

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORTS
FOR THE YEARS ENDED
JUNE 30, 2012 AND 2011**

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**OFFICIALS
JUNE 30, 2012**

Name	Position	Term Expires	Insurance Coverage
GOVERNING BOARD -			
Richard Kohler	Chairman	12/31/14	\$ 10,000
Terry Schneider	Trustee	12/31/16	10,000
Lynne Don Carlos	Trustee	12/31/12	10,000
OTHERS -			
Duane Armstead	General Manager		10,000
Rebecca Haase	City Clerk/Treasurer		40,000

O'Donnell, Ficenec, Wills & Ferdig, LLP

Certified Public Accountants

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Omaha, Nebraska 68127-1904

Gerald A. Wills, C.P.A.
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Dwain E. Wulf, C.P.A.
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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 the business-type activities and each major fund of the Electric System department of Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Electric System's basic financial statements as listed in the table of contents. 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 auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

As described in Note 1, the financial statements of the Electric System department of Greenfield Municipal Utilities are intended to present the respective financial position and results of operations and cash flows of proprietary fund types of only that portion of the financial reporting entity of the City of Greenfield, Iowa, that is attributable to the transactions of the Electric System.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Electric System department of Greenfield Municipal Utilities, as of June 30, 2012 and 2011, and the respective changes in financial position 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 October 31, 2012, on our consideration of the Electric System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 financial statements that collectively comprise the Electric System's financial statements 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 financial statements. The schedules of expenses and outstanding debt on Schedules 1 and 2 are the responsibility of management and derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on Schedules 1 and 2 is fairly stated in all material respects in relation to the financial statements as a whole. The statistical reports and other information on Schedules 3 and 4 have not been subjected to audit procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Management has not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

October 31, 2012

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

BASIC FINANCIAL STATEMENTS

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011**

ASSETS	2012	2011	Increase (Decrease)
CURRENT ASSETS:			
Cash and Equivalents	\$ 313,406	\$ 1,203,852	\$ (890,446)
Investment in Certificates of Deposit	200,000	200,000	-
Accounts Receivable - Customers	385,325	354,352	30,973
Inventories - Materials and Supplies	300,714	365,405	(64,691)
Patronage Dividend Receivable	39,197	28,280	10,917
Accrued Interest Receivable	2,813	3,521	(708)
Prepaid Insurance	22,385	18,465	3,920
Prepaid Expenses	12,055	-	12,055
Current Portion of Note Receivable	40,000	6,667	33,333
Deferred Bond Issue Costs, Net of Amortization	<u>14,584</u>	<u>7,077</u>	<u>7,507</u>
Total Current Assets	1,330,479	2,187,619	(857,140)
RESTRICTED ASSETS:			
Investment in Certificates of Deposit	764,161	764,161	-
Investment in Debt Reserves Held by SIMECA	<u>251,685</u>	<u>253,794</u>	<u>(2,109)</u>
Total Restricted Assets	1,015,846	1,017,955	(2,109)
PROPERTY AND EQUIPMENT:			
Production Plant	6,182,922	4,074,343	2,108,579
Transmission System	109,195	109,195	-
Distribution System	5,007,925	4,969,754	38,171
Vehicles, Tools and Equipment	<u>468,450</u>	<u>456,567</u>	<u>11,883</u>
Total Cost	11,768,492	9,609,859	2,158,633
Accumulated Depreciation	<u>(5,956,374)</u>	<u>(5,624,192)</u>	<u>(332,182)</u>
Cost Less Depreciation	5,812,118	3,985,667	1,826,451
Construction in Progress	<u>-</u>	<u>1,465,773</u>	<u>(1,465,773)</u>
Total Property and Equipment, Net	5,812,118	5,451,440	360,678
OTHER NONCURRENT ASSETS:			
Note Receivable	313,330	353,333	(40,003)
Patronage Dividend Receivable	217,478	210,319	7,159
Deferred Bond Issue Costs, Net of Amortization	<u>58,381</u>	<u>65,383</u>	<u>(7,002)</u>
Total Other Noncurrent Assets	589,189	629,035	(39,846)
	<u>\$ 8,747,632</u>	<u>\$ 9,286,049</u>	<u>\$ (538,417)</u>

(Continued)

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011**

LIABILITIES	2012	2011	Increase (Decrease)
CURRENT LIABILITIES:			
Accounts Payable -			
Vendors and Suppliers	\$ 46,150	\$ 19,572	\$ 26,578
SIMECA	216,292	222,290	(5,998)
Sewer Rental Collections	37,799	37,181	618
Sales and Use Tax Payable	9,504	8,705	799
Accrued Liabilities -			
Salaries and Wages	5,362	14,624	(9,262)
Compensated Absences	41,167	35,617	5,550
Interest	51,966	64,541	(12,575)
Current Portion of Long-term Debt	<u>400,511</u>	<u>380,000</u>	<u>20,511</u>
Total Current Liabilities	808,751	782,530	26,221
 NONCURRENT LIABILITIES:			
Revenue Bonds and Notes Payable	4,155,000	4,435,000	(280,000)
Lease Purchase Contract Obligation	<u>502,000</u>	<u>605,000</u>	<u>(103,000)</u>
Total Noncurrent Liabilities	<u>4,657,000</u>	<u>5,040,000</u>	<u>(383,000)</u>
Total Liabilities	5,465,751	5,822,530	(356,779)
 NET ASSETS			
Invested in Capital Assets, Net of Related Debt	827,571	1,151,577	(324,006)
Restricted for Debt Covenants	1,098,275	1,179,736	(81,461)
Restricted for Revolving Loan Fund	360,000	360,000	-
Unrestricted	<u>996,035</u>	<u>772,206</u>	<u>223,829</u>
Total Net Assets	3,281,881	3,463,519	(181,638)
	<u>\$ 8,747,632</u>	<u>\$ 9,286,049</u>	<u>\$ (538,417)</u>

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012		2011		Increase (Decrease)
	Amount	Percent	Amount	Percent	
OPERATING REVENUE:					
Residential Sales	\$ 948,983	26.0	\$ 996,153	27.0	\$ (47,170)
Commercial Sales	904,970	24.9	911,513	24.7	(6,543)
Industrial Sales	1,560,331	42.9	1,599,643	43.3	(39,312)
Street Light Sales	24,481	0.7	24,234	0.7	247
Sales to Water	42,085	1.2	36,122	1.0	5,963
Sales to City	43,685	1.2	42,600	1.2	1,085
Patronage Dividend	57,273	1.6	12,714	0.3	44,559
Bad Debt Collections	3,280	0.1	756	-	2,524
Connections and Reconnections	25,060	0.7	14,767	0.4	10,293
Other Operating Revenue	<u>26,019</u>	0.7	<u>53,339</u>	1.4	<u>(27,320)</u>
Total Operating Revenue	3,636,167	100.0	3,691,841	100.0	(55,674)
OPERATING EXPENSES:					
Plant Operations	111,657	3.1	95,811	2.6	15,846
Plant Maintenance	71,237	2.0	53,180	1.4	18,057
Purchased Energy	2,272,705	62.5	2,368,663	64.2	(95,958)
Distribution Operations	215,669	5.9	204,868	5.5	10,801
Distribution Maintenance	236,184	6.5	162,989	4.4	73,195
Accounting and Collecting	77,112	2.1	73,622	2.0	3,490
Administrative Expenses	156,257	4.3	164,866	4.5	(8,609)
Refunds and Rebates	36,246	1.0	34,267	0.9	1,979
Bad Debts	7,463	0.2	11,026	0.3	(3,563)
Depreciation Expense	<u>332,183</u>	9.1	<u>309,591</u>	8.4	<u>22,592</u>
Total Operating Expenses	<u>3,516,713</u>	96.7	<u>3,478,883</u>	94.2	<u>37,830</u>
Operating Earnings	119,454	3.3	212,958	5.8	(93,504)
NONOPERATING REVENUE (EXPENSES):					
Interest Income	16,230	0.4	24,015	0.7	(7,785)
Miscellaneous Income	9,308	0.3	10,978	0.3	(1,670)
Federal Grant - USDA Revolving Fund	-	-	300,000	8.1	(300,000)
Interest Expense	<u>(166,087)</u>	(4.6)	<u>(129,003)</u>	(3.5)	<u>(37,084)</u>
Total Nonoperating Revenue (Expenses)	<u>(140,549)</u>	(3.9)	<u>205,990</u>	5.6	<u>(346,539)</u>
Net Income (Loss) Before Transfers	(21,095)	(0.6)	418,948	11.4	(440,043)

(Continued)

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012		2011		Increase (Decrease)
	Amount	Percent	Amount	Percent	
TRANSFERS OUT:					
Payments to City	\$ (110,000)		\$ (110,000)		\$ -
To Water System	<u>(50,543)</u>		<u>(234,423)</u>		<u>183,880</u>
Change in Net Assets	(181,638)		74,525		(256,163)
Total Net Assets, Beginning	3,463,519		3,388,994		74,525
Total Net Assets, Ending	<u>\$ 3,281,881</u>		<u>\$ 3,463,519</u>		<u>\$ (181,638)</u>

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 3,551,662	\$ 3,673,321
Payments to Suppliers	(2,708,159)	(2,771,645)
Payments to Employees, Wages and Benefits	(432,409)	(402,362)
Other Receipts (Payments)	<u>67,805</u>	<u>81,504</u>
Net Cash from Operating Activities	478,899	580,818
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments to City	(110,000)	(110,000)
Transfer to Economic Development Loan Fund	-	(60,000)
Transfers to Water System	<u>(50,543)</u>	<u>(234,423)</u>
Net Cash from Noncapital Financing Activities	(160,543)	(404,423)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase and Construction of Capital Assets	(692,861)	(1,470,760)
Revenue Bond Proceeds, Net	-	2,513,450
Cash for Revenue Debt Payoff	-	1,267,343
Interest Paid on Notes and Lease Debt	(161,657)	(107,423)
Principal Paid on Revenue Notes	(275,000)	(1,450,000)
Principal Paid on Lease Purchase Debt	<u>(105,000)</u>	<u>(100,000)</u>
Net Cash from Capital and Related Financing Activities	(1,234,518)	652,610
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	16,938	24,882
Payments Received on Note Receivable	6,669	-
Certificates of Deposit, Net Redeemed	-	50,000
Reserve Deposits Paid to SIMECA	<u>2,109</u>	<u>(1,406)</u>
Net Cash from Investing Activities	25,716	73,476
Net Change in Cash and Equivalents	(890,446)	902,481
Cash and Equivalents, Beginning of Year	1,203,852	301,371
Cash and Equivalents, End of Year	<u>\$ 313,406</u>	<u>\$ 1,203,852</u>

(Continued)

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
RECONCILIATION OF OPERATING EARNINGS TO NET CASH FROM OPERATING ACTIVITIES:		
Operating Earnings	\$ 119,454	\$ 212,958
Adjustments to Reconcile Operating Earnings to Net Cash Provided by Operating Activities -		
Depreciation Noncash Expense	332,183	309,591
Miscellaneous Income Received	9,310	10,977
Change in Operating Assets and Liabilities -		
Accounts Receivable (Increase) Decrease	(30,973)	36,566
Inventories (Increase) Decrease	64,691	22,529
Patronage Dividend Receivable (Increase) Decrease	(18,076)	15,440
Prepaid Expenses (Increase) Decrease	(15,975)	(2,280)
Accounts Payable Increase (Decrease)	20,580	(26,965)
Sales and Use Tax Payable Increase (Decrease)	799	(240)
Other Accrued Liabilities Increase (Decrease)	<u>(3,094)</u>	<u>2,242</u>
Total Adjustments	359,445	367,860
Net Cash from Operating Activities	<u>\$ 478,899</u>	<u>\$ 580,818</u>

See Notes to Financial Statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General -

Greenfield Municipal Utilities (GMU) is governed by a three-member Board of Trustees that is appointed by the Mayor of Greenfield and approved by the City Council. GMU operates and manages an electric system and water system.

GMU provides electric and water service to a diverse base of residential, commercial and industrial customers, primarily within the boundaries of the City. The Trustees exercise all oversight responsibility including the establishment of service rates, equitable allocation of joint expenses and books of account for each utility system.

The accompanying financial statements include only the activities of the Electric System. The financial activities of the Water System are presented and reported in separate financial statements. The significant accounting principles and policies utilized are described below.

B. Reporting Entity -

GMU is required to consider if it has oversight responsibility or control over any other legal entity. Criteria specified by GASB for determining the scope of such oversight include: (1) financial interdependency, (2) selection of the governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters. In accordance with these criteria, GMU has been identified as being a component unit of, but legally separate from, the City of Greenfield (the City), and not having component units itself.

C. Basis of Presentation -

These financial statements are presented in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. GMU applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, including statements and interpretations of the FASB issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

The accounts of the Electric System are organized on the basis of funds, each of which is considered to be a separate accounting entity. Enterprise funds are used to account for the amount by which cost or expenses of providing goods or services to the public are offset by revenue from the sale of such goods or services. Separate funds are utilized to account for restricted assets, construction projects and debt service, all of which are combined to comprise the electric system activities and financial statements.

The statements of net assets and statements of revenue and expenses and changes in net assets display information about the business-type activities of the Electric System as a whole. The statement of net assets displays the assets and liabilities with the difference reported as net assets. Net assets are reported in three components, as follows:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes or other debt that are attributable to the acquisition, construction or improvement of those assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of all other net assets, including designated, that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”. Any designated net assets included may be redesignated at any time by board action.

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

Restricted for	2012	2011
Debt Service Reserves	\$ 710,279	\$ 708,219
Revenue Notes Capital		
Improvement Reserve	150,000	150,000
Lease Purchase Reserve	237,996	321,517
	<hr/>	<hr/>
Total Restricted for Debt Covenants	1,098,275	1,179,736
Revolving Loan Fund	360,000	360,000
	<hr/>	<hr/>
Total Restricted	<u>\$ 1,458,275</u>	<u>\$ 1,539,736</u>

D. *Measurement Focus and Basis of Accounting -*

Measurement focus refers to what types of resources are reported and basis of accounting refers to when revenues, expenditures and expenses and the related assets or liabilities, are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurement made, regardless of the measurement focus applied.

When an expense can be paid using either restricted or unrestricted resources, GMU’s policy is generally to first apply the expense to restricted resources when both restricted and unrestricted resources are available.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Greenfield Municipal Utilities’ ongoing electric operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 use of 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. *Cash, Equivalents and Investments -*

Unrestricted cash on hand and on deposit in checking or savings accounts and short-term certificates of deposits having a maturity date of no longer than three months are all considered cash and equivalents for financial reporting. Investments are stated at cost and consist of non-negotiable certificates of deposit held in the name of the fund which purchased the investment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Receivables and Credit Policies* -

Accounts receivable are uncollateralized customer obligations due under normal terms. Account balances are stated at the amount billed to the customer plus any unpaid penalties, and are recorded in the period service is billed. Unpaid account balances older than the date first due are considered delinquent and are assessed a penalty. Management reviews all account balances that are delinquent and charges those amounts deemed uncollectible directly to operating expense.

H. *Inventories - Materials and Supplies* -

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

I. *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. GMU defines capital assets as assets with individual cost of more than \$500 and estimated useful lives of more than one year. Maintenance and repairs which do not add to the capacity or efficiency of the asset are charged to operating expense.

Capital assets used in operations are depreciated using the straight-line method over the assets' estimated useful lives. Assets are depreciated using a half-year convention with no depreciation taken on construction in progress. The estimated useful lives by capital asset subcategory are as follows:

Plant and Structures	20-50 Years
Substation 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

J. *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 by the Electric System.

NOTE 2 - CASH AND POOLED INVESTMENTS

GMU has generally pooled the cash, checking and savings of the various funds and departments. All deposits at June 30, 2012, are covered by federal depository insurance 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.

NOTE 2 - CASH AND POOLED INVESTMENTS (Continued)

The investments held by SIMECA for debt reserves are not in the name of GMU and are invested in the Iowa Public Agency Investment Trust (IPAIT). These investments are valued at an amortized cost of \$251,685 and \$253,794 for 2012 and 2011, respectively, pursuant to Rule 2a-7 of the Investment Company Act of 1940. These investments are unrated.

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

NOTE 3 - NOTE RECEIVABLE

GMU obtained a \$360,000 Federal Revolving Loan Grant from which to make revolving loans for rural economic development. The full amount was loaned to E. E. Warren Opera House Association for rehabilitation of the historical opera house in Greenfield, Iowa. This loan, dated April 7, 2011, is repayable by monthly installments of \$3,333 beginning May 1, 2012. The note is noninterest bearing and may be repaid in whole or in part at any time prior to maturity.

Annual amounts receivable in the future are as follows:

Year Ending June 30,	
2013	\$ 40,000
2014	40,000
2015	40,000
2016	40,000
2017	40,000
2018 and after	153,330
Total	<u>\$ 353,330</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Capital asset activity for the years ended June 30, 2012 and 2011 is as follows:

	<u>2012</u>			
	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets Being Depreciated -				
Production Plant	\$ 4,074,343	\$2,108,579	\$ -	\$ 6,182,922
Transmission System	109,195	-	-	109,195
Distribution System	4,969,754	38,171	-	5,007,925
Vehicles, Tools and Equipment	456,567	11,883	-	468,450
Total Cost	<u>\$ 9,609,859</u>	<u>\$2,158,633</u>	<u>\$ -</u>	<u>\$11,768,492</u>
Accumulated Depreciation for -				
Production Plant	\$ 2,678,625	\$ 145,561	\$ -	\$ 2,824,186
Transmission System	109,195	-	-	109,195
Distribution System	2,484,428	167,082	-	2,651,510
Vehicles, Tools and Equipment	351,943	19,540	-	371,483
Total Accumulated Depreciation	<u>\$ 5,624,191</u>	<u>\$ 332,183</u>	<u>\$ -</u>	<u>\$ 5,956,374</u>

NOTE 4 - PROPERTY AND EQUIPMENT (Continued)

	2011			
	Balance July 1,	Additions	Retirements	Balance June 30,
Capital Assets Being Depreciated -				
Production Plant	\$ 4,033,081	\$ 41,262	\$ -	\$ 4,074,343
Transmission System	109,195	-	-	109,195
Distribution System	4,969,754	-	-	4,969,754
Vehicles, Tools and Equipment	455,981	12,794	12,208	456,567
Total Cost	<u>\$ 9,568,011</u>	<u>\$ 54,056</u>	<u>\$ 12,208</u>	<u>\$ 9,609,859</u>
Accumulated Depreciation for -				
Production Plant	\$ 2,559,311	\$ 119,314	\$ -	\$ 2,678,625
Transmission System	109,195	-	-	109,195
Distribution System	2,317,148	167,280	-	2,484,428
Vehicles, Tools and Equipment	341,154	22,997	12,207	351,943
Total Accumulated Depreciation	<u>\$ 5,326,808</u>	<u>\$ 309,591</u>	<u>\$ 12,207</u>	<u>\$ 5,624,191</u>

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

	2012	2011
Production Plant	\$ 145,561	\$ 119,314
Distribution System	167,082	167,280
Vehicles, Tools and Equipment	19,540	22,997
Totals	<u>\$ 332,183</u>	<u>\$ 309,591</u>

NOTE 5 - COMPENSATED ABSENCES

Employees accumulate a limited amount of earned 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 represent the amount due for the hours accumulated at the employees' June 30, 2012 and 2011 rate of compensation.

NOTE 6 - REVENUE BONDS AND NOTES PAYABLE

Annual debt service requirements for revenue obligations to maturity are as follows:

Year Ending June 30,	Revenue Obligation 2010B		Revenue Obligation 2006		Revenue Obligation 2010A		Total Required		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$ -	\$ 83,655	\$ 80,000	\$ 34,290	\$ 200,000	\$ 25,775	\$ 280,000	\$ 143,720	\$ 423,720
2014	-	83,655	80,000	31,010	205,000	21,418	285,000	136,083	421,083
2015	-	83,655	90,000	27,460	210,000	16,330	300,000	127,445	427,445
2016	-	83,655	70,000	24,083	215,000	10,375	285,000	118,113	403,113
2017	-	83,655	75,000	20,982	220,000	3,575	295,000	108,212	403,212
2018	220,000	81,180	80,000	17,610	-	-	300,000	98,790	398,790
2019	175,000	76,518	80,000	14,070	-	-	255,000	90,588	345,588
2020	180,000	71,900	85,000	10,378	-	-	265,000	82,278	347,278
2021	185,000	66,787	90,000	6,417	-	-	275,000	73,204	348,204
2022	195,000	61,082	95,000	2,185	-	-	290,000	63,267	353,267
2023	200,000	54,760	-	-	-	-	200,000	54,760	254,760
2024 and After	1,405,000	164,970	-	-	-	-	1,405,000	164,970	1,569,970
Totals	<u>\$ 2,560,000</u>	<u>\$ 995,472</u>	<u>\$ 825,000</u>	<u>\$ 188,485</u>	<u>\$ 1,050,000</u>	<u>\$ 77,473</u>	<u>\$ 4,435,000</u>	<u>\$ 1,261,430</u>	<u>\$ 5,696,430</u>

A summary of long-term debt transactions for the years ended June 30, 2012 and 2011 are as follows:

	2012				
	Balances July 1,	Issued	Retired	Balances June 30,	Due Within One Year
2002 Revenue Notes (SIMECA)	\$ 710,000	\$ -	\$ 710,000	\$ -	\$ -
2006 Revenue Bonds	905,000	-	80,000	825,000	80,000
2010A Revenue Refunding Bonds	1,245,000	-	195,000	1,050,000	200,000
2010B Revenue Bonds	2,560,000	-	-	2,560,000	-
	<u>\$ 5,420,000</u>	<u>\$ -</u>	<u>\$ 985,000</u>	<u>\$ 4,435,000</u>	<u>\$ 280,000</u>
	2011				
	Balances July 1,	Issued	Retired	Balances June 30,	Due Within One Year
2001 Revenue Notes	\$ 1,235,000	\$ -	\$ 1,235,000	\$ -	\$ -
2003 Revenue Refunding Notes	130,000	-	130,000	-	-
2002 Revenue Notes (SIMECA)	810,000	-	100,000	710,000	105,000
2006 Revenue Bonds	990,000	-	85,000	905,000	80,000
2010A Revenue Refunding Bonds	1,245,000	-	-	1,245,000	195,000
2010B Revenue Bonds	-	2,560,000	-	2,560,000	-
	<u>\$ 4,410,000</u>	<u>\$ 2,560,000</u>	<u>\$ 1,550,000</u>	<u>\$ 5,420,000</u>	<u>\$ 380,000</u>

NOTE 6 - REVENUE BONDS AND NOTES PAYABLE (Continued)

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 were called at par plus accrued interest during the current year.

During 2006, the Electric System issued \$1,220,000 of revenue bonds, maturing serially from September 1, 2007 through September 1, 2021, with interest at various rates from 4.00 to 4.60 percent per annum payable annually on September 1. The bonds are callable on or after September 1, 2013, at par plus accrued interest. The proceeds were used for improvements to the Power Plant Substation.

During 2010, the Electric System issued \$1,245,000 of revenue bonds, maturing serially from September 1, 2011 through September 1, 2016, with interest at various rates from 1.60 to 3.25 percent per annum payable semiannually on March 1 and September 1 beginning March 1, 2011. The notes are callable on or after September 1, 2014, at par plus accrued interest. The proceeds were used to redeem the callable series 2001 Notes.

During 2010, the Electric System issued \$2,560,000 of revenue bonds, maturing serially from September 1, 2017 through September 1, 2028, with interest at various rates from 2.25 to 3.9 percent per annum payable semiannually on March 1 and September 1 beginning March 1, 2011. The bonds are callable on or after September 1, 2018, at par plus accrued interest. The proceeds were used for constructing improvements, including two new generators at the North Power Plant Substation.

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

- A. The debt will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the activity.
- B. Sufficient cash transfers shall be made to a bond and interest account for the purpose of making the next annual principal and interest payment when due. As of June 30, 2012, the electric bond and interest sinking fund account was fully funded.
- C. Additional cash transfers shall be made to a bond reserve account until such account reaches \$427,832. 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, 2012, the electric bond reserve account was fully funded.
- D. Cash transfers shall be made to a 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, 2012, this account was fully funded.

NOTE 7 - LEASE-PURCHASE CONTRACT OBLIGATION

GMU is leasing for the benefit of the Electric System 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.

NOTE 7 - LEASE-PURCHASE CONTRACT OBLIGATION (Continued)

This lease-purchase agreement is with SIMECA in the original principal amount of \$1,479,327. Interest rates on the capitalized lease vary from .85 percent to 1.85 percent which are the rates being paid by SIMECA on the funds borrowed to fund the lease. The lease-purchase agreement was set to expire March 1, 2017, but the bonds were refunded during 2012 to take advantage of favorable interest rates. GMU's share of the refunded debt principal is \$622,511. Payments under this agreement are due semiannually with future minimum annual payments as follows:

Year Ending June 30,	Rate	Principal	Interest	Total
2013	.85%	\$ 120,511	\$ 8,434	\$ 128,945
2014	1.05%	123,000	7,363	130,363
2015	1.35%	125,000	6,071	131,071
2016	1.60%	126,000	4,384	130,384
2017	1.85%	128,000	2,368	130,368
Totals		<u>\$ 622,511</u>	<u>\$ 28,620</u>	<u>\$ 651,131</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 \$62,251. This amount is restricted as security for the bonds. As of June 30, 2012, 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 percent of the average annual payments. As of June 30, 2012, the net revenues exceeded this requirement.

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 approximating the amount of annual sales of electricity to the City. This payment, once established, is not adjusted during the year. The payment in 2012 and 2011 was \$110,000, respectively.

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 5.38 percent of their annual salary and the employer is required to contribute 8.07 percent of annual covered payroll. Contribution requirements are established by State statute. The Electric System's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010, was \$22,893, \$18,458, and \$17,205, 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 15 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 (15.5 years) contract with them for the purchase of electric energy and the distribution of this energy to its members. This contract ran to December 31, 2008, and then renewed for five years under the same terms. There are no minimum payments required by this contract.

SIMECA purchased and installed generation equipment in several of its member municipalities and issued its revenue bonds in payment thereof. Each applicable member 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 original share of this debt principal was \$1,479,327, which is discussed more fully in Note 7 above.

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 44 percent and 46 percent of total operating revenue for the years ended June 30, 2012 and 2011, 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 - COMMITMENTS

The Electric System pledged \$10,000 per year for five years to the Adair County Memorial Hospital Building Fund in order to support local economic development. As of June 30, 2012, \$10,000 was still outstanding on this commitment. No liability is recorded in the financial statements for this commitment.

The Electric System has a customer support agreement with Ziegler Power Systems for substation engines. This is a five year agreement which is effective from January 1, 2008 through December 31, 2012, at a cost of \$17,643 per year. As of June 30, 2012, \$17,643 was still outstanding on this commitment.

Greenfield Municipal Utilities is one of 15 members of SIMECA (South Iowa Municipal Electric Cooperative Association). SIMECA is a member of Central Iowa Power Cooperative (CIPCO) and is party to a long-term (15.5 years) contract with CIPCO for the purchase and redistribution to its members' electric energy. There are no minimum payments required by this contract.

NOTE 16 - BUDGETS AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the Greenfield City Council adopts an annual budget on the cash basis following required public notice and hearing for all City and component unit funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures and was amended increasing the original expense budget of \$4,956,111 to \$5,826,111 for debt service refunding and construction.

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 (cash receipts and disbursements), and the total budgeted amounts is as follows:

	Actual	Budget
Operating and Nonoperating Revenue - GAAP Basis	\$ 3,661,705	
Adjust for -		
Customer Charge Accruals	(30,973)	
Other Operating Revenue Accruals	(18,076)	
Nonoperating Revenue Accruals	708	
Operating and Nonoperating Revenue - Budget Basis	<u>\$ 3,613,364</u>	<u>\$ 4,212,500</u>
	Actual	Budget
Operating and Nonoperating Expenses - GAAP Basis	\$ 3,843,343	
Adjust for -		
Operating Expense Accruals	(67,001)	
Nonoperating Expense Accruals	(12,575)	
Capital Outlays	692,861	
Depreciation	(332,183)	
Debt Payment	380,000	
Operating and Nonoperating Expenses - Budget Basis	<u>\$ 4,504,445</u>	<u>\$ 5,826,111</u>

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2012, the date the financial statements were available to be issued, and believes that no events have occurred that require adjustment of, or disclosure in, the financial statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

SUPPLEMENTARY INFORMATION

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012		2011		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Plant Operations -					
Salaries and Wages	\$ 49,920	1.4	\$ 48,608	1.3	\$ 1,312
Employer Payroll Taxes	7,877	0.2	6,872	0.2	1,005
Group Insurance	7,875	0.2	10,475	0.3	(2,600)
Professional Fees	2,801	0.1	3,209	0.1	(408)
Insurance	14,423	0.4	11,193	0.3	3,230
Fuel and Lube Oil	25,595	0.7	11,124	0.3	14,471
Utilities and Communications	3,166	0.1	4,330	0.1	(1,164)
Total Plant Operations	<u>\$ 111,657</u>	3.1	<u>\$ 95,811</u>	2.6	<u>\$ 15,846</u>
Plant Maintenance -					
Supplies - Operating and Maintenance	\$ 23,924	0.7	\$ 23,711	0.6	\$ 213
Repair Maintenance Services	47,313	1.3	29,469	0.8	17,844
Total Plant Maintenance	<u>\$ 71,237</u>	2.0	<u>\$ 53,180</u>	1.4	<u>\$ 18,057</u>
Purchased Energy	<u>\$ 2,272,705</u>	62.5	<u>\$ 2,368,663</u>	64.2	<u>\$ (95,958)</u>
Distribution Operations -					
Salaries and Wages	\$ 139,959	3.8	\$ 132,826	3.6	\$ 7,133
Employer Payroll Taxes	24,303	0.7	21,421	0.6	2,882
Group Insurance	45,396	1.2	41,239	1.1	4,157
Professional Fees	582	-	2,587	0.1	(2,005)
Street Light Expense	5,429	0.1	6,795	0.2	(1,366)
Total Distribution Operations	<u>\$ 215,669</u>	5.9	<u>\$ 204,868</u>	5.5	<u>\$ 10,801</u>
Distribution Maintenance -					
Vehicle Operating Expenses	\$ 13,234	0.4	\$ 15,677	0.4	\$ (2,443)
Supplies - Operating and Maintenance	222,950	6.1	147,312	4.0	75,638
Total Distribution Maintenance	<u>\$ 236,184</u>	6.5	<u>\$ 162,989</u>	4.4	<u>\$ 73,195</u>

(Continued)

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012		2011		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Accounting and Collecting -					
Salaries and Wages	\$ 42,063	1.2	\$ 40,006	1.1	\$ 2,057
Employer Payroll Taxes	6,497	0.2	5,640	0.2	857
Group Insurance	18,194	0.5	16,900	0.5	1,294
Advertising and Notices	961	-	1,111	-	(150)
Office Supplies	5,826	0.2	6,921	0.2	(1,095)
Copier and Computer Maintenance	3,571	0.1	3,044	0.1	527
Total Accounting and Collecting	<u>\$ 77,112</u>	2.1	<u>\$ 73,622</u>	2.0	<u>\$ 3,490</u>
Administrative Expenses -					
Salaries and Wages	\$ 47,424	1.3	\$ 46,391	1.3	\$ 1,033
Employer Payroll Taxes	12,513	0.3	11,169	0.3	1,344
Group Insurance	9,091	0.3	8,425	0.2	666
Professional Fees	13,871	0.4	31,241	0.8	(17,370)
Insurance	13,213	0.4	11,170	0.3	2,043
Economic Development	24,822	0.7	17,611	0.5	7,211
Travel, Conferences and Dues	17,585	0.5	14,630	0.4	2,955
Utilities and Communications	1,955	0.1	2,085	0.1	(130)
Supplies - Operating and Maintenance	384	-	1,401	-	(1,017)
Use Taxes	15,399	0.4	20,743	0.6	(5,344)
Total Administrative Expenses	<u>\$ 156,257</u>	4.3	<u>\$ 164,866</u>	4.5	<u>\$ (8,609)</u>
Rebates and Refunds	<u>\$ 36,246</u>	1.0	<u>\$ 34,267</u>	0.9	<u>\$ 1,979</u>
Bad Debts	<u>\$ 7,463</u>	0.2	<u>\$ 11,026</u>	0.3	<u>\$ (3,563)</u>
Depreciation Expense	<u>\$ 332,183</u>	9.1	<u>\$ 309,591</u>	8.4	<u>\$ 22,592</u>

SCHEDULE 2

GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEMSCHEDULE OF OUTSTANDING DEBT
JUNE 30, 2012

	Maturity Date	Interest Rate	Principal Amount
Electric Revenue Bonds (Issued November 29, 2006)	09/01/12	4.05%	\$ 80,000
	09/01/13	4.15%	80,000
Interest is payable September 1 and March 1. Bonds	09/01/14	4.20%	90,000
due on September 1, 2021, and thereafter are callable	09/01/15	4.25%	70,000
in inverse order on September 1, 2012, and any date thereafter	09/01/16	4.30%	75,000
	09/01/17	4.40%	80,000
	09/01/18	4.45%	80,000
	09/01/19	4.50%	85,000
	09/01/20	4.55%	90,000
	09/01/21	4.60%	95,000
			<u>825,000</u>
Electric Revenue Refunding Notes (Issued June 9, 2010)	09/01/12	2.00%	200,000
	09/01/13	2.30%	205,000
Interest is payable September 1 and March 1. Notes	09/01/14	2.60%	210,000
due on September 1, 2016, and thereafter are callable	09/01/15	3.00%	215,000
in any order on September 1, 2014, or on any date thereafter	09/01/16	3.25%	220,000
			<u>1,050,000</u>
Electric Revenue Notes (Issued September 13, 2010)	09/01/17	2.25%	220,000
	09/01/18	2.50%	175,000
Interest is payable September 1 and March 1. Notes	09/01/19	2.70%	180,000
due on September 1, 2018, and thereafter are callable	09/01/20	2.90%	185,000
in any order on September 1, 2018, or on any date thereafter	09/01/21	3.10%	195,000
	09/01/22	3.30%	200,000
	09/01/23	3.40%	210,000
	09/01/24	3.50%	220,000
	09/01/25	3.60%	225,000
	09/01/26	3.70%	240,000
	09/01/27	3.80%	250,000
	09/01/28	3.90%	260,000
			<u>2,560,000</u>
Lease Purchase Refunding Agreement (Issued March 14, 2012)	03/01/13	0.85%	120,511
	03/01/14	1.05%	123,000
Interest is payable September 1 and March 1. Notes	03/01/15	1.35%	125,000
due on September 1, 2012, and thereafter are callable	03/01/16	1.60%	126,000
in inverse order on March 1, 2002, and any date thereafter	03/01/17	1.85%	128,000
			<u>622,511</u>
Total Outstanding Debt			<u>\$ 5,057,511</u>

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**STATISTICAL REPORTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012 (Unaudited)		2011 (Unaudited)		Increase (Decrease)
	KWH	Percent	KWH	Percent	
KWH AVAILABLE:					
Purchase or Generated	<u>41,053,782</u>	100.0	<u>42,018,868</u>	100.0	<u>(965,086)</u>
Total Available	41,053,782	100.0	42,018,868	100.0	(965,086)
LESS - CITY USE:					
Electric Utility System	413,643	1.0	496,258	1.2	(82,615)
Street Lights	<u>254,466</u>	0.6	<u>240,490</u>	0.6	<u>13,976</u>
Total City Use	<u>668,109</u>	1.6	<u>736,748</u>	1.8	<u>(68,639)</u>
Available for Sale	40,385,673	98.4	41,282,120	98.2	(896,447)
KWH SOLD:					
Residential	9,324,529	22.7	9,738,947	23.2	(414,418)
Commercial	9,573,218	23.3	9,506,517	22.6	66,701
Industrial	18,750,250	45.7	18,878,516	44.9	(128,266)
Municipal Water Utility	956,646	2.3	965,704	2.3	(9,058)
City of Greenfield	<u>430,663</u>	1.0	<u>428,992</u>	1.0	<u>1,671</u>
Total KWH Sales	39,035,306	95.0	39,518,676	94.0	(483,370)
Line Loss	<u>1,350,367</u>	3.4	<u>1,763,444</u>	4.2	<u>(413,077)</u>

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**INFORMATION REQUIRED BY REVENUE NOTE RESOLUTION
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012 (Unaudited)	2011 (Unaudited)
RESIDENTIAL ELECTRIC:		
Customer Charges per Meter per Month -		
Inside City Limits	\$ 15.00	\$ 15.00
Outside City Limits	19.00	19.00
Energy Charge per Kilowatt Hour*	0.063	0.063
Demand Charge per Kilowatt Over 40	10.00	10.00
Date Effective	7/1/2010	7/1/2010
COMMERCIAL ELECTRIC:		
Customer Charges per Meter per Month -		
Inside City Limits	\$ 20.00	\$ 20.00
Outside City Limits	24.00	24.00
Three Phase Customer per Meter per Month -		
Inside City Limits	35.00	35.00
Outside City Limits	39.00	39.00
Energy Charge per Kilowatt Hour Under 10,000*	0.074	0.074
Energy Charge per Kilowatt Hour Over 10,000*	0.032	0.032
Date Effective	7/1/2010	7/1/2010
INDUSTRIAL ELECTRIC:		
Customer Charges per Meter per Month -	\$ 50.00	\$ 50.00
Energy Charge per Kilowatt Hour*	0.0345	0.0345
Demand Charge, per Kilowatt	10.00	10.00
Date Effective	7/1/2010	7/1/2010
METERS AT JUNE 30	1,258	1,286

*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.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

OTHER REPORTS

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INDEPENDENT AUDITORS' 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*

Greenfield Municipal Utilities
Electric System
Greenfield, Iowa

We have audited the financial statements of the business-type activities and each major fund of the Electric System department of the Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the Electric System's basic financial statements, and have issued our report thereon dated October 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Utilities is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Electric System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Electric System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Electric System's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Electric System's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider to be significant deficiencies in internal control over financial reporting. We consider the deficiencies described in Part 2 of the accompanying Schedule of Findings as items 12-1A to be significant deficiencies. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 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 instance of noncompliance or other matters 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, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the 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.

Management's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we expressed our conclusions on the responses, we did not audit such 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 trustees, management, and other parties to whom the Greenfield Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

October 31, 2012

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

PART 1: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Significant Deficiencies:

12-1A **Accurate Financial Reports** - We noted in the prior year that various accounting and reporting processes are delayed. Specifically, the accounts payable, SIMECA Payable, and Sewer fee collection payable need to be reconciled to the general ledger monthly. During the current year, we noted that financial reports are now timely, but not yet accurate for these accruals. Lack of having 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 accurate management reports removes the important control function of management oversight necessary with limited segregation of duties. Although this problem did improve during the current year, it is not resolved to the extent to not continue this comment this year.

Recommendation - We suggest that whatever steps necessary be taken to ensure that the board receives accurate financial information on a regular basis. Specifically, accrual accounts need to be verified and reconciled monthly. We further recommend that the reports be developed to come from the new software as well as adding procedures to prepare work documentation in order to make proper monthly accounting accruals. 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. Furthermore, we suggest that the Office Manager attend State Auditor seminars annually to further develop her knowledge of governmental unit accounting requirements.

Response - The Office Manager/City Clerk has limited previous experience of working in a governmental environment. Management believes this situation will continue to improve as more experience is acquired with regular use of the software and further knowledge is gained of the governmental environment as well as training on additional monthly procedures.

Conclusion - Response accepted.

12-1B **Prior Year Findings** - In the prior year's Schedule of Findings, we had findings regarding timely bank account reconciliations, accurate posting and account coding, and timeliness of financial reports. These findings have improved during the current year.

Instances of Noncompliance:

No matters noted.

PART 2: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

12-2A **Official Depositories** - A resolution naming depositories for combined funds of Greenfield Municipal Utilities has been approved by the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year by Greenfield Municipal Utilities. The depositories named and maximum deposit amounts authorized are as follows:

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

12-2B **Certified Budget** - Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual continuing appropriation. The Electric Systems expenses during the year ended June 30, 2012, did not exceed the amount budgeted.

12-2C **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.

12-2D **Travel Expense** - No expenditures of Electric System money for travel expenses of spouses of officials or employees were noted.

12-2E **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.

12-2F **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.

12-2G **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.

12-2H **Deposits and Investments** - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

12-2I **Revenue Bonds and Notes** - No instances of noncompliance with the revenue bond and note resolutions were noted.