

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Financial and Compliance Report

June 30, 2013 and 2012

**(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>	<u>Term Expires</u>
Mark Knouse	Utility Board Trustee, Chairman	August 2013
Vickie Lenker	Utility Board Trustee	August 2017
Lorna Jaspersen	Utility Board Trustee, Chairman ProTem	August 2015
Rick Janney	Utility Board Trustee	August 2013
Cory Garvin	Utility Board Trustee	August 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:

Report on the Financial Statements

We have audited the accompanying financial statements of Wilton Municipal Light and Power System, which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wilton Municipal Light and Power System as of June 30, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 5 and 16 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the System's financial statements. The supplementary information presented on pages 19 through 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2013, on our consideration of Wilton Municipal Light and Power System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Wilton Municipal Light and Power System's internal control over financial reporting and compliance.

Anderson, Lower, Whitlow, P.C.

Bettendorf, Iowa
November 11, 2013

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Management Discussion and Analysis (Unaudited)

Year Ended June 30, 2013

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, 2013. 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>2013</u>	<u>2012</u>
	(\$ in thousands)	
Cash and short-term investments	\$1,521	1,519
Total current assets	2,175	2,220
Total assets	5,332	5,277
Total current liabilities	400	429
Total liabilities	400	536
Total net position	4,931	4,741
Operating revenues	2,529	2,641
Operating expenses	2,351	2,504
Operating income	178	138
Change in net position	190	141

During fiscal year ending June 30, 2013, we incurred a major outage as a result of a bird flying into the buss at our main substation. We were able to repair the damage with minimum assistance from contractors. Most of the repairs were covered by our insurance.

As a result of new EPA mandates, we updated the exhaust systems of our generators and added catalytic convertors at a cost of \$289,324. This will extend the life of the exhaust system by 30-40 years.

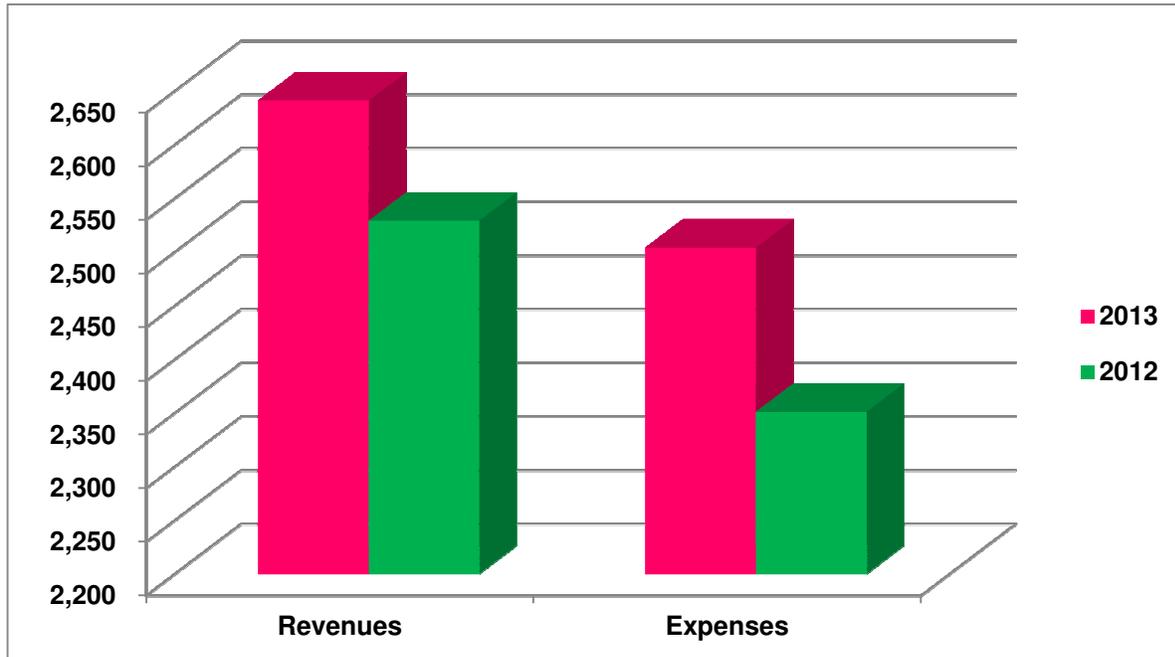
We hired an outside consultant to review our rates. The result was our rates are adequate at this time, but should be monitored with the software that we purchased from MGT of America.

Breaker and relay testing took place as well as pole change outs and tree trimming.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM
Management Discussion and Analysis (Unaudited), continued

Year Ended June 30, 2013

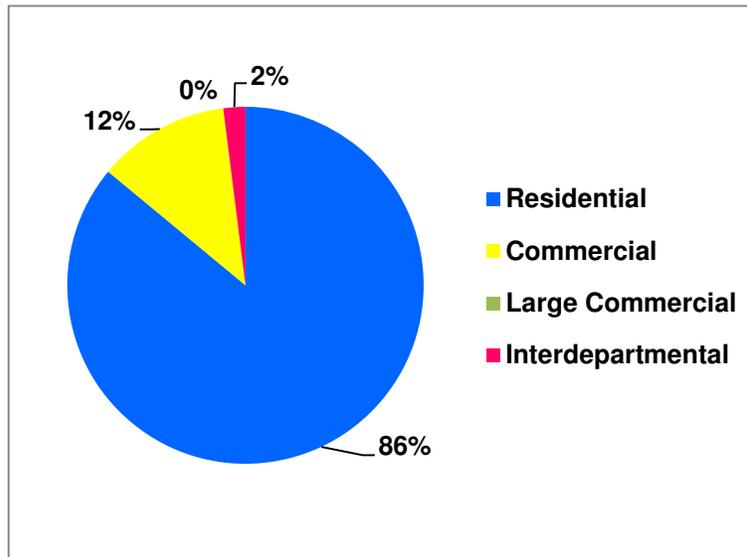
Revenues and Expenses (in Thousands of Dollars)



Customer Information

Wilton Municipal Customers

Residential	1,286	86%
Commercial	175	12%
Large Commercial	5	0%
Interdepartmental	27	2%
Total	<u>1,493</u>	<u>100%</u>



WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Statements of Net Position

June 30, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and short-term investments (note 2)	\$1,521,353	1,519,262
Restricted investments (note 3)	153,582	153,153
Receivables:		
Accounts, consumers (note 7)	207,032	222,924
Estimated unbilled usage	125,218	152,516
Accrued interest	<u>1,303</u>	<u>1,303</u>
	<u>333,553</u>	<u>376,743</u>
Inventories	120,727	128,943
Prepaid expenses	<u>45,561</u>	<u>41,814</u>
Total current assets	<u>2,174,776</u>	<u>2,219,915</u>
Non-current assets:		
Capital assets (note 4):		
Utility plant in service	8,257,339	7,935,454
Less accumulated depreciation	<u>5,100,412</u>	<u>4,879,644</u>
Net capital assets	<u>3,156,927</u>	<u>3,055,810</u>
Other assets - bond issue costs, net	<u>-</u>	<u>1,278</u>
Total non-current assets	<u>3,156,927</u>	<u>3,057,088</u>
Total assets	<u>\$5,331,703</u>	<u>5,277,003</u>
<u>Liabilities and Net Position</u>		
Current liabilities:		
Accounts payable	155,855	179,405
Accrued expenses	105,160	111,308
Customer deposits	29,108	28,454
Current installments of long-term debt (note 5)	110,000	110,000
Accrued interest payable	<u>160</u>	<u>281</u>
Total current liabilities	<u>400,283</u>	<u>429,448</u>
Non-current liabilities - long term debt, net of current installments (note 5)	<u>-</u>	<u>106,158</u>
Total liabilities	<u>400,283</u>	<u>535,606</u>
Commitments (note 10)		
Net position:		
Invested in capital assets, net of related debt	3,046,927	2,839,652
Restricted for debt service (note 3)	153,582	152,873
Unrestricted	<u>1,730,911</u>	<u>1,748,872</u>
Total net position	<u>4,931,420</u>	<u>4,741,397</u>
Total liabilities and net position	<u>\$5,331,703</u>	<u>5,277,003</u>

See accompanying notes to financial statements.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

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

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Electric sales (note 7)	\$2,504,186	2,598,422
Other electric revenue	18,140	33,899
Other	6,649	8,511
	<u>2,528,975</u>	<u>2,640,832</u>
Operating expenses:		
Production – power costs (note 10)	1,823,355	1,800,386
Transmission and distribution	302,684	424,301
General and administrative	224,502	279,407
	<u>2,350,541</u>	<u>2,504,094</u>
Operating income	<u>178,434</u>	<u>136,738</u>
Non-operating income (expense):		
Interest expense	(3,236)	(4,660)
Interest income	14,825	8,667
	<u>11,589</u>	<u>4,007</u>
Change in net position	190,023	140,745
Net position at beginning of year	<u>4,741,397</u>	<u>4,600,652</u>
Net position at end of year	<u>\$4,931,420</u>	<u>4,741,397</u>

See accompanying notes to financial statements.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from electric sales	\$2,547,377	2,595,128
Cash received from other electric revenues	24,789	42,410
Cash paid for purchased power	(1,588,571)	(1,660,995)
Cash paid to suppliers	(191,405)	(196,107)
Cash paid for employee payroll, taxes and benefits	(369,253)	(410,161)
Net cash provided by operating activities	<u>422,937</u>	<u>370,275</u>
Cash flows from noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(321,885)	(48,339)
Principal payments on long-term debt	(110,000)	(105,000)
Interest paid	(3,357)	(4,745)
Net cash used in capital and related financing activities	<u>(435,242)</u>	<u>(158,084)</u>
Cash flows from investing activities:		
Interest received	<u>14,825</u>	<u>17,865</u>
Increase in cash and cash equivalents	2,520	230,056
Cash and cash equivalents at beginning of year	<u>1,672,415</u>	<u>1,442,359</u>
Cash and cash equivalents at end of year	<u>\$1,674,935</u>	<u>1,672,415</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	178,434	136,738
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	225,888	225,231
Increase (decrease) in consumer accounts and unbilled usage receivables	43,190	(3,293)
Increase (decrease) in inventories	8,216	(13,014)
Increase in prepaid expenses	(3,747)	(659)
Increase (decrease) in accounts payable and accrued expenses, other than interest	(29,698)	21,572
Increase in customer deposits	654	3,700
Net cash provided by operating activities	<u>\$ 422,937</u>	<u>370,275</u>

See accompanying notes to financial statements.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Financial Statements

June 30, 2013 and 2012

(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.

In 2013, the System adopted GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" (GASB 62). GASB 62 incorporates into GASB's authoritative literature certain accounting and reporting guidance reflected in various FASB and AICPA pronouncements issued on or before November 30, 1989 which do not conflict or contradict other GASB pronouncements. There was no impact on the System's financial statements as a result of adopting GASB 62.

In 2013, the System also adopted GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" (GASB 63) which provides guidance on presenting deferred inflows and outflows and related impact on net position. This adoption of GASB 63 did not have a significant effect on the System's financial statements other than a change in presentation.

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

(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.

(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. The unamortized bond costs were written off in 2013 in connection with the adoption of GASB 63.

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 Position

GASB 34 requires the classification of net position 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 position 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 position 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 position – This component of net position 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, 2013 and 2012 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, 2013 and 2012 is included in accrued expenses in the financial statements.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to 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, 2013 and 2012 consist of cash held in checking accounts and certificates of deposit with remaining maturities ranging from six to twenty-four months as follows:

	<u>2013</u>	<u>2012</u>
Cash-checking accounts	\$ 597,627	517,617
Cash-money market account	16,430	16,417
Cash-savings account	247,173	325,105
Certificates of deposit	660,000	660,000
Petty cash	123	123
	<u>\$1,521,353</u>	<u>1,519,262</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.

(3) Restricted Investments

Restricted investments consist of cash and certificates of deposit with remaining maturities up to eighteen 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>2013</u>	<u>2012</u>
Bond sinking fund	\$ 21,082	20,653
Bond reserve fund	32,500	32,500
Improvement and extension fund	100,000	100,000
	<u>\$153,582</u>	<u>153,153</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Financial Statements

(4) Capital Assets

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

	2013			
	<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	298,634	-	4,149,369
Transmission plant	704,299	-	-	704,299
Distribution plant	2,261,559	8,073	-	2,269,632
General plant	<u>1,091,050</u>	<u>15,178</u>	-	<u>1,106,228</u>
Total capital assets being depreciated	<u>7,907,643</u>	<u>321,885</u>	-	<u>8,229,528</u>
 Total utility plant in service	 <u>\$7,935,454</u>	 <u>321,885</u>	 -	 <u>8,257,339</u>
 Less accumulated depreciation:				
Production plant	2,091,594	115,003	-	2,206,597
Transmission plant	630,301	9,623	-	639,924
Distribution plant	1,417,199	52,103	-	1,469,302
General plant	<u>740,550</u>	<u>44,039</u>	-	<u>784,589</u>
Total accumulated depreciation	<u>4,879,644</u>	<u>220,768</u>	-	<u>5,100,412</u>
 Net utility plant capital assets	 <u>\$3,055,810</u>			 <u>3,156,927</u>
	2012			
	<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>

*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, 2013 and 2012 as follows:

	<u>Balance</u> <u>June 30,</u> <u>2011</u>	<u>Borrowings</u>	<u>Payments/</u> <u>Amortization</u>	<u>Balance</u> <u>June 30,</u> <u>2012</u>	<u>Borrowings</u>	<u>Payments/</u> <u>Amortization</u>	<u>Balance</u> <u>June 30,</u> <u>2013</u>
Series 2011 electric revenue refunding bonds	\$325,000	-	105,000	220,000	-	110,000	110,000
Less unamortized discount	<u>5,846</u>	<u>-</u>	<u>2,004</u>	<u>3,842</u>	<u>-</u>	<u>3,842</u>	<u>-</u>
Total long-term debt, net	319,154	<u>-</u>	<u>102,996</u>	216,158	<u>-</u>	<u>106,158</u>	110,000
Less current installments	<u>105,000</u>			<u>110,000</u>			<u>110,000</u>
Total long-term debt, net, excluding current installments	<u>\$214,154</u>			<u>106,158</u>			<u>-</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>
<u>Serial Bonds: June 1,</u> 2014	<u>\$110,000</u>	1.75%

The bond indentures relating to the Series 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>2013</u>	<u>2012</u>	<u>2011</u>
Employer contribution percentage	8.67%	6.95%	6.95%
Employee contribution percentage	5.78%	4.50%	4.50%
Employer expense	<u>\$22,238</u>	<u>\$23,817</u>	<u>\$19,891</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Financial Statements

(7) **Significant Customers**

Electric sales to a major customer amounted to \$282,968 and \$331,264 for the years ended June 30, 2013 and 2012, respectively, and consumer accounts receivable include \$24,767 and \$26,768 due from that major customer as of June 30, 2013 and 2012, respectively. Although the System's customers are primarily residential users, approximately 24% of the System's electric sales for each of the years ended June 30, 2013 and 2012 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 2018. Total power purchased under the agreement amounted to \$1,567,849 in 2013 and \$1,668,357 in 2012.

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, 2013

	<u>Actual</u>	<u>Budget Amount</u>	<u>Variance</u>
Receipts and other financing sources:			
Charges for service	\$2,547,377	2,756,400	(209,023)
Use of money and property	14,825	-	14,825
Miscellaneous	24,789	-	24,789
Total receipts and other financing sources	<u>2,586,991</u>	<u>2,756,400</u>	<u>(169,409)</u>
Disbursements:			
Business type activities	2,474,471	2,646,400	(171,929)
Debt service	110,000	110,000	-
Total disbursements	<u>2,584,471</u>	<u>2,756,400</u>	<u>(171,929)</u>
Excess of receipts and other financing sources over disbursements	2,520	-	2,520
Balances, beginning of year	<u>1,672,415</u>	<u>1,672,415</u>	<u>-</u>
Balances, end of year	<u>\$1,674,935</u>	<u>1,672,415</u>	<u>2,520</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM
Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2013

	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues, including interest income	\$2,586,991	(43,191)	2,543,800
Expenditures, including interest expense	<u>2,474,471</u>	<u>(120,694)</u>	<u>2,353,777</u>
Net	112,520	77,503	190,023
Other financing sources, net	-	-	-
Principal payments on debt	<u>(110,000)</u>	<u>110,000</u>	<u>-</u>
Net change in net position	2,520	187,503	190,023
Beginning net position	<u>1,672,415</u>	<u>3,068,982</u>	<u>4,741,397</u>
Ending net position	<u>\$1,674,935</u>	<u>3,256,485</u>	<u>4,931,420</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2013

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Production:		
Purchased Power	\$1,567,849	1,668,357
Depreciation	115,002	114,074
Fuel and Supplies	<u>34,738</u>	<u>17,955</u>
	<u>1,717,589</u>	<u>1,800,386</u>
Transmission and Distribution:		
Labor:		
Line and Station	201,229	244,530
Meter Reading	6,121	7,585
Pension (IPERS)	17,280	19,403
Payroll Taxes	15,076	18,044
Line and Station Supplies	1,276	4,998
Customer Installation	2,507	1,944
Transportation	19,413	15,108
Maintenance	39,782	50,747
Depreciation	<u>61,726</u>	<u>61,942</u>
	<u>364,410</u>	<u>424,301</u>
General and Administrative:		
Salaries	56,404	53,921
Office Supplies	8,619	4,835
Professional Fees	10,310	10,702
Insurance, Property and Liability	41,382	33,490
Pension (IPERS)	4,958	4,414
Group Health Insurance	59,585	66,258
Payroll Taxes	4,189	4,016
Utilities	923	773
Telephone	6,129	5,847
Uncollectable Accounts	3,829	16,602
Software Maintenance	10,723	11,814
Depreciation	44,040	46,545
Amortization	5,119	2,670
Other	<u>12,332</u>	<u>17,520</u>
	<u>268,542</u>	<u>279,407</u>
	<u>\$2,350,541</u>	<u>2,504,094</u>

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Unaudited Schedule of Insurance Coverage

June 30, 2013

<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	Commercial general 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	April 30, 2014
2,000,000	April 30, 2014
1,000,000	April 30, 2014
9,010,650	April 30, 2014
3,000,000	April 30, 2014
500,000	April 30, 2014
25,000	April 30, 2014
100,000	April 30, 2014

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:

We have audited, 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, the financial statements of Wilton Municipal Light and Power System, which comprise the statement of net position as of June 30, 2013, and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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.

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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Item 13-II-A that we consider to be significant deficiencies in internal control over financial reporting.

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, 2013 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance Government Auditing Standards in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, Lower, Whitlow, P.C.

Bettendorf, Iowa
November 11, 2013

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Schedule of Findings

Year Ended June 30, 2013

Section I: Summary of the Independent Auditor's Results

- (a) An unmodified 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

13-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

13-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, 2013.

13-III-B: Certified Budget

Disbursements for the year ended June 30, 2013 did not exceed the approved budget.

WILTON MUNICIPAL LIGHT AND POWER SYSTEM

Schedule of Findings

Year Ended June 30, 2013

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

13-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.

13-III-D: Travel Expense

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

13-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.

13-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.

13-III-G: Board Minutes

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

13-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, 2013, the System earned \$14,825 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.

13-III-I: Revenue Bonds

No instances of noncompliance with the provisions of the Series 2011 bond resolutions were noted.

Section IV: Summary of Prior Findings

Item 12-II-A: Segregation of Duties (Significant Control Deficiencies)

Comment still valid. See current year findings 13-II-A.