

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITORS' REPORTS  
FOR THE YEARS ENDED  
JUNE 30, 2013 AND 2012**

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

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**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**OFFICIALS  
JUNE 30, 2013**

<b>Name</b>	<b>Position</b>	<b>Term Expires</b>	<b>Insurance Coverage</b>
<b>Governance -</b>			
Richard Kohler	Chairman	12/31/14	10,000
Terry Schneider	Trustee	12/31/16	10,000
Lynne Don Carlos	Trustee	12/31/18	10,000
<b>Others -</b>			
Duane Armstead	General Manager		10,000
Rebecca Haase	City Clerk/Treasurer		40,000

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*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Greenfield Municipal Utilities  
Water System  
Greenfield, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the Water System activities of Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Water System's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Water System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water System's internal control. Accordingly, we express no such opinion.

An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Water System of Greenfield Municipal Utilities, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis-of-a-Matter**

As described in Note 1, the financial statements of the Water System 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 Greenfield Municipal Utilities that is attributable to the transactions of the Water System.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water System's financial statements as a whole. The supplementary information contained on the Schedule of Expenses and Statistical Reports and Other Information is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

The Statistical Reports and Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013, on our consideration of the Water System's internal control over financial reporting and on 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* in considering The Water System's internal control over financial reporting and compliance.

October 18, 2013

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**BASIC FINANCIAL STATEMENTS**

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATEMENTS OF NET POSITION  
JUNE 30, 2013 AND 2012**

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>	<b>Increase (Decrease)</b>
<b>CURRENT ASSETS:</b>			
Cash and equivalents	\$ 30,166	\$ 492,959	\$ (462,793)
Investment in certificates of deposit - restricted	65,850	65,850	-
Accounts receivable - customers	76,630	80,629	(3,999)
Inventories - materials and supplies	41,176	44,062	(2,886)
Accrued interest receivable	403	403	-
Prepaid expenses	42,437	22,385	20,052
Deferred bond issue costs, net of amortization	2,119	2,283	(164)
Total current assets	<u>258,781</u>	<u>708,571</u>	<u>(449,790)</u>
<b>CAPITAL ASSETS:</b>			
Production and treatment plant	1,736,592	1,550,963	185,629
Transmission system	945,444	945,444	-
Distribution system	2,884,119	2,884,119	-
Vehicles, tools and equipment	201,699	201,258	441
Total cost	5,767,854	5,581,784	186,070
Accumulated depreciation	<u>(2,528,727)</u>	<u>(3,150,647)</u>	<u>621,920</u>
Cost less depreciation	3,239,127	2,431,137	807,990
Construction in progress	-	133,158	(133,158)
Total capital assets, net	<u>3,239,127</u>	<u>2,564,295</u>	<u>674,832</u>
<b>OTHER NONCURRENT ASSETS:</b>			
Deferred bond issue costs, net of amortization	7,298	9,418	(2,120)
	<u>\$ 3,505,206</u>	<u>\$ 3,282,284</u>	<u>\$ 222,922</u>

(Continued)

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATEMENTS OF NET POSITION  
JUNE 30, 2013 AND 2012**

<b>LIABILITIES</b>	<b>2013</b>	<b>2012</b>	<b>Increase (Decrease)</b>
<b>CURRENT LIABILITIES:</b>			
Accounts payable - vendors	\$ 37,901	\$ 29,462	\$ 8,439
Sales and use tax payable	3,521	3,513	8
Accrued liabilities -			
Salaries and wages	4,029	4,374	(345)
Compensated absences	40,883	50,077	(9,194)
Interest	3,821	5,566	(1,745)
Current portion of long-term debt	<u>60,081</u>	<u>58,800</u>	<u>1,281</u>
Total current liabilities	150,236	151,792	(1,556)
<b>NONCURRENT LIABILITIES:</b>			
Revenue bonds payable	670,000	670,000	-
Payable to the City of Greenfield	201,855	241,936	(40,081)
Promissory note payable	<u>-</u>	<u>20,000</u>	<u>(20,000)</u>
Total noncurrent liabilities	<u>871,855</u>	<u>931,936</u>	<u>(60,081)</u>
Total liabilities	1,022,091	1,083,728	(61,637)
<b>NET POSITION</b>			
Net investment in capital assets	2,316,689	2,036,687	280,002
Restricted for debt covenants	72,576	71,271	1,305
Unrestricted	<u>93,850</u>	<u>90,598</u>	<u>3,252</u>
Total net position	2,483,115	2,198,556	284,559
	<u>\$ 3,505,206</u>	<u>\$ 3,282,284</u>	<u>\$ 222,922</u>

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013		2012		Increase (Decrease)
	Amount	Percent	Amount	Percent	
<b>OPERATING REVENUE:</b>					
Residential sales	\$ 413,695	50.1	\$ 347,115	53.4	\$ 66,580
Commercial sales	135,352	16.4	123,196	19.0	12,156
Industrial sales	27,820	3.4	20,082	3.1	7,738
Sales to SIRWA	177,842	21.6	99,789	15.4	78,053
Sales to Fontanelle	33,906	4.1	32,126	4.9	1,780
Sales to City	14,277	1.7	10,446	1.6	3,831
Plant hydrant water sales	2,268	0.3	535	0.1	1,733
Bad debt collections	815	0.1	822	0.1	(7)
Connections and reconnections	3,455	0.4	3,025	0.5	430
Other operating revenue	<u>15,349</u>	1.9	<u>12,168</u>	1.9	<u>3,181</u>
Total operating revenue	824,779	100.0	649,304	100.0	175,475
<b>OPERATING EXPENSES:</b>					
Plant operations	230,415	28.0	212,295	32.8	18,120
Plant maintenance	55,158	6.7	45,448	7.0	9,710
Distribution operations	110,033	13.3	135,509	20.9	(25,476)
Distribution maintenance	37,913	4.6	69,903	10.8	(31,990)
Accounting and collecting	75,307	9.1	78,397	12.1	(3,090)
Administrative expenses	104,065	12.6	105,016	16.2	(951)
Rebates and refunds	1,262	0.2	-	-	1,262
Depreciation	<u>137,807</u>	16.7	<u>125,926</u>	19.4	<u>11,881</u>
Total operating expenses	<u>751,960</u>	91.2	<u>772,494</u>	119.2	<u>(20,534)</u>
Operating earnings (loss)	72,819	8.8	(123,190)	(19.2)	196,009
<b>NONOPERATING REVENUE (EXPENSE):</b>					
Contributions-in-aid of construction	214,068	26.0	70,964	10.9	143,104
Interest income	959	0.1	403	0.1	556
Miscellaneous income	12,826	1.6	3,392	0.5	9,434
Interest expense	(8,792)	(1.1)	(11,621)	(1.8)	2,829
Gain (loss) on capital asset disposal	<u>(12,026)</u>	(1.5)	<u>-</u>	-	<u>(12,026)</u>
Total nonoperating revenue (expense)	<u>207,035</u>	25.1	<u>63,138</u>	9.7	<u>143,897</u>
Income (loss) before transfers	279,854	33.9	(60,052)	(9.5)	339,906
<b>TRANSFERS IN (OUT):</b>					
From electric system	<u>4,705</u>		<u>50,543</u>		<u>(45,838)</u>
Change in net position	284,559		(9,509)		294,068
Total net position, beginning	2,198,556		2,208,065		(9,509)
Total net position, ending	<u>\$ 2,483,115</u>		<u>\$ 2,198,556</u>		<u>\$ 284,559</u>

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	\$ 813,361	\$ 615,209
Payments to suppliers	(329,980)	(304,322)
Payments to employees, wages and benefits	(302,451)	(341,579)
Other receipts	<u>28,265</u>	<u>14,631</u>
Net cash from operating activities	209,195	(16,061)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers from Electric	<u>4,706</u>	<u>50,543</u>
Net cash from noncapital financing activities	4,706	50,543
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Contribution-in-aid of construction	214,068	70,965
Purchase or construction of capital assets	(824,666)	(190,314)
Revenue bond proceeds, net	-	655,855
Principal payments on promissory note	(20,000)	(20,000)
Principal payments on loan payable to the City of Greenfield	(38,800)	(37,487)
Interest paid	<u>(8,255)</u>	<u>(4,479)</u>
Net cash from capital and related financing activities	(677,653)	474,540
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	<u>959</u>	<u>-</u>
Net cash from investing activities	959	-
Net change in cash and equivalents	(462,793)	509,022
Cash and equivalents, beginning of year	558,809	49,787
Cash and equivalents, end of year	<u>\$ 96,016</u>	<u>\$ 558,809</u>
<b>RECONCILIATION OF EARNINGS (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES:</b>		
Operating earnings (loss)	\$ 72,819	\$ (123,190)
Adjustments to reconcile operating earnings (loss) to Net cash from operating activities -		
Depreciation noncash expense	137,807	125,926
Miscellaneous income received	12,828	3,389
Change in operating assets and liabilities -		
Accounts receivable (increase) decrease	3,999	(22,852)
Inventories (increase) decrease	2,886	(4,453)
Prepaid expenses (increase) decrease	(20,052)	(3,920)
Accounts payable increase (decrease)	8,439	12,148
Sales tax payable increase (decrease)	8	1,001
Other accrued liabilities increase (decrease)	<u>(9,539)</u>	<u>(4,110)</u>
Total adjustments	136,376	107,129
Net cash from operating activities	<u>\$ 209,195</u>	<u>\$ (16,061)</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Gain (loss) on capital asset disposal	<u>\$ (12,026)</u>	<u>\$ -</u>

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Organization and Nature of Activities* -**

Greenfield Municipal Utilities (GMU) is a separate and distinct city utility governed by a three-member Board of Trustees appointed by the Mayor of the City of Greenfield (the City) and approved by the City Council.

GMU operates and manages an electric system and water system providing services 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 authority to adopt the annual budget, to incur debt, to fix service rates, and to determine equitable allocation of joint expenses for each utility system.

**B. *Reporting Entity* -**

The accompanying financial statements include only the activities of the Water System operated by GMU. The financial activities of the Electric System are presented and reported in separate financial statements.

GMU has also considered if it has oversight responsibility or control over any other legal entity which should be included in these financial statements. Criteria specified by Governmental Accounting Standards Board (GASB) for determining the scope of such oversight include appointing a voting majority of an organization's governing body and (1) the ability of GMU to significantly influence operations of that organization or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on GMU. GMU has no component units which meet these criteria but has determined it is a component unit of, but legally separate from, the City of Greenfield.

**C. *Accounting Changes* -**

In December 2010, GASB issued, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*" (Statement 62). GASB Statement 62 incorporates into the GASB authoritative literature certain pre-November 30, 1989, FASB Statements, Interpretations, and other standards that do not conflict with or contradict GASB pronouncements. It also eliminates the election for business-type activities to apply applicable post November 30, 1989 FASB Statements and Interpretations. This statement is effective for 2012. Management has assessed the financial impact of adopting this statement and determined the impact is limited to classification and display of amounts in the financial statements.

GASB also issued "*Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" (Statement 63), "*Items Previously Reported as Assets and Liabilities*" (Statement 65) and "*Technical Corrections – 2012*" (Statement 66) for which management has assessed the financial statement impact of adopting these statements and determined the impact is limited to classification and display of amounts in the financial statements.

**D. *Basis of Presentation* -**

These financial statements are presented in conformity with generally accepted accounting principles accepted in the United States of America (U.S. GAAP) as applied to enterprise funds of governmental units.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Presentation - (Continued)**

The accounts of the Water System are organized on the basis of funds, each of which is considered to be a separate accounting entity. Enterprise funds are used to report any activity for which a fee is charged to external users for goods and services provided. Separate funds are utilized to account for restricted assets, construction projects and debt service all of which are combined to comprise the water system activities and financial statements.

The statements of net position and statements of revenue and expenses and changes in net position display information about the business-type activities of the Water System as a whole. They are presented using the full accrual economic resource basis. The statements of net position display the assets and liabilities with the difference reported as net position. Net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources shown on the statement of net position and is divided into three components:

*Net investment in capital assets* consists of the historical cost of capital assets net of accumulated depreciation and reduced by remaining unpaid debt attributable to the acquisition of those assets plus deferred outflows of resources and less deferred inflows of resources related to those capital assets.

*Restricted net position* consists of noncapital assets that are restricted by the enabling legislation, by grantors, by externally imposed bond covenants, and by other contributors.

*Unrestricted net position* consists of all remaining net position not included as “net investment in capital assets” or “restricted”.

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

	<b>2013</b>	<b>2012</b>
Debt Service Sinking Fund	\$ 6,726	\$ 5,421
Debt Service Reserve Fund	65,850	65,850
Total	<u>\$ 72,576</u>	<u>\$71,271</u>

In addition, \$451,426 of unexpended cash remaining from issuance of construction debt is included in the category *Net Investment in Capital Assets* for 2012.

**E. 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 also relates to the timing of the measurement made, regardless of the measurement focus applied.

GMU uses the flow of economic resources measurement focus and the accrual basis of accounting to determine net income, cash flows, and financial position, similar to businesses in the private sector. Accordingly, revenues are recognized when earned, except that unbilled revenues for customer usage since the last meter reading to the end of the fiscal year (approximately five days) are not accrued. Expenses are recognized when the obligation is incurred.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. **Measurement Focus and Basis of Accounting** - (Continued)

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.

The statements of revenues, expenses and changes in net position distinguish operating revenues and expenses from non-operating items to display the degree to which operating expenses of a given function are offset by operating revenue. Operating revenues and expenses generally result from providing, producing and delivering goods and services in connection with an entity's principal ongoing operations. Operating revenues are primarily charges to customers for sales or services. Operating expenses include cost of sales, administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating items.

### F. **Use of Estimates** -

The preparation of financial statements in conformity with U.S. GAAP 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.

### G. **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.

### H. **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 to be uncollectible directly to operating expense. Receivables are considered to be fully collectible and, therefore, no allowance was determined necessary for the current period.

### I. **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.

### J. **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, if any, of projects not yet in service 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Capital Assets - (Continued)**

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 asset construction in progress. The estimated useful lives by capital asset subcategory are as follows:

Treatment plant and structures	15-50 Years
Transmission system improvements	33-50 Years
Distribution system improvements	20-40 Years
Vehicles	5 Years
Tools and shop equipment	5-10 Years
Furniture and office equipment	5-10 Years

**K. Taxes -**

GMU is not liable for federal and state income taxes or taxes on its property, and makes no significant payments in-lieu-of taxes or other contributions to the City from the Water System.

**NOTE 2 - POOLED CASH AND INVESTMENTS**

GMU has generally pooled the cash, checking, and savings of the various funds and departments. All deposits at June 30, 2013, were entirely 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.

Monies held for special purposes are limited to the use for which restricted, and cannot be used for the general operations of the Water System. The cash held for debt redemption is required by covenants of debt resolutions and will be released to unrestricted funds upon pay-off of the related debt.

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.

Interest rate risk – GMU's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Cash not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utilities.

**NOTE 3 - CAPITAL ASSETS**

Changes in capital asset cost and depreciation for the years ended June 30, 2013 and 2012, are as follows:

<b>2013</b>				
	<b>Balance July 1,</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30,</b>
Capital assets being depreciated -				
Production and treatment plant	\$ 1,550,963	\$ 955,328	\$ 769,699	\$ 1,736,592
Transmission system	945,444	-	-	945,444
Distribution system	2,884,119	-	-	2,884,119
Vehicles, tools and equipment	201,258	2,496	2,055	201,699
Total cost	<u>\$ 5,581,784</u>	<u>\$ 957,824</u>	<u>\$ 771,754</u>	<u>\$ 5,767,854</u>
Accumulated depreciation for -				
Production and treatment plant	\$ 1,151,647	\$ 45,381	\$ 757,672	\$ 439,356
Transmission system	274,813	18,576	-	293,389
Distribution system	1,551,865	62,088	-	1,613,953
Vehicles, tools and equipment	172,322	11,762	2,055	182,029
Total accumulated depreciation	<u>\$ 3,150,647</u>	<u>\$ 137,807</u>	<u>\$ 759,727</u>	<u>\$ 2,528,727</u>
<b>2012</b>				
	<b>Balance July 1,</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30,</b>
Capital assets being depreciated -				
Production and Treatment Plant	\$ 1,550,963	\$ -	\$ -	\$ 1,550,963
Transmission System	919,115	26,329	-	945,444
Distribution System	2,865,175	18,944	-	2,884,119
Vehicles, Tools and Equipment	189,375	11,883	-	201,258
Total cost	<u>\$ 5,524,628</u>	<u>\$ 57,156</u>	<u>\$ -</u>	<u>\$ 5,581,784</u>
Accumulated depreciation for -				
Production and treatment plant	\$ 1,120,372	\$ 31,275	\$ -	\$ 1,151,647
Transmission system	256,605	18,208	-	274,813
Distribution system	1,489,107	62,758	-	1,551,865
Vehicles, tools and equipment	158,637	13,685	-	172,322
Total accumulated depreciation	<u>\$ 3,024,721</u>	<u>\$ 125,926</u>	<u>\$ -</u>	<u>\$ 3,150,647</u>

**NOTE 3 - CAPITAL ASSETS** (Continued)

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

	<b>2013</b>	<b>2012</b>
Production plant	\$ 45,381	\$ 31,275
Transmission system	18,576	18,208
Distribution system	62,088	62,758
Vehicles, tools and equipment	11,762	13,685
Totals	<u>\$ 137,807</u>	<u>\$ 125,926</u>

**NOTE 4 - 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, 2013 or 2012 rate of compensation.

**NOTE 5 - LONG-TERM DEBT**

Long-term debt transactions for the years ended June 30, 2013 and 2012, are summarized as follows:

<b>2013</b>					
	<b>Balances July 1</b>	<b>Issued</b>	<b>Retired</b>	<b>Balances June 30</b>	<b>Due Within One Year</b>
2004 General obligation	\$ 40,000	\$ -	\$ 20,000	\$ 20,000	\$ 20,000
2007 Loan from City	280,736	-	38,800	241,936	40,081
2012 Revenue bonds	670,000	-	-	670,000	-
	<u>\$ 990,736</u>	<u>\$ -</u>	<u>\$ 58,800</u>	<u>\$ 931,936</u>	<u>\$ 60,081</u>
<b>2012</b>					
	<b>Balances July 1</b>	<b>Issued</b>	<b>Retired</b>	<b>Balances June 30</b>	<b>Due Within One Year</b>
2004 General obligation	\$ 60,000	\$ -	\$ 20,000	\$ 40,000	\$ 20,000
2007 Loan from City	318,223	-	37,487	280,736	38,800
2012 Revenue bonds	-	670,000	-	670,000	-
	<u>\$ 378,223</u>	<u>\$ 670,000</u>	<u>\$ 57,487</u>	<u>\$ 990,736</u>	<u>\$ 58,800</u>

On June 10, 2004, the City of Greenfield issued a general obligation promissory note for \$200,000 which is being repaid by the Water System. Proceeds from this note were deposited to the benefit of the Water System to provide financing for construction of a water tower. The note is noninterest bearing, with monthly payments of \$1,666 beginning July 14, 2004 and continues through July 2014.

During 2007, the Water System agreed to repay \$369,409 to the City for costs of water distribution system improvements included in the City's debt issued to finance the Public Square Improvement Project. The loan bears interest at a rate of 2.94 percent. Loan principal and interest is payable annually beginning June 1, 2010 and continues through June 1, 2019.

**NOTE 5 - LONG-TERM DEBT (Continued)**

GMU has pledged future water customer net revenue to repay \$670,000 of revenue bonds issued February 29, 2012. Proceeds from these bonds provided financing for constructing improvements to the municipal waterworks system. The bonds mature serially from June 1, 2015 through June 1, 2027, with interest at various rates from 1.55 to 3.10 percent per annum. Interest is payable semiannually on June 1 and December 1 beginning December 1, 2012. The bonds are callable on or after June 1, 2018, at par plus accrued interest.

Annual debt service requirements to maturity are as follows:

Year Ending June 30	2004	2007		2012		Total Required		Total
	General Obligation (No Interest)	City Square Improvement Project Principal	Interest	Revenue Bonds Principal	Interest	Principal	Interest	
2014	\$ 20,000	\$ 40,081	\$ 7,114	\$ -	\$ 16,143	\$ 60,081	\$ 23,257	\$ 83,338
2015	-	41,327	5,936	45,000	16,142	86,327	22,078	108,405
2016	-	43,255	4,720	45,000	15,445	88,255	20,165	108,420
2017	-	44,376	3,448	45,000	14,748	89,376	18,196	107,572
2018	-	46,191	2,144	45,000	14,050	91,191	16,194	107,385
2019	-	26,706	785	50,000	13,105	76,706	13,890	90,596
2020	-	-	-	50,000	12,055	50,000	12,055	62,055
2021	-	-	-	50,000	11,005	50,000	11,005	61,005
2022	-	-	-	50,000	9,805	50,000	9,805	59,805
2023	-	-	-	55,000	8,605	55,000	8,605	63,605
2024 and After	-	-	-	235,000	18,252	235,000	18,252	253,252
Totals	<u>\$ 20,000</u>	<u>\$ 241,936</u>	<u>\$ 24,147</u>	<u>\$ 670,000</u>	<u>\$ 149,355</u>	<u>\$ 931,936</u>	<u>\$ 173,502</u>	<u>\$1,105,438</u>

The debt 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, 2013, the water bond and interest sinking fund requirement was not satisfied.
- C. Additional cash transfers shall be made to a bond reserve account until such account reaches \$65,850. 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, 2013, the water bond reserve was satisfied by a specific certificate deposit.

**NOTE 6 - 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.

## **NOTE 6 - PENSION AND RETIREMENT BENEFITS (Continued)**

Plan members are required to contribute 5.78 percent of their annual salary and the employer is required to contribute 8.67 percent of annual covered payroll. Contribution requirements are established by State statute. The Water System's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011, was \$17,064, \$18,979, and \$15,030, respectively, which met the required contributions for each year.

## **NOTE 7 - DEFERRED COMPENSATION PLAN**

GMU offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the ICMA Retirement Corporation's Deferred Compensation Plan. The plan, available to all employees, permits deferral to future years 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 8 - CONCENTRATIONS**

The Water System provides water 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 nonprofit or other municipal organizations for redistribution accounted for approximately 23 percent and 13 percent of the total operating revenue for the years ended June 30, 2013 and 2012, respectively.

## **NOTE 9 - RISK MANAGEMENT**

Greenfield Municipal Utilities is 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 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts reflected in the statements of net position 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 position.

## **NOTE 11 - COMMITMENTS**

Contracts -

GMU has a contract for the Water System to provide water to the Southern Iowa Rural Water Association (SIRWA) over a forty-year period beginning June 1, 1982. The agreement stipulates that the water quantity purchased may be limited by GMU to 174 gallons per minute and 52,257,879 gallons per year. Metered water for 2013 and 2012 was 90,246,100 and 59,754,100 gallons, respectively.

**NOTE 11 - COMMITMENTS** (Continued)

GMU has a second contract for the Water System to provide water to the City of Fontanelle over a ten year period which began November 1, 2003. The agreement stipulates that the water quantity sold is not to exceed 120 gallons per minute and 20,000,000 gallons per year. Metered water for 2013 and 2012 was 13,253,000 and 13,621,400 gallons, respectively.

Other Post-Employment Benefits (OPEB) -

As required by state law, the Water System offers health insurance to former employees who have retired after age 55, but have not yet reached Medicare eligibility. The fully insured plan is part of the plan offered to all Utility employees, whereby the retirees must pay the full cost of health insurance premium equal to that charged by current employees. There are currently three active employees, none of which are retired, covered by the plan. Management has determined that current and potential future cost exposures to this requirement is minimal and has not recorded any liability amount.

**NOTE 12 - 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 \$1,381,130 to \$1,811,130 for debt service and construction project costs.

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 Water System budget is included as a part of the City and GMU combined business type activities budget.

A comparison of the actual water system activity, adjusted to the budgetary basis (cash receipts and disbursements), and the total budgeted amounts is as follows:

	<b>Actual</b>	<b>Budget</b>
Operating and nonoperating revenue - GAAP basis	\$ 1,057,337	
Adjust for-		
Loss on capital asset disposal	12,026	
Customer charge accruals	<u>3,999</u>	
Operating and nonoperating revenue - Budget basis	<u>\$ 1,073,362</u>	<u>\$ 1,365,400</u>
Operating and nonoperating expenses - GAAP basis	\$ 772,778	
Adjust for -		
Operating expense accruals	20,002	
Capital outlay	824,666	
Depreciation	(137,807)	
Amortization of bond issue costs	(2,284)	
Debt payments	<u>58,800</u>	
Operating and nonoperating expenses - Budget basis	<u>\$ 1,536,155</u>	<u>\$ 1,811,130</u>

**NOTE 13 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 18, 2013, 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  
WATER SYSTEM**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE 1**

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**SCHEDULES OF EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013		2012		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Plant operations -					
Salaries and wages	\$ 43,215	5.3	\$ 59,004	9.2	\$ (15,789)
Employer payroll taxes	7,920	1.0	4,915	0.8	3,005
Professional fees	14,447	1.8	9,532	1.5	4,915
Insurance	15,785	1.9	13,116	2.0	2,669
Utilities and communications	54,220	6.6	44,320	6.8	9,900
Chemicals	80,625	9.7	73,122	11.2	7,503
Water testing	14,203	1.7	8,286	1.3	5,917
	<u>\$ 230,415</u>	28.0	<u>\$ 212,295</u>	32.8	<u>\$ 18,120</u>
Plant maintenance -					
Pump repairs	\$ 90	-	\$ 2,857	0.4	\$ (2,767)
Supplies - operating and maintenance	44,691	5.4	29,915	4.6	14,776
Repairs maintenance services	10,377	1.3	12,676	2.0	(2,299)
	<u>\$ 55,158</u>	6.7	<u>\$ 45,448</u>	7.0	<u>\$ 9,710</u>
Distribution operations -					
Salaries and wages	\$ 65,968	7.9	\$ 81,974	12.6	\$ (16,006)
Employer payroll taxes	15,904	1.9	15,664	2.4	240
Group insurance	27,398	3.3	37,021	5.7	(9,623)
Professional fees	763	0.2	850	0.2	(87)
	<u>\$ 110,033</u>	13.3	<u>\$ 135,509</u>	20.9	<u>\$ (25,476)</u>
Distribution maintenance -					
Vehicle operating expenses	\$ 8,525	1.0	\$ 10,899	1.7	\$ (2,374)
Supplies - operating and maintenance	27,888	3.5	55,197	8.6	(27,309)
Repairs maintenance services	1,500	0.1	3,807	0.5	(2,307)
	<u>\$ 37,913</u>	4.6	<u>\$ 69,903</u>	10.8	<u>\$ (31,990)</u>
Accounting and collecting -					
Salaries and wages	\$ 41,231	5.0	\$ 42,063	6.5	\$ (832)
Employer payroll taxes	6,329	0.8	6,498	1.0	(169)
Group insurance	14,096	1.7	18,070	2.8	(3,974)
Advertising and notices	1,464	0.2	961	0.1	503
Supplies - operating and maintenance	6,265	0.8	5,615	0.9	650
Copier and computer maintenance	3,234	0.3	3,611	0.5	(377)
Bad debts	2,688	0.3	1,579	0.2	1,109
	<u>\$ 75,307</u>	9.1	<u>\$ 78,397</u>	12.1	<u>\$ (3,090)</u>

(Continued)

GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM

SCHEDULES OF EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013		2012		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Administrative expenses -					
Salaries and wages	\$ 47,625	5.8	\$ 47,425	7.3	\$ 200
Employer payroll taxes	12,326	1.5	12,513	1.9	(187)
Group insurance	7,475	0.9	9,090	1.4	(1,615)
Professional fees	10,255	1.2	12,040	1.9	(1,785)
Insurance	15,785	1.9	12,963	2.0	2,822
Travel, conferences and dues	3,427	0.4	3,233	0.5	194
Utilities and communications	2,218	0.3	2,204	0.3	14
Supplies - operating and maintenance	250	-	379	0.1	(129)
Economic development	4,696	0.6	4,168	0.6	528
Use tax paid	8	-	1,001	0.2	(993)
Total administrative expenses	<u>\$ 104,065</u>	12.6	<u>\$ 105,016</u>	16.2	<u>\$ (951)</u>
Rebates and refunds	<u>\$ 1,262</u>	0.2	<u>\$ -</u>	-	<u>\$ 1,262</u>
Depreciation expense	<u>\$ 137,807</u>	16.7	<u>\$ 125,926</u>	19.4	<u>\$ 11,881</u>

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**STATISTICAL REPORTS AND OTHER INFORMATION  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013 (Unaudited)		2012 (Unaudited)		Increase (Decrease)
	Gallons	Percent	Gallons	Percent	
<b>WATER PUMPED TO SYSTEM</b>	178,798,000	100.0	154,051,000	100.0	24,747,000
<b>UNBILLED:</b>					
Greenfield Municipal Utilities	7,664,700	4.3	3,972,200	2.6	3,692,500
Free water	25,400	-	-	-	25,400
Streets (estimated)	60,000	-	85,000	-	(25,000)
Fire department and flushes (estimated)	110,352	-	433,774	0.3	(323,422)
Accounted for as break leaks (estimated)	<u>828,040</u>	0.5	<u>310,150</u>	0.2	<u>517,890</u>
Total unbilled	<u>8,688,492</u>	4.9	<u>4,801,124</u>	3.1	<u>3,887,368</u>
Available for sale	170,109,508	95.1	149,249,876	96.9	20,859,632
<b>WATER SOLD</b>	159,422,312	89.2	133,005,238	86.3	26,417,074
Line loss	<u>10,687,196</u>	6.1	<u>16,244,638</u>	10.5	<u>(5,557,442)</u>
<b>METER COUNT AT JUNE 30</b>	<u>1,057</u>		<u>1,059</u>		
<b>WATER USAGE RATES:</b>					
Customer charges per meter per month -					
Effective	4/1/2013		7/1/2012		10/1/2011
Residential	24.00		21.50		19.00
Rural residential	28.00		25.50		23.00
Commercial	26.00		23.50		21.00
Rural commercial	30.00		27.50		25.00
Industrial	200.00		200.00		200.00
Water usage (per 1,000 gallons)	6.05		5.35		4.65

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**OTHER REPORTING REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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## 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*

### INDEPENDENT AUDITORS' REPORT

Greenfield Municipal Utilities  
Water System  
Greenfield, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Water System activities of the Greenfield Municipal Utilities, a component unit of the City of Greenfield, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Water System's basic financial statements, and have issued our report thereon dated October 18, 2013.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Utilities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Utilities' internal control.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Water System's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Those deficiencies are described in Part 2 of the accompanying schedule of findings and responses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Water System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, 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 Water System's operations for the year ended June 30, 2013, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Water 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.

### **Auditee Response to Findings**

Management's responses to findings identified in our audit are described in the accompanying schedule of findings and responses. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

October 18, 2013

**GREENFIELD MUNICIPAL UTILITIES  
WATER SYSTEM**

**SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2013**

**PART 1: SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:**

- (a) Unmodified opinions were issued on the basic financial statements.
- (b) The audit did not disclose any noncompliance which could have a material effect on the basic financial statement amounts.
- (c) No material weaknesses in internal control were noted.

**PART 2: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:**

Significant Deficiencies:

13-2A **Financial Reporting** - While management is capable of assembling accurate financial information sufficient for the trustees to rely on to make operating decisions, they do not possess the skills necessary to report financial information as financial statements, and the related disclosures notes thereto, in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

**Recommendation** - Management should improve their knowledge of U.S. GAAP by attending local or online professional educational courses and investing time to read relevant accounting literature. In addition, attendance at certain educational seminars sponsored by the Auditor of the State of Iowa could be beneficial.

**Response** - The trustee's primary intent is to employ individuals whose knowledge relates directly to utility operations. Steps will be taken to help employees increase their knowledge and understanding of relevant accounting principles to improve overall financial reporting.

**Conclusion** - Response accepted.

13-2B **Prior Year Findings** - In the prior year's Schedule of Findings, we had findings regarding accurate financial reports. These findings have been improved during the current year sufficient to eliminate this finding.

Instances of Noncompliance:

No matters discovered.

**PART 3: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:**

13-3A **Official Depositories** - A resolution naming depositories for combined funds of Greenfield Municipal Utilities has been approved by the City Council and the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year 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

13-3B **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 Water System's expenses during the year ended June 30, 2013, did not exceed the amount budgeted.

13-3C **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.

13-3D **Travel Expense** - No expenditures of Water System money for travel expenses of spouses of officials or employees were noted.

13-3E **Business Transactions** - Business transactions between the Greenfield Municipal Utilities Water Utility System and the Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.

13-3F **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.

13-3G **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.

13-3H **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.

13-3I **Revenue Bonds and Notes** - One instance of noncompliance with the revenue bond and note resolutions was noted. The requirement to fund a separate sinking fund in the amount of \$6,726 was not satisfied.