

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Financial and Compliance Report

June 30, 2012 and 2011

**(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
Loren Smith	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, 2012 and 2011, 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, 2012 and 2011, 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 October 17, 2012 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 15 through 17 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 18 through 20, 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
November 26, 2012

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Management Discussion and Analysis (Unaudited)

Year Ended June 30, 2012

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, 2012. 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>2012</u>	<u>2011</u>
	(\$ in thousands)	
Cash and short-term investments	\$1,519	1,300
Total current assets	2,220	1,982
Total assets	5,277	5,214
Total current liabilities	429	399
Total liabilities	536	613
Total net assets	4,741	4,601
Operating revenues	2,641	2,617
Operating expenses	2,504	2,480
Operating income	138	137
Change in net assets	141	132

In 2011, 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 sixth year with 28 gardeners. All responses were very positive and the majority of last year's gardeners re-signed for this year. Gardeners can sign up on a first come, first served basis in the winter and use the area for personal gardens.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM
Management Discussion and Analysis (Unaudited), continued
Year Ended June 30, 2012

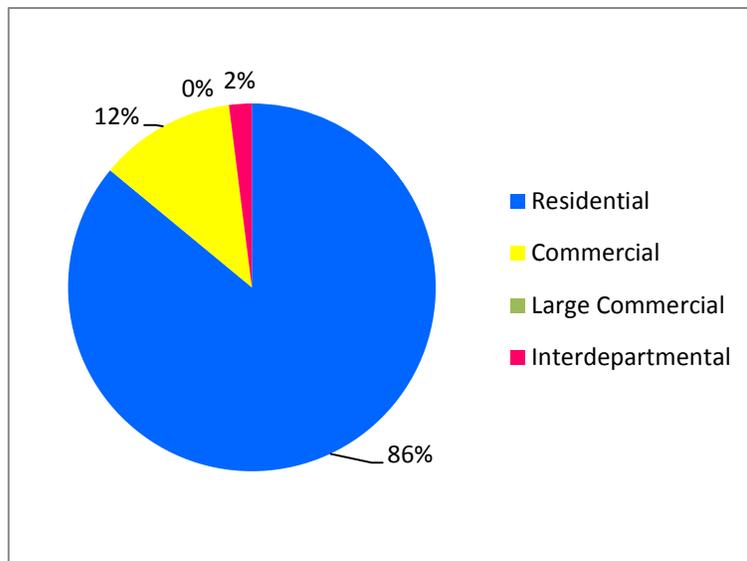
Revenues and Expenses (in Thousands of Dollars)



Customer Information

Wilton Municipal Customers

Residential	1,287	86%
Commercial	178	12%
Large Commercial	5	0%
Interdepartmental	<u>26</u>	<u>2%</u>
Total	<u>1,496</u>	<u>100%</u>



WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Balance Sheets

June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and short-term investments (note 2)	\$1,519,262	1,299,781
Restricted investments (note 3)	153,153	142,578
Receivables:		
Accounts, consumers (note 7)	222,924	228,503
Estimated unbilled usage	152,516	143,644
Accrued interest	<u>1,303</u>	<u>10,501</u>
	<u>376,743</u>	<u>382,648</u>
Inventories	128,943	115,929
Prepaid expenses	<u>41,814</u>	<u>41,155</u>
Total current assets	<u>2,219,915</u>	<u>1,982,091</u>
Non-current assets:		
Capital assets (note 4):		
Utility plant in service	7,935,454	7,887,115
Less accumulated depreciation	<u>4,879,644</u>	<u>4,657,083</u>
Net capital assets	3,055,810	3,230,032
Other assets - bond issue costs, net	<u>1,278</u>	<u>1,944</u>
Total non-current assets	<u>3,057,088</u>	<u>3,231,976</u>
Total assets	<u>\$5,277,003</u>	<u>5,214,067</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	179,405	164,543
Accrued expenses	111,308	104,598
Customer deposits	28,454	24,754
Current installments of long-term debt (note 5)	110,000	105,000
Accrued interest payable	<u>281</u>	<u>366</u>
Total current liabilities	429,448	399,261
Non-current liabilities - long term debt, net of current installments (note 5)	<u>106,158</u>	<u>214,154</u>
Total liabilities	<u>535,606</u>	<u>613,415</u>
Commitments (note 10)		
Net assets:		
Invested in capital assets, net of related debt	2,839,652	2,910,878
Restricted	152,873	142,212
Unrestricted	<u>1,748,872</u>	<u>1,547,562</u>
Total net assets	<u>4,741,397</u>	<u>4,600,652</u>
Total liabilities and net assets	<u>\$5,277,003</u>	<u>5,214,067</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Electric sales	\$2,598,422	2,564,997
Other electric revenue	33,899	45,038
Other	8,511	7,074
	<u>2,640,832</u>	<u>2,617,109</u>
Operating expenses:		
Production – power costs	1,800,386	1,729,082
Transmission and distribution	424,301	470,527
General and administrative	279,407	280,316
	<u>2,504,094</u>	<u>2,479,925</u>
Operating income	<u>136,738</u>	<u>137,184</u>
Non-operating income (expense):		
Interest expense	(4,660)	(37,702)
Interest income	8,667	32,083
	<u>4,007</u>	<u>(5,619)</u>
Change in net assets	140,745	131,565
Net assets at beginning of year	<u>4,600,652</u>	<u>4,469,087</u>
Net assets at end of year	<u>\$4,741,397</u>	<u>4,600,652</u>

See accompanying notes to financial statements.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from electric sales	\$2,595,128	2,541,653
Cash received from other electric revenues	42,410	52,112
Cash paid for purchased power	(1,660,995)	(1,584,836)
Cash paid to suppliers	(196,107)	(155,590)
Cash paid for employee payroll, taxes and benefits	(410,161)	(395,345)
Net cash provided by operating activities	<u>370,275</u>	<u>457,994</u>
Cash flows from noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(48,339)	(112,156)
Proceeds received from issuance of revenue bond, net of \$-0- discount in 2012 and \$6,031 discount in 2011	-	318,987
Principal payments on long-term debt	(105,000)	(770,000)
Bond issuance cost	-	(2,000)
Interest paid	(4,745)	(40,181)
Net cash used in capital and related financing activities	<u>(158,084)</u>	<u>(605,350)</u>
Cash flows from investing activities:		
Interest received	<u>17,865</u>	<u>24,715</u>
Increase (decrease) in cash and cash equivalents	230,056	(122,641)
Cash and cash equivalents at beginning of year	<u>1,442,359</u>	<u>1,565,000</u>
Cash and cash equivalents at end of year	<u>\$1,672,415</u>	<u>1,442,359</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	136,738	137,184
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	225,231	264,084
Increase in consumer accounts and unbilled usage receivables	(3,293)	(23,344)
Increase in inventories	(13,014)	(981)
Increase in prepaid expenses	(659)	(2,325)
Increase in accounts payable and accrued expenses, other than interest	21,572	86,522
Increase (decrease) in customer deposits	3,700	(3,146)
Net cash provided by operating activities	<u>\$ 370,275</u>	<u>457,994</u>

See accompanying notes to financial statements.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Financial Statements

June 30, 2012 and 2011

(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.

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

(h) Net Assets, continued

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”.

(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, 2012 and 2011 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, 2012 and 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, 2012 and 2011 consist of cash held in checking accounts and certificates of deposit with remaining maturities ranging from six to twenty-four months as follows:

	<u>2012</u>	<u>2011</u>
Cash-checking accounts	\$ 517,617	519,831
Cash-money market account	16,417	16,383
Cash-savings account	325,105	203,444
Certificates of deposit	660,000	560,000
Petty cash	123	123
	<u>\$1,519,262</u>	<u>1,299,781</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Financial Statements

(2) Cash and Short-Term Investments, continued

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.

(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>2012</u>	<u>2011</u>
Bond sinking fund	\$ 20,653	10,078
Bond reserve fund	32,500	32,500
Improvement and extension fund	<u>100,000</u>	<u>100,000</u>
	<u>\$153,153</u>	<u>142,578</u>

(4) Capital Assets

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

	<u>2012</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land and land rights*	\$ 27,811	-	-	27,811
Production plant	3,850,735	-	-	3,850,735
Transmission plant	704,299	-	-	704,299
Distribution plant	2,236,034	25,525	-	2,261,559
General plant	<u>1,068,236</u>	<u>22,814</u>	-	<u>1,091,050</u>
Total capital assets being depreciated	<u>7,859,304</u>	<u>48,339</u>	-	<u>7,907,643</u>
 Total utility plant in service	 <u>\$7,887,115</u>	 <u>48,339</u>	 -	 <u>7,935,454</u>
 Less accumulated depreciation:				
Production plant	1,977,520	114,074	-	2,091,594
Transmission plant	620,397	9,904	-	630,301
Distribution plant	1,365,161	52,038	-	1,417,199
General plant	<u>694,005</u>	<u>46,545</u>	-	<u>740,550</u>
Total accumulated depreciation	<u>4,657,083</u>	<u>222,561</u>	-	<u>4,879,644</u>
 Net utility plant capital assets	 <u>\$3,230,032</u>			 <u>3,055,810</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Financial Statements

(4) Capital Assets, continued

	2011			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land and land rights*	\$ 27,811	-	-	27,811
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	1,060,960	7,276	-	1,068,236
Total capital assets being depreciated	<u>7,747,148</u>	<u>112,156</u>	<u>-</u>	<u>7,859,304</u>
 Total utility plant in service	 <u>\$7,774,959</u>	 <u>112,156</u>	 <u>-</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	634,246	59,759	-	694,005
Total accumulated depreciation	<u>4,409,465</u>	<u>247,618</u>	<u>-</u>	<u>4,657,083</u>
 Net utility plant capital assets	 <u>\$3,365,494</u>			 <u>3,230,032</u>

*Capital assets not being depreciated.

(5) Long-Term Debt

A summary of long-term debt and related activity for the years ended June 30, 2012 and 2011 as follows:

	Balance June 30, 2010	<u>Borrowings</u>	Payments/ Amortization	Balance June 30, 2011	<u>Borrowings</u>	Payments/ Amortization	Balance June 30, 2012
Series 2002 revenue bonds	\$770,000	-	(770,000)	-	-	-	-
Series 2011 electric revenue refunding bonds	-	325,000	-	325,000	-	105,000	220,000
Less unamortized discount	<u>11,760</u>	<u>6,215</u>	<u>12,109</u>	<u>5,846</u>	<u>-</u>	<u>2,004</u>	<u>3,842</u>
Total long-term debt, net	758,240	<u>318,785</u>	<u>(757,891)</u>	319,154	<u>-</u>	<u>107,004</u>	216,158
Less current installments	<u>95,000</u>			<u>105,000</u>			<u>110,000</u>
Total long-term debt, net, excluding current installments	<u>\$663,240</u>			<u>214,154</u>			<u>106,158</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.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Financial Statements

(5) Long-Term Debt, continued

The Series 2011 bonds are secured by net revenues of the System and mature and bear interest as follows:

<u>Maturity Date</u> <u>Serial Bonds: June 1,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2013	\$110,000	1.30%
2014	<u>110,000</u>	1.75
	<u>\$220,000</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>2012</u>	<u>2011</u>	<u>2010</u>
Employer contribution percentage	6.95%	6.95%	6.65%
Employee contribution percentage	4.50%	4.50%	4.30%
Employer expense	<u>\$23,817</u>	<u>\$19,891</u>	<u>\$18,505</u>

(7) Significant Customers

Electric sales to a major customer amounted to \$331,264 and \$337,050 for the years ended June 30, 2012 and 2011, respectively, and consumer accounts receivable include \$26,768 and \$31,053 due from that major customer as of June 30, 2012 and 2011, respectively. Although the System's customers are primarily residential users, approximately 24% and 25% of the System's electric sales for the years ended June 30, 2012 and 2011, 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.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Financial Statements

(10) **Commitments**

The System purchases power under a purchase power agreement with Eastern Iowa Light and Power Cooperative which expires in 2018. Total power purchased under the agreement amounted to \$1,668,357 in 2012 and \$1,601,257 in 2011.

(11) **New 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. 62, "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, 2012

	<u>Actual</u>	<u>Budget Amount</u>	<u>Variance</u>
Receipts and other financing sources:			
Charges for service	\$2,595,128	2,662,300	(67,172)
Use of money and property	17,865	-	17,865
Miscellaneous	42,410	-	42,410
Total receipts and other financing sources	<u>2,655,403</u>	<u>2,662,300</u>	<u>(6,897)</u>
Disbursements:			
Business type activities	2,320,347	2,557,300	(236,953)
Debt service	105,000	105,000	-
Total disbursements	<u>2,425,347</u>	<u>2,662,300</u>	<u>(236,953)</u>
Excess of disbursements over receipts and other financing sources	230,056	-	230,056
Balances, beginning of year	<u>1,442,359</u>	<u>1,442,359</u>	<u>-</u>
Balances, end of year	<u>\$1,672,415</u>	<u>1,442,359</u>	<u>230,056</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM
Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2012

	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues, including interest income	\$2,655,403	(5,904)	2,649,499
Expenditures, expenses, including interest expense	<u>2,320,347</u>	<u>(188,407)</u>	<u>2,508,754</u>
Net	335,056	(194,311)	140,745
Other financing sources, net	-	-	-
Principal payments on debt	<u>(105,000)</u>	<u>105,000</u>	<u>-</u>
Net change in net assets	230,056	(89,311)	140,745
Beginning net assets	<u>1,442,359</u>	<u>3,158,293</u>	<u>4,600,652</u>
Ending net assets	<u>\$1,672,415</u>	<u>3,068,982</u>	<u>4,741,397</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2012

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Production:		
Purchased Power	\$1,668,357	1,601,257
Depreciation	114,074	113,902
Fuel and Supplies	<u>17,955</u>	<u>13,923</u>
	<u>1,800,386</u>	<u>1,729,082</u>
Transmission and Distribution:		
Labor:		
Line and Station	244,530	301,122
Meter Reading	7,585	7,974
Pension (IPERS)	19,403	16,255
Payroll Taxes	18,044	17,445
Line and Station Supplies	4,998	2,891
Customer Installation	1,944	67
Transportation	15,108	17,782
Maintenance	50,747	32,815
Depreciation	61,942	73,958
Other	-	218
	<u>424,301</u>	<u>470,527</u>
General and Administrative:		
Salaries	53,921	54,547
Office Supplies	4,835	3,088
Professional Fees	10,702	14,234
Insurance, Property and Liability	33,490	36,995
Pension (IPERS)	4,414	3,636
Group Health Insurance	66,258	63,772
Payroll Taxes	4,016	3,966
Utilities	773	677
Telephone	5,847	5,948
Uncollectable Accounts	16,602	(1,116)
Software Maintenance	11,814	8,884
Depreciation	46,545	59,758
Amortization	2,670	16,466
Other	<u>17,520</u>	<u>9,461</u>
	<u>279,407</u>	<u>280,316</u>
	<u>\$2,504,094</u>	<u>2,479,925</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Unaudited Schedule of Insurance Coverage

June 30, 2012

<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	4-30-2012
1,000,000	4-30-2012
1,000,000	4-30-2012
7,753,074	4-30-2012
3,000,000	4-30-2012
500,000	4-30-2012
40,000	4-30-2012
50,000	4-30-2012

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, 2012, and have issued our report thereon, dated November 26, 2012. 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 weaknesses, 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 12-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, 2012 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
November 26, 2012

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Schedule of Findings

Year Ended June 30, 2012

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

12-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

12-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, 2012.

12-III-B: Certified Budget

Disbursements for the year ended June 30, 2012 did not exceed the approved budget

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Schedule of Findings

Year Ended June 30, 2012

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

12-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.

12-III-D: Travel Expense

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

12-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.

12-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.

12-III-G: Board Minutes

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

12-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, 2012, the System earned \$8,667 in interest on investments in certificates of deposit. No instances of non-compliance with the investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.

12-III-I: Revenue Bonds

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

Section IV: Summary of Prior Findings

Item 11-II-A: Segregation of Duties (Significant Control Deficiencies)

Comment still valid. See current year findings 12-II-A.