



BAKER TILLY

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MADISON WATER UTILITY 2013 AUDIT PRESENTATION

July 22, 2014

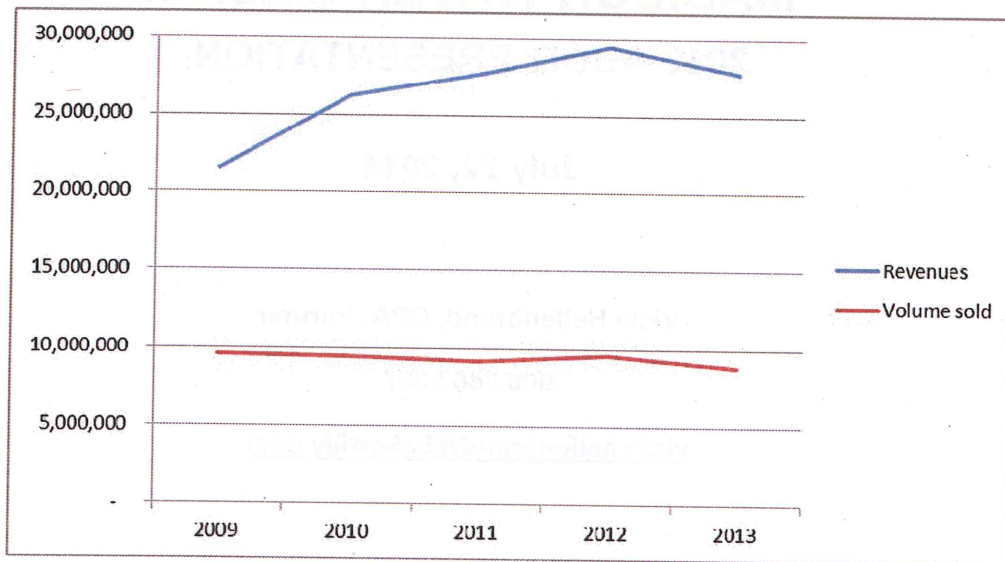
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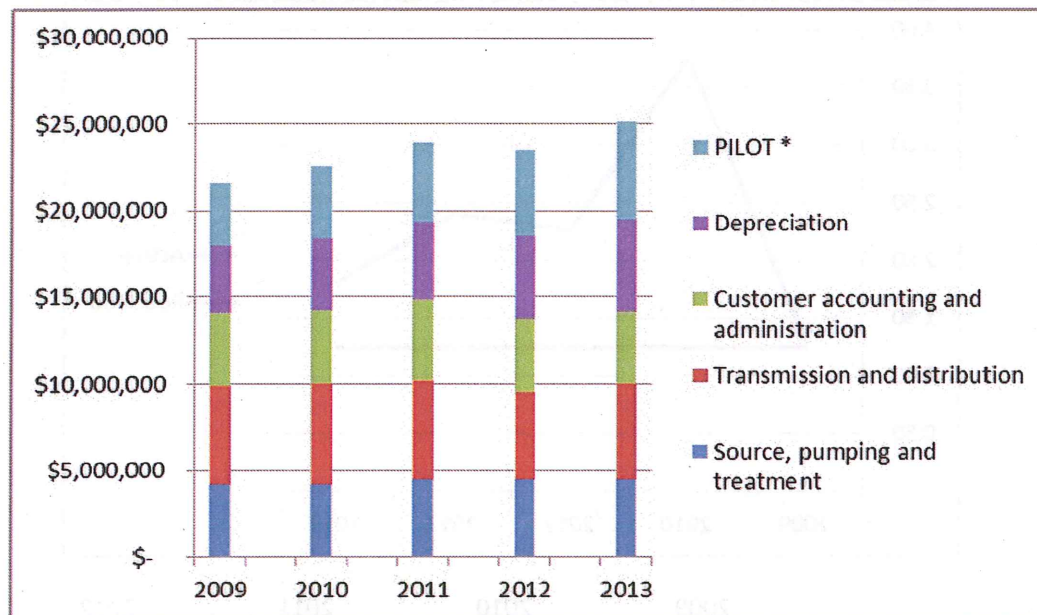


Sales of Water



	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total Sales of Water	\$ 21,557,907	\$ 26,217,212	\$ 27,620,040	\$ 29,409,758	\$ 27,716,370
Gallons Sold (in thousands)	9,568,551	9,425,919	9,147,751	9,587,160	8,863,612
Revenue per Thousand Gallons	\$ 2.25	\$ 2.78	\$ 3.02	\$ 3.07	\$ 3.13

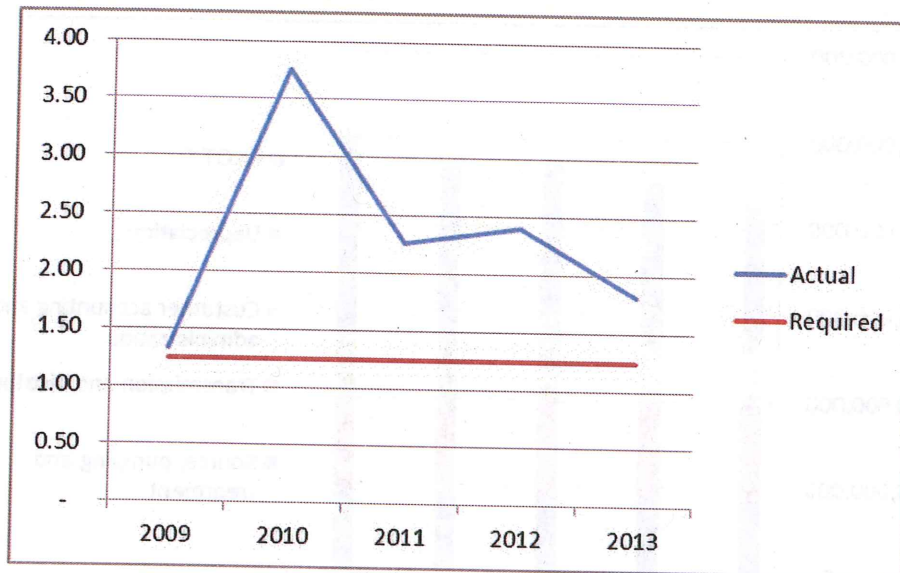
Cost of Operations



	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Source, pumping and treatment	\$ 4,173,979	\$ 4,190,733	\$ 4,432,779	\$ 4,414,021	\$ 4,443,206
Transmission and distribution	5,698,700	5,834,892	5,754,058	5,148,519	5,601,637
Customer accounting and administration	4,178,998	4,168,703	4,674,512	4,146,936	4,077,990
Depreciation	3,943,059	4,219,015	4,541,620	4,809,543	5,419,760
PILOT *	<u>3,572,131</u>	<u>4,113,887</u>	<u>4,519,771</u>	<u>5,017,460</u>	<u>5,581,435</u>
Total Costs of Operations	<u>\$ 21,566,867</u>	<u>\$ 22,527,230</u>	<u>\$ 23,922,740</u>	<u>\$ 23,536,479</u>	<u>\$ 25,124,028</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

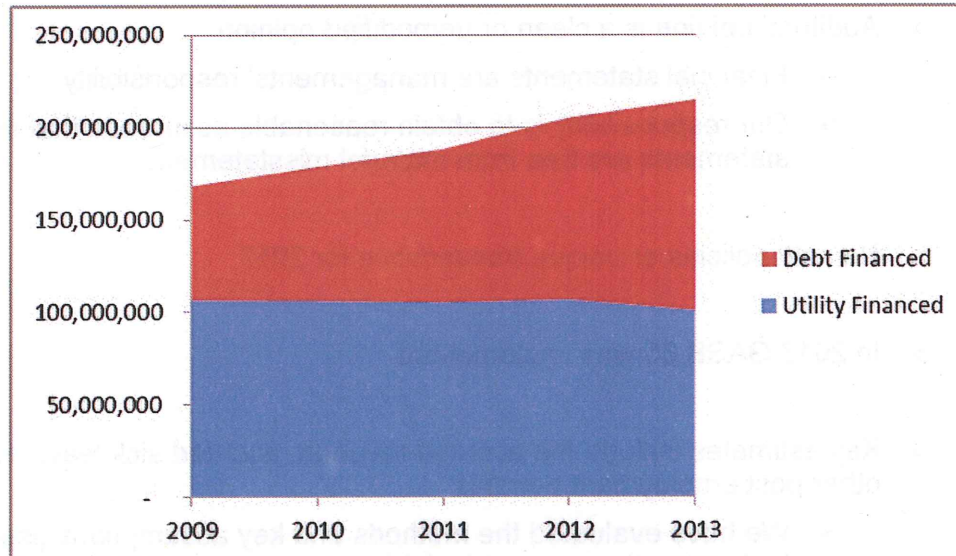


	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Gross Revenues (a)	\$ 22,152,814	\$ 26,808,712	\$ 28,364,269	\$ 30,144,767	\$ 28,964,481
Operating Expenses (b)	<u>14,048,677</u>	<u>14,194,328</u>	<u>14,861,349</u>	<u>13,709,476</u>	<u>14,122,833</u>
Available for Debt Service	\$ 8,104,137	\$ 12,614,384	\$ 13,502,920	\$ 16,435,291	\$ 14,841,648
Debt Service Requirements	\$ 6,102,934	\$ 3,357,351	\$ 5,959,273	\$ 6,836,708	\$ 8,187,579
Debt Coverage Ratio	1.33	3.76	2.27	2.40	1.81
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



	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net Property, Plant and Equipment	\$ 168,486,363	\$ 178,867,424	\$ 188,438,033	\$ 205,155,248	\$ 214,866,393
Net Assets Invested in Capital Assets (a)	106,396,344	105,984,452	105,249,049	106,627,399	100,766,354
Portion of Capital Assets Funded through Accumulated Earnings	63%	59%	56%	52%	47%

Note – at the same time the utilization ratio (percentage of total assets depreciated) has remained between 22 and 24%



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 2013.

- > In 2013 GASB 65 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

- > One material adjusting journal entry made

- > Internal control communication:
 - > Consistent with prior years we report a material weakness related to financial reporting
 - > Prior year recommendations have been addressed by management
 - > Current year recommendations
 - Review work order closing process
 - Evaluate property held for future use
 - Review of customer advances

- > Future GASB statements