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MADISON WATER UTILITY 2012 AUDIT PRESENTATION

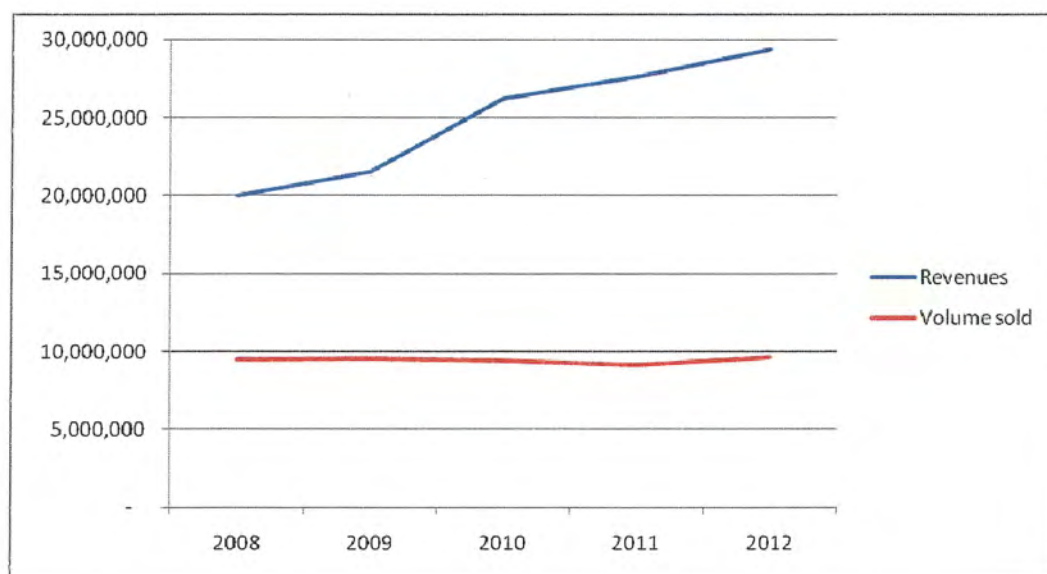
August 27, 2013

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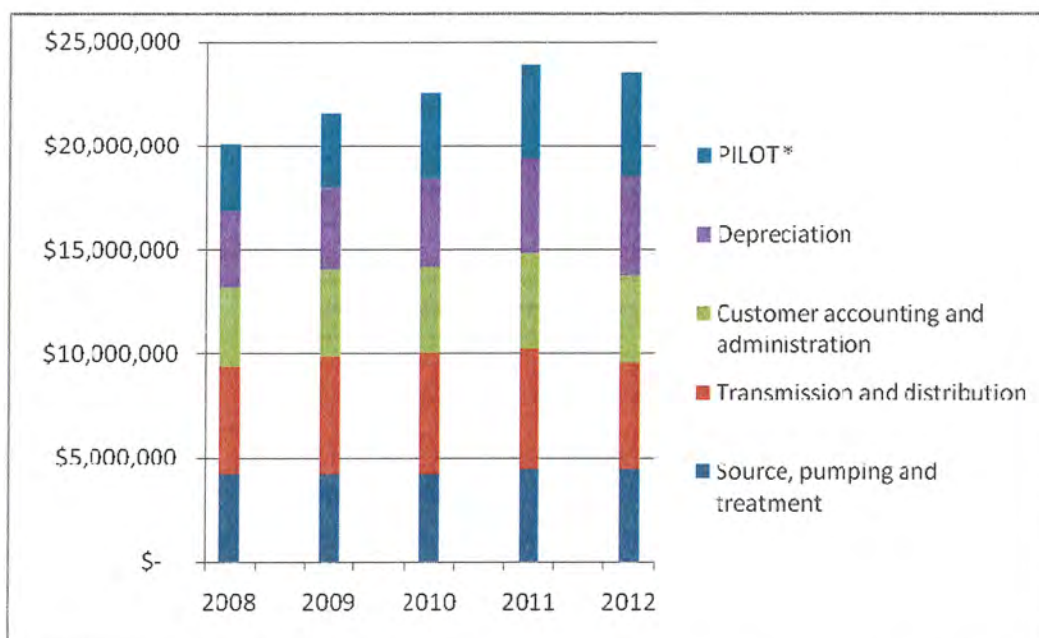
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Sales of Water



	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Sales of Water	\$ 19,950,263	\$ 21,557,907	\$ 26,217,212	\$ 27,620,040	\$ 29,409,758
Gallons Sold (in thousands)	9,455,452	9,568,551	9,425,919	9,147,751	9,587,160
Revenue per Thousand Gallons	\$ 2.11	\$ 2.25	\$ 2.78	\$ 3.02	\$ 3.07

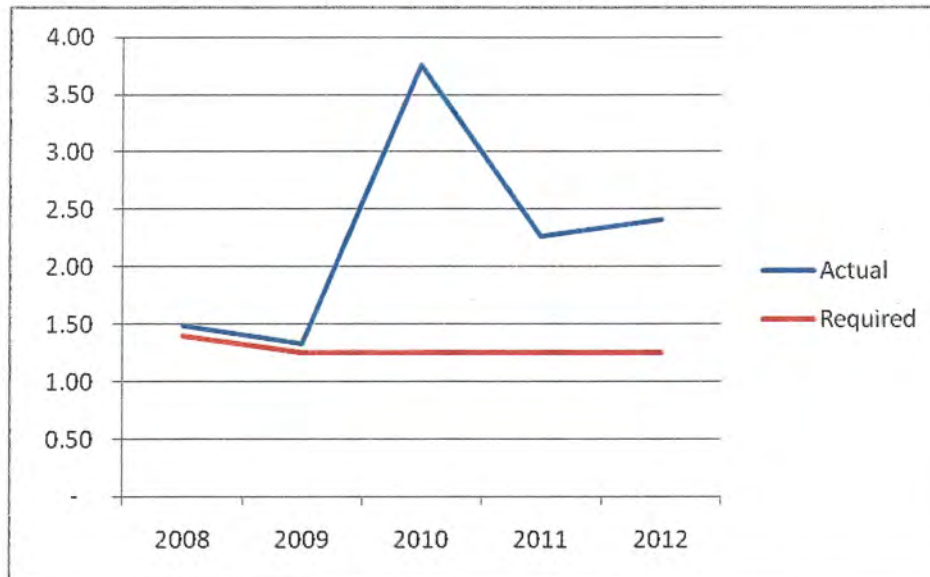
Cost of Operations



	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Source, pumping and treatment	\$ 4,197,762	\$ 4,173,979	\$ 4,190,733	\$ 4,432,779	\$ 4,414,021
Transmission and distribution	5,182,673	5,698,700	5,834,892	5,754,058	5,148,519
Customer accounting and administration	3,765,447	4,178,998	4,168,703	4,674,512	4,146,936
Depreciation	3,728,643	3,943,059	4,219,015	4,541,620	4,809,543
PILOT *	<u>3,211,795</u>	<u>3,572,131</u>	<u>4,113,887</u>	<u>4,519,771</u>	<u>5,017,460</u>
Total Costs of Operations	<u>\$ 20,086,320</u>	<u>\$ 21,566,867</u>	<u>\$ 22,527,230</u>	<u>\$ 23,922,740</u>	<u>\$ 23,536,479</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



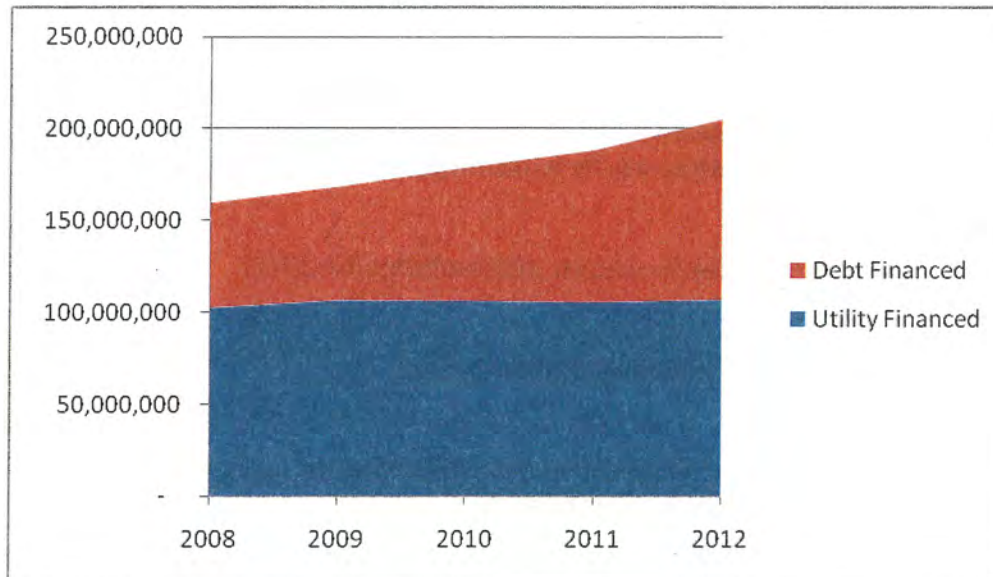
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Gross Revenues (a)	\$ 20,963,381	\$ 22,152,814	\$ 26,808,712	\$ 28,364,269	\$ 30,144,767
Operating Expenses (b)	<u>13,145,882</u>	<u>14,048,677</u>	<u>14,194,328</u>	<u>14,861,349</u>	<u>13,709,476</u>
Available for Debt Service	\$ 7,817,499	\$ 8,104,137	\$ 12,614,384	\$ 13,502,920	\$ 16,435,291
Debt Service Requirements	\$ 5,267,969	\$ 6,102,934	\$ 3,357,351	\$ 5,959,273	\$ 6,836,708
Debt Coverage Ratio	1.48	1.33	3.76	2.27	2.40
Debt Coverage Requirement (c)	1.40	1.25	1.25	1.25	1.25

(a) Includes operating revenues and investment income.

(b) Excludes PILOT

(c) The 1.40 requirement was based on the 1978 ordinance. With the 2009 refunding this was reduced to 1.25.

Capitalization Ratio



	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net Property, Plant and Equipment	\$ 159,564,933	\$ 168,486,363	\$ 178,867,424	\$ 188,438,033	\$ 205,155,248
Net Assets Invested in Capital Assets (a)	102,257,071	106,396,344	105,984,452	105,249,049	106,627,399
Portion of Capital Assets Funded through Accumulated Earnings	64%	63%	59%	56%	52%

(a) The 2008 amounts reflect the assumption that the reserve account was borrowed funds on hand to be consistent with the 2009 through 2012 presentation.

Note – at the same time the utilization ratio (percentage of total assets depreciated) has remained between 21 and 22%

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

- > No new policies or unique transactions for 2012.

- > In 2012 GASB 63 was implemented.

- > Key estimates include the accrued revenue, 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

- > No adjusting entries were proposed during the audit.

- > Internal control communication:
 - > Consistent with prior years we report a material weakness related to financial reporting
 - > Prior year recommendations have been addressed by management

- > Future GASB statements