

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Financial and Compliance Report

June 30, 2011 and 2010

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

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

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WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Officials

<u>Name</u>	<u>Title</u>	Term Expires <u>August</u>
Mark Knouse	Utility Board Trustee, Chairman	2013
Vickie Lenker	Utility Board Trustee	2017
Lorna Jaspersen	Utility Board Trustee, Chairman ProTem	2015
Rick Janney	Utility Board Trustee	2013
Cory Garvin	Utility Board Trustee	2015
Julie Smith	Office Manager, Board Secretary	N/A
Collin Proctor	Plant Superintendent	N/A

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, 2011 and 2010, 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, 2011 and 2010, 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 August 22, 2011 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anderson, Lower, Whitlow, P.C.

Bettendorf, Iowa
August 22, 2011

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Management Discussion and Analysis (Unaudited)

Year Ended June 30, 2011

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, 2011. We encourage readers to consider this information in conjunction with Wilton Municipal Light and Power Systems' financial statements which follow.

Electric Utility Financial Highlights:

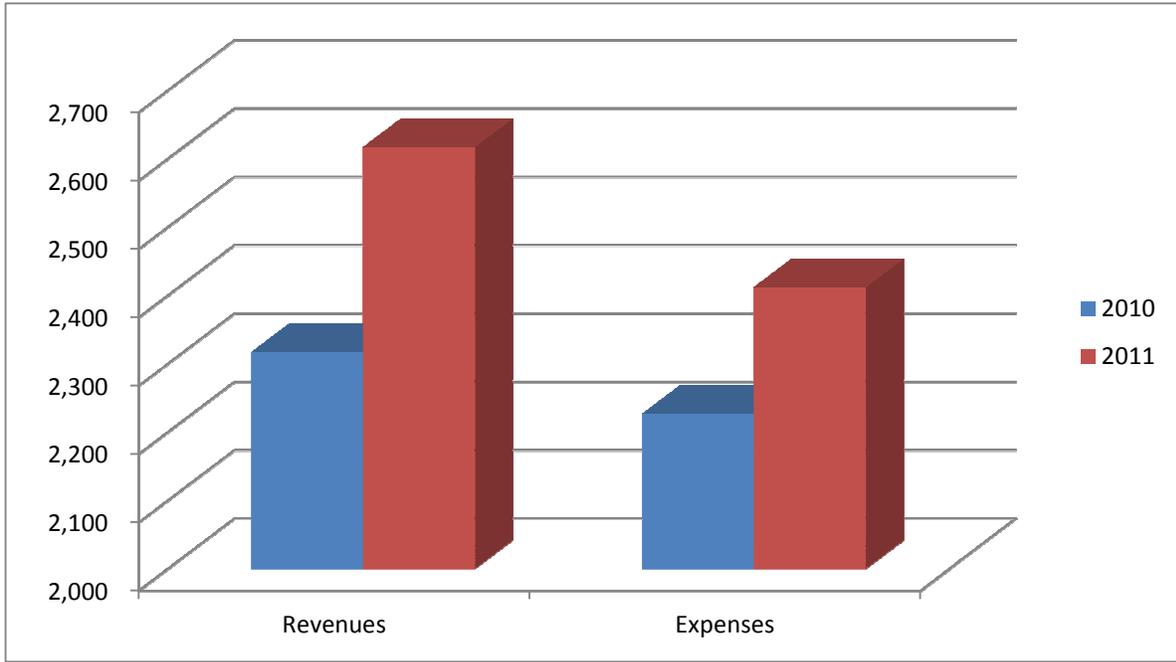
	<u>2011</u>	<u>2010</u>
	(\$ in thousands)	
Cash and short-term investments	\$1,300	\$1,227
Total current assets	1,982	2,071
Total assets	5,214	5,440
Total current liabilities	399	308
Total liabilities	613	972
Total net assets	4,601	4,469
Operating revenues	2,617	2,459
Operating expenses	2,480	2,288
Operating income	137	171
Change in net assets	132	127

2010 was a better year for storms than in the recent past. We had no major wind or ice damage during our calendar year.

A Capital Surplus Fund was used to retire part of our 2002 engine improvement bonds and refinance \$325,000 at a lower rate of interest.

The Community Garden Project is in its fifth year with 28 gardeners. All responses were very positive and the majority of last year's gardeners resigned for this year. Gardeners can sign up on a first come, first served basis in the winter and use the area for personal gardens.

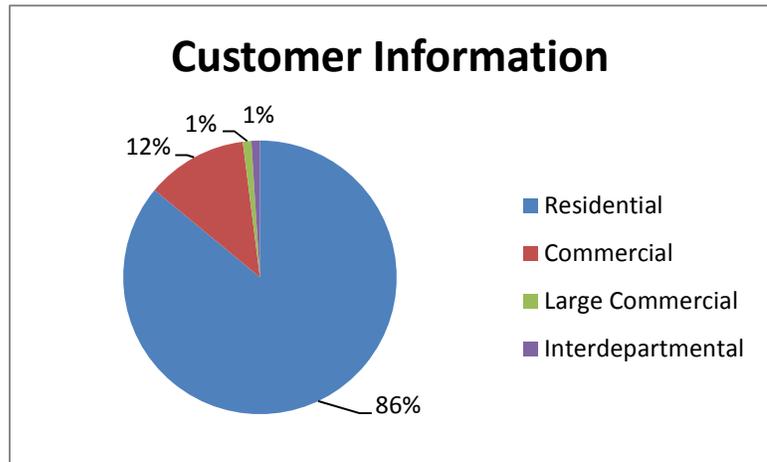
Revenues and Expenses (in Thousands of Dollars)



Customer Information

Wilton Municipal Customers

Residential	1,267	86%
Commercial	174	12%
Large Commercial	5	1%
Interdepartmental	<u>22</u>	<u>1%</u>
Total	<u>1,468</u>	<u>100%</u>



WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Balance Sheets

June 30, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash and short-term investments (note 2)	\$1,299,781	1,227,223
Restricted investments (note 3)	142,578	337,777
Receivables:		
Accounts, consumers (note 7)	228,503	236,309
Estimated unbilled usage	143,644	112,494
Accrued interest	<u>10,501</u>	<u>3,133</u>
	<u>382,648</u>	<u>351,936</u>
Inventories	115,929	114,948
Prepaid expenses	<u>41,155</u>	<u>38,830</u>
Total current assets	<u>1,982,091</u>	<u>2,070,714</u>
Non-current assets:		
Capital assets (note 4):		
Utility plant in service	7,887,115	7,774,959
Less accumulated depreciation	<u>4,657,083</u>	<u>4,409,465</u>
Net capital assets	<u>3,230,032</u>	<u>3,365,494</u>
Other assets - bond issue costs, net	<u>1,944</u>	<u>4,483</u>
Total non-current assets	<u>3,231,976</u>	<u>3,369,997</u>
Total assets	<u>\$5,214,067</u>	<u>5,440,691</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	164,543	150,373
Accrued expenses	104,598	32,246
Customer deposits	24,754	27,900
Current installments of long-term debt (note 5)	105,000	95,000
Accrued interest payable	<u>366</u>	<u>2,845</u>
Total current liabilities	<u>399,261</u>	<u>308,364</u>
Non-current liabilities - long term debt, net of current installments (note 5)	<u>214,154</u>	<u>663,240</u>
Total liabilities	<u>613,415</u>	<u>971,604</u>
Commitments (note 10)		
Net assets:		
Invested in capital assets, net of related debt	2,910,878	2,607,254
Restricted	142,212	334,932
Unrestricted	<u>1,547,562</u>	<u>1,526,901</u>
Total net assets	<u>4,600,652</u>	<u>4,469,087</u>
Total liabilities and net assets	<u>\$5,214,067</u>	<u>5,440,691</u>

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Electric sales	\$2,564,997	2,402,483
Other electric revenue	45,038	50,688
Other	7,074	5,879
	<u>2,617,109</u>	<u>2,459,050</u>
Operating expenses:		
Production – power costs	1,729,082	1,609,952
Transmission and distribution	470,527	377,983
General and administrative	280,316	299,020
	<u>2,479,925</u>	<u>2,286,955</u>
Operating income	<u>137,184</u>	<u>172,095</u>
Non-operating income (expense):		
Interest expense	(37,702)	(44,556)
Interest income	32,083	23,622
Loss on disposition of assets	-	(23,980)
	<u>(5,619)</u>	<u>(44,914)</u>
Change in net assets	131,565	127,181
Net assets at beginning of year	<u>4,469,087</u>	<u>4,341,906</u>
Net assets at end of year	<u>\$4,600,652</u>	<u>4,469,087</u>

See accompanying notes to financial statements.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from electric sales	\$2,541,653	2,358,051
Cash received from other electric revenues	52,112	56,567
Cash paid for purchased power	(1,584,836)	(1,468,876)
Cash paid to suppliers	(155,590)	(166,192)
Cash paid for employee payroll, taxes and benefits	(395,345)	(387,128)
Net cash provided by operating activities	<u>457,994</u>	<u>392,422</u>
Cash flows from noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(112,156)	(110,736)
Proceeds received from issuance of revenue bond, net of \$6,013 discount	318,987	-
Principal payments on long-term debt	(770,000)	(90,000)
Bond issuance cost	(2,000)	-
Interest paid	(40,181)	(44,967)
Net cash used in capital and related financing activities	<u>(605,350)</u>	<u>(245,703)</u>
Cash flows from investing activities:		
Interest received	<u>24,715</u>	<u>36,996</u>
 Increase (decrease) in cash and cash equivalents	 (122,641)	 183,715
Cash and cash equivalents at beginning of year	<u>1,565,000</u>	<u>1,381,285</u>
Cash and cash equivalents at end of year	<u>\$1,442,359</u>	<u>1,565,000</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	137,184	172,095
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	264,084	248,569
Increase in consumer accounts and unbilled usage receivables	(23,344)	(44,432)
(Increase) decrease in inventories	(981)	10,428
Increase in prepaid expenses	(2,325)	(657)
Increase in accounts payable and accrued expenses, other than interest	86,522	3,729
Increase (decrease) in customer deposits	(3,146)	2,690
Net cash provided by operating activities	<u>\$ 457,994</u>	<u>392,422</u>

See accompanying notes to financial statements.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Financial Statements

June 30, 2011 and 2010

(1) **Nature of Business and Summary of Significant Accounting Policies**

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.

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.

Summary of Significant Accounting Policies

(a) **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 U.S. 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 applies all applicable Government Accounting Standards Board (GASB) pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures. The System has adopted the provisions of GASB 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”.

(b) **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) Nature of Business and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(c) 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.

(d) Customer Accounts and Unbilled Usage

Accounts receivable are recorded monthly at the time the service is billed based on metered usage. Unbilled usage for service consumed between scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

(e) 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.

(f) Capital Assets

Capital assets include property, equipment, vehicles, intangibles (land rights) and utility plant infrastructure and are 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.

(g) Bond Discount and Bond Issuance Costs

Bond discount is reflected 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.

(h) 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”.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Financial Statements

(1) Nature of Business and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(i) 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.

(j) 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, 2011 and 2010 is included in accrued expenses in the financial statements.

Effective September 24, 2010, System employees who have accrued excessive sick leave hours over a specified amount become fully vested in such amounts upon retirement and are allowed to receive a 25% cash value payout or a 100% value credit (based upon the employee's rate of pay at retirement) if used for payment of the employees' System sponsored health care plan premiums. A liability for these amounts based upon the rate of pay in effect at June 30, 2011 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, 2011 and 2010 consist of cash held in checking accounts and certificates of deposit with maturities ranging from nine to forty-seven months as follows:

	<u>2011</u>	<u>2010</u>
Cash-checking accounts	\$ 519,831	369,809
Cash-money market account	16,383	52,390
Cash-savings account	203,444	224,901
Certificates of deposit	560,000	580,000
Petty cash	123	123
	<u>\$1,299,781</u>	<u>1,227,223</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 and savings accounts have been designated by the System as the Capital Surplus Fund and represents funds set aside by the Trustees 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.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Financial Statements

(3) Restricted Investments

Restricted investments consist of cash and certificates of deposit with maturities up to twenty-four 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>2011</u>	<u>2010</u>
Bond sinking fund	\$ 10,078	47,777
Bond reserve fund	32,500	140,000
Improvement and extension fund	<u>100,000</u>	<u>150,000</u>
	<u>\$142,578</u>	<u>337,777</u>

(4) Capital Assets

A summary of changes in utility capital assets for 2011 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land and land rights*	\$ 27,811	-	-	<u>27,811</u>
Production plant	3,789,191	61,544	-	3,850,735
Transmission plant	704,299	-	-	704,299
Distribution plant	2,192,698	43,336	-	2,236,034
General plant	<u>1,060,960</u>	<u>7,276</u>	-	<u>1,068,236</u>
Total capital assets being depreciated	<u>7,747,148</u>	<u>112,156</u>	-	<u>7,859,304</u>
Total utility plant in service	<u>\$7,774,959</u>	<u>112,156</u>	-	<u>7,887,115</u>
Less accumulated depreciation:				
Production plant	1,863,618	113,902	-	1,977,520
Transmission plant	603,247	17,150	-	620,397
Distribution plant	1,308,354	56,807	-	1,365,161
General plant	<u>634,246</u>	<u>59,759</u>	-	<u>694,005</u>
Total accumulated depreciation	<u>4,409,465</u>	<u>247,618</u>	-	<u>4,657,083</u>
Net utility plant capital assets	<u>\$3,365,494</u>			<u>3,230,032</u>

A summary of changes in utility capital assets for 2010 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land and land rights*	\$ 17,811	10,000	-	<u>27,811</u>
Production plant	3,789,191	-	-	3,789,191
Transmission plant	688,370	15,929	-	704,299
Distribution plant	2,200,170	75,247	82,719	2,192,698
General plant	<u>1,059,500</u>	<u>1,460</u>	-	<u>1,060,960</u>
Total capital assets being depreciated	<u>7,737,231</u>	<u>92,636</u>	<u>82,719</u>	<u>7,747,148</u>
Total utility plant in service	<u>\$7,755,042</u>	<u>102,636</u>	<u>82,719</u>	<u>7,774,959</u>
Less accumulated depreciation:				
Production plant	1,751,601	112,017	-	1,863,618
Transmission plant	594,014	9,233	-	603,247
Distribution plant	1,318,085	49,007	58,738	1,308,354
General plant	<u>558,256</u>	<u>75,990</u>	-	<u>634,246</u>
Total accumulated depreciation	<u>4,221,956</u>	<u>246,247</u>	<u>58,738</u>	<u>4,409,465</u>
Net utility plant capital assets	<u>\$3,533,086</u>			<u>3,365,494</u>

*Capital assets not being depreciated.

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 years ended June 30, 2011 and 2010 as follows:

	<u>Balance June 30, 2009</u>	<u>Payments/ Amortization</u>	<u>Balance June 30, 2010</u>	<u>Borrowings</u>	<u>Payments/ Amortization</u>	<u>Balance June 30, 2011</u>
Series 2002 revenue bonds	\$860,000	(90,000)	770,000	-	(770,000)	-
Series 2011 electric revenue refunding bonds	-	-	-	325,000	-	325,000
Less unamortized discount	<u>13,440</u>	<u>1,680</u>	<u>11,760</u>	<u>6,215</u>	<u>12,109</u>	<u>5,846</u>
Total long-term debt, net	846,560	<u>(88,320)</u>	758,240	<u>318,785</u>	<u>(757,891)</u>	319,154
Less current installments	<u>90,000</u>		<u>95,000</u>			<u>105,000</u>
Total long-term debt, net, excluding current installments	<u>\$756,560</u>		<u>663,240</u>			<u>214,154</u>

On June 1, 2011, the System approved the issuance of \$325,000 of Series 2011 Refunding Notes. The proceeds from the issuance of the 2011 Revenue Notes along with \$445,000 of existing funds were used to refinance the revenue bonds maturing September 1, 2017. The Series 2011 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, 2012	\$105,000	1.00%
2013	110,000	1.30
2014	<u>110,000</u>	1.75
	<u>\$325,000</u>	

The bond indentures relating to the Series 2002 and 2011 bonds require 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>2011</u>	<u>2010</u>	<u>2009</u>
Employer contribution percentage	6.95%	6.65%	6.35%
Employee contribution percentage	4.50%	4.30%	4.10%
Employer expense	<u>\$19,891</u>	<u>\$18,505</u>	<u>\$17,413</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Financial Statements

(7) Significant Customers

Electric sales to a major customer amounted to \$337,050 and \$342,888 for the years ended June 30, 2011 and 2010, respectively, and consumer accounts receivable include \$31,053 and \$31,643 due from that major customer as of June 30, 2011 and 2010, respectively. Although the System's customers are primarily residential users, approximately 25% and 26% of the System's electric sales for the years ended June 30, 2011 and 2010, 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 \$1,601,257 in 2011 and \$1,477,187 in 2010.

(11) Recent Accounting Pronouncements

In November 2010, GASB Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34" was issued which modifies certain requirements for inclusion of component units in the financial reporting entity. This statement will become applicable for the System in 2013.

In December 2010, GASB Statement No. 61, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" was issued which incorporates pre-November 30, 1989 FASB and AICPA Pronouncements into GASB's authoritative literature. This statement will become applicable for the System in 2013.

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, 2011

	<u>Actual</u>	<u>Budget Amount</u>	<u>Variance</u>
Receipts and other financing sources:			
Charges for service	\$2,541,653	2,528,200	13,453
Use of money and property	24,715	-	24,715
Net proceeds from long-term debt	316,987	-	316,987
Miscellaneous	<u>52,112</u>	<u>-</u>	<u>52,112</u>
Total receipts and other financing sources	<u>2,935,467</u>	<u>2,528,200</u>	<u>407,267</u>
Disbursements:			
Business type activities	2,288,108	2,433,200	(145,092)
Debt service	<u>770,000</u>	<u>95,000</u>	<u>675,000</u>
Total disbursements	<u>3,058,108</u>	<u>2,528,200</u>	<u>529,908</u>
Excess of disbursements over receipts and other financing sources	(122,641)	-	(122,641)
Balances, beginning of year	<u>1,565,000</u>	<u>1,565,000</u>	<u>-</u>
Balances, end of year	<u>\$1,442,359</u>	<u>1,565,000</u>	<u>(122,641)</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2011

	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues, including interest income	\$2,618,480	30,712	2,649,192
Expenditures, expenses, including interest expense	<u>2,288,108</u>	<u>(229,519)</u>	<u>2,517,627</u>
Net	330,372	(198,807)	131,565
Other financing sources, net	316,987	(316,987)	-
Principal payments on debt	<u>(770,000)</u>	<u>770,000</u>	<u>-</u>
Net change in net assets	(122,641)	254,206	131,565
Beginning net assets	<u>1,565,000</u>	<u>2,904,087</u>	<u>4,469,087</u>
Ending net assets	<u>\$1,442,359</u>	<u>3,158,293</u>	<u>4,600,652</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2011

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Production:		
Purchased Power	\$1,601,257	1,477,187
Depreciation	113,902	112,017
Fuel and Supplies	<u>13,923</u>	<u>20,748</u>
	<u>1,729,082</u>	<u>1,609,952</u>
Transmission and Distribution:		
Labor:		
Line and Station	301,122	226,183
Meter Reading	7,974	8,962
Pension (IPERS)	16,255	15,113
Payroll Taxes	17,445	17,050
Line and Station Supplies	2,891	7,601
Customer Installation	67	470
Transportation	17,782	8,495
Maintenance	32,815	32,628
Depreciation	73,958	58,241
Other	<u>218</u>	<u>3,240</u>
	<u>470,527</u>	<u>377,983</u>
General and Administrative:		
Salaries	54,547	53,696
Office Supplies	3,088	5,577
Professional Fees	14,234	15,126
Insurance, Property and Liability	36,995	35,403
Pension (IPERS)	3,636	3,392
Group Health Insurance	63,772	63,458
Payroll Taxes	3,966	3,913
Utilities	677	650
Telephone	5,948	5,841
Uncollectable Accounts	(1,116)	3,397
Software Maintenance	8,884	11,040
Depreciation	59,758	75,990
Amortization	16,466	2,321
Other	<u>9,461</u>	<u>19,216</u>
	<u>280,316</u>	<u>299,020</u>
	<u>\$2,479,925</u>	<u>2,286,955</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Unaudited Schedule of Insurance Coverage

June 30, 2011

<u>Name of Insurer</u>	<u>Type of Coverage</u>	<u>Property Insured</u>
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	Buildings and contents
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	4/30/11
1,000,000	4/30/11
	4/30/11
1,000,000	
7,753,074	4/30/11
3,000,000	4/30/11
500,000	4/30/11
40,000	4/30/11
100,000	4/30/11

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, 2011, and have issued our report thereon, dated August 22, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards, and 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.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Item 11-II-A that we consider to be significant deficiencies in internal control over financial reporting. 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.

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.

Compliance and Other Matters, continued

Comments involving statutory and other legal matters about the System's operations for the year ended June 30, 2011 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.

Anderson, Lower, Whitlow, P.C.

Bettendorf, Iowa
August 22, 2011

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Schedule of Findings

Year Ended June 30, 2011

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

11-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

11-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, 2011.

11-III-B: Certified Budget

Disbursements for the year ended June 30, 2011 exceeded the approved budget amounts due to the early redemption of the Systems' Series 2002 Revenue Bonds. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Schedule of Findings

Year Ended June 30, 2011

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

11-III-B: Certified Budget, continued

Recommendations: Although the System did conduct a public hearing regarding the early redemption of the Series 2002 bonds and the Board formally adopted a resolution to redeem the bonds, the budget should also have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response and Corrective Action Planned: The budget will be amended in the future, if appropriate.

11-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.

11-III-D: Travel Expense

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

11-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.

11-III-F: Surety Bond Coverage

Surety bond coverage of System officials and employees is in accordance with statutory provisions, under a blanket insurance policy. The amount of coverage should be reviewed annually to insure that coverage is adequate.

11-III-G: Board Minutes

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

11-III-H: Temporary Investments

The System invests excess cash in temporary investments as approved by the Board of Trustees. During the year ended June 30, 2011, the System earned \$32,083 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.

11-III-I: Revenue Bonds

No instances of non-compliance with the provisions of the Series 2011 and 2002 bond resolutions were noted.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Schedule of Findings

Year Ended June 30, 2011

Section IV: Summary of Prior Findings

Item 10-II-A: Segregation of Duties (Significant Control Deficiencies)

Comment still valid. See current year findings 11-II-A.