			
Cash-based Net Income (incl. Depr.)	$ 509,597	$ 495,600	$ 13,997
Net O&M + Capital Funds Cash Flow	$ 244,679	$ 69,200	$ 175,479
Ending O&M and Capital Fund Balances	$ 1,772,762	$ 1,342,300	$ -
Less-			
Designated for Future Projects	340,000	340,000	-
Reserve Targets	666,600	666,600	-
Over/(Under)	$ 766,162	$ 335,700	$ 430,462
Debt Service Coverage Ratio w/o PILOT	1.78	1.76	
Communications Utility:			
Net Cash Flow	$ (84,131)	$ 400	$ (84,531)
Ending Fund Balances	$ 344,837	$ 429,400	$ -
Less-			
Designated for Future Projects	-	-	-
Reserve Targets	323,100	323,100	-
Over/(Under)	$ 21,737	$ 106,300	$ (84,563)
Commercial Customers	107	119	-12
Residential Customers	198	190	8
Administrative Fund:			
Net Cash Flow	$ 36,955	$ 49,200	$ (12,260)

EL - Combined	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Sales of Electricity & Peaking	$ 9,375,675.48	$ 9,382,100	$ (6,425)
Sales Taxes	171,561.49	198,800	(27,239)
Other	1,041,529.12	1,024,600	16,929
Total O&M Revenue	**$ 10,588,766.09**	**10,605,500**	**(16,734)**
Expenditures:			
Purchased Energy & Fuel	$ 6,918,734.66	$ 6,765,400	$ 153,335
Salaries	590,539.19	601,500	(10,961)
Benefits	286,681.85	294,400	(7,718)
Materials, Suppl. & Contracts	374,363.62	387,800	(13,436)
Sales Taxes & Use Taxes	177,562.91	202,700	(25,137)
PILOT	404,025.03	404,000	25
Debt Service - Interest Only	230,850.03	230,900	(50)
Overhead, Admin & EE	778,976.41	753,900	25,076
Depreciation (Est)	1,015,700.00	1,015,700	-
Total O&M Expenses	**$ 10,777,433.70**	**10,656,300**	**121,134**
Net Income (Operating & Other)	**$ (188,667.61)**	**(50,800)**	**(137,868)**
Capital Activities:			
Major Maintenance via Capital Fund	$ (27,500.00)	$ (88,100)	$ 60,600
Capital Contributions (Fiber)	140,336.52	136,900	3,437
Capital Contributions (Electric)	27,275.19	36,000	(8,725)
Net Income	**$ (48,555.90)**	**34,000**	**(82,556)**
Cash Flow:			
Net Income + Depreciation	$ 967,144.10	$ 1,049,700	$ (82,556)
Water Loan Principal	161,100.00	161,100	-
Debt Service Principal	(780,000.00)	(780,000)	-
Debt Service Reserve Change	-	-	-
Capital Contributions (Developers)	160,807.56	1,413,800	(1,252,992)
Proceeds from Debt Issues	-	-	-
Capital Projects	(1,544,198.28)	(2,238,100)	693,902
Designated for Future Projects	-	-	-
Net Cash Flow	**$ (1,035,146.62)**	**$ (393,500)**	**$ (641,647)**



	2014 FYTD	Current Mo	2012 FYTD*	Current Mo*
July	$ (104,177)	$ (104,177)	$ 45,358	$ 45,358
August	$ (29,431)	$ 74,745	$ (9,709)	$ (55,067)
Sept	$ 126,633	$ 156,064	$ (25,852)	$ (16,143)
Oct	$ 252,324	$ 125,691	$ 225,794	$ 251,646
Nov	$ (84,706)	$ (337,030)	$ 70,948	$ (154,846)
Dec	$ (44,691)	$ 40,015	$ 215,574	$ 144,626
Jan	$ (124,895)	$ (80,204)	$ 420,953	$ 205,379
Feb	$ (27,272)	$ 97,623	$ 608,217	$ 187,264
Mar	$ (48,555)	$ (21,283)	$ 734,330	$ 126,113
Apr	$ -	$ -	$ 810,152	$ 75,822
May	$ -	$ -	$ 810,203	$ 51
Jue	$ -	$ -	$ 1,108,104	$ 297,901

*Modified from Variance Report for tracking purposes only

630 - EL O&M Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Sales of Electricity & Peaking	$ 9,375,675.48	$ 9,382,100	$ (6,425)
Sales Taxes	171,561.49	198,800	(27,239)
Other	413,799.84	418,000	(4,200)
Fund Revenue	**$ 9,961,036.81**	**$ 9,998,900**	**$ (37,863)**
Expenditures:			
Purchased Energy & Fuel	$ 6,918,734.66	$ 6,765,400	$ 153,335
Salaries	590,539.19	601,500	(10,961)
Benefits	286,681.85	294,400	(7,718)
Materials, Suppl. & Contracts	374,363.62	387,800	(13,436)
Sales Taxes & Use Taxes	177,562.91	202,700	(25,137)
PILOT	404,025.03	404,000	25
Debt Service	1,010,850.03	1,010,900	(50)
Overhead, Admin & EE	778,976.41	753,900	25,076
Fund Expenditures	**$ 10,541,733.70**	**$ 10,420,600**	**$ 121,134**
O&M Activities Cash Flow:	**$ (580,696.89)**	**$ (421,700)**	**$ (158,997)**
Capital Fund Transfer (Out) In	$ 161,100.00	$ -	$ 161,100
O&M Fund Cash Flow:	**$ (419,596.89)**	**$ (421,700)**	**$ 2,103**
Ending Fund Balances:	**$ 1,477,374.27**	**$ 1,475,300**	
17% Reserve Target	**$ 1,955,600.00**	**$ 1,955,600**	
Over/Under Reserve Target	**$ (478,225.73)**	**$ (480,300)**	**$ 2,074**

730 - EL CAP Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Capital Contributions (Fiber)	$ 140,336.52	$ 136,900	$ 3,437
Capital Contributions (Electric)	109,100.75	143,800	(34,699)
Capital Contributions (Reimb)	78,982.00	1,306,000	(1,227,018)
Water Loan Principal	161,100.00	161,100	-
Proceeds from Debt	-	-	-
Other	627,729.28	606,600	21,129
Fund Revenue	**$ 1,117,248.55**	**$ 2,354,400**	**$ (1,237,151)**
Expenditures:			
Major Maintenance (Est.)	$ 27,500.00	$ 88,100	$ (60,600)
Vehicles	162,063.60	189,300	(27,236)
Relocations & Conversions	802,078.57	1,785,500	(983,421)
New Developments & Line Repl	102,701.51	103,600	(898)
Network Services	128,872.63	152,300	(23,427)
Other/Stock (Out) In	348,481.97	(80,600)	429,082
Fund Expenditures	**$ 1,571,698.28**	**$ 2,238,200**	**$ (666,502)**
Capital Activities Cash Flow:			
Capital Fund Transfer (Out) In	$ (161,100.00)	$ -	$ (161,100)
Designated for Future Projects	-	-	-
Capital Fund Cash Flow:	**$ (615,549.73)**	**$ 116,200**	**$ (731,750)**
Ending Fund Balances:	**$ 3,343,704.71**	**$ 4,075,500**	
Reserve Target	**$ 1,777,300**	**$ 1,777,300**	
Designated for Future Projects			
Over/Under Reserve Target	**$ 1,566,405**	**$ 2,298,200**	**$ (731,795)**

WA - Combined		FYTD ACTUAL		FYTD BUD/RE-EST		VARIANCE
Revenue:						
Sales of Water	$	1,770,405.26	$	1,790,500	$	(20,095)
Sales Taxes		91,798.10		107,400		(15,602)
Other		157,242.23		117,200		40,042
Total O&M Revenue	**$**	**2,019,445.59**	**$**	**2,015,100**	**$**	**4,346**
Expenditures:						
Salaries	$	302,752.05	$	290,800	$	11,952
Benefits		124,332.08		127,000		(2,668)
Materials, Suppl. & Contracts		263,018.24		267,200		(4,182)
Sales Taxes & Use Taxes		92,530.36		107,400		(14,870)
PILOT		53,100.00		53,100		-
Debt Service - Interest Only		63,761.97		63,800		(38)
Overhead, Admin & EE		156,315.14		150,400		5,915
Depreciation (Est)		396,000.00		396,000		-
Total O&M Expenses	**$**	**1,451,809.84**	**$**	**1,455,700**	**$**	**(3,890)**
Net Income (Operating & Other)	**$**	**567,635.75**	**$**	**559,400**	**$**	**8,236**
Capital Activities:						
Major Maintenance via Capital Fund	$	(58,039.17)	$	(63,800)	$	5,761
Net Income	**$**	**509,596.58**	**$**	**495,600**	**$**	**13,997**
Cash Flow:						
Net Income + Depreciation	$	905,596.58	$	891,600	$	13,997
Debt Service Principal		(479,400.00)		(479,400)		-
Debt Service Reserve Change		-		-		-
Capital Projects		(181,517.17)		(343,000)		161,483
Designated for Future Projects		-		-		-
Net Cash Flow	**$**	**244,679.41**	**$**	**69,200**	**$**	**175,479**

600 - WA O&M Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Sales of Water	$ 1,770,405.26	$ 1,790,500	$ (20,095)
Sales Taxes	91,798.10	107,400	(15,602)
Other	137,242.23	117,200	20,042
Fund Revenue	**$ 1,999,445.59**	**$ 2,015,100**	**$ (15,654)**
Expenditures:			
Salaries	$ 302,752.05	$ 290,800	$ 11,952
Benefits	124,332.08	127,000	(2,668)
Materials, Suppl. & Contracts	263,018.24	267,200	(4,182)
Sales Taxes & Use Taxes	92,530.36	107,400	(14,870)
PILOT	53,100.00	53,100	-
Debt Service	543,161.97	798,200	(255,038)
Overhead & Admin	156,315.14	150,400	5,915
Fund Expenditures	**$ 1,535,209.84**	**$ 1,794,100**	**$ (258,890)**
O&M Activities Cash Flow:	**$ 464,235.75**	**$ 221,000**	**$ 243,236**
Capital Fund Transfer (Out) In	$ (306,000.00)	$ (13,500)	$ (292,500)
Debt Service Reserve Change	-	-	-
O&M Fund Cash Flow:	**$ 158,235.75**	**$ 207,500**	**$ (49,264)**
Ending Fund Balances:	**$ 361,424.41**	**$ 410,700**	
17% Reserve Target	**$ 196,100.00**	**$ 196,100**	
Over/Under Reserve Target	**$ 165,324.41**	**$ 214,600**	**$ (49,276)**

700 - WA CAP Fund	FYTD ACTUAL	FYTD BUD/RE-EST	VARIANCE
Revenue:			
Proceeds from Debt	$ -	$ -	$ -
Other (Sale of Land)	20,000.00	-	20,000
Fund Revenue	**$ 20,000.00**	**$ -**	**$ 20,000**
Expenditures:			
Major Maintenance (Est.)	$ 58,039.17	$ 63,800	$ (5,761)
Vehicles	-	25,000	(25,000)
Water Towers	-	-	-
Plant	10,368.37	135,000	(124,632)
Water Mains	171,148.80	183,000	(11,851)
Other	-	-	-
Fund Expenditures	**$ 239,556.34**	**$ 406,800**	**$ (167,244)**
Capital Activities Cash Flow:			
Capital Fund Transfer (Out) In	$ 306,000.00	$ 13,500	$ 292,500
Designated for Future Projects	-	-	-
Capital Fund Cash Flow:	**$ 86,443.66**	**$ (393,300)**	**$ 479,744**
Ending Fund Balances:	**$ 1,411,337.54**	**$ 931,600**	**$ 479,738**
Reserve Target	**$ 470,500.00**	**$ 470,500**	**$ -**
Designated for Future Projects	**340,000.00**	**340,000**	**-**
Over/Under Reserve Target	**$ 600,837.54**	**$ 121,100**	**$ 479,738**

640 - NS O&M Fund

		FYTD ACTUAL		FYTD BUD/RE-EST		VARIANCE
Revenue:						
Fiber License Payments	$	174,266.65	$	171,200	$	3,067
Other		7,195.84		3,800		3,396
Fund Revenue	**$**	**181,462.49**	**$**	**175,000**	**$**	**6,462**
Expenditures:						
Salaries	$	7,625.05	$	7,700	$	(75)
Benefits		1,263.53		1,400		(136)
Materials, Suppl. & Contracts		172,874.49		173,300		(426)
Overhead, Admin & EE		83,830.60		72,300		11,531
Fund Expenditures	**$**	**265,593.67**	**$**	**254,700**	**$**	**10,894**
O&M Activities Cash Flow:	**$**	**(84,131.18)**	**$**	**(79,700)**	**$**	**(4,431)**
Electric CIAC (Out) In	$	-	$	-	$	-
O&M Fund Cash Flow:	**$**	**(84,131.18)**	**$**	**(79,700)**	**$**	**(4,431)**
Ending Fund Balances:	**$**	**344,837.42**	**$**	**349,300**		
FY Ending Balance Target	**$**	**323,100.00**	**$**	**323,100**		
Designated for Future Projects		**-**		**-**		
Over/Under Reserve Target	**$**	**21,737.42**	**$**	**26,200**	**$**	**(4,463)**

620 - ADM O&M Fund		FYTD ACTUAL		FYTD BUD/RE-EST		VARIANCE
Revenue:						
IMU Transfers In	$	766,625.06	$	778,300	$	(11,675)
City Transfers In		13,500.00		13,500		-
Refund/Reimbursement		14.84				
Fund Revenue	**$**	**780,139.90**	**$**	**791,800**	**$**	**(11,675)**
Expenditures:						
Salaries	$	235,559.84	$	235,100	$	460
Benefits		110,837.53		114,300		(3,462)
Materials, Suppl. & Contracts		142,865.30		138,400		4,465
Overhead, Admin, Shared Staff		253,922.15		254,800		(878)
Fund Expenditures	**$**	**743,184.82**	**$**	**742,600**	**$**	**585**
O&M Fund Cash Flow:	**$**	**36,955.08**	**$**	**49,200**	**$**	**(12,260)**

IMU Regular Downstairs **3. B.**

Meeting Date: 04/28/2014

Information

Subject

Director of Finance - FY 2013 Annual Report

Information

The FY 2013 IMU Annual Report is attached. The report is compiled, as per Iowa Code, and submitted to the City Council. It is also submitted to the IA State Auditor's Office and to repositories for continuing disclosure as per bond resolutions.

The report also contains Shull & Co.'s audit report & findings. Arlen Schrum will attend to present.

Also attached are individual reports for the Electric Utility & Water Utility. An individual utility report is not compiled for the Communications Utility.

Last, a table showing trend information of this year's and past annual performance for the Electric Utility is attached. This is annually compiled, as per Trustee request, to help provide context as to the inherent variable nature of financial performance of that utility. The Water Utility's financial performance is more stable, so Trustees have not requested that information in the past.

Note that Net Income is being derived from "Other Revenue" sources, which now includes both MISO transmission credits plus increased capacity payments from MEAN under the supplemental contract. The MISO credits had been projected under the "Non-operating Net" classification last year. Hence the variances in those two categories. Otherwise, the Net Income was relatively closely predicted during last year's review. Net Income will drop significantly in FY 2014 since no rate increases were imposed to compensate for the March 2013 increase in wholesale power, January 2014 increase in transmission costs, and increased PILOT payment and other O&M costs.

Financial Impact

N/A

Staff Recommendation

Attachments

FY 2013 IMU

FY 2013 Water

FY 2013 Electric

Electric Table

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, 2013 and 2012

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, 2013

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

		Term Expires December 31	Amount Of Bond
Chris Boone		2013	300,000
Eric Vander Linden	July 2011 Chairperson	2014	300,000
Bob Lester	June 2012 Chairperson	2015	300,000
Pat Reding	January 2013 Chairperson	2017	300,000
Grant Johnson		2018	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, 2014

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, 2013 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, 2013 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, 2013 rate of return of .25%.

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 3.24 years with a current yield of 2.13%. 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 intents 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 600 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.

Board of Trustees Report - Continued

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, 2013.

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 are reported on a quarterly basis.

The following summary provides a brief review of the various departmental activities and accomplishments in FY 2013.

- **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:

    - Approval of 69kV tariff and 30.9 credit agreements between MEC & MEAN and MEAN & IMU
    - Issued Certificate of Substantial Completion for East Side Conversion Project
    - Progress on Hwy 65/69 Conversion Project
    - Set new electric peak at 34.068 MW
    - Began wreck-out of the East Side Conversion Project
    - W IA Trail Conversion Project cost estimate project put on hold
    - Approved supplemental capacity agreement between MEAN & IMU
    - Design finalized & project was bid to relocate both the Patterson 69kV line and IMU distribution system as part of the IDOT W Hwy 92 project; developed reimbursement agreements with MEC and IDOT
    - Let contracts to relocate both the Patterson 69kV line and IMU distribution system as part of the IDOT W Hwy 92 project; completed reimbursement agreements with MEC and IDOT
    - Prepared options to replace streetlights on The Square

- **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:

    - Repaired record number of water main breaks
    - 2013 Ann Parkway Water Main Replacement Project
    - Repairs to Well #12 pump
    - Completed construction on the 2012 street & water main replacement project
    - Reviewed proactive plant maintenance options developed with V&K
    - Finalized the A.T&T. cellular tower lease contract
    - Prepared engineering materials replace the aerator at the Water Treatment Plant

- **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:

  - Series of overnight conversions to splice over from the old fiber network to the new system backbone fiber
  - IMU Network Services expansion featured on Broadband Nation Internet radio program and several on-line media sources
  - Finished construction and splicing distribution system, MST blocks, cabinet installation (5 of 6), and began providing residential customers with triple-play services (TV, Internet & phone)
  - East Side Conversion Area project extensions reached substantial completion
  - Developed maps and rough budgets for fill-in areas
  - Constructed the W. Hwy 92 fiber route extension
  - Amended the Facility Use Agreement with the Electric Utility & set new rate

- **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:

  - Worked with legal counsel to enforce ROW ordinances and IMU pole attachment resolutions for poles where IMU has and will remove electric facilities
  - Began removing IMU poles; waiting on City of Indianola enforcement where IMU facilities have been wrecked out

Economic Development & Community Betterment:

- Held meetings with Simpson College and the IDA regarding a potential partnership to support Indianola entrepreneurs; developed related planning and presentation materials
- Memorandum of Understanding approved with the IDA & Simpson College to transition to an Economic Gardening approach to local utility development efforts
- Planning meetings held regarding potential on-campus and outreach programs
- GM Todd Kielkopf re-appointed to WCEDC board and co-chairing committee focusing on business retention & entrepreneurial support
- Worked with Simpson College & the IDA to develop a temporary location for an on-campus incubator location (Heckert Hall)
- IDA reached agreement for a Project Manager (Meidh/Chris Draper) and Volunteer Coordinator (Deb Downey)
- Business department students enrolled in a Capstone Class began working on 5 technology startups
- The EMERGE@Simpson College program was formally named where both Capstone and, in the future, independent study students receive credit for working on projects
- The Simpson College chapter of enactus, WCEDC, and Deb Downey marketed classes to Warren Co. residents that are geared towards helping new small businesses
- Meetings held on a potential long-term location (Masonic Temple building) with interest expressed by Warren Co. by their joining in the MOU; worked on funding sources
- Media attention by several regional and on-line sources for the collaborative effort
- Classes held to help new small business owners
- Meetings held with the new President of Simpson College regarding their upcoming strategic planning and where EMERGE@Simpson College stands as a priority programs

Technical Services & Programs:

- Held the annual Customer Appreciation Luncheon in the IMU line shop
- Designed Network Services Partners logo and distributed marketing materials with MCG
- Worked with MCG to begin IMU Partners Program co-location & marketing under a MOU until a 28E Agreement is finalized
- Submitted a FEMA application to develop a community/utility awareness mobile app
- Finished drafting and approved the 28E Agreement to form the IMU Partners Agency
- Recognized as Iowa's first Connected Community; received media attention
- Co-hosted the first Beautification Blowout with the Indianola Sustainability Committee
- Attended & presented information at the Iowa Broadband Summit where Indianola was recognized for connectivity efforts

Governance and Professional Services:

- Reviewed & adopted revised Communications Utility Rules, Regulations and Rates
- Adopted revised MCG license & retail rates
- Approved electric rate increase at recommended levels
- Adopted Strategic Plan and reviewed associated Capital Improvement Plan components
- Approved annual budget and prepared presentations on macro-level topics
- Developed debt schedule for the 2012 water main project and accelerated the debt schedule for the loan between the Electric & Water utilities

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, 2013 and 2012 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.

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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, 2013 and 2012, 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 September 27, 2013 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.

September 27, 2013

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, 2013. 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.

2013 Financial Highlights

- Indianola Municipal Utilities has ending cash and investment balances totaling $9,901,232 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 increased by $481,687.

- Net cash provided by operating activities was $4,017,262, which increased by $944,225 from the prior year.

- At the end of the current fiscal year, unrestricted and undesignated net position totaled $11,240,328, which increased by $11,538 over the prior year.

- The utility's total liabilities decreased $1,478,895 during the current fiscal year. Current liabilities decreased by $57,680, primarily from decreased accounts payable.

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 Position, a Statement of Revenues, Expenses and Changes in Net Position, 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 Position presents information on each utility's assets, liabilities, and equity. Over time, increases or decreases in unrestricted and undesignated net position 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 Position 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, 2013	2012
Assets		
Current	$ 13,303,155	13,295,449
Restricted	1,888,313	1,935,564
Other	225,000	300,000
Capital	44,123,046	43,747,651
Total Assets	59,539,514	59,278,664
Liabilities		
Current	3,367,860	3,342,177
Long Term	9,762,451	11,202,827
Total Liabilities	13,130,311	14,545,004
Net Position		
Invested Capital Assets	34,206,195	32,418,824
Restricted	527,240	593,652
Designated	499,642	492,394
Unrestricted & Undesignated	11,176,126	11,228,790
Total Net Position	$ 46,409,203	44,733,660

As shown above, total utility net position remained relatively stable, increasing 3.89% or $1,739,741. Invested Capital Assets increased by $1,787,371 as construction projects progressed. The utility also repaid $1,405,376 of indebtedness in FY 2013.

Net Income	**Year ended June 30, 2013**	**2012**
Operating revenues		
Sales of electricity	$ 11,541,231	10,775,267
Electrical capacity contract fees	378,840	325,630
Electrical transmission revenue	314,670	-
Sales of water	2,275,942	2,360,367
Fiber communications rental fees	234,494	165,463
Other	261,255	218,770
Total operating revenue	15,006,432	13,845,497
Operating expenses		
Electric utility	10,043,853	9,282,349
Water utility	1,351,320	1,293,145
Fiber communications utility	41,052	33,693
Administrative and general	1,354,216	1,336,412
Transfer to city for Clerk's operations	320,900	311,600
Transfer to city in lieu of property taxes	561,900	512,600
Total operating expenses	13,673,241	12,769,799
Income from operations	1,333,191	1,075,698
Nonoperating revenue (expenses)		
Revenue	493,902	924,134
Expenses	(380,018)	(486,305)
Net Income	$ 1,447,075	1,513,527

Income from operations increased by $257,493. This was due to a combination of rate increases for both the Electric & Water utilities and higher sales volume.

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.

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, 2013	2012
Electric utility		
Revenue bonds	$ 9,000,000	10,010,000
Water utility		
Revenue bonds	1,085,000	1,350,000
General Obligation bonds (issued by city)	1,091,700	1,217,236
Communications utility	-	-
Total	$ 11,176,700	12,577,236
Internal loan from Electric utility to Water utility	$ 2,338,000	2,925,046

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.

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 maintained existing electrical rates in FY 2013 and additional annual rate increases are planned for the foreseeable future to maintain bond coverage for new debt being issued 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, 2013 and 2012

ASSETS	2013	2012
Current assets		
Cash and investments	$ 8,012,920	7,483,982
Accounts receivable - customers	2,529,792	2,758,208
Other accounts receivable	35,640	19,625
Accrued interest receivable	26,678	29,050
Inventories	2,623,125	2,929,584
Promissory note receivable within one year	75,000	75,000
Total current assets	13,303,155	13,295,449
Restricted assets - cash and investments		
Electric revenue note and interest sinking fund	224,800	298,024
Electric revenue note debt service reserve fund	1,084,000	1,084,000
Electric revenue note improvement fund	207,691	207,691
Water revenue bond and interest sinking fund	161,822	135,849
Water revenue bond debt service reserve fund	135,000	135,000
Water revenue bond water improvement fund	75,000	75,000
	1,888,313	1,935,564
Promissory note receivable after one year	225,000	300,000
Electric utility plant and equipment, net of accumulated depreciation of $24,187,333 (2012 - $22,919,265)	29,459,735	28,831,023
Water utility plant and equipment, net of accumulated depreciation of $10,074,855 (2012 - $9,505,443)	14,536,506	14,772,125
Fiber communications utility plant and equipment, net of accumulated depreciation of $772,905 (2012 - $755,207)	126,805	144,503
	44,123,046	43,747,651
	$ 59,539,514	59,278,664

See accompanying notes to financial statements.

LIABILITIES	2013	2012
Current liabilities		
Accounts payable	$ 1,648,194	1,677,118
Wages and benefits payable	192,427	185,886
Sales tax payable	2,106	616
Deferred rental fees	8,071	8,773
Accrued interest payable	1,589	1,872
General obligation bonds payable within one year	154,400	126,000
Total current liabilities	2,006,787	2,000,265
Current liabilities payable from restricted assets		
Accrued interest payable	51,073	66,912
Electric revenue capital loan notes and bonds payable within one year	1,040,000	1,010,000
Water revenue refunding capital loan notes and bonds payable within one year	270,000	265,000
Current liabilities payable from restricted assets	1,361,073	1,341,912
Electric revenue capital loan notes and bonds payable after one year (net of unamortized premium of $70,438 (2012 - $52,592))	8,030,438	9,052,592
General obligation bonds payable after one year (net of unamortized discount of $20,698 (2012 - $24,944))	916,602	1,066,756
Water revenue refunding capital loan notes and bonds payable after one year (net of unamortized premium of $411 (2012 - discount $1,521))	815,411	1,083,479
Total long term liabilities	9,762,451	11,202,827
Total liabilities	$ 13,130,311	14,545,004
NET POSITION		
Invested in capital assets, net of related debt	$ 34,206,195	32,418,824
Restricted for debt service	244,549	310,961
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	22,851	17,592
Designated for economic development revolving loan fund	476,791	474,802
Undesignated	11,176,126	11,228,790
Total unrestricted	11,675,768	11,721,184
Total net position	$ 46,409,203	44,733,660

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012

	2013	2012
Operating revenues		
Sales of electricity	$ 11,541,231	10,775,267
Sales of water	2,275,942	2,360,367
Fiber communications rental fees	234,494	165,463
Capacity contract fees	378,840	325,630
Transmission revenue	314,670	-
Other	261,255	218,770
Total operating revenues	15,006,432	13,845,497
Operating expenses		
Electric utility		
Purchased energy	7,152,377	6,644,002
Plant operation and maintenance	481,600	334,181
Distribution operation and maintenance	1,091,407	1,007,711
Transmission operation and maintenance	29,701	88,326
Depreciation and amortization	1,288,768	1,208,129
Water utility		
Plant operation and maintenance	554,312	672,328
Distribution operation and maintenance	227,596	93,167
Depreciation and amortization	569,412	527,650
Fiber communications utility		
Operation and maintenance	23,354	15,650
Depreciation and amortization	17,698	18,043
Administrative and general	1,354,216	1,336,412
Transfer to city for Clerk's operations	320,900	311,600
Transfer to city in lieu of property taxes	561,900	512,600
Total operating expenses	13,673,241	12,769,799
Income from operations	1,333,191	1,075,698

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Revenues, Expenses and Changes in Net Position - Continued
Years Ended June 30, 2013 and 2012

	2013	2012
Nonoperating revenues (expenses)		
Investment income	197,320	244,942
Connection fees	46,051	96,005
Gain (loss) on sale of capital assets	(14,346)	10,550
USDA Rural Economic Development Grant	-	300,000
Other	264,877	272,637
Bond issuance costs	-	(63,038)
Interest expense	(380,018)	(423,267)
	113,884	437,829
Net income	1,447,075	1,513,527
Capital contributions from customers and developers	220,510	184,054
Capital contributions from water main connection fees	7,958	1,075
Change in net position	1,675,543	1,698,656
Net position, beginning of year	44,733,660	43,035,004
Net position, end of year	$ 46,409,203	44,733,660

See accompanying notes to financial statements.

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Cash received from customers	$ 15,093,159	13,309,674
Cash paid to suppliers	(9,367,202)	(8,666,381)
Cash paid to employees	(2,019,623)	(1,949,898)
Other nonoperating fees and revenues received	310,928	368,642
Net cash provided by operating activities	4,017,262	3,062,037
Cash flows from noncapital financing activities		
USDA Rural Economic Development Grant	-	300,000
Net cash provided by noncapital financing activities	-	300,000
Cash flows from capital and related financing activities		
Purchases and construction of electric utility plant and equipment	(1,853,830)	(3,271,365)
Purchases and construction of water utility plant and equipment	(221,233)	(847,740)
Purchases and construction of fiber communications utility plant and equipment	-	(50,000)
Proceeds from sale of capital assets	29,954	10,550
Water main connection fees received	7,958	1,075
Electric revenue bonds issued	-	1,809,374
Water revenue refunding bonds issued	-	1,347,300
General obligation bonds issued	-	572,700
Bond issue costs paid	-	(63,038)
General obligation bond principal paid	(126,000)	(90,000)
General obligation bond interest paid	(20,225)	(28,100)
Electric revenue capital loan notes and bonds principal paid	(1,010,000)	(830,000)
Electric revenue capital loan notes and bonds interest paid	(340,363)	(307,725)
Water revenue refunding capital loan notes and bonds principal paid	(265,000)	(1,590,000)
Water revenue refunding capital loan notes and bonds interest paid	(11,528)	(42,588)
Net cash used by capital and related financing activities	(3,810,267)	(3,379,557)
Cash flows from investing activities		
Promissory note receivable issued	-	(375,000)
Promissory note principal received	75,000	-
Investment income received	199,692	268,010
Net cash provided (used) by investing activities	274,692	(106,990)
Net increase (decrease) in cash and investments	481,687	(124,510)
Cash and investments, beginning of year	9,419,546	9,544,056
Cash and investments, end of year	$ 9,901,233	9,419,546

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Statement of Cash Flows - Continued
Years Ended June 30, 2013 and 2012

	2013	2012
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	$ 1,397,393	1,075,698
Adjustments		
Other nonoperating fees and revenues	310,928	368,642
Depreciation	1,875,878	1,753,822
(Increase) decrease in accounts receivable - customers	212,401	(464,330)
(Increase) decrease in inventories	306,459	191,197
Increase (decrease) in accounts, wages and benefits, and sales tax payable	(85,095)	137,710
Decrease in deferred rental fees	(702)	(702)
Net cash provided by operating activities	$ 4,017,262	3,062,037
Noncash capital and related financing and investing activities		
Developer contributions of electric utility plant and equipment	$ 107,950	66,804
Developer contributions of water utility plant and equipment	112,560	117,250

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, 2013 and 2012:

	2013	2012
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	33,019,679	31,241,808
Power plant building	2,120,678	2,147,323
Computer equipment	403,968	403,968
Equipment	751,238	751,238
Vehicles	1,384,924	1,239,370
	$ 53,647,068	51,750,288
Water utility		
Land	$ 416,270	416,270
Service territory	328,412	328,412
Buildings and plant	7,595,528	7,595,528
Wells and towers	4,654,755	4,590,517
Mains, hydrants and meters	10,816,694	10,572,176
Machinery and equipment	298,512	598,512
Vehicles	201,190	176,153
	$ 24,311,361	24,277,568
Fiber communications utility		
Distribution and connection systems	$ 899,711	899,711

3. PROMISSORY NOTE

The Utility has a promissory note 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.

Promissory notes maturities are as follows as of June 30, 2013:

Year ending June 30,	Principal
2014	$ 75,000
2015	75,000
2016	75,000
2017	75,000
	$ 300,000

4. REVENUE BONDS AND NOTES 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 customer net receipts and are payable through 2025. 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 $9,323,300. For the current year, principal and interest paid and total customer net receipts were $1,141,125 and $771,863, 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 customer net receipts 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 $1,814,385. For the current year, principal and interest paid and total customer net receipts were $209,238 and $771,863, respectively.

4. REVENUE BONDS AND NOTES PAYABLE - Continued

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.

4. REVENUE BONDS AND NOTES PAYABLE - 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
2014	$ 1,040,000	307,700	1,347,700
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
2019-2023	3,930,000	723,610	4,653,610
2024-2025	1,460,000	88,200	1,548,200
	$ 9,000,000	2,137,685	11,137,685

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.

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 $1,109,527. For the current year, principal and interest paid and total customer net receipts were $276,527 and $606,132, respectively.

4. REVENUE BONDS AND NOTES PAYABLE - Continued

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.

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, 2013:

Year ending June 30,	Principal	Interest	Total
2014	$ 270,000	9,920	300,617
2015	270,000	7,760	301,345
2016	270,000	5,060	298,030
2017	275,000	1,788	1,192,332
	$ 1,085,000	24,528	1,109,528

5. 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, 2013:

Year ending June 30,	Principal	Interest	Total
2014	$ 154,400	19,075	173,475
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
2019-2023	245,400	25,400	270,800
2024-2025	89,500	3,000	92,500
	$ 1,091,700	101,975	1,193,675

6. 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, 2013 and 2012. Accrued sick leave benefits as of June 30, 2013 of approximately $314,276 (2012 - $291,097) are payable only when used and have not been accrued.

7. 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 5.78% of their annual covered salary and Indianola Municipal Utilities is required to contribute 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, 2013 was $124,588 (2012 - $111,531), 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 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.

8. 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 due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level by the Board not to exceed 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The 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, 2013 were $117,182 (2012 - $112,361).

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim. For members requiring specific coverage from $3,000,000 to $15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. 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, 2013, no liability has been recorded in the Utilities financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

8. RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one year period following withdrawal.

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, 2013 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2013, Indianola Municipal Utilities paid workers' compensation insurance premiums of $30,752 (2012 - $32,199) to the Association.

9. 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.

9. JOINTLY GOVERNED ORGANIZATIONS - Continued

IMU's pro-rata share of net at-risk annual costs borne by Schedule M participants is approximately 9.3% in 2013, 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.

10. COMMITMENTS

The Indianola Municipal Utilities have entered into contracts for electric underground conversion, fiber installation project, a water main improvement project and other projects totaling approximately $1,303,692. The remaining commitment on these contracts at June 30, 2013 is $431,045.

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, 2013

		Budget Amounts		Final to Actual
	Actual	Original	Final	Variance
Receipts				
Use of money and property	$ 222,941	464,300	464,300	(241,359)
Intergovernmental	-	300,000	16,800	(16,800)
Charges for service	15,455,844	13,961,300	13,961,300	1,494,544
Special assessments	7,958	300	300	7,658
Miscellaneous	487,884	612,500	612,500	(124,616)
Total receipts	16,174,627	15,338,400	15,055,200	1,119,427
Disbursements				
Business type activities	14,663,000	15,274,100	15,705,800	1,042,800
Excess of receipts over (under) disbursements	1,511,627	64,300	(650,600)	2,162,227
Other financing sources (uses)				
Proceeds of debt	-	-	-	-
Sale of capital assets	-	-	-	-
Operating transfers in (out)	(1,029,942)	(1,009,200)	(1,009,200)	(20,742)
Total other financing sources (uses)	(1,029,942)	(1,009,200)	(1,009,200)	(20,742)
Excess of receipts and other financing sources over (under) disbursements and other financing uses	481,685	(944,900)	(1,659,800)	2,141,485
Balances, beginning of year	9,419,547	9,419,547	9,419,547	-
Balances, end of year	$ 9,901,232	8,474,647	7,759,747	2,141,485

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Notes to Other Information –
Budgetary Reporting
Year Ended June 30, 2013

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. During the year, one budget amendment increased budgeted disbursements by $431,700. The budget amendment is reflected in the final budgeted amounts.

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, 2013, and the related notes to financial statements, and have issued our report thereon dated September 27, 2013.

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.

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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, 2013 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.

Sdwell & Co., P.C.

September 27, 2013

CITY OF INDIANOLA, IOWA
INDIANOLA MUNICIPAL UTILITIES
Schedule of Findings

Year ended June 30, 2013

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, 2013, 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, 2013.

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 WATER UTILITY

Financial Statements
June 30, 2013 and 2012
(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, 2013 and 2012 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.

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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, 2013 and 2012, 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, 2013 and 2012, 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.

September 27, 2013

CITY OF INDIANOLA, IOWA
MUNICIPAL WATER UTILITY
Statement of Net Position
June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash and investments	$ 1,510,033	$ 1,507,153
Accounts receivable - customers	395,726	452,599
Accrued interest receivable	5,246	5,831
Inventories	36,487	32,997
Total current assets	1,947,492	1,998,580
Restricted assets - cash and investments		
Revenue bond and interest sinking fund	161,822	135,849
Revenue bond debt service reserve fund	135,000	135,000
Revenue bond water improvement fund	75,000	75,000
	371,822	345,849
Water utility plant & equipment		
Land	416,270	416,270
Service territory	328,412	328,412
Buildings and plant	7,595,528	7,595,528
Wells and towers	4,654,755	4,590,517
Mains, hydrants and meters	10,816,694	10,572,176
Machinery and equipment	598,512	598,512
Vehicles	201,190	176,153
	24,611,361	24,277,568
Less accumulated depreciation	10,074,855	9,505,443
Net utility plant in service	14,536,506	14,772,125
	$ 16,855,820	17,116,554

See accompanying notes to financial statements.

	2013	2012
LIABILITIES		
Current liabilities		
Accounts payable	$ 54,377	58,686
Wages and benefits payable	57,071	52,783
Sales tax payable	50	56
Accrued interest payable	1,589	1,872
Loan payable to municipal electric utility within one year	214,816	171,168
General obligation bonds payable within one year	154,400	126,000
Total current liabilities	482,303	410,565
Current liabilities payable from restricted assets		
Accrued interest payable	905	1,016
Revenue refunding bonds payable within one year	270,000	265,000
Current liabilities payable from restricted assets	270,905	266,016
Long-term debt		
Loan payable to municipal electric utility after one year	2,123,184	2,753,878
Revenue refunding bonds payable after one year (including unamortized premium of $411 (2012 - discount $1,521))	815,411	1,083,479
General obligation bonds payable after one year (net of unamortized discount of $20,698 (2012 - $24,944))	916,602	1,066,756
	3,855,197	4,904,113
NET POSITION		
Invested in capital assets, net of related debt	10,312,093	9,570,844
Restricted for debt service	25,917	4,833
Restricted for water improvements	75,000	75,000
Unrestricted	1,834,405	1,885,183
Total net position	12,247,415	11,535,860
	$ 16,855,820	17,116,554

CITY OF INDIANOLA, IOWA
MUNICIPAL WATER UTILITY
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2013 and 2012

	2013	2012
Operating revenues		
Sale of water	$ 2,275,942	2,360,367
Other	42,186	47,454
Total operating revenues	2,318,128	2,407,821
Operating expenses		
Plant operation	517,832	638,033
Plant maintenance	36,480	34,295
Distribution maintenance	208,095	76,484
Vehicle operations and maintenance	19,501	16,683
Meter reading	11,240	11,754
Administrative and general	349,267	334,744
Depreciation	569,412	527,650
Total operating expenses	1,711,827	1,639,643
Income from operations	606,301	768,178
Nonoperating revenues (expenses)		
Interest on investments	39,320	41,279
Connection fees	18,583	63,245
Other revenues	64,019	51,368
Refunding bonds issuance costs	-	(24,538)
Interest expense	(137,186)	(172,778)
	(15,264)	(41,424)
Net income	591,037	726,754
Capital contributions from customers and developers	112,560	117,250
Capital contributions from water main connection fees	7,958	1,075
Change in net position	711,555	845,079
Net position, beginning of year	11,535,860	10,690,781
Net position, end of year	$ 12,247,415	11,535,860

See accompanying notes to financial statements.

CITY OF INDIANOLA, IOWA
MUNICIPAL WATER UTILITY
Statement of Cash Flows
Year Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Cash received from customers	$ 2,356,303	2,306,628
Cash paid to suppliers	(592,952)	(553,076)
Cash paid to employees	(534,282)	(518,897)
Other nonoperating fees and revenues received	82,602	114,613
Net cash provided by operating activities	1,311,671	1,349,268
Cash flows from capital and related financing activities		
Purchases and construction of plant and equipment	(221,233)	(847,740)
Water main connection fees received	7,958	1,075
Principal paid to municipal electric utility	(587,046)	(165,289)
Interest paid to municipal electric utility	(99,649)	(105,527)
Revenue refunding bonds issued	-	1,347,300
Revenue refunding bonds interest paid	-	(5,147)
Payment of refunding bonds issuance costs	-	(24,538)
Revenue refunding capital loan notes principal paid	(265,000)	(1,590,000)
Revenue refunding capital loan notes interest paid	(11,528)	(37,441)
General obligation bonds issued	-	572,700
General obligation bond principal paid	(126,000)	(90,000)
General obligation bond interest paid	(20,225)	(28,100)
Net cash used by capital and related financing activities	(1,322,723)	(972,707)
Cash flows from investing activities		
Interest income received	39,905	43,399
Net cash provided by investing activities	39,905	43,399
Net increase in cash and investments	28,853	419,960
Cash and investments, beginning of year	1,853,002	1,433,042
Cash and investments, end of year	$ 1,881,855	1,853,002

CITY OF INDIANOLA, IOWA
MUNICIPAL WATER UTILITY
Statement of Cash Flows - Continued
Year Ended June 30, 2013 and 2012

		2013	2012
Reconciliation of income from operations to net cash provided by operating activities			
Income from operations	$	606,301	768,178
Adjustments			
Other nonoperating fees and revenues		82,602	114,613
Depreciation		569,412	527,650
(Increase) decrease in accounts receivable		56,873	(89,324)
Increase in inventory		(3,490)	(1,581)
Increase (decrease) in accounts, wages and benefits, and sales tax payable		(27)	29,732
Net cash provided by operating activities	$	1,311,671	1,349,268
Noncash capital and related financing and investing activities:			
Developer contributions of utility plant and equipment	$	112,560	117,250

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. REVENUE REFUNDING CAPITAL LOAN NOTES

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 $1,109,527. For the current year, principal and interest paid and total customer net receipts were $276,527 and $606,132, 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.

2. REVENUE REFUNDING CAPITAL LOAN NOTES - Continued

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, 2013:

Year ending June 30,	Principal	Interest	Total
2014	$ 270,000	9,920	279,920
2015	270,000	7,760	277,760
2016	270,000	5,060	275,060
2017	275,000	1,788	276,788
	$ 1,085,000	24,528	1,109,528

3. 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 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.

3. GENERAL OBLIGATION BONDS PAYABLE - Continued

The Municipal Water Utility portion of general obligation bond debt service requirements are as follows as of June 30, 2013:

Year ending June 30,	Principal	Interest	Total
2014	$ 154,400	19,075	173,475
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
2019-2023	245,400	25,400	270,800
2024-2025	89,500	3,000	92,500
	$ 1,091,700	101,975	1,193,675

4. 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.

4. LOAN PAYABLE TO MUNICIPAL ELECTRIC UTILITY - Continued

Aggregate maturities of the loans payable to reflect the restructured loan as of June 30, 2013 were as follows:

Year ending June 30,		
2014	$	214,816
2015		220,249
2016		225,819
2017		231,529
2018		237,384
2019-2022		1,208,203
	$	2,338,000

5. 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, 2013 and 2012. Accumulated sick leave benefits as of June 30, 2013 of $76,609 (2012 - $71,889) are payable only when used and have not been accrued.

6. 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 5.78% of their annual covered salary and the Municipal Water Utility is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The Municipal Water Utility contribution to IPERS for the year ended June 30, 2013 was $32,448 (2012 - $29,937), equal to the required contribution for the year.

7. 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 due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level by the Board not to exceed 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The 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, 2013 were $24,937 (2012 - $24,396).

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim. For members requiring specific coverage from $3,000,000 to $15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

7. RISK MANAGEMENT - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. 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, 2013, no liability has been recorded in the Utility's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The City is a member of the Iowa Municipalities Workers' Compensation Association (the "Association"). The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdiction. The City has executed a Worker's Compensation Coverage Agreement with the Association which extends through June 30, 2013 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2013, the Utility paid workers' compensation insurance premiums of $7,832 (2012 - $9,314) to the Association.

8. COMMITMENTS

The Municipal Water Utility has entered into contracts for a water main improvement project totaling approximately $163,520. The remaining commitment on these contracts at June 30, 2013 is $99,615.

CITY OF INDIANOLA, IOWA
MUNICIPAL WATER UTILITY
Schedule of Operations
Year Ended June 30, 2013 and 2012

	2013	2012
Operating revenues		
Sale of water		
Residential	$ 1,779,279	1,832,099
Commercial	420,538	449,664
Other public authorities	52,754	60,164
Interdepartment sales	23,371	18,440
	2,275,942	2,360,367
Other		
Sale of water meters	18,340	24,670
Penalty charges	23,846	22,784
	42,186	47,454
Total operating revenue	2,318,128	2,407,821
Operating expenses		
Plant operation		
Salaries	251,992	360,873
Payroll tax	21,631	26,776
IPERS	24,061	27,847
Utilities	127,096	127,905
Chemicals and supplies	74,692	78,193
Other	18,360	16,439
	517,832	638,033
Plant maintenance		
Equipment maintenance and repairs	23,503	32,099
Plant and grounds maintenance and repairs	12,977	2,196
	36,480	34,295
Distribution maintenance		
Salaries	134,384	10,448
Payroll tax	7,365	913
IPERS	8,452	1,007
Maintenance and repairs	57,894	64,116
	208,095	76,484
Vehicle operations and maintenance		
Materials and supplies	16,097	13,441
Maintenance and repair	3,404	3,242
	19,501	16,683

CITY OF INDIANOLA, IOWA
MUNICIPAL WATER UTILITY
Schedule of Operations - Continued
Year Ended June 30, 2013 and 2012

	2013	2012
Operating expenses (continued)		
Meter reading		
Salaries	8,463	10,185
Payroll tax	657	788
IPERS	751	781
Other	1,369	-
	11,240	11,754
Administrative and general		
Accounting and collections - transfer to IMU Administration	150,600	135,800
In lieu of property taxes - transfer to General Fund	60,600	63,900
Insurance	35,447	36,388
Group Insurance	80,814	85,502
Professional fees	2,778	566
Bad debts	18,698	11,869
Other	330	719
	349,267	334,744
Depreciation	569,412	527,650
Total operating expenses	1,711,827	1,639,643
Income from operations	606,301	768,178
Nonoperating revenues (expense)		
Interest on investments	39,320	41,279
Connection fees	18,583	63,245
Other	64,019	51,368
Refunding bonds issuance costs	-	(24,538)
Interest expense	(137,186)	(172,778)
	(15,264)	(41,424)
Net income	$ 591,037	726,754

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY

Financial Statements
June 30, 2013 and 2012
(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, 2013 and 2012 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.

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Osceola, Iowa 50213
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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, 2013 and 2012, 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, 2013 and 2012, 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.

September 27, 2013

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Statement of Net Position
June 30, 2013 and 2012

ASSETS	2013	2012
Current assets		
Cash and investments	$ 5,874,276	5,470,316
Accounts receivable - customers	2,134,066	2,305,609
Other accounts receivable	35,640	19,625
Accrued interest receivable	21,432	23,219
Inventory - fuel oil	659,194	618,107
Inventory - supplies	1,927,444	2,278,480
Loan receivable from municipal water utility within one year	214,816	171,168
Total current assets	10,866,868	10,886,524
Restricted assets - cash and investments		
Revenue capital loan notes and bonds bond and interest sinking fund	224,800	298,024
Revenue capital loan notes and bonds debt service reserve fund	1,084,000	1,084,000
Revenue capital loan notes and bonds improvement fund	207,691	207,691
Total restricted assets	1,516,491	1,589,715
Loan receivable from municipal water utility after one year	2,123,184	2,753,878
	2,123,184	2,753,878
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	28,361,536	26,583,665
Transmission system	4,658,143	4,658,143
Power plant building	2,120,678	2,147,323
Computer equipment	403,968	403,968
Equipment	751,238	751,238
Vehicles	1,384,924	1,239,370
	53,647,068	51,750,288
Less accumulated depreciation	24,187,333	22,919,265
Net utility plant in service	29,459,735	28,831,023
	$ 43,966,278	44,061,140

See accompanying notes to financial statements.

		2013	2012
LIABILITIES			
Current liabilities			
Accounts payable	$	1,582,765	1,597,806
Wages and benefits payable		100,437	98,517
Sales tax payable		2,056	560
Total current liabilities		1,685,258	1,696,883
Current liabilities payable from restricted assets			
Accrued interest payable		50,168	65,896
Revenue capital loan notes and bonds payable within one year		1,040,000	1,010,000
Current liabilities payable from restricted assets		1,090,168	1,075,896
Long-term debt			
Revenue capital loan notes and bonds payable after one year (including unamortized premium of $70,438 (2012 - premium $52,592))		8,030,438	9,052,592
NET POSITION			
Invested in capital assets, net of related debt		21,429,297	19,778,431
Restricted for debt service		218,632	306,128
Restricted for plant improvement		207,691	207,691
Unrestricted		11,304,794	11,943,519
Total net position		33,160,414	32,235,769
	$	43,966,278	44,061,140

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012

	2013	2012
Operating revenues		
Sale of electricity	$ 11,541,231	10,775,267
Capacity contract fees	378,840	325,630
Peaking power charges	140,270	108,171
Service installation fees	48,683	25,570
Fiber lease	98,300	-
Transmission revenue	314,670	-
Other	27,458	22,676
Total operating revenues	12,549,452	11,257,314
Operating expenses		
Plant operation	214,465	183,242
Plant maintenance	267,135	150,939
Purchased energy	7,152,377	6,644,002
Depreciation	1,288,768	1,208,129
Distribution operation	126,018	130,310
Distribution maintenance	965,389	877,401
Transmission operation and maintenance	29,701	88,326
Meter reading	39,820	50,061
Administrative and general	1,758,118	1,679,799
Total operating expenses	11,841,791	11,012,209
Income (loss) from operations	707,661	245,105
Nonoperating revenues (expenses)		
Interest on investments	147,056	190,545
Interest on loan to municipal water utility	99,649	105,527
Connect charges and service fees	27,468	32,760
Gain (loss) on sale of capital assets	(14,346)	10,550
Revenue bond issuance costs	-	(38,500)
Other revenues	191,688	206,247
Interest expense	(342,481)	(356,016)
	109,034	151,113
Net income	816,695	396,218
Capital contributions from developers	107,950	66,804
Change in net position	924,645	463,022
Net position, beginning of year	32,235,769	31,772,747
Net position, end of year	$ 33,160,414	32,235,769

See accompanying notes to financial statements.

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Statement of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Cash received from customers	$ 12,598,706	10,823,386
Cash paid to suppliers	(9,087,968)	(8,409,613)
Cash paid to employees	(1,060,457)	(1,053,425)
Nonoperating revenues received	219,156	239,007
Net cash provided (used) by operating activities	2,669,437	1,599,355
Cash flows from capital and related financing activities		
Purchases and construction of utility plant	(1,853,830)	(3,271,365)
Proceeds from sale of capital assets	29,954	10,550
Revenue bonds issued	-	1,809,374
Payment of revenue bond issuance costs	-	(38,500)
Revenue capital loan notes and bonds principal paid	(1,010,000)	(830,000)
Revenue capital loan notes and bonds interest paid	(340,363)	(307,725)
Net cash used by capital and related financing activities	(3,174,239)	(2,627,666)
Cash flows from investing activities		
Loan principal received	587,046	165,289
Interest income received	248,492	317,020
Net cash provided by investing activities	835,538	482,309
Net increase (decrease) in cash and investments	330,736	(546,002)
Cash and investments, beginning of year	7,060,031	7,606,033
Cash and investments, end of year	$ 7,390,767	7,060,031
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities		
Income (loss) from operations	$ 707,661	245,105
Adjustments		
Nonoperating revenues	219,156	239,007
Depreciation	1,288,768	1,208,129
(Increase) decrease in accounts receivable	155,528	(375,006)
(Increase) decrease in inventories	309,949	192,778
Increase (decrease) in accounts, wages and benefits, and sales tax payable	(11,625)	89,342
Net cash provided (used) by operating activities	$ 2,669,437	1,599,355
Noncash capital and related financing activities		
Developer contributions of utility plant and equipment	$ 107,950	66,804

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, 2013 and 2012 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 9.3% in 2013, 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. 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.

Aggregate maturities of loan principal to reflect the restructured loan as of June 30, 2012 were as follows:

Year ending June 30,		
2014	$	214,816
2015		220,249
2016		225,819
2017		231,529
2018		237,384
2019-2022		1,208,203
	$	2,338,000

4. ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE

For the years ended June 30, 2013 and 2012, the accumulated depreciation and depreciation expense were as follows:

Electric utility plant and equipment	Accumulated Depreciation 2013	Depreciation Expense 2013	Accumulated Depreciation 2012	Depreciation Expense 2012
Service territory	$ 162,225	22,300	139,925	22,300
Generating units	10,932,624	367,282	10,565,342	367,485
Distribution system	8,363,252	589,733	7,773,519	519,400
Transmission system	1,922,790	116,453	1,806,337	108,253
Power plant building	906,264	40,572	886,392	40,264
Computer equipment	387,190	21,110	366,080	28,204
Equipment	601,698	62,194	539,504	64,704
Vehicles	911,290	69,124	842,166	57,519
	$ 24,187,333	1,288,768	22,919,265	1,208,129

5. 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 customer net receipts and are payable through 2025. 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 $9,323,300. For the current year, principal and interest paid and total customer net receipts were $1,141,125 and $771,863, 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 customer net receipts 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 $1,814,385. For the current year, principal and interest paid and total customer net receipts were $209,238 and $771,863, respectively.

5. REVENUE CAPITAL LOAN NOTES AND BONDS - Continued

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.

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

Year Ending June 30,	Principal	Interest	Total
2014	$ 1,040,000	307,700	1,347,700
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
2019-2023	3,930,000	723,610	4,653,610
2024-2025	1,460,000	88,200	1,548,200
	$ 9,000,000	2,137,685	11,137,685

6. 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, 2013 and 2012. Accumulated sick leave benefits as of June 30, 2013 of $149,795 (2012 - $137,048) are payable only when used and have not been accrued.

7. 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 5.78% of their annual covered salary and the Municipal Electric Utility is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The Municipal Electric Utility contribution to IPERS for the year ended June 30, 2013 was $68,236 (2012 - $60,397), 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 due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level by the Board not to exceed 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

8. RISK MANAGEMENT - Continued

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The 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, 2013 were \$70,292 (2012 - \$67,252).

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. 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, 2013, no liability has been recorded in the Utility's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one year period following withdrawal.

8. RISK MANAGEMENT - Continued

The City is a member of the Iowa Municipalities Workers' Compensation Association (the "Association"). The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdiction. The City has executed a Worker's Compensation Coverage Agreement with the Association which extends through June 30, 2013 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2013, the Utility paid workers' compensation insurance premiums of $19,244 (2012 - $18,919) to the Association.

9. COMMITMENTS

The Municipal Electric Utility has entered into contracts for electric underground conversion, fiber installation project and other projects totaling approximately $1,140,172. The remaining commitment on these contracts at June 30, 2013 is $331,430.

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Schedule of Operations
Years Ended June 30, 2013 and 2012

	2013	2012
Operating revenues		
Sale of electricity		
Residential	$ 6,481,103	6,114,449
Commercial	2,831,514	2,594,977
Large industrial	866,702	803,613
Small industrial	596,836	542,605
Street lighting	134,690	120,524
Other public authorities	257,952	257,888
Interdepartment sales	372,434	341,211
	11,541,231	10,775,267
Capacity contract fees	378,840	325,630
Peaking power charges	140,270	108,171
Service installation fees	48,683	25,570
Fiber lease	98,300	-
Transmission revenue	314,670	-
Penalties	27,458	22,676
Total operating revenue	12,549,452	11,257,314
Operating and maintenance expenses		
Plant operation		
Salaries	58,414	56,088
Payroll tax	9,134	9,017
IPERS	10,516	9,693
Fuel	95,863	80,228
Material and supplies	937	1,132
Other	39,601	27,084
	214,465	183,242
Plant maintenance		
Salaries	56,635	63,461
Maintenance and repairs	210,500	87,478
	267,135	150,939
Purchased energy	7,152,377	6,644,002
Depreciation	1,288,768	1,208,129

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Schedule of Operations - Continued
Years Ended June 30, 2013 and 2012

	2013	2012
Operating and maintenance expenses (continued)		
Distribution operation		
Salaries	79,889	77,070
Payroll tax	6,011	5,774
IPERS	6,695	5,999
Other	33,423	41,467
	126,018	130,310
Distribution maintenance		
Salaries	526,430	519,083
Payroll tax	39,645	38,679
IPERS	45,269	41,360
Materials and supplies	253,745	215,375
Fleet operations and repairs	100,300	62,904
	965,389	877,401
Transmission operation and maintenance		
Salaries	12,933	9,529
Payroll tax	308	557
IPERS	352	592
Maintenance and repairs	13,543	66,624
Other	2,565	11,024
	29,701	88,326
Meter reading		
Salaries	31,755	40,557
Payroll tax	2,627	3,155
IPERS	3,004	3,124
Other	2,434	3,225
	39,820	50,061
Administrative and general		
Accounting and collections - transfer to IMU Administra	707,443	719,682
In lieu of property taxes - transfer to City General Fund	501,300	448,700
Insurance	149,299	145,451
Group Insurance	186,353	192,245
Professional fees	4,000	8,600

CITY OF INDIANOLA, IOWA
MUNICIPAL ELECTRIC UTILITY
Schedule of Operations - Continued
Years Ended June 30, 2013 and 2012

	2013	2012
Operating and maintenance expenses (continued)		
Administrative and general (continued)		
Energy efficiency programs	35,838	44,820
Bad debts	106,274	58,922
Donations	62,560	53,700
Miscellaneous	5,051	7,679
	1,758,118	1,679,799
Total operating expenses	11,841,791	11,012,209
Income (loss) from operations	707,661	245,105
Nonoperating revenues (expenses)		
Interest on investments	147,056	190,545
Interest on loan to municipal water utility	99,649	105,527
Electric service fees	3,605	8,240
Connect charges	23,863	24,520
Cable TV income	33,300	40,545
Gain (loss) on sale of capital assets	(14,346)	10,550
FEMA disaster payments	-	5,874
Revenue bond issuance costs	-	(38,500)
Miscellaneous	158,388	159,828
Interest expense	(342,481)	(356,016)
	109,034	151,113
Net income	$ 816,695	396,218

Electric Utility Financial Projections
April, 2013

	Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010	Actual FY 2011	Actual FY 2012	Actual FY 2013	Est FY 2013	Proj FY 2014
Operating Revenue									
Sales of Electricity	7,947,344	8,050,588	8,423,835	8,973,880	10,026,640	10,775,267	11,541,231	11,434,000	11,839,000
Other	386,405	382,758	308,125	400,464	485,162	482,047	1,008,221	424,300	1,368,200
Total Operating Revenue	8,333,749	8,433,346	8,731,960	9,374,344	10,511,802	11,257,314	12,549,452	11,858,300	13,207,200
Operating Expenses									
Plant	1,128,334	269,670	277,412	369,247	360,455	334,181	481,600	348,700	332,700
Purchased Energy & Trans	4,717,638	5,139,938	4,926,823	4,920,676	5,971,282	6,644,002	7,152,377	6,922,300	8,522,000
Distribution & Trans Ops	817,418	877,971	874,601	1,052,262	1,249,761	1,096,037	1,121,108	1,108,000	1,148,000
Meters	16,484	18,514	48,133	61,142	62,670	50,061	39,820	47,400	47,400
Administration & general	1,599,060	1,563,389	1,736,032	1,613,539	1,689,637	1,679,799	1,758,118	1,638,400	1,789,500
Amortization & Depreciation	1,037,289	1,040,248	1,069,499	1,142,976	1,185,571	1,208,129	1,288,768	1,269,000	1,328,500
Total Operating Expenses	9,316,223	8,909,730	8,932,500	9,159,842	10,519,376	11,012,209	11,841,791	11,333,800	13,168,100
Income from Operations	(982,474)	(476,384)	(200,540)	214,502	(7,574)	245,105	707,661	524,500	39,100
Non-operating Net	$ 439,359	$ 400,110	$ 366,053	$ 426,782	$ 305,204	$ 151,113	$ 109,034	$ 332,800	$ 78,500
Net Income	**$ (543,115)**	**$ (76,274)**	**$ 165,513**	**$ 641,284**	**$ 297,630**	**$ 396,218**	**$ 816,695**	**$ 857,300**	**$ 117,600**

*2007 Plant Expenses include fuel used to meet interruptible purchased energy contract obligations

IMU Regular Downstairs **3. D.**
Meeting Date: 04/28/2014

Information

Subject

Administrative News Items

Information

Notable items occurring this past week are attached.

Financial Impact

N/A

Staff Recommendation

Attachments

News Items

NEWS ITEMS

TO: IMU Trustees
FROM: IMU Administrative Staff
DATE: April 28, 2014

1. **Pole Attachment Removal Projects:** IMU staff had a productive meeting with recently-assigned CenturyLink staff regarding their intention to begin underground conversions that have lagged IMU's pace. They filed a permit this week for work in the N. Howard St. & E. Clinton area. Also note that Mediacom has made significant progress on 15th St. and has an active project on East Hwy 92 with locates called in. IMU will be able to remove a large number of poles in highly visible corridors later this year.

2. **Cost of Energy Adjustment Policy:** IMU staff intends for Trustee review of a draft Cost of Energy Adjustment policy at the May 12 meeting.that places financial parameters on its use. JK Energy Consulting (rate consultant) is helping with wording that balances emergency use that protects bondholders in addition to its planned use as a mechanism to attain financial ratios as wholesale & transmission costs rise over time. Consideration of the policy in May would allow time for a public awareness campaign during June for implementation as early as July 1 bills, which is the start of the summer seasonal rate. This is possible since the existing rate resolution contains the adjustment clause.

3. **The Grinnell Group:** IMU staff met this week with a contractor for a national cell phone provider looking into a pilot project to increase their cellular data capacity around Simpson College. Their approach is to evaluate if micro-antennas can be installed on light poles or streetlight poles and connected via fiber. IMU would own the fiber and they would pay for construction (or a significant portion) in lieu of pole attachment fees for a set period of time. IMU would install 72-count fiber, significantly more than the cell phone company would need, and thus be able to affordably serve a wider fiber-to-the-premise area using overhead service. The proposed area could be linked to the proposed Howard St. project, also. Much more investigation into costs & benefits will be done this spring/summer.

4. **MCG/Marketing:** MCG's new consultant confirmed this week that plans are on target for more active marketing activities starting in early May and run through July. IMU staff will participate in reviewing final drafts for the direct mail series next week or so. The team will then re-evaluate effectiveness and make adjustments for the fall.

5. **MCG/Drops:** MCG made significant progress on the list of drops that were laid on top of the ground over the winter. Two crews were in town this week burying them prior to the start of yard mowing season.

6. **Boiler/Machinery Policy:** Staff met with a rep. from the Cincinnati Insurance Co. this week to go over the details of the policy and evaluate claims potentials and coverage. IMU has historically inherently self-insured 50% of the cash value of major turbine/generator components due to their age (recovery of catastrophic maintenance is based on an age-based formula). This will likely continue due to the significant cost to recover more funds. The implication is that major (above $350,000 per event) maintenance to them is dependent on either having cash reserves or borrowing funds when needed in order to keep selling capacity and meeting bond rating agency expectations. The 3-year policy will be brought to Trustees in June along with other insurance policy renewals.

7. **SMART Economic Development Conference:** Chelle Klootwyk will represent IMU this coming Thursday on a panel discussion at this annual conference, with attendees being economic development professionals from around the state. The session is being moderated by Connect Iowa to highlight efforts to attract broadband and leverage community assets. Indianola was selected due to the collaborative and synergistic approach now underway involving network services expansion (IMU/MCG), partnering with private service providers (IMU Partners program) to enhance services offered, planning for community engagement activities (IDA), and implementing an economic gardening model (EMERGE).

8. **Community Solar Project:** IMU staff did receive a proposal from The Energy Group pertaining to studying the economics of a community-owned solar array. Staff's intention is to hold off discussing the merits of a study until at least drafts of MEAN's modified rate structure become available later this year, since the basic cost/benefit calculations are based on avoided purchased energy costs.

   IAMU also held a webinar on the topic this week. The economics at a household level is that an array can provide a levelized cost as low as $.075/kWh or less after tax credits. IMU's potential avoided average marginal rates on wholesale peak summer costs may be as high as $.10/kWh or more. Key questions to study include (a) the production capability of the optimal style of array; and (b) the estimated annual peak kW & hourly kWh avoided purchases from MEAN; and (c) what are the estimated costs and are they sustainable?

   On a related note, IMU GM Todd Kielkopf is representing the Iowa Association of Municipal Utilities as its appointed member on the Advisory Council of the Iowa Energy Center. The center is housed at Iowa State University and will be a good source, along with IAMU staff & The Energy Group, to evaluate community solar options. The center is financed through a mandatory assessment imposed by the state on all electric utilities. The 13-member Advisory Council is comprised of stakeholders from research/education (regent/private), state government (IUB/economic development), and utilities (public, rural co-ops, and investor-owned). The Director of the center is meeting with IMU staff early next week.

IMU Regular Downstairs **3. E.**

Meeting Date: 04/28/2014

Information

Subject

Program Coordinator - Reliable Public Power Provider Award

Information

Program Coordinator Chris Longer prepares IMU's submission to the American Public Power Association for evaluation for its Reliable Public Power Provider program. IMU scored above 90 points, which again brings a Platinum-level designation.

Chris will attend to present highlights of the summary report and progress already made addressing areas suggested by the 18-member scoring panel of industry peers, most of which are procedural in nature vs. policy changes.

IMU staff intends to recognize everyone's efforts and publicize the utility's RP3 status over the next 3 years.

Financial Impact

N/A

Staff Recommendation

Attachments

RP3 Score Sheet

RP3 Final Summary Report

Utility Name

Indianola Municipal Utilities

Chris Longer

Program Coordinator

111 South Buxton Street

515-962-5302 chris@i-m-u.com

Dear Chris Longer:

Congratulations on receiving the Reliable Public Power Provider (RP3) designation!
The Reliable Public Power Provider (RP3) program Review Panel has completed its final review of your 2013 RP3 application. In the attached RP3 Final Summary Report, you will find your overall application score, point breakdown for each of the four sections, and brief comments.

The RP3 Final Summary Report is intended to provide your utility with valuable feedback from the extensive review process undertaken. We encourage you to discuss these results with others at your utility. For most utilities, this review and discussion period is the most valuable part of the program as it helps you become a stronger public power system for your customers, employees, and community. Please note that not all questions will receive comments, only those where the Panel deemed necessary to help you improve or recognize best practices.

Please join us in Oklahoma City, Oklahoma to receive official recognition at the 2014 Engineering and Operations Technical Conference on April 6-9. You may register to attend the Conference and make hotel reservations by visiting PublicPower.org/EandO. Any press release about your recognition must be embargoed until Monday, April 7. The RP3 designation period for your application is May 1, 2014, to April 30, 2017, and you will need to re-apply by September 30, 2016.

If you would like to discuss individual questions or comments in detail, please feel free to e-mail the APPA Engineering Services Staff at RP3@PublicPower.org to set up a conference call time.
Once again, congratulations to you and your utility for earning the RP3 designation!

Sincerely,

Michael J. Hyland, PE
Senior Vice President, Engineering Services
American Public Power Association

RP3 Final Summary Report

Reliable Public Power Provider

Utility Name

Indianola Municipal Utilities

Scoring Summary

Reliability Checklist Scoring

Monitoring and Tracking Data (2)	2.00
Reliability Statistic Tracking (4)	4.00
Indices Use (4)	4.00
Reliability Survey (2)	2.00
Mutual Aid (3)	3.00
Disaster Plan (4)	2.00
Physical Infrastructure Security (3)	3.00
Cyber Security (3)	1.00

Safety Checklist Scoring

Safety Manual Use (2)	2.00
Safety Manual Directive (2)	2.00
Regular Safety Meetings (3)	3.00
Safety Rule Enforcement Policy (2)	2.00
Documented Job Briefings (2)	0.00
Safety Orientation Practice (1)	1.00
Accident Investigations (2)	2.00
Management Participation (2)	2.00
OSHA Refresher Training (2)	2.00
Automated External Defibrillators (1)	0.00
Arc Hazard Assessments (2)	2.00
Disaster Drills (2)	1.00
Safety Index Benchmarking (2)	2.00

Workforce Development Checklist Scoring

Demographics (3)	3.00
Succession Plan (3)	2.00
Recruitment Procedure or Practice (2)	2.00
Development Plans (3)	3.00
Recognition of Employee Performance (3)	3.00
Written Education Programs (4)	3.50
Networking and Professional Development (4)	4.00
Membership and Service (3)	3.00

System Improvement Checklist Scoring

Research and Development Program and Participation (3)	3.00
Programs for Energy Conservation and Energy Efficiency (3)	3.00
Outreach on Energy Conservation and Energy Efficiency (3)	3.00
System Maintenance (4)	4.00
System Losses (3)	3.00
Near-Term Capital OM Projects (5)	5.00
Planning Study (4)	4.00

Reliability Score	**21.00**
Safety Score	**21.00**
Workforce Score	**23.50**
Syst. Improvement Score	**25.00**

Final Score **90.50**

Reliability Checklist Comments

Monitoring and Tracking Data (2)	
Reliability Statistic Tracking (4)	
Reliability Indices Use (4)	
Reliability Survey (2)	
Mutual Aid Agreement (3)	
Disaster Plan (4)	Panel recommends reviewing your disaster plan annually and developing a electric utility-specific plan.
Physical Infrastructure Security (3)	
Cyber Security (3)	Panel recommends conducting cyber security training for all employees. Additionally, conducting cyber security assessments on an annual basis is a best practice.

Safety Checklist Comments

Safety Manual Use (2)	
Safety Manual Directive (2)	
Regular Safety Meetings (3)	
Policy for Safety Rule Enforcement (2)	
Documented Job Briefings (2)	The Panel recommends conducting and documenting job briefings.
Safety Orientation Practice (1)	
Accident Investigations/Near-miss Reports (2)	
Management Participation (2)	
OSHA Refresher Training (2)	
Automated External Defibrillators (1)	The Panel recommends having AEDs at all work site locations.
Arc Hazard Assessments (2)	
Disaster Drills (2)	The Panel recommends conducting at least one disaster drill on at least an annual basis.
Safety Index Benchmarking (2)	

Work Force Development Checklist Comments

Demographics (3)	
Succession Plan (3)	Panel recommends implementing step 4 of your strategic plan including developing a succession plan.
Recruitment Procedure or Practice (2)	The panel recommends developing a written policy that defines job posting procedures, recruitment process and selection procedures.
Development Plans (3)	
Recognition of Commendable Employee Performance (3)	
Written Education Policies/Procedures/Programs (4)	The best practice is to communicate your utility's education policy upon hire, annually, and when changes are made.
Networking and Professional Development (4)	Panel recommends providing state and national networking opportunities for operations and field personnel.
Membership and Service (3)	

RP3 Final Summary Report

Reliable Public Power Provider

Utility Name

Indianola Municipal Utilities

System Improvement Checklist Comments

Research and Development Program and Participation (3)

Programs for Energy Conservation and Energy Efficiency (3)

Outreach on Energy Conservation and Energy Efficiency (3)

System Maintenance (4)

System Losses (3)

Near-Term Capital and OM Projects (5)

Planning Study (4)

IMU Regular Downstairs **4.**

Meeting Date: 04/28/2014

Information

Subject

2014 W. Hwy 92 Transmission Relocation Project

Information

Financial Impact

N/A

Staff Recommendation

Attachments

P&E Memo

P&E ENGINEERING CO.
POWER SYSTEMS ANALYSIS AND DESIGN
Allan R. Powers, P.E. Richard D. Kline, P.E.
Timothy G. Ernst, P.E.
245 S. 5th St., PO Box 620, Carlisle, IA 50047
p.515-989-3083 f.515-989-3138 pe@peengr.com

April 24, 2014

Mr. Todd Keilkopf
Indianola Municipal Utilities
PO Box 356
Indianola, Iowa 50125

Dear Todd,

Change Orders 3 and 4 for the 2013 Hwy 92 Transmission Relocation Project are attached.

Change Order 3 covers changes in the transmission line design in the vicinity of Kennedy St. due to the problems in obtaining an easement from Mr. Cunningham and the DOT delays in acquiring the Taylor property. These changes resulted in reducing the Contract amount by $6,750.

Change Order 4 documents the delay in the start date from March 1 to May 1. Michels is requesting an additional $28,472 to cover changes in workload and worker availability that has resulted in more overtime work and bringing in crews from out of state. This is in addition to the $8,500 that was approved on Change Order 1 to cover a labor rate increase that was effective on December 1, 2013 and extra costs to handle and store materials.

I recommend approval of both of these change orders.

The following change orders are now approved or pending for this project.

Change Order 1	Delay start date from Sept. 1, 2013 to January 1, 2014	$8,500.
Change Order 2	Delay Start Date from January 1 to March 1, 2014	0.
Change Order 3	Change design at Kennedy St.	($6,750.)
Change Order 4	Delay start date from March 1 to May 1, 2014	$28,472.

Change Orders 1 and 4 represent the cost of delays caused by the DOT schedule, and should be 100% reimbursable by the DOT. Change Order 3 should be treated as a direct modification of the cost of construction.

Sincerely,

Allan Powers, P.E.

cc: Chris Longer
Bob Miller

IMU Regular Downstairs **4. A.**

Meeting Date: 04/28/2014

Information

Subject

Change Order #3

Information

Change Order #3 (see attached) is a deduct of $6,750 for changing the route of the line. Easement acquisition issues mean that instead of removing a highway crossing, the new line will continue to cross Hwy 92 twice.

Two laminates pole are needed, which are being mostly offset by the reduction in scope of work and returning to stock the wood poles already purchased, which will be used elsewhere when replacing poles as needed.

Financial Impact

N/A

Staff Recommendation

Simple motion approving Change Order #3 is in order.

Attachments

Change Order #3

P&E ENGINEERING CO.
POWER SYSTEMS ANALYSIS AND DESIGN
Allan R. Powers, P.E. Richard D. Kline, P.E.
Timothy G. Ernst, P.E.
245 S. 5th St., PO Box 620, Carlisle, IA 50047
p.515-989-3083 f.515-989-3138 pe@peengr.com

CHANGE ORDER NO. 3

Owner:	Indianola Municipal Utilities
Contractor:	Michels Power, a division of Michels Corporation
Project:	2013 Hwy 92 Transmission Relocation Project
Date	April 17, 2014

Original Contract Amount	$	815,283.00
Previous Change Order Adjustments	$	8,500.00
Amount of this Change Order	$	(6,750.00)
Current Value of Contract	$	817,033.00

Items included in this Change Order

Item	Description	Amount
1	Delete all work shown on original drawings and staking sheets at pole locations 01, 01T, 02, 03, 04, 05, 06, 07, 08, 09, 02R, 03R, 04R, 05R, and 06R and add work at locations 06A, 07A, 08A, and 09A as described in the attached Proposal Request.	$ (6,750.00)
		$ -
		$ -
	Total Value of Change Order	$ (6,750.00)

Recommended for Approval

____________________ Date __________

Allan Powers, PE
P & E Engineering Co.

Approved

____________________ Date __________

For Indianola Municipal Utilities

Accepted by Contractor

____________________ Date __________

For Michels Power, a division of Michels Corporation

Al Powers

From: Brian Olsen [bolsen@michels.us]
Sent: Monday, April 07, 2014 4:07 PM
To: Al Powers
Subject: RE: Change orders for Hwy 92 work

Al,

For Change Order #4 (Start date change from March 1 to May 1)

- We have no issues with the change of the substantial completion date. Regarding the start date change from March 1 to May 1. Due to changes in the availability of manpower from the time Michels was originally going to construct this project (original start date of 9/1/2013), Workload across the country has become much busier, and as a result, we are having to pay a premium wage, as well as worked an increased number of hours/week to retain the manpower to build this project for IMU with a start date of approximately 5/1/2014. The result of the schedule change to beginning the project results in a cost *increase* of $28,472 to the project.

- For Change order #3 (Scope Change around Taylor and Cunningham properties).
  - The scope reduction that this change represents is a net *decrease* to the cost of the project by $6,750. The extra material hardware that will be leftover as a result of this change would still belong to IMU as the material has already been procured.

Please let me know if you have any questions or concerns. I sincerely apologize for the delay in getting this to you and on top of that I completely missed the email you sent looking for these by last week Wednesday.

Thank you,

Brian

Brian Olsen | Project Manager Estimator - Line II

Michels Power
A Division of **MICHELS Corporation**
office: 920.721.9153 | fax: 920.720.5214 | cell: 920.539.7053
bolsen@michels.us | www.michels.us
1775 E Shady Ln
Neenah, WI 54956

From: Al Powers [mailto:arpowers@peengr.com]
Sent: Sunday, April 06, 2014 4:23 PM
To: Brian Olsen
Cc: Nick Warland
Subject: RE: Change orders for Hwy 92 work

Brian,

Proposal Request

Proposal
Request No.: 1 Date: Feb. 18, 2014

Project:	Owner:
2013 Hwy 92 Relocation Project	Indianola Municipal Utilities
Contract:	Engineer:
2013 Hwy 92 Transmission Relocation Project	P & E Engineering Co.
Contractor:	Engineer's Project No.:
Michels Power, a division of Michels Corporation	8958

Provide a proposal, including any changes to the Contract Sum and/or Contract Time, for the following proposed changes to the referenced project. Do NOT proceed with these changes until a change Order has been issued. Submit copies of proposal to Engineer.

Description of Proposed Change:

Delete all work shown on original drawings and staking sheets at pole locations 01, 01T, 02, 03, 04, 05, 06, 07, 08, 09, 02R, 03R, 04R, 05R, and 06R.

Install new poles and framing as follows.

Pole 06A Replace existing pole with laminated wood, framed per drawing E8958-T066
Pole 07A Set new 75-1 round wood pole framed per drawing T69-065
Pole 08A Set new laminated wood pole framed per drawing T69-025
Pole 09A Set new laminated wood pole framed per drawing T69-025

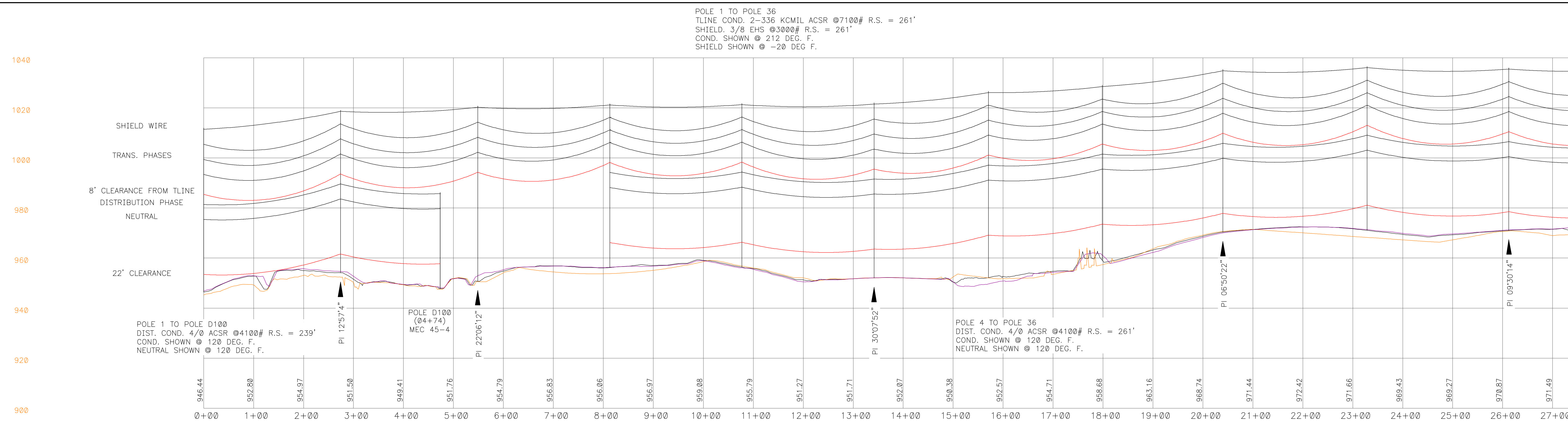
Owner will provide poles, insulators, and conductor in accordance with Contract. Contractor to provide all other materials. This Change Request is for transmission work only. Drawings showing related distribution revisions are being prepared and will be covered on a future Change Request.

Reason for Proposed Change:

DOT right of way changes

Attachments (list documents supporting change):
E8958-T101, Rev-A dated 03-13-13 and Rev-B dated 01-22-14
Framing drawings T69-025, T69-065, and T69-066

Requested by Engineer:	Date
Allan Powers, P.E., P & E Engineering Co.	02/18/14

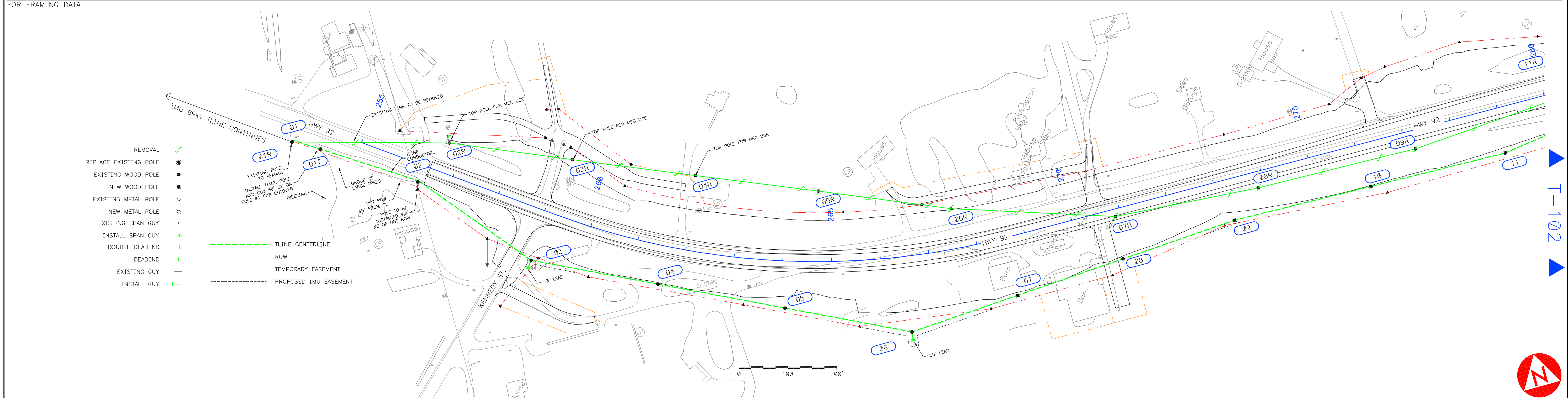


STRUCTURE NUMBER	POLE 01	POLE 02	POLE 03	POLE 04	POLE 05	POLE 06	POLE 07	POLE 08	POLE 09	POLE 10	POLE 11
(STRUCTURE STATIONING)	(00+00)	(02+74)	(05+49)	(08+13)	(10+77)	(13+41)	(15+70)	(17+99)	(20+40)	(23+29)	(26+13)
POLE HEIGHT - CLASS	75-1	LW-65' AGL	80-1	75-1	75-1	80-1	80-1	80-1	LW 65' AGL	75-1	LW 65' AGL
NOTES	RE-USE EXISTING POLE										

GRID STATIONING: 00+00, 05+00, 10+00, 15+00, 20+00, 25+00

SPAN LENGTH: 274', 275', 265', 265', 265', 229', 228', 241', 289', 284'

SEE STAKING SHEETS
FOR FRAMING DATA



PRELIMINARY
NOT FOR CONSTRUCTION

REV	DATE	DESG	DFTR	APP	DESCRIPTION
A	03-13-13	P&E	RMB	ARP	ORGINAL DESIGN

P & E ENGINEERING CO.
POWER SYSTEM ANALYSIS AND DESIGN
245 S. 5th
P.O. Box 620
Carlisle, IA 50047
Office: 515-989-3083
FAX: 515-989-3138
peengr@peengr.com

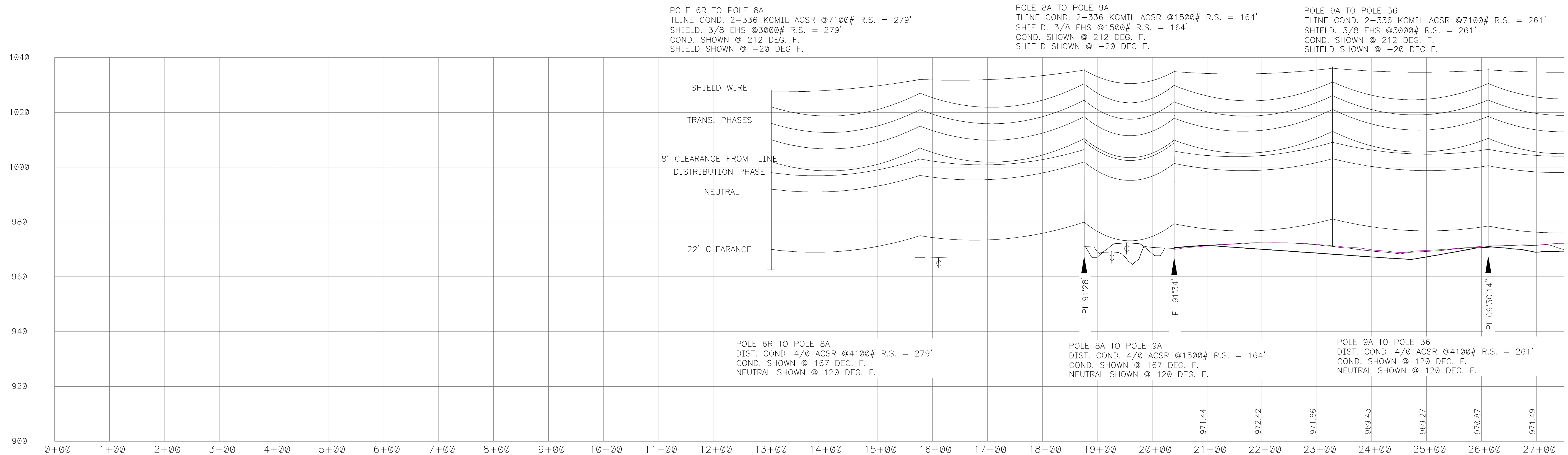
INDIANOLA MUNICIPAL UTILITIES
IMU
Electric • Network Services • Water

DATE	01-08-12
DESIGNED	P&E
DRAWN	RMB
APPROVED	JWE
APPROVED	ARP

INDIANOLA MUNICIPAL UTILITIES
HIGHWAY 92 DOT PROJECT
TRANSMISSION PLAN & PROFILE

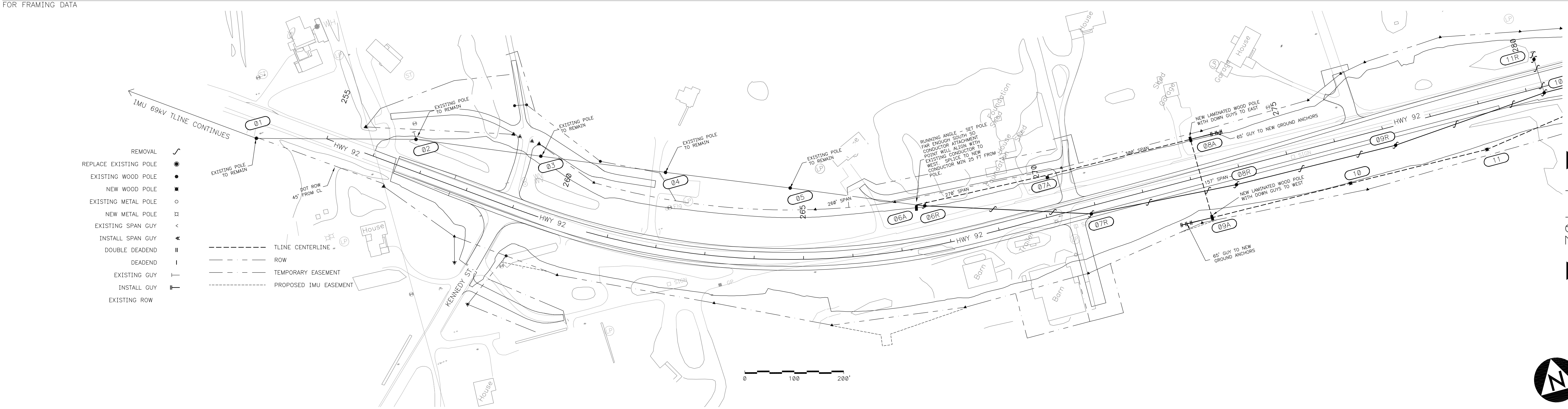
SCALE: AS NOTED
REV A
DWG NO E8958-T101

ACAD 22X34



STRUCTURE NUMBER (STRUCTURE STATIONING)		POLE 06A (13+06)		POLE 07A (15+77)		POLE 08A (18+76)		POLE 09A (20+40)		POLE 10 (23+29)	POLE 11 (26+13)
GRID STATIONING	00+00 05+00 10+00		15+00				20+00			25+00	
SPAN LENGTH			271'		299'		164'		289'	284'	
POLE HEIGHT - CLASS		LW 65' AGL		75-1		LW 65' AGL		LW 65' AGL		75-1	LW 65' AGL
NOTES											

SEE STAKING SHEETS
FOR FRAMING DATA



PRELIMINARY
NOT FOR CONSTRUCTION

REV	DATE	DESG	DFTR	APP	DESCRIPTION
B	1-22-14	P&E	RWB	ARP	ALTERNATE ROUTING
A	03-13-13	P&E	RMB	ARP	ORGINAL DESIGN

P & E ENGINEERING CO.
POWER SYSTEM ANALYSIS AND DESIGN
245 S. 5th
P.O. Box 620
Carlisle, IA 50047
Office: 515-989-3083
FAX: 515-989-3138
peengr@peengr.com

INDIANOLA MUNICIPAL UTILITIES
IMU
Electric • Network Services • Water

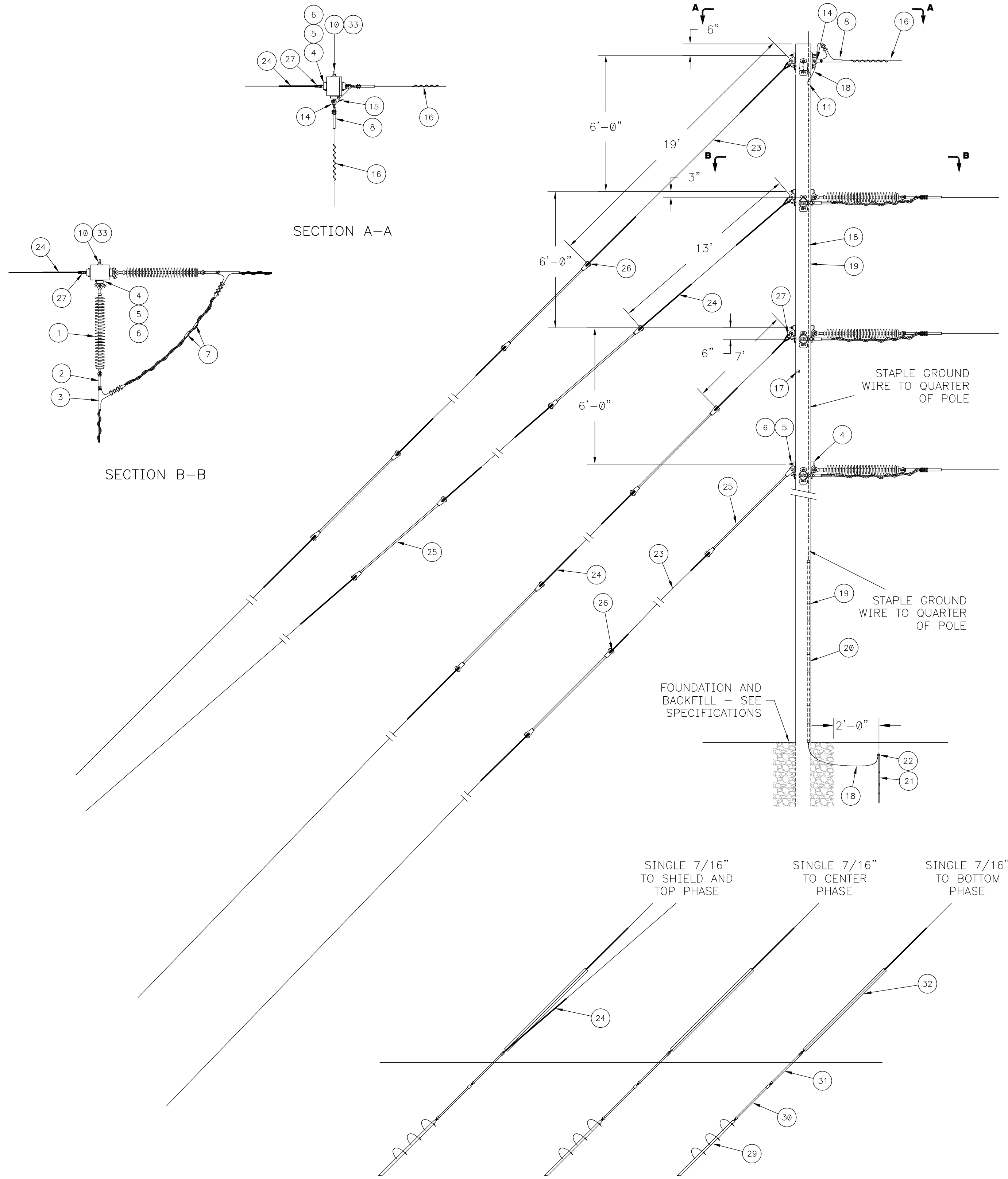
DATE	01-08-12
DESIGNED	P&E
DRAWN	RMB
APPROVED	JWE
APPROVED	ARP

INDIANOLA MUNICIPAL UTILITIES

HIGHWAY 92 DOT PROJECT
TRANSMISSION PLAN & PROFILE

SCALE: AS NOTED
REV B
DWG NO E8958-T101

ACAD 22X34



T69-025

69KV DEADEND, 90 DEG CORNER, LAMINATED WOOD POLE, TENSION CHANGE

ITEM	QTY	MATID	UNIT	DESCRIPTION
1	6	16600	EA	INSULATOR, SUSPENSION, POLYMER, 69 KV, 35"
2	6	10947	EA	SOCKET EYE, 8 3/8" EXTENSION LINK
3	6	10505	EA	CLAMP, DEADEND, 226-T2 - 477-T2 KCMIL ACSR
4	12	10202	EA	DEAD END TEE, 6", 60,000 LB
5	16	12005	EA	BOLT, MACHINE, 7/8", VARIOUS LENGTHS
6	16	12405	EA	LOCKNUT, 7/8", GALVANIZED
7	6	14188	EA	CONNECTOR, COMP SLEEVE, JUMPER, 336 TO 350-397.5 KCMIL
8	2	10509	EA	CLAMP, DEADEND, QUADRANT, 0.18" - 0.46", GALVANIZED
9	0	99999		NOT USED
10	16	12511	EA	WASHER, TWIN COILS, 7/8"
11	2	14220	EA	CONNECTOR, COPPER CRIMPIT, #6 SOL-#4 STR TO #8 SOL-#4 STR
12	0	99999		NOT USED
13	0	99999		NOT USED
14	2	10911	EA	CLEVIS-EYE, 7/8" OPENING, 3-3/8" C-C
15	1	14205	EA	CONNECTOR, AL COMPRESSION, H-TAP, VARIOUS SIZES
16	2	10761	EA	DAMPER, VIBRATION, SPIRAL, 0.327-0.461"
17		99999		NOT USED
18	70	05041	FT	WIRE, #4 SOLID COPPER, SD, BARE
19	50	12550	EA	STAPLE, GROUND WIRE, 2" X 5/8"
20	8	10410	FT	MOLDING, GROUND WIRE, 1/2" PLASTIC
21	1	10402	EA	ROD, GROUND, 5/8" X 10', COPPERWELD, THREADED SECTIONAL
22	1	10406	EA	CLAMP, 5/8" GROUND ROD TO #8 - 1/0 CU
23	320	05707	EA	WIRE, GUY, 7/16", 7 STR, CLASS A GALVANIZED, EHS STEEL
24	22	05722	EA	GRIP, GUY, PREFORMED, 7/16"
25	8	16502	EA	INSULATOR, GUY, FIBERGLASS, 54", 36,000 POUND, 3/4" PINS, ONE ROLLER
26	7	16511	EA	ROLLER, GUY, 13/16" X 2-3/8" DIA, 3/4" PIN
27	3	10901	EA	THIMBLE CLEVIS, 40,000 POUND
28	0	99999		NOT USED
29	3	10252	EA	ANCHOR, 8-10-12" TRIPLE HELIX
30	6	10272	EA	ROD, EXTENSION, 1-1/2" X 5'
31	3	10262	EA	ROD, ANCHOR, 1-1/2" ADAPTER WITH TRIPLE EYE
32	3	10350	EA	GUARD, GUY
33	6	12500	EA	WASHER, SQUARE, FLAT, 7/8" GALVANIZED

PRELIMINARY
NOT FOR CONSTRUCTION

REV	DATE	DESG	DFTR	APP	DESCRIPTION
A	05-16-12	P&E	MRB	JWE	ORGINAL ISSUE

P & E ENGINEERING CO.
POWER SYSTEM ANALYSIS AND DESIGN
245 S. 5th
P.O. Box 620
Carlisle, IA 50047
Office: 515-989-3083
FAX: 515-989-3138
peengr@peengr.com

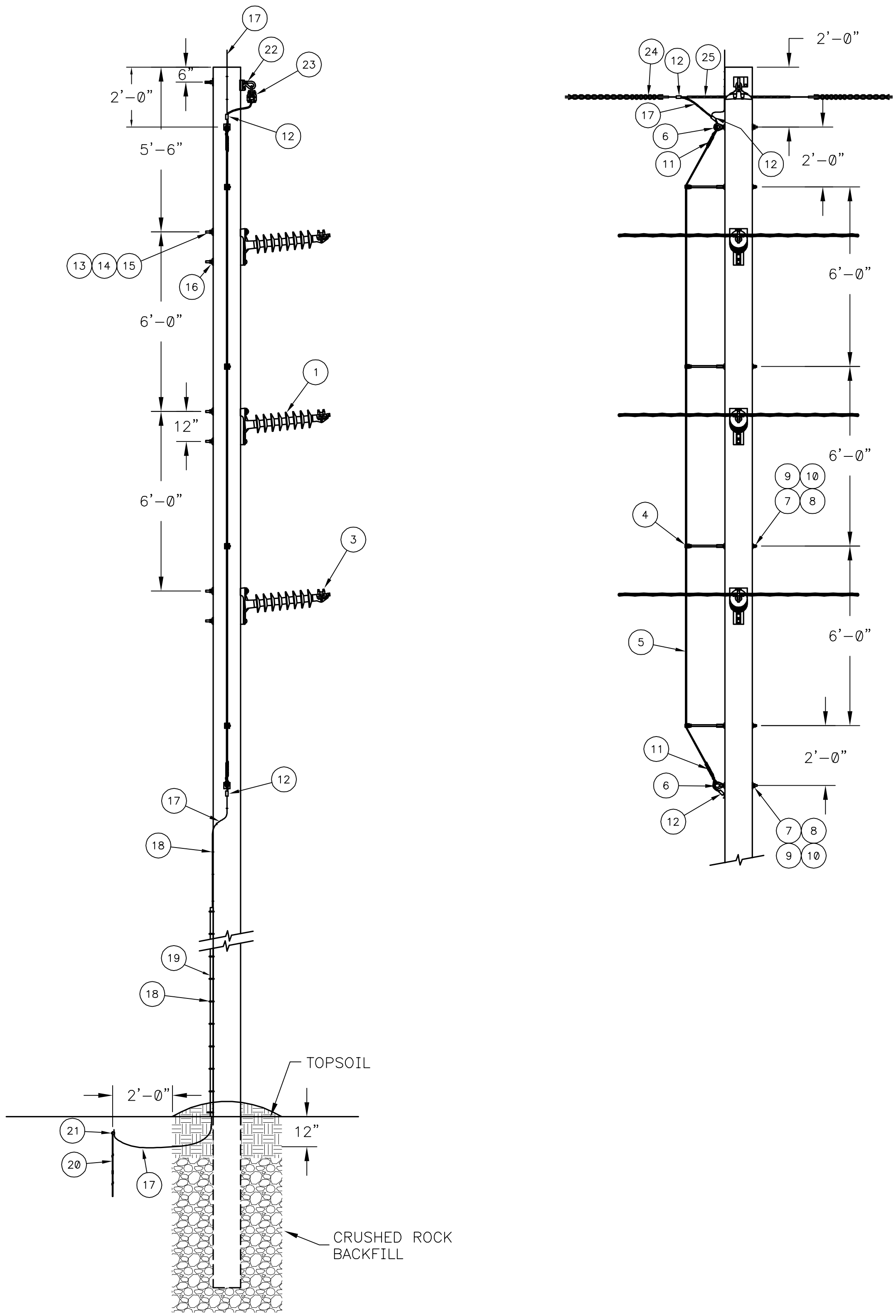
INDIANOLA MUNICIPAL UTILITIES
IMU
Electric • Network Services • Water

DATE	05-16-12
DESIGNED	P&E
DRAWN	MRB
APPROVED	JWE
APPROVED	ARP

INDIANOLA MUNICIPAL UTILITIES
HIGHWAY 92 DOT PROJECT
DETAIL DRAWINGS
69kV DE, 90 DEG ANGLE GUYING, LAMINATED WOOD POLE

SCALE: NONE
REV A
DWG NO E8958 T69-025

ACAD 22X34



SPECIFY VARIABLE MATERIAL BY:
ARMOR ROD: 1–T001xx
CONDUCTOR CLAMP: 3–T002xx
SUSPENSION CLAMP: 1–T003xx
VIBRATION DAMPER: 2–T004xx

69kV LIGHT ANGLE LINE POST FRAMING T2 CONDUCTOR SIDE MOUNT SHIELD WIRE

SCALE: 3/16" = 1'–0" DATE: 11–7–12 DESIGNED: P&E DRAWN: DAW APPROVED: JWE APPROVED: ARP	P & E ENGINEERING CO. POWER SYSTEM ANALYSIS AND DESIGN ACAD	SECTION T	DRAWING NO. T69–065

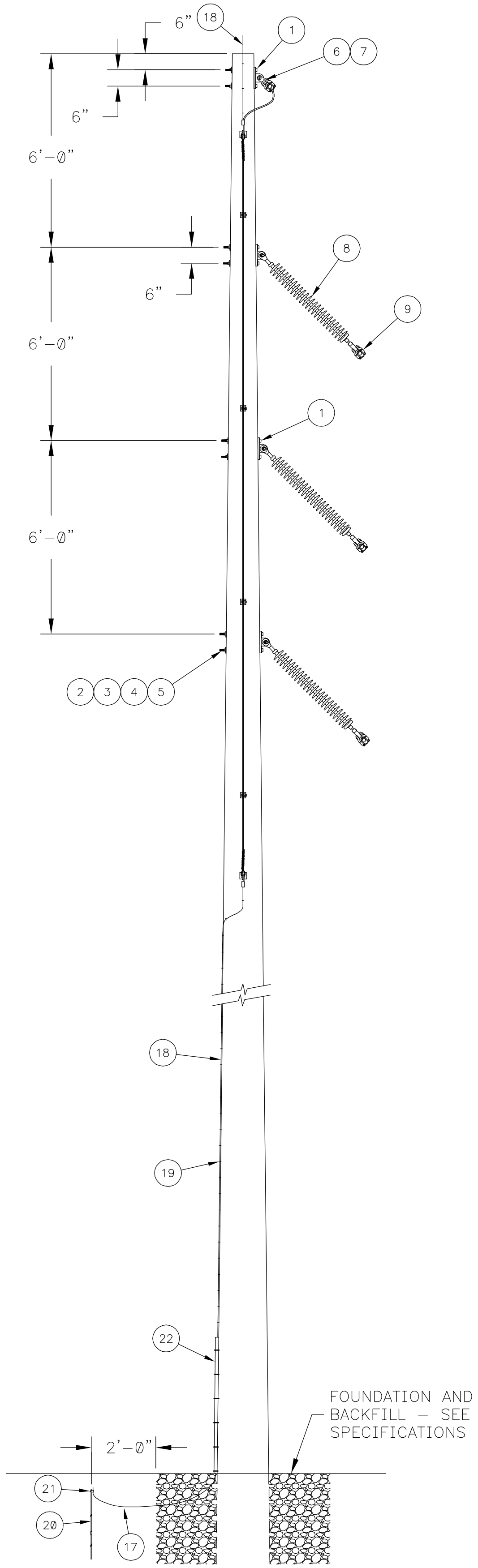
MODULE MATERIAL LISTS

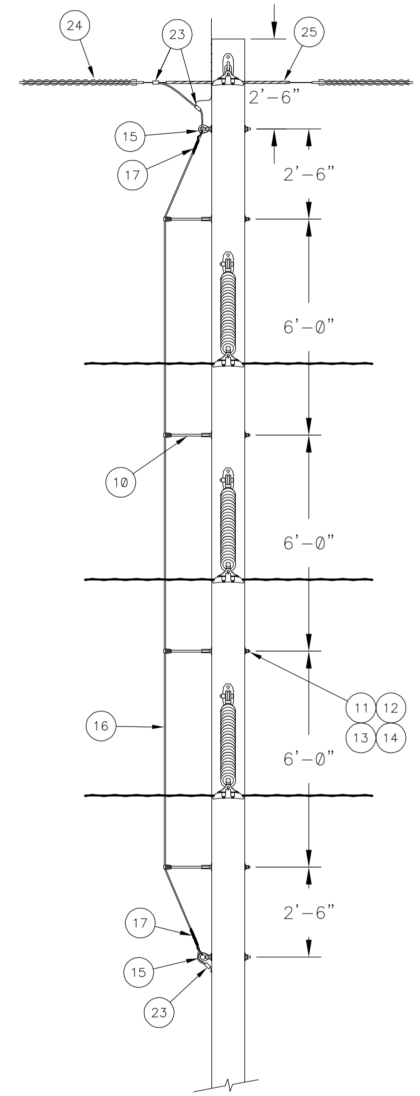
ITEM NO	ITEM QTY	MATERIAL ID NO	MAT UNIT	MATERIAL DESCRIPTION

T69-065 69kV, Light Angle, Line Post Framing, T2 Conductor

1	3	16601	ea	Insulator, horz line post, 69 kV, gain base, clamp top, 1225 lb RCL
2		99999		not used
3	3	16180	ea	Clamp, trunnion, clamp top, see var mat list
4	4	16610	ea	Insulator, down lead, fiberglass, 5/8" x 12"
5	25	05023	ft	Conductor, #1/0 ACSR, bare
6	2	12453	ea	Eye nut, 5/8" galvanized
7	6	12103	ea	Bolt, double arming, 5/8" galvanized, various lengths
8	12	12503	ea	Washer, square, flat, 5/8" galvanized
9	6	12403	ea	Locknut, 5/8" galvanized
10	6	12509	ea	Washer, twin coils, 5/8"
11	2	10701	ea	Grip, dead-end, preformed, 1/0 ACSR, AAC, AAAC
12	3	14205	ea	Connector, Al compression, H-tap, various sizes
13	6	12004	ea	Bolt, machine, 3/4" galvanized, various lengths
14	6	12506	ea	Washer, square, curved, galvanized, 3/4"
15	6	12404	ea	Locknut, 3/4" galvanized
16	3	12510	ea	Washer, twin coils, 3/4"
17	50	05041	ft	Wire, #4 solid copper, SD, bare
18	40	12550	ea	Staple, ground wire, 2" x 5/8"
19	8	10410	ft	Molding, ground wire, 1/2" plastic
20	1	10402	ea	Rod, ground, 5/8" x 10', copperweld, threaded sectional
21	1	10406	ea	Clamp, 5/8" ground rod to #8 - 1/0 Cu
22	1	10168	ea	Support, Shield Wire, Side Mounted, 5/8" x 12"
23	1	10540	ea	Clamp, suspension, see var mat list
24	2	10760	ea	Damper, vibration, spiral, see var mat list
25	1	10780	ea	Rod, armor, see var mat list

* This is a Variable Module. Please review the module drawing for variable requirements.





T69-066
69KV, MEDIUM ANGLE, T2 CONDUCTOR, LAMINATED WOOD POLE

ITEM	QTY	MATID	UNIT	DESCRIPTION
1	4	10202	EA	DEAD END TEE, 6", 60,000 LB
2	8	12005	EA	BOLT, MACHINE, 7/8", VARIOUS LENGTHS
3	8	12500	EA	WASHER, SQUARE, FLAT, 7/8" GALVANIZED
4	8	12511	EA	WASHER, TWIN COILS, 7/8"
5	8	12405	EA	LOCKNUT, 7/8", GALVANIZED
6	1	10910	EA	CLEVIS-EYE, 90 DEGREE, 5/8" PIN, 1/2" EYE WIDTH, 20,000 LB
7	1	10541	EA	CLAMP, SUSPENSION, 3/8" EHS (WITH ARMOR ROD)
8	3	16600	EA	INSULATOR, SUSPENSION, POLYMER, 69 KV, 35"
9	3	10542	EA	CLAMP, SUSPENSION, 0.398-0.783" T2, WITH SOCKET-EYE
10	4	16610	EA	INSULATOR, DOWN LEAD, FIBERGLASS, 5/8" X 12"
11	6	12103	EA	BOLT, DOUBLE ARMING, 5/8" GALVANIZED, VARIOUS LENGTHS
12	12	12503	EA	WASHER, SQUARE, FLAT, 5/8" GALVANIZED
13	6	12509	EA	WASHER, TWIN COILS, 5/8"
14	6	12403	EA	LOCKNUT, 5/8" GALVANIZED
15	2	12453	EA	EYE NUT, 5/8" GALVANIZED
16	25	05023	FT	CONDUCTOR, #1/0 ACSR, BARE
17	2	10701	EA	GRIP, DEAD-END, PREFORMED, 1/0 ACSR, AAC, AAAC
18	50	05041	FT	WIRE, #4 SOLID COPPER, SD, BARE
19	40	12550	EA	STAPLE, GROUND WIRE, 2" X 5/8"
20	1	10402	EA	ROD, GROUND, 5/8" X 10', COPPERWELD, THREADED SECTIONAL
21	1	10406	EA	CLAMP, 5/8" GROUND ROD TO #8 - 1/0 CU
22	8	10410	FT	MOLDING, GROUND WIRE, 1/2" PLASTIC
23	3	14205	EA	CONNECTOR, AL COMPRESSION, H-TAP, VARIOUS SIZES
24	2	10761	EA	DAMPER, VIBRATION, SPIRAL, 0.327-0.461"
25	1	10790	EA	ROD, ARMOR, 3/8" HS/EHS

PRELIMINARY
NOT FOR CONSTRUCTION

REV	DATE	DESG	DFTR	APP	DESCRIPTION
A	04-02-13	P&E	DAW	ARP	ORGINAL ISSUE

P & E ENGINEERING CO.
POWER SYSTEM ANALYSIS AND DESIGN
245 S. 5th
P.O. Box 620
Carlisle, IA 50047
Office: 515-989-3083
FAX: 515-989-3138
peengr@peengr.com

INDIANOLA MUNICIPAL UTILITIES
IMU
Electric • Network Services • Water

DATE 04-02-13
DESIGNED P&E
DRAWN DAW
APPROVED JWE
APPROVED ARP

INDIANOLA MUNICIPAL UTILITIES
HIGHWAY 92 DOT PROJECT
I-35 INTERCHANGE
69kV MEDIUM ANGLE, T2, LAMINATED WOOD POLE

SCALE: AS NOTED
REV A
DWG NO T69-066

ACAD 22X34

IMU Regular Downstairs **4. B.**

Meeting Date: 04/28/2014

Information

Subject

Change Order #4

Information

Change Order #4 is attached, which increases the contract amount by $28,472 to $845,505.00. This is due to IDOT delaying the start date to May 1 and completion date to December 31, 2014. It is expected that IDOT will fully reimburse IMU this amount since the delay is due to rights-of-way acquisition issues.

Financial Impact

N/A

Staff Recommendation

Simple motion approving Change Order #4 is in order.

Attachments

Change Order #4

P&E ENGINEERING CO.
POWER SYSTEMS ANALYSIS AND DESIGN
Allan R. Powers, P.E. Richard D. Kline, P.E.
Timothy G. Ernst, P.E.
245 S. 5th St., PO Box 620, Carlisle, IA 50047
p.515-989-3083 f.515-989-3138 pe@peengr.com

CHANGE ORDER NO. 4

Owner:	Indianola Municipal Utilities
Contractor:	Michels Power, a division of Michels Corporation
Project:	2013 Hwy 92 Transmission Relocation Project
Date	April 17, 2014

Original Contract Amount	$	815,283.00
Previous Change Order Adjustments	$	1,750.00
Amount of this Change Order	$	28,472.00
Current Value of Contract	$	845,505.00

Items included in this Change Order

Item	Description	Amount
1	Change the anticipated construction start date from March 1, 2014 to May 1, 2014. Change the date for substantial completion from June 30, 2014 to December 1, 2014 and the date for final completion from July 31, 2014 to December 31, 2014.	$ 28,472.00
		$ -
		$ -
	Total Value of Change Order	$ 28,472.00

Recommended for Approval

_______________________________ Date ______________

Allan Powers, PE
P & E Engineering Co.

Approved

_______________________________ Date ______________

For Indianola Municipal Utilities

Accepted by Contractor

_______________________________ Date ______________

For Michels Power, a division of Michels Corporation

Al Powers

From: Brian Olsen [bolsen@michels.us]
Sent: Monday, April 07, 2014 4:07 PM
To: Al Powers
Subject: RE: Change orders for Hwy 92 work

Al,

For Change Order #4 (Start date change from March 1 to May 1)

- We have no issues with the change of the substantial completion date. Regarding the start date change from March 1 to May 1. Due to changes in the availability of manpower from the time Michels was originally going to construct this project (original start date of 9/1/2013), Workload across the country has become much busier, and as a result, we are having to pay a premium wage, as well as worked an increased number of hours/week to retain the manpower to build this project for IMU with a start date of approximately 5/1/2014. The result of the schedule change to beginning the project results in a cost *increase* of $28,472 to the project.

- For Change order #3 (Scope Change around Taylor and Cunningham properties).
    - The scope reduction that this change represents is a net *decrease* to the cost of the project by $6,750. The extra material hardware that will be leftover as a result of this change would still belong to IMU as the material has already been procured.

Please let me know if you have any questions or concerns. I sincerely apologize for the delay in getting this to you and on top of that I completely missed the email you sent looking for these by last week Wednesday.

Thank you,

Brian

Brian Olsen | Project Manager Estimator - Line II

Michels Power
A Division of **MICHELS Corporation**
office: 920.721.9153 | fax: 920.720.5214 | cell: 920.539.7053
bolsen@michels.us | www.michels.us
1775 E Shady Ln
Neenah, WI 54956

From: Al Powers [mailto:arpowers@peengr.com]
Sent: Sunday, April 06, 2014 4:23 PM
To: Brian Olsen
Cc: Nick Warland
Subject: RE: Change orders for Hwy 92 work

Brian,

Proposal Request

Proposal
Request No.: 4 Date: March 21, 2014

Project: 2013 Hwy 92 Relocation Project	Owner: Indianola Municipal Utilities
Contract: 2013 Hwy 92 Transmission Relocation Project	Engineer: P & E Engineering Co.
Contractor: Michels Power, a division of Michels Corporation	Engineer's Project No.: 8958

Provide a proposal, including any changes to the Contract Sum and/or Contract Time, for the following proposed changes to the referenced project. Do NOT proceed with these changes until a change Order has been issued. Submit copies of proposal to Engineer.

Description of Proposed Change:

Change the anticipated construction start date from March 1, 2014 to May 1, 2014. Change the date for substantial completion from June 30, 2014 to December 1, 2014 and the date for final completion from December 31, 2014.

Reason for Proposed Change:

DOT right of way acquisition delays

Attachments (list documents supporting change):

Requested by Engineer: Allan Powers, P.E., P & E Engineering Co.	Date 03/21/14

IMU Regular Downstairs **5.**

Meeting Date: 04/28/2014

Information

Subject

Streetlights on The Square - Update

Information

Trustees tabled a $78,500 recommendation to purchase spun concrete poles with LED fixtures due to the total being $18,500 over budget.

IMU staff issued new specifications for a plain black steel pole with a decorative arm. RESCO submitted a quote of $24,386.18 which is $20,840.82 less than the spun concrete poles. The total project would be $57,659.18.

A discussion point is that the base of the steel pole option is a simple pole. A decorative shell around the base costs $750 each or $9,750. If this is a compromise option to present to the Keep Indianola Beautiful committee, then staff would like direction to include it in discussions. It would increase the project cost by 17%.

A key consideration is that it would be best to replace all the poles surrounding the square with this same option for a consistent look. At $750 each, it would increase costs about $67,500 over many years of pole replacements.

No action is required, however direction is sought.

Financial Impact

N/A

Staff Recommendation