

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
JUNE 30, 2006 AND 2005**

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

TABLE OF CONTENTS

	Page
OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2
FINANCIAL STATEMENTS	Exhibit
Statements of Net Assets	A 4
Statements of Revenue, Expenses and Changes in Net Assets	B 6
Statements of Cash Flows	C 7
Notes to Financial Statements	9
SUPPLEMENTARY INFORMATION	Schedule
Schedules of Expenses	1 19
Schedule of Outstanding Debt	2 21
Statistical Reports (Unaudited)	3 22
Information Required by Revenue Note Resolution (Unaudited)	4 23
OTHER REPORTS	
Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On Audits of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	24
Schedule of Findings	26

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**OFFICIALS
JUNE 30, 2006**

Name	Position	Term Expires	Insurance Coverage
Lynne Don Carlos	Trustee	12/31/06	\$ 10,000
Richard Kohler	Chairman	12/31/08	10,000
Phil Cannon	Trustee	12/31/10	10,000
Duane Armstead	General Manager		10,000
Sharyl Newbury	City Clerk/Treasurer		40,000

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Dwain E. Wulf, C.P.A.
Daniel R. Holt, C.P.A.
Daniel A. Dudley, C.P.A.
Geoffrey F. Schnathorst, C.P.A.
Catherine T. Kellogg, C.P.A.

INDEPENDENT AUDITORS' REPORT

Greenfield Municipal Utilities
Electric System
Greenfield, Iowa

We have audited the accompanying statements of net assets of the Electric System, a department of Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of June 30, 2006 and 2005, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric System, a department of Greenfield Municipal Utilities, as of June 30, 2006 and 2005, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2006, on our consideration of the Electric System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for Schedules 3 and 4 which are marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greenfield Municipal Utilities has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

August 4, 2006

By



Certified Public Accountant

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF NET ASSETS
JUNE 30, 2006 AND 2005**

ASSETS	2006	2005	Increase (Decrease)
CURRENT ASSETS:			
Cash and Equivalents	\$ 660,641	\$ 436,827	\$ 223,814
Investment in Certificates of Deposit	400,000	500,000	(100,000)
Accounts Receivable - Customers	336,498	315,761	20,737
Inventories - Materials and Supplies	302,638	227,917	74,721
Patronage Dividend Receivable	65,455	24,651	40,804
Accrued Interest Receivable	9,009	6,022	2,987
Prepaid Insurance	16,703	16,131	572
Deferred Bond Issue Costs, Net of Amortization	<u>6,359</u>	<u>6,359</u>	-
Total Current Assets	1,797,303	1,533,668	263,635
RESTRICTED ASSETS:			
Investment in Certificates of Deposit	514,177	514,177	-
Investment in Debt Reserves Held by SIMECA	<u>239,349</u>	<u>238,262</u>	<u>1,087</u>
Total Restricted Assets	753,526	752,439	1,087
PROPERTY AND EQUIPMENT:			
Production Plant	4,096,829	4,105,049	(8,220)
Transmission System	240,620	241,577	(957)
Distribution System	3,727,213	3,704,573	22,640
Vehicles, Tools and Equipment	<u>311,722</u>	<u>383,759</u>	<u>(72,037)</u>
Total Cost	8,376,384	8,434,958	(58,574)
Accumulated Depreciation	<u>(4,381,058)</u>	<u>(4,201,556)</u>	<u>(179,502)</u>
Cost Less Depreciation	3,995,326	4,233,402	(238,076)
OTHER NONCURRENT ASSETS:			
Patronage Dividend Receivable	213,466	257,323	(43,857)
Deferred Bond Issue Costs, Net of Amortization	<u>10,560</u>	<u>17,953</u>	<u>(7,393)</u>
Total Other Noncurrent Assets	224,026	275,276	(51,250)
	<u>\$ 6,770,181</u>	<u>\$ 6,794,785</u>	<u>\$ (24,604)</u>

(Continued)

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF NET ASSETS
JUNE 30, 2006 AND 2005**

LIABILITIES	2006	2005	Increase (Decrease)
CURRENT LIABILITIES:			
Accounts Payable -			
Vendors	\$ 17,937	\$ 13,267	\$ 4,670
SIMECA	183,204	167,848	15,356
Sewer Rental Collections	106,604	40,526	66,078
Due to City	13,400	-	13,400
Sales and Use Tax Payable	11,975	5,982	5,993
Accrued Liabilities -			
Salaries and Wages	6,674	5,854	820
Compensated Absences	40,011	35,573	4,438
Interest	47,288	49,309	(2,021)
Current Portion of Long term Debt	<u>219,000</u>	<u>217,000</u>	<u>2,000</u>
Total Current Liabilities	646,093	535,359	110,734
NONCURRENT LIABILITIES:			
Revenue Notes Payable	1,795,000	1,930,000	(135,000)
Lease Purchase Contract Obligation	<u>1,085,000</u>	<u>1,169,000</u>	<u>(84,000)</u>
Total Noncurrent Liabilities	<u>2,880,000</u>	<u>3,099,000</u>	<u>(219,000)</u>
Total Liabilities	3,526,093	3,634,359	(108,266)
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	913,245	941,714	(28,469)
Restricted for Debt Covenants and Construction	760,840	675,635	85,205
Unrestricted	<u>1,570,003</u>	<u>1,543,077</u>	<u>26,926</u>
Total Net Assets	3,244,088	3,160,426	83,662
	<u>\$ 6,770,181</u>	<u>\$ 6,794,785</u>	<u>\$ (24,604)</u>

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006		2005		Increase (Decrease)
	Amount	Percent	Amount	Percent	
OPERATING REVENUE:					
Residential Sales	\$ 731,141	22.6	\$ 669,824	22.3	\$ 61,317
Commercial Sales	673,574	20.8	611,321	20.4	62,253
Industrial Sales	1,641,577	50.7	1,534,858	51.1	106,719
Street Light Sales	20,038	0.6	19,857	0.7	181
Sales to Water	31,017	1.0	32,120	1.1	(1,103)
Sales to City	40,671	1.3	32,694	1.1	7,977
Patronage Dividend	62,402	1.9	42,604	1.4	19,798
Forfeited Discounts and Other	39,247	1.2	57,643	1.9	(18,396)
Total Operating Revenue	<u>3,239,667</u>	100.0	<u>3,000,921</u>	100.0	238,746
OPERATING EXPENSES:					
Plant Operations	93,785	2.9	76,565	2.6	17,220
Plant Maintenance	40,265	1.2	55,395	1.8	(15,130)
Purchased Energy	1,976,912	61.0	1,685,116	56.2	291,796
Distribution Operations	142,481	4.4	138,694	4.6	3,787
Distribution Maintenance	123,127	3.8	106,552	3.6	16,575
Accounting and Collecting	57,111	1.8	45,768	1.5	11,343
Administrative Expenses	90,186	2.8	114,613	3.8	(24,427)
Refunds and Rebates	33,420	1.0	31,055	1.0	2,365
Depreciation Expense	268,845	8.3	265,380	8.8	3,465
Total Operating Expenses	<u>2,826,132</u>	87.2	<u>2,519,138</u>	83.9	306,994
Operating Earnings	413,535	12.8	481,783	16.1	(68,248)
NONOPERATING REVENUE (EXPENSES):					
Interest Income	61,150	1.9	27,641	0.9	33,509
Gain (Loss) on Sale of Assets	(3,100)	-	-	-	-
Miscellaneous Income (Expense)	(7,576)	(0.2)	377	-	(7,953)
Interest Expense	(151,900)	(4.7)	(157,575)	(5.3)	5,675
Total Nonoperating Revenue (Expenses)	<u>(101,426)</u>	(3.0)	<u>(129,557)</u>	(4.4)	28,131
Net Income Before Transfers	312,109	9.8	352,226	11.7	(40,117)
TRANSFERS OUT:					
Payments to City	(128,400)		(115,000)		(13,400)
To Water System	(100,047)		-		(100,047)
Changes in Net Assets	83,662		237,226		(153,564)
Total Net Assets, Beginning	3,160,426		2,923,200		237,226
Total Net Assets, Ending	<u>\$ 3,244,088</u>		<u>\$ 3,160,426</u>		<u>\$ 83,662</u>

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 3,221,983	\$ 2,933,659
Payments to Suppliers	(2,228,931)	(1,942,176)
Payments to Employees	(289,794)	(286,500)
Other Receipts (Expenses)	<u>(7,576)</u>	<u>377</u>
Net Cash from Operating Activities	695,682	705,360
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments to City	(128,400)	(115,000)
Transfers to Water System	<u>(100,047)</u>	<u>-</u>
Net cash from Noncapital Financing Activities	(228,447)	(115,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase and Construction of Capital Assets	(33,869)	(377,285)
Loss on Asset Sales	(3,100)	-
Interest Paid on Notes and Lease Debt	(146,528)	(151,993)
Principal Paid on Revenue Notes	(135,000)	(135,000)
Principal Paid on Lease Purchase Debt	<u>(82,000)</u>	<u>(78,000)</u>
Net Cash from Capital and Related Financing Activities	(400,497)	(742,278)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	58,163	26,489
Certificates of Deposit, Net (Purchased) Redeemed	100,000	-
Restricted Cash and Equivalents, Net (Payments) Receipt	-	-
Reserve Deposits Paid to SIMECA	<u>(1,087)</u>	<u>245,197</u>
Net Cash from Investing Activities	<u>157,076</u>	<u>271,686</u>
Net Increase in Cash and Equivalents	223,814	119,768
Cash and Equivalents, Beginning of Year	436,827	317,059
Cash and Equivalents, End of Year	<u>\$ 660,641</u>	<u>\$ 436,827</u>

(Continued)

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
RECONCILIATION OF OPERATING EARNINGS TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Earnings	\$ 413,535	\$ 481,783
Adjustments to Reconcile Operating Earnings to Net Cash		
Provided by Operating Activities -		
Depreciation Non-cash Expense	268,845	265,380
Miscellaneous Revenue (Expense)	(7,576)	377
Loss on Sale of Assets	3,100	-
Change in Operating Assets and Liabilities -		
Accounts Receivable (Increase) Decrease	(20,737)	(47,960)
Inventories (Increase) Decrease	(74,721)	2,777
Patronage Dividend Receivable (Increase) Decrease	3,053	(19,302)
Prepaid Expenses (Increase) Decrease	(572)	(775)
Accounts Payable Increase (Decrease)	86,104	19,122
Due to City	13,400	-
Sales and Use Tax Payable Increase (Decrease)	5,993	1,579
Other Accrued Liabilities Increase (Decrease)	5,258	2,379
Total Adjustments	<u>282,147</u>	<u>223,577</u>
Net Cash from Operating Activities	<u>\$ 695,682</u>	<u>\$ 705,360</u>

See Independent Auditors' Report and Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General -

The City of Greenfield owns an electric light and power system (electric), waterworks (water) and sewage treatment system. Many years ago, voters approved Greenfield Municipal Utilities (GMU) be organized to operate and manage only the electric and water systems. GMU is governed by a three-member board of trustees appointed by the City Council. The Board of Trustees exercises all oversight responsibility.

Greenfield Municipal Utilities provides electric and water service to a diversified base of residential, commercial, and industrial customers, primarily within the boundaries of the City. State statutes vest authority in the Board of Trustees to establish rates and provide, among other things, that books of account be kept for each utility system and for the equitable allocation of joint expenses.

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and by the Financial Accounting Standards Board (FASB). As allowed by GASB, Greenfield Municipal Utilities may follow the statements and interpretations of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, unless such pronouncements conflict with or contradict related GASB pronouncements. GMU has elected to continue to apply FASB pronouncements issued after November 30, 1989.

The significant accounting policies of GMU are described below.

B. Reporting Entity -

Generally accepted accounting principles require GMU to consider if it has oversight responsibility or control over any other legal entity. Control or dependence is determined based on budget adoption, taxing authority, funding, or appointment of the respective governing board. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Greenfield Municipal Utilities is a component unit of the City of Greenfield, but is legally separate from the City, and has no component units itself. Accordingly, these financial statements include only the accounts of the electric system. The financial activities of the water system are presented and reported on separately.

In accordance with GASB 14, the Greenfield Municipal Utilities have been identified as a component unit of the City of Greenfield.

See Independent Auditors' Report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting -

Measurement focus refers to what is measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The applicable generally accepted accounting principles are those similar to businesses in the private sector.

The electric system is a governmental proprietary enterprise fund and uses the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net assets, financial position, and cash flows. Under the accrual basis of accounting, revenues are recognized when earned, except unbilled revenues for customer usage since the last meter reading to the end of the fiscal year (approximately five days) are not accrued. Expenses are recognized when the obligation is incurred.

D. Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Cash and Equivalents -

GMU has defined cash and equivalents as unrestricted cash on hand, checking and savings accounts, and certificates of deposit with original maturities of three months or less. Cash and equivalents held as restricted assets are excluded for cash flow purposes.

F. Inventories - Materials and Supplies -

Inventories of materials and supplies are stated at the lower of cost or market using the first-in, first-out method.

G. Capital Assets -

Capital assets (property, plant and equipment, including infrastructures) are valued at historical cost. The cost of system renewals and betterments includes engineering, project construction period interest and other related costs. Preliminary and construction costs of projects not yet in service, if any, are shown in the financial statements as construction in progress. Maintenance and repairs which do not add to the capacity or efficiency of the asset are charged to operating expense.

Depreciation is provided over the assets estimated useful lives using the straight line method with one-half year convention. No depreciation is taken on construction in progress. The range of estimated useful lives by capital asset sub-category is as follows:

Plant and Structures	20-50 Years
Sub-Station Improvements	20-35 years
Transmission System Improvements	25-35 Years
Distribution System Improvements	25-35 Years
Vehicles	5 Years
Tools and Shop Equipment	5-10 Years
Furniture and Office Equipment	5-10 Years

See Independent Auditors' Report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *Net Assets Classifications* -

Net assets are shown in three components:

- a. Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of capital assets.
- b. Restricted net assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets: All other net assets, including designated, that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Designated net assets, although earmarked by the Trustees, may be changed at any time by board action.

Amounts shown as restricted net assets and the purpose of the restriction are as follows:

Restricted for	2006	2005
Revenue Notes Reserves	\$ 287,073	\$ 287,373
Revenue Notes Capital Improvement Reserve	150,000	150,000
Lease Purchase Reserve	239,349	238,262
Totals	<u>\$ 676,422</u>	<u>\$ 675,635</u>

I. *Taxes*-

GMU is not liable for federal and state income taxes or taxes on its property. However, payments in-lieu-of taxes and other contributions are made to the city.

NOTE 2 - CASH AND POOLED INVESTMENTS

GMU pool their deposits and investments and maintain records as to the electric system and water system share of the total balance. All deposits at June 30, 2006 and 2005 were entirely covered by federal depository insurance, collateralized with securities or letters of credit held by the utility or the utility's agent in the utility's name, or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

GMU is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit or savings accounts at federally insured depository institutions approved by the Board of Trustees and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of drainage districts.

All investments at June 30, 2006, except those held by SIMECA, were held as certificates of deposit and cost is the same as carrying value.

See Independent Auditors' Report.

NOTE 2 - CASH AND POOLED INVESTMENTS (Continued)

The investments held by SIMECA for debt reserves are not in the name of the utility and are invested in the Iowa Public Agency Investment Trust (IPAIT). All other investments at June 30, 2006, were held as certificates of deposits and cost is the same as carrying value.

Monies held for special purposes are restricted to the use for which designated and cannot be used for the general operations of the utility. The funds held for debt redemption, debt reserve and improvements are required by covenants of the revenue notes payable.

NOTE 3 - PROPERTY AND EQUIPMENT

Capital asset activity for the years ended June 30, 2006 and 2005, is as follows:

2006	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets being Depreciated -				
Production Plant	\$ 4,105,049	\$ 1,268	\$ 9,488	\$ 4,096,829
Transmission System	241,577	-	957	240,620
Distribution System	3,704,573	23,321	681	3,727,213
Vehicles, Tools and Equipment	383,759	9,279	81,316	311,722
Total Cost	<u>\$ 8,434,958</u>	<u>\$ 33,868</u>	<u>\$ 92,442</u>	<u>\$ 8,376,384</u>
Accumulated Depreciation for -				
Production Plant	\$ 2,027,880	\$ 120,936	\$ 6,389	\$ 2,142,427
Transmission System	241,115	-	957	240,158
Distribution System	1,612,178	128,884	681	1,740,381
Vehicles, Tools and Equipment	320,383	19,025	81,316	258,092
Total Accumulated Depreciation	<u>\$ 4,201,556</u>	<u>\$ 268,845</u>	<u>\$ 89,343</u>	<u>\$ 4,381,058</u>
2005	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets being Depreciated -				
Production Plant	\$ 3,744,584	\$ 360,465	\$ -	\$ 4,105,049
Transmission System	241,577	-	-	241,577
Distribution System	3,702,702	1,871	-	3,704,573
Vehicles, Tools and Equipment	368,809	14,950	-	383,759
Total Cost	<u>\$ 8,057,672</u>	<u>\$ 377,286</u>	<u>\$ -</u>	<u>\$ 8,434,958</u>
Accumulated Depreciation for -				
Production Plant	\$ 1,911,201	\$ 116,679	\$ -	\$ 2,027,880
Transmission System	241,115	-	-	241,115
Distribution System	1,484,025	128,153	-	1,612,178
Vehicles, Tools and Equipment	299,834	20,548	-	320,383
Total Accumulated Depreciation	<u>\$ 3,936,175</u>	<u>\$ 265,380</u>	<u>\$ -</u>	<u>\$ 4,201,556</u>

See Independent Auditors' Report.

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

Depreciation expense by asset group charged to operations is as follows:

	2006	2005
Production Plant	\$ 120,936	\$ 116,679
Transmission System	-	-
Distribution System	128,884	128,153
Vehicles, Tools and Equipment	19,025	20,548
Totals	<u>\$ 268,845</u>	<u>\$ 265,380</u>

NOTE 4 - COMPENSATED ABSENCES

GMU employees accumulate a limited amount of vested, but unused, vacation and sick leave hours for subsequent use or payment upon termination, retirement or death. Accrued compensated absences included in the financial statements for 2006 and 2005 represent the amount due for the hours accumulated at the employees' June 30 rate of compensation.

NOTE 5 - REVENUE NOTES PAYABLE

During 2001, the electric system issued \$1,400,000 of revenue notes, maturing serially from September 1, 2002 through September 1, 2013, with interest at various rates from 4.30 to 5.20 percent per annum payable semiannually on March 1 and September 1. The notes are callable on or after September 1, 2010, at par plus accrued interest.

During 2003, the electric system issued \$840,000 of refunding notes, maturing serially from September 1, 2004 through September 1, 2010, with interest at various rates from 1.60 to 3.20 percent per annum payable semiannually on March 1 and September 1. The notes are callable on or after September 1, 2010, at par plus accrued interest. The proceeds were used to complete a current refunding of higher interest rated bonds issued in 1992. The total benefit of this refunding is \$120,410 which amount will be recognized as reduced interest expense over the payment period of the refunding notes.

Future debt service requirements are as follows:

Year Ending June 30,	Revenue Obligation 2001		Refunding Obligation 2003		Total Required		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2007	\$ 20,000	\$ 68,260	\$115,000	\$15,238	\$ 135,000	\$ 83,498	\$ 218,498
2008	25,000	67,213	120,000	12,590	145,000	79,803	224,803
2009	20,000	66,145	120,000	9,530	140,000	75,675	215,675
2010	20,000	65,175	125,000	6,035	145,000	71,210	216,210
2011	25,000	64,060	130,000	2,080	155,000	66,140	221,140
2012	175,000	58,973	-	-	175,000	58,973	233,973
2013	185,000	49,746	-	-	185,000	49,746	234,746

See Independent Auditors' Report.

NOTE 5 - REVENUE NOTES PAYABLE (Continued)

Year Ending June 30,	Revenue Obligation 2001		Refunding Obligation 2003		Total Required		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 195,000	\$ 39,912	\$ -	\$ -	\$ 195,000	\$ 39,912	\$ 234,912
2015	205,000	29,461	-	-	205,000	29,461	234,461
2016	220,000	18,250	-	-	220,000	18,250	238,250
2017	230,000	6,210	-	-	230,000	6,210	236,210
Totals	<u>\$1,320,000</u>	<u>\$533,405</u>	<u>\$610,000</u>	<u>\$45,473</u>	<u>\$1,930,000</u>	<u>\$578,878</u>	<u>\$ 2,508,878</u>

The resolutions providing for the issuance of the revenue notes include the following provisions:

- A. The notes will only be redeemed from the future earnings of the enterprise activity and the noteholders hold a lien on the future earnings of the activity.
- B. Sufficient monthly cash transfers shall be made to an electric bond and interest account for the purpose of making the next annual principal and interest payment when due. As of June 30, 2006, the electric bond and interest sinking fund account was fully funded.
- C. Additional monthly cash transfers shall be made to an electric bond reserve account until such account reaches \$247,500. This amount is restricted for the purpose of paying principal and interest whenever, for any reason, the funds on deposit in the sinking fund are insufficient to pay such principal and interest when due. As of June 30, 2006, the electric bond reserve account was fully funded.
- D. Cash transfers shall be made to an electric capital improvement account until such account reaches \$150,000. This account is restricted for the purpose of paying for extraordinary maintenance costs, rentals, improvements, extensions or repairs to the system not included in the annual budget of revenues and current expenses, and bond principal and interest. As of June 30, 2006, this account was fully funded.

NOTE 6 - LEASE-PURCHASE CONTRACT OBLIGATION

The electric system is leasing two generation units installed in its service territory under agreements that are classified as a capital lease. The cost of the assets under the capital lease of \$1,982,548 is included in the balance sheet as production equipment and is being depreciated at the same rate as other similar production equipment.

This lease-purchase agreement is with SIMECA in the original principal amount of \$1,479,327. Interest rates on the capitalized lease vary from 3.20% to 5.30% which are the rates being paid by SIMECA on the funds borrowed to fund the lease. The lease-purchase agreement expires March 1, 2017. Payments under this agreement are due semiannually beginning September, 2002, with future minimum payments as follows:

See Independent Auditors' Report.

NOTE 6 - LEASE-PURCHASE CONTRACT OBLIGATION (Continued)

Year Ending June 30,	Rate	Principal	Interest	Total
2007	4.00%	84,000	56,692	140,692
2008	4.20%	88,000	53,333	141,333
2009	4.40%	91,000	49,636	140,636
2010	4.60%	96,000	45,633	141,633
2011	4.75%	100,000	41,216	141,216
2012	4.90%	105,000	36,466	141,466
2013	5.00%	110,000	31,322	141,322
2014	5.10%	115,000	25,821	140,821
2015	5.20%	120,000	19,957	139,957
2016	5.25%	127,000	13,717	140,717
2017	5.30%	133,000	7,049	140,049
Totals		<u>\$ 1,169,000</u>	<u>\$ 380,842</u>	<u>\$ 1,549,842</u>

The resolutions providing for the issuance of the SIMECA lease-purchase include the following provisions:

- A. Cash transfers shall be made to a reserve fund held by SIMECA until such account reaches \$147,900. This amount is restricted as security for the bonds. As of June 30, 2006, this account was fully funded.
- B. The Board shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 125% of the average annual payments. As of June 30, 2006, the net revenues exceeded this requirement.

NOTE 7- CHANGES IN LONG-TERM DEBT

Changes in long-term debt for the years ended June 30, 2006 and 2005 are as follows:

2006	Balances July 1,	Issues or Additions	Payments or Expenditures	Balances Due Within June 30,	One Year
2001 Revenue Notes	\$ 1,340,000	\$ -	\$ 20,000	\$ 1,320,000	\$ 20,000
2003 Revenue Refunding Notes	725,000	-	115,000	610,000	115,000
2002 Revenue Notes (SIMECA)	1,251,000	-	82,000	1,169,000	84,000
	<u>\$ 3,316,000</u>	<u>\$ -</u>	<u>\$ 217,000</u>	<u>\$ 3,099,000</u>	<u>\$ 219,000</u>

See Independent Auditors' Report.

NOTE 7- CHANGES IN LONG-TERM DEBT (Continued)

2005	Balances July 1,	Issues or Additions	Payments or Expenditures	Balances Due Within June 30,	One Year
2001 Revenue Notes	\$ 1,360,000	\$ -	\$ 20,000	\$ 1,340,000	\$ 20,000
2003 Revenue Refunding Notes	840,000	-	115,000	725,000	115,000
2002 Revenue Notes (SIMECA)	1,329,000	-	78,000	1,251,000	82,000
	<u>\$ 3,529,000</u>	<u>\$ -</u>	<u>\$ 213,000</u>	<u>\$ 3,316,000</u>	<u>\$ 217,000</u>

NOTE 8 - PAYMENT TO THE CITY

By resolution of the Board of Trustees, the electric system pays an in-lieu-of payment to the City of Greenfield at the rate of \$.003 per KWH based on the estimated annual sale of electricity. This payment, once estimated, is not adjusted. The payments in 2006 and 2005 were \$115,000 for each year. In addition, the electric system owes the City \$13,400 from 2006 as a result of the Board designating that the electric system would purchase a mower for the city.

NOTE 9 - PENSION AND RETIREMENT BENEFITS

GMU 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.

Plan members are required to contribute 3.70% of their annual salary and the employer is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The electric system's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 was \$12,096, \$11,847, and \$11,908, respectively, which met the required contributions for each year.

NOTE 10 - DEFERRED COMPENSATION PLAN

GMU offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits deferral to future years of a portion of their current salary. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in a separate third-party trust for the exclusive benefit of participants and their beneficiaries.

NOTE 11 - RELATED PARTIES

South Iowa Municipal Electric Cooperative Association (SIMECA) membership is made up of 12 municipalities, one of which is Greenfield Municipal Utilities. It is organized to purchase, generate, transmit or distribute electric energy and to develop and establish safety programs for the benefit of its municipal members. Profits from SIMECA are returned to its members as patronage refund dividends.

SIMECA is a member of Central Iowa Power Cooperative (CIPCO) and is party to a long-term contract with them for the purchase of up to 621.0KVA of electric energy and the distribution of this energy to its members. This 15.5 year contract provides for minimum payments of \$200,000 and runs to December 31, 2008, when the contract may be extended indefinitely unless terminated by giving a five year notice. Greenfield's share of the minimum payment is approximately \$32,000.

Currently, SIMECA has purchased and installed generation equipment in several of its member municipalities and issued its revenue bonds in payment thereof. Each applicable member has entered into a lease-purchase agreement whereby the member will pay a proportionate share of interim costs and revenue bond principal and interest debt incurred by SIMECA regarding the installed generation equipment. GMU's share of this debt principal was originally \$1,479,327, which is the subject of the capitalized lease-purchase shown in the financial statements. See Note 6.

NOTE 12 - CONCENTRATIONS

The electric system provides electricity to customers in a specified service area in and around the City of Greenfield, Iowa. It grants credit to substantially all customers, all of whom are local businesses or residents.

Sales to a local manufacturing company accounted for approximately 51 and 50 percent of the total operating revenue for the years ended June 30, 2006 and 2005, respectively.

NOTE 13 - RISK MANAGEMENT

The Greenfield Municipal Utilities are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks, except for loss of infrastructure, are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reflected in the balance sheets for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments. Management estimates that there are no significant differences between the fair value of financial instruments and the amounts shown as assets and liabilities on the statements of net assets.

NOTE 15 - BUDGETS AND BUDGETARY ACCOUNTING

GMU prepares a budget on the basis of cash receipts and disbursements instead the accrual basis of accounting presented in these financial statements. In accordance with the Code of Iowa, the City Council annually adopts a budget, which includes this electric system, following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. There were no budget amendments adopted during the current year.

See Independent Auditors' Report.

NOTE 15 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions or programs, not by fund. These functions are grouped as either governmental activities or business activities.

The electric system budget is included as a part of the City and GMU combined business type activities budget. A comparison of the actual electric system activity, adjusted to the budgetary basis, and the total budgeted amounts is as follows:

	Actual	Budget
Operating and Nonoperating Revenue- GAAP Basis	\$ 3,300,817	
Adjust for -		
Customer Charge Accruals	(20,737)	
Other Operating Revenue Accruals	3,053	
Nonoperating Revenue Accruals	236,851	
Operating and Nonoperating Revenue - Budget Basis	<u>\$ 3,519,984</u>	<u>\$ 3,153,700</u>
	Actual	Budget
Operating and Nonoperating Expenses- GAAP Basis	\$ 3,217,155	
Adjust for -		
Operating Expense Accruals	86,104	
Nonoperating Expense Accruals	(146,182)	
Capital Outlays	33,869	
Depreciation	(268,845)	
Debt Payment	217,000	
Operating and Nonoperating Expenses- Budget Basis	<u>\$ 3,139,101</u>	<u>\$ 3,438,800</u>

NOTE 16 - RESTATEMENTS

Certain amounts for 2005 may be restated or terminology changed to be comparative to the 2006 financial statement presentation or terminology. There is, however, no change in net assets or overall revenue and expense activities previously reported.

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

SUPPLEMENTARY INFORMATION

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006		2005		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Plant Operations -					
Salaries and Wages	\$ 44,707	1.4	\$ 40,895	1.4	\$ 3,812
Employer Payroll Taxes	8,347	0.3	5,410	0.2	2,937
Group Insurance	6,558	0.2	8,756	0.3	(2,198)
Professional Fees	1,047	-	-	-	1,047
Insurance	18,747	0.6	10,243	0.3	8,504
Fuel and Lube Oil	11,282	0.3	9,216	0.3	2,066
Utilities and Communications	3,097	0.1	2,045	0.1	1,052
Total Plant Operations	\$ 93,785	2.9	\$ 76,565	2.6	\$ 17,220
Plant Maintenance -					
Engine Repairs	\$ 12,568	0.4	\$ 40,445	1.3	\$ (27,877)
Supplies - Operating and Maintenance	25,288	0.7	5,815	0.2	19,473
Repair Maintenance Services	2,409	0.1	9,135	0.3	(6,726)
Total Plant Maintenance	\$ 40,265	1.2	\$ 55,395	1.8	\$ (15,130)
Purchased Energy	\$ 1,976,912	61.0	\$ 1,685,116	56.2	\$ 291,796
Distribution Operations -					
Salaries and Wages	\$ 107,879	3.4	\$ 101,115	3.3	\$ 6,764
Employer Payroll Taxes	15,303	0.5	13,604	0.5	1,699
Group Insurance	13,875	0.4	19,399	0.6	(5,524)
Professional Fees	3,816	0.1	2,607	0.1	1,209
Street Light Expense	1,608	-	1,969	0.1	(361)
Total Distribution Operations	\$ 142,481	4.4	\$ 138,694	4.6	\$ 3,787
Distribution Maintenance -					
Vehicle Operating Expenses	\$ 11,865	0.4	\$ 13,415	0.4	\$ (1,550)
Supplies - Operating and Maintenance	111,262	3.4	93,137	3.2	18,125
Total Distribution Maintenance	\$ 123,127	3.8	\$ 106,552	3.6	\$ 16,575

(Continued)

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC UTILITY SYSTEM**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006		2005		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Accounting and Collecting -					
Salaries and Wages	\$ 41,748	1.3	\$ 26,177	0.8	\$ 15,571
Employer Payroll Taxes	1,801	0.1	3,403	0.1	(1,602)
Group Insurance	5,787	0.2	7,683	0.3	(1,896)
Advertising and Notices	1,166	-	1,325	-	(159)
Office Supplies	5,358	0.2	5,094	0.2	264
Copier and Computer Maintenance	1,251	-	2,086	0.1	(835)
Total Accounting and Collecting	<u>\$ 57,111</u>	1.8	<u>\$ 45,768</u>	1.5	<u>\$ 11,343</u>
Administrative Expenses -					
Salaries and Wages	\$ 20,503	0.6	\$ 36,769	1.1	\$ (16,266)
Employer Payroll Taxes	17,085	0.5	20,863	0.7	(3,778)
Group Insurance	6,201	0.2	3,582	0.1	2,619
Professional Fees	9,315	0.3	11,126	0.4	(1,811)
Insurance	2,876	0.1	10,980	0.4	(8,104)
Economic Development	11,584	0.4	16,045	0.5	(4,461)
Travel, Conferences and Dues	10,541	0.3	10,688	0.4	(147)
Utilities and Communications	2,315	0.1	2,465	0.1	(150)
Supplies - Operating and Maintenance	434	-	573	-	(139)
Use Taxes	9,332	0.3	1,522	0.1	7,810
Total Administrative Expense	<u>\$ 90,186</u>	2.8	<u>\$ 114,613</u>	3.8	<u>\$ (24,427)</u>
Rebates and Refunds	<u>\$ 33,420</u>	1.0	<u>\$ 31,055</u>	1.0	<u>\$ 2,365</u>
Depreciation Expense	<u>\$ 268,845</u>	8.3	<u>\$ 265,380</u>	8.8	<u>\$ 3,465</u>
Payments to City	<u>\$ 128,400</u>	4.0	<u>\$ 115,000</u>	3.8	<u>\$ 13,400</u>

Note - Percentages are based on total operating revenue.

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULE OF OUTSTANDING DEBT
JUNE 30, 2006**

	Maturity Date	Interest Rate	Principal Amount
Electric Revenue Notes (Issued May 1, 2001)	09/01/06	4.60%	20,000
	09/01/07	4.70%	25,000
	09/01/08	4.80%	20,000
Interest is payable September 1 and March 1. Notes due on September 1, 2011, and thereafter are callable in inverse order on September 1, 2010, and any date thereafter.	09/01/09	4.90%	20,000
	09/01/10	5.00%	25,000
	09/01/11	5.10%	175,000
	09/01/12	5.15%	185,000
	09/01/13	5.20%	195,000
	09/01/14	5.25%	205,000
	09/01/15	5.30%	220,000
	09/01/16	5.40%	<u>230,000</u>
			1,320,000
 Electric Refunding Notes (Issued July 1, 2003)	09/01/06	2.10%	115,000
	09/01/07	2.40%	120,000
Interest is payable September 1 and March 1. Notes due on September 1, 2008, and thereafter are callable in inverse order on September 1, 2007, and any date thereafter	09/01/08	2.70%	120,000
	09/01/09	3.00%	125,000
	09/01/10	3.20%	<u>130,000</u>
			610,000
 Lease Purchase Agreement (Issued March 1, 2002)	03/01/07	4.00%	84,000
	03/01/08	4.20%	88,000
Interest is payable September 1 and March 1. Notes due on September 1, 2012, and thereafter are callable in inverse order on March 1, 2002, and any date thereafter.	03/01/09	4.40%	91,000
	03/01/10	4.60%	96,000
	03/01/11	4.75%	100,000
	03/01/12	4.90%	105,000
	03/01/13	5.00%	110,000
	03/01/14	5.10%	115,000
	03/01/15	5.20%	120,000
	03/01/16	5.25%	127,000
	03/01/17	5.30%	<u>133,000</u>
			1,169,000
 Total Outstanding Debt			<u><u>\$ 3,099,000</u></u>

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATISTICAL REPORTS (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006		2005		Increase (Decrease)
	KWH	Percent	KWH	Percent	
KWH AVAILABLE:					
Purchase or Generated	<u>47,332,834</u>	100.0	<u>43,430,703</u>	100.0	<u>3,902,131</u>
Total Available	47,332,834	100.0	43,430,703	100.0	3,902,131
LESS - CITY USE:					
Electric Utility System	394,944	0.8	530,286	1.2	(135,342)
Street Lights	<u>196,398</u>	0.4	<u>204,223</u>	0.5	<u>(7,825)</u>
Total City Use	<u>591,342</u>	1.2	<u>734,509</u>	1.7	<u>(143,167)</u>
Available for Sale	46,741,492	98.8	42,696,194	98.3	4,045,298
KWH SOLD:					
Residential	9,584,019	20.2	8,818,927	20.3	765,092
Commercial	8,081,734	17.1	7,512,718	17.3	569,016
Industrial	26,431,404	55.8	23,667,151	54.5	2,764,253
Municipal Water Utility	781,169	1.7	548,893	1.3	232,276
City of Greenfield	<u>519,596</u>	1.1	<u>396,682</u>	0.9	<u>122,914</u>
Total KWH Sales	45,397,922	95.9	40,944,371	94.3	4,453,551
Line Loss	<u>1,343,570</u>	2.9	<u>1,751,823</u>	4.0	<u>(408,253)</u>

See Independent Auditors' Report.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**INFORMATION REQUIRED BY REVENUE NOTE RESOLUTION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2006**

RESIDENTIAL ELECTRIC:

Customer Charges Per Meter Per Month -	
Inside City Limits	\$ 7.50
Outside City Limits	11.50
Energy Charge Per Kilowatt Hour*	0.063
Demand Charge Per Kilowatt Over 40	10.00
Date Effective	2/1/06

COMMERCIAL ELECTRIC:

Customer Charges Per Meter Per Month -	
Inside City Limits	\$ 11.50
Outside City Limits	15.50
Three Phase Customer Per Meter Per Month -	
Inside City Limits	25.00
Outside City Limits	29.00
Energy Charge Per Kilowatt Hour Under 10,000*	0.074
Energy Charge Per Kilowatt Hour Over 10,000*	0.032
Date Effective	2/1/06

INDUSTRIAL ELECTRIC:

Customer Charges Per Meter Per Month -	\$ 100.00
Energy Charge Per Kilowatt Hour*	0.0345
Demand Charge, Per Kilowatt	10.00
Date Effective	2/1/06

METERS AT JUNE 30

1,274

*Rates are subject to a power cost adjustment which is based on the cost of power for the three preceding months and the kilowatt hour sales for the three preceding months. This adjustment can either increase or decrease the rate in effect for each month based upon the unrecovered cost in energy adjustment account.

See Independent Auditors' Report.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Greenfield Municipal Utilities
Electric System
Greenfield, Iowa

We have audited the financial statements of the Electric System, a department of the Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated August 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Electric System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Electric System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Electric System's operations for the year ended June 30, 2006 and 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Electric System. 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.

This report, a public record by law, is intended solely for the information and use of the trustees, officials, employees and citizens of the City of Greenfield, and other parties to whom the Greenfield Municipal Utilities may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

August 4, 2006

By  _____
Certified Public Accountant

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006**

Part 1: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters noted.

REPORTABLE CONDITIONS:

No matters noted.

Part 2: Other Findings Related to Required Statutory Reporting:

06-2A **Official Depositories** - A resolution naming depositories for combined funds of the City and Library and Greenfield Municipal Utilities has been approved by the City Council and the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year. The depositories named and maximum deposit amounts authorized are as follows:

First National Bank	\$ 4,000,000
Union State Bank	4,000,000

06-2B **Certified Budget** - Disbursements during the year ended June 30, 2006, did not exceed the amount budgeted for the electric system as recorded in the budget, as amended, of the City of Greenfield included in the electric business type activity.

06-2C **Questionable Disbursements** - We noted no expenditures that we believe would constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

06-2D **Travel Expense** - No expenditures of electric system money for travel expenses of spouses of officials or employees were noted.

06-2E **Business Transactions** - Business transactions between the Greenfield Municipal Utilities Electric Utility System and the Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.

06-2F **Bond Coverage** - Surety bond coverage of officials and employees is in accordance with statutory provisions. However, we recommend the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations. See the page listing the "Officials" for individual bond coverage amounts.

06-2G **Minutes** - No transactions were found that we believe should have been approved in the minutes, but were not. The minutes were published within the 15 days required by Chapter 372.13(6) of the Code of Iowa. We did note, however, total receipts were not included in the published minutes.

Part 2: Other Findings Related to Required Statutory Reporting: (Continued)

06-2H **Revenue Notes** - Revenue note covenants require the set aside of money into Bond and Interest Funds, Bond Reserve Funds and Capital Improvement Reserve Funds. As of June 30, 2006, all reserve requirements had been complied with.

06-2I **Deposits and Investments** - The Board of Trustees adopted a written investment policy statement as required by Chapter 12B.10B of the Code of Iowa and no instances of noncompliance were noted.