

**MADISON WATER UTILITY**

An Enterprise Fund of the  
City of Madison, Wisconsin

FINANCIAL STATEMENTS

December 31, 2008 and 2007

**MADISON WATER UTILITY**  
An Enterprise Fund of the City of Madison, Wisconsin

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December 31, 2008 and 2007

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## INDEPENDENT AUDITORS' REPORT

To the Water Utility Board  
Madison Water Utility  
Madison, Wisconsin

We have audited the accompanying financial statements of Madison Water Utility, an enterprise fund of the City of Madison, Wisconsin, as of December 31, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended as listed in the table of contents. These financial statements are the responsibility of utility management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Madison Water Utility enterprise fund and are not intended to present fairly the financial position of the City of Madison, Wisconsin, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison Water Utility as of December 31, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in the footnotes, Madison Water Utility adopted the provision of GASB Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension (OPEB)* effective January 1, 2007.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The Management's Discussion and Analysis section is required to include the past three years of financial information. However, Madison Water Utility has chosen to include additional financial information. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Water Utility Board  
Madison Water Utility

Madison Water Utility has not presented the Schedule of Funding Progress for the post-employment benefit program that accounting principles generally accepted in the United States of America require to supplement, although not be a part of, the financial statements. We note that this information is included in the City of Madison's financial statements.

Our audits were conducted for the purpose of forming opinions on the financial statements. The supplemental information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Baker Tilly Vinchow Krause, LLP*

Madison, Wisconsin  
July 22, 2009

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

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Madison Water Utility is presenting the following discussion and analysis in order to provide an overall review of the utility's financial activities for the years ending December 31, 2008, 2007 and 2006. We encourage readers to consider the information presented here in conjunction with the utility's financial statements and notes to the financial statements in order to enhance their understanding of the utility's financial performance.

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### **2008 FINANCIAL HIGHLIGHTS**

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- > The utility's operating revenues increased \$1,722,894 or 9.27% from 2007. Water pumped was down 4.26%, and new customers increased 0.67%.
  - > The utility's operating expenses increased by \$580,564 or 3.56% from the prior year. This increase can be attributed to increased costs related to salaries, benefits and power costs.
  - > The utility's total assets decreased \$2.726 million and total liabilities decreased \$3.535 million, resulting in total net assets increasing \$0.809 million or 0.77% from 2007.
  - > Investment income increased by \$233,134 or 55.02%; interest rates fell during 2008 but the utility had the proceeds from the 2007 bond issue available for investment during 2008.
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### **GENERAL INFORMATION ABOUT MADISON WATER UTILITY**

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Madison recognized the need for a central water supply early in its history. Several proposals from private companies were evaluated, and a committee from the common council visited several cities to evaluate municipal systems. The result was a report outlining the construction of a city waterworks. The common council of the City of Madison then directed the waterworks committee to establish the Madison Waterworks on September 5, 1881. Financing was obtained and contracts let in spring of 1882. Pumping commenced on December 7, 1882.

Early management was vested in the common council through its committee, and on March 2, 1884 general management was transferred to the Board of Water Commissioners. Mr. John Heim, a member of the committee was elected Superintendent. This Board of Water Commissioners arrangement continues today, with the exception of a period of time after World War II when the City of Madison employed the city manager system of governance. The Madison Waterworks achieved department status in the early 1960's and became the Madison Water Utility (utility) under a General Manager.

The system has always been a groundwater utility in spite of being surrounded by lakes. The system currently has 23 deep wells with a daily capacity of over 70 million gallons per day. In common with the rest of Wisconsin's water utilities, the Public Service Commission of Wisconsin (PSCW) regulates the utility in matters of rates, rules, and levels of service.

# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

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### RATES

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The utility last received a rate increase from the PSCW in August of 2007. After the rate increase, the utility is the fourteenth lowest of the 73 utilities classified as AB (over 4,000 customers) in the state and has the third lowest rates in Dane County. The utility filed an application to increase rates with the PSCW on April 14, 2008. On December 22, 2008 the utility was granted a 15% rate increase that is effective as of January 12, 2009.

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### UTILITY FINANCIAL ANALYSIS

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The Statements of Net Assets includes all of the utility's assets and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the utility.

A summary of the utility's Statements of Net Assets is presented in Table 1.

*Table 1*

#### Condensed Statements of Net Assets (000's)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 27,525	\$ 37,175	\$ 20,151
Capital Assets	<u>159,565</u>	<u>152,641</u>	<u>141,715</u>
Total Assets	187,090	189,816	161,866
Current Liabilities	12,398	13,157	7,218
Long-Term Debt Outstanding	64,990	68,150	46,885
Long-Term Liabilities	<u>4,120</u>	<u>3,736</u>	<u>3,842</u>
Total Liabilities	81,508	85,043	57,945
Invested in Capital Assets, Net of Related Debt	95,957	90,662	92,345
Restricted	10,360	12,922	8,495
Unrestricted	<u>(735)</u>	<u>1,189</u>	<u>3,081</u>
Total Net Assets	<u>\$ 105,582</u>	<u>\$ 104,773</u>	<u>\$103,921</u>

Net Assets increased \$809 thousand from 2007 to 2008, an increase of .77%. Net Assets have increased 1.60% since 2006.

# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

### UTILITY FINANCIAL ANALYSIS (cont.)

*Table 2*

**Condensed Statements of Revenues,  
Expenses, and Changes in Net Assets  
(000's)**

	2008	2007	2006
Operating Revenues	\$ 19,950	\$ 18,263	\$ 17,351
Other Operating Revenues	356	321	322
Total Revenues	20,307	18,584	17,673
Operation & Maintenance Expense	13,146	13,105	11,268
Depreciation Expense	3,729	3,189	3,015
Non-operating Expense	2,506	1,991	1,569
Total Expense	19,381	18,285	15,852
Income Before Capital Contributions and Transfers	926	299	1,821
Capital Contributions	2,595	3,581	5,458
Transfers	(2,712)	(3,028)	(2,730)
Changes in Net Assets	809	852	4,549
Beginning Net Assets	104,773	103,921	99,372
Ending Net Assets	\$ 105,582	\$ 104,773	\$ 103,921

The utility's operating revenues increased \$1.723 million or 9.27% in 2008. This is attributed to the rate increase that began phase in with the November 1 2007, billing.



# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

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### UTILITY FINANCIAL ANALYSIS (cont.)

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*Table 3*

#### Operating Revenues and Expenses (000's)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>OPERATING REVENUES</b>			
Unmetered Sales	\$ 57	\$ 50	\$ 44
Metered Sales			
Residential	8,108	7,468	7,068
Commercial	6,427	5,740	5,420
Industrial	892	858	856
Public authorities	1,900	1,857	1,652
Sales for resale	315	226	251
Total Metered Sales	<u>17,642</u>	<u>16,149</u>	<u>15,247</u>
Private fire protection	279	266	253
Public fire protection	1,972	1,797	1,808
Total Sales of Water	<u>19,950</u>	<u>18,262</u>	<u>17,352</u>
Forfeited discounts	183	141	137
Miscellaneous	22	38	43
Other	152	143	141
Total Operating Revenues	<u>20,307</u>	<u>18,584</u>	<u>17,673</u>
<b>OPERATING EXPENSES</b>			
Source of Supply	90	163	104
Pumping	3,292	3,045	2,938
Water Treatment	815	707	866
Transmission and Distribution	5,183	5,426	3,935
Customer Accounts	390	313	325
Administrative and General	3,209	3,382	2,979
Total Operation and Maintenance	<u>12,979</u>	<u>13,036</u>	<u>11,147</u>
Depreciation	3,729	3,189	3,015
Taxes	167	69	121
Total Operating Expenses	<u>16,875</u>	<u>16,294</u>	<u>14,283</u>
<b>OPERATING INCOME</b>	<u>\$ 3,432</u>	<u>\$ 2,290</u>	<u>\$ 3,390</u>

# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

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### UTILITY FINANCIAL ANALYSIS (cont.)

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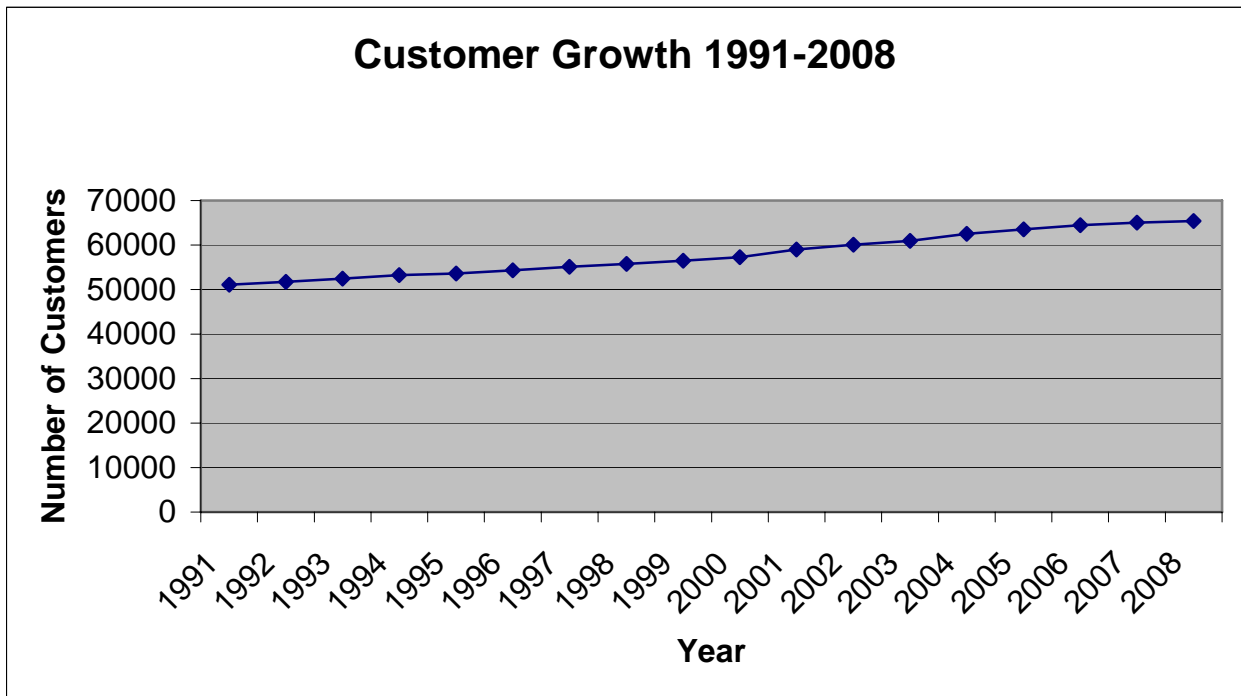
#### **Revenues**

Total operating revenues increased from \$18.584 million in 2007 to \$20.307 million in 2008, an increase of 9.27%. This increase was due to the rate increase that became effective August 13, 2007. The utility added 433 new customers in 2008 and pumped 4.26% less water.

#### **Expenses**

Operation and maintenance expenses totaled \$12.979 million in 2008 compared to \$13.036 million in 2007. This represents a decrease of .43% over 2007. Major changes were noted in employees pensions and benefits which increased \$225,825 over 2007, maintenance of services expense decreased \$377,666 over 2007 due to the closing of a large number of work orders with expenses in excess of allowable cost of removals in 2007 and fewer work orders closed in 2008, and outside services employed decreased \$426,123 over 2007.

*Chart 1*



Customer growth has slowed in 2008. The utility received 524 new applications for service in 2008; the record number of new applications was 1,442 in 2002. 2007 produced 663 new applications for service.

# MADISON WATER UTILITY

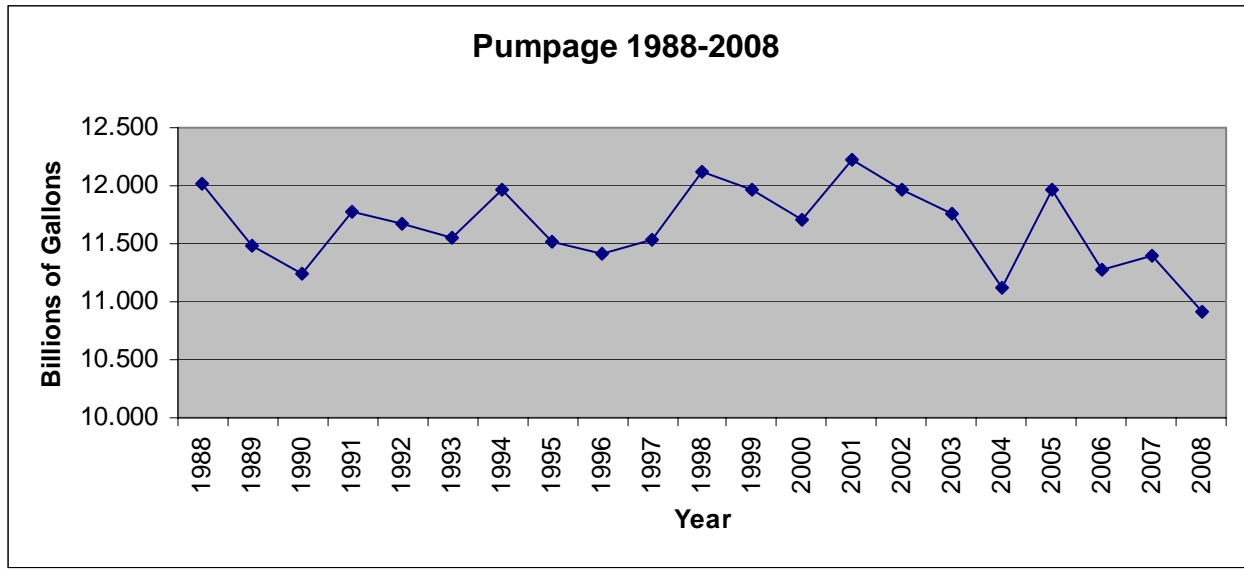
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2008 and 2007

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## UTILITY FINANCIAL ANALYSIS (cont.)

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Chart 2



Pumping for the year decreased from 11.392 billion gallons in 2007 to 10.907 billion gallons in 2008 due to a wetter summer in 2008 and an increase in conservation awareness by our customers.

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## CAPITAL EXPENDITURES

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The utility added a net \$11,248,997 of plant in 2008. Of this amount, \$1,999,377 was contributed by developers, contractors, and by special assessment. The utility is operating under a consent order from the Wisconsin Department of Natural Resources that requires the utility to replace all of the lead services in the system. The utility stopped using lead as a service material in 1928. At that time it was estimated there were about 11,000 lead services in the system. Over time, many of these have been replaced. It was estimated that there were about 7,000 lead services remaining in 2000. By the end of 2008, it was estimated there were 390 lead services remaining in the system. The utility is on schedule for compliance with the consent order by 2011.

Capital projects completed in 2008 and paid for by the utility include \$46,602 for the lead service replacement program, \$4,066,659 for the Felland Road Reservoir, \$1.491 million for new mains on Commercial Ave and Felland Road, \$1.778 million for a fourth phase of E Washington Ave main replacement, and \$4.213 million for other water main replacement projects.

Please refer to the notes to the financial statements for further details of the utility's capital assets.

# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008 and 2007

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### **CAPITAL BORROWING**

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The previous policy of the utility had been to maintain depreciation and net revenues such that depreciation funds could be used for capital projects, and 'bottom line' could be used for debt retirement. Due to the increased level of planned capital spending the utility will look for funding for all of its capital budget needs exclusively through the sale of revenue bonds. The utility borrowed \$27.185 million in December of 2007. \$23.9 million of the 2007 borrowing is being used to fund the 2007 and 2008 capital projects, while the other \$3.3 million refunded the outstanding 1999 revenue bonds. The utility plans a sale of revenue bonds in 2009 to fund its 2009 Capital Budget. The utility has stepped up its borrowing patterns in the last 6 years, by going to the markets almost annually. Management envisions a continuation of active borrowing for the next several years.

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### **ECONOMIC FACTORS AND FUTURE BUDGET ISSUES**

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Madison has a unique status in terms of economic stability, being the state capital and home to the University of Wisconsin and its 44,000 students, versus the national economy. Consider the fact that, while customer growth has slowed, the utility has added 16.45 miles of water main in the last three years as its service area has grown. Growth entails the need for additional infrastructure while meeting the challenge of upkeep of current infrastructure. Management believes that the current and future rate increase requests will create a stable financial structure to ensure that the utility is well prepared to handle these challenges. This is evidenced by the fact that, after our last rate case (filed in April of 2008) utility rates are among the lowest in the state.

Our largest customer, the University of Wisconsin has indicated significant growth plans that will require additional water from the utility. While rates are expected to increase over time, management expects utility rates will remain below the statewide average.

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### **UTILITY CONTACT INFORMATION**

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This financial report is designed to provide our customers and creditors with a general overview of the utility's finances and to demonstrate the utility's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Robin Piper, Finance/Accounting Manager, Madison Water Utility, 119 East Olin Ave, Madison, Wisconsin 53713 or by phone at (608) 266-4656 or e-mail at [rpiper@madisonwater.org](mailto:rpiper@madisonwater.org).

# MADISON WATER UTILITY

## STATEMENTS OF NET ASSETS December 31, 2008 and 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 376,698	\$ 373,021
Restricted cash and investments	4,661,389	6,996,400
Customer accounts receivable	3,075,953	2,854,618
Accrued revenue	3,921,123	3,773,237
Materials and supplies	689,392	853,542
Current portion of special assessments	40,741	26,733
Other current assets	<u>354,699</u>	<u>594,130</u>
Total Current Assets	<u>13,119,995</u>	<u>15,471,681</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash and investments	11,402,742	18,786,330
Other Assets		
Special assessments receivable	1,333,413	1,406,266
Unamortized debt issuance costs	572,774	646,312
Preliminary survey and investigation	232,006	-
Property held for future use	659,489	660,694
Non-utility property (net of accumulated depreciation)	205,059	203,752
Capital Assets		
Plant in service	191,931,458	180,682,461
Accumulated depreciation	(43,639,112)	(40,212,261)
Construction work in progress	<u>11,272,587</u>	<u>12,170,611</u>
Total Non-Current Assets	<u>173,970,416</u>	<u>174,344,165</u>
Total Assets	<u>187,090,411</u>	<u>189,815,846</u>

	2008	2007
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 927,256	\$ 625,836
Other current liabilities	276,709	239,256
Payable to other funds	1,044,208	872,816
Accrued interest	57,986	59,011
Short term loan from municipality	5,405,000	4,263,000
Current portion of advance	25,656	20,790
Current Liabilities Payable From Restricted Assets		
Current portion of revenue bonds	3,160,000	5,920,000
Accrued interest	1,501,388	1,156,580
Total Current Liabilities	<u>12,398,203</u>	<u>13,157,289</u>
<b>NON-CURRENT LIABILITIES</b>		
Revenue bonds	64,990,000	68,150,000
Unamortized debt premium	253,492	286,670
Unamortized loss on advance refunding	(20,114)	(27,342)
Compensated absences	1,626,467	1,510,136
Other postemployment benefit obligation	101,732	51,256
Advance from municipality	1,773,482	1,395,149
Customer advances for construction	385,101	519,358
Total Non-Current Liabilities	<u>69,110,160</u>	<u>71,885,227</u>
Total Liabilities	<u>81,508,363</u>	<u>85,042,516</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	95,957,071	90,662,358
Restricted for debt service	10,360,001	12,921,587
Unrestricted	<u>(735,024)</u>	<u>1,189,385</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 105,582,048</u>	<u>\$ 104,773,330</u>

See accompanying notes to financial statements.

# MADISON WATER UTILITY

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES</b>		
Sales of water	\$ 19,950,263	\$ 18,262,410
Other	356,285	321,244
Total Operating Revenues	<u>20,306,548</u>	<u>18,583,654</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	13,145,882	13,104,805
Depreciation	3,728,643	3,189,156
Total Operating Expenses	<u>16,874,525</u>	<u>16,293,961</u>
Operating Income	<u>3,432,023</u>	<u>2,289,693</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Merchandising and jobbing	(37,078)	(38,980)
Investment income	656,833	423,699
Interest and amortization expense	(3,273,394)	(2,489,826)
Interest charged to construction	-	112,522
Gain on acquisition of territory	145,971	-
Other	1,650	1,575
Total Non-Operating Revenues (Expenses)	<u>(2,506,018)</u>	<u>(1,991,010)</u>
Income Before Capital Contributions and Transfers	926,005	298,683
<b>CAPITAL CONTRIBUTIONS</b>	2,594,508	3,581,322
<b>TRANSFERS</b>	500,000	-
<b>TRANSFERS - TAX EQUIVALENT</b>	<u>(3,211,795)</u>	<u>(3,027,577)</u>
Change in Net Assets	808,718	852,428
NET ASSETS - Beginning of Year	<u>104,773,330</u>	<u>103,920,902</u>
NET ASSETS - END OF YEAR	<u>\$ 105,582,048</u>	<u>\$ 104,773,330</u>

See accompanying notes to financial statements.

# MADISON WATER UTILITY

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2008 and 2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 19,892,467	\$ 17,999,108
Paid to suppliers for goods and services	(6,818,979)	(8,204,104)
Paid to employees for services	(5,271,838)	(4,518,961)
Net Cash Flows from Operating Activities	7,801,650	5,276,043
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers - paid to municipality for tax equivalent	(3,211,795)	(3,027,577)
Short-term loan paid	-	(1,215,000)
Interest paid on short-term loan	-	(8,011)
Repayment of advances from other funds	(20,790)	(16,219)
Interest paid on advances from other funds	(74,540)	(75,188)
Transfers - tower rental from special revenue fund	500,000	-
Net Cash Flows from Noncapital Financing Activities	(2,807,125)	(4,341,995)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(8,140,597)	(11,841,684)
Special assessments received	94,555	261,719
Contributions in aid of construction	255,018	238,569
Short-term loan received	1,830,000	10,305,169
Short term borrowing paid to municipality	(688,000)	(6,042,169)
Interest paid on short-term loan	(139,286)	(160,845)
Proceeds from debt issued	-	27,185,000
Debt issuance costs	-	(299,106)
Debt premium received	-	221,307
Debt retired	(5,920,000)	(2,840,000)
Interest paid	(2,657,970)	(2,185,326)
Net Cash Flows from Capital and Related Financing Activities	(15,366,280)	14,842,634
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Marketable securities purchased	(6,300,000)	(15,700,792)
Marketable securities sold	6,208,086	14,246,589
Investment income	656,833	448,583
Net Cash Flows from Investing Activities	564,919	(1,005,620)
<b>Net Change in Cash and Cash Equivalents</b>	<b>(9,806,836)</b>	<b>14,771,062</b>
CASH AND CASH EQUIVALENTS – Beginning of Year	19,947,665	5,176,603
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<b>\$ 10,140,829</b>	<b>\$ 19,947,665</b>
<b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Municipality, customer and developer financed additions to utility plant	\$ 2,502,848	\$ 3,038,670
Special assessments levied to customers	\$ -	\$ 12,779
Advance from Municipality for Burke Utility District #1	\$ 403,989	\$ -
Gain on acquisition of territory	\$ 145,971	\$ -



	<u>2008</u>	<u>2007</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>		
<b>FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 3,432,023	\$ 2,289,693
Nonoperating loss	(35,428)	(37,405)
Noncash items included in operating income		
Depreciation	3,728,643	3,189,156
Depreciation charged to other accounts	482,311	471,587
Other non-cash items in operations	28,211	11,196
Changes in Assets and Liabilities		
Customer accounts receivable	(221,335)	(233,664)
Receivable from other funds	(164,523)	(21,858)
Materials and supplies	164,150	39,401
Accrued revenues	(147,886)	(440,226)
Other current assets	(58,184)	(41,086)
Accounts payable and other current liabilities	100,392	19,681
Payable to other funds	326,469	101,908
Other postemployment benefit obligation	50,476	51,256
Compensated absences	116,331	(123,596)
	<u>116,331</u>	<u>(123,596)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 7,801,650</b>	<b>\$ 5,276,043</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
<b>TO STATEMENT OF NET ASSETS ACCOUNTS</b>		
Cash and investments	\$ 376,698	\$ 373,021
Restricted cash and investments - current	4,661,389	6,996,400
Restricted cash and investments - noncurrent	<u>11,402,742</u>	<u>18,786,330</u>
Total Cash and Investments	16,440,829	26,155,751
Less: Noncash equivalents	<u>6,300,000</u>	<u>6,208,086</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 10,140,829</b>	<b>\$ 19,947,665</b>

See accompanying notes to financial statements.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of the Madison Water Utility (utility) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and polices utilized by the utilities are described below.

#### ***REPORTING ENTITY***

The utility is a separate enterprise fund of the City of Madison (municipality). The utility provides retail water service to customers in the municipality portions of the Town of Madison and the Town of Burke and wholesale water service to Waunona Sanitary District No. 2, the Villages of Maple Bluff and Shorewood Hills and portions of Fitchburg Utility District No. 1.

The utility charges rates and operates under rules authorized by the Public Service Commission of Wisconsin (PSCW). Accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the PSCW.

The utility is managed by a seven member Water Utility Board comprised of two Common Council members and five citizen members, each serving a five year term.

#### ***MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION***

The utility is presented as an enterprise fund of the municipality. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

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 recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The utility follows all pronouncements of the Governmental Accounting Standards Board, and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### *ASSETS, LIABILITIES AND NET ASSETS*

##### *Deposits and Investments*

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

Investment of utility funds is restricted by state statutes. Investments are limited to:

1. Time deposits in any credit union, bank, savings bank, trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The utility, as part of the municipality, has adopted an investment policy. The policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

##### *Restricted Assets*

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

##### *Receivables/Payables*

Transactions between the utility and other funds of the municipality that are representative of lending/borrowing arrangements outstanding at year end are referred to as advances to/from other funds. All other outstanding balances between the utility and other funds of the municipality are reported as due to/from other funds.

The utility has the right under Wisconsin statutes to place delinquent water bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### *ASSETS, LIABILITIES AND NET ASSETS (cont.)*

##### ***Materials and Supplies***

Materials and supplies inventories are generally used for construction, operation and maintenance work, not for resale. They are valued at average cost and charged to construction and expense when used.

##### ***Other Current Assets***

The balance represents amounts due from other municipalities, miscellaneous receivables, and prepaid expenses.

##### ***Preliminary Survey and Investigation***

The balance represents initial project engineering costs related to utility plant construction. The balance will be transferred as a capital asset upon commencement of the project.

##### ***Property Held for Future Use***

These amounts represent tower and well sites which are owned by the utility but not currently used during the course of operation.

##### ***Non-Utility Property***

This balance includes a building and sewer meters which are being amortized over an average period of 20 years as well as certain parcels of land related to abandoned facilities.

##### ***Capital Assets***

Capital assets are defined by the utility as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year.

Capital assets of the utility are recorded at cost or the fair market value at the time of contribution to the utility. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Plant in Service	
Source of supply	34 – 44
Pumping	25 – 31
Water treatment	15
Transmission and distribution	2 – 84
General	6 – 20

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### *ASSETS, LIABILITIES AND NET ASSETS (cont.)*

##### ***Special Assessments Receivable***

The utility assesses the cost of system extensions to benefited properties. This account represents the long-term portion of special assessments to be collected. Interest is charged on the unpaid balance at various rates.

##### ***Compensated Absences***

Utility employees are allowed to convert, at retirement, the lesser of 100% of accumulated days or 150 days, to a sick leave escrow account maintained in the municipality's trust and agency fund. No payment is made if the employee resigns or is terminated. The balance on the financial statements is based on the probability employees will be employed by the utility at the time of retirement. The liability is liquidated from general operating revenues of the utility.

After the satisfactory employee completion of a six month probationary period vacation leave is accrued on the basis of continuous service, including periods of paid absent time. The vacation leave is granted at a rate dependent on the employee's length of service.

##### ***Customer Advances for Construction***

The balance represents customer advances for construction and meters which may be refundable in part or in whole pursuant to rules prescribed and on file with the PSCW.

##### ***Long-Term Obligations***

Long-term debt and other obligations are reported as utility liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains or losses on refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

#### ***REVENUES AND EXPENSES***

The utility distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a utility's principal ongoing operations. The principal operating revenues of the utility are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### ***Charges for Services***

Utility billings are rendered and recorded based on actual service rendered with billings made to customers semi-annually utilizing six separate billing cycles. The utility accrues revenues beyond these billing dates.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

#### *REVENUES AND EXPENSES* (cont.)

##### *Charges for Services* (cont.)

Current rates were authorized by the PSCW in an order dated August 9, 2007 and are designed to earn a 6.50% return on rate base.

The utility filed for a rate increase with the PSCW on April 14, 2008 and the new rates are effective in January 2009.

##### *Transfers*

The utility records an annual payment in lieu of taxes (PILOT) expense based on the value of its capital assets times the current assessment ratio and local and school portion of the mill rate. In addition, current legislation requires that the computed payment be greater than or equal to the 1994 PILOT payment. Transfers include the payment in lieu of taxes to the municipality.

##### *Capital Contributions*

The municipality has invested capital in the utility at various times. This capital is not currently subject to repayment on demand or at a fixed future date by the utility. Certain utility plant has been contributed by utility customers. These contributions are not subject to repayment. The value of property contributed to the utility is reported as revenue on the statements of revenues, expenses and changes in net assets.

#### *COMPARATIVE DATA*

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### NOTE 2 – DEPOSITS AND INVESTMENTS

	<u>Carrying Value as of December 31,</u>		<u>Associated Risks</u>
	<u>2008</u>	<u>2007</u>	
Checking and Savings	\$ 104,567	\$ 245,470	Custodial credit (A)
Other Investment Pools	10,029,237	19,695,445	
U.S. Treasuries	-	6,208,086	Interest rate risk
Certificate of Deposit	6,300,000	-	Custodial credit
Working Funds – Petty Cash	<u>7,025</u>	<u>6,750</u>	None
Totals	<u>\$ 16,440,829</u>	<u>\$ 26,155,751</u>	

(A) The other investment pool is commingled with the municipality; therefore, the risk pertaining specifically to the utility cannot be determined individually. Please refer to the municipality's financial statements.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

### NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts as of December 31, 2007 and in the amount of \$250,000 for interest bearing accounts and unlimited for noninterest bearing accounts as of December 31, 2008.

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities.

The utility may also maintain separate cash and investment accounts at the same financial institutions utilized by the municipality. Federal depository insurance and the State of Wisconsin Guarantee Fund Insurance apply to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the utility alone. Therefore, coverage for the utility may be reduced. Investment income on commingled investments of the entire municipality is allocated based on average investment balances.

#### ***Custodial Credit Risk***

##### **Deposits**

Custodial credit risk is the risk that in an event of a financial institution failure, the utility's deposits may not be returned to the utility.

The utility maintains certain deposits at the same institutions as the municipality. The custodial credit risk pertaining specifically to the utility's resources at these institutions cannot be determined individually for those accounts. The following is a summary of the utility's total deposit balances at these institutions.

	2008		2007	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Park Bank	\$ 95,478	\$ 104,567	\$ 400,410	\$ 245,470
Bankers' Bank	6,300,000	6,300,000	-	-
<b>Totals</b>	<b>\$ 6,395,478</b>	<b>\$ 6,404,567</b>	<b>\$ 400,410</b>	<b>\$ 245,470</b>

The municipality's investment policy addresses this risk by requiring security for all cash and investments maintained in any financial institution designated as a depository. The municipality exercises this authority under Sec. 34.07 of the Wisconsin Statutes which states that security may be required of any public depository for any public deposits that exceed the amount of deposit insurance provided by an agency of the United States or by the Wisconsin public deposit guarantee program. The utility is covered under the municipality's collateral agreements.

##### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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### NOTE 2 – DEPOSITS AND INVESTMENTS (cont.)

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#### *Custodial Credit Risk* (cont.)

#### **Investments** (cont.)

The utility does not have any investments exposed to custodial credit risk.

The municipality's investment policy addresses this risk by requiring funds in excess of insured or guaranteed limits be secured by some form of collateral. The municipality will accept for collateral any of the following assets: obligations of the United States government or an agency or instrumentality of the United States government; obligations of the State of Wisconsin; investment grade obligations of Wisconsin local jurisdictions; obligations of the City of Madison.

The fair market value of all collateral pledged will be not less than 110% of the amount of public funds to be secured at each institution. The ratio of fair market value of collateral to the amount of funds secured will be reviewed regularly and additional collateral will be requested when this ratio declines below the level required. Pledged collateral will be held in safekeeping by a third party. All collateral agreements will be written so as to preclude release of the assets without an authorized signature from the municipality. The municipality will allow for even exchange of collateral.

#### *Interest Rate Risk*

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2008, the utility has no investment exposed to interest rate risk.

As of December 31, 2007, the utility's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date</u>
U.S. Treasury Bill	\$ 4,753,883	2/22/07

The municipality's investment policy addresses this risk by obtaining investments with durations which coincide with cash requirements of the municipality to meet current operating needs. Within this framework, investments should generally mature within one year. However, since the municipality's cash flow is such that a substantial balance is always available, investment in authorized long-term securities may be made as long as the total of such investments in the portfolio does not exceed 33% of the anticipated average balance. In no case shall single investments maturing in excess of two years exceed \$10 million.



## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 3 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

The following is a schedule of interfund balances as of December 31, 2008 and 2007:

Due To	Due From	2008		2007	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water	\$ 1,044,208	Sewer/storm receipts and joint meter allocation	\$ 872,816	Sewer/storm receipts and joint meter allocation

The following is a schedule of transfer balances as of December 31, 2008 and 2007:

To	From	2008		2007	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water	\$ 3,211,795	Tax equivalent	\$ 3,027,577	Tax equivalent
Water	Municipality	\$ 500,000	Tower rental	-	

#### **NOTE 4 – RESTRICTED ASSETS**

##### ***RESTRICTED ACCOUNTS***

Certain proceeds of the utility's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net assets because their use is limited by applicable bond covenants. The following accounts are reported as restricted assets:

- Operation and Maintenance Reserve – Used to remedy any deficiency in the operation account, make extraordinary repairs or replacements, or pay principal and interest on the bonds or parity bonds.
- Principal and Interest – Used solely for the purpose of paying principal and interest on the bonds or parity bonds.
- Reserve – Used solely for the purpose of paying principal and interest on the bonds or parity bonds whenever the balance in the principal and interest account is insufficient for that purpose.
- Depreciation – Used for the payment of principal and interest on the bonds and parity bonds whenever the balance in the principal and interest account is insufficient for that purpose, to remedy any deficiency in the principal and interest account, or to make extraordinary repairs or improvements to the utility.
- Construction – Used to report bond proceeds restricted for use in construction.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

### NOTE 4 – RESTRICTED ASSETS (cont.)

#### RESTRICTED ACCOUNTS (cont.)

The following calculation supports the amount of restricted net assets:

	December 31	
	2008	2007
Restricted Assets		
Current restricted assets		
Principal and interest	\$ 4,661,389	\$ 6,996,400
Non-current Restricted Assets		
Operation and maintenance reserve	150,000	150,000
Reserve	6,300,000	6,181,767
Construction	4,202,742	11,704,563
Depreciation	750,000	750,000
Total Restricted Assets	16,064,131	25,782,730
Borrowed funds on hand	(4,202,742)	(11,704,563)
Current Liabilities Payable From Restricted Assets	(1,501,388)	(1,156,580)
Total Restricted Net Assets	\$ 10,360,001	\$ 12,921,587

### NOTE 5 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2008 follows:

	Balance 1/01/08	Increases	Decreases	Balance 12/31/08
Capital assets, not being depreciated				
Land and land rights	\$ 2,054,657	\$ 9,526	\$ -	\$ 2,064,183
Capital assets being depreciated				
Source of supply	9,568,888	-	-	9,568,888
Pumping	10,233,473	493,269	-	10,726,742
Water treatment	338,998	58,311	57,763	339,546
Transmission and distribution	141,585,066	11,042,944	463,599	152,164,411
General	16,901,379	740,763	574,454	17,067,688
Total Capital Assets				
Being Depreciated	178,627,804	12,335,287	1,095,816	189,867,275
Total Capital Assets	180,682,461	12,344,813	1,095,816	191,931,458
Less: Accumulated Depreciation				
Source of supply	(3,798,658)	(211,326)	-	(4,009,984)
Pumping	(4,749,965)	(415,512)	-	(5,165,477)
Water treatment	(85,560)	(51,963)	(57,763)	(79,760)
Transmission and distribution	(24,556,188)	(3,042,556)	(488,754)	(27,109,990)
Administration and general assets	(7,021,890)	(826,465)	(574,454)	7,273,901
Total Accumulated Depreciation	(40,212,261)	(4,547,822)	(1,120,971)	(43,639,112)
Construction in progress	12,170,611	7,793,441	8,691,465	11,272,587
Net Capital Assets	\$ 152,640,811			\$ 159,564,933

## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 5 – CHANGES IN CAPITAL ASSETS (cont.)**

A summary of changes in capital assets for 2007 follows:

	Balance 1/01/07	Increases	Decreases	Balance 12/31/07
Capital assets, not being depreciated				
Land and land rights	\$ 1,855,918	\$ 209,934	\$ 11,195	\$ 2,054,657
Capital assets being depreciated				
Source of supply	9,477,722	99,036	7,870	9,568,888
Pumping	10,318,926	8,807	94,260	10,233,473
Water treatment	339,390	5,760	6,152	338,998
Transmission and distribution	124,557,604	17,698,885	671,423	141,585,066
General	16,809,358	337,941	245,920	16,901,379
Total Capital Assets				
Being Depreciated	161,503,000	18,150,429	1,025,625	178,627,804
Total Capital Assets	163,358,918	18,360,363	1,036,820	180,682,461
Less: Accumulated Depreciation				
Source of supply	(3,563,193)	(243,335)	(7,870)	(3,798,658)
Pumping	(4,459,694)	(384,531)	(94,260)	(4,749,965)
Water treatment	(68,613)	(23,098)	(6,151)	(85,560)
Transmission and distribution	(22,935,033)	(2,324,076)	(702,921)	(24,556,188)
Administration and general assets	(6,519,534)	(748,276)	(245,920)	(7,021,890)
Total Accumulated Depreciation	(37,546,067)	(3,723,316)	(1,057,122)	(40,212,261)
Construction in progress	15,902,495	17,418,927	21,150,811	12,170,611
Net Capital Assets	\$ 141,715,346			\$ 152,640,811

#### **NOTE 6 – LONG-TERM OBLIGATIONS**

##### *REVENUE BONDS*

The utility has issued the following revenue bonds outstanding:

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Outstanding Amount 12/31/08
4/01/01	System improvement	1/01/21	4.00 – 5.05%	\$ 5,000,000	\$ 3,710,000

## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### NOTE 6 – LONG-TERM OBLIGATIONS

##### REVENUE BONDS (cont.)

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Outstanding Amount 12/31/08
5/01/02	System improvement	1/01/22	3.50 - 5.10%	\$ 4,500,000	\$ 3,625,000
8/15/03	System improvement	1/01/24	2.50 - 5.25	19,055,000	16,735,000
3/15/05	Refunding debt used for system improvement	1/01/15	3.00 - 4.00	3,630,000	2,305,000
6/15/06	System improvement	1/01/26	4.00 - 4.13	15,955,000	14,590,000
12/01/07	Refunding debt and system improvement	1/01/28	3.00 - 4.00	27,185,000	27,185,000
Totals				<u>\$ 75,325,000</u>	<u>\$ 68,150,000</u>

Revenue bond debt service requirements to maturity follows:

Year	Principal	Interest	Total
2009	\$ 3,160,000	\$ 3,042,567	\$ 6,202,567
2010	3,425,000	2,833,670	6,258,670
2011	3,300,000	2,701,985	6,001,985
2012	3,430,000	2,566,313	5,996,313
2013	3,565,000	2,423,617	5,988,617
2014	3,720,000	2,272,678	5,992,678
2015	3,770,000	2,114,139	5,884,139
2016	3,705,000	1,952,174	5,657,174
2017	3,870,000	1,785,452	5,655,452
2018	4,025,000	1,610,711	5,635,711
2019	3,780,000	1,436,237	5,216,237
2020	3,955,000	1,260,859	5,215,859
2021	4,090,000	1,077,620	5,167,620
2022	3,925,000	891,636	4,816,636
2023	3,745,000	712,732	4,457,732
2024	3,905,000	533,500	4,438,500
2025	2,620,000	382,900	3,002,900
2026	2,745,000	261,856	3,006,856
2027	1,670,000	162,213	1,832,213
2028	1,745,000	82,888	1,827,888
Totals	<u>\$ 68,150,000</u>	<u>\$ 30,105,747</u>	<u>\$ 98,255,747</u>

## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

##### *REVENUE BONDS* (cont.)

The bonds are secured by a pledge of the redemption fund, net utility revenues and a mortgage lien on all utility plant. Principal and interest paid for 2008 and 2007 were \$8,577,970 and \$5,025,326, respectively. The 2008 debt service included payment of \$3,310,000 of the 1999 bonds with proceeds from the 2007 bonds. Total customer net revenues as defined for the same periods were \$7,817,499 and \$5,902,548, respectively. Annual principal and interest payments are expected to require 24% of gross revenues.

##### *ADVANCE FROM MUNICIPALITY*

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/08
7/01/04	Payoff unfunded pension liability	3/15/24	5.25%	\$ 1,474,476	\$ 1,395,149
1/01/08	Advance from BUD #1	(A)	2.6%	393,762	403,989

Advance debt service requirements to maturity follows:

Year	Principal	Interest	Total
2009	\$ 25,656	\$ 73,245	\$ 98,901
2010	31,111	71,898	103,009
2011	36,714	70,265	106,979
2012	42,907	68,525	111,432
2013	49,690	66,085	115,775
2014	57,210	63,476	120,686
2015	65,319	60,473	125,792
2016	74,019	57,200	131,219
2017	83,750	53,157	136,907
2018	93,924	48,761	142,685
2019	105,278	43,830	149,108
2020	117,516	38,407	155,923
2021	130,639	32,133	162,772
2022	144,794	25,274	170,068
2023	159,833	17,673	177,506
2024	176,789	9,307	186,096
Totals	<u>\$ 1,395,149</u>	<u>\$ 799,709</u>	<u>\$ 2,194,858</u>

(A) – No repayment schedule has been established for this advance. Accrued interest is added to the advance balance.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

### NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

#### LONG-TERM OBLIGATIONS SUMMARY

Long-term obligation activity for the year ended December 31, 2008 is as follows:

	1/01/08 Balance	Additions	Reductions	12/31/08 Balance	Due Within One Year
Revenue bonds	\$ 74,070,000	\$ -	\$ 5,920,000	\$ 68,150,000	\$ 3,160,000
Compensated absences	1,510,136	242,465	126,134	1,626,467	-
Other postemployment benefit obligation	51,256	50,476	-	101,732	-
Customer advances for construction	519,358	47,000	181,257	385,101	-
Advance from municipality	1,415,939	403,989	20,790	1,799,138	25,656
Unamortized debt premium	286,670	-	33,178	253,492	29,453
Unamortized loss on advanced refunding	(27,342)	-	(7,228)	(20,114)	(5,902)
<b>Totals</b>	<b>\$ 77,826,017</b>	<b>\$ 743,930</b>	<b>\$ 6,274,131</b>	<b>\$ 72,295,816</b>	<b>\$ 3,209,207</b>

Long-term obligation activity for the year ended December 31, 2007 is as follows:

	1/01/07 Balance	Additions	Reductions	12/31/07 Balance	Due Within One Year
Revenue bonds	\$ 49,725,000	\$ 27,185,000	\$ 2,840,000	\$ 74,070,000	\$ 5,920,000
Compensated absences	1,633,732	49,012	172,608	1,510,136	-
Other postemployment benefit obligation	-	94,792	43,536	51,256	-
Customer advances for construction	753,086	109,200	342,928	519,358	-
Advance from municipality	1,432,158	-	16,219	1,415,939	20,790
Unamortized debt premium	75,510	221,307	10,147	286,670	33,178
Unamortized loss on advanced refunding	(35,753)	-	(8,411)	(27,342)	(7,465)
<b>Totals</b>	<b>\$ 53,583,733</b>	<b>\$ 27,659,311</b>	<b>\$ 3,417,027</b>	<b>\$ 77,826,017</b>	<b>\$ 5,966,503</b>

#### PRIOR YEAR DEFEASANCE OF DEBT

In 2005, the utility defeased \$3,605,000 of the 1995 and 1998 bonds by placing the proceeds of the 2005 bonds in an irrevocable trust to provide for all future debt service payments on the 1995 and 1998 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the utility's financial statements. The bonds are callable on January 1, 2015. At December 31, 2008 \$2,350,000 of bonds outstanding are considered defeased.

#### CURRENT REFUNDING

On December 1, 2007, bonds in the amount of \$3,295,000 were issued with an average interest rate of 4.0 percent to refund \$3,555,000 of outstanding 1999 bonds with an average interest rate of 5.5 percent. The net proceeds of \$3,307,048 (after payment of \$35,877 in underwriting fees and other issuance costs) plus an additional \$431,676 of sinking fund monies were set aside to prepay the outstanding debt service requirements on the old bonds when they came due on January 1, 2008.

## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### NOTE 6 – LONG-TERM OBLIGATIONS (cont.)

##### *CURRENT REFUNDING* (cont.)

The cash flow requirements on the old bonds prior to the advance refunding was \$4,724,591 from 2008 through 2018. The cash flow requirements on the new bonds are \$4,078,178 from 2008 through 2018. The refunding resulted in an economic savings of \$595,488 on a present value basis, discounted at the interest rate paid on the refunding bonds.

#### NOTE 7 – SHORT-TERM LOAN FROM MUNICIPALITY

On August 4, 2005 the Common Council approved a loan from the municipality to the utility to be used as temporary financing prior to the receipt of revenue bond proceeds expected in 2007. The maximum loan approved is \$6 million with interest charged monthly at .25% higher than the monthly rate earned through the utility's commingled cash account.

During 2005, the utility borrowed \$4,573,000 from the municipality. During 2006, the utility borrowed another \$1,877,000 and paid back \$5,235,000 leaving an outstanding balance of \$1,215,000 as of December 31, 2006. During 2007, the utility borrowed another \$10,305,169 and paid back \$7,257,169 leaving an outstanding balance of \$4,263,000 as of December 31, 2007. The utility paid \$688,000 in January of 2008 and borrowed \$1,830,000 in 2008. No formal schedule for repayment has been established.

	1/01/08 Balance	Additions	Reductions	12/31/08 Balance	Due Within One Year
Short term loan	\$ 4,263,000	\$ 1,830,000	\$ 688,000	\$ 5,405,000	\$ 5,405,000
	1/01/07 Balance	Additions	Reductions	12/31/07 Balance	Due Within One Year
Short term loan	\$ 1,215,000	\$ 10,305,169	\$ 7,257,169	\$ 4,263,000	\$ 4,263,000

#### NOTE 8 – NET ASSETS

GASB No. 34 requires the classification of net assets 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 assets 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

### NOTE 8 – NET ASSETS (cont.)

*Restricted* - This component of net assets consists of constraints placed on net asset 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 assets* - The component of net asset consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the utility's policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the net assets invested in capital assets, net of related debt:

	2008	2007
Plant in Service	\$ 191,931,458	\$ 180,682,461
Accumulated Depreciation	(43,639,112)	(40,212,261)
Construction Work in Progress	11,272,587	12,170,611
Sub-Totals	159,564,933	152,640,811
Less: Capital Related Debt		
Current portion of capital related long-term debt	3,160,000	5,920,000
Long-term portion capital related long-term debt	64,990,000	68,150,000
Unamortized debt issuance costs	(572,774)	(646,312)
Unamortized debt premium	253,492	286,670
Unamortized loss on advance refunding	(20,114)	(27,342)
Sub-Totals	67,810,604	73,683,016
Add back borrowed funds on hand	4,202,742	11,704,563
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 95,957,071	\$ 90,662,358



# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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### NOTE 9 – EMPLOYEES RETIREMENT SYSTEM

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All eligible employees of the utility participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category were required by statute to contribute 5.9% and 5.8% of their salary to the plan in 2008 and 2007, respectively. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

	Year Ended December 31		
	2008	2007	2006
Total Utility Payroll	<u>\$ 6,827,615</u>	<u>\$ 6,679,806</u>	<u>\$ 6,133,000</u>
Total Covered Employee Payroll	<u>\$ 6,097,000</u>	<u>\$ 5,904,000</u>	<u>\$ 5,426,000</u>
Total Required Contributions	<u>\$ 646,282</u>	<u>\$ 625,824</u>	<u>\$ 564,300</u>
Total Required Contributions (%)	<u>10.6%</u>	<u>10.6%</u>	<u>10.4%</u>

Details of the plan are disclosed in the general purpose financial statements of the municipality.

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### NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

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The municipality administers a single-employer defined benefit healthcare plan, (the Retiree Health Plan) in which the utility participates. The Plan provides healthcare coverage to eligible retired municipal employees and their spouses, which covers both active and retired members. The Plan is affiliated with the Wisconsin Public Employer's Group Health Insurance – Dane County service area plan, a purchasing plan administered by the State of Wisconsin. Benefit provisions are established through collective bargaining agreements. The Retiree Health Plan does not issue a publicly available financial report.

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the municipality and the union. The Plan provides eligible retirees with the opportunity to stay on the municipality's health insurance plan. Eligible retirees and spouses contribute the full amount of the premiums after age 55, except for teamsters who contribute the difference between the rate paid by the municipality and current year rate. As the eligibility requirements for different classes of employees vary, please see the City of Madison audit report for complete details of all benefits offered.

## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### **NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (cont.)**

The municipality's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year:

	Municipality		Water Utility	
	2008	2007	2008	2007
Annual required contribution	\$ 5,460,866	\$ 5,255,087	\$ 98,504	\$ 94,792
Contributions made	(2,366,912)	(2,113,303)	(48,028)	(43,536)
Net OPEB Obligation – Beg of Year	3,141,784	-	51,256	-
Net OPEB Obligation – End of Year	\$ 6,235,738	\$ 3,141,784	\$ 101,732	\$ 51,256

The municipality's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2007 were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Municipality	2008	\$ 5,460,866	43%	\$ 3,093,954
Municipality	2007	5,255,087	40%	3,141,784
Water Utility	2008	98,504	49%	50,476
Water Utility	2007	94,792	46%	51,256

The funded status of the plan as of December 31, 2007, the most recent actuarial valuation date, was as follows (overall municipality):

Actuarial accrued liability (AAL)	\$ 46,367,443
Actuarial value of plan assets	(3,032,738)
Unfunded Actuarial Accrued Liability (UAAL)	\$ 43,334,705
Funded ratio (actuarial value of plan assets/AAL)	6.5%
Covered payroll (active plan members)	\$135,001,349
UAAL as a percentage of covered payroll	32.1%

Please see the required supplemental information for the entire plan included in the municipality audit report.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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### NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (cont.)

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Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan is understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.5% investment rate of return and an annual healthcare cost trend rate of 11.03% initially, reduced by decrements to an ultimate rate of 4.5% after nine years. Both rates include a 3% inflation assumption. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007 and 2008, was 29 and 28 years, respectively.

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### NOTE 11 – COMMITMENTS AND CONTINGENCIES

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#### *CLAIMS AND JUDGMENTS*

From time to time, the utility is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the utility's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the utility's financial position or results of operations.

#### *OPEN CONTRACTS*

The utility has construction contracts that continue into subsequent years. The value of service provided and the corresponding liability as of December 31, 2008 has been accrued in these financial statements.

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### NOTE 12 – SUBSEQUENT EVENTS

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#### *RATE INCREASE*

The utility filed an application on May 1, 2009 with the Public Service Commission of Wisconsin to increase water rates.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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### NOTE 13 – WELL NO. 29

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During 2007 the service utility of Well No. 29 became impaired as a result of increased levels of manganese in the groundwater. Management has contracted for the construction improvements to the well, specifically a filter system, which will allow it to perform at full capacity again. This well came back on line in early 2009. As such the impairment is considered temporary and no adjustment to the asset value has been recorded.

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### NOTE 14 – BOND COVENANT DISCLOSURES

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#### *COMPLIANCE WITH FUNDING REQUIREMENTS*

The utility is in compliance with bond funding requirements.

#### *NUMBER OF CUSTOMERS*

At December 31, 2008 and 2007, the utility served the following number of customers:

	<u>2008</u>	<u>2007</u>
Residential	\$ 55,882	\$ 55,500
Commercial	8,769	8,718
Industrial	53	54
Public authority	<u>493</u>	<u>492</u>
Totals	<u>\$ 65,197</u>	<u>\$ 64,764</u>

#### *WATER PUMPED AND BILLED*

During 2008 and 2007, the following amounts of water were pumped and billed:

	(000 gallons)	
	<u>2008</u>	<u>2007</u>
Water pumped	<u>10,907,098</u>	<u>11,392,166</u>
Water billed	<u>9,455,452</u>	<u>10,169,930</u>

#### *RISK MANAGEMENT*

The utility is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

#### NOTE 14 – BOND CONVENANT DISCLOSURES (cont.)

##### *SCHEDULE OF INSURANCE IN FORCE*

Type of Coverage and Name of Company	Policy Period From                      To	Details of Coverage *	Liability Limits
Automobile Comprehensive <b>Local Government Property Insurance Fund</b>	140337 01/01/08 to 01/01/09	\$ 2,676,154	Replacement Cost \$ 3,000 deductible
Automobile Liability per occurrence <b>Wisconsin Municipal Mutual Insurance Company</b>	WI2006CS03A 01/01/08 to 01/01/09	Automobile liability	\$ 5,000,000 \$ 300,000 Self- Insured Retention
Boiler and Machinery <b>CHUBB</b>	7834-76-48 01/01/08 to 01/01/09	Repair and Replace Boiler and Machinery	\$ 50,000,000 \$ 25,000 deductible
Employee Theft <b>Fidelity and Deposit</b>	CCP0060387	Blanket Bond	\$ 500,000 limit \$ 10,000 deductible
Fire and Extended <b>Local Government Property Insurance Fund</b>	140337 01/01/08 to 01/01/09	\$ 45,694,515 \$ 5,000 deductible	Replacement Cost
General Liability per occurrence <b>Wisconsin Municipal Mutual Insurance Company</b>	WI2006S03A 01/01/08 to 01/01/09	General liability, personal injury liability and errors and omission liability	\$ 5,000,000 \$ 300,000 Self - Insured Retention

\* The "Details of Coverage" for the indicated types of coverage apply to the City of Madison as a whole. It is normal policy for the City of Madison Insurance Fund to acquire insurance or provide self-insurance coverage for all or its related entities.

**SUPPLEMENTAL INFORMATION**

REVENUE BOND DEBT REPAYMENT SCHEDULES  
December 31, 2008

Year	2001A MRB's			2002A MRB's			2003A MRB's			2005A MRB's		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	210,000	171,054	381,054	190,000	168,305	358,305	800,000	781,762	1,581,762	460,000	74,044	534,044
2010	220,000	162,102	382,102	200,000	160,017	360,017	825,000	752,294	1,577,294	485,000	58,688	543,688
2011	230,000	152,538	382,538	210,000	151,147	361,147	850,000	719,825	1,569,825	240,000	46,606	286,606
2012	240,000	142,313	382,313	215,000	141,797	356,797	875,000	684,231	1,559,231	265,000	37,603	302,603
2013	255,000	131,231	386,231	225,000	132,061	357,061	900,000	646,512	1,546,512	275,000	27,644	302,644
2014	265,000	119,269	384,269	235,000	121,709	356,709	950,000	606,012	1,556,012	285,000	17,144	302,144
2015	280,000	106,458	386,458	245,000	110,666	355,666	880,000	563,737	1,443,737	295,000	5,900	300,900
2016	295,000	92,728	387,728	260,000	98,731	358,731	1,000,000	517,837	1,517,837	-	-	-
2017	310,000	78,052	388,052	270,000	85,875	355,875	1,050,000	466,587	1,516,587	-	-	-
2018	325,000	62,413	387,413	285,000	72,135	357,135	1,085,000	413,213	1,498,213	-	-	-
2019	340,000	45,870	385,870	300,000	57,510	357,510	1,125,000	357,963	1,482,963	-	-	-
2020	360,000	28,280	388,280	315,000	42,135	357,135	1,175,000	300,463	1,475,463	-	-	-
2021	380,000	9,595	389,595	330,000	25,928	355,928	1,185,000	241,463	1,426,463	-	-	-
2022	-	-	-	345,000	8,798	353,798	1,285,000	178,107	1,463,107	-	-	-
2023	-	-	-	-	-	-	1,350,000	108,938	1,458,938	-	-	-
2024	-	-	-	-	-	-	1,400,000	36,750	1,436,750	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 3,710,000	\$ 1,301,903	\$ 5,011,903	\$ 3,625,000	\$ 1,376,814	\$ 5,001,814	\$ 16,735,000	\$ 7,375,694	\$ 24,110,694	\$ 2,305,000	\$ 267,629	\$ 2,572,629

Year	2006A MRB's			2007A MRB's			2007B MRB's			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	560,000	611,969	1,171,969	720,000	1,108,033	1,828,033	220,000	127,400.00	347,400	3,160,000	3,042,567	6,202,567
2010	580,000	589,169	1,169,169	835,000	994,000	1,829,000	280,000	117,400.00	397,400	3,425,000	2,833,670	6,258,670
2011	605,000	565,469	1,170,469	865,000	960,600	1,825,600	300,000	105,800.00	405,800	3,300,000	2,701,985	6,001,985
2012	625,000	540,869	1,165,869	895,000	926,000	1,821,000	315,000	93,500.00	408,500	3,430,000	2,566,313	5,996,313
2013	650,000	515,369	1,165,369	930,000	890,200	1,820,200	330,000	80,600.00	410,600	3,565,000	2,423,617	5,988,617
2014	680,000	488,344	1,168,344	965,000	853,000	1,818,000	340,000	67,200.00	407,200	3,720,000	2,272,678	5,992,678
2015	705,000	459,778	1,164,778	1,005,000	814,400	1,819,400	360,000	53,200.00	413,200	3,770,000	2,114,139	5,884,139
2016	735,000	430,078	1,165,078	1,045,000	774,200	1,819,200	370,000	38,600.00	408,600	3,705,000	1,952,174	5,657,174
2017	770,000	399,038	1,169,038	1,085,000	732,400	1,817,400	385,000	23,500.00	408,500	3,870,000	1,785,452	5,655,452
2018	805,000	366,050	1,171,050	1,130,000	689,000	1,819,000	395,000	7,900.00	402,900	4,025,000	1,610,711	5,635,711
2019	840,000	331,094	1,171,094	1,175,000	643,800	1,818,800	-	-	-	3,780,000	1,436,237	5,216,237
2020	875,000	294,650	1,169,650	1,230,000	595,331	1,825,331	-	-	-	3,955,000	1,260,859	5,215,859
2021	915,000	256,040	1,171,040	1,280,000	544,594	1,824,594	-	-	-	4,090,000	1,077,620	5,167,620
2022	955,000	214,537	1,169,537	1,340,000	490,194	1,830,194	-	-	-	3,925,000	891,636	4,816,636
2023	1,000,000	170,550	1,170,550	1,395,000	433,244	1,828,244	-	-	-	3,745,000	712,732	4,457,732
2024	1,045,000	124,538	1,169,538	1,460,000	372,212	1,832,212	-	-	-	3,905,000	533,500	4,438,500
2025	1,095,000	76,387	1,171,387	1,525,000	306,513	1,831,513	-	-	-	2,620,000	382,900	3,002,900
2026	1,150,000	25,875	1,175,875	1,595,000	235,981	1,830,981	-	-	-	2,745,000	261,856	3,006,856
2027	-	-	-	1,670,000	162,213	1,832,213	-	-	-	1,670,000	162,213	1,832,213
2028	-	-	-	1,745,000	82,888	1,827,888	-	-	-	1,745,000	82,888	1,827,888
Totals	\$ 14,590,000	\$ 6,459,804	\$ 21,049,804	\$ 23,890,000	\$ 12,608,803	\$ 36,498,803	\$ 3,295,000	\$ 715,100	\$ 4,010,100	\$ 68,150,000	\$ 30,105,747	\$ 98,255,747

## MADISON WATER UTILITY

### OPERATING REVENUES AND EXPENSES Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES</b>		
Unmetered Sales	\$ 56,905	\$ 50,340
Metered Sales		
Residential	8,108,353	7,468,398
Commercial	6,426,627	5,740,246
Industrial	892,422	857,429
Public authorities	1,899,741	1,857,014
Sales for resale	315,298	225,946
Total Metered Sales	<u>17,642,441</u>	<u>16,149,033</u>
Private fire protection	278,961	266,144
Public fire protection	1,971,956	1,796,893
Total Sales of Water	<u>19,950,263</u>	<u>18,262,410</u>
Forfeited discounts	183,157	140,889
Miscellaneous	21,851	37,217
Other	151,277	143,138
Total Operating Revenues	<u>20,306,548</u>	<u>18,583,654</u>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Source of Supply		
Maintenance		
Supervision and engineering	21,764	21,750
Collecting and impounding reservoirs	16,738	79,758
Wells and springs	51,382	61,249
Total Source of Supply	<u>89,884</u>	<u>162,757</u>
Pumping		
Operation supervision and engineering	79,639	4,491
Power purchased for pumping	2,013,263	1,960,626
Pumping labor	324,262	302,720
Miscellaneous	311,165	297,901
Maintenance		
Supervision and engineering	63,212	63,349
Structures and improvements	87,543	85,901
Pumping equipment	413,534	329,904
Total Pumping	<u>3,292,618</u>	<u>3,044,892</u>
Water Treatment		
Operation supervision and engineering	56,569	24,865
Chemicals	225,965	178,729
Operation labor	312,447	293,509
Miscellaneous	62,314	74,482
Maintenance		
Supervision and engineering	21,700	22,118
Water treatment equipment	136,265	113,396
Total Water Treatment	<u>815,260</u>	<u>707,099</u>



## MADISON WATER UTILITY

### OPERATING REVENUES AND EXPENSES (cont.) Years Ended December 31, 2008 and 2007

	2008	2007
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Transmission and Distribution		
Operation supervision and engineering	\$ 186,610	\$ 119,963
Storage facilities	82,726	74,290
Transmission and distribution lines	325,555	487,719
Meter	83,124	93,983
Customer installation	109,347	99,735
Miscellaneous	704,945	647,235
Maintenance	9,182	
Reservoirs	36,461	5,462
Mains	2,015,890	1,967,137
Services	1,108,670	1,486,336
Meters	129,967	129,394
Hydrants	390,196	314,374
Total Transmission and Distribution	5,182,673	5,425,628
Customer Accounts		
Supervision	18,407	18,629
Meter reading	96,310	83,299
Customer records and collection	240,027	210,885
Conservation	35,163	
Total Customer Accounts	389,907	312,813
Administrative and General		
Salaries	629,966	723,595
Office supplies	399,994	330,647
Outside services employed	163,970	590,093
Property insurance	17,394	17,339
Injuries and damages	309,498	232,827
Employees pensions and benefits	1,580,419	1,354,594
Regulatory commission	12,137	6,806
Miscellaneous	89,413	119,837
Maintenance of general plant	6,062	6,748
Total Administrative and General	3,208,853	3,382,486
Total Operation and Maintenance	12,979,195	13,035,675
Depreciation	3,728,643	3,189,156
Taxes	166,687	69,130
Total Operating Expenses	16,874,525	16,293,961
 OPERATING INCOME	 \$ 3,432,023	 \$ 2,289,693