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# MADISON WATER UTILITY 2014 AUDIT PRESENTATION

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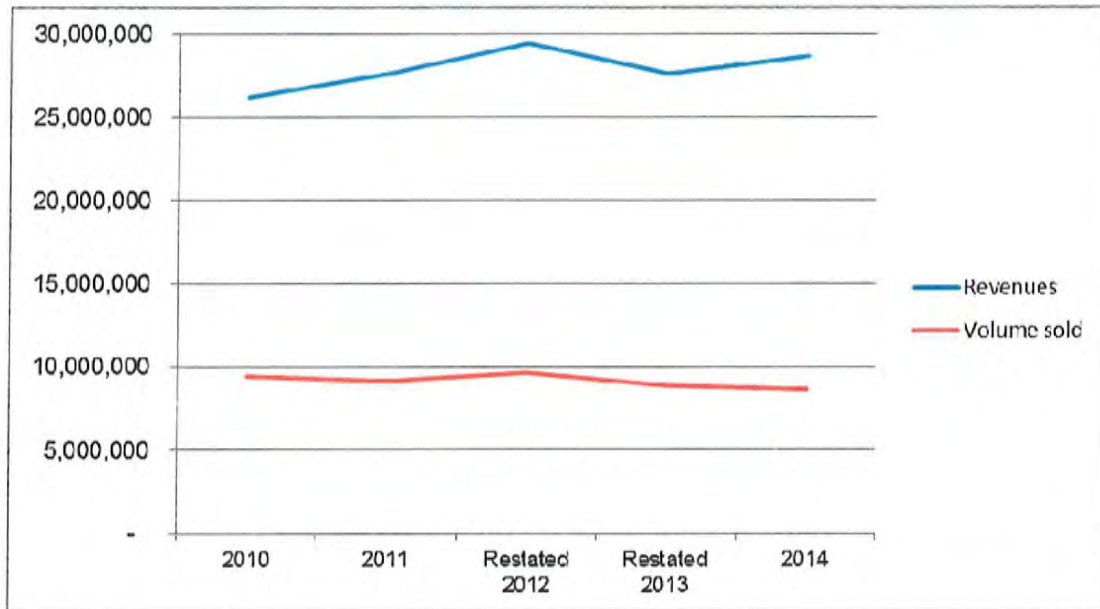
## Required Audit Communications

- > 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
  - Financial reporting
  - Financial statement restatement – Correction of prior period error
  
- > Five material adjusting journal entries were posted
  - Resulted in restatement of beginning & ending net assets for 2013
  - Closing completed work orders and recognizing prior year revenues.
  
- > Current year recommendations
  - Periodic review of revenue and customer billings
  - Approach for fiscal year 2015 audit
  
- > Two prior year recommendations have not been addressed by management
  - Review of customer advances
  - Review of work order closing process

## Required Audit Communications (cont.)

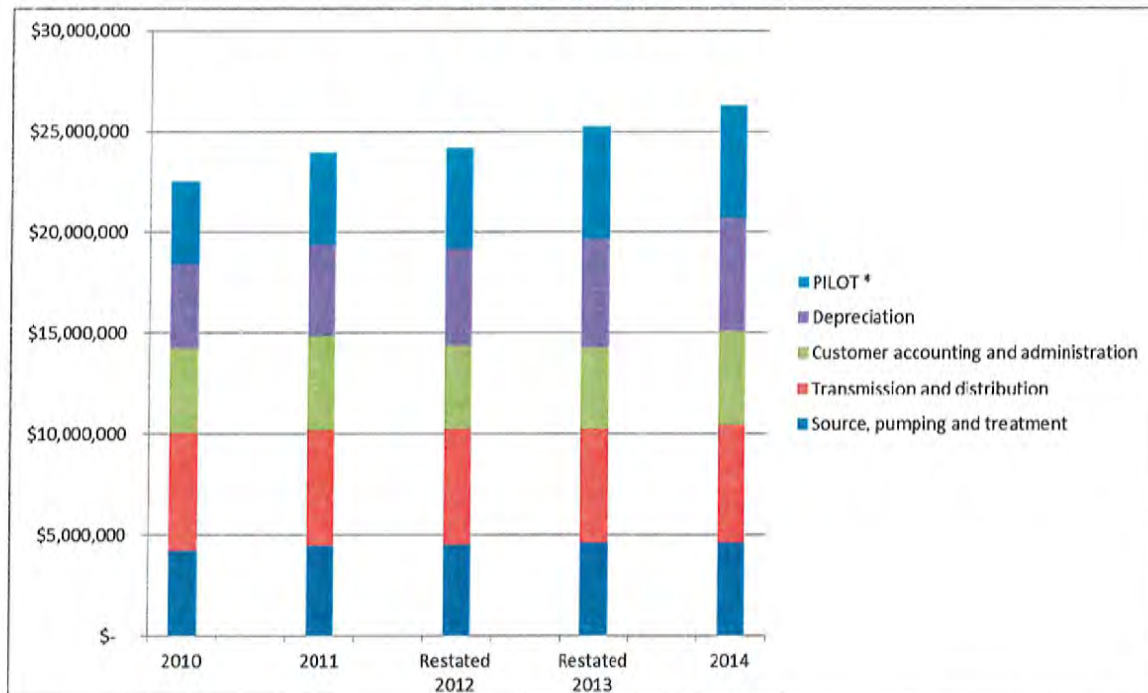
- > Key estimates include accrued sick leave and other post-employment benefits
  - We have evaluated the methods and key assumptions used in these estimates and feel they are reasonable
  - In 2014, the utility switched to monthly billing which eliminated the need to accrue for revenue.
- > Difficulties were encountered in performing the 2014 audit.
- > Future GASB statements

## Sales of Water



	2010	2011	Restated 2012	Restated 2013	2014
Total Sales of Water	\$ 26,217,212	\$ 27,620,040	\$ 29,409,758	\$ 27,635,710	\$ 28,658,183
Gallons Sold (in thousands)	9,425,919	9,147,751	9,587,160	8,863,612	8,655,054
Revenue per Thousand Gallons	\$ 2.78	\$ 3.02	\$ 3.07	\$ 3.12	\$ 3.31

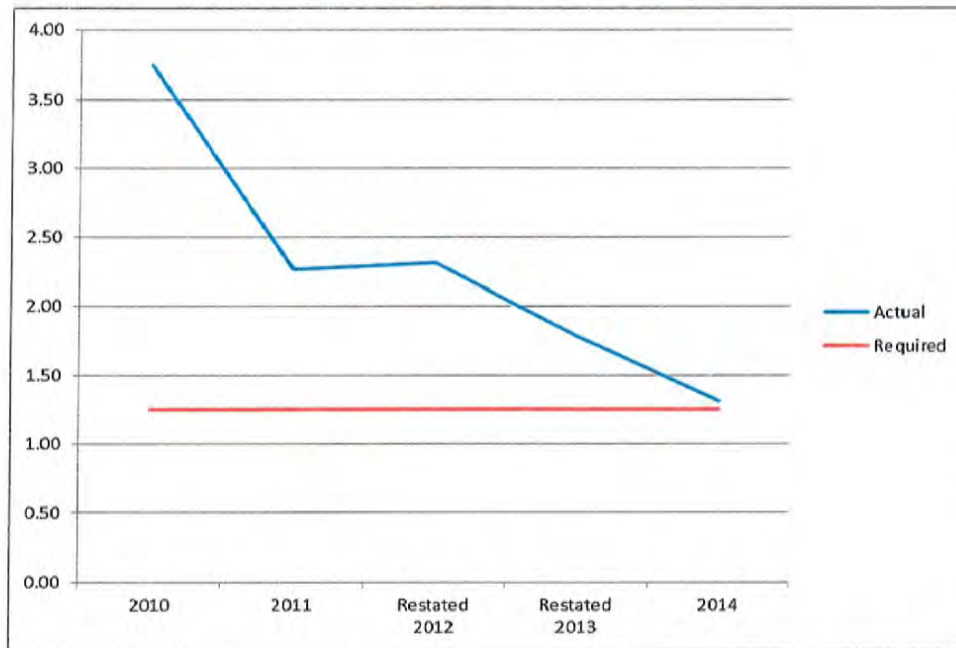
## Cost of Operations



	2010	2011	Restated 2012	Restated 2013	2014
Source, pumping and treatment	\$ 4,190,733	\$ 4,432,779	\$ 4,465,312	\$ 4,614,507	\$ 4,603,230
Transmission and distribution	5,834,892	5,754,058	5,740,556	5,605,154	5,826,638
Customer accounting and administration	4,168,703	4,674,512	4,146,936	4,037,503	4,632,744
Depreciation	4,219,015	4,541,620	4,809,543	5,419,760	5,621,261
PILOT *	<u>4,113,887</u>	<u>4,519,771</u>	<u>5,017,460</u>	<u>5,581,435</u>	<u>5,587,851</u>
Total Costs of Operations	<u>\$ 22,527,230</u>	<u>\$ 23,922,740</u>	<u>\$ 24,179,807</u>	<u>\$ 25,258,359</u>	<u>\$ 26,271,724</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

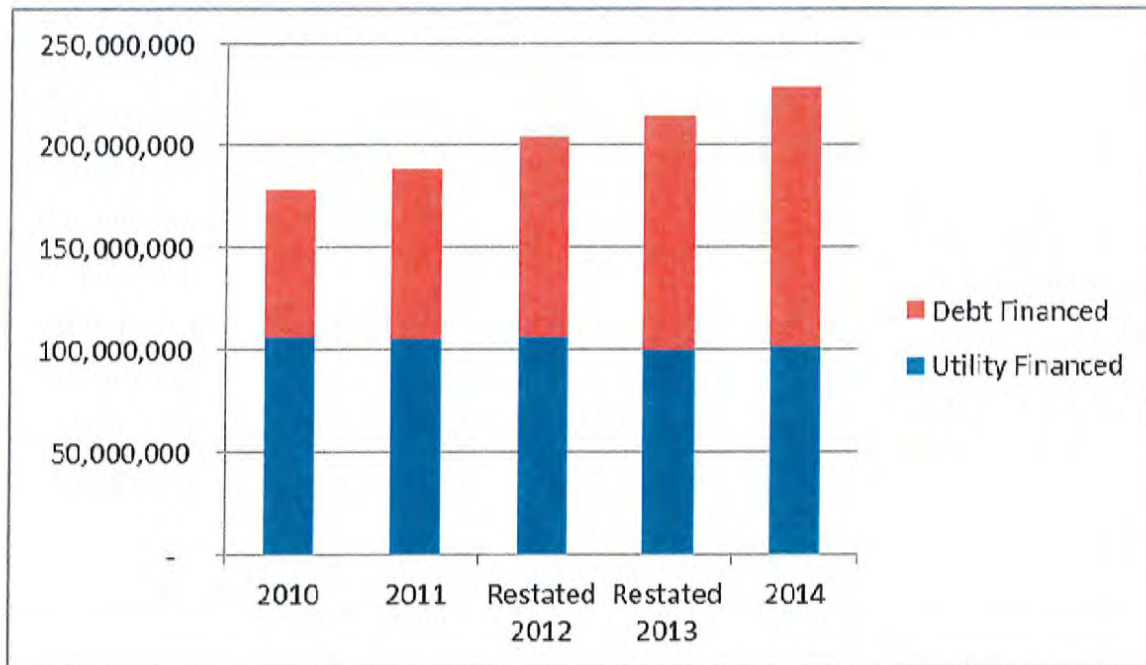


	2010	2011	Restated 2012	Restated 2013	2014
Gross Revenues (a)	\$ 26,808,712	\$ 28,364,269	\$ 30,144,767	\$ 28,883,821	\$ 30,332,733
Operating Expenses (b)	<u>14,194,328</u>	<u>14,861,349</u>	<u>14,352,804</u>	<u>14,297,651</u>	<u>15,092,223</u>
Available for Debt Service	\$ 12,614,384	\$ 13,502,920	\$ 15,791,963	\$ 14,586,170	\$ 15,240,510
Debt Service Requirements	\$ 3,357,351	\$ 5,959,273	\$ 6,836,708	\$ 8,187,579	\$ 11,643,593
Debt Coverage Ratio	3.76	2.27	2.31	<del>1.25</del> 1.70	1.31
Debt Coverage Requirement	1.25	1.25	1.25	1.25	1.25

(a) Includes operating revenues and investment income.

(b) Excludes PILOT

## Capitalization Ratio



	2010	2011	Restated 2012	Restated 2013	2014
Net Property, Plant and Equipment	\$ 178,867,424	\$ 188,438,033	\$ 204,511,940	\$ 214,048,247	\$ 228,816,617
Net Assets Invested in Capital Assets (a)	105,984,452	105,249,049	105,984,091	99,948,208	101,068,219
Portion of Capital Assets Funded through Accumulated Earnings	59%	56%	52%	47%	44%