



BAKER TILLY

Candor. Insight. Results.

MADISON WATER UTILITY 2016 AUDIT PRESENTATION

July 25, 2017

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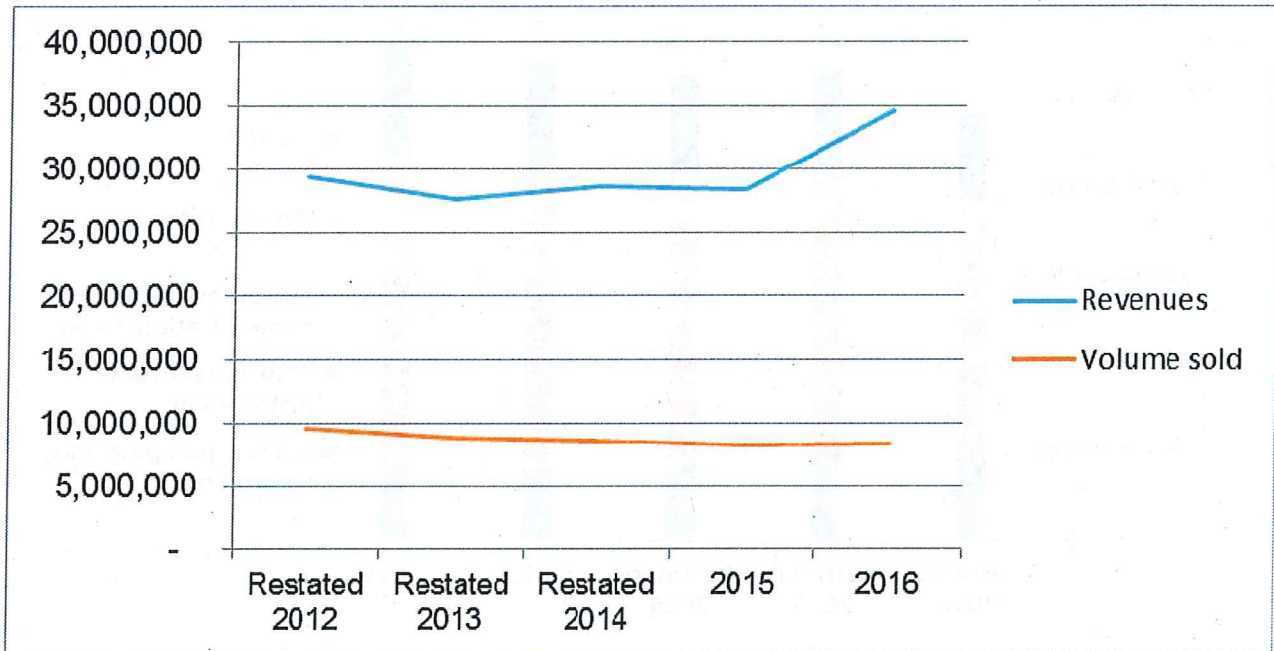
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Required Audit Communications

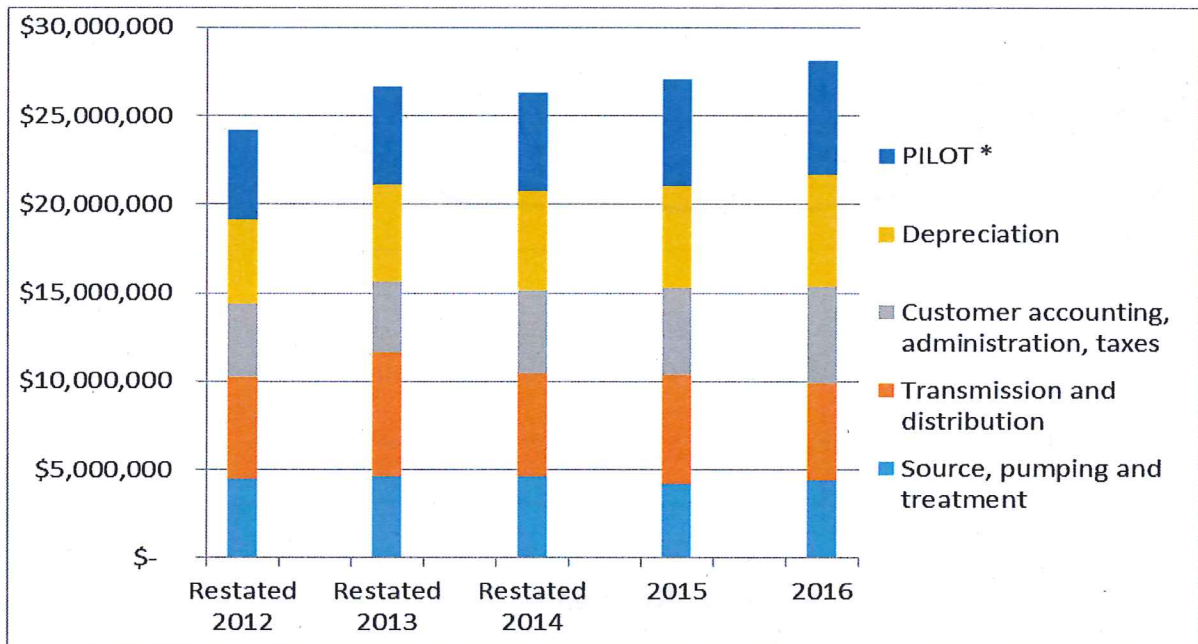
- > Auditors' opinion is a clean or unmodified opinion
 - Financial statements are managements' responsibility
 - Our responsibility is to obtain reasonable assurance that the statements are free from material misstatement
- > Material weaknesses
 - Internal Control Over Financial reporting
- > New accounting pronouncement
 - Implementation of GASB 72 for fair value measurement and reporting
- > Current year recommendations
 - Debt coverage requirements
 - Observations from PSCW water rate cases
- > Prior year recommendations
 - Management has made significant improvements in internal processes during 2016
 - Communications with other departments – cleared in 2016
 - Close-out of CWIP and CCNC projects – cleared in 2016
 - Perform account and revenue reconciliations – cleared in 2016
- > 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



	Restated <u>2012</u>	Restated <u>2013</u>	Restated <u>2014</u>	<u>2015</u>	<u>2016</u>
Total Sales of Water	\$ 29,409,758	\$ 27,635,710	\$ 28,658,183	\$ 28,381,185	\$ 34,588,398
Gallons Sold (in thousands)	9,587,160	8,863,612	8,655,054	8,242,860	8,340,542
Revenue per Thousand Gallons	\$ 3.07	\$ 3.12	\$ 3.31	\$ 3.44	\$ 4.15

Cost of Operations



	Restated 2012	Restated 2013	Restated 2014	2015	2016
Source, pumping and treatment	\$ 4,465,312	\$ 4,614,507	\$ 4,603,230	\$ 4,218,370	\$ 4,401,320
Transmission and distribution	5,740,556	7,012,383	5,841,369	6,180,536	5,460,023
Customer accounting, administration, taxes	4,146,936	4,037,503	4,662,355	4,851,176	5,495,294
Depreciation	4,809,543	5,419,760	5,621,261	5,775,814	6,328,463
PILOT *	<u>5,017,460</u>	<u>5,581,435</u>	<u>5,587,851</u>	<u>6,049,329</u>	<u>6,415,680</u>
Total Costs of Operations	<u>\$ 23,922,740</u>	<u>\$ 24,179,807</u>	<u>\$ 26,316,066</u>	<u>\$ 27,075,225</u>	<u>\$ 28,100,780</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

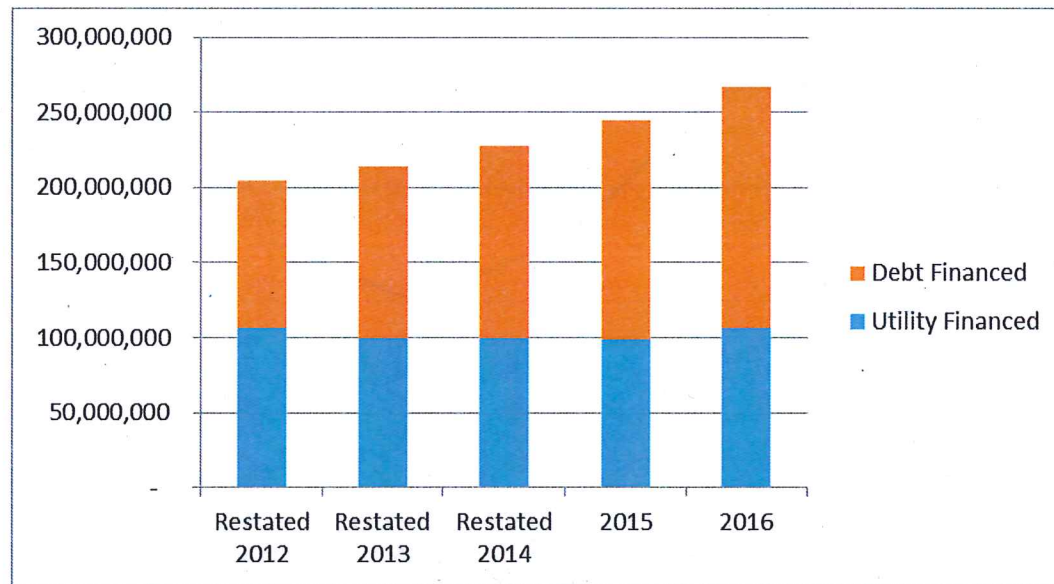


	Restated 2012	Restated 2013	Restated 2014	2015	2016
Gross Revenues (a)	\$ 30,144,767	\$ 28,883,821	\$ 30,332,733	\$ 29,744,626	\$ 35,909,550
Operating Expenses (b)	<u>14,352,804</u>	<u>15,704,880</u>	<u>15,106,954</u>	<u>15,250,082</u>	<u>15,356,637</u>
Available for Debt Service	\$ 13,502,920	\$ 15,791,963	\$ 15,225,779	\$ 14,494,544	\$ 20,552,913
Debt Service Requirements (for 2016 and beyond, based on highest annual d/s)	\$ 6,836,708	\$ 8,187,579	\$ 11,643,593	\$ 14,664,997	\$ 16,271,293
Debt Coverage Ratio	1.98	1.93	1.31	0.99	1.26
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



	Restated 2012	Restated 2013	Restated 2014	2015	2016
Net Property, Plant and Equipment	\$ 204,511,940	\$ 214,048,247	\$ 227,394,657	\$ 244,981,757	\$ 266,710,565
Net Assets Invested in Capital Assets	105,984,091	99,948,208	99,646,259	98,847,032	106,282,192
Portion of Capital Assets Funded through Accumulated Earnings	52%	47%	44%	40%	40%