

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**FINANCIAL and COMPLIANCE REPORT**

**June 30, 2004 and 2003**

**(With Independent Auditor's  
Report Thereon)**

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

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**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
<b>Daniel Herr</b>	<b>Utility Board Trustee</b>	<b>2007</b>
<b>Wayne Budding</b>	<b>Utility Board Trustee</b>	<b>2003</b>
<b>Edward Williams</b>	<b>Utility Board Trustee</b>	<b>2003</b>
<b>Robert Barrett</b>	<b>Utility Board Trustee</b>	<b>2007</b>
<b>Keith Stanley</b>	<b>Utility Board Trustee</b>	<b>2005</b>
<b>Julie Smith</b>	<b>Office Manager, Board Secretary</b>	<b>N/A</b>
<b>Collin Proctor</b>	<b>Plant Superintendent</b>	<b>N/A</b>

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Wilton Municipal Light and Power System:

We have audited the accompanying balance sheets of Wilton Municipal Light and Power System, a component unit of the City of Wilton, Iowa (the System) as of June 30, 2004 and 2003, and the related statements of revenue, expenses and changes in municipal equity and cash flows for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The System has not maintained adequate records to separately identify and account for contributed capital and retained earnings. It was not practicable for us to extend our auditing procedures sufficiently to determine the effect on the balance sheets of the failure to segregate the municipal equity into its contributed capital and retained earnings components.

In our opinion, except for the effects of such adjustments, as might have been determined to be necessary had we been able to examine adequate records to separately identify contributed capital and retained earnings, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 26, 2004 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented on pages 13 through 16, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Gabelmann, Lower, Whitlow, P.C.*

Bettendorf, Iowa  
July 26, 2004

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Balance Sheets**

**June 30, 2004 and 2003**

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Utility plant, in service (note 4)	\$6,957,946	6,862,277
Less accumulated depreciation	<u>3,148,061</u>	<u>2,931,665</u>
	3,809,885	3,930,612
Construction work in progress	-	5,800
Net utility plant	<u>3,809,885</u>	<u>3,936,412</u>
<b>Current assets:</b>		
Cash and short-term investments (note 2)	631,527	595,158
Restricted investments (note 3)	301,473	301,185
Receivables:		
Accounts, consumers	154,692	134,568
Estimated unbilled usage	80,356	83,050
Accrued interest	4,966	2,655
	<u>240,014</u>	<u>220,273</u>
Inventories	137,343	105,907
Prepaid expenses	24,195	31,121
Total current assets	<u>1,334,552</u>	<u>1,253,644</u>
Other assets – bond issuance costs, net	<u>8,327</u>	<u>8,968</u>
	<u>\$5,152,764</u>	<u>5,199,024</u>
<u>CAPITALIZATION AND LIABILITIES</u>		
<b>Capitalization:</b>		
Municipal equity	3,783,852	3,755,629
Long-term debt, excluding current installments (note 5)	<u>1,163,160</u>	<u>1,236,480</u>
Total capitalization	<u>4,947,012</u>	<u>4,992,109</u>
<b>Current liabilities:</b>		
Current installments of long-term debt (note 5)	75,000	70,000
Accounts payable	84,283	87,971
Sales tax payable	5,670	6,638
Accrued interest	5,050	5,235
Accrued payroll and vacation	16,307	15,232
Customer security deposits	17,290	16,668
Customer construction advances	2,000	2,000
Deferred revenue	152	3,171
Total current liabilities	<u>205,752</u>	<u>206,915</u>
Commitments (note 10)	<u>\$5,152,764</u>	<u>5,199,024</u>

See accompanying notes to financial statements.

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Statements of Revenue, Expenses and  
Changes in Municipal Equity**

**Years ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Operating Revenues:</b>		
Electric sales	\$1,725,369	1,616,796
Other electric revenue	34,911	27,687
Other	3,568	2,520
	<u>1,763,848</u>	<u>1,647,003</u>
<b>Operating Expenses:</b>		
Production – power costs	1,145,131	1,081,839
Transmission and distribution	344,762	314,563
General and administrative	197,645	172,970
	<u>1,687,538</u>	<u>1,569,372</u>
<b>Operating income</b>	<u>76,310</u>	<u>77,631</u>
<b>Nonoperating income (expense):</b>		
Interest expense	( 62,899)	( 67,186)
Interest income	14,812	19,618
	<u>( 48,087)</u>	<u>( 47,568)</u>
<b>Net income</b>	28,223	30,063
<b>Municipal equity at beginning of year</b>	<u>3,755,629</u>	<u>3,725,566</u>
<b>Municipal equity at end of year</b>	<u>\$3,783,852</u>	<u>3,755,629</u>

See accompanying notes to financial statements.

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Statements of Cash Flows**

**Years ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash Flows from Operating Activities:</b>		
Operating income	\$ 76,310	77,631
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	218,717	178,044
(Increase) decrease in consumer accounts and unbilled usage receivables	( 17,430)	10,556
Increase in inventories	( 31,436)	( 10,203)
(Increase) decrease in prepaid expenses	6,926	( 10,448)
Decrease in accounts payable, accrued expenses and deferred revenue, other than interest	( 6,600)	( 413,576)
Increase in customer security deposits	<u>622</u>	<u>1,268</u>
Net cash provided by (used in) operating activities	<u>247,109</u>	<u>( 166,728)</u>
<b>Cash Flows from Investing Activities:</b>		
Interest received	<u>12,501</u>	<u>19,600</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from issuance of revenue bonds, net of bond discount of \$23,520 in 2003	-	1,378,480
Principal payments on long-term debt	( 70,000)	(1,670,000)
Acquisition and construction of capital assets	( 89,869)	( 83,281)
Repayments of customer construction advances, net	-	( 4,000)
Increase in bond issue costs	-	( 6,028)
Interest paid	<u>( 63,084)</u>	<u>( 84,084)</u>
Net cash used in capital and related financing activities	<u>( 222,953)</u>	<u>( 468,913)</u>
Increase (decrease) in cash and cash equivalents	36,657	( 616,041)
Cash and cash equivalents at beginning of year	<u>896,343</u>	<u>1,512,384</u>
Cash and cash equivalents at end of year	<u>\$ 933,000</u>	<u>896,343</u>

See accompanying notes to financial statements.

# WILTON MUNICIPAL LIGHT AND POWER SYSTEM

## Notes to Financial Statements

June 30, 2004 and 2003

### (1) Organization and Summary of Significant Accounting Policies

#### (a) Nature of Business

The Wilton Municipal Light and Power System ("System") provides electrical service to all residents and businesses in the City of Wilton, Iowa. The System's rates are set by its governing board.

#### (b) Reporting Entity

The System is a governmental unit, governed by a Board of Trustees, who are appointed by the Mayor of the City of Wilton, subject to the approval of the City Council. The System is a component unit of the City of Wilton. There are no agencies or entities which should be presented with the System as required by Governmental Accounting Standards Board Statement No. 14.

A summary of the System's significant accounting policies follows:

#### (c) Basis of Accounting

The System uses the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when the liability has been incurred.

#### (d) Operating Revenues

Revenues are based on billing rates authorized by the System's Board of Trustees which are applied to customers' consumption of electricity. The System records estimated unbilled revenue, including amounts to be billed under a retail fuel adjustment clause, at the end of accounting periods.

#### (e) Investments

Investments consist of short-term certificates of deposit and are carried at cost, which approximates market. The System considers these investments as cash equivalents for purposes of reporting cash flows.

#### (f) Inventories

Inventories consist of materials and supplies and are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

#### (g) Utility Plant and Depreciation

Utility plant is stated at cost except for \$835,078 of utility plant additions prior to July 1, 1976 which are accounted for on the basis of estimated cost, as determined by an independent appraisal company. Depreciation of utility plant is computed by the straight-line method over the estimated useful lives of the assets.

Replacements and betterments of depreciable units are charged to utility plant. Routine maintenance and repairs are charged to expense as incurred.

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Notes to Financial Statements**

**(1) Organization and Summary of Significant Accounting Policies, continued**

**(h) Bond Discount and Bond Issuance Costs**

Bond discount is treated as a reduction of the bonds outstanding and is amortized over the term of the bonds by the straight-line method. Bond issuance costs are amortized over the term of the bonds.

**(i) Contributed Capital and Retained Earnings**

Adequate accounting records are not available to make it possible to separately identify and account for contributed capital and retained earnings. As a result, these separate elements of the fund equity have been combined as "municipal equity" in the financial statements. The combined presentation of these components of the fund equity is not in accordance with generally accepted accounting principles.

**(j) Proprietary Fund Accounting and Budget Information**

The System is subject to applicable pronouncements issued by the Governmental Accounting Standards Board (GASB) as well as those statements and interpretations issued by the Financial Accounting Standards Board (FASB) unless those pronouncements conflict with or contradict GASB pronouncements.

The City Council of Wilton annually adopts a budget in accordance with the State of Iowa which includes the funds of the System. Accordingly, statutory reporting requirements for the certified budget are reported by the City of Wilton.

**(2) Cash and Short-Term Investments**

The System 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 at federally insured depository institutions approved by the Trustees; 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 a drainage district.

Cash and short-term investments at June 30, 2004 and 2003 consist of cash held in checking accounts and certificates of deposit with maturities of less than one year as follows:

	<u>2004</u>	<u>2003</u>
Cash-checking accounts	\$171,502	135,133
Certificates of deposit	460,000	460,000
Petty cash	<u>25</u>	<u>25</u>
	<u>\$631,527</u>	<u>595,158</u>

The System maintains these accounts in one bank which were 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.

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Notes to Financial Statements**

**(3) Restricted Investments**

Restricted investments consist of cash and certificates of deposit with maturities of less than six months. These investments have been set aside under the terms of the bond resolution and have been segregated into various funds as follows:

	<u>2004</u>	<u>2003</u>
Bond sinking fund	\$ 11,473	11,185
Bond reserve fund	140,000	140,000
Improvement and extension fund	<u>150,000</u>	<u>150,000</u>
	<u>\$301,473</u>	<u>301,185</u>

**(4) Utility Plant**

The major classes of utility plant in service as of June 30, 2004 and 2003 and depreciation expense for 2004 and 2003 is as follows:

	Estimated Useful <u>Life</u>	<u>Cost at June 30,</u>		<u>Depreciation</u>	
		<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	-	\$ 9,300	9,300	-	-
Production plant	20-40	3,712,735	3,712,735	107,757	78,026
Transmission plant	30	684,896	684,896	21,764	21,764
Distribution plant	30	1,853,956	1,782,508	56,918	50,598
General plant	5-40	<u>697,059</u>	<u>672,838</u>	<u>30,143</u>	<u>27,016</u>
		<u>\$6,957,946</u>	<u>6,862,277</u>	<u>216,582</u>	<u>177,404</u>

The Board of Trustees approved a \$1,890,000 construction project relating to the installation of two engines to the System's utility plant which was completed in 2003. The project was financed through the issuance of \$1,400,000 of revenue bonds (see note 5) and the use of the System's internal funds.

**(5) Long-Term Debt**

A summary of long-term debt follows:

	<u>2004</u>	<u>2003</u>
Series 2002 revenue bonds with variable interest rates; due in serial amounts through 2017; secured by net revenues of the System	\$1,260,000	1,330,000
Less unamortized discount	<u>21,840</u>	<u>23,520</u>
Total long-term debt, net	1,238,160	1,306,480
Less current installments	<u>75,000</u>	<u>70,000</u>
Total long-term debt, net excluding current installments	<u>\$1,163,160</u>	<u>1,236,480</u>

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Notes to Financial Statements**

**(5) Long-Term Debt, continued**

On July 29, 2002, the System approved the issuance of \$1,400,000 of Series 2002 Electric Revenue Notes to refinance a portion of the revenue bonds maturing September 1, 2002. The Series 2002 bonds are secured by net revenues of the System and mature and bear interest as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
Serial Bonds: June 1,		
2005	75,000	3.45
2006	75,000	3.80
2007	80,000	4.10
2008	85,000	4.30
2009	85,000	4.50
2010	90,000	4.70
2011	95,000	4.90
2012	100,000	5.00
2013	105,000	5.10
2014	110,000	5.20
2015	115,000	5.30
2016	120,000	5.40
2017	<u>125,000</u>	5.50
	<u>\$1,260,000</u>	

The bond indenture relating to the Series 2002 bonds requires the System to establish and maintain various funds as described in note 3.

**(6) Pension Plan**

The System contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Contributions to IPERS were paid as required for each of the past three years as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Employer contribution percentage	5.75%	5.75%	5.75%
Employee contribution percentage	3.70%	3.70%	3.70%
Employer expense	\$12,578	\$12,147	\$11,556

**(7) Major Customer**

Electric sales to a major customer amounted to \$220,204 and \$195,074 for the years ended June 30, 2004 and 2003, respectively, and consumer accounts receivable include \$22,121 and \$20,326 due from that major customer as of June 30, 2004 and 2003, respectively. Although the System's customers are primarily residential users, approximately 39% of the System's electric sales for the year ended June 30, 2004 were billed to commercial customers.

## WILTON LIGHT AND POWER SYSTEM

### Notes to Financial Statements

(8) **Risk Management**

The System is exposed to various risk of loss related to tort, theft, damage to or the destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks 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.

(9) **Income Tax Status**

The System is exempt from federal and state income taxes under the applicable tax codes.

(10) **Commitments**

The System purchases power under a purchase power agreement with Eastern Iowa Light and Power Cooperative which expires in 2011. Total power purchased under the agreement amounted to \$958,481 in 2004 and \$985,419 in 2003.

(11) **Pending GASB Statements**

The Governmental Accounting Standards Board has issued Statement No. 34, **Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments**; Statement No. 37, **Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus**; and Statement No. 38, **Certain Financial Statement Note Disclosures**. These statements will be implemented by the System for the fiscal year ending June 30, 2005. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the System’s financial activities.

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Schedule of Operating Expenses**

**Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Production:</b>		
Purchased Power	\$ 958,481	985,419
Depreciation	107,757	78,026
Fund and supplies	<u>78,893</u>	<u>18,394</u>
	<u>1,145,131</u>	<u>1,081,839</u>
<b>Transmission and Distribution:</b>		
<b>Labor:</b>		
Line and Station	173,714	169,035
Meter Reading	16,252	10,286
Pension (IPERS)	10,763	10,390
Payroll Taxes	13,511	13,806
Line and Station Supplies	6,484	4,797
Customer Installation	705	873
Maintenance	44,092	31,772
Depreciation	78,681	72,362
Other	<u>560</u>	<u>1,242</u>
	<u>344,762</u>	<u>314,563</u>
<b>General and Administrative:</b>		
Salaries	47,437	43,586
Office Supplies	4,273	4,683
Professional Fees	8,898	9,432
Insurance, Property and Liability	30,851	28,820
Pension (IPERS)	1,815	1,757
Group Health Insurance	34,480	24,631
Payroll Taxes	2,346	2,278
Utilities	971	693
Transportation	6,294	6,064
Rent	375	456
Telephone	3,090	2,996
Uncollectable Accounts	2,277	5,683
Depreciation	29,958	27,016
Amortization	2,321	640
Other	<u>22,259</u>	<u>14,235</u>
	<u>197,645</u>	<u>172,970</u>
	<u>\$1,687,538</u>	<u>1,569,372</u>

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Unaudited Schedule of Insurance Coverage**

**June 30, 2004**

<b><u>Name of Insurer</u></b>	<b><u>Type of Coverage</u></b>	<b><u>Property Insured</u></b>
Employers Mutual Casualty	Errors and omissions	Officers and directors
Employers Mutual Casualty	Liability	--
Employers Mutual Casualty	Commercial auto	Vehicles
Employers Mutual Casualty	Fire and extended coverage	General plant, substation contents and associated equipment, 220 Third Street; poles and floating inventory Office and contents, 102 E. 4 <sup>th</sup> Street Building and business property, 318 S. Locust Building and contents, 108 E. Division Substation, Sugar Creek TWP, Cedar County, IA
Employers Mutual Casualty	Umbrella liability	--
Employers Mutual Casualty	Workmen's compensation	--
Employers Mutual Casualty	Comprehensive crime coverage	Employee Theft, forgery inside, forgery outside
Employers Mutual Casualty	Inland marine supplement	Miscellaneous personal property

<u>Amount</u>	<u>Expiration Date</u>
\$1,000,000	4-1-05
1,000,000/ 2,000,000	4-1-05
1,000,000	4-1-05
6,380,000	4-1-05
16,140	4-1-05
44,545	4-1-05
191,949	4-1-05
255,000	4-1-05
3,000,000	4-1-05
500,000	4-1-05
25,000	4-1-05
63,852	4-1-05

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Unaudited Operating Statistics**

**Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Number of customers served:</b>		
Residential	1,189	1,218
Commercial	170	173
Commercial, Large	11	9
Interdepartmental	22	21
Security Lights	64	57
	<u>1,456</u>	<u>1,478</u>
<b>Kilowatt hours:</b>		
Number of kilowatt hours produced and purchased	<u>25,715,801</u>	<u>24,832,077</u>
Number of kilowatt hours sold to customers	23,320,909	22,017,413
Number of kilowatt hours used by the City of Wilton at no charge	815,881	807,558
	<u>24,136,790</u>	<u>22,824,971</u>
% of kilowatt hours used to total produced and purchased	<u>93.86%</u>	<u>91.92%</u>

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees  
Wilton Municipal Light and Power System  
Wilton, Iowa:

We have audited the financial statements of Wilton Municipal Light and Power System (the "System") as of and for the year ended June 30, 2004, and have issued our report thereon, dated July 26, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa.

Compliance

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of the System's compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the System's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the System's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as Item 04-II-A.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report, a public record by law, is intended for the information of the Board of Trustees, management of the System, the Office of the Auditor of State, State of Iowa and other parties to whom the System may report and is not intended to be and should not be used by anyone other than those specified parties.

*Anderson, Gabelmann, Lower, Whitlow, P.C.*

Bettendorf, Iowa  
July 26, 2004



# WILTON MUNICIPAL LIGHT AND POWER SYSTEM

## Schedule of Findings

Year Ended June 30, 2004

### Part I: Summary of the Independent Auditor's Results

- (a) A qualified opinion was issued on the financial statements.
- (b) The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (d) The audit did not disclose any noncompliance which is material to the financial statements.
- (e) The System was not required to have an audit in accordance with Office of Management and Budget Circular A-133.

### Part II: Financial Statement Findings:

#### Reportable Conditions

##### 04-II-A: Segregation of Duties

**Findings:** The System has a limited number of personnel who have direct responsibilities for the recording and reconciling functions in the primary transaction cycles. As a result, the System's internal control structure does not result in adequate segregation of duties to prevent losses from employee error or dishonesty. However, from a practical standpoint, strong segregation of duties is not practical due to a limited budget and limited number of office personnel.

**Recommendation:** With a limited number of personnel and funds, segregation of duties is difficult. The System should continue to review its operating procedures to attempt to obtain the maximum internal control within the limited available resources. The Board and Treasurer should continue to closely monitor and perform periodic oversight of the System's daily and monthly financial activities.

**Response and Corrective Action Planned:** The System will continue efforts to address the limited number of personnel involved in fiscal responsibilities. The System will continue to have consistent involvement and oversight provided by the Treasurer and Board and will continue to work with its independent accounting firm to further increase our capacity and knowledge in reporting and managing its fiduciary responsibilities.

### Part III: Other Findings Related to Required Statutory Reporting

##### 04-III-A: Official Depositories

A resolution naming official depositories has been approved by the System. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

##### 04-III-B: Questionable Disbursements

We noted no expenditures for employees that we believe constitute an unlawful expenditure from public funds as this is defined in the Attorney General's opinion dated April 25, 1979.

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Schedule of Findings**

**Year Ended June 30, 2004**

**Part III: Other Findings Related to Required Statutory Reporting, continued**

**04-III-C: Travel Expense**

We noted no expenditures of System money for travel expenses for spouses of System officials and/or employees.

**04-III-D: Business Transactions**

We noted no business transactions between the System and System officials and/or employees other than the usage of utility services under normal customer practices.

**04-III-E: Surety Bond Coverage**

Surety bond coverage of System officials and employees is in accordance with statutory provisions, all being covered under a blanket policy including the Board of Trustees. The amount of coverage should be reviewed annually to insure that coverage is adequate.

**04-III-F: Board Minutes**

We noted no material transactions that we believe should have been approved in the Board minutes but were not.

**04-III-G: Temporary Investments**

The System invests excess cash in temporary investments as approved by the Board of Trustees. During the year ended June 30, 2004, the System earned \$14,812 in interest on investments in certificates of deposit. No instances of noncompliance with the investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.

**04-III-H: Revenue Bonds**

The System has established and maintained the various funds required by the Series 2002 bond resolution except for the establishment of a surplus fund.

**Recommendation:** The System should establish the surplus fund and make appropriate transfers to the fund as required by the Series 2002 bond resolution.

**Response and Corrective Action Planned:** We will establish the surplus fund and transfer required amounts in the future.

**Part IV: Summary of Prior Findings**

**Item 03-II-A: Segregation of Duties (Reportable Condition):**

Comment still valid. See current year findings 04-II-A.

**Item 03-III-A: Depository Bank Resolution**

Official resolution approved and in place. Comment no longer valid.