

**CITY OF GREENFIELD, IOWA
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

CITY OF GREENFIELD, IOWA

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CITY OF GREENFIELD, IOWA

**OFFICIALS AND BOND COVERAGE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

Name	Title	Term Expires	Bond Coverage
Robert Guikema	Mayor	12/31/2007	\$ 10,000
Kevin Hall	Council Member	12/31/2009	10,000
Randy Standley	Council Member	12/31/2009	10,000
Ron Smith	Council Member	12/31/2009	10,000
Nancy Gross	Council Member	12/31/2007	10,000
Barbara Riley	Council Member	12/31/2007	10,000
Lynne Don Carlos	Utility Trustee	12/31/2012	10,000
Richard Kohler	Utility Trustee	12/31/2008	10,000
Phil Cannon	Utility Trustee	12/31/2010	10,000
Roleen Chiles	Library Trustee	7/1/2009	10,000
Rana Glade	Library Trustee	7/1/2009	10,000
Dick Kuhl	Library Trustee	7/1/2010	10,000
Marilyn Nickel	Library Trustee	7/1/2009	10,000
George Pierce	Library Trustee	7/1/2009	10,000
Linda Kintigh	Library Trustee	7/1/2010	10,000
Larry Means	Library Trustee	7/1/2010	10,000
Rebecca Haase	City Clerk/Treasurer	Indefinite	40,000
Twyla Faust	City Deputy Clerk	Indefinite	40,000
Duane Armstead	Utility General Manager	Indefinite	40,000
Sharyl Newbury	City Clerk/Treasurer	Resigned	-

O'Donnell, Ficenec, Wills & Ferdig, LLP

Certified Public Accountants

4815 South 107th Avenue

Omaha, Nebraska 68127-1904

Gerald A. Wills, C.P.A.
Ronald W. Ferdig, C.P.A.
Lawrence A. Wolfe, C.P.A.
Richard P. Edgar, C.P.A.
Steven M. Povich, C.P.A.
John Keblesh, C.P.A.

402-592-3800
Fax: 402-592-7747
www.ofwf.com

Gregory A. Harr, C.P.A.
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

City of Greenfield
Greenfield, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Greenfield, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Greenfield's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Greenfield as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007, on our consideration of the City of Greenfield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

The Budgetary Comparisons on pages 20 and 21 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City of Greenfield has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Greenfield's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The accompanying schedule of expenditure of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management (Schedule 6) and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a part of the basic financial statements of the City of Greenfield, Iowa. Other supplemental information on pages 22 through 25 is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

By  _____
Certified Public Accountant

November 2, 2007

FINANCIAL STATEMENTS

CITY OF GREENFIELD, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Disbursements	Program Receipts			Net (Expense) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS:					
Primary Government -					
Governmental Activities -					
Public Safety	\$ 210,538	\$ -	\$ 14,545	\$ -	\$ (195,993)
Public Works	267,599	14,072	177,441	-	(76,086)
Culture and Recreation	87,398	30,103	-	-	(57,295)
Community and Economic Development	18,055	-	-	-	(18,055)
General Government	265,553	10,518	55,212	-	(199,823)
Debt Service	64,709	-	-	-	(64,709)
Capital Projects	<u>2,662,994</u>	-	-	<u>533,687</u>	<u>(2,129,307)</u>
Total Governmental Activities	3,576,846	54,693	247,198	533,687	(2,741,268)
Business Type Activities - Sewer	117,940	246,780	-	-	128,840
Total Primary Government	<u>\$ 3,694,786</u>	<u>\$ 301,473</u>	<u>\$ 247,198</u>	<u>\$ 533,687</u>	<u>\$ (2,612,428)</u>
Components:					
Governmental Activities -					
Library	\$ 114,206	\$ -	\$ 16,477	\$ -	\$ (97,729)
Business Type Activities -					
Water	566,983	471,640	13,939	25,735	(55,669)
Electric	3,746,723	3,471,047	159,798	-	(115,878)
Total Components	<u>\$ 4,427,912</u>	<u>\$ 3,942,687</u>	<u>\$ 190,214</u>	<u>\$ 25,735</u>	<u>\$ (269,276)</u>

(Continued down)

CITY OF GREENFIELD, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Primary Government			Total Components
	Governmental Activities	Business Type Activities	Total Primary Government	
CHANGES IN NET ASSETS:				
Net (Expense) Revenue (Continued from previous page)	\$ (2,741,268)	\$ 128,840	\$ (2,612,428)	\$ (269,276)
General Receipts -				
Property and Utility Taxes Levied for -				
General Purposes	333,026	-	333,026	-
Employee Benefits	125,699	-	125,699	-
Tax Increment Financing	195,133	-	195,133	-
Debt Service	75,804	-	75,804	-
Local Option Sales Tax	162,128	-	162,128	-
Interest on Investments	86,502	67,811	154,313	119,750
Miscellaneous	7,259	-	7,259	-
Proceeds of Debt (Net of Discount)	2,432,850	-	2,432,850	1,200,436
Remitted Sewer Fees - Net	-	-	-	(27,813)
Operating Transfers from (to)	(185,963)	84,000	(101,963)	101,963
Payment to City from Electric	100,000	-	100,000	(100,000)
Total General Receipts and Transfers	<u>3,332,438</u>	<u>151,811</u>	<u>3,484,249</u>	<u>1,294,336</u>
Change in Cash Basis Net Assets	591,170	280,651	871,821	1,025,060
Cash Basis Net Assets - Beginning of Year	947,698	1,331,849	2,279,547	1,668,673
Cash Basis Net Assets - End of Year	<u>\$ 1,538,868</u>	<u>\$ 1,612,500</u>	<u>\$ 3,151,368</u>	<u>\$ 2,693,733</u>
CASH BASIS NET ASSETS:				
Restricted for -				
Road Use Tax	\$ 274,157	\$ -	\$ 274,157	\$ -
Employee Benefits	85,835	-	85,835	-
T I F	272,209	-	272,209	-
Debt Service	220,291	-	220,291	562,527
Unrestricted	686,376	1,612,500	2,298,876	2,131,206
Total Cash Basis Net Assets	<u>\$ 1,538,868</u>	<u>\$ 1,612,500</u>	<u>\$ 3,151,368</u>	<u>\$ 2,693,733</u>

See Independent Auditors' Report and Notes to Financial Statements

CITY OF GREENFIELD

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	General	Special Revenue			TIF
		Road Use Tax	Employee Benefit	Local Option Tax	
RECEIPTS:					
Property/Other Allocated Taxes	\$ 333,026	\$ -	\$ 125,699	\$ -	\$ 195,133
Other City Taxes	4,948	-	1,698	162,128	-
Licenses and Permits	7,302	-	-	-	-
Use of Money and Property	112,299	-	-	-	-
Intergovernmental	14,545	177,441	-	-	-
Charges for Services	47,390	-	-	-	-
Miscellaneous	29,415	-	-	-	-
Total Receipts	548,925	177,441	127,397	162,128	195,133
DISBURSEMENTS:					
Operating -					
Public Safety	210,538	-	-	-	-
Public Works	108,082	159,517	-	-	-
Culture and Recreation	87,398	-	-	-	-
Community and Economic Development	18,055	-	-	-	-
General Government	265,553	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Total Disbursements	689,626	159,517	-	-	-
Excess (Deficiency) of Receipts over Disbursements	(140,701)	17,924	127,397	162,128	195,133
OTHER FINANCING SOURCES (USES):					
Payment from Electric to City	100,000	-	-	-	-
Proceeds of Debt	-	-	-	-	-
Transfers In	120,110	-	-	-	-
Transfers Out	(101,963)	(12,424)	(120,110)	-	(136,285)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) over Disbursements	(22,554)	5,500	7,287	162,128	58,848
Cash Balances - Beginning of Year	208,520	268,657	78,548	34,739	213,361
Cash Balances - End of Year	\$ 185,966	\$ 274,157	\$ 85,835	\$ 196,867	\$ 272,209
CASH BASIS FUND BALANCES:					
Unreserved	\$ 185,966	\$ 274,157	\$ 85,835	\$ 196,867	\$ 272,209
Total Cash Basis Fund Balances	\$ 185,966	\$ 274,157	\$ 85,835	\$ 196,867	\$ 272,209

(Continued Across)

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF GREENFIELD

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Debt Service	Capital Projects	Primary Government Total	Component Library	Governmental Funds Totals
RECEIPTS:					
Property/Other Taxes	\$ 75,804	\$ -	\$ 729,662	\$ -	\$ 729,662
Other City Taxes	614	-	169,388	-	169,388
Licenses and Permits	-	-	7,302	-	7,302
Use of Money and Property	-	-	112,299	2,081	114,380
Intergovernmental	-	533,687	725,673	9,018	734,691
Charges for Services	-	-	47,390	-	47,390
Miscellaneous	-	-	29,415	7,459	36,874
Total Receipts	76,418	533,687	1,821,129	18,558	1,839,687
DISBURSEMENTS:					
Operating -					
Public Safety	-	-	210,538	-	210,538
Public Works	-	-	267,599	-	267,599
Culture and Recreation	-	-	87,398	114,206	201,604
Community and Economic Development	-	-	18,055	-	18,055
General Government	-	-	265,553	-	265,553
Debt Service	64,709	-	64,709	-	64,709
Capital Projects	-	2,662,994	2,662,994	-	2,662,994
Total Disbursements	64,709	2,662,994	3,576,846	114,206	3,691,052
Excess (Deficiency) of Receipts over Disbursements	11,709	(2,129,307)	(1,755,717)	(95,648)	(1,851,365)
OTHER FINANCING SOURCES (USES):					
Payment from Electric to City	-	-	100,000	-	100,000
Proceeds of Debt	-	2,432,850	2,432,850	-	2,432,850
Transfers In	64,709	-	184,819	101,963	286,782
Transfers Out	-	-	(370,782)	-	(370,782)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) over Disbursements	76,418	303,543	591,170	6,315	597,485
Cash Balances - Beginning of Year	143,873	-	947,698	68,953	1,016,651
Cash Balances - End of Year	\$ 220,291	\$ 303,543	\$ 1,538,868	\$ 75,268	\$ 1,614,136
CASH BASIS FUND BALANCES:					
Unreserved	\$ 220,291	\$ 303,543	\$ 1,538,868	\$ 75,268	\$ 1,614,136
Total Cash Basis Fund Balances	\$ 220,291	\$ 303,543	\$ 1,538,868	\$ 75,268	\$ 1,614,136

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF GREENFIELD

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

	Primary Government Sewer	Components Water	Electric	Proprietary Funds Totals
RECEIPTS:				
Use of Money and Property	\$ 67,811	\$ 5,771	\$ 111,898	\$ 185,480
Charges for Services	246,780	471,640	3,471,047	4,189,467
Miscellaneous	-	13,939	159,798	173,737
Total Receipts	<u>314,591</u>	<u>491,350</u>	<u>3,742,743</u>	<u>4,548,684</u>
DISBURSEMENTS:				
Business Type Activities	117,940	546,983	3,522,533	4,187,456
Debt Service	-	20,000	224,190	244,190
Total Disbursements	<u>117,940</u>	<u>566,983</u>	<u>3,746,723</u>	<u>4,431,646</u>
Excess (Deficiency) of Receipts Over Disbursements	196,651	(75,633)	(3,980)	117,038
OTHER FINANCING SOURCES (USES):				
Payment to City	-	-	(100,000)	(100,000)
Sewer Fees - Net	-	-	(27,813)	(27,813)
Contribution-in-Aid of Construction	-	25,735	-	25,735
Proceeds of Debt (Net of Discount)	-	-	1,200,436	1,200,436
Transfers In	84,000	31,000	-	115,000
Transfers Out	-	-	(31,000)	(31,000)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	280,651	(18,898)	1,037,643	1,299,396
Cash Balances - Beginning of Year	1,331,849	159,902	1,439,818	2,931,569
Cash Balances - End of Year	<u>\$ 1,612,500</u>	<u>\$ 141,004</u>	<u>\$ 2,477,461</u>	<u>\$ 4,230,965</u>
CASH BASIS FUND BALANCES:				
Reserved for Debt Service	\$ -	\$ -	\$ 562,527	\$ 562,527
Unreserved -				
Designated Diesel Replacement	-	-	350,000	350,000
Undesignated	1,612,500	141,004	1,564,934	3,318,438
Total Cash Basis Fund Balances	<u>\$ 1,612,500</u>	<u>\$ 141,004</u>	<u>\$ 2,477,461</u>	<u>\$ 4,230,965</u>

See Independent Auditors' Report and Notes to Financial Statements.

CITY OF GREENFIELD, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *General* -

City of Greenfield (the City) is a political subdivision of the State of Iowa located in Adair County. The City operates under the mayor-council form of government with the mayor and council members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. In addition, the City operates an airport and sewer system and, through its components, operates a water system, electric system and public library.

B. *Financial Reporting Entity* -

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*. GASB Statement No.14 criteria to determine financial accountability include:

1. Appointing a voting majority of an organization's governing body,
2. The ability of the City to impose its will on that organization, or
3. The potential for the component unit to provide specific benefits to, or impose specific financial burdens on the City.

The City has considered all funds, organizations, account groups, agencies, boards, commissions and authorities as potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. For financial reporting purposes, the City of Greenfield (the primary government) has included the following component units in the City's reporting entity:

Greenfield Public Library
Greenfield Municipal Utilities

Discretely Presented Component Units -

Greenfield Public Library (Library) is governed by a seven-person board, some appointed by the City Council, and some by the County Board of Supervisors, but whose operating budget and funding is provided by the City Council. The Library does not issue separate financial statements.

Greenfield Municipal Utilities (GMU) is governed by a three-person board of trustees appointed by the City Council. GMU operates water and electric utilities, which operating budgets are included in the City's overall budget. The water and electric financial statements included as part of the City's financial statements are presented on the cash basis of accounting. Financial statements for each department, on the accrual basis, are available separately.

See Independent Auditors' Report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly Governed Organizations -

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: SICOG Project Board, Adair County Sanitary Disposal Commission, SIRWA, E911 Service Board, and Greater Greenfield Community Foundation.

C. Basis of Presentation -

The accompanying financial statements are presented on the basis of cash receipts and disbursements. This modified basis of accounting differs from accounting principles generally accepted in the United States. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the proprietary funds financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Government-wide Financial Statements -

The Statement of Activities and Net Assets display financial information about the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from the financial information. This financial statement distinguishes between governmental and business-type activities. Accordingly, governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely primarily on fees and charges for services.

The Statement of Activities and Net Assets presents the reporting entity's net assets in two components:

1. Restricted net assets: Result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation, and
2. Unrestricted net assets: Consist of net assets that do not meet the definition of restricted. Unrestricted net assets often have constraints (designations) on resources imposed by the City Council, which may be removed or modified at any time.

The Statement of Activities and Net Assets also demonstrates the degree to which the direct disbursements of a given program, or function, are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts are presented as three types:

1. Charges for Services: Consist of charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function,
2. Operating Grants and Contributions: Consists of non-exchange revenue and interest on investments restricted to meeting the operational expenses of a particular function, and,

See Independent Auditors' Report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Grants and Contributions: Consists of non-exchange revenue and interest on investments restricted to meeting the capital requirements of a particular function.

Property tax and other items, not properly included as program receipts, are instead reported as general receipts.

Program Receipts -

In the Statement of Activities, cash basis revenues that are derived directly from each activity, or function, are reported as program revenue receipts. The City and Library governmental funds have the following program receipts in each activity:

Public Safety	Fine revenue and intergovernmental fire reimbursements
Public Works	Road use taxes, aviation fuel sales, hanger rents
Culture and Recreation	Swimming pool and camping fees, other recreation fees
General Government	License and permits, building expense reimbursements and miscellaneous user fees
Library	Late fees, copier fees and operational contributions of county and township funding

Program revenues for City proprietary funds and similar components are from user fees charged for the services provided to the users and all other related revenues not related to capital and noncapital financing or investing activities.

Funds Financial Statements -

The accounts of the City and its components are organized on the basis of funds, each of which is considered a separate accounting entity. The funds financial statements display information about the government by reporting major funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its receipts, disbursements and cash and investment balances. Funds are reported as either governmental or proprietary type funds. The reporting entity has no fiduciary funds. A separate fund financial statement is presented for each fund type group.

Within the governmental and proprietary type categories, emphasis is placed on major funds. A fund is considered major if its total assets and expenditures meet criteria defined by GASB 34. Alternatively, management may determine that all funds should be reported as major funds. The accompanying Funds Financial Statements report all funds as major funds, as follows:

Governmental Fund Types -

City General Fund - This fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. Disbursements from this fund are for all general operating expenses/expenditures and fixed charges and capital improvement costs that are not paid from other funds.

See Independent Auditors' Report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

City Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds:

Road Use Tax Fund, accounts for gasoline excise taxes received and restricted for road and street construction and maintenance disbursements.

Employee Benefit Fund, accounts for a special levy for employee group insurance.

Local Option Sales Tax (LOST) Fund, accounts for revenues from the local option tax authorized by the voters for capital improvements and maintenance disbursements.

Tax Increment Financing Fund, accounts for incremental taxes associated with urban renewal districts improvements and debt service.

City Debt Service Fund - This fund is used to account for taxes and other resources collected and disbursed for payment of interest and principal on the City's general long-term debt.

Capital Projects Fund - This fund is used to account for all the expenditures associated with significant construction or improvements projects and proceeds of related interim debt. During the current year the airport apron improvements and the public square re-construction were accounted for in the capital project fund.

Library Component Special Revenue Fund - This fund is used to account for all general tax and other receipts specifically for the Library. Disbursements from this fund are for all Library operating expenses/expenditures and fixed charges and capital improvement costs.

Proprietary Fund Types -

City Sewer Fund - This fund is used to account for all user charges and other receipts and all disbursements associated with operations and maintenance of the City's wastewater and sewer systems.

Component GMU Water and Electric Funds - Separate water and electric funds are used to account for all user charges and other receipts and all disbursements associated with operations and maintenance of providing potable water and electric energy to the citizens of the City.

D. **Measurement Focus and Basis of Accounting -**

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The City and its components, Library and GMU, maintain financial records on the basis of cash receipts and disbursements and the accompanying financial statements are presented on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, depreciation and accrued items. Accordingly, the accompanying financial statements do not present the financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States.

See Independent Auditors' Report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City and Library are not required to and do not maintain a fixed asset or infrastructure accounting record. Greenfield Municipal Utilities, for the water and electric systems, does maintain fixed asset records which information is included in their separately issued accrual financial statements.

E. *Use of 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.

F. *Budgets and Budgetary Accounting* -

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds and component units, except for agency, internal service and nonexpendable trust funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 - DEPOSITS AND INVESTMENTS

The deposits of the reporting entity at June 30, 2007, were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

All members of the reporting entity are authorized by statute to invest public funds in obligations of the United States Government or any of its agencies and instrumentalities, in time deposits or savings accounts in depositories approved by the governing bodies and Treasurer of the State of Iowa, prime eligible banker's 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.

NOTE 3 - LONG-TERM DEBT

Long-term debt is segregated between the amounts to be repaid from governmental activities and the amounts to be repaid from proprietary activities. Outstanding debt as of June 30, 2007, is as follows:

Governmental -

City General Obligation Debt -

Municipal Building Notes bearing interest at 4.85 to 5.30 percent	\$ 95,000
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City Tax Increment Financing Debt -

Public Square Project bearing interest at 4.00 percent (This debt is expected to be partially refinanced by long-term debt at the conclusion of project)	2,450,000
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See Independent Auditors' Report.

NOTE 3 - LONG-TERM DEBT (Continued)

Proprietary -

GMU General Obligation Debt - Water Department Owed to CIPCO with no interest	\$ 140,000
GMU Revenue Obligation Debt -	
2001 Series Electric Notes bearing interest at 4.30 to 5.40 percent	\$ 1,300,000
2003 Series Electric Refunding Notes bearing interest at 1.6 to 3.2 percent	495,000
2006 Series Electric Capital Improvement Notes bearing interest at 4.00 to 4.60 percent	1,220,000
SIMECA Capitalized Lease bearing interest at 3.20 to 5.30 percent	1,085,000

Changes in all long-term obligations for the year ended June 30, 2007, are as follows:

	Balances July 1, 2006	Additions	Reductions	Balances June 30, 2007	Amounts Due Within One Year
Governmental Activities -					
Municipal Building	\$ 140,000	\$ -	\$ 45,000	\$ 95,000	\$ 45,000
Dump Truck Lease	11,745	-	11,745	-	-
T I F Debt	84,000	-	84,000	-	-
Public Square Project	730,000	2,450,000	730,000	2,450,000	2,450,000
	<u>\$ 965,745</u>	<u>\$ 2,450,000</u>	<u>\$ 870,745</u>	<u>\$ 2,545,000</u>	<u>\$ 2,495,000</u>
Proprietary Activities -					
CIPCO Water	\$ 160,000	\$ -	\$ 20,000	\$ 140,000	\$ 20,000
2001 Series Electric	1,320,000	-	20,000	1,300,000	25,000
2003 Series Electric	610,000	-	115,000	495,000	125,000
2006 Series Electric	-	1,220,000	-	1,220,000	55,000
SIMECA Lease Electric	1,169,000	-	84,000	1,085,000	88,000
	<u>\$ 3,259,000</u>	<u>\$ 1,220,000</u>	<u>\$ 239,000</u>	<u>\$ 4,240,000</u>	<u>\$ 313,000</u>

Future debt service requirements to maturities of principal and interest are as follows:

Governmental Activities -

Year Ending June 30,	City General Obligation		City TIF Obligation		Total Requirement
	Principal	Interest	Principal	Interest	
2008	\$ 45,000	\$ 4,990	\$ 2,450,000	\$ 98,000	\$ 2,597,990
2009	50,000	2,650	-	-	52,650
	<u>\$ 95,000</u>	<u>\$ 7,640</u>	<u>\$ 2,450,000</u>	<u>\$ 98,000</u>	<u>\$ 2,650,640</u>

See Independent Auditors' Report.

NOTE 3 - LONG-TERM DEBT (Continued)

Proprietary Activities – (including capitalized lease obligation)

Year Ending June 30,	GMU Water General Obligation		GMU Electric Revenue Obligations		Total Requirement
	Principal	Interest	Principal	Interest	
2008	\$ 20,000	\$ -	\$ 288,000	\$ 198,972	\$ 506,972
2009	20,000	-	316,000	173,121	509,121
2010	20,000	-	331,000	161,153	512,153
2011	20,000	-	340,000	148,166	508,166
2012	20,000	-	360,000	132,949	512,949
2013	20,000	-	375,000	115,358	510,358
2014	20,000	-	390,000	96,743	506,743
2015	-	-	415,000	76,878	491,878
2016	-	-	417,000	56,050	473,050
2017	-	-	438,000	34,241	472,241
2018	-	-	80,000	17,610	97,610
2019	-	-	80,000	14,070	94,070
2020	-	-	85,000	10,378	95,378
2021	-	-	90,000	6,417	96,417
2022	-	-	95,000	2,185	97,185
	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ 4,100,000</u>	<u>\$ 1,244,291</u>	<u>\$ 5,484,291</u>

Resolutions providing for the issuance of the GMU revenue obligations include the following provisions:

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings.
- b. Sufficient monthly cash transfers shall be made to an electric revenue bond and interest account for the purpose of making the next annual principal and interest payments when due. This account was fully funded at June 30, 2007.
- c. Additional monthly cash transfers shall be made to an electric revenue bond reserve account until such account reaches a maximum balance of \$247,500. This amount is restricted for paying principal and interest which the bond and interest account may be unable to pay. This account was fully funded at June 30, 2007.
- d. Cash transfers shall be made to an electric improvement account until such account reaches a maximum balance of \$150,000. This account is restricted for 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. This account was fully funded at June 30, 2007.

See Independent Auditors' Report.

NOTE 3 - LONG-TERM DEBT (Continued)

Information regarding the capitalized lease-purchase contract included in above total requirements is as follows:

The component, Greenfield Municipal Utilities, is the lessee of two generation units installed in its service territory under a capital lease expiring March 1, 2017. The cost of the assets acquired under this capital lease is \$1,982,548. This lease-purchase agreement is with lessor South Iowa Municipal Electric Cooperative Association (SIMECA), in the principal amount of \$1,479,327, which is GMU's share of total revenue notes issued by lessor to fund the lease. Interest rates on the capitalized lease, which vary from 3.20 to 5.30 percent, are the same rates paid by lessor. GMU is required to deposit a monthly amount (currently \$11,000) sufficient to meet its share of the payments on the underlying debt, which payments are due semiannually beginning September 2002 with future minimum payments as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 88,000	\$ 53,333	\$ 141,333
2009	91,000	49,636	140,636
2010	96,000	45,633	141,633
2011	100,000	41,216	141,216
2012	105,000	36,466	141,466
2013	110,000	31,322	141,322
2014	115,000	25,821	140,821
2015	120,000	19,957	139,957
2016	127,000	13,717	140,717
2017	133,000	7,049	140,049
Totals	<u>\$ 1,085,000</u>	<u>\$ 324,150</u>	<u>\$ 1,409,150</u>

NOTE 4 - PENSION AND RETIREMENT BENEFITS

The City, including its components, 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 as 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 3.70% of their annual covered salary and the City, including its components, is required to contribute 5.75% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 was \$47,909, \$46,500 and \$43,500, respectively, which met the required contributions for each year.

See Independent Auditor's Report.

NOTE 5 - DEFERRED COMPENSATION PLAN

The City, together with its components, offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. 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 third party trust for the exclusive benefit of participants and their beneficiaries.

NOTE 6 - COMPENSATED ABSENCES

City and component employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as expenditures by the City or by its components until used or paid. The approximate liability for vested compensated absences at June 30, 2007, based on rates of pay then in effect and primarily relating to the general fund and enterprise funds, is as follows:

	City	Library	GMU	Total
Vacation	\$12,157	\$ 389	\$ 21,306	\$ 33,852
Sick Leave	43,784	7,560	38,927	90,271
Personal Time	674	84	2,165	2,923
Totals	<u>\$56,615</u>	<u>\$ 8,033</u>	<u>\$ 62,398</u>	<u>\$127,046</u>

NOTE 7 - INTERFUND TRANSFERS

The City pays GMU for utility services used and GMU makes a transfer payment to the City. For the year ended June 30, 2007, the City received a total of \$100,000 from the GMU Electric Department.

Transfers generally move resources from the fund statutorily required to collect the resources to the fund which may statutorily disburse the resources. Details of all transfers between funds of the primary government and between the primary government and its components for the current year, are as follows:

From City General Fund to Library	\$ 101,963
From City Employee Benefit Fund to City General Fund	120,110
From City Road Use Tax Fund to City Debt Service Fund	12,424
From City Tax Increment Financing Fund to City Debt Service Fund	52,285
From City Tax Increment Financing Fund to Sewer for Debt Repayment	84,000
From GMU Electric Funds to City General Fund	100,000
Total	<u>\$ 470,782</u>

NOTE 8 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2007, the City had business transactions with City officials totaling \$1,692.

See Independent Auditors' Report.

NOTE 9 - RISK MANAGEMENT

The City of Greenfield and its components 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. The City or its components assume liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - COMMITMENTS

The City and/or its components have the following commitments at June 30, 2007:

- A. The City has contracted with the Adair County Sanitary Disposal Commission for solid waste disposal. The contract provides for the rate to be the amount necessary to fund the City's proportionate share of the disposal commission's budgeted expenses and runs from inception, June 30, 1973, until terminated. For the year ended June 30, 2007, \$15,089 was paid pursuant to this agreement.
- B. The City has contracts with Feldhacker Contracting and Clapsaddle-Garber for the Public Square improvements totaling \$1,974,402. As of the year ended June 30, 2007, \$364,227 was remaining to be paid on these contracts.
- C. The City has contracts with Godbersen-Smith and Clapsaddle-Garber for the Airport project totaling \$623,756. As of the year ended June 30, 2007, \$62,608 was remaining to be paid on these contracts. Federal Grants were received to pay for 95% of this project.
- D. The component, Greenfield Municipal Utilities, has a 40 year contract with Southern Iowa Rural Water Association (SIRWA) and a 10 year contract with the City of Fontanelle to provide for an agreed upon sale price potable water. The quantity provided to SIRWA and Fontanelle may be limited to 52,257,879 gallons and 20,000,000 gallons per year, respectively.
- E. Greenfield Municipal Utilities is one of twelve members of SIMECA (South Iowa Municipal Electric Cooperative Association). SIMECA is a member of Central Iowa Power Cooperative (CIPCO) and has a long-term contract with CIPCO for the purchase and the transmission of up to 621.0 KVA of electric energy on behalf of SIMECA members. This 15.5 year contract running through December 31, 2008, provides for minimum payments of \$200,000. The contract may be extended indefinitely unless terminated by giving a five year notice. Greenfield Municipal Utilities' share of the minimum payment is approximately \$32,000.
- F. The Greenfield Municipal Utilities Electric Plant has a power plant substation improvement project in progress with several contracts totaling \$1,141,819. As of the year ended June 30, 2007, \$438,054 was remaining to be paid on these contracts.

NOTE 11 - LOCAL OPTION SALES TAX

The City of Greenfield passed a resolution in 2005 pursuant to a special election to authorize the imposition of a local option sales and service tax at a rate of one percent to be effective from January 1, 2006 until June 30, 2012. The revenues are required to be expended for capital improvements and maintenance as determined by the City Council, including but not limited to streets, curbs, storm sewers, sanitary sewers, buildings, equipment, and parks and recreational facilities.

See Independent Auditors' Report.

NOTE 12 - BUDGET OVERSPEND

The City disbursements for the year for the Public Safety and Capital Projects programs exceeded the amount budgeted by \$6,247 and \$2,662,994, respectively. The capital projects expenditures were funded by debt proceeds.

See Independent Auditors' Report.

CITY OF GREENFIELD, IOWA

SUPPLEMENTARY INFORMATION

CITY OF GREENFIELD, IOWA

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Governmental Funds		Proprietary Funds		Net Actual	Budgeted Amounts		Positive (Negative) Variance, Final To Net Actual
	Actual		Actual			Original	Final	
RECEIPTS:								
Property Tax	\$ 541,790	\$ -	\$ -	\$ 541,790	\$ 510,077	\$ 510,077	\$ 31,713	
Tax Increment Financing Receipts	195,133	-	-	195,133	186,513	186,513	8,620	
Other City Taxes	162,127	-	-	162,127	116,787	116,787	45,340	
Licenses and Permits	7,302	-	-	7,302	8,400	8,400	(1,098)	
Use of Money and Property	114,380	185,480	185,480	299,860	21,000	21,000	278,860	
Intergovernmental	734,691	-	-	734,691	717,469	717,469	17,222	
Charges for Services	47,390	4,189,467	4,189,467	4,236,857	4,483,575	4,483,575	(246,718)	
Miscellaneous	36,874	173,737	173,737	210,611	155,000	155,000	55,611	
Total Receipts	1,839,687	4,548,684	4,548,684	6,388,371	6,198,821	6,198,821	189,550	
DISBURSEMENTS:								
Public Safety	210,538	-	-	210,538	204,291	204,291	(6,247)	
Public Works	267,599	-	-	267,599	1,646,423	1,646,423	1,378,824	
Culture and Recreation	201,604	-	-	201,604	244,590	244,590	42,986	
Community and Economic Development	18,055	-	-	18,055	19,555	19,555	1,500	
General Government	265,553	-	-	265,553	469,480	469,480	203,927	
Debt Service	64,709	-	-	64,709	72,360	72,360	7,651	
Capital Projects	2,662,994	-	-	2,662,994	-	-	(2,662,994)	
Business Type Activities	-	4,431,646	4,431,646	4,431,646	4,544,570	4,544,570	112,924	
Total Disbursements	3,691,052	4,431,646	4,431,646	8,122,698	7,201,269	7,201,269	(921,429)	
Excess of Receipts Over Disbursements	(1,851,365)	117,038	117,038	(1,734,327)	(1,002,448)	(1,002,448)	(731,879)	
OTHER FINANCING SOURCES (USES), NET								
Excess of Receipts and Other Financing Sources (Uses), Net Over Disbursements	2,448,850	1,182,358	1,182,358	3,631,208	-	800,000	2,831,208	
Balances - Beginning of Year	597,485	1,299,396	1,299,396	1,896,881	(1,002,448)	(202,448)	2,099,329	
Balances - End of Year	1,016,651	2,931,569	2,931,569	3,948,220	3,521,755	3,265,915	(682,305)	
	\$ 1,614,136	\$ 4,230,965	\$ 4,230,965	\$ 5,845,101	\$ 2,519,307	\$ 3,063,467	\$ 2,781,634	

CITY OF GREENFIELD, IOWA

NOTES TO BUDGETARY COMPARISON SCHEDULE

In accordance with the Code of Iowa, the City Council annually adopts a cash basis budget, which includes the City's components, following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

The property tax calendar is as follows:

January 2	-Valuations set for ensuing levy
March 15	-Certified Budget to County Auditor
July 1	-Taxes levied are due and payable
October-April	-Taxes are delinquent and interest accrues at 1.5% a month from October 1 or April 1 to date of payment
	-County publishes tax sale certificate and interest accrues at 2% a month

Formal and legal budgetary control is based upon ten major classes of disbursements, known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program transactions.

Functional disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not by fund.

Appropriations lapse at the end of the year.

Actual and final budget expenditure amounts for components included in the budgetary comparison are as follows:

	Net Actual	Final Budget
Library, included as Culture and Recreation Function	\$ 114,206	\$ 113,513
Water Department Included as Business Type Activity	566,983	634,620
Electric Department Included as Business Type Activity	3,746,723	3,664,950

See Independent Auditors' Report.

CITY OF GREENFIELD, IOWA

SCHEDULE OF INDEBTEDNESS
 ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

	Dates of Issue	Interest Rates	Amount Originally Issued	Balances Beginning of Year	Issued During the Year	Redeemed During the Year	Balances End of Year	Interest Paid	Interest Due and Unpaid
PRIMARY GOVERNMENT:									
General Obligation Debt - Municipal Building Notes	1/15/1997	4.85-5.30%	\$ 460,000	\$ 140,000	\$ -	\$ 45,000	\$ 95,000	\$ 7,285	\$ -
				<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 95,000</u>	<u>\$ 7,285</u>	<u>\$ -</u>
Capitalized Lease - Purchase of Dump Truck	2/15/2002	5.78%	52,648	11,745	-	11,745	-	679	-
Tax Increment Financing Debt - Internal to Sewer Rental Fund Construction Warrants	1/5/1998 9/1/2005	5.90-6.00% 3.30%	84,000 730,000	84,000 730,000	- 2,450,000	84,000 730,000	- 2,450,000	- 86,362	- -
				<u>\$ 814,000</u>	<u>\$ 2,450,000</u>	<u>\$ 814,000</u>	<u>\$ 2,450,000</u>	<u>\$ 86,362</u>	<u>\$ -</u>
COMPONENT GOVERNMENT:									
Water General Obligation Debt - CIPCO Rural Economic Development Loan	6/10/2004	0.00%	200,000	160,000	-	20,000	140,000	-	-
Electric Revenue Obligation Debt - Electric Revenue Notes	5/1/2001	4.30-5.40%	1,400,000	1,320,000	-	20,000	1,300,000	68,260	-
Electric Refunding Notes	7/1/2003	4.30-4.90%	840,000	610,000	-	115,000	495,000	15,238	-
Electric Capital Improvements	11/15/06	4.00-4.60%	1,220,000	-	1,220,000	-	1,220,000	-	-
				<u>\$ 1,930,000</u>	<u>\$ 1,220,000</u>	<u>\$ 135,000</u>	<u>\$ 3,015,000</u>	<u>\$ 83,498</u>	<u>\$ -</u>
Electric Capitalized Lease - Purchase of Generation Units	3/1/02	3.20-5.30%	1,479,327	1,169,000	-	84,000	1,085,000	56,692	-

See Independent Auditors' Report.

CITY OF GREENFIELD, IOWA

**SCHEDULE OF BOND AND NOTE MATURITIES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

PRIMARY GOVERNMENT:

	GO		T I F Loan		Total Principal
	Municipal Building January 15, 1997 Dec. 1 and June 1 June 1, 2005		Construction Warrants July 28, 2006		
Date Issued					
Dates Interest Payable					
Date Callable					
Due in Year Ending June 30,	Interest Rate	Principal	Interest Rate	Principal	
2008	5.20%	45,000	4.00%	2,450,000	2,495,000
2009	5.30%	50,000		-	50,000
Total Primary Government		\$ 95,000		\$ 84,000	\$ 2,545,000

See Independent Auditors' Report.

CITY OF GREENFIELD, IOWA

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE FOUR YEARS ENDED JUNE 30,**

	2007	2006	2005	2004
RECEIPTS:				
PRIMARY GOVERNMENT -				
Property Tax	\$ 541,790	\$ 586,508	\$ 469,793	\$ 508,575
TIF Revenues	195,133	156,844	125,951	52,981
Other City Taxes	162,127	41,747	6,792	7,685
Licenses and Permits	7,302	15,531	8,135	18,696
Use of Money and Property	112,299	54,710	34,809	31,786
Intergovernmental	725,673	215,898	203,003	329,267
Charges for Services	47,390	53,719	50,071	61,192
Miscellaneous	29,415	32,130	25,687	8,303
Totals	<u>1,821,129</u>	<u>1,157,087</u>	<u>924,241</u>	<u>1,018,485</u>
LIBRARY COMPONENT -				
Use of Money and Property	2,081	1,269	516	422
Intergovernmental	9,018	9,002	8,629	10,789
Charges for Services	-	-	36	2,345
Miscellaneous	7,459	8,393	1,967	-
Totals	<u>18,558</u>	<u>18,664</u>	<u>11,148</u>	<u>13,556</u>
Total Government Receipts	<u>\$ 1,839,687</u>	<u>\$ 1,175,751</u>	<u>\$ 935,389</u>	<u>\$ 1,032,041</u>
DISBURSEMENTS:				
PRIMARY GOVERNMENT -				
Operating -				
Public Safety	\$ 210,538	\$ 173,259	\$ 208,209	\$ 181,499
Public Works	267,599	262,424	296,274	417,983
Culture and Recreation	87,398	112,134	108,943	102,669
Community and Economic Development	18,055	15,051	17,328	28,448
General Government	265,553	248,769	222,229	220,163
Debt Service	64,709	114,726	109,106	164,875
Capital Projects	2,662,994	765,230	-	-
Totals	<u>3,576,846</u>	<u>1,691,593</u>	<u>962,089</u>	<u>1,115,637</u>
LIBRARY COMPONENT -				
Culture and Recreation	114,206	116,574	98,449	107,137
Total Government Disbursements	<u>\$ 3,691,052</u>	<u>\$ 1,808,167</u>	<u>\$ 1,060,538</u>	<u>\$ 1,222,774</u>

See Independent Auditors' Report.

CITY OF GREENFIELD, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION		
Federal Airport Improvement Program	20.708	\$ 561,148

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Greenfield, Iowa and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying Independent Auditors' Report.

O'Donnell, Ficenec, Wills & Ferdig, LLP

Certified Public Accountants

4815 South 107th Avenue

Omaha, Nebraska 68127-1904

Gerald A. Wills, C.P.A.
Ronald W. Ferdig, C.P.A.
Lawrence A. Wolfe, C.P.A.
Richard P. Edgar, C.P.A.
Steven M. Povich, C.P.A.
John Keblesh, C.P.A.

402-592-3800
Fax: 402-592-7747
www.ofwf.com

Gregory A. Harr, C.P.A.
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.

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

City of Greenfield
Greenfield, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, and each major fund of the City of Greenfield, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 2, 2007. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Greenfield's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider deficiencies in internal control described in Part 2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 2A, 2D, 2E, 2F and 2H to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Greenfield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part 4, Item 07-4B, of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and the other legal matters about the City's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audits were based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Greenfield and other parties to whom the City of Greenfield may report. 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

By  _____
Certified Public Accountant

November 2, 2007

O'Donnell, Ficenec, Wills & Ferdig, LLP

Certified Public Accountants

4815 South 107th Avenue

Omaha, Nebraska 68127-1904

402-592-3800

Fax: 402-592-7747

www.ofwf.com

Gerald A. Wills, C.P.A.
Ronald W. Ferdig, C.P.A.
Lawrence A. Wolfe, C.P.A.
Richard P. Edgar, C.P.A.
Steven M. Povich, C.P.A.
John Keblesh, C.P.A.

Gregory A. Harr, C.P.A.
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.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City of Greenfield
Greenfield, Iowa

Compliance

We have audited the compliance of the City of Greenfield, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Greenfield, Iowa complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Greenfield, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control over compliance.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Greenfield and other parties to whom the City of Greenfield 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

By



Certified Public Accountant

November 2, 2007

CITY OF GREENFIELD, IOWA

OTHER REPORTS

CITY OF GREENFIELD, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

PART 1: SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principals.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (e) The audit disclosed no audit findings which are required to be reported in accordance with *Government Auditing Standards* or with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major program was CFDA Number 20-708 - Federal Airport Improvement Program.
- (g) Because there is only one Federal Program, Type A and Type B programs are not distinguished.

PART 2: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Significant Deficiencies:

07-2A **Cash Accounts** - We noted during our audit that only the checking accounts were being reconciled regularly while the savings accounts and certificates of deposits were not being regularly reconciled, and, in some cases, the general ledger showed erroneous cash balances for these accounts. Due to the limited number of people working in the office, many critical duties are combined and given to the first available employee. Presently, for the most part, a single individual prepares checks, reconciles bank accounts and maintains the general ledger. Recording of receipts and writing and recording payroll are performed by a different employee. To the extent possible, duties should be segregated to serve as a check and balance for identifying errors, to eliminate errors in the monthly financial reports, and to maintain the best control system possible. A primary control action is the regular reconciliation of all cash accounts.

The City and Municipal Utilities each use separate checking and savings account and multiple certificates of deposit to manage its cash. However, more than one self-balancing fund is used by each entity for accounting purposes and tracks how each fund shares in each entity's pool of total cash. An integral part of the bank reconciliation is verifying each fund's share in the overall cash balance.

PART 2: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (Continued)

Recommendation - All cash accounts should be reconciled timely and regularly. Further, alternating the reconciliations between two employees would increase the overall control. In addition, we recommend each governing board be provided a monthly cash report which would show the total cash in each bank account and the amount of each fund's share in the overall checking, savings or certificates of deposits balance.

Response - This situation is a current problem and developed because of old deteriorating accounting software and by turnover of the City Clerk/Office Manager. This situation has been resolved subsequent to the current fiscal year end.

Conclusion - Response accepted.

07-2B **Authorized Check Signers** - We noted during our audit that the City clerk who had resigned during the year is still included on bank records as an authorized signatory on some bank accounts or certificates of deposit.

Recommendation - The City clerk who had resigned and is no longer employed should be deleted from the signature cards immediately.

Response - The City clerk who resigned will be deleted from the signature cards immediately.

Conclusion - Response accepted.

07-2C **Journal Entries for Cash Transactions** - We noted during our audit instances where transfers and other transactions from one fund to another were recorded by general journal entry rather than by writing a check on the first fund and making a deposit to the second fund. This procedure is possible because of the sharing of one bank account. However, using general journal entries bypasses the approval control process in place for cash disbursements. In a fund accounting system, it is very easy to erroneously make a transaction from one fund to another without effecting how each fund shares in the overall cash balances.

Recommendation - We recommend that all transfers be made only by writing a check from one fund to the other, which will then be approved as a claim in minutes of the governing meetings and be approved as a disbursement of the issuing fund. This will also result in the transaction showing on the bank statements for reconciliation purposes.

Response - We will adopt the auditor's recommendation.

Conclusion - Response accepted.

07-2D **Accounts Receivable** - Our audit procedures disclosed inadequate support of the Greenfield Municipal Utilities' accounts receivable balance shown in the general ledger as of the financial statement date. We believe the main factor contributing to this deficiency is the lack of regular reconciliations of the detailed receivable list total to the general ledger balance. The personnel do track a running balance of the correct detailed receivable total, but this total balance does not agree with the general ledger balance. This could result in erroneous internal financial statements used by management for rate setting, collections and other information.

PART 2: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (Continued)

Recommendation - We suggest that procedures be established to ensure that the accounts receivable detail system and the general ledger are reconciled on a consistent and timely basis. Differences should be investigated and resolved as soon as possible. This procedure will assist in maintaining reliable internal control for the billing and collection of accounts receivable.

Response - Though the system has not been regularly reconciled in the past, the problem worsened because of old deteriorating accounting software and by turnover of the Office Manager/City Clerk. New software was installed in late fiscal 2006 and the Office Manager/City Clerk responsible for implementing the new software resigned during the current fiscal year. The new clerk is making good progress in catching up the control systems and learning and using the new software which includes a regular reconciliation of the accounts receivable list to the general ledger.

Conclusion - Response accepted.

07-2E **Accurate Posting and Account Coding** - During our audit procedures, we noted significant posting errors on both the City's and Utilities' general ledgers which required corrections be made. This particular type of error is such that some errors may never be discovered. Further, as this is a government entity with requirements to accurately track cash to the purpose for which the cash is received, if the posting error is to the wrong fund's expense account, that fund's share of the overall cash balance is distorted and may cause violations with various statutes. In fact, one fund did show an overdraft which, after corrections, had positive cash balance.

Recommendation - Management should communicate the importance of accurate account coding and stress the need to exercise greater care and understanding of the chart of accounts. In addition, management should reinforce the need for regular financial reports and determine what steps need to be taken to ensure the reports they want for proper oversight.

Response - The City and Utilities do use the Iowa recommended chart of accounts and has adopted GASB No. 34 accounting principles. To this end, a new chart of accounts was adopted in fiscal 2005. However, turnover of the City Clerk/Office Manager and the installation of new accounting software in late fiscal 2006 has overburdened the new City Clerk/Office Manager responsible for implementing the new software, producing the management financial reports and understanding the governmental chart of accounts. Good progress has been made in catching up the control systems and adjusting for the new software which includes regular reconciliations and management reports.

Conclusion - Response accepted. The new clerk has gained understanding from attendance at educational seminars offered by the State of Iowa. During the course of the annual audit, it was evident that progress has been made since the end of the fiscal year.

07-2F **Timely and Accurate Financial Reports** - We noted that various accounting and reporting processes are delayed. Lack of having timely and correct financial information can impact management's ability to effectively maintain oversight of an organization. Critical areas such as financial analysis, budgetary control, cash flow, and compliance with various statutes can all be negatively impacted. Further, we believe that the lack of timely management reports remove the important control function of management oversight necessary with limited segregation of duties.

PART 2: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (Continued)

Recommendation - We strongly suggest that whatever steps necessary be taken to ensure that the City Council and Utilities Trustees receive current and accurate financial information on a timely basis. We further recommend that the reports be developed to come from the new software. This may require changing some work flow procedures or additional training on the new software. Once the reporting process is up to date, every effort must be made to maintain that status.

Response - Management did receive timely reports from the old accounting software. The current situation developed primarily because of the installation of new software in late fiscal 2006 and unexpected resignation of the City Clerk/Office Manager late in the current year. A new City Clerk/Office Manager was immediately hired. However, there was not sufficient time for the previous City Clerk/Office Manager to fully implement and become fluent with the new software and update various procedures needing changed because of the new software. The new software is not only for accounting, but is an entire office front desk system whereby most functions of the City and Utilities records are digitized. The previous City Clerk/Office Manager was not able to train the incoming City Clerk/Office Manager. The new clerk is making good progress in learning the new software and catching up the control systems. Reports are now being made.

Conclusion - Response accepted.

07-2G Unremitted Sewer Collections - The Electric Utility is responsible for billing and collecting sewer fees on behalf of the City of Greenfield and remitting those collections back to the city. The policy is that the collections will be remitted on a monthly basis. We noted during our audit that October and November of 2006 collections have yet to be remitted to the city.

Recommendation - The Electric Utility should follow the policy of remitting the sewer fees collected every month.

Response - We will follow the auditor's recommendation.

Conclusion - Response accepted.

07-2H Employee Benefit Accounting - The City had previously approved a special tax levy for employee benefits and created a separate fund in which to track the special tax. The City intended to cover part of the cost of increasing employee health insurance premiums. This levy is only applicable to City employees working in those activities defined as governmental fund activities. Because it was intended to cover only part of the health insurance premium, the tax collected was recorded in the new fund, Employee Benefit Fund. The payment of the health insurance premium was charged to the same governmental fund where the wages of the covered employee were charged. At the end of each year, a transfer was made from the employee benefit fund back to the fund from which the health insurance premium was paid. This transfer was limited to the total health insurance premium paid by each governmental activity fund.

When the new software system was installed, most employee benefits (employer's share of social security, medicare and IPERS and health insurance) for all City employees, including those paid from proprietary or enterprise funds, were coded so that these benefits were paid from the employee benefit fund. This results in more costs being paid from the special tax levy

PART 2: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (Continued)

than was originally intended, and it records the employee benefit costs in a fund separate from the fund where the remainder of the activity costs are accumulated. For example, all police expenses are paid by the general fund but the employee benefits are charged to the employee benefit fund so that all costs associated with the police activity are not in one place. In addition, because all City employees are included, employee benefit costs for employees properly charged to a proprietary enterprise fund are also being paid from the employee benefit fund. As the source of funds for this fund is a special tax levy, non-governmental activity employee costs are also being paid from the special levy, contrary to the purpose of the tax. This results in a hidden transfer of money from the governmental activities (the employee benefit fund) to the proprietary sewer fund.

Recommendation - The new software system should be changed to have all employee benefits charged to the same fund where the remainder of a program costs are accumulated. The City can then determine the proper transfer amount back to its governmental funds as provided by the purpose of the employee benefit fund.

Response - This situation will be reviewed and discussed with the software vendor to determine an appropriate corrective action. In addition, until the software correction is made any proprietary enterprise activity expenses (sewer) charged to the employee benefit fund will be reimbursed.

Conclusion - Response accepted.

Instances of Non-Compliance:

See Item 07-4B of Part 4 regarding overspend.

PART 3: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

Instances of Non-Compliance:

No matters noted.

PART 4: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

07-4A **Official Depositories** - A resolution naming depositories for combined funds of the City, Library and Utilities has been approved by the City Council or 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

07-4B **Certified Budget** - Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted by a net amount of \$2,697,634. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

The budget overspends by the City were \$6,247 and \$2,662,994 public safety and capital projects, respectively. The overspend in capital projects was funded by grants and debt.

PART 4: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (Continued)

Recommendation - The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response - Possible budget overspends will be more closely monitored in the future and, if needed, properly amend the budget as needed. The capital projects causing the overspend are for public improvements approved at public hearings.

Conclusions - Response accepted.

07-4C **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.

07-4D **Travel Expense** - No expenditures of public money for travel expenses of spouses of officials or employees were noted.

07-4E **Business Transactions** -

Name, Title and Business Connection	Transaction Description	Amount
City of Greenfield - Robert Guikema, Mayor Greenfield Lumber Company	Supplies	\$ 1,692
Greenfield Municipal Utilities		None

Chapter 362.5 provides that purchases of less than \$2,500 are not in conflict with the prohibition against contracts with related officials. The City Council and Board of Trustees wants to encourage local purchases as provided in Chapter 23A.3 and, to that extent, both have issued resolutions to purchase locally whenever possible. When buying locally, it is the reporting entity's policy to rotate recurring and repeat purchases among all the providers in the local area. Further, the reporting entities specifically authorize by resolution all purchases from related officials' businesses.

07-4F **Bond Coverage** - Employee dishonesty coverage of officials and employees is in accordance with statutory provisions. We recommend the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations. Officials and related bond coverage are reported separately in the City's annual financial statements.

07-4G **Minutes** - No transactions were found that we believe should have been approved in the minutes, but were not. Minutes of all governing bodies were published within the 15 days required by Chapter 372.13(6) of the Code of Iowa. We did note, however, that the annual wage report was published several months after the calendar year ended.

07-44 **Deposits and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa or with the written policies adopted by the governing bodies.

PART 4: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (Continued)

- 07-4I **Revenue Notes** – Covenants of revenue notes issued by Greenfield Municipal Utilities require the set aside of money into bond and interest funds and other reserve funds. All sinking and reserve funds were fully funded at June 30, 2007.
- 07-4J **Iowa Homeland Security and Emergency Management Division** - A small program specific federal award was received as a reimbursement of emergency protective measures in the amount of \$3,165.10. Transactions applicable to this program were included in our audit procedures. This award required notification to the State Fiscal Office Department of Public Defense that there are no findings applicable to this program. No instances of non-compliance regarding the Iowa Homeland Security reimbursement for the year ended June 30, 2007, were noted.