

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**OFFICIALS
JUNE 30, 2013**

Name	Position	Term Expires	Insurance Coverage
Governance -			
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
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.
Ronald W. Ferdig, C.P.A.
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Matthew R. Tunink, C.P.A.
Terrie L. Larkowski, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Greenfield Municipal Utilities
Electric System
Greenfield, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the Electric 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 Electric 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 Electric 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 Electric 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Electric 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 Electric 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 Electric 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 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 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 basic 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 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.

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 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* in considering The Electric System's internal control over financial reporting and compliance.

October 18, 2013

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

BASIC FINANCIAL STATEMENTS

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

ASSETS	2013	2012	Increase (Decrease)
CURRENT ASSETS:			
Cash and equivalents	\$ 512,742	\$ 313,406	\$ 199,336
Investment in certificates of deposit	100,000	200,000	(100,000)
Investment in certificates of deposit - restricted	764,161	764,161	-
Investment in IPAIT held by SIMECA - restricted	110,089	251,685	(141,596)
Accounts receivable - customers	303,147	385,325	(82,178)
Inventories - materials and supplies	333,656	300,714	32,942
Patronage dividend receivable	83,503	39,197	44,306
Accrued interest receivable	3,147	2,813	334
Prepaid insurance	26,360	22,385	3,975
Prepaid expenses	6,028	12,055	(6,027)
Current portion of note receivable	40,000	40,000	-
Deferred bond issue costs, net of amortization	<u>12,163</u>	<u>14,584</u>	<u>(2,421)</u>
Total current assets	2,294,996	2,346,325	(51,329)
CAPITAL ASSETS:			
Production plant	6,322,756	6,182,922	139,834
Transmission system	127,411	109,195	18,216
Distribution system	5,009,425	5,007,925	1,500
Vehicles, tools and equipment	<u>467,801</u>	<u>468,450</u>	<u>(649)</u>
Total cost	11,927,393	11,768,492	158,901
Accumulated depreciation	<u>(6,308,311)</u>	<u>(5,956,374)</u>	<u>(351,937)</u>
Total capital assets, net	5,619,082	5,812,118	(193,036)
OTHER NONCURRENT ASSETS:			
Note receivable	273,330	313,330	(40,000)
Patronage dividend receivable	167,664	217,478	(49,814)
Deferred bond issue costs, net of amortization	<u>46,217</u>	<u>58,381</u>	<u>(12,164)</u>
Total other noncurrent assets	487,211	589,189	(101,978)
	<u>\$ 8,401,289</u>	<u>\$ 8,747,632</u>	<u>\$ (346,343)</u>

(Continued)

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

LIABILITIES	2013	2012	Increase (Decrease)
CURRENT LIABILITIES:			
Accounts payable -			
Vendors and suppliers	\$ 13,388	\$ 46,150	\$ (32,762)
Wholesale power vendor	186,098	216,292	(30,194)
Sewer rental collections	35,342	37,799	(2,457)
Sales and use tax payable	6,533	9,504	(2,971)
Accrued liabilities -			
Salaries and wages	4,914	5,362	(448)
Compensated absences	42,139	41,167	972
Interest	49,179	51,966	(2,787)
Current portion of long-term debt	<u>408,000</u>	<u>400,511</u>	<u>7,489</u>
Total current liabilities	745,593	808,751	(63,158)
NONCURRENT LIABILITIES:			
Revenue bonds and notes payable	3,870,000	4,155,000	(285,000)
Lease purchase contract obligation	<u>379,000</u>	<u>502,000</u>	<u>(123,000)</u>
Total noncurrent liabilities	<u>4,249,000</u>	<u>4,657,000</u>	<u>(408,000)</u>
Total liabilities	4,994,593	5,465,751	(471,158)
NET POSITION			
Net investment in capital assets	1,020,460	827,571	192,889
Restricted for debt covenants	1,087,237	1,098,275	(11,038)
Restricted for Revolving Loan Fund	360,000	360,000	-
Unrestricted	<u>938,999</u>	<u>996,035</u>	<u>(57,036)</u>
Total net position	3,406,696	3,281,881	124,815
	<u>\$ 8,401,289</u>	<u>\$ 8,747,632</u>	<u>\$ (346,343)</u>

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC 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	
OPERATING REVENUE:					
Residential sales	\$ 953,051	25.4	\$ 948,983	26.0	\$ 4,068
Commercial sales	927,561	24.7	904,970	24.9	22,591
Industrial sales	1,576,110	42.1	1,560,331	42.9	15,779
Street light sales	24,457	0.7	24,481	0.7	(24)
Sales to Water	52,636	1.4	42,085	1.2	10,551
Sales to City	38,913	1.0	43,685	1.2	(4,772)
Patronage dividend	78,033	2.1	57,273	1.6	20,760
Bad debt collections	4,952	0.1	3,280	0.1	1,672
Connections and reconnections	25,644	0.7	25,060	0.7	584
Other operating revenue	<u>66,655</u>	1.8	<u>26,019</u>	0.7	<u>40,636</u>
Total operating revenue	3,748,012	100.0	3,636,167	100.0	111,845
OPERATING EXPENSES:					
Plant operations	142,389	3.8	111,657	3.1	30,732
Plant maintenance	79,094	2.1	71,237	2.0	7,857
Purchased energy	2,285,211	61.0	2,272,705	62.5	12,506
Distribution operations	206,457	5.5	215,669	5.9	(9,212)
Distribution maintenance	62,676	1.7	236,184	6.5	(173,508)
Accounting and collecting	83,123	2.2	84,575	2.3	(1,452)
Administrative expenses	139,538	3.7	156,257	4.3	(16,719)
Refunds and rebates	19,217	0.5	36,246	1.0	(17,029)
Depreciation expense	<u>353,662</u>	9.4	<u>332,183</u>	9.1	<u>21,479</u>
Total operating expenses	<u>3,371,367</u>	89.9	<u>3,516,713</u>	96.7	<u>(145,346)</u>
Operating earnings (loss)	376,645	10.1	119,454	3.3	257,191
NONOPERATING REVENUE (EXPENSES):					
Interest income	13,363	0.4	16,230	0.4	(2,867)
Miscellaneous income	13,463	0.4	9,308	0.3	4,155
Interest expense	<u>(163,951)</u>	(4.4)	<u>(166,087)</u>	(4.6)	<u>2,136</u>
Total nonoperating Revenue (expenses)	<u>(137,125)</u>	(3.6)	<u>(140,549)</u>	(3.9)	<u>3,424</u>
Net income (loss) before transfers	239,520	6.5	(21,095)	(0.6)	260,615
TRANSFERS OUT:					
Payments to City	(110,000)		(110,000)		-
To Water System	<u>(4,705)</u>		<u>(50,543)</u>		<u>45,838</u>
Change in net position	124,815		(181,638)		306,453
Total net position, beginning	3,281,881		3,463,519		(181,638)
Total net position, ending	<u>\$ 3,406,696</u>		<u>\$ 3,281,881</u>		<u>\$ 124,815</u>

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,669,781	\$ 3,551,662
Payments to suppliers	(2,675,775)	(2,708,159)
Payments to employees, wages and benefits	(415,621)	(432,409)
Other receipts (payments)	<u>154,320</u>	<u>67,805</u>
Net cash from operating activities	732,705	478,899
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments to City	(110,000)	(110,000)
Transfers to Water System	<u>(4,706)</u>	<u>(50,543)</u>
Net cash from noncapital financing activities	(114,706)	(160,543)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase and construction of capital assets	(160,624)	(692,861)
Interest paid on notes and lease debt	(152,154)	(161,657)
Principal paid on revenue notes	(280,000)	(275,000)
Principal paid on lease purchase debt	<u>(120,511)</u>	<u>(105,000)</u>
Net cash from capital and related financing activities	(713,289)	(1,234,518)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	13,030	16,938
Payments received on note receivable	<u>40,000</u>	<u>6,669</u>
Net cash from investing activities	<u>53,030</u>	<u>23,607</u>
Net change in cash	(42,260)	(892,555)
Cash, beginning of year	1,529,252	2,421,807
Cash, end of year	<u>\$ 1,486,992</u>	<u>\$ 1,529,252</u>
RECONCILE CASH TO STATEMENT OF NET POSITION ACCOUNTS:		
Cash and equivalents	\$ 512,742	\$ 313,406
Investment in certificates of deposits	100,000	200,000
Investment in certificates of deposits - restricted	764,161	764,161
Investment in IPAIT held by SIMECA - restricted	<u>110,089</u>	<u>251,685</u>
Cash	<u>\$ 1,486,992</u>	<u>\$ 1,529,252</u>

(Continued)

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

	2013	2012
RECONCILIATION OF OPERATING EARNINGS (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Operating earnings (loss)	\$ 376,645	\$ 119,454
Adjustments to reconcile operating earnings (loss) to net cash		
Provided by operating activities -		
Depreciation noncash expense	353,662	332,183
Miscellaneous income received	13,463	9,310
Change in operating assets and liabilities -		
Accounts receivable (increase) decrease	82,178	(30,973)
Inventories (increase) decrease	(32,942)	64,691
Patronage dividend receivable (increase) decrease	5,508	(18,076)
Prepaid expenses (increase) decrease	2,052	(15,975)
Accounts payable increase (decrease)	(62,956)	20,580
Sales and use tax payable increase (decrease)	(2,971)	799
Other accrued liabilities increase (decrease)	(1,934)	(3,094)
Total adjustments	<u>356,060</u>	<u>359,445</u>
Net cash from operating activities	<u>\$ 732,705</u>	<u>\$ 478,899</u>

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC 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 Electric System operated by GMU. The financial statements of the Water 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 to include appointing a voting majority of an organization's governing body and (1) the ability of GMU to significantly influence operation 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 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 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 electric 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 Electric 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 statements of net position and is divided in three components:

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

Restricted net position consists of 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:

Restricted for	2013	2012
Debt service reserves	\$ 712,032	\$ 710,279
Revenue notes capital improvement reserve	150,000	150,000
Lease purchase reserve	225,205	237,996
Total restricted for debt covenants	<u>1,087,237</u>	<u>1,098,275</u>
Revolving loan fund	360,000	360,000
Total restricted	<u>\$ 1,447,237</u>	<u>\$ 1,458,275</u>

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 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.

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. Included as investment at June 30, 2013 and 2012, are \$110,089 and \$251,685, respectively, for amounts invested in Iowa Public Agency Investment Trust (IPAIT).

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 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 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.

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 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

K. 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 - 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 Electric 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.

Custodial Credit Risk – For cash deposits held by financial institutions and cash held by jointly-owned entities for the benefit of GMU, there is a risk that in the event of failure of the bank or jointly-owned entity, cash deposits may not be returned. All cash deposits held by banks are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. However, those portions of cash deposits held by jointly-owned entities are not held in the name of GMU and may be subject to additional risk in the event one of these entities fails.

NOTE 2 - POOLED CASH AND 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 \$110,089 and \$251,685 for 2013 and 2012, respectively, pursuant to Rule 2a-7 of the Investment Company Act of 1940. These investments are unrated.

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,	
2014	\$ 40,000
2015	40,000
2016	40,000
2017	40,000
2018	40,000
2019 and after	113,330
Total	<u>\$ 313,330</u>

NOTE 4 - CAPITAL ASSETS

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

	<u>2013</u>			
	Balance July 1,	Additions	Retirements	Balance June 30,
Capital assets being depreciated -				
Production plant	\$ 6,182,922	\$ 139,834	\$ -	\$ 6,322,756
Transmission system	109,195	18,216	-	127,411
Distribution system	5,007,925	1,500	-	5,009,425
Vehicles, tools and equipment	468,450	1,076	1,725	467,801
Total cost	<u>\$11,768,492</u>	<u>\$ 160,626</u>	<u>\$ 1,725</u>	<u>\$11,927,393</u>
Accumulated depreciation for -				
Production plant	\$ 2,824,186	\$ 174,505	\$ -	\$ 2,998,691
Transmission system	109,195	260	-	109,455
Distribution system	2,651,510	165,936	-	2,817,446
Vehicles, tools and equipment	371,483	12,961	1,725	382,719
Total accumulated depreciation	<u>\$ 5,956,374</u>	<u>\$ 353,662</u>	<u>\$ 1,725</u>	<u>\$ 6,308,311</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	2012			Balance June 30,
	Balance July 1,	Additions	Retirements	
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>

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

	2013	2012
Production plant	\$ 174,505	\$ 145,561
Transmission system	260	-
Distribution system	165,936	167,082
Vehicles, tools and equipment	12,961	19,540
Totals	<u>\$ 353,662</u>	<u>\$ 332,183</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, 2013 and 2012 rate of compensation.

NOTE 6 - REVENUE BONDS AND NOTES PAYABLE

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

	2013				
	Balances July 1,	Issued	Retired	Balances June 30,	Due Within One Year
2006 revenue bonds	\$ 825,000	\$ -	\$ 80,000	\$ 745,000	\$ 80,000
2010A revenue refunding bonds	1,050,000	-	200,000	850,000	205,000
2010B revenue bonds	2,560,000	-	-	2,560,000	-
	<u>\$ 4,435,000</u>	<u>\$ -</u>	<u>\$ 280,000</u>	<u>\$ 4,155,000</u>	<u>\$ 285,000</u>

NOTE 6 - REVENUE BONDS AND NOTES PAYABLE (Continued)

	2012				
	Balances July 1,	Issued	Retired	Balances June 30,	Due Within One Year
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>\$ 4,710,000</u>	<u>\$ -</u>	<u>\$ 275,000</u>	<u>\$ 4,435,000</u>	<u>\$ 280,000</u>

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.

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Revenue Obligation 2006		Revenue Obligation 2010A		Revenue Obligation 2010B		Total Required		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2014	\$ 80,000	\$ 31,010	\$205,000	\$21,418	\$ -	\$ 83,655	\$ 285,000	\$ 136,083	\$ 421,083
2015	90,000	27,460	210,000	16,330	-	83,655	300,000	127,445	427,445
2016	70,000	24,083	215,000	10,375	-	83,655	285,000	118,113	403,113
2017	75,000	20,982	220,000	3,575	-	83,655	295,000	108,212	403,212
2018	80,000	17,610	-	-	220,000	81,180	300,000	98,790	398,790
2019	80,000	14,070	-	-	175,000	76,518	255,000	90,588	345,588
2020	85,000	10,378	-	-	180,000	71,900	265,000	82,278	347,278
2021	90,000	6,417	-	-	185,000	66,787	275,000	73,204	348,204
2022	95,000	2,185	-	-	195,000	61,082	290,000	63,267	353,267
2023	-	-	-	-	200,000	54,760	200,000	54,760	254,760
2024	-	-	-	-	210,000	47,890	210,000	47,890	257,890
2025 and after	-	-	-	-	1,195,000	117,080	1,195,000	117,080	1,312,080
Totals	<u>\$745,000</u>	<u>\$154,195</u>	<u>\$850,000</u>	<u>\$51,698</u>	<u>\$2,560,000</u>	<u>\$911,817</u>	<u>\$4,155,000</u>	<u>\$1,117,710</u>	<u>\$5,272,710</u>

Bond and note resolutions providing for the issuance of the debt 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.

NOTE 6 - REVENUE BONDS AND NOTES PAYABLE (Continued)

- 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 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, 2013, 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, 2013, 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 statements of net position as production equipment and is being depreciated at the same rate as other similar production equipment.

Lease-purchase contract transactions for the years ended June 30, 2013 and 2012 are summarized as follows:

	2013				
	Balances July 1,	Issued	Retired	Balances June 30,	Due Within One Year
2012 SIMECA Revenue Note	\$ 622,511	\$ -	\$ 120,511	\$ 502,000	\$ 123,000
	<u>\$ 622,511</u>	<u>\$ -</u>	<u>\$ 120,511</u>	<u>\$ 502,000</u>	<u>\$ 123,000</u>
	2012				
	Balances July 1,	Issued	Retired	Balances June 30,	Due Within One Year
2002 SIMECA Revenue Note	\$ 710,000	\$ -	\$ 710,000	\$ -	\$ -
2012 SIMECA Revenue Note	-	622,511	-	622,511	120,511
	<u>\$ 710,000</u>	<u>\$ 622,511</u>	<u>\$ 710,000</u>	<u>\$ 622,511</u>	<u>\$ 120,511</u>

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 bonds were refunded during 2012 to take advantage of favorable interest rates. GMU's share of the refunded debt principal was \$622,511. Payments under this agreement are due semiannually with future minimum annual payments as follows:

NOTE 7 - LEASE-PURCHASE CONTRACT OBLIGATION (Continued)

Year Ending June 30,	Rate	Principal	Interest	Total
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>\$ 502,000</u>	<u>\$ 20,186</u>	<u>\$ 522,186</u>

The resolution providing for the issuance of the SIMECA lease-purchase includes 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, 2013, 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, 2013, 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 2013 and 2012 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, 2013, 2012, and 2011, was \$23,882, \$22,893, and \$18,458, 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 through an ICMA retirement corporations deferred compensation plan. 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.

NOTE 10 - DEFERRED COMPENSATION PLAN (Continued)

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

Greenfield Municipal Utilities is one of 15 municipal utility members of the South Iowa Municipal Electric Cooperative Association (SIMECA). SIMECA is organized to purchase, generate, transmit or distribute electric energy and to develop and establish safety programs for the benefit of its municipal members. The utility signed purchasing agreements with SIMECA in 1986, 1994, 2006 and a new long term agreement in 2013. SIMECA has contracted with Central Iowa Power Cooperative (CIPCO) for the electrical power and transmission needs of its members. SIMECA and CIPCO have agreed to a new contract through May 31, 2053. 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 of total operating revenue for both years ended June 30, 2013 and 2012.

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 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 15 - COMMITMENTS

Contracts -

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.

Other Post-Employment Benefits (OPEB) -

As required by state law, the Electric 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 five 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 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 \$5,023,960 to \$5,061,960 for poles and RICE Rules compliance.

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	\$ 3,774,838	
Adjust for -		
Payments received on note receivable	40,000	
Certificates of deposit redeemed	100,000	
Customer charge accruals	82,178	
Other operating revenue accruals	5,508	
Nonoperating revenue accruals	<u>(334)</u>	
Operating and nonoperating revenue - Budget basis	<u>\$ 4,002,190</u>	<u>\$ 4,285,500</u>

NOTE 16 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

	Actual	Budget
Operating and nonoperating expenses - GAAP basis	\$ 3,650,023	
Adjust for -		
Operating expense accruals	98,750	
Nonoperating expense accruals	2,787	
Capital outlays	160,624	
Depreciation	(353,662)	
Amortization of bond issue costs	(14,583)	
Debt payment	<u>400,511</u>	
Operating and nonoperating expenses - Budget basis	<u>\$ 3,944,450</u>	<u>\$ 5,061,960</u>

NOTE 17 - 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
ELECTRIC SYSTEM**

SUPPLEMENTARY INFORMATION

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC 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	\$ 56,112	1.5	\$ 49,920	1.4	\$ 6,192
Employer payroll taxes	8,074	0.2	7,877	0.2	197
Group insurance	13,400	0.4	7,875	0.2	5,525
Professional fees	6,645	0.2	2,801	0.1	3,844
Insurance	15,785	0.4	14,423	0.4	1,362
Fuel and lube oil	38,868	1.0	25,595	0.7	13,273
Utilities and communications	3,505	0.1	3,166	0.1	339
Total plant operations	<u>\$ 142,389</u>	3.8	<u>\$ 111,657</u>	3.1	<u>\$ 30,732</u>
Plant maintenance -					
Supplies - operating and maintenance	\$ 24,849	0.7	\$ 23,924	0.7	\$ 925
Repair maintenance services	54,245	1.4	47,313	1.3	6,932
Total plant maintenance	<u>\$ 79,094</u>	2.1	<u>\$ 71,237</u>	2.0	<u>\$ 7,857</u>
Purchased energy	<u>\$ 2,285,211</u>	61.0	<u>\$ 2,272,705</u>	62.5	<u>\$ 12,506</u>
Distribution operations -					
Salaries and wages	\$ 131,013	3.5	\$ 139,959	3.9	\$ (8,946)
Employer payroll taxes	24,581	0.7	24,303	0.7	278
Group insurance	39,252	1.0	45,396	1.2	(6,144)
Professional fees	1,321	-	582	-	739
Street light expense	10,290	0.3	5,429	0.1	4,861
Total distribution operations	<u>\$ 206,457</u>	5.5	<u>\$ 215,669</u>	5.9	<u>\$ (9,212)</u>
Distribution maintenance -					
Vehicle operating expenses	\$ 17,908	0.5	\$ 13,234	0.4	\$ 4,674
Supplies - operating and maintenance	44,768	1.2	222,950	6.1	(178,182)
Total distribution maintenance	<u>\$ 62,676</u>	1.7	<u>\$ 236,184</u>	6.5	<u>\$ (173,508)</u>

(Continued)

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

	2013		2012		Increase (Decrease)
	Amount	Percent	Amount	Percent	
Accounting and collecting -					
Salaries and wages	\$ 41,230	1.1	\$ 42,063	1.1	\$ (833)
Employer payroll taxes	6,327	0.2	6,497	0.2	(170)
Group insurance	15,375	0.4	18,194	0.5	(2,819)
Advertising and notices	1,464	-	961	-	503
Office supplies	6,436	0.2	5,826	0.2	610
Copier and computer maintenance	3,259	0.1	3,571	0.1	(312)
Bad debts	9,032	0.2	7,463	0.2	1,569
Total accounting and collecting	<u>\$ 83,123</u>	2.2	<u>\$ 84,575</u>	2.3	<u>\$ (1,452)</u>
Administrative expenses -					
Salaries and wages	\$ 47,625	1.4	\$ 47,424	1.2	\$ 201
Employer payroll taxes	12,325	0.3	12,513	0.3	(188)
Group insurance	8,152	0.2	9,091	0.3	(939)
Professional fees	12,783	0.3	13,871	0.4	(1,088)
Insurance	16,035	0.4	13,213	0.4	2,822
Economic development	20,159	0.5	24,822	0.7	(4,663)
Travel, conferences and dues	12,679	0.3	17,585	0.5	(4,906)
Utilities and communications	2,280	0.1	1,955	0.1	325
Supplies - operating and maintenance	387	-	384	-	3
Use taxes	7,113	0.2	15,399	0.4	(8,286)
Total administrative expenses	<u>\$ 139,538</u>	3.7	<u>\$ 156,257</u>	4.3	<u>\$ (16,719)</u>
Rebates and refunds	<u>\$ 19,217</u>	0.5	<u>\$ 36,246</u>	1.0	<u>\$ (17,029)</u>
Depreciation expense	<u>\$ 353,662</u>	9.4	<u>\$ 332,183</u>	9.1	<u>\$ 21,479</u>

SCHEDULE 2

GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEMSCHEDULE OF OUTSTANDING DEBT
JUNE 30, 2013

	Maturity Date	Interest Rate	Principal Amount
Electric Revenue Bonds (Issued November 29, 2006)	09/01/13	4.15%	80,000
	09/01/14	4.20%	90,000
Interest is payable September 1 and March 1. Bonds	09/01/15	4.25%	70,000
due on September 1, 2021, and thereafter are callable	09/01/16	4.30%	75,000
in inverse order on September 1, 2012, and any date thereafter	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>745,000</u>
Electric Revenue Refunding Notes (Issued June 9, 2010)	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>850,000</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)	03/01/14	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>502,000</u>
Total outstanding debt			<u>\$ 4,657,000</u>

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

	2013 (Unaudited)		2012 (Unaudited)		Increase (Decrease)
	KWH	Percent	KWH	Percent	
KWH AVAILABLE:					
Purchase or generated	<u>42,059,314</u>	100.0	<u>41,053,782</u>	100.0	<u>1,005,532</u>
Total available	42,059,314	100.0	41,053,782	100.0	1,005,532
LESS - CITY USE:					
Electric utility system	387,271	0.9	413,643	1.0	(26,372)
Street lights	<u>242,164</u>	0.6	<u>254,466</u>	0.6	<u>(12,302)</u>
Total city use	<u>629,435</u>	1.5	<u>668,109</u>	1.6	<u>(38,674)</u>
Available for sale	41,429,879	98.5	40,385,673	98.4	1,044,206
KWH SOLD:					
Residential	9,392,851	22.3	9,324,529	22.7	68,322
Commercial	9,816,589	23.3	9,573,218	23.3	243,371
Industrial	19,542,255	46.5	18,896,936	46.0	645,319
Municipal water utility	995,268	2.4	956,646	2.3	38,622
City of Greenfield	<u>396,465</u>	0.9	<u>430,663</u>	1.0	<u>(34,198)</u>
Total KWH sales	40,143,428	95.4	39,181,992	95.3	961,436
Line loss	<u>1,286,451</u>	3.1	<u>1,203,681</u>	3.1	<u>82,770</u>

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**INFORMATION REQUIRED BY REVENUE NOTE RESOLUTION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

ELECTRIC USAGE RATES:	2013 (Unaudited)	2012 (Unaudited)
RESIDENTIAL ELECTRIC:		
Date effective	7/1/2010	7/1/2010
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
COMMERCIAL ELECTRIC:		
Date effective	7/1/2010	7/1/2010
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
INDUSTRIAL ELECTRIC:		
Date effective	7/1/2010	7/1/2010
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
 METERS AT JUNE 30	 1,256	 1,258

*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 REPORTING REQUIRED BY
GOVERNMENTAL 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
Electric 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 Electric 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 note to the financial statements, which collectively comprise the Electric 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 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 a material misstatement of the Electric 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 Electric 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 Electric 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 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.

Auditee Responses 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 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
ELECTRIC 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 statements.
- (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 disclosure 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 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 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

PART 3: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:
(continued)

- 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 Electric 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 Electric System money for travel expenses of spouses of officials or employees were noted.
- 13-3E ***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.
- 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*** - No instances of noncompliance with the revenue bond and note resolutions were noted.