

MADISON WATER UTILITY 2011 AUDIT PRESENTATION

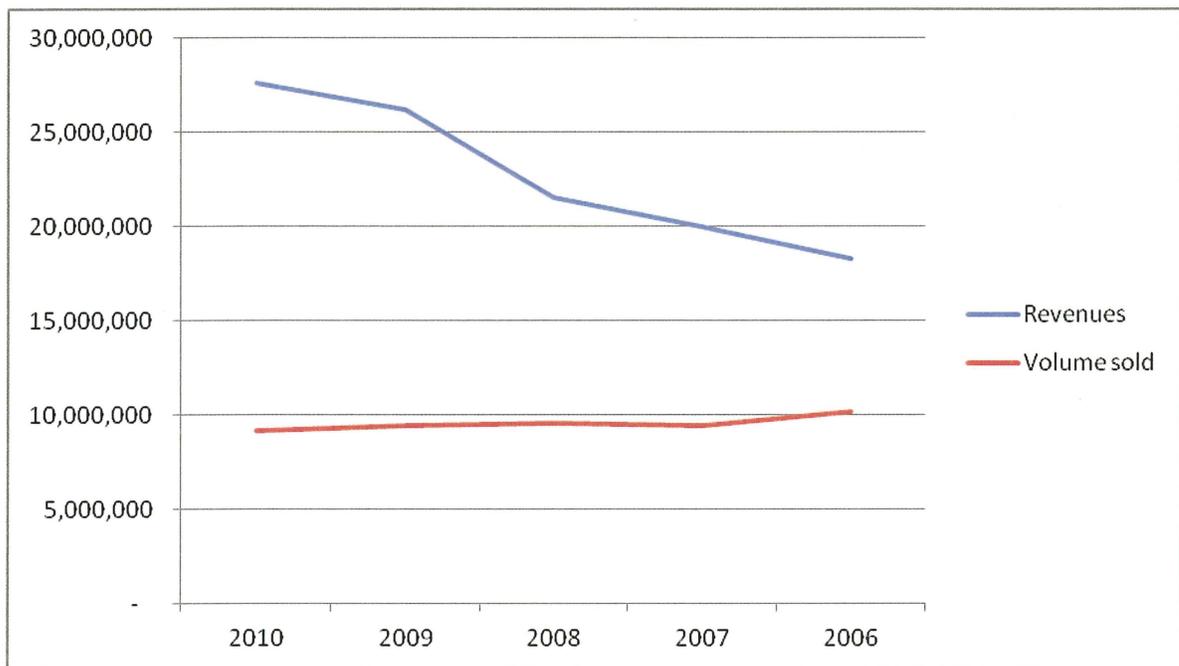
August 28, 2012

Jodi Dobson, CPA, Senior Manager

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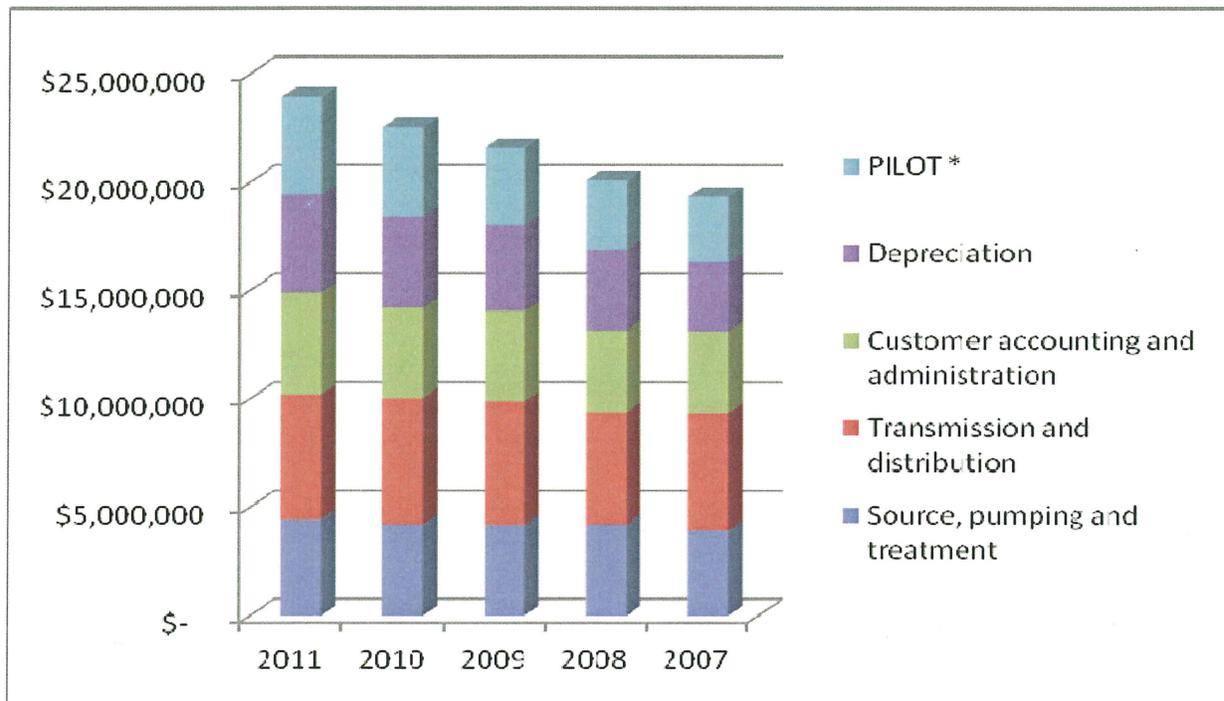
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Sales of Water



	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total Sales of Water	\$ 27,620,040	\$ 26,217,212	\$ 21,557,907	\$ 19,950,263	\$ 18,262,410
Gallons Sold (in thousands)	9,147,751	9,425,919	9,568,551	9,455,452	10,169,930
Revenue per Thousand Gallons	\$ 3.02	\$ 2.78	\$ 2.25	\$ 2.11	\$ 1.80

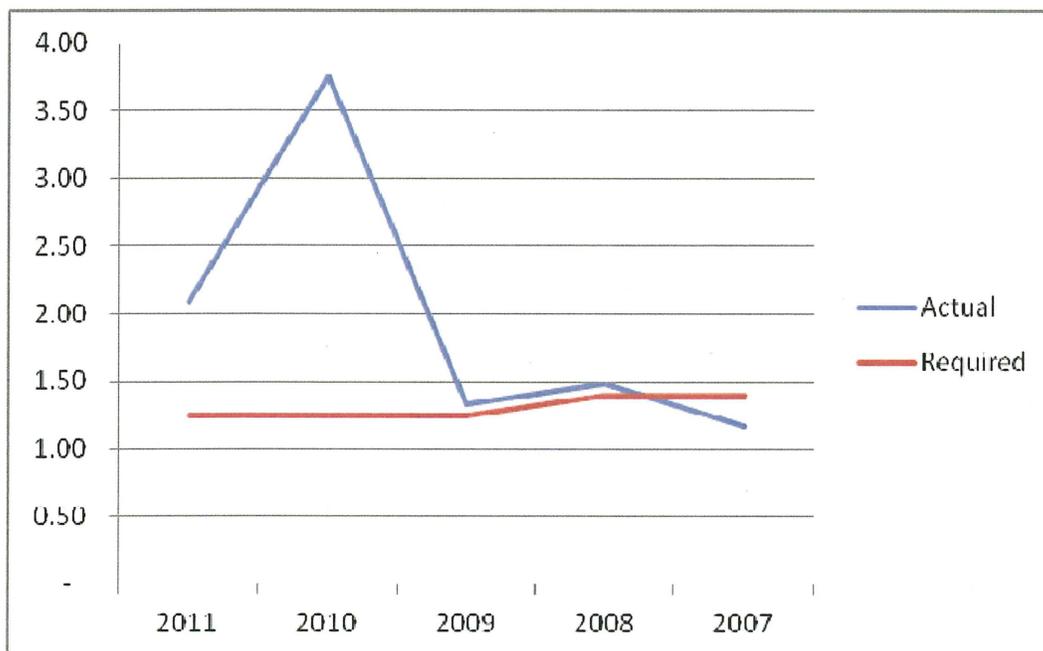
Cost of Operations



	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Source, pumping and treatment	\$ 4,432,779	\$ 4,190,733	\$ 4,173,979	\$ 4,197,762	\$ 3,914,748
Transmission and distribution	5,754,058	5,834,892	5,698,700	5,182,673	5,425,628
Customer accounting and administration	4,674,512	4,168,703	4,178,998	3,765,447	3,764,429
Depreciation	4,541,620	4,219,015	3,943,059	3,728,643	3,189,156
PILOT *	<u>4,519,771</u>	<u>4,113,887</u>	<u>3,572,131</u>	<u>3,211,795</u>	<u>3,027,577</u>
Total Costs of Operations	<u>\$ 23,922,740</u>	<u>\$ 22,527,230</u>	<u>\$ 21,566,867</u>	<u>\$ 20,086,320</u>	<u>\$ 19,321,538</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



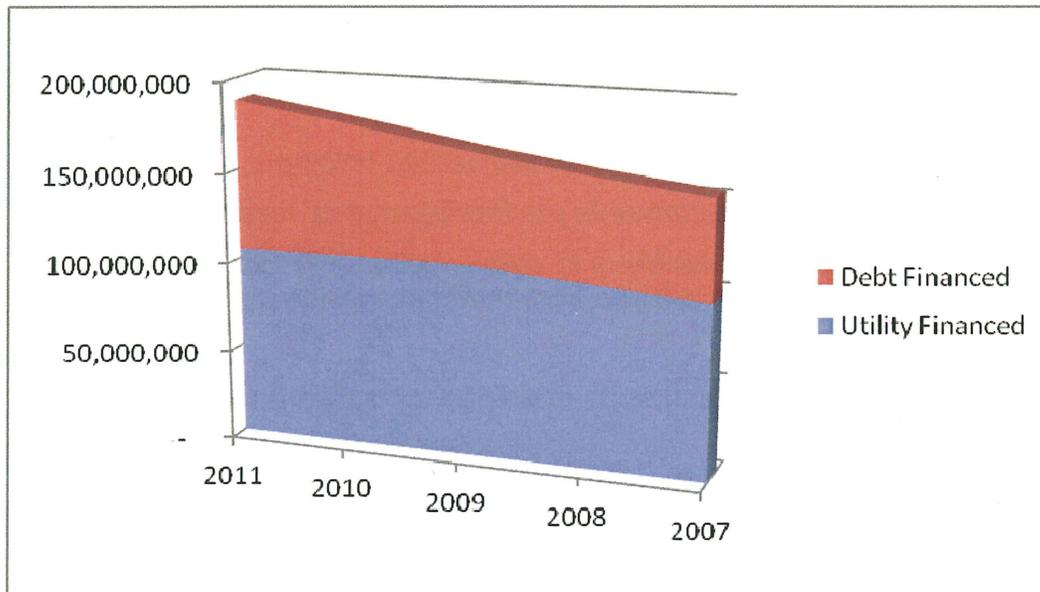
	2011	2010	2009	2008	2007
Gross Revenues (a)	\$ 28,364,269	\$ 26,808,712	\$ 22,152,814	\$ 20,963,381	\$ 19,007,353
Operating Expenses (b)	<u>14,861,349</u>	<u>14,194,328</u>	<u>14,048,677</u>	<u>13,145,882</u>	<u>13,104,805</u>
Available for Debt Service	\$ 13,502,920	\$ 12,614,384	\$ 8,104,137	\$ 7,817,499	\$ 5,902,548
Debt Service Requirements	\$ 6,474,273	\$ 3,357,351	\$ 6,102,934	\$ 5,267,969	\$ 5,041,362
Debt Coverage Ratio	2.09	3.76	1.33	1.48	1.17
Debt Coverage Requirement (c)	1.25	1.25	1.25	1.25	1.40

(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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net Investment in Capital Assets	\$ 188,438,033	\$ 178,867,424	\$ 168,486,363	\$ 159,564,933	\$ 152,640,811
Net Assets Invested in Capital Assets, Net of Related Debt (a)	105,249,049	105,984,452	106,396,344	102,257,071	96,844,125
Portion of Capital Assets Funded through Accumulated Earnings	56%	59%	63%	64%	63%

(a) The 2007 through 2008 amounts reflect the assumption that the reserve account was borrowed funds on hand to be consistent with the 2009 through 2011 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 unqualified opinion
 - > Financial statements are managements' responsibility
 - > Our responsibility is to obtain reasonable assurance that the statements are free from material misstatement

- > No new policies, standards or unique transactions for 2011.

- > 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

- > We proposed adjustments during the audit related to grant revenues, Build American Bond subsidies, PILOT, interfund reconciliations, special assessments, retainages, capitalized taxes, and wholesale refunds. All proposed adjustments were included in the financial statements.

- > Internal control communication:
 - > Consistent with prior years we report a material weakness related to financial reporting
 - > Similar to 2010, for 2011 we report a significant deficiency related to segregation of duties as a result of the staff turnover and open positions