



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ March 10, 2005 _____

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515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Wilton, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$3,025,780 for the year ended June 30, 2004. The receipts included \$927,670 in property tax, \$506,340 from tax increment financing, \$734,320 from charges for service, \$305,957 from operating grants, contributions and restricted interest, \$51,883 from capital grants, contributions and restricted interest, \$264,854 from local option sales tax, \$52,937 from unrestricted interest on investments and \$181,819 from other general receipts.

Disbursements for the year totaled \$3,016,633, and included \$666,540 for debt service, \$541,199 for public works and \$457,701 for public safety. Also, disbursements for business type activities totaled \$862,918.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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CITY OF WILTON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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City of Wilton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Kenneth P. Lincoln	Mayor	Jan 2004
Richard L. Garrison	Mayor Pro tem	Jan 2004
George W. Freeland	Council Member	Jan 2004
Ted Glenney	Council Member	Jan 2004
Troy Bronner	Council Member	Resigned
Mark Lucas II	Council Member	Jan 2006
(After January 2004)		
Dick Summy	Mayor	Jan 2006
Mark Lucas II	Mayor Pro tem	Jan 2006
Keith Stanley (Elected)	Council Member	Jan 2006
Richard L. Garrison	Council Member	Jan 2008
George W. Freeland	Council Member	Jan 2008
Ted Glenney	Council Member	Jan 2008
Richard E. Wardenburg	Administrator	Oct 2004
Lori A. Brown	Clerk/Treasurer	Indefinite
Gerald Denning	Attorney	Indefinite

City of Wilton



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Wilton, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Wilton's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us. Our opinion insofar as it relates to the condensed financial information included in Note 12 for the discretely presented component unit is based on the report of the other auditor.

We conducted our audit 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 our audit and the report of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As described in Note 12, the City has chosen to present condensed financial information for its discretely presented component unit since complete financial statements of the component unit have been audited by another auditor and are available from the component unit. The report of the other auditor, dated July 26, 2004, expressed a qualified opinion on the financial statements for the failure to segregate municipal equity into its contributed capital and retained earnings components. The condensed financial information presented herein for the discretely presented component unit is not a presentation in accordance with U.S. generally accepted accounting principles, but has been derived from audited financial statements of the component unit.

In our opinion, the condensed financial information included in Note 12 for the discretely presented component unit is fairly presented, in all material respects, in relation to the financial statements of the Wilton Municipal Light and Power System as of and for the year ended June 30, 2004 from which the condensed financial information was derived.

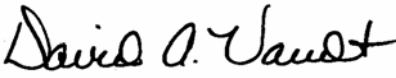
In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Wilton as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.


As described in Note 13, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2004 on our consideration of the City of Wilton’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Wilton’s basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the exclusion of the financial transactions of the Wilton Municipal Light and Power System which were on a different basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 16, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Wilton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental funds increased 1.7%, or approximately \$36,000, from fiscal 2003 to fiscal 2004. Property tax decreased approximately \$83,000.
- Disbursements of the City's governmental funds decreased 4.1%, or approximately \$92,000, in fiscal 2004 from fiscal 2003. General government disbursements decreased approximately \$500,000 due to the purchase of land in fiscal 2003. Public safety, public works and debt service increased approximately \$55,000, \$77,000 and \$265,000, respectively. The increase in debt service was due to the urban renewal project rebate agreements and the redemption of curb and gutter special assessment notes in fiscal 2004.
- The City's total cash basis net assets increased less than one percent, or \$9,147 from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased \$38,557 and the assets of the business type activities decreased by \$29,410.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

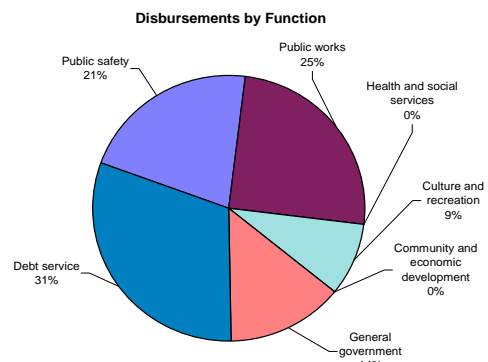
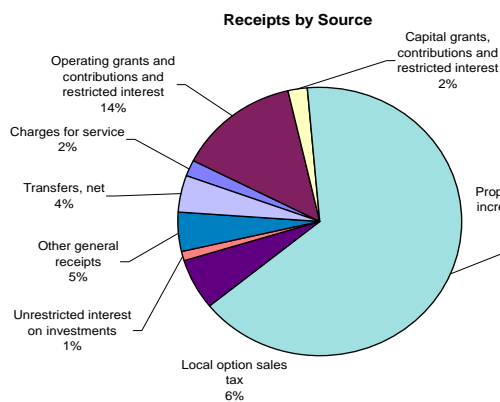
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2004
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 39,660
Operating grants, contributions and restricted interest	305,957
Capital grants, contributions and restricted interest	51,883
General receipts:	
Property tax and tax increment financing	1,434,010
Local option sales tax	132,427
Unrestricted interest on investments	25,408
Other general receipts	107,927
Transfers, net	95,000
Total receipts and transfers	<u>2,192,272</u>
Disbursements:	
Public safety	457,701
Public works	541,199
Health and social services	2,540
Culture and recreation	188,628
Community and economic development	1,969
General government	295,138
Debt service	666,540
Total disbursements	<u>2,153,715</u>
Increase in cash basis net assets	38,557
Cash basis net assets beginning of year	<u>1,746,107</u>
Cash basis net assets end of year	<u><u>\$ 1,784,664</u></u>



Total governmental activities receipts for the fiscal year were \$2,192,272. The cash balance increased by \$38,557 from the prior year as a result of more interest on investments, an increase in local option sales tax collections and reduced spending in fiscal 2004.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2004
Receipts:	
Program receipts:	
Water	\$ 220,327
Sewer	245,772
Garbage	228,561
General receipts:	
Local option sales tax	132,427
Unrestricted interest on investments	27,529
Miscellaneous	73,892
Total receipts	<u>928,508</u>
Disbursements and transfers:	
Water	348,593
Sewer	326,237
Garbage	188,088
Transfers, net	95,000
Total disbursements and transfers	<u>957,918</u>
Decrease in cash balance	(29,410)
Cash basis net assets beginning of year	<u>2,221,828</u>
Cash basis net assets end of year	<u>\$ 2,192,418</u>

Total business type activities receipts for the fiscal year were \$928,508. The cash balance decreased by \$29,410 from the prior year due to the northeast development project and replacement of the water main on Third Street.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Wilton completed the year, its governmental funds reported a combined fund balance of \$1,784,664, an increase of \$38,557 from last year's total of \$1,746,107. The following are the reasons for significant changes in cash balances of the major funds from the prior year.

- The General Fund cash balance decreased \$75,317 from the prior year to \$796,325. The decrease was due to the loss of state shared revenues.
- The Road Use Tax Fund cash balance decreased by over \$200,000 from the prior year to \$174,765. The decrease was due to the construction of a new street and storm sewer for the northeast development project.
- The Urban Renewal Tax Increment Fund cash balance increased by \$382,946 to \$427,666. This was due to completion of projects. In future years, we will turn back more valuation to the General Fund which will reduce collections.
- The Debt Service Fund cash balance decreased by \$57,800 to \$271,082 during fiscal 2004. This was due to the calling of special assessment debt during fiscal 2004.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The following are the reasons for significant changes in cash balances of the major funds from the prior year.

- The Water Fund cash balance decreased by \$104,616 to \$655,537 due primarily to capital projects disbursements for the new 6" water main for the northeast development project and a 6" water main replacing an old 2" main on 3rd Street.

- The Sewer Fund cash balance increased by \$43,562 to \$1,095,626 due to the allocation of local option sales tax to be used for future sewer improvement projects.
- The Garbage Fund cash balance increased by \$31,614 to \$441,225 due primarily to reduced spending.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget three times. The amendments were approved on October 27, 2003, April 26, 2004 and June 28, 2004 and resulted in increases of \$250,000, \$265,000 and \$209,000, respectively, in disbursements. The increases were due to street and storm sewer construction within the northeast development project, purchase of fire equipment and the Railroad Street project.

DEBT ADMINISTRATION

At June 30, 2004, the City had \$5,357,000 in bonds and other long-term debt, compared to approximately \$5,735,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2004	2003
General obligation notes	\$ 3,820,000	3,970,000
Special assessment bonds	-	160,000
Revenue bonds	1,537,000	1,605,000
Total	<u>\$ 5,357,000</u>	<u>5,735,000</u>

The City was able to pay off all of the special assessment notes due to a large fund balance in the Special Assessment Phase IV Fund and borrowing \$40,000 from the Water Revenue Fund. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,820,000 is about 73% of our constitutional debt limit of about \$5,200,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Wilton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for various City activities. One of those factors is the economy. The Wilton City Council believes the future of Wilton will continue to improve and grow. We are looking forward to the opening of the new Dollar General Store, CDS is planning an expansion and with the sale of the Stuhr building, we expect new jobs in the future. The community is also working to raise funds to build a new library/community center within the next few years.

The City did not raise the tax rates for the 2005 fiscal year due to an increase in valuation. However, we did raise the water rates to help supplement the General Fund.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$70,000 by the close of 2005.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Lori A. Brown, City Clerk, 104 E 4th Street, PO Box 27, Wilton, Iowa, 52778, or by phone at (563) 732-2115.

City of Wilton

Basic Financial Statements

City of Wilton

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2004

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 457,701	12,505	62,012	11,976
Public works	541,199	9,835	238,915	-
Health and social services	2,540	-	-	-
Culture and recreation	188,628	12,373	3,879	-
Community and economic development	1,969	-	-	-
General government	295,138	4,947	-	-
Debt service	666,540	-	1,151	39,907
Total governmental activities	2,153,715	39,660	305,957	51,883
Business type activities:				
Water	348,593	220,327	-	-
Sewer	326,237	245,772	-	-
Garbage	188,088	228,561	-	-
Total business type activities	862,918	694,660	-	-
Total	\$ 3,016,633	734,320	305,957	51,883
General Receipts:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(371,208)	-	(371,208)
(292,449)	-	(292,449)
(2,540)	-	(2,540)
(172,376)	-	(172,376)
(1,969)	-	(1,969)
(290,191)	-	(290,191)
(625,482)	-	(625,482)
(1,756,215)	-	(1,756,215)
-	(128,266)	(128,266)
-	(80,465)	(80,465)
-	40,473	40,473
-	(168,258)	(168,258)
(1,756,215)	(168,258)	(1,924,473)
523,815	-	523,815
506,340	-	506,340
403,855	-	403,855
132,427	132,427	264,854
25,408	27,529	52,937
107,927	73,892	181,819
95,000	(95,000)	-
1,794,772	138,848	1,933,620
38,557	(29,410)	9,147
1,746,107	2,221,828	3,967,935
\$ 1,784,664	2,192,418	3,977,082
\$ 174,765	-	174,765
427,666	-	427,666
271,082	60,810	331,892
911,151	2,131,608	3,042,759
\$ 1,784,664	2,192,418	3,977,082

City of Wilton

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 419,046	-	-
Tax increment financing	-	-	506,339
Other city tax	163,223	-	-
Licenses and permits	4,947	-	-
Use of money and property	24,922	-	434
Intergovernmental	98,165	238,915	-
Charges for service	14,456	-	-
Special assessments	-	-	-
Miscellaneous	21,179	4,634	-
Total receipts	745,938	243,549	506,773
Disbursements:			
Operating:			
Public safety	401,887	-	-
Public works	61,444	445,748	-
Health and social services	2,540	-	-
Culture and recreation	163,999	-	-
Community and economic development	1,969	-	-
General government	252,570	-	-
Debt service	-	-	123,827
Total disbursements	884,409	445,748	123,827
Excess (deficiency) of receipts over (under) disbursements	(138,471)	(202,199)	382,946
Other financing sources (uses):			
Sale of land	8,154	-	-
Operating transfers in	55,000	-	-
Total other financing sources (uses)	63,154	-	-
Net change in cash balances	(75,317)	(202,199)	382,946
Cash balances beginning of year	871,642	376,964	44,720
Cash balances end of year	\$ 796,325	174,765	427,666
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	796,325	-	-
Special revenue funds	-	174,765	427,666
Total cash basis fund balances	\$ 796,325	174,765	427,666

See notes to financial statements.

Debt Service	Nonmajor Governmental Funds	Total
394,441	88,927	902,414
-	-	506,339
9,414	2,741	175,378
-	-	4,947
1,151	3,647	30,154
-	-	337,080
-	-	14,456
39,907	-	39,907
-	52,630	78,443
444,913	147,945	2,089,118
-	55,814	457,701
-	34,007	541,199
-	-	2,540
-	24,629	188,628
-	-	1,969
-	42,568	295,138
542,713	-	666,540
542,713	157,018	2,153,715
(97,800)	(9,073)	(64,597)
-	-	8,154
40,000	-	95,000
40,000	-	103,154
(57,800)	(9,073)	38,557
328,882	123,899	1,746,107
271,082	114,826	1,784,664
271,082	-	271,082
-	-	796,325
-	114,826	717,257
271,082	114,826	1,784,664

City of Wilton

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds		
	Water	Sewer	Garbage
Operating receipts:			
Charges for service	\$ 198,260	242,106	206,161
Miscellaneous	14,573	3,667	22,399
Total operating receipts	212,833	245,773	228,560
Operating disbursements:			
Business type activities	274,731	326,238	188,088
Excess (deficiency) of operating receipts over (under) operating disbursements	(61,898)	(80,465)	40,472
Non-operating receipts (disbursements):			
Other city tax	-	132,427	-
Interest on investments	9,787	11,600	6,142
Intergovernmental	7,495	-	-
Total non-operating receipts (disbursements)	17,282	144,027	6,142
Excess (deficiency) of receipts over (under) disbursements	(44,616)	63,562	46,614
Operating transfers out	(60,000)	(20,000)	(15,000)
Net change in cash balances	(104,616)	43,562	31,614
Cash balances beginning of year	760,153	1,052,064	409,611
Cash balances end of year	\$ 655,537	1,095,626	441,225
Cash Basis Fund Balances			
Reserved for debt service	\$ -	60,810	-
Unreserved	655,537	1,034,816	441,225
Total cash basis fund balances	\$ 655,537	1,095,626	441,225

See notes to financial statements.

Nonmajor Fund -	
Electric Utility	
Sales Tax	Total
73,891	720,418
-	40,639
<u>73,891</u>	<u>761,057</u>
<u>73,861</u>	<u>862,918</u>
<u>30</u>	<u>(101,861)</u>
-	132,427
-	27,529
-	7,495
<u>-</u>	<u>167,451</u>
30	65,590
-	(95,000)
<u>30</u>	<u>(29,410)</u>
-	2,221,828
<u>30</u>	<u>2,192,418</u>
-	60,810
<u>30</u>	<u>2,131,608</u>
<u>30</u>	<u>2,192,418</u>

City of Wilton

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Wilton is a political subdivision of the State of Iowa located in Cedar and Muscatine Counties. It was first incorporated in 1855 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Wilton has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Blended Component Units

The Wilton Volunteer Fire Department, Friends of the Wilton Public Library and the Wilton Library Foundation are entities which are legally separate from the City but are so intertwined with the City that they are, in substance, the same as the City. They are reported as part of the City and blended into the nonmajor governmental funds.

Discretely Presented Component Unit

The Wilton Municipal Light and Power System (System) was established under Chapter 388 of the Code of Iowa to operate the City's electric utility. The System is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set by the Governmental Accounting Standards Board, the System meets the definition of a component unit which should be discretely presented. Condensed financial statements presented in Note 12 were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements can be obtained from the Wilton Municipal Light and Power System, 104 E. Fourth Street, Wilton, Iowa 52778.

Jointly Governed Organizations

The City participates in several jointly governed organizations for which the City is not financially accountable or the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of or appoint representatives to the following boards: Cedar and Muscatine County Assessor's Conference Boards, E911 Joint Service Board, Muscatine County Solid Waste Management Agency and Cedar County Solid Waste Commission.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental funds and proprietary funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage Fund accounts for the operation and maintenance of the City's solid waste disposal system.

C. Measurement Focus and Basis of Accounting

The City of Wilton maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 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 City 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 City Council; 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.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes and sewer revenue bonds are as follows:

Year Ending June 30,	General Obligation Notes		Sewer Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 160,000	216,380	71,000	60,250	231,000	276,630
2006	165,000	208,350	74,000	57,467	239,000	265,817
2007	170,000	199,937	77,000	54,566	247,000	254,503
2008	180,000	191,137	80,000	51,548	260,000	242,685
2009	190,000	181,697	83,000	48,412	273,000	230,109
2010 - 2014	1,120,000	742,252	464,000	190,786	1,584,000	933,038
2015 - 2020	1,835,000	405,416	688,000	97,412	2,523,000	502,828
Total	\$ 3,820,000	2,145,169	1,537,000	560,441	5,357,000	2,705,610

The resolution providing for the issuance of the sewer revenue bonds issued under a loan agreement between the City of Wilton, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. includes the following provisions:

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (3) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

(4) Pension and Retirement Benefits

The City 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.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$41,685, \$40,527 and \$38,696, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees, primarily relating to the General Fund, totaled \$20,000 at June 30, 2004. This liability has been computed based on rates of pay in effect at June 30, 2004.

(6) Industrial Development Revenue Bonds

The City has issued a total of \$5,900,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3,085,964 is outstanding at June 30, 2004. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(7) Urban Renewal Project Rebate Agreements

In prior years, the City entered into four tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental taxes paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of 15 years, beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. The agreements end by fiscal year 2015. The total amount that will be rebated in any fiscal year for the four tax increment financing agreements is based on the assessed value of the land and buildings less the frozen property values times the property tax values for the City, Muscatine County and the Wilton Community School District, less the portion attributable to debt service for that year (fiscal year 2004 adjusted rate of \$26.69). The total rebated during the year ended June 30, 2004 was \$123,827. The total cumulative amount rebated since the inception of the agreements was \$316,914.

(8) Risk Management

The City of Wilton is exposed to various risks of loss related to torts; theft, damage to and 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) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise:	
	Water	\$ 20,000
	Sewer	20,000
	Garbage	<u>15,000</u>
		55,000
Debt Service	Enterprise:	
	Water	<u>40,000</u>
Total		<u>\$ 95,000</u>

(10) Interfund Loan

During the year ended June 30, 2004, the Enterprise, Water Fund loaned \$40,000 to the Debt Service Fund to call the outstanding special assessment notes and interest. The loan bears no interest and is to be paid back as special assessment collections are received by the City. The unpaid balance at June 30, 2004 is \$40,000.

(11) Joint Venture

The City is a party to an agreement with the Wilton Community School District pursuant to Chapter 28E of the Code of Iowa to operate the public swimming pool. The pool was constructed by the District upon land donated by the City. The agreement established a separate entity known as the Recreational Swim Program governed by a five-member Board of Trustees, of whom two are appointed by the City, two by the District and one by the four members. Operating expenses are shared equally by the City and the District.

Selected unaudited information for the Wilton Community School District Swimming Pool for the year ended June 30, 2004 is as follows:

Receipts	\$ 126,044
Disbursements	<u>139,465</u>
Receipts under disbursements	(13,421)
Cash and investments at July 1, 2003	<u>26,117</u>
Cash and investments at June 30, 2004	<u>\$ 12,696</u>

The financial statements for the swimming pool can be obtained from the Wilton Community School District.

(12) Wilton Municipal Light and Power System

The Wilton Municipal Light and Power System provides electric service for the City of Wilton, Iowa. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for its discretely presented component unit. Such condensed financial information is not a presentation in conformity with U.S. generally accepted accounting principles. Following is the condensed financial information for the System for the year ended June 30, 2004.

<u>Condensed Statement of Net Assets</u>	
Assets	
Current assets:	
Capital assets, net of accumulated depreciation	\$ 3,809,885
Other	<u>1,342,879</u>
Total assets	<u>5,152,764</u>
Liabilities	
Long-term debt	1,238,160
Other liabilities	<u>130,752</u>
Total liabilities	<u>1,368,912</u>
Municipal equity:	
Invested in capital assets, net of related debt	2,571,725
Unrestricted	<u>1,212,127</u>
Total municipal equity	<u><u>\$ 3,783,852</u></u>
<u>Condensed Statement of Revenues, Expenses and Changes in Net Assets</u>	
Operating revenues:	
Electric sales	\$ 1,725,369
Other electric revenue	34,911
Other	<u>3,568</u>
Total operating revenues	1,763,848
Operating expenses:	
Production - power costs	\$ 1,145,131
Transmission and distribution	344,762
General and administrative	<u>197,645</u>
Operating income	<u>76,310</u>
Non-operating revenues (expenses):	
Interest income	14,812
Interest expense	<u>(62,899)</u>
Total non-operating revenues (expenses)	<u>(48,087)</u>
Net income	28,223
Municipal equity beginning of year	<u>3,755,629</u>
Municipal equity end of year	<u><u>\$ 3,783,852</u></u>

(13) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

	<u>General Fund</u>
Balances at June 30, 2003, as previously reported	\$ 859,628
Funds reclassified and now reported in the General Fund:	
Expendable Trust:	
Library Trust	9,340
Police Trust	<u>2,674</u>
Balances at July 1, 2003, as restated	<u>\$ 871,642</u>

City of Wilton

Required Supplementary Information

City of Wilton
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 902,414	-	-
Tax increment financing	506,339	-	-
Other city tax	175,378	132,427	-
Licenses and permits	4,947	-	-
Use of money and property	30,154	27,529	3,572
Intergovernmental	337,080	7,495	-
Charges for service	14,456	720,418	-
Special assessments	39,907	-	-
Miscellaneous	78,443	40,639	28,170
Total receipts	2,089,118	928,508	31,742
Disbursements:			
Public safety	457,701	-	5,139
Public works	541,199	-	-
Health and social services	2,540	-	-
Culture and recreation	188,628	-	20,505
Community and economic development	1,969	-	-
General government	295,138	-	-
Debt service	666,540	-	-
Business type activities	-	862,918	-
Total disbursements	2,153,715	862,918	25,644
Excess (deficiency) of receipts over (under) disbursements	(64,597)	65,590	6,098
Other financing sources, net	103,154	(95,000)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	38,557	(29,410)	6,098
Balances beginning of year	1,746,107	2,221,828	34,601
Balances end of year	\$ 1,784,664	2,192,418	40,699

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
902,414	875,666	875,666	26,748
506,339	124,200	124,200	382,139
307,805	140,579	140,579	167,226
4,947	18,050	18,050	(13,103)
54,111	23,000	23,000	31,111
344,575	256,600	256,600	87,975
734,874	1,084,816	1,084,816	(349,942)
39,907	26,425	26,425	13,482
90,912	182,150	182,150	(91,238)
<u>2,985,884</u>	<u>2,731,486</u>	<u>2,731,486</u>	<u>254,398</u>
452,562	359,200	464,200	11,638
541,199	291,900	569,900	28,701
2,540	7,000	7,000	4,460
168,123	170,776	170,776	2,653
1,969	2,000	2,000	31
295,138	294,600	295,600	462
666,540	522,900	522,900	(143,640)
862,918	1,061,716	1,401,716	538,798
<u>2,990,989</u>	<u>2,710,092</u>	<u>3,434,092</u>	<u>443,103</u>
(5,105)	21,394	(702,606)	697,501
<u>8,154</u>	<u>50,106</u>	<u>50,106</u>	<u>(41,952)</u>
3,049	71,500	(652,500)	655,549
<u>3,933,334</u>	<u>3,608,914</u>	<u>3,608,914</u>	<u>324,420</u>
<u>3,936,383</u>	<u>3,680,414</u>	<u>2,956,414</u>	<u>979,969</u>

City of Wilton

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$724,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the debt service function.

Other Supplementary Information

City of Wilton

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special		
	Group Health Insurance	Road Use Equipment Reserve	Wilton Library Foundation
Receipts:			
Property tax	\$ 88,927	-	-
Other city tax	2,741	-	-
Use of money and property	75	-	3,559
Miscellaneous	22,460	2,000	18,731
Total receipts	<u>114,203</u>	<u>2,000</u>	<u>22,290</u>
Disbursements:			
Operating:			
Public safety	50,675	-	-
Public works	34,007	-	-
Culture and recreation	4,124	-	18,710
General government	42,568	-	-
Total disbursements	<u>131,374</u>	<u>-</u>	<u>18,710</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(17,171)</u>	<u>2,000</u>	<u>3,580</u>
Net change in cash balances	(17,171)	2,000	3,580
Cash balances beginning of year	49,104	40,194	27,230
Cash balances end of year	<u>\$ 31,933</u>	<u>42,194</u>	<u>30,810</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	<u>\$ 31,933</u>	<u>42,194</u>	<u>30,810</u>

See accompanying independent auditor's report.

Revenue			
Friends of the Wilton Public Library	Wilton Volunteer Fire Department		Total
-	-		88,927
-	-		2,741
-	13		3,647
3,759	5,680		52,630
3,759	5,693		147,945
-	5,139		55,814
-	-		34,007
1,795	-		24,629
-	-		42,568
1,795	5,139		157,018
1,964	554		(9,073)
1,964	554		(9,073)
3,819	3,552		123,899
5,783	4,106		114,826
5,783	4,106		114,826

City of Wilton
Schedule of Indebtedness
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Essential corporate purpose	Jun 1, 2000	5.20-6.15%	\$ 3,905,000
Curb and gutter	Jan 1, 2002	3.75-5.80	465,000
Total			
Special assessment notes:			
Curb and gutter - Phase IV	Jan 1, 2002	4.00-5.60%	\$ 173,000
Sewer revenue bonds	Dec 13, 1999	3.92%	\$ 1,794,000

See accompanying independent auditor's report.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
3,520,000	130,000	3,390,000	201,277
450,000	20,000	430,000	22,497
<u>\$ 3,970,000</u>	<u>150,000</u>	<u>3,820,000</u>	<u>223,774</u>
160,000	160,000	-	7,925
<u>1,605,000</u>	<u>68,000</u>	<u>1,537,000</u>	<u>62,916</u>

Schedule 3

City of Wilton
Bond and Note Maturities
June 30, 2004

Year Ending June 30,	General Obligation Notes					Revenue Bonds	
	Essential			Curb and Gutter		Sewer	
	Corporate Purpose				Issued Dec 13, 1999		
	Issued Jun 1, 2000		Issued Jan 1, 2002				
Interest			Interest		Total	Interest	
Rates	Amount	Rates	Amount		Rates	Amount	
2005	5.20%	\$ 140,000	3.75%	\$ 20,000	160,000	3.92%	\$ 71,000
2006	4.00	145,000	4.00	20,000	165,000	3.92	74,000
2007	4.25	150,000	4.25	20,000	170,000	3.92	77,000
2008	4.40	160,000	4.40	20,000	180,000	3.92	80,000
2009	4.55	170,000	4.55	20,000	190,000	3.92	83,000
2010	4.70	175,000	4.70	25,000	200,000	3.92	86,000
2011	4.85	185,000	4.85	25,000	210,000	3.92	89,000
2012	5.00	200,000	5.00	25,000	225,000	3.92	93,000
2013	5.10	210,000	5.00	25,000	235,000	3.92	96,000
2014	5.20	220,000	5.00	30,000	250,000	3.92	100,000
2015	5.30	235,000	5.00	30,000	265,000	3.92	104,000
2016	5.40	250,000	5.00	30,000	280,000	3.92	108,000
2017	5.50	260,000	5.00	30,000	290,000	3.92	112,000
2018	5.60	280,000	5.00	35,000	315,000	3.92	117,000
2019	5.70	295,000	5.00	35,000	330,000	3.92	121,000
2020	5.80	315,000	5.00	40,000	355,000	3.92	126,000
Total		<u>\$ 3,390,000</u>		<u>\$ 430,000</u>	<u>3,820,000</u>		<u>\$ 1,537,000</u>

See accompanying independent auditor's report.

City of Wilton

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Two Years

	2004	2003
Receipts:		
Property tax	\$ 902,414	985,518
Tax increment financing	506,339	343,281
Other city tax	175,378	155,248
Licenses and permits	4,947	5,492
Use of money and property	30,154	38,662
Intergovernmental	337,080	371,073
Charges for service	14,456	10,201
Special assessments	39,907	80,406
Miscellaneous	78,443	63,392
	<u>\$ 2,089,118</u>	<u>2,053,273</u>
Total		
Disbursements:		
Operating:		
Public safety	\$ 457,701	403,090
Public works	541,199	464,618
Health and social services	2,540	3,579
Culture and recreation	188,628	163,796
Community and economic development	1,969	12,770
General government	295,138	795,658
Debt service	666,540	401,926
	<u>\$ 2,153,715</u>	<u>2,245,437</u>
Total		

See accompanying independent auditor's report.

City of Wilton



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Wilton, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 16, 2004. Our report expressed unqualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Wilton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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. Prior year statutory comments have been resolved except for item (2).

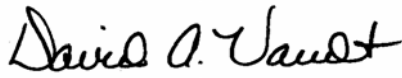
Internal Control Over Financial Reporting


In planning and performing our audit, we considered the City of Wilton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Wilton and other parties to whom the City of Wilton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Wilton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 16, 2004

City of Wilton

Schedule of Findings

Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over financial reporting were noted.

Findings Related to Required Statutory Reporting:

- (1) Official Depository – A resolution naming an official depository has been approved by the City. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Also, the City published notice for public hearing on the budget amendment five days before the hearing. Chapter 384.16(3) requires budget amendments be published not less than ten nor more than twenty days before the public hearing.

Recommendation – The budget should have been amended in sufficient amounts as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, the budget amendment should have been published in accordance with Chapter 384.16(3) of the Code of Iowa.

Response – We will ensure future amendments and publications comply with Iowa Code requirements.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Wilton

Schedule of Findings

Year ended June 30, 2004

- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Richard L. Garrison, Mayor Pro tem, owner of Garrison's Garden Market and Greenhouse	Plants and trees	\$ 817
Ron Oveson and Robert Kreimeyer, Public Works, owners of O & K Landscaping	Landscaping, per bids	11,982

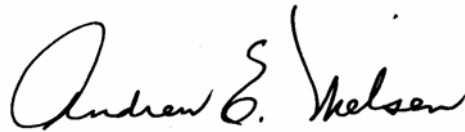
The transactions with the Mayor Pro tem do not represent a conflict of interest in accordance with Chapter 362.5(10) of the Code of Iowa because the cumulative total during the fiscal year was less than \$1,500. The transactions with the Public Works employees do not appear to represent a conflict of interest since they were entered into through competitive bidding.

- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Revenue Bond – No instances of non-compliance with the provisions of the sewer revenue bond indenture were noted.

City of Wilton
Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
John G. Vanis, CGFM, Senior Auditor
Kelly V. Rea, CPA, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State