

# **MADISON WATER UTILITY 2015 AUDIT PRESENTATION**

**July 26, 2016**

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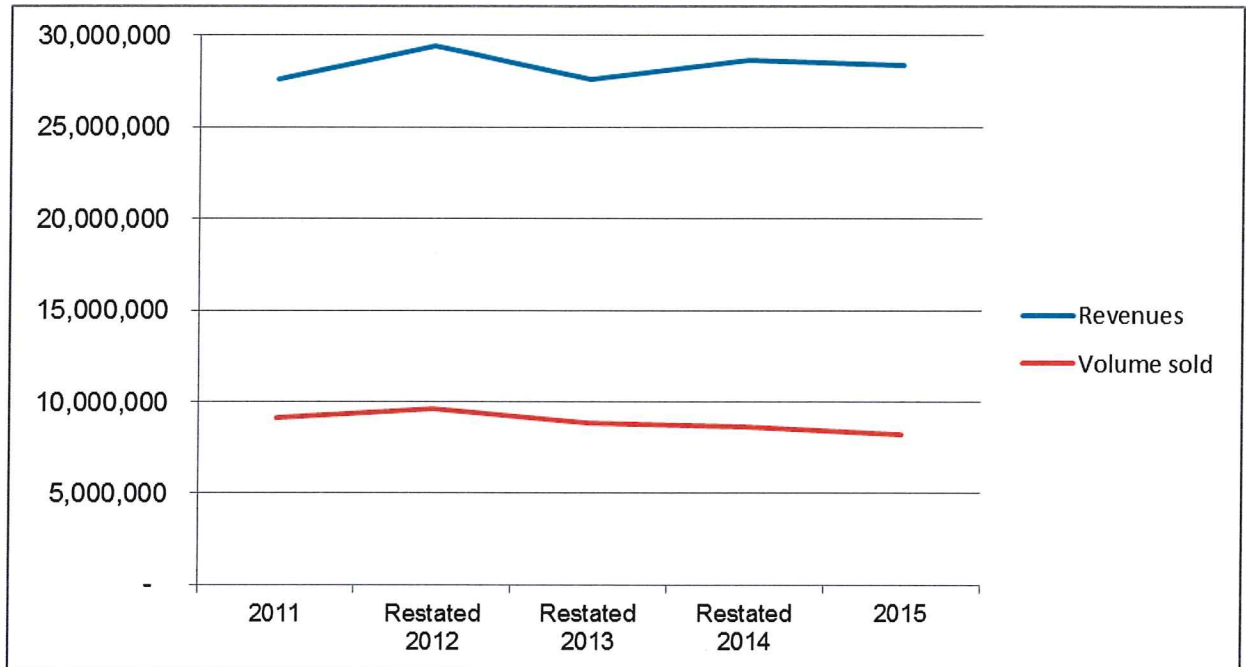
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## Required Audit Communications

- > 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
  - Internal Control Over Financial reporting
  - Financial statement restatement – Correction of prior period error
  
- > New accounting pronouncement
  - Implementation of GASB 68 for pensions
  - Resulted in restatement of beginning & ending net assets for 2014
  
- > Current year recommendations
  - Debt coverage requirements
  - Communication with other city departments
  
- > 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

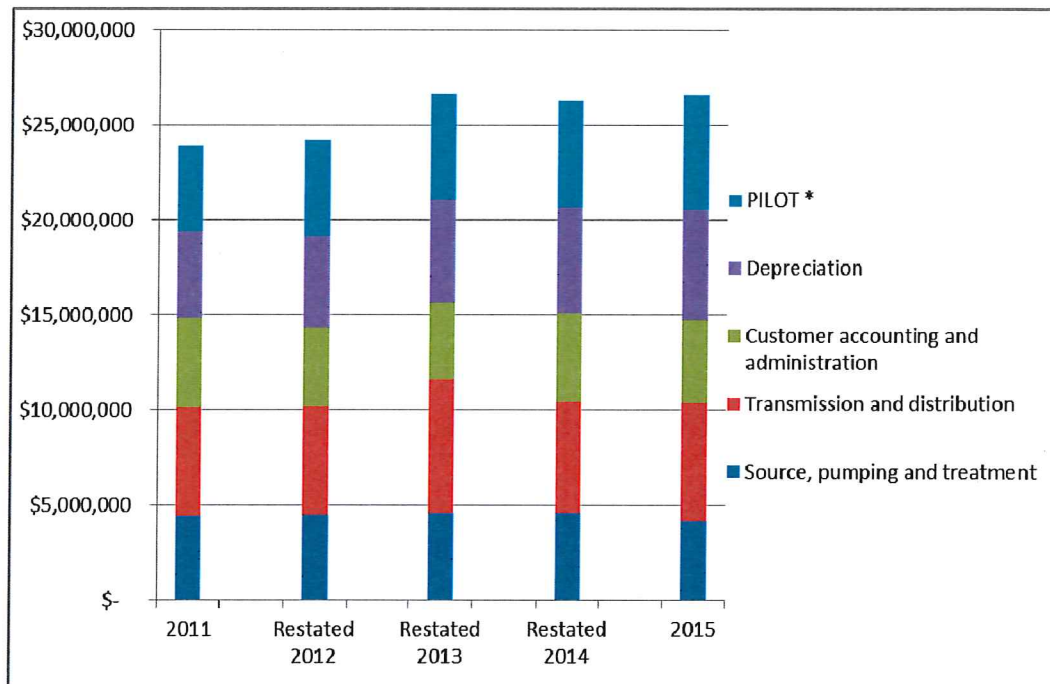
## Sales of Water



	2011	Restated 2012	Restated 2013	Restated 2014	2015
Total Sales of Water	\$ 27,620,040	\$ 29,409,758	\$ 27,635,710	\$ 28,658,183	\$ 28,381,185
Gallons Sold (in thousands)	9,147,751	9,587,160	8,863,612	8,655,054	8,242,860
Revenue per Thousand Gallons	\$ 3.02	\$ 3.07	\$ 3.12	\$ 3.31	\$ 3.44



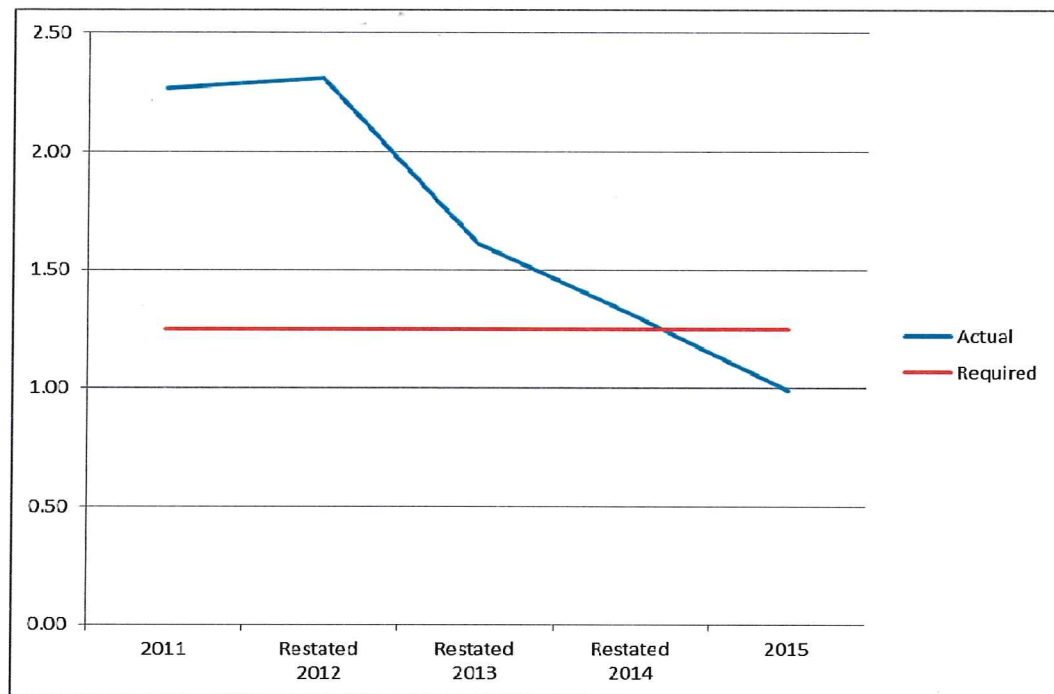
## Cost of Operations



	2011	Restated 2012	Restated 2013	Restated 2014	2015
Source, pumping and treatment	\$ 4,432,779	\$ 4,465,312	\$ 4,614,507	\$ 4,603,230	\$ 4,218,370
Transmission and distribution	5,754,058	5,740,556	7,012,383	5,841,369	6,180,536
Customer accounting and administration, taxes	4,674,512	4,146,936	4,037,503	4,662,355	4,851,176
Depreciation	4,541,620	4,809,543	5,419,760	5,621,261	5,775,814
PILOT *	<u>4,519,771</u>	<u>5,017,460</u>	<u>5,581,435</u>	<u>5,587,851</u>	<u>6,049,329</u>
Total Costs of Operations	<u>\$ 23,922,740</u>	<u>\$ 24,179,807</u>	<u>\$ 26,665,588</u>	<u>\$ 26,286,455</u>	<u>\$ 26,592,394</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

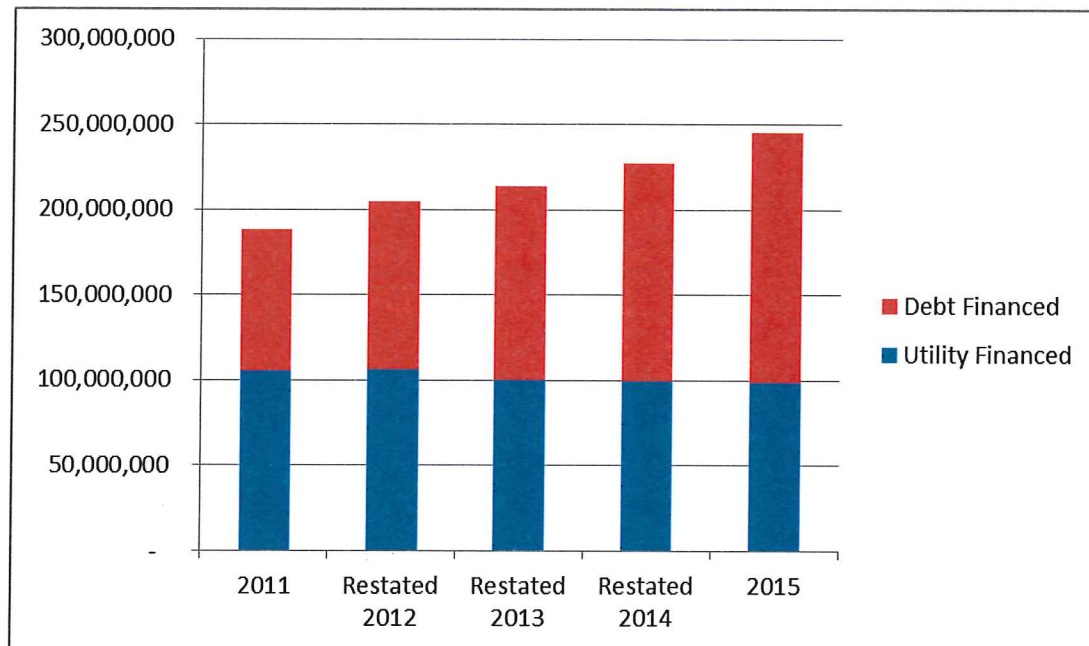


	2011	Restated 2012	Restated 2013	Restated 2014	2015
Gross Revenues (a)	\$ 28,364,269	\$ 30,144,767	\$ 28,883,821	\$ 30,332,733	\$ 29,744,626
Operating Expenses (b)	<u>14,861,349</u>	<u>14,352,804</u>	<u>15,704,880</u>	<u>15,106,954</u>	<u>15,250,082</u>
Available for Debt Service	\$ 12,614,384	\$ 15,791,963	\$ 13,178,941	\$ 15,225,779	\$ 14,494,544
Debt Service Requirements (for 2015 and beyond, based on highest annual d/s)	\$ 5,959,273	\$ 6,836,708	\$ 8,187,579	\$ 11,643,593	\$ 14,664,997
Debt Coverage Ratio	2.27	2.31	1.61	1.31	0.99
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



	2011	Restated 2012	Restated 2013	Restated 2014	2015
Net Property, Plant and Equipment	\$ 188,438,033	\$ 204,511,940	\$ 214,048,247	\$ 227,394,657	\$ 244,981,757
Net Assets Invested in Capital Assets	105,249,049	105,984,091	99,948,208	99,646,259	98,847,032
Portion of Capital Assets Funded through Accumulated Earnings	56%	52%	47%	44%	40%