

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Financial and Compliance Report**

**June 30, 2009 and 2008**

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

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Table of Contents**

	<b><u>Page</u></b>
<b>Officials</b>	<b>1</b>
<b>Independent Auditor’s Report</b>	<b>2</b>
<b>Management’s Discussion and Analysis</b>	<b>3-4</b>
<b>Financial Statements:</b>	
<b>Balance Sheets</b>	<b>5</b>
<b>Statements of Revenue, Expenses and Changes in Net Assets</b>	<b>6</b>
<b>Statements of Cash Flows</b>	<b>7</b>
<b>Notes to Financial Statements</b>	<b>8-13</b>
<b>Required Supplementary Information:</b>	
<b>Budgetary Comparison Schedule of Receipts, Disbursement and     Changes in Balances – Budget and Actual (Cash Basis)</b>	<b>14</b>
<b>Budgetary Comparison Schedule - Budget to GAAP Reconciliation</b>	<b>15</b>
<b>Notes to Required Supplementary Information – Budgetary Reporting</b>	<b>16</b>
<b>Other Supplementary Information:</b>	
<b>Schedule of Operating Expenses</b>	<b>17</b>
<b>Unaudited Schedule of Insurance Coverage</b>	<b>18-19</b>
<b>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards Standards</b>	<b>20-21</b>
<b>Schedule of Findings</b>	<b>22-23</b>

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires August</u></b>
<b>Mark Knouse</b>	<b>Utility Board Trustee, Chairman</b>	<b>2013</b>
<b>Wayne Budding</b>	<b>Utility Board Trustee, Chairman ProTem</b>	<b>2011</b>
<b>Lorna Jaspersen</b>	<b>Utility Board Trustee</b>	<b>2015</b>
<b>Rick Janney</b>	<b>Utility Board Trustee</b>	<b>2013</b>
<b>Cory Garvin</b>	<b>Utility Board Trustee</b>	<b>2015</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, 2009 and 2008, and the related statements of revenue, expenses and changes in net assets 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wilton Municipal Light and Power System as of June 30, 2009 and 2008, 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 November 3, 2009 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 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 and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 and 4 and pages 14 through 16 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the System's basic financial statements. The supplementary information presented on pages 17 through 19, 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, Lower, Whitlow, P.C.*

Bettendorf, Iowa  
November 3, 2009

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Management Discussion and Analysis (Unaudited)**

**Year Ended June 30, 2009**

**Management Discussion and Analysis (Unaudited)**

The following section is provided as an analysis of the Wilton Municipal Light and Power Systems' financial performance during the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with Wilton Municipal Light and Power Systems' financial statements, which follow.

**Electric Utility Financial Highlights:**

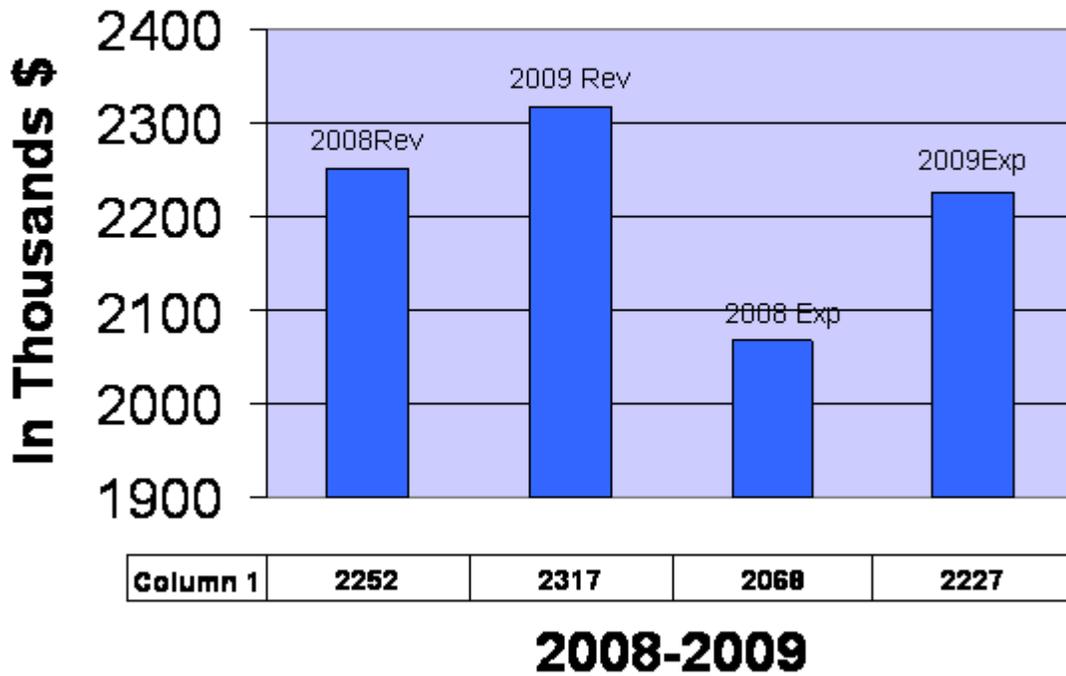
	<u>2009</u>	<u>2008</u>
	(\$ In thousands)	
Cash and investments	\$1,080	\$ 904
Total current assets	1,877	1,683
Total assets	5,400	5,349
Total current liabilities	264	304
Total liabilities	1,109	1,237
Total net assets	4,291	4,112
Operating revenues	2,252	2,205
Operating expenses	2,068	2,005
Operating income	184	200
Net income	177	191

In June 2009 Wilton Municipal was hit by a series of storms and wind. The damage was centered in the south side of town and involved damage from downed trees and lightning. Repairs were made and service restored in a timely manner.

A Capital Surplus fund was used to purchase a new digger-daric truck, replacing a 1992 unit. The fund is now designated for the early retirement of our 2001 engine improvement bonds.

The Community Garden Project is in its third year and 31 gardeners, up from 24 last year. All the responses to the first year were very positive and almost all last years gardeners re-signed "to sign again" for this year. Gardeners can sign up on a first come first served basis in the winter and use the area for personal gardens.

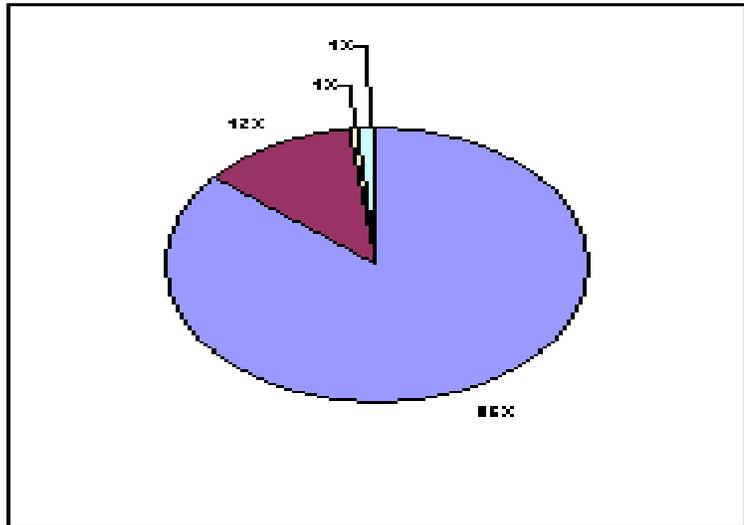
# Revenues and Expenses



## Customer Information

### Wilton Municipal Customers

Residential	1260	86%
Commercial	168	12%
Lg. Commercial	19	1%
Interdepartmental	5	1%
<b>Total</b>	<b><u>1452</u></b>	<b><u>100%</u></b>



**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Balance Sheets**

**June 30, 2009 and 2008**

<u>Assets</u>	<u>2009</u>	<u>2008</u>
<b>Current assets:</b>		
Cash and short-term investments (note 2)	\$1,051,059	1,080,247
Restricted investments (note 3)	330,226	332,753
<b>Receivables:</b>		
Accounts, consumers (note 7)	197,605	187,468
Estimated unbilled usage	106,766	96,172
Accrued interest	<u>16,507</u>	<u>17,206</u>
	<u>320,878</u>	<u>300,846</u>
Inventories	125,376	124,431
Prepaid expenses	<u>38,173</u>	<u>35,819</u>
<b>Total current assets</b>	<b><u>1,865,712</u></b>	<b><u>1,874,096</u></b>
<b>Non-current assets:</b>		
<b>Capital assets (note 4):</b>		
Utility plant in service	7,755,042	7,588,062
Less accumulated depreciation	<u>4,221,956</u>	<u>4,070,027</u>
<b>Net capital assets</b>	<b>3,533,086</b>	<b>3,518,035</b>
Other assets - bond issue costs, net	<u>5,124</u>	<u>5,764</u>
<b>Total non-current assets</b>	<b><u>3,538,210</u></b>	<b><u>3,523,799</u></b>
<b>Total assets</b>	<b><u>\$5,403,922</u></b>	<b><u>5,397,895</u></b>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities:</b>		
Accounts payable	152,485	125,784
Accrued expenses	34,505	30,595
Customer deposits	25,210	26,980
Current installments of long-term debt (note 5)	90,000	85,000
Accrued interest payable	<u>3,256</u>	<u>4,020</u>
<b>Total current liabilities</b>	<b>305,456</b>	<b>272,379</b>
<b>Non-current liabilities - long term debt, net of current installments (note 5)</b>	<b><u>756,560</u></b>	<b><u>844,880</u></b>
<b>Total liabilities</b>	<b><u>1,062,016</u></b>	<b><u>1,117,259</u></b>
<b>Commitments (note 10)</b>		
<b>Net assets:</b>		
Invested in capital assets, net of related debt	2,686,526	2,588,155
Restricted	326,970	328,733
Unrestricted	<u>1,328,410</u>	<u>1,363,748</u>
<b>Total net assets</b>	<b><u>4,341,906</u></b>	<b><u>4,280,636</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$5,403,922</u></b>	<b><u>5,397,895</u></b>

See accompanying notes to financial statements.

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Statements of Revenue, Expenses and  
Changes in Net Assets**

**Years ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Operating revenues:</b>		
Electric sales	\$2,223,487	2,202,347
Other electric revenue	49,792	48,903
Other	4,678	5,437
	<u>2,277,957</u>	<u>2,256,687</u>
<b>Operating expenses:</b>		
Production – power costs	1,527,343	1,451,164
Transmission and distribution	379,048	352,824
General and administrative	306,571	275,950
	<u>2,212,962</u>	<u>2,079,938</u>
<b>Operating income</b>	<u>64,995</u>	<u>176,749</u>
<b>Non-operating income (expense):</b>		
Interest expense	( 48,178)	( 52,031)
Interest income	44,453	43,713
	<u>( 3,725)</u>	<u>( 8,318)</u>
<b>Change in net assets</b>	61,270	168,431
<b>Net assets at beginning of year</b>	<u>4,280,636</u>	<u>4,112,205</u>
<b>Net assets at end of year</b>	<u>\$4,341,906</u>	<u>4,280,636</u>

See accompanying notes to financial statements.

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Statements of Cash Flows**

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities:</b>		
Cash received from electric sales	\$2,202,756	2,203,189
Cash received from other electric revenues	153,420	54,340
Cash paid for purchased power	(1,376,505)	(1,331,431)
Cash paid to suppliers	( 181,651)	( 184,542)
Cash paid for employee payroll, taxes and benefits	( 384,541)	( 355,439)
Net cash provided by operating activities	<u>313,479</u>	<u>386,117</u>
<b>Cash flows from noncapital financing activities</b>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	( 257,454)	( 110,060)
Proceeds received on sale of capital assets	1,050	-
Principal payments on long-term debt	( 85,000)	( 85,000)
Interest paid	( 48,942)	( 52,335)
Net cash used in capital and related financing activities	<u>( 390,346)</u>	<u>( 247,395)</u>
<b>Cash flows from investing activities:</b>		
Interest received	<u>45,152</u>	<u>45,012</u>
 Increase (decrease) in cash and cash equivalents	 ( 31,715)	 183,734
<b>Cash and cash equivalents at beginning of year</b>	<b><u>1,413,000</u></b>	<b><u>1,229,266</u></b>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$1,381,285</u></b>	<b><u>1,413,000</u></b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 64,995	176,749
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	252,823	254,257
Gain on sale of capital assets	( 1,050)	-
(Increase) decrease in consumer accounts and unbilled usage receivables	( 20,731)	841
Increase in inventories	( 945)	( 1,246)
Increase in prepaid expenses	( 2,354)	( 8,329)
Increase (decrease) in accounts payable, accrued expenses and deferred revenue, other than interest	22,511	( 37,135)
(Decrease) increase in customer security deposits	( 1,770)	980
Net cash provided by operating activities	<u>\$ 313,479</u>	<u>386,117</u>
<b>Supplemental disclosure of non-cash financing activities:</b>		
Unpaid capital expenditures	<u>\$ 8,100</u>	<u>-</u>

See accompanying notes to financial statements.

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Notes to Financial Statements**

**June 30, 2009 and 2008**

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

**(a) Nature of Business**

The Wilton Municipal Light and Power System (“the System”) provides electrical service to all residents and businesses of 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. 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) Measurement Focus and Basis of Accounting**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange like transactions are recognized when the exchange takes place.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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.

The System has adopted the provisions of Governmental Accounting Standards Board Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, Statements No. 37 “Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments – Omnibus”, and Statement No. 38 “Certain Financial Statement Note Disclosures”.

**(d) Operating Revenues and Expenses**

Revenues and expenses relating to the System’s sale of electrical services are classified as operating revenues and expenses in the Statement of Revenue, Expenses and Changes in Net Assets. Operating 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. Operating expenses include costs of power, transmission and distribution expenses, and general and administrative expenses (including depreciation of capital related assets). All other revenue and expenses of the System are classified as non-operating revenue and expense.

# WILTON MUNICIPAL LIGHT AND POWER SYSTEM

## Notes to Financial Statements

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

#### (e) Short-Term Investments

Short-Term Investments consist of short-term certificates of deposit which are carried at cost, which approximates fair value. 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 average cost method.

#### (g) Capital Assets

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.

#### (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 on the straight-line method. Bond issuance costs are amortized over the term of the bonds on the straight-line method.

#### (i) Net Assets

GASB 34 requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

#### (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.

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Notes to Financial Statements**

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

**(k) Compensated Absences**

System employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. A liability for these amounts based upon rates of pay in effect at June 30, 2009 and 2008 is included in accrued expenses in the financial statements.

**(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, 2009 and 2008 consist of cash held in checking accounts and certificates of deposit with maturities of less than one year as follows:

	<u>2009</u>	<u>2008</u>
Cash-checking accounts	\$ 318,785	311,429
Cash-money market account	51,610	208,695
Certificates of deposit	680,541	560,000
Petty cash	<u>123</u>	<u>123</u>
	<u>\$1,051,059</u>	<u>1,080,247</u>

The System maintains these accounts at a local 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. The System had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

The money market account has been designated by the System as the Capital Surplus Fund and represents funds set aside under the terms of the bond resolution. The System can use these funds for operations or capital needs as determined by the Trustees and as allowed by the bond resolution.

**(3) Restricted Investments**

Restricted investments consist of cash and certificates of deposit with maturities of less than fifteen months. These investments are also maintained at the same local bank utilized by the System's for cash and short term investments. These investments have been set aside under the terms of the bond resolution and have been segregated into various funds as follows:

	<u>2009</u>	<u>2008</u>
Bond sinking fund	\$ 40,226	42,753
Bond reserve fund	140,000	140,000
Improvement and extension fund	<u>150,000</u>	<u>150,000</u>
	<u>\$330,226</u>	<u>332,753</u>

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Notes to Financial Statements**

**(4) Capital Assets**

A summary of changes in utility capital assets for 2009 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 17,811	-	-	17,811
Production plant	3,789,191	67,250	-	3,856,441
Transmission plant	688,370	-	-	688,370
Distribution plant	2,132,920	-	-	2,132,920
General plant	<u>959,770</u>	<u>198,304</u>	<u>98,574</u>	<u>1,059,500</u>
<b>Total utility plant in service</b>	<b><u>7,588,062</u></b>	<b><u>265,554</u></b>	<b><u>98,574</u></b>	<b><u>7,755,042</u></b>
<b>Less accumulated depreciation:</b>				
Production plant	1,639,584	112,017	-	1,751,601
Transmission plant	585,907	8,107	-	594,014
Distribution plant	1,269,652	48,433	-	1,318,085
General plant	<u>574,884</u>	<u>81,946</u>	<u>98,574</u>	<u>558,256</u>
<b>Total accumulated depreciation</b>	<b><u>4,070,027</u></b>	<b><u>250,503</u></b>	<b><u>98,574</u></b>	<b><u>4,221,956</u></b>
<b>Net utility plant capital assets</b>	<b><u>\$3,518,035</u></b>			<b><u>3,533,086</u></b>

A summary of changes in utility capital assets for 2008 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 17,811	-	-	17,811
Production plant	3,774,078	15,113	-	3,789,191
Transmission plant	688,370	-	-	688,370
Distribution plant	2,071,977	60,943	-	2,132,920
General plant	<u>925,766</u>	<u>34,004</u>	<u>-</u>	<u>959,770</u>
<b>Total utility plant in service</b>	<b><u>7,478,002</u></b>	<b><u>110,060</u></b>	<b><u>-</u></b>	<b><u>7,588,062</u></b>
<b>Less accumulated depreciation:</b>				
Production plant	1,528,070	111,514	-	1,639,584
Transmission plant	570,851	15,056	-	585,907
Distribution plant	1,217,121	52,531	-	1,269,652
General plant	<u>502,049</u>	<u>72,835</u>	<u>-</u>	<u>574,884</u>
<b>Total accumulated depreciation</b>	<b><u>3,818,091</u></b>	<b><u>251,936</u></b>	<b><u>-</u></b>	<b><u>4,070,027</u></b>
<b>Net utility plant capital assets</b>	<b><u>\$3,659,911</u></b>			<b><u>3,518,035</u></b>

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Notes to Financial Statements**

**(5) Long-Term Debt**

A summary of long-term debt and related activity for the year ended June 30, 2009 and 2008 as follows:

	<u>Balance</u> <u>June 30,</u> <u>2007</u>	<u>Payments/</u> <u>Amortization</u>	<u>Balance</u> <u>June 30,</u> <u>2008</u>	<u>Payments/</u> <u>Amortization</u>	<u>Balance</u> <u>June 30,</u> <u>2009</u>
Series 2002 revenue bonds	\$1,030,000	(85,000)	945,000	(85,000)	860,000
Less unamortized discount	<u>16,800</u>	<u>1,680</u>	<u>15,120</u>	<u>1,680</u>	<u>13,440</u>
Total long-term debt, net	<u>1,013,200</u>	<u>(83,320)</u>	<u>929,880</u>	<u>(83,320)</u>	<u>846,560</u>
Less current installments	<u>85,000</u>		<u>85,000</u>		<u>90,000</u>
Total long-term debt, net excluding current installments	<u>\$ 928,200</u>		<u>844,880</u>		<u>756,560</u>

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</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
Serial Bonds: June 1,		
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>\$860,000</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>2009</u>	<u>2008</u>	<u>2007</u>
Employer contribution percentage	6.35%	6.05%	5.75%
Employee contribution percentage	4.10%	3.90%	3.70%
Employer expense	<u>\$17,413</u>	<u>\$14,251</u>	<u>\$14,798</u>

# WILTON MUNICIPAL LIGHT AND POWER SYSTEM

## Notes to Financial Statements

(7) **Significant Customers**

Electric sales to a major customer amounted to \$329,143 and \$313,154 for the years ended June 30, 2009 and 2008, respectively, and consumer accounts receivable include \$32,291 and \$27,868 due from that major customer as of June 30, 2009 and 2008, respectively. Although the System's customers are primarily residential users, approximately 40% and 44% of the System's electric sales for the year ended June 30, 2009 and 2008, respectively were billed to commercial customers.

(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 \$1,398,457 in 2009 and \$1,322,222 in 2008.

(11) **Recent Accounting Pronouncements**

In June 2004, GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB No. 45) was issued which establishes standards of accounting and financial reporting for other postemployment benefits (OPEB) expense and related OPEB liabilities or assets. OPEB arises from an exchange of salaries and benefits for employee services rendered. It refers to postemployment benefits other than pension benefits such as postemployment healthcare benefits. GASB No. 45 will be effective for the System beginning in 2010. Management does not believe this statement will have a material effect in the System's financial statements.

In November 2006, GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" (GASB No. 49) was issued, which requires local governments to provide the public with better information about the financial impact of environmental cleanups. A government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and if certain events have occurred. Management believes the System does not have any known liability for pollution remediation.

In June 2007, GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" (GASB No. 51) was issued which provides guidance on identifying, accounting for and reporting intangible assets. Intangible assets are defined as assets that lack physical substance, are non-financial in nature, and have an initial useful life extending beyond a single reporting period. The statement provides that intangible assets be classified as capital assets, except for items explicitly excluded from the scope of the standard. This statement is effective for the System beginning in 2010.

In March 2009, GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" was issued which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a governmental entity is bound to observe constraints imposed upon the use of resources reported in governmental funds. This statement will become applicable for the System in 2011.

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances  
Budget and Actual (Cash Basis)**

**Required Supplementary Information**

**Year ended June 30, 2009**

	<u>Actual</u>	<u>Budget Amount</u>	<u>Variance</u>
<b>Receipts:</b>			
Charges for service	\$2,202,756	2,369,500	(166,744)
Use of money and property	45,152	-	45,152
Miscellaneous	54,470	-	54,470
<b>Total receipts</b>	<u>2,302,378</u>	<u>2,369,500</u>	<u>( 67,122)</u>
<b>Disbursements:</b>			
Business type activities	2,249,093	2,284,500	( 35,407)
Debt service	85,000	85,000	-
<b>Total disbursements</b>	<u>2,334,093</u>	<u>2,369,500</u>	<u>( 35,407)</u>
<b>Excess of disbursements over receipts</b>	<b>( 31,715)</b>	-	<b>( 31,715)</b>
<b>Balances, beginning of year</b>	<u>1,413,000</u>	<u>1,413,000</u>	-
<b>Balances, end of year</b>	<u>\$1,381,285</u>	<u>1,413,000</u>	<u>( 31,715)</u>

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Budgetary Comparison Schedule - Budget to GAAP Reconciliation**

**Required Supplementary Information**

**Year ended June 30, 2009**

	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues, including interest income	\$2,302,378	20,032	2,322,410
Expenses, including interest expense	<u>2,334,093</u>	<u>( 72,953)</u>	<u>2,261,140</u>
Net	( 31,715)	92,985	61,270
Beginning net assets	<u>1,413,000</u>	<u>2,867,636</u>	<u>4,280,636</u>
Ending net assets	<u>\$1,381,285</u>	<u>2,960,621</u>	<u>4,341,906</u>

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year ended June 30, 2009**

**The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences.**

**In accordance with the Code of Iowa, the System annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budgeted and appropriations lapse at year end.**

**Formal and legal budgetary control of the System’s revenues and expenditures rests with the Board of Trustees. Annual budgeted revenues consist of charges to customers for utility services consumed. Annual budgeted expenditures consist of operating expenses for the System and debt service payments.**

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Schedule of Operating Expenses**

**Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Production:</b>		
Purchased Power	\$1,398,457	1,322,222
Depreciation	112,017	111,514
Fuel and Supplies	<u>16,869</u>	<u>17,428</u>
	<u>1,527,343</u>	<u>1,451,164</u>
<b>Transmission and Distribution:</b>		
<b>Labor:</b>		
Line and Station	223,984	208,188
Meter Reading	9,112	9,790
Pension (IPERS)	14,229	11,663
Payroll Taxes	16,971	17,541
Line and Station Supplies	8,590	13,944
Customer Installation	463	4,744
Transportation	14,565	7,316
Maintenance	34,472	18,367
Depreciation	56,540	67,587
Other	<u>122</u>	<u>1,000</u>
	<u>379,048</u>	<u>360,140</u>
<b>General and Administrative:</b>		
Salaries	51,709	47,099
Office Supplies	2,740	4,991
Professional Fees	37,113	17,808
Insurance, Property and Liability	29,842	36,501
Pension (IPERS)	3,184	2,588
Group Health Insurance	55,383	52,535
Payroll Taxes	3,766	3,727
Utilities	846	858
Rent	-	375
Telephone	5,542	5,349
Uncollectable Accounts	3,945	3,022
Software Maintenance	10,204	-
Depreciation	81,946	72,835
Amortization	2,321	2,321
Other	<u>18,030</u>	<u>18,625</u>
	<u>306,571</u>	<u>268,634</u>
	<u>\$2,212,962</u>	<u>2,079,938</u>

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Unaudited Schedule of Insurance Coverage**

**June 30, 2009**

<b><u>Name of Insurer</u></b>	<b><u>Type of Coverage</u></b>	<b><u>Property Insured</u></b>
<b>Employers Mutual Casualty</b>	<b>Errors and omissions</b>	<b>Officers and directors</b>
<b>Employers Mutual Casualty</b>	<b>Liability</b>	<b>--</b>
<b>Employers Mutual Casualty</b>	<b>Commercial auto</b>	<b>Vehicles</b>
<b>Employers Mutual Casualty</b>	<b>Fire and extended coverage</b>	<b>Buildings and contents</b>
<b>Employers Mutual Casualty</b>	<b>Umbrella liability</b>	<b>--</b>
<b>Employers Mutual Casualty</b>	<b>Workmen's compensation</b>	<b>--</b>
<b>Employers Mutual Casualty</b>	<b>Comprehensive crime coverage</b>	<b>Employee theft, forgery inside, forgery outside</b>
<b>Employers Mutual Casualty</b>	<b>Inland marine supplement</b>	<b>Miscellaneous personal property</b>

<u>Amount</u>	<u>Expiration Date</u>
\$1,000,000	4-30-2010
1,000,000/ 2,000,000	4-30-2010
1,000,000	4-30-2010
7,061,435	4-30-2010
3,000,000	4-30-2010
500,000	4-30-2010
40,000	4-30-2010
87,631	4-30-2010

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS 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, 2009, and have issued our report thereon, dated November 3, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the System's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the System's financial statements that is more than inconsequential will not be prevented or detected by the System's internal control. We consider the deficiencies described in the accompanying schedule of findings as Item 09-II-A to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the System's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

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, 2009 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.

The System's responses to findings identified in our audit are described in the accompanying schedule of findings. While we have expressed our conclusions on the System's responses, we did not audit the System's responses, and accordingly, we express no opinion on them.

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.

Bettendorf, Iowa  
November 3, 2009

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Schedule of Findings

Year Ended June 30, 2009

**Section I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) Significant control deficiencies 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.

**Section II: Financial Statement Findings:**

**Significant Control Deficiencies**

**09-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.

**Conclusion:** Response accepted

**Section III: Other Findings Related to Required Statutory Reporting**

**09-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, 2009.

**09-III-B: Certified Budget**

Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.

**WILTON MUNICIPAL LIGHT AND POWER SYSTEM**

**Schedule of Findings**

**Year Ended June 30, 2009**

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

**09-III-C: 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.

**09-III-D: Travel Expense**

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

**09-III-E: 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.

**09-III-F: 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.

**09-III-G: Board Minutes**

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

**09-III-H: Revenue Bonds**

The System has established and maintained the various funds required by the Series 2002 bond resolution.

**09-III-I: Temporary Investments**

The System invests excess cash in temporary investments as approved by the Board of Trustees. During the year ended June 30, 2009, the System earned \$44,453 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.

**Section IV: Summary of Prior Findings**

**Item 08-II-A: Segregation of Duties (Significant Control Deficiencies)**

Comment still valid. See current year findings 08-II-A.