

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORTS
FOR THE YEARS ENDED
JUNE 30, 2015 AND 2014**

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

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**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**OFFICIALS
JUNE 30, 2015**

| Name | Position | Term Expires | Insurance Coverage |
|---------------------|-----------------|---------------------|---------------------------|
| Governance - | | | |
| Lynne Don Carlos | Chairperson | 12/31/18 | 10,000 |
| Terry Schneider | Trustee | 12/31/16 | 10,000 |
| Robert Guikema | Trustee | 12/31/20 | 10,000 |
| Others - | | | |
| Scott Tonderum | General Manager | N/A | 10,000 |
| Rebecca Haase | Office Manager | N/A | 40,000 |

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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, 2015 and 2014, 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, 2015 and 2014, 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 Matters

As discussed in Note 1, the financial statements of the Water System of Greenfield Municipal Utilities are intended to present the financial position, changes in financial position, and cash flows of only that portion of the business-type activities of Greenfield Municipal Utilities that is attributable to the activity of the Water System. They do not purport to, and do not present fairly the financial position of Greenfield Municipal Utilities as of June 30, 2015 and 2014, and changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 6 to the financial statements, the Water System adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis (MD&A) 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 basic financial statements. 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 basic 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 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 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, 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.

November 5, 2015
Omaha, Nebraska

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

BASIC FINANCIAL STATEMENTS

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014**

| ASSETS | 2015 | 2014 (Not restated) | Increase (Decrease) |
|--|---------------------|--------------------------------|--------------------------------|
| CURRENT ASSETS: | | | |
| Cash and equivalents | \$ 137,575 | \$ 46,710 | \$ 90,865 |
| Investment in certificates of deposit - restricted | 65,850 | 65,850 | - |
| Accounts receivable - customers | 97,724 | 78,116 | 19,608 |
| Inventories - materials and supplies | 64,372 | 40,496 | 23,876 |
| Accrued interest receivable | 403 | 403 | - |
| Prepaid expenses | 31,182 | 36,809 | (5,627) |
| Total current assets | <u>397,106</u> | <u>268,384</u> | <u>128,722</u> |
| CAPITAL ASSETS: | | | |
| Production and treatment plant | 1,764,526 | 1,764,526 | - |
| Transmission system | 945,444 | 945,444 | - |
| Distribution system | 2,878,862 | 2,878,862 | - |
| Vehicles, tools and equipment | 203,983 | 193,201 | 10,782 |
| Total cost | 5,792,815 | 5,782,033 | 10,782 |
| Accumulated depreciation | (2,768,640) | (2,624,420) | (144,220) |
| Total capital assets, net | <u>3,024,175</u> | <u>3,157,613</u> | <u>(133,438)</u> |
| Total assets | <u>3,421,281</u> | <u>3,425,997</u> | <u>(4,716)</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pension related deferred outflows | 62,485 | - | 62,485 |
| Total assets and deferred outflows of resources | <u>\$ 3,483,766</u> | <u>\$ 3,425,997</u> | <u>\$ 57,769</u> |

(Continued)

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014**

| LIABILITIES | 2015 | 2014 (Not restated) | Increase (Decrease) |
|--|---------------------|--------------------------------|--------------------------------|
| CURRENT LIABILITIES: | | | |
| Accounts payable - vendors | \$ 31,414 | \$ 33,239 | \$ (1,825) |
| Sales and use tax payable | 3,783 | 3,487 | 296 |
| Accrued liabilities - | | | |
| Salaries and wages | 6,026 | 4,340 | 1,686 |
| Compensated absences | 14,677 | 18,297 | (3,620) |
| Interest | 3,482 | 3,723 | (241) |
| Retired manager insurance | 8,186 | 7,648 | 538 |
| Current portion of long-term debt | <u>88,255</u> | <u>86,327</u> | <u>1,928</u> |
| Total current liabilities | 155,823 | 157,061 | (1,238) |
| NONCURRENT LIABILITIES: | | | |
| Revenue bonds payable | 574,330 | 618,090 | (43,760) |
| Payable to the City of Greenfield | 117,273 | 160,528 | (43,255) |
| Retired manager insurance | 27,501 | 34,243 | (6,742) |
| Net pension liability | <u>154,761</u> | <u>-</u> | <u>154,761</u> |
| Total noncurrent liabilities | <u>873,865</u> | <u>812,861</u> | <u>61,004</u> |
| Total liabilities | 1,029,688 | 969,922 | 59,766 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable revenues: | | | |
| Pension related deferred inflows | 59,028 | - | 59,028 |
| NET POSITION | | | |
| Net investment in capital assets | 2,244,317 | 2,292,666 | (48,349) |
| Restricted for debt covenants | 70,887 | 70,945 | (58) |
| Unrestricted | <u>79,846</u> | <u>92,464</u> | <u>(12,618)</u> |
| Total net position | 2,395,050 | 2,456,075 | (61,025) |
| Total liabilities, deferred inflows and net position | <u>\$ 3,483,766</u> | <u>\$ 3,425,997</u> | <u>\$ 57,769</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, 2015 AND 2014**

| | 2015 | | 2014 (Not restated) | | Increase (Decrease) |
|---|---------------------|---------|------------------------|---------|------------------------|
| | Amount | Percent | Amount | Percent | |
| OPERATING REVENUE: | | | | | |
| Residential sales | \$ 449,306 | 52.5 | \$ 440,150 | 51.9 | \$ 9,156 |
| Commercial sales | 146,596 | 17.1 | 141,996 | 16.7 | 4,600 |
| Industrial sales | 38,824 | 4.5 | 35,287 | 4.1 | 3,537 |
| Sales to SIRWA | 157,082 | 18.3 | 166,732 | 19.6 | (9,650) |
| Sales to Fontanelle | 38,424 | 4.5 | 38,050 | 4.5 | 374 |
| Sales to City | 16,796 | 2.0 | 13,837 | 1.6 | 2,959 |
| Plant hydrant water sales | 220 | - | 1,195 | 0.1 | (975) |
| Bad debt collections | 1,827 | 0.2 | 1,094 | 0.1 | 733 |
| Connections and reconnections | 2,550 | 0.3 | 3,325 | 0.4 | (775) |
| Other operating revenue | <u>5,378</u> | 0.6 | <u>8,849</u> | 1.0 | <u>(3,471)</u> |
| Total operating revenue | 857,003 | 100.0 | 850,515 | 100.0 | 6,488 |
| OPERATING EXPENSES: | | | | | |
| Plant operations | 221,893 | 25.9 | 276,755 | 32.6 | (54,862) |
| Plant maintenance | 46,489 | 5.4 | 48,596 | 5.7 | (2,107) |
| Distribution operations | 99,518 | 11.6 | 149,276 | 17.6 | (49,758) |
| Distribution maintenance | 48,177 | 5.6 | 25,231 | 3.0 | 22,946 |
| Accounting and collecting | 80,561 | 9.4 | 76,433 | 9.0 | 4,128 |
| Administrative expenses | 120,308 | 14.0 | 148,710 | 17.5 | (28,402) |
| Rebates and refunds | 9 | - | 208 | - | (199) |
| Depreciation | <u>149,735</u> | 17.5 | <u>149,016</u> | 17.5 | <u>719</u> |
| Total operating expenses | <u>766,690</u> | 89.4 | <u>874,225</u> | 102.9 | <u>(107,535)</u> |
| Operating earnings (loss) | 90,313 | 10.6 | (23,710) | (2.9) | 114,023 |
| NONOPERATING REVENUE (EXPENSE): | | | | | |
| Contributions-in-aid of construction | 3,732 | 0.4 | 6,193 | 0.7 | (2,461) |
| Interest income | 1,576 | 0.2 | 1,558 | 0.2 | 18 |
| Miscellaneous income | 11,197 | 1.3 | 15,897 | 1.9 | (4,700) |
| Interest expense | (23,077) | (2.7) | (24,501) | (2.9) | 1,424 |
| Gain (loss) on capital asset disposal | <u>-</u> | - | <u>(11,882)</u> | (1.4) | <u>11,882</u> |
| Total nonoperating revenue (expense) | <u>(6,572)</u> | (0.8) | <u>(12,735)</u> | (1.5) | <u>6,163</u> |
| Income (loss) before transfers | 83,741 | 9.8 | (36,445) | (4.4) | 120,186 |
| TRANSFERS IN (OUT): | | | | | |
| From Electric System | <u>4,726</u> | | <u>9,405</u> | | <u>(4,679)</u> |
| Change in net position | 88,467 | | (27,040) | | 115,507 |
| Total net position, beginning, 2015 restated | 2,306,583 | | 2,483,115 | | (176,532) |
| Total net position, ending | <u>\$ 2,395,050</u> | | <u>\$ 2,456,075</u> | | <u>\$ (61,025)</u> |

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

| | 2015 | 2014 (Not Restated) |
|---|-------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | \$ 830,838 | \$ 839,833 |
| Payments to suppliers | (329,994) | (283,033) |
| Payments to employees, wages and benefits | (313,020) | (420,950) |
| Other receipts | <u>17,709</u> | <u>26,256</u> |
| Net cash from operating activities | 205,533 | 162,106 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Transfers from Electric | <u>4,726</u> | <u>9,405</u> |
| Net cash from noncapital financing activities | 4,726 | 9,405 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Contribution-in-aid of construction | 3,732 | 6,193 |
| Purchase or construction of capital assets | (16,297) | (79,382) |
| Principal payments on promissory note | (45,000) | (20,000) |
| Principal payments on loan payable to the City of Greenfield | (41,327) | (40,080) |
| Interest paid | <u>(22,078)</u> | <u>(23,256)</u> |
| Net cash from capital and related financing activities | (120,970) | (156,525) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest received | <u>1,576</u> | <u>1,558</u> |
| Net cash from investing activities | <u>1,576</u> | <u>1,558</u> |
| Net change in cash and equivalents | 90,865 | 16,544 |
| Cash and equivalents, beginning of year | 112,560 | 96,016 |
| Cash and equivalents, end of year | <u>\$ 203,425</u> | <u>\$ 112,560</u> |
| RECONCILIATION OF OPERATING EARNINGS (LOSS) TO NET CASH FROM OPERATING ACTIVITIES: | | |
| Operating earnings (loss) | \$ 90,313 | \$ (23,710) |
| Adjustments to reconcile operating earnings (loss) to Net cash from operating activities - | | |
| Depreciation noncash expense | 149,735 | 149,016 |
| Miscellaneous income received | 11,197 | 17,062 |
| Change in operating assets and liabilities - | | |
| Accounts receivable (increase) decrease | (19,608) | (1,486) |
| Inventories (increase) decrease | (23,876) | 680 |
| Prepaid expenses (increase) decrease | 5,627 | 5,628 |
| Accounts payable increase (decrease) | (1,825) | (4,662) |
| Sales tax payable increase (decrease) | 296 | (38) |
| Other accrued liabilities increase (decrease) | (8,138) | 19,616 |
| Net change to deferred outflows and deferred inflows | <u>1,812</u> | <u>-</u> |
| Total adjustments | 115,220 | 185,816 |
| Net cash from operating activities | <u>\$ 205,533</u> | <u>\$ 162,106</u> |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Gain (loss) on capital asset disposal | <u>\$ -</u> | <u>\$ (11,882)</u> |
| Amortization of bond issue discount | <u>\$ (1,240)</u> | <u>\$ (1,343)</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 municipal 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. *Basis of Presentation* -

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

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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - (Continued)

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:

| | 2015 | 2014 |
|---------------------------|------------------|-----------------|
| Debt Service Sinking Fund | \$ 5,037 | \$ 5,095 |
| Debt Service Reserve Fund | 65,850 | 65,850 |
| Total | <u>\$ 70,887</u> | <u>\$70,945</u> |

D. Measurement Focus and Basis of Accounting -

Measurement focus refers to what types of resources are reported and basis of accounting refers to when revenues, expenditures and expenses, and the related assets or liabilities, are recognized in the accounts and reported in the financial statements. Basis of accounting 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, including unbilled revenues for customer usage since the last meter reading to the end of the fiscal year (approximately five days). Expenses are recognized when the obligation is incurred.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. Cash, Equivalents and Investments -

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

G. Receivables and Credit Policies -

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

H. Inventories - Materials and Supplies -

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

I. Capital Assets -

Capital assets (property, plant and equipment, including infrastructures) are valued at historical cost. The cost of system renewals and betterments includes engineering, project construction period interest and other related costs. Preliminary and construction costs, 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.

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 |

J. 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 its various funds and departments. All deposits at June 30, 2015, 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 accumulated depreciation for the years ended June 30, 2015 and 2014, are as follows:

| | 2015 | | | |
|------------------------------------|----------------------------|-------------------|--------------------|-----------------------------|
| | Balance July 1, | Additions | Retirements | Balance June 30, |
| Capital assets being depreciated - | | | | |
| Production and treatment plant | \$ 1,764,526 | \$ - | \$ - | \$ 1,764,526 |
| Transmission system | 945,444 | - | - | 945,444 |
| Distribution system | 2,878,862 | - | - | 2,878,862 |
| Vehicles, tools and equipment | 193,201 | 16,297 | 5,515 | 203,983 |
| Total cost | <u>\$ 5,782,033</u> | <u>\$ 16,297</u> | <u>\$ 5,515</u> | <u>\$ 5,792,815</u> |
| Accumulated depreciation for - | | | | |
| Production and treatment plant | \$ 464,090 | \$ 61,201 | \$ - | \$ 525,291 |
| Transmission system | 311,965 | 18,577 | - | 330,542 |
| Distribution system | 1,670,784 | 61,801 | - | 1,732,585 |
| Vehicles, tools and equipment | 177,581 | 8,156 | 5,515 | 180,222 |
| Total accumulated depreciation | <u>\$ 2,624,420</u> | <u>\$ 149,735</u> | <u>\$ 5,515</u> | <u>\$ 2,768,640</u> |

NOTE 3 - CAPITAL ASSETS (Continued)

| 2014 | | | | |
|---------------------------------------|----------------------------|--------------------------|-------------------------|-----------------------------|
| | Balance July 1, | Additions | Retirements | Balance June 30, |
| Capital assets being depreciated - | | | | |
| Production and treatment plant | \$ 1,736,592 | \$ 75,425 | \$ 47,491 | \$ 1,764,526 |
| Transmission system | 945,444 | - | - | 945,444 |
| Distribution system | 2,884,119 | - | 5,257 | 2,878,862 |
| Vehicles, tools and equipment | 201,699 | 3,957 | 12,455 | 193,201 |
| Total cost | <u>\$ 5,767,854</u> | <u>\$ 79,382</u> | <u>\$ 65,203</u> | <u>\$ 5,782,033</u> |
| Accumulated depreciation for - | | | | |
| Production and treatment plant | \$ 439,356 | \$ 60,344 | \$ 35,610 | \$ 464,090 |
| Transmission system | 293,389 | 18,576 | - | 311,965 |
| Distribution system | 1,613,953 | 62,088 | 5,257 | 1,670,784 |
| Vehicles, tools and equipment | 182,029 | 8,008 | 12,456 | 177,581 |
| Total accumulated depreciation | <u>\$ 2,528,727</u> | <u>\$ 149,016</u> | <u>\$ 53,323</u> | <u>\$ 2,624,420</u> |

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

| | 2015 | 2014 |
|-------------------------------|--------------------------|--------------------------|
| Production plant | \$ 61,201 | \$ 60,344 |
| Transmission system | 18,577 | 18,576 |
| Distribution system | 61,801 | 62,088 |
| Vehicles, tools and equipment | 8,156 | 8,008 |
| Totals | <u>\$ 149,735</u> | <u>\$ 149,016</u> |

NOTE 4 - COMPENSATED ABSENCES AND INSURANCE

A. *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, 2015 or 2014, rate of compensation.

B. *Retired Manager Insurance*

The general manager of AMU retired in March 2014. As part of his retirement benefit, GMU agreed to set-aside funds equivalent to unused vacation, accumulated uncompensated time, and a portion of unused sick leave at the time of his retirement. These funds are to be used for health insurance premiums for the benefit of only the retired manager. The amount remaining of the total original amount applicable to the Water System is included as a liability on financial statements.

NOTE 5 - LONG-TERM DEBT

Long-term debt transactions for the years ended June 30, 2015 and 2014, are summarized as follows:

| 2015 | | | | |
|-------------------------|----------------------------|---------------|------------------|-----------------------------|
| | Balances July 1 | Issued | Retired | Balances June 30 |
| 2007 Loan from City | \$ 201,855 | \$ - | \$ 41,327 | \$ 160,528 |
| 2012 Revenue bonds | 670,000 | - | 45,000 | 625,000 |
| | <u>\$ 871,855</u> | <u>\$ -</u> | <u>\$ 86,327</u> | <u>785,528</u> |
| Due within one year | | | | (88,255) |
| Unamortized discount | | | | (5,670) |
| | | | | <u>\$ 691,603</u> |
| 2014 | | | | |
| | Balances July 1 | Issued | Retired | Balances June 30 |
| 2004 General obligation | \$ 20,000 | \$ - | \$ 20,000 | \$ - |
| 2007 Loan from City | 241,936 | - | 40,081 | 201,855 |
| 2012 Revenue bonds | 670,000 | - | - | 670,000 |
| | <u>\$ 931,936</u> | <u>\$ -</u> | <u>\$ 60,081</u> | <u>871,855</u> |
| Due within one year | | | | (86,327) |
| Unamortized discount | | | | (6,910) |
| | | | | <u>\$ 778,618</u> |

During 2007, the Water System agreed to repay the City \$369,409 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.

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.

NOTE 5 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity are as follows:

| Year Ending June 30 | 2007 City Square Improvement Project | | 2012 Revenue Bonds | | Total Required | | Total |
|---------------------------|--|------------------|--------------------------|-------------------|-------------------|-------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 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 | 107,384 |
| 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 | - | - | 55,000 | 7,092 | 55,000 | 7,092 | 62,093 |
| 2025 | - | - | 60,000 | 5,580 | 60,000 | 5,580 | 65,580 |
| 2026 and After | - | - | 120,000 | 5,580 | 120,000 | 5,580 | 125,580 |
| Totals | <u>\$ 160,528</u> | <u>\$ 11,097</u> | <u>\$ 625,000</u> | <u>\$ 117,070</u> | <u>\$ 785,528</u> | <u>\$ 128,167</u> | <u>\$ 913,695</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, 2015, the water 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 \$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, 2015, the water bond reserve account was fully funded.

NOTE 6 - PENSION AND RETIREMENT BENEFITS

Plan Description - Iowa Public Employees Retirement System (IPERS) membership is mandatory for employees of the Greenfield Municipal Utilities' Water System (Utility), except for those covered by another retirement system. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

NOTE 6 - PENSION AND RETIREMENT BENEFITS (Continued)

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For services earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the Utility contributed 8.93 percent for a total rate of 14.88 percent.

The Water Utility's total contributions to IPERS for the year ended June 30, 2015 were \$18,148.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Utility reported a liability of \$154,761 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the

NOTE 6 - PENSION AND RETIREMENT BENEFITS (Continued)

Utility's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Utility's collective proportion was 0.0039023 percent which was a decrease of 0.0009015 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Utility recognized pension expense of \$19,960. At June 30, 2015, the Water Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 1,682 | \$ - |
| Change of assumptions | 6,831 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 59,028 |
| Changes in proportion and differences between Utility contributions and proportionate share of contributions | 35,824 | - |
| Utility contributions subsequent to the measurement date | 18,148 | - |
| Total | <u>\$ 62,485</u> | <u>\$ 59,028</u> |

Contributions of \$18,148 reported as deferred outflows of resources related to pensions resulting from the Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Total</u> |
|--|---------------------|
| 2016 | \$ (4,398) |
| 2017 | (4,398) |
| 2018 | (4,398) |
| 2019 | (4,398) |
| 2020 | 2,901 |
| | <u>\$ (14,691)</u> |

There were no non-employer contributing entities at IPERS.

NOTE 6 - PENSION AND RETIREMENT BENEFITS (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|--|
| Rate of inflation (effective June 30, 2014) | 3.00 percent per annum |
| Rates of salary increase (effective June 30, 2010) | 4.00 to 17.00 percent, average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 1996) | 7.50 percent, compounded annually, net of investment expense, including inflation |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|------------------------|-------------------------|---|
| US Equity | 23% | 6.31 |
| Non US Equity | 15 | 6.76 |
| Private Equity | 13 | 11.34 |
| Real Estate | 8 | 3.52 |
| Core Plus Fixed Income | 28 | 2.06 |
| Credit Opportunities | 5 | 3.67 |
| TIPS | 5 | 1.92 |
| Other real assets | 2 | 6.27 |
| Cash | 1 | -0.69 |
| Total | <u>100%</u> | |

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utility will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 6 - PENSION AND RETIREMENT BENEFITS (Continued)

Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Utility's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate.

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|-------------------------------|-------------------------------------|-------------------------------|
| Utility's proportionate share of the net pension liability: | <u>\$ 292,448</u> | <u>\$ 154,761</u> | <u>\$ 38,570</u> |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the Utility reported no payables to the defined benefit pension plan.

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 24 percent and 25 percent of the total operating revenue for the years ended June 30, 2015 and 2014, 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

A. 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 2015 and 2014 was 71,524,700 and 81,525,600 gallons, respectively.

GMU has a second contract for the Water System to provide water to the City of Fontanelle beginning 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 2015 and 2014 was 13,037,000 and 13,830,000 gallons, respectively.

B. 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 to 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. The budget was not amended during the year.

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:

| | Actual | Budget |
|--|-------------------|-------------------|
| Operating and nonoperating revenue - GAAP basis | \$ 878,234 | |
| Adjust for- | | |
| Customer charge accruals | (19,608) | |
| Operating and nonoperating revenue - Budget basis | <u>\$ 858,626</u> | <u>\$ 857,050</u> |
| Operating and nonoperating expenses - GAAP basis | \$ 789,767 | |
| Adjust for - | | |
| Operating expense accruals | 26,104 | |
| Capital outlay | 16,297 | |
| Depreciation | (149,735) | |
| Amortization of bond issue discount | (1,240) | |
| Debt payments | 86,327 | |
| Operating and nonoperating expenses - Budget basis | <u>\$ 767,520</u> | <u>\$ 970,544</u> |

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 5, 2015, 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.

NOTE 14 - ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

| | Business Type Activities Water |
|--|---|
| Net position June 30, 2014, as previously reported | \$ 2,456,075 |
| Net pension liability at June 30, 2014 | (172,295) |
| Change in outflows of resources related to contributions made after the June 30, 2013 measurement date | 22,803 |
| Net position July 1, 2014 | <u>\$ 2,306,583</u> |

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**SCHEDULE OF THE WATER SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY**

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR***

| | 2015 |
|--|-------------|
| Water Utility's proportion of the net pension liability (asset) | 0.0039023% |
| Water Utility's proportionate share of the net pension liability | \$ 154,761 |
| Water Utility's covered-employee payroll | \$ 279,152 |
| Water Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 55.44% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.61% |

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Utility will present information for those years for which information is available.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

SCHEDULE OF WATER SYSTEM CONTRIBUTIONS

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 4 FISCAL YEARS**

| | 2015 | 2014 | 2013 | 2012 |
|--|-----------------|-----------------|-----------------|-----------------|
| Statutorily required contribution | \$ 18,148 | \$ 22,803 | \$ 17,064 | \$ 18,989 |
| Contribution in relation to the statutorily required contribution | <u>(18,148)</u> | <u>(22,803)</u> | <u>(17,064)</u> | <u>(18,989)</u> |
| Contribution deficiency (excess) | <u>\$ _____</u> | <u>\$ _____</u> | <u>\$ _____</u> | <u>\$ _____</u> |
| Water's covered-employee payroll | \$ 205,138 | \$ 279,152 | \$ 207,578 | \$ 234,575 |
| Contributions as a percentage of covered-employee payroll | 8.85% | 8.17% | 8.22% | 8.10% |

GREENFIELD MUNICIPAL UTILITIES WATER SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Changes of benefit terms -

Legislation passed in 2010 modified benefit terms for current regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6.0 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions -

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

SUPPLEMENTARY INFORMATION

SCHEDULE 1

GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM

SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | | 2014 | | Increase (Decrease) |
|--------------------------------------|-------------------|---------|-------------------|---------|------------------------|
| | Amount | Percent | Amount | Percent | |
| Plant operations - | | | | | |
| Salaries and wages | \$ 52,692 | 6.2 | \$ 78,101 | 9.3 | \$ (25,409) |
| Employer payroll taxes | 9,903 | 1.2 | 12,356 | 1.5 | (2,453) |
| Professional fees | 2,758 | 0.3 | - | - | 2,758 |
| Insurance | 27,842 | 3.2 | 39,609 | 4.7 | (11,767) |
| Utilities and communications | 65,966 | 7.7 | 53,741 | 6.3 | 12,225 |
| Chemicals | 56,437 | 6.6 | 67,024 | 7.8 | (10,587) |
| Water testing | 6,295 | 0.7 | 25,924 | 3.0 | (19,629) |
| Total plant operations | <u>\$ 221,893</u> | 25.9 | <u>\$ 276,755</u> | 32.6 | <u>\$ (54,862)</u> |
| Plant maintenance - | | | | | |
| Pump repairs | \$ 5,871 | 0.7 | \$ 10,222 | 1.2 | \$ (4,351) |
| Supplies - operating and maintenance | 17,466 | 2.0 | 23,306 | 2.7 | (5,840) |
| Repairs maintenance services | 23,152 | 2.7 | 15,068 | 1.8 | 8,084 |
| Total plant maintenance | <u>\$ 46,489</u> | 5.4 | <u>\$ 48,596</u> | 5.7 | <u>\$ (2,107)</u> |
| Distribution operations - | | | | | |
| Salaries and wages | \$ 65,487 | 7.5 | \$ 91,138 | 10.6 | \$ (25,651) |
| Employer payroll taxes | 10,848 | 1.3 | 16,862 | 2.0 | (6,014) |
| Group insurance | 23,080 | 2.7 | 41,276 | 4.9 | (18,196) |
| Professional fees | 103 | 0.1 | - | 0.1 | 103 |
| Total distribution operations | <u>\$ 99,518</u> | 11.6 | <u>\$ 149,276</u> | 17.6 | <u>\$ (49,758)</u> |
| Distribution maintenance - | | | | | |
| Vehicle operating expenses | \$ 5,332 | 0.6 | \$ 7,322 | 0.9 | \$ (1,990) |
| Supplies - operating and maintenance | 33,900 | 4.1 | 15,910 | 2.0 | 17,990 |
| Repairs maintenance services | 8,945 | 0.9 | 1,999 | 0.1 | 6,946 |
| Total distribution maintenance | <u>\$ 48,177</u> | 5.6 | <u>\$ 25,231</u> | 3.0 | <u>\$ 22,946</u> |
| Accounting and collecting - | | | | | |
| Salaries and wages | \$ 42,133 | 4.9 | \$ 41,935 | 4.9 | \$ 198 |
| Employer payroll taxes | 7,083 | 0.8 | 6,503 | 0.8 | 580 |
| Group insurance | 15,091 | 1.8 | 15,319 | 1.8 | (228) |
| Advertising and notices | 1,269 | 0.1 | 1,131 | 0.1 | 138 |
| Supplies - operating and maintenance | 5,369 | 0.6 | 6,022 | 0.7 | (653) |
| Copier and computer maintenance | 5,357 | 0.6 | 3,392 | 0.3 | 1,965 |
| Bad debts | 2,447 | 0.3 | 2,131 | 0.3 | 316 |
| Pension expense | 1,812 | 0.2 | - | - | 1,812 |
| Total accounting and collecting | <u>\$ 80,561</u> | 9.4 | <u>\$ 76,433</u> | 9.0 | <u>\$ 4,128</u> |

(Continued)

GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM

SCHEDULES OF EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | | 2014 | | Increase (Decrease) |
|--------------------------------------|-------------------|---------|-------------------|---------|------------------------|
| | Amount | Percent | Amount | Percent | |
| Administrative expenses - | | | | | |
| Salaries and wages | \$ 42,892 | 5.1 | \$ 45,704 | 5.4 | \$ (2,812) |
| Employer payroll taxes | 7,976 | 0.9 | 11,745 | 1.4 | (3,769) |
| Group insurance | 10,960 | 1.3 | 52,790 | 6.2 | (41,830) |
| Professional fees | 23,783 | 2.8 | 11,003 | 1.3 | 12,780 |
| Insurance | 17,925 | 2.1 | 17,610 | 2.1 | 315 |
| Travel, conferences and dues | 6,853 | 0.8 | 4,838 | 0.6 | 2,015 |
| Utilities and communications | 2,368 | 0.3 | 2,432 | 0.3 | (64) |
| Supplies - operating and maintenance | 2,027 | 0.2 | 913 | 0.1 | 1,114 |
| Economic development | 5,524 | 0.6 | 1,675 | 0.2 | 3,849 |
| Use tax paid | - | - | - | - | - |
| Total administrative expenses | <u>\$ 120,308</u> | 14.0 | <u>\$ 148,710</u> | 17.5 | <u>\$ (28,402)</u> |
| Rebates and refunds | <u>\$ 9</u> | - | <u>\$ 208</u> | - | <u>\$ (199)</u> |
| Depreciation expense | <u>\$ 149,735</u> | 17.5 | <u>\$ 149,016</u> | 17.5 | <u>\$ 719</u> |
| Grand total operating expense | <u>\$ 766,690</u> | 89.4 | <u>\$ 874,225</u> | 102.9 | <u>\$ (109,347)</u> |

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**STATISTICAL REPORTS AND OTHER INFORMATION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

| | 2015 (Unaudited) | | 2014 (Unaudited) | | Increase (Decrease) |
|---|---------------------|---------|---------------------|---------|------------------------|
| | Gallons | Percent | Gallons | Percent | |
| WATER PUMPED TO SYSTEM | 153,485,000 | 100.0 | 164,817,000 | 100.0 | (11,332,000) |
| UNBILLED: | | | | | |
| Greenfield Municipal Utilities | 894,400 | 0.6 | 4,727,300 | 3.1 | (3,832,900) |
| Streets (estimated) | 145,000 | - | 41,000 | - | 104,000 |
| Fire department and flushes (estimated) | 887,100 | - | 489,830 | - | 397,270 |
| Accounted for as break leaks (estimated) | <u>500,000</u> | 0.3 | <u>873,000</u> | 0.6 | <u>(373,000)</u> |
| Total unbilled | <u>2,426,500</u> | 1.6 | <u>6,131,130</u> | 4.0 | <u>(3,704,630)</u> |
| Available for sale | 151,058,500 | 98.4 | 158,685,870 | 103.4 | (7,627,370) |
| WATER SOLD | 143,178,900 | 93.3 | 152,156,350 | 99.1 | (8,977,450) |
| Line loss | <u>7,879,600</u> | 5.2 | <u>6,529,520</u> | 4.4 | <u>1,350,080</u> |
| METER COUNT AT JUNE 30 | <u>1,059</u> | | <u>1,059</u> | | |
| WATER USAGE RATES AT JUNE 30 | | | | | |
| Customer charges per meter per month - | | | | | |
| Effective | 4/1/2013 | | 4/1/2013 | | |
| Residential | 24.00 | | 24.00 | | |
| Rural residential | 28.00 | | 28.00 | | |
| Commercial | 26.00 | | 26.00 | | |
| Rural commercial | 30.00 | | 30.00 | | |
| Industrial | 200.00 | | 200.00 | | |
| Water usage summer (per 1,000 gallons) | 6.05 | | 6.05 | | |
| Water usage winter (per 1,000 gallons) | 5.35 | | 5.35 | | |

**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, 2015, 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 November 5, 2015.

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Water System's operations for the year ended June 30, 2015, 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.

November 5, 2015
Omaha, Nebraska

**GREENFIELD MUNICIPAL UTILITIES
WATER SYSTEM**

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015**

PART 1: SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

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

PART 2: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Significant Deficiencies:

15-2a **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.

15-2b **Cash Accounts** - A primary control procedure is the regular and accurate reconciliation of all cash accounts and to timely record to the general ledger all corrections discovered by the reconciliation process. Even though differences were identified through the reconciliation process, those differences were not fully detailed to understand the difference. Accordingly, corrections were not made to the bank reconciliation or the general ledger.

The Greenfield Municipal Utilities use a pooled cash arrangement to manage cash whereby the checking, savings, and multiple certificates of deposit include both Water and Electric cash. They use self-balancing individual funds for accounting purposes to track how individual funds share in each cash pool. The Utilities' bank reconciliations contained unidentified differences, and accordingly, did not agree with the general ledger at June 30, 2015.

Recommendation - All cash accounts should be reconciled timely and corrections regularly recorded in the proper period. Further, alternating the reconciliations between two employees would increase the overall control and call attention to problems in the reconciliations.

Response - The Utilities have now made all the corrections that were necessary through June 30, 2015. Bank reconciliations will be prepared on a timely basis from now on.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters discovered.

PART 3: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

15-3a **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 |

15-3b **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, 2015, did not exceed the amount budgeted.

15-3c **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.

15-3d **Travel Expense** - No expenditures of Water System money for travel expenses of spouses of officials or employees were noted.

15-3e **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.

15-3f **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.

15-3g **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.

15-3h **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.

15-3i **Revenue Bonds and Notes** - No instances of noncompliance with the revenue bond and note resolutions were noted.