

# **MADISON WATER UTILITY 2018 AUDIT PRESENTATION**

**July 23, 2019**

**Vicki Hellenbrand, CPA, Partner**

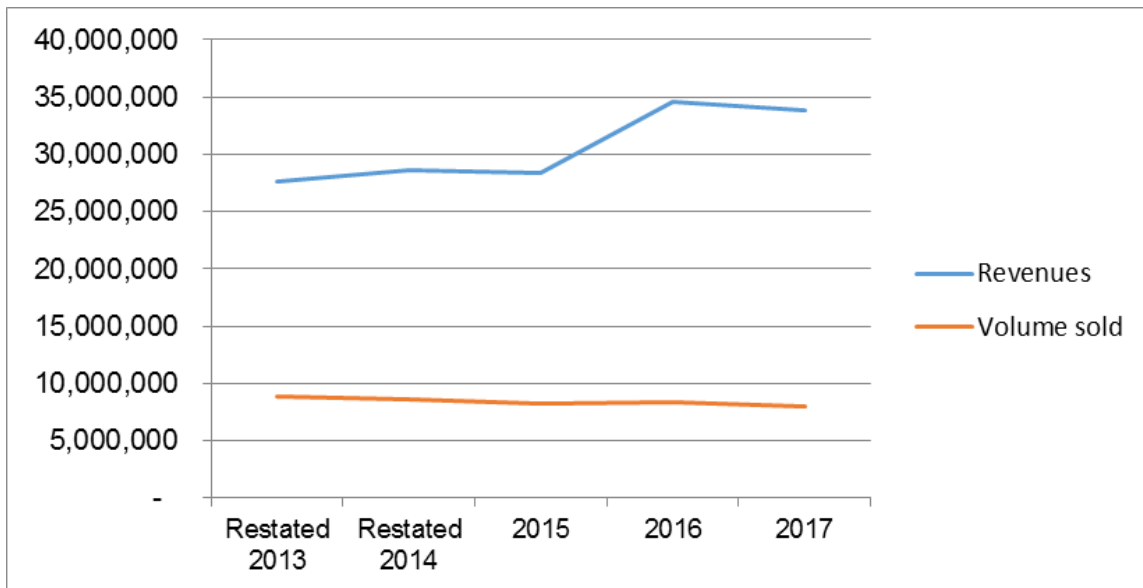
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## Required Audit Communications

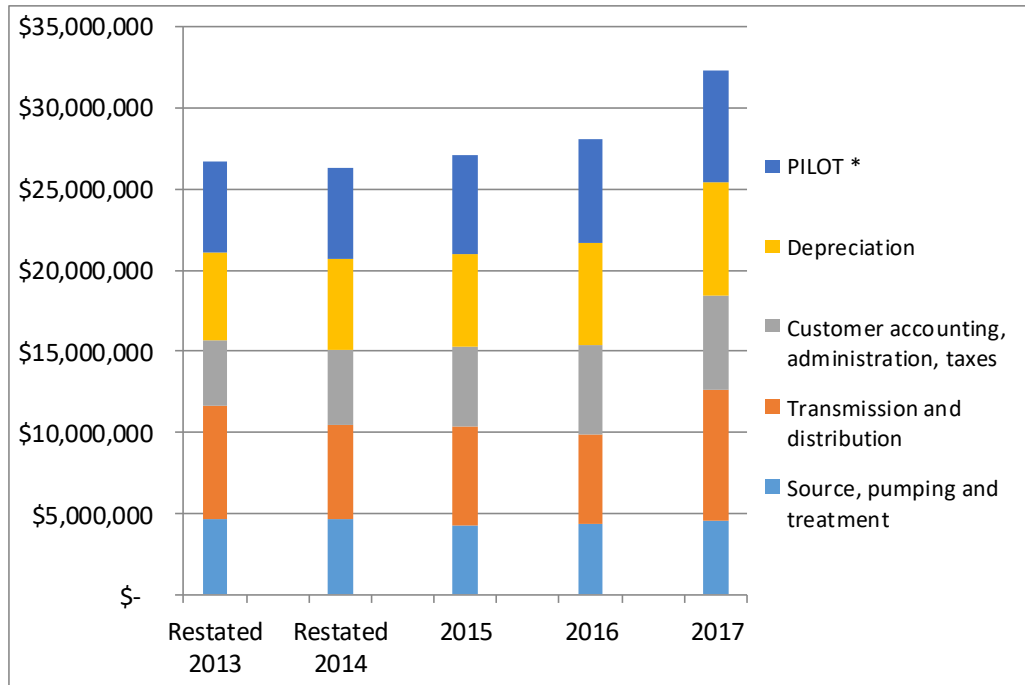
- > Auditors' opinion is a clean or unmodified opinion
  - Financial statements are managements' responsibility
  - Our responsibility is to obtain reasonable assurance that the statements are free from material misstatement
- > Material weaknesses – none noted
  - Internal Control Over Financial Reporting was cleared in 2018
- > New accounting pronouncements
  - GASB 75, OPEB
- > Prior year recommendations
  - Reconciliation of Cash Balances – Cleared in 2018
  - Monitoring Financial Position – Cleared in 2018
  - Debt coverage requirements - did not meet in 2018, rate increase at end of 2018 intended to clear
- > Key estimates include net pension asset and related deferrals, accrued sick leave and other post-employment benefits
  - We have evaluated the methods and key assumptions used in these estimates and feel they are reasonable
- > Future GASB statements
  - GASB 87 – Leases effective for 2020 audit

## Sales of Water



	<b>Restated 2013</b>	<b>Restated 2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Total Sales of Water	\$ 27,635,710	\$ 28,658,183	\$ 28,381,185	\$ 34,588,398	\$ 33,838,096
Gallons Sold (in thousands)	8,863,612	8,655,054	8,242,860	8,340,542	8,048,070
Revenue per Thousand Gallons	\$ 3.12	\$ 3.31	\$ 3.44	\$ 4.15	\$ 4.20

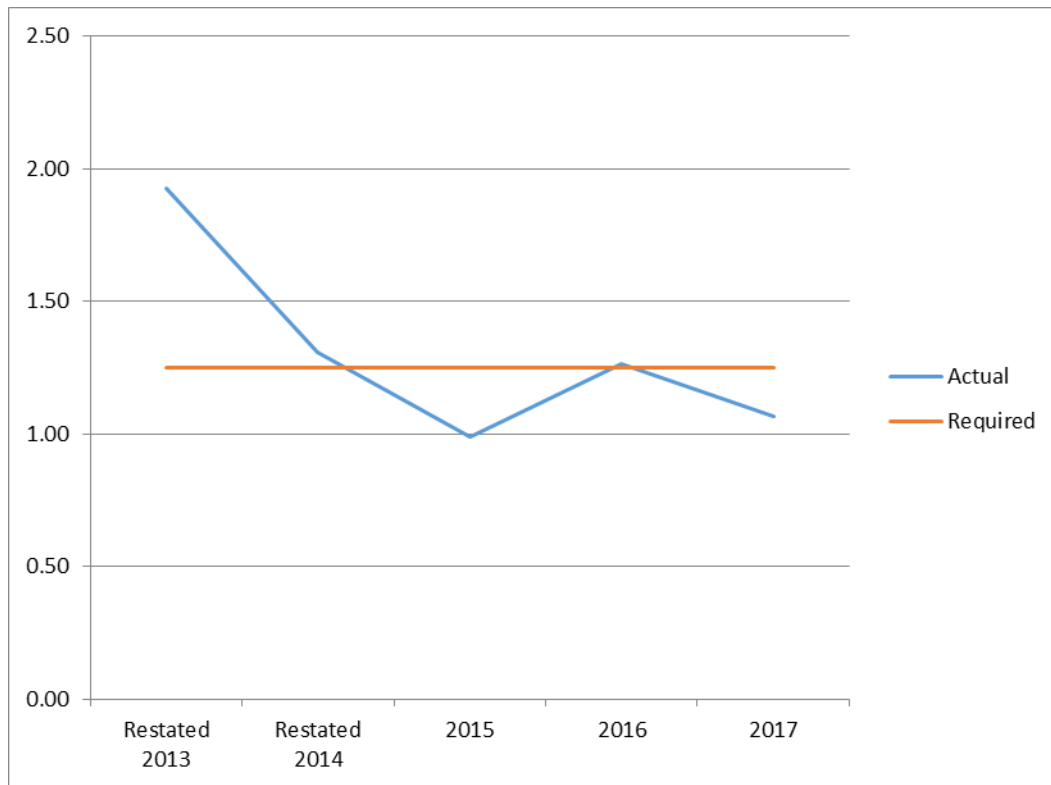
## Cost of Operations



	<u>Restated 2013</u>	<u>Restated 2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Source, pumping and treatment	\$ 4,614,507	\$ 4,603,230	\$ 4,218,370	\$ 4,401,320	\$ 4,512,176
Transmission and distribution	7,012,383	5,841,369	6,180,536	5,460,023	<b>8,067,043</b>
Customer accounting, administration, taxes	4,037,503	4,662,355	4,851,176	5,495,294	5,852,342
Depreciation	5,419,760	5,621,261	5,775,814	6,328,463	6,944,967
PILOT *	<u>5,581,435</u>	<u>5,587,851</u>	<u>6,049,329</u>	<u>6,415,680</u>	<u>6,923,928</u>
Total Costs of Operations	<u>\$ 24,179,807</u>	<u>\$ 26,316,066</u>	<u>\$ 27,075,225</u>	<u>\$ 28,100,780</u>	<u>\$ 32,300,456</u>

\* Although the PILOT is required to be reported as a transfer for GAAP purposes it is treated as an operating cost for purposes of rate recovery and this analysis.

## Debt Coverage Ratio

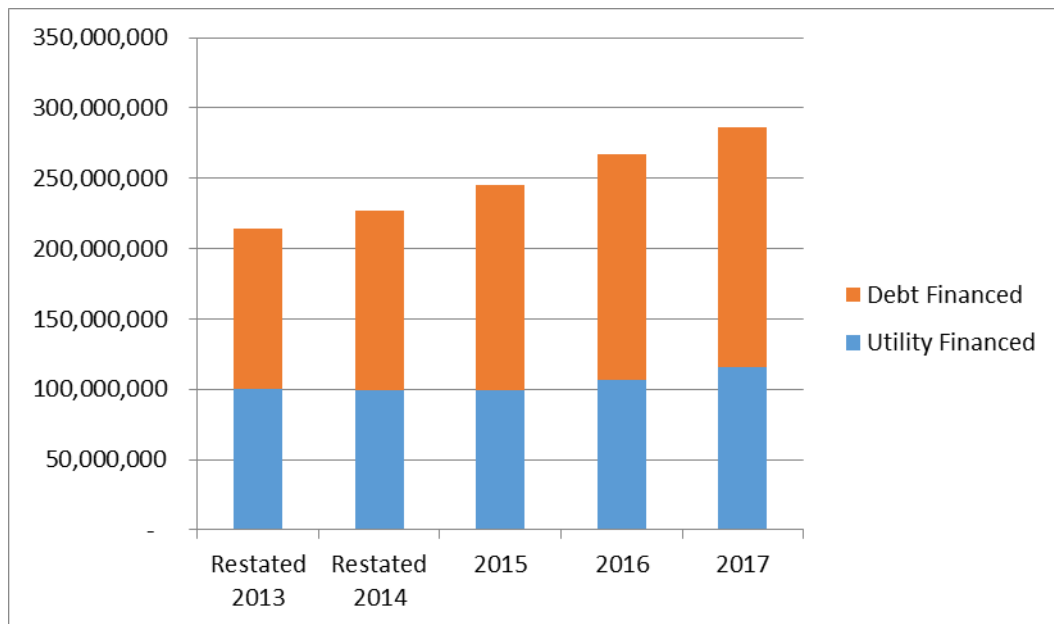


	Restated 2013	Restated 2014	2015	2016	2017
Gross Revenues (a)	\$ 28,883,821	\$ 30,332,733	\$ 29,744,626	\$ 35,909,550	\$ 35,431,200
Operating Expenses (b)	<u>15,704,880</u>	<u>15,106,954</u>	<u>15,250,082</u>	<u>15,356,637</u>	<u>18,431,561</u>
Available for Debt Service	\$ 15,791,963	\$ 15,225,779	\$ 14,494,544	\$ 20,552,913	\$ 16,999,639
Debt Service Requirements (for 2018 and beyond, based on highest annual d/s)	\$ 8,187,579	\$ 11,643,593	\$ 14,664,997	\$ 16,271,293	\$ 16,290,684
Debt Coverage Ratio	1.93	1.31	0.99	1.26	<b>1.04</b>
Debt Coverage Requirement	1.25	1.25	1.25	1.25	<b>1.25</b>

(a) Includes operating revenues and investment income.

(b) Excludes PILOT

## Capitalization Ratio



	<b>Restated 2013</b>	<b>Restated 2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Net Property, Plant and Equipment	\$ 214,048,247	\$ 227,394,657	\$ 244,981,757	\$ 266,710,565	\$ 286,479,322
Net Assets Invested in Capital Assets	99,948,208	99,646,259	98,847,032	106,282,192	115,880,264
Portion of Capital Assets Funded through Accumulated Earnings	47%	44%	40%	40%	40%