

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC 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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Certified Public Accountants

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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, 2015 and 2014, 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 also 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, 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 statement of the Electric System of Greenfield Municipal Utilities are intended to present the financial position, the 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 Electric 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 9 to the financial statements, the Electric 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 Electric System's basic financial statements. The supplementary information contained on Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic 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 are fairly stated in all material respects, in relation to the basic 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 November 5, 2015, 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.

November 5, 2015
Omaha, Nebraska

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

BASIC FINANCIAL STATEMENTS

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

ASSETS	2015	2014 (Not restated)	Increase (Decrease)
CURRENT ASSETS:			
Cash and equivalents	\$ 535,460	\$ 567,525	\$ (32,065)
Investment in certificates of deposit	200,000	100,000	100,000
Investment in certificates of deposit - restricted	764,161	764,161	-
Investment in IPAIT held by SIMECA - restricted	111,849	111,242	607
Accounts receivable - customers	470,754	356,114	114,640
Note receivable (current portion)	46,242	40,000	6,242
Patronage dividends receivable (current portion)	82,431	72,953	9,478
Inventories - materials and supplies	354,452	330,790	23,662
Accrued interest receivable	3,147	3,147	-
Prepaid insurance	<u>26,797</u>	<u>26,578</u>	<u>219</u>
Total current assets	2,595,293	2,372,510	222,783
CAPITAL ASSETS:			
Production plant	6,309,974	6,312,974	(3,000)
Transmission system	109,195	127,411	(18,216)
Distribution system	5,075,640	5,058,210	17,430
Vehicles, tools and equipment	<u>443,521</u>	<u>456,998</u>	<u>(13,477)</u>
Total cost	11,938,330	11,955,593	(17,263)
Accumulated depreciation	<u>(6,907,453)</u>	<u>(6,600,602)</u>	<u>(306,851)</u>
Total capital assets, net	5,030,877	5,354,991	(324,114)
OTHER NONCURRENT ASSETS:			
Note receivable	270,326	233,330	36,996
Patronage dividends receivable	<u>137,028</u>	<u>162,895</u>	<u>(25,867)</u>
Total other noncurrent assets	<u>407,354</u>	<u>396,225</u>	<u>11,129</u>
Total assets	8,033,524	8,123,726	(90,202)
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	46,247		46,247
Total assets and deferred outflows of resources	<u>\$ 8,079,771</u>	<u>\$ 8,123,726</u>	<u>\$ (43,955)</u>

(Continued)

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

LIABILITIES	2015	2014 (Not restated)	Increase (Decrease)
CURRENT LIABILITIES:			
Accounts payable -			
Vendors and suppliers	\$ 56,507	\$ 7,523	\$ 48,984
Wholesale power vendors	256,134	233,472	22,662
Sewer rental collections	37,260	35,331	1,929
Sales and use tax payable	8,060	6,327	1,733
Accrued liabilities -			
Salaries and wages	8,578	5,521	3,057
Compensated absences	25,292	25,108	184
Interest	37,645	40,296	(2,651)
Retired manager insurance	8,186	7,648	538
Current portion of long-term debt	<u>421,000</u>	<u>435,000</u>	<u>(14,000)</u>
Total current liabilities	858,662	796,226	62,436
NONCURRENT LIABILITIES:			
Revenue bonds and notes payable	3,229,273	3,516,139	(286,866)
Lease purchase contract obligation	128,000	254,000	(126,000)
Retired manager insurance	27,501	34,242	(6,741)
Net pension liability	<u>161,519</u>	<u>-</u>	<u>161,519</u>
Total noncurrent liabilities	<u>3,546,293</u>	<u>3,804,381</u>	<u>(258,088)</u>
Total liabilities	4,404,955	4,600,607	(195,652)
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues:			
Pension related deferred inflows	86,252	-	86,252
NET POSITION			
Net investment in capital assets	1,252,605	1,149,852	102,753
Restricted for debt covenants	1,085,061	1,100,507	(15,446)
Restricted for Revolving Loan Fund	360,000	360,000	-
Unrestricted	<u>890,898</u>	<u>912,760</u>	<u>(21,862)</u>
Total net position	3,588,564	3,523,119	65,445
Total liabilities, deferred inflows and net position	<u>\$ 8,079,771</u>	<u>\$ 8,123,726</u>	<u>\$ (43,955)</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, 2015 AND 2014**

	2015		2014 (Not restated)		Increase
	Amount	Percent	Amount	Percent	(Decrease)
OPERATING REVENUE:					
Residential sales	\$ 1,040,901	25.2	\$ 951,520	25.3	\$ 89,381
Commercial sales	961,042	23.3	934,360	24.9	26,682
Industrial sales	1,868,729	45.3	1,639,755	43.6	228,974
Street light sales	24,493	0.6	24,563	0.7	(70)
Sales to Water System	47,780	1.2	49,010	1.3	(1,230)
Sales to City	52,127	1.3	42,418	1.1	9,709
Patronage dividends	66,043	1.6	57,634	1.5	8,409
Bad debt collections	6,557	0.2	4,685	0.1	1,872
Connections and reconnections	24,011	0.6	25,525	0.7	(1,514)
Other operating revenue	<u>33,517</u>	0.8	<u>29,986</u>	0.8	<u>3,531</u>
Total operating revenue	4,125,200	100.0	3,759,456	100.0	365,744
OPERATING EXPENSES:					
Plant operations	135,804	3.3	129,569	3.4	6,235
Plant maintenance	50,592	1.2	102,339	2.7	(51,747)
Purchased energy	2,598,904	63.0	2,293,115	61.0	305,789
Distribution operations	219,556	5.3	222,013	5.9	(2,457)
Distribution maintenance	81,170	2.0	87,457	2.3	(6,287)
Accounting and collecting	71,371	1.7	82,410	2.2	(11,039)
Administrative expenses	147,459	3.6	174,926	4.7	(27,467)
Refunds and rebates	24,435	0.6	37,059	1.0	(12,624)
Depreciation expense	<u>333,541</u>	8.1	<u>337,910</u>	9.0	<u>(4,369)</u>
Total operating expenses	<u>3,662,832</u>	88.8	<u>3,466,798</u>	92.2	<u>196,034</u>
Operating earnings (loss)	462,368	11.2	292,658	7.8	169,710
NONOPERATING REVENUE (EXPENSES):					
Contribution-in-aid of construction	-	-	69,361	1.8	(69,361)
Interest income	13,456	0.3	13,348	0.4	108
Miscellaneous income (expense)	23,060	0.6	(664)	-	23,724
Interest expense	(123,180)	(3.0)	(136,768)	(3.6)	13,588
Gain (loss) on capital asset disposal	<u>21,815</u>	0.5	<u>(2,107)</u>	(0.1)	<u>23,922</u>
Total nonoperating revenue (expenses)	<u>(64,849)</u>	(1.6)	<u>(56,830)</u>	(1.5)	<u>(8,019)</u>
Income (loss) before transfers	397,519	9.6	235,828	6.3	161,691
TRANSFERS IN (OUT):					
Payments to City	(110,000)		(110,000)		-
To Water System	<u>(4,726)</u>		<u>(9,405)</u>		<u>4,679</u>
Change in net position	282,793		116,423		166,370
Total net position, 2015 beginning, as restated	3,305,771		3,406,696		(100,925)
Total net position, ending	<u>\$ 282,793</u>		<u>\$ 116,423</u>		<u>\$ 166,370</u>

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC 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	\$ 3,915,693	\$ 3,623,663
Payments to suppliers	(2,849,770)	(2,604,023)
Payments to employees, wages and benefits	(450,206)	(449,495)
Other receipts (payments)	<u>137,643</u>	<u>113,905</u>
Net cash from operating activities	753,360	684,050
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments to City	(110,000)	(110,000)
Transfers to Water System	<u>(4,726)</u>	<u>(9,405)</u>
Net cash from noncapital financing activities	(114,726)	(119,405)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Contribution-in-aid of construction	-	69,361
Purchase and construction of capital assets	(29,603)	(75,928)
Revenue Refunding Note proceeds	-	665,000
Interest paid on notes and lease debt	(117,697)	(136,185)
Principal paid on revenue notes	(309,000)	(950,000)
Principal paid on lease purchase debt	(126,000)	(123,000)
Paid for bond issuance costs	<u>-</u>	<u>(11,305)</u>
Net cash from capital and related financing activities	(582,300)	(562,057)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	13,456	13,348
Proceeds on sale of assets	41,990	-
Revolving fund loans made	(83,611)	-
Payments received on note receivable	<u>40,373</u>	<u>40,000</u>
Net cash from investing activities	<u>12,208</u>	<u>53,348</u>
Net change in cash	68,542	55,936
Cash, beginning of year	1,542,928	1,486,992
Cash, end of year	<u>\$ 1,611,470</u>	<u>\$ 1,542,928</u>
RECONCILE CASH TO STATEMENT OF NET POSITION ACCOUNTS:		
Cash and equivalents	\$ 535,460	\$ 567,525
Investment in certificates of deposits	200,000	100,000
Investment in certificates of deposits - restricted	764,161	764,161
Investment in IPAIT held by SIMECA - restricted	<u>111,849</u>	<u>111,242</u>
Cash	<u>\$ 1,611,470</u>	<u>\$ 1,542,928</u>

(Continued)

See notes to financial statements.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

	2015	2014 (Not restated)
RECONCILIATION OF OPERATING EARNINGS (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Operating earnings (loss)	\$ 462,368	\$ 292,658
Adjustments to reconcile operating earnings (loss) to net cash		
Provided by operating activities -		
Depreciation noncash expense	333,541	337,910
Miscellaneous income received	23,060	15,696
Change in operating assets and liabilities -		
Accounts receivable (increase) decrease	(114,640)	(52,967)
Inventories (increase) decrease	(23,662)	2,866
Patronage dividend receivable (increase) decrease	16,389	15,319
Prepaid expenses (increase) decrease	(219)	5,810
Accounts payable increase (decrease)	71,646	41,509
Sales and use tax payable increase (decrease)	1,733	(206)
Other accrued liabilities increase (decrease)	(1,032)	25,455
Net change to deferred outflows and deferred inflows	(15,824)	-
Total adjustments	290,992	391,392
Net cash from operating activities	<u>\$ 753,360</u>	<u>\$ 684,050</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Gain (loss) on capital asset disposal	<u>\$ 21,815</u>	<u>\$ (2,107)</u>
Amortization of bond issue discount	<u>\$ (8,134)</u>	<u>\$ (9,466)</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 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 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. *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 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:

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 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	2015	2014
Debt service reserves	\$ 709,830	\$ 724,417
Revenue notes capital improvement reserve	150,000	150,000
Lease purchase reserve	<u>225,231</u>	<u>226,090</u>
Total restricted for debt covenants	1,085,061	1,100,507
Revolving loan fund	360,000	360,000
Total restricted	<u>\$ 1,445,061</u>	<u>\$ 1,460,507</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 accounting principles generally accepted in the United States of America requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Cash, Equivalents and Investments -

Unrestricted cash on hand and on deposit in checking or savings accounts and short-term certificates of deposits having a maturity date of no longer than three months are all considered cash and equivalents for financial reporting. Investments are stated at cost and consist of non-negotiable certificates of deposit held in the name of the fund which purchased the investment. Included as investment at June 30, 2015 and 2014, are \$111,849 and \$111,242, respectively, for amounts invested in Iowa Public Agency Investment Trust (IPAIT).

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 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 of projects not yet in service, if any, are shown in the financial statements as construction in progress. GMU defines capital assets as assets with individual cost of more than \$500 and estimated useful lives of more than one year. Maintenance and repairs which do not add to the capacity or efficiency of the asset are charged to operating expense.

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

Plant and structures	20-50 Years
Substation improvements	20-35 Years
Transmission system improvements	25-35 Years
Distribution system improvements	25-35 Years
Vehicles	5 Years
Tools and shop equipment	5-10 Years
Furniture and office equipment	5-10 Years

J. Taxes -

GMU is not liable for federal and state income taxes or taxes on its property. However, payments in-lieu-of taxes and other contributions are made to the City by the Electric System.

NOTE 2 - 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 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.

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 \$111,849 and \$111,242 for 2015 and 2014, respectively, pursuant to Rule 2a-7 of the Investment Company Act of 1940. These investments are unrated.

NOTE 3 - NOTE RECEIVABLE

GMU obtained a \$300,000 Federal Revolving Loan Grant from which to make revolving loans for rural economic development. GMU was then required to contribute \$60,000 to this fund. The full amount of \$360,000 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. As this loan is paid down, it provides funds for additional loans to be made.

Two additional loans were made out of the revolving loan fund during the current year. A loan to Trinity Salon in the amount of \$8,611, dated December 9, 2014, is repayable in monthly installments of \$72 beginning February 1, 2015. This note is noninterest bearing and may be repaid in whole or in part at any time prior to maturity. A loan to Zero Energy Systems, LLC in the amount of \$75,000, dated May 15, 2015, is repayable in monthly installments of \$1,056 beginning December 15, 2015. This note bears interest at 2.5% per annum and may be repaid in whole or in part at any time prior to maturity.

NOTE 3 - NOTE RECEIVABLE (Continued)

Annual amounts receivable in the future are as follows:

**Year Ending
June 30,**

2016	\$ 46,242
2017	51,918
2018	52,198
2019	52,484
2020	52,778
2021 and after	60,948
Total	<u>\$ 316,568</u>

NOTE 4 - CAPITAL ASSETS

Changes in capital asset costs 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 plant	\$ 6,312,974	\$ -	\$ 3,000	\$ 6,309,974
Transmission system	127,411	-	18,216	109,195
Distribution system	5,058,210	17,430	-	5,075,640
Vehicles, tools and equipment	456,998	12,173	25,650	443,521
Total cost	<u>\$11,955,593</u>	<u>\$ 29,603</u>	<u>\$ 46,866</u>	<u>\$ 11,938,330</u>
Accumulated depreciation for -				
Production plant	\$ 3,150,795	\$ 157,279	\$ -	\$ 3,308,074
Transmission system	109,976	260	1,041	109,195
Distribution system	2,959,401	167,465	-	3,126,866
Vehicles, tools and equipment	380,430	8,537	25,649	363,318
Total accumulated depreciation	<u>\$ 6,600,602</u>	<u>\$ 333,541</u>	<u>\$ 26,690</u>	<u>\$ 6,907,453</u>

2014

	Balance July 1,	Additions	Retirements	Balance June 30,
Capital assets being depreciated -				
Production plant	\$ 6,322,756	\$ -	\$ 9,782	\$ 6,312,974
Transmission system	127,411	-	-	127,411
Distribution system	5,009,425	75,360	26,575	5,058,210
Vehicles, tools and equipment	467,801	567	11,370	456,998
Total cost	<u>\$11,927,393</u>	<u>\$ 75,927</u>	<u>\$ 47,727</u>	<u>\$ 11,955,593</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	2014			
	Balance July 1,	Additions	Retirements	Balance June 30,
Accumulated depreciation for -				
Production plant	\$ 2,998,691	\$ 161,863	\$ 9,759	\$ 3,150,795
Transmission system	109,455	521	-	109,976
Distribution system	2,817,446	166,446	24,491	2,959,401
Vehicles, tools and equipment	382,719	9,080	11,369	380,430
Total accumulated depreciation	<u>\$ 6,308,311</u>	<u>\$ 337,910</u>	<u>\$ 45,619</u>	<u>\$ 6,600,602</u>

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

	2015	2014
Production plant	\$ 157,279	\$ 161,863
Transmission system	260	521
Distribution system	167,465	166,446
Vehicles, tools and equipment	8,537	9,080
Totals	<u>\$ 333,541</u>	<u>\$ 337,910</u>

NOTE 5 - 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 and 2014 rate of compensation.

B. *Retired Manager Insurance* -

The general manager of GMU 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 Electric System is included as a liability on the financial statement.

NOTE 6 - REVENUE BONDS AND NOTES PAYABLE

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,
2010A revenue refunding bonds	\$ 645,000	\$ -	\$ 210,000	\$ 435,000
2010B revenue bonds	2,560,000	-	-	2,560,000
2013 revenue refunding notes	665,000	-	100,000	565,000
	<u>\$ 3,870,000</u>	<u>\$ -</u>	<u>\$ 310,000</u>	3,560,000
Due within one year				(295,000)
Unamortized discounts				(35,727)
				<u>\$ 3,229,273</u>
2014				
	Balances July 1,	Issued	Retired	Balances June 30,
2006 revenue bonds	\$ 745,000	\$ -	\$ 745,000	\$ -
2010A revenue refunding bonds	850,000	-	205,000	645,000
2010B revenue bonds	2,560,000	-	-	2,560,000
2013 revenue refunding notes	-	665,000	-	665,000
	<u>\$ 4,155,000</u>	<u>\$ 665,000</u>	<u>\$ 950,000</u>	3,870,000
Due within one year				(310,000)
Unamortized discounts				(43,86)
				<u>\$ 3,516,139</u>

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.

During 2014, the Electric System issued \$665,000 of revenue notes. The notes mature serially from September 1, 2014 through September 1, 2021, with interest at various rates from .80 to 2.75 percent per annum payable semiannually at March 1 and September 1 beginning March 1, 2014. The proceeds were used to advance refund the 2006 Electric Revenue Bonds. The net present value of the interest savings on this advance refunding was \$43,075.

NOTE 6 - REVENUE BONDS AND NOTES PAYABLE (Continued)

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. During 2014, these bonds were called and redeemed with proceeds from the Series 2013 Electric Revenue Refunding Loan Notes.

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Revenue Obligation 2010A		Revenue Obligation 2010B		Revenue Obligation 2013		Total Required		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$215,000	\$10,375	\$ -	\$ 83,655	\$ 80,000	\$ 10,920	\$ 295,000	\$ 104,950	\$ 399,950
2017	220,000	3,575	-	83,655	75,000	10,038	295,000	97,268	392,268
2018	-	-	220,000	81,180	80,000	8,875	300,000	90,055	390,055
2019	-	-	175,000	76,518	80,000	7,375	255,000	83,893	338,893
2020	-	-	180,000	71,900	80,000	5,575	260,000	77,475	337,475
2021	-	-	185,000	66,787	85,000	3,506	270,000	70,293	340,293
2022	-	-	195,000	61,082	85,000	1,169	280,000	62,251	342,251
2023	-	-	200,000	54,760	-	-	200,000	54,760	254,760
2024	-	-	210,000	47,890	-	-	210,000	47,890	257,890
2025	-	-	220,000	40,470	-	-	220,000	40,470	260,470
2026 and after	-	-	975,000	76,610	-	-	975,000	76,610	1,051,610
Totals	<u>\$435,000</u>	<u>\$13,950</u>	<u>\$2,560,000</u>	<u>\$744,507</u>	<u>\$ 565,000</u>	<u>\$ 47,458</u>	<u>\$3,560,000</u>	<u>\$ 805,915</u>	<u>\$4,365,915</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.
- 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 electric bond and interest sinking fund account was underfunded by \$3,602 which was subsequently corrected.
- 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, 2015, 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, 2015, 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.

NOTE 7 - LEASE-PURCHASE CONTRACT OBLIGATION (Continued)

Lease-purchase contract transactions for the years ended June 30, 2015 and 2014 are summarized as follows:

	2015				
	Balances July 1,	Issued	Retired	Balances June 30,	Due Within One Year
2012 SIMECA Revenue Note	\$ 379,000	\$ -	\$ 125,000	\$ 254,000	\$ 126,000

	2014				
	Balances July 1,	Issued	Retired	Balances June 30,	Due Within One Year
2012 SIMECA Revenue Note	\$ 502,000	\$ -	\$ 123,000	\$ 379,000	\$ 125,000

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:

Year Ending June 30,	Rate	Principal	Interest	Total
2016	1.60%	\$ 126,000	\$ 4,384	\$ 130,384
2017	1.85%	128,000	2,368	130,368
Totals		<u>\$ 254,000</u>	<u>\$ 6,752</u>	<u>\$ 260,752</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, 2015, 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, 2015, this requirement was met.

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 2015 and 2014 was \$110,000, respectively.

NOTE 9 - PENSION AND RETIREMENT BENEFITS

Plan Description - Iowa Public Employees Retirement System (IPERS) membership is mandatory for employees of the Greenfield Municipal Utilities' Electric 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.

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.

NOTE 9 - PENSION AND RETIREMENT BENEFITS (Continued)

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 Electric Utility's total contributions to IPERS for the year ended June 30, 2015 were \$25,038.

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 \$161,519 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 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 0.0040727 percent which was a decrease of 0.0001272 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Utility recognized pension expense of \$9,214. At June 30, 2015, the Electric Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,756	\$ -
Change of assumptions	7,129	-
Net difference between projected and actual earnings on pension plan investments	-	86,252
Changes in proportion and differences between Utility contributions and proportionate share of contributions	12,324	-
Utility contributions subsequent to the measurement date	25,038	-
Total	<u>\$ 46,247</u>	<u>\$ 86,252</u>

NOTE 9 - PENSION AND RETIREMENT BENEFITS (Continued)

Contributions of \$25,038 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:

Year Ending June 30,	Total
2016	\$ (16,205)
2017	(16,205)
2018	(16,205)
2019	(16,205)
2020	(225)
	<u>\$ (65,045)</u>

There were no non-employer contributing entities at IPERS.

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>	

NOTE 9 - PENSION AND RETIREMENT BENEFITS (Continued)

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.

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>\$ 305,213</u>	<u>\$ 161,519</u>	<u>\$ 40,253</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 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.

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 a member of Central Iowa Power Cooperative (CIPCO).

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. GMU 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. There are no minimum payments required by this contract.

NOTE 11 - RELATED PARTIES (Continued)

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 48 and 45 percent, respectively of total operating revenue for the years ended June 30, 2015 and 2014.

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

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

NOTE 16 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

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	\$ 4,183,531	
Adjust to budget basis for -		
Payments received on note receivable	40,373	
Customer charge accruals	(114,640)	
Other operating revenue accruals	16,389	
Operating and nonoperating revenue -		
Budget basis	<u>\$ 4,125,653</u>	<u>\$ 4,051,505</u>
	Actual	Budget
Operating and nonoperating expenses -		
GAAP basis	\$ 3,900,738	
Adjust to budget basis for -		
Operating expense accruals	64,289	
Nonoperating expense accruals	2,651	
Capital outlays	29,603	
Depreciation	(333,541)	
Amortization of bond issue costs	(8,134)	
Debt payment	435,000	
Operating and nonoperating expenses -		
Budget basis	<u>\$ 4,090,606</u>	<u>\$ 4,564,789</u>

NOTE 17 - 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 18 - 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

NOTE 18 - ACCOUNTING CHANGE/RESTATEMENT (Continued)

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 Electric
Net position June 30, 2014, as previously reported	\$ 3,523,119
Net pension liability at June 30, 2014	(241,145)
Change in outflows of resources related to contributions made after the June 30, 2013, measurement date	23,797
Net position July 1, 2014	<u>\$ 3,305,771</u>

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

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

Electric's proportion of the net pension liability (asset)	0.0040727%
Electric's proportionate share of the net pension liability	\$ 161,519
Electric's covered-employee payroll	\$ 297,051
Electric's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.37%
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 Electric System will present information for those years for which information is available.

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

SCHEDULE OF ELECTRIC SYSTEM CONTRIBUTIONS

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

	2015	2014	2013	2012
Statutorily required contribution	\$ 25,038	\$ 23,797	\$ 23,882	\$ 22,893
Contribution in relation to the statutorily required contribution	(25,038)	(23,797)	(23,882)	(22,893)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Electric's covered-employee payroll	\$ 292,400	\$ 297,051	\$ 275,456	\$ 283,078
Contributions as a percentage of covered-employee payroll	8.56%	8.01%	8.67%	8.09%

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC 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
ELECTRIC 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
ELECTRIC SYSTEM**

SUPPLEMENTARY INFORMATION

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC 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	\$ 62,963	1.5	\$ 49,992	1.3	\$ 12,971
Employer payroll taxes	9,428	0.2	8,028	0.2	1,400
Group insurance	22,563	0.5	11,328	0.3	11,235
Professional fees	9,932	0.2	6,294	0.2	3,638
Insurance	17,957	0.4	17,875	0.5	82
Fuel and lube oil	8,602	0.2	31,647	0.8	(23,045)
Utilities and communications	4,359	0.1	4,405	0.1	(46)
Total plant operations	<u>\$ 135,804</u>	3.3	<u>\$ 129,569</u>	3.4	<u>\$ 6,235</u>
Plant maintenance -					
Supplies - operating and maintenance	\$ 8,677	0.2	\$ 21,470	0.6	\$ (12,793)
Repair maintenance services	41,915	1.0	80,869	2.1	(38,954)
Total plant maintenance	<u>\$ 50,592</u>	1.2	<u>\$ 102,339</u>	2.7	<u>\$ (51,747)</u>
Purchased energy	<u>\$2,598,904</u>	63.0	<u>\$2,293,115</u>	61.0	<u>\$ 305,789</u>
Distribution operations -					
Salaries and wages	\$ 146,175	3.5	\$ 142,998	3.8	\$ 3,177
Employer payroll taxes	24,729	0.6	25,531	0.7	(802)
Group insurance	39,034	0.9	44,933	1.2	(5,899)
Professional fees	5,026	0.1	7,240	0.2	(2,214)
Street light expense	4,592	0.1	1,311	-	3,281
Total distribution operations	<u>\$ 219,556</u>	5.3	<u>\$ 222,013</u>	5.9	<u>\$ (2,457)</u>
Distribution maintenance -					
Vehicle operating expenses	\$ 8,015	0.2	\$ 14,561	0.4	\$ (6,546)
Supplies - operating and maintenance	73,155	1.8	72,896	1.9	259
Total distribution maintenance	<u>\$ 81,170</u>	2.0	<u>\$ 87,457</u>	2.3	<u>\$ (6,287)</u>

(Continued)

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

	2015		2014		Increase
	Amount	Percent	Amount	Percent	(Decrease)
Accounting and collecting -					
Salaries and wages	\$ 42,133	1.1	\$ 41,935	1.1	\$ 198
Employer payroll taxes	7,082	0.2	6,502	0.2	580
Group insurance	15,740	0.4	16,473	0.4	(733)
Advertising and notices	1,248	-	1,181	-	67
Office supplies	5,552	0.1	6,156	0.2	(604)
Copier and computer maintenance	5,357	0.1	3,392	0.1	1,965
Bad debts	10,083	0.2	6,771	0.2	3,312
Pension adjustment	(15,824)	(0.4)	-	-	(15,824)
	<u>\$ 71,371</u>	1.7	<u>\$ 82,410</u>	2.2	<u>\$ 4,785</u>
Administrative expenses -					
Salaries and wages	\$ 44,369	1.1	\$ 45,704	1.3	\$ (1,335)
Employer payroll taxes	8,087	0.2	11,745	0.3	(3,658)
Group insurance	11,351	0.3	53,611	1.5	(42,260)
Professional fees	25,630	0.6	15,969	0.4	9,661
Insurance	17,990	0.4	17,610	0.5	380
Economic development	13,289	0.3	1,675	-	11,614
Travel, conferences and dues	13,588	0.3	16,185	0.4	(2,597)
Utilities and communications	2,350	0.1	2,441	0.1	(91)
Supplies - operating and maintenance	2,740	0.1	1,607	-	1,133
Use taxes	8,065	0.2	8,379	0.2	(314)
	<u>\$ 147,459</u>	3.6	<u>\$ 174,926</u>	4.7	<u>\$ (27,467)</u>
Refunds and rebates	<u>\$ 24,435</u>	0.6	<u>\$ 37,059</u>	1.0	<u>\$ (12,624)</u>
Depreciation expense	<u>\$ 333,541</u>	8.1	<u>\$ 337,910</u>	9.0	<u>\$ (4,369)</u>
Grand total operating expense	<u>\$3,662,832</u>	88.8	<u>\$3,466,798</u>	92.2	<u>\$ 211,858</u>

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**SCHEDULE OF OUTSTANDING DEBT
JUNE 30, 2015**

	Maturity Date	Interest Rate	Principal Amount
Electric Revenue Refunding Notes (Issued June 9, 2010)			
Interest is payable during the fiscal year September 1 and	09/01/14	2.60%	\$ 215,000
March 1. Notes due on September 1, 2016, and thereafter are	09/01/15	3.00%	<u>220,000</u>
callable in any order on September 1, 2014, or on any date thereafter			435,000
Electric Revenue Notes (Issued September 13, 2010)			
	09/01/17	2.25%	220,000
	09/01/18	2.50%	175,000
Interest is payable during the fiscal year September 1 and	09/01/19	2.70%	180,000
March 1. Notes due on September 1, 2018, and thereafter are	09/01/20	2.90%	185,000
callable 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%	<u>260,000</u>
			2,560,000
Electric Revenue Refunding Notes (Issued September 30, 2013)			
	09/01/15	0.80%	80,000
Interest is payable during the fiscal year September 1 and	09/01/16	1.50%	75,000
March 1. Notes due on September 1, 2021	09/01/17	1.50%	80,000
	09/01/18	2.25%	80,000
	09/01/19	2.25%	80,000
	09/01/20	2.75%	85,000
	09/01/21	2.75%	<u>85,000</u>
			565,000
Lease Purchase Refunding Agreement (Issued March 14, 2012)			
Interest is payable during the fiscal year September 1 and	03/01/16	1.60%	126,000
March 1. Notes due on September 1, 2012, and thereafter are	03/01/17	1.85%	<u>128,000</u>
callable in inverse order on March 1, 2002, and any date thereafter			254,000
Total outstanding debt			<u><u>\$ 3,814,000</u></u>

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

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

	2015 (Unaudited)		2014 (Unaudited)		Increase (Decrease)
	KWH	Percent	KWH	Percent	
KWH AVAILABLE:					
Purchase or generated	<u>44,042,060</u>	100.0	<u>43,378,218</u>	100.0	<u>663,842</u>
Total available	44,042,060	100.0	43,378,218	100.0	663,842
LESS - CITY USE:					
Electric utility system	422,116	1.0	390,708	0.9	31,408
Street lights	<u>208,639</u>	0.5	<u>244,909</u>	0.6	<u>(36,270)</u>
Total city use	<u>630,755</u>	1.5	<u>635,617</u>	1.5	<u>(4,862)</u>
Available for sale	43,411,305	98.5	42,742,601	98.5	668,704
KWH SOLD:					
Residential	9,112,736	20.7	9,630,158	22.2	(517,422)
Commercial	9,700,170	22.0	10,301,387	23.7	(601,217)
Industrial	21,917,900	49.8	21,125,650	48.7	792,250
Municipal water utility	903,871	2.1	945,368	2.2	(41,497)
City of Greenfield	<u>494,323</u>	1.1	<u>417,648</u>	1.0	<u>76,675</u>
Total KWH sales	42,129,000	95.7	42,420,211	97.8	(291,211)
Line loss	<u>1,282,305</u>	2.8	<u>322,390</u>	0.7	<u>959,915</u>

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC SYSTEM**

**INFORMATION REQUIRED BY REVENUE NOTE RESOLUTION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

ELECTRIC USAGE RATE AT JUNE 30	2015 (Unaudited)	2014 (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
 METER COUNT AT JUNE 30	 1,260	 1,260

*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 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
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, 2015, and the related notes to the financial statements, which collectively comprise the Electric 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 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, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in Part 3 of the accompanying schedule of findings and responses.

Comments involving statutory and other legal matters about the Electric 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 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.

November 5, 2015
Omaha, Nebraska

**GREENFIELD MUNICIPAL UTILITIES
ELECTRIC 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 statements.

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 Electric and Water 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 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 Electric 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 Electric System money for travel expenses of spouses of officials or employees were noted.

15-3e **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.

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** - One instance of noncompliance with the revenue bond and note resolutions were noted. The Electric sinking funds were underfunded by \$3,602 as of June 30, 2015. This shortfall was subsequently deposited.