

**MADISON WATER UTILITY**

An Enterprise Fund of the  
City of Madison, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

Years Ended December 31, 2009 and 2008

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

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December 31, 2009 and 2008

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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, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. 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, 2009 and 2008, 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.

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  
June 25, 2010

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

# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

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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, 2009, 2008 and 2007. 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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### **2009 FINANCIAL HIGHLIGHTS**

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- > The utility's operating revenues increased \$1,642,858 or 8.09% from 2008. Water pumped was down 5.06%, and new customers increased 0.46%.
  - > The utility's operating expenses increased by \$1,117,211 or 6.62% from the prior year. This increase can be attributed to increased costs related to salaries, benefits, Reservoir tower painting, and water conservation expenses.
  - > The utility's total assets increased \$7.576 million and total liabilities increased \$7.014 million, resulting in total net assets increasing \$0.562 million or 0.53% from 2008.
  - > Investment income decreased by \$453,425 or 69.03%; interest rates continued to be at or near record lows and the utility had fewer dollars available to invest in 2009.
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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.
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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.

See accompanying independent auditors' report.

# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

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### GENERAL INFORMATION ABOUT MADISON WATER UTILITY (cont.)

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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.

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### RATES

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The utility last received a rate increase from the PSCW in December of 2009. The utility filed an application to increase rates with the PSCW on May 1, 2009. On December 22, 2009 the utility was granted a 22% rate increase that is effective as of December 29, 2009. After the last rate increase the utility is now ranked thirty-second for non-residential rates and forty-fourth for residential rates out of 92 rates for utilities classified as AB (over 4,000 customers) in the state and has the fourteenth lowest non residential rates in Dane County.

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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>2009</u>	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$ 26,179	\$ 27,525	\$ 37,175
Capital Assets	<u>168,487</u>	<u>159,565</u>	<u>152,641</u>
Total Assets	194,666	187,090	189,816
Current Liabilities	11,978	12,398	13,157
Long-Term Debt Outstanding	73,670	64,990	68,150
Long-Term Liabilities	<u>2,874</u>	<u>4,120</u>	<u>3,736</u>
Total Liabilities	88,522	81,508	85,043
Invested in Capital Assets, Net of Related Debt	100,446	95,957	90,662
Restricted	7,845	10,360	12,922
Unrestricted	<u>(2,147)</u>	<u>(735)</u>	<u>1,189</u>
Total Net Assets	<u>\$ 106,144</u>	<u>\$ 105,582</u>	<u>\$104,773</u>

Net Assets increased \$562 thousand from 2008 to 2009, an increase of .53%. Net Assets have increased 1.31% since 2007.

See accompanying independent auditors' report.

# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

### UTILITY FINANCIAL ANALYSIS (cont.)

*Table 2*

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

	2009	2008	2007
Operating Revenues	\$ 21,558	\$ 19,950	\$ 18,263
Other Operating Revenues	391	357	321
Total Revenues	21,949	20,307	18,584
Operation & Maintenance Expense	14,049	13,146	13,105
Depreciation Expense	3,943	3,729	3,189
Non-operating Expense	2,888	2,506	1,991
Total Expense	20,880	19,381	18,285
Income Before Capital Contributions and Transfers	1,069	926	299
Capital Contributions	3,070	2,595	3,581
Transfers	(3,577)	(2,712)	(3,028)
Changes in Net Assets	562	809	852
Beginning Net Assets	105,582	104,773	103,921
Ending Net Assets	\$ 106,144	\$ 105,582	\$ 104,773

The utility's operating revenues increased \$1.642 million or 8.09% in 2009. This is attributed to the rate increase that began phase in with the April 1 2009, billing.



# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

### UTILITY FINANCIAL ANALYSIS (cont.)

*Table 3*

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

	2009	2008	2007
<b>OPERATING REVENUES</b>			
Unmetered Sales	\$ 73	\$ 57	\$ 50
Metered Sales			
Residential	8,617	8,108	7,468
Commercial	6,987	6,427	5,740
Industrial	1,071	892	858
Public authorities	2,134	1,900	1,857
Sales for resale	168	315	226
Total Metered Sales	18,977	17,642	16,149
Private fire protection	288	279	266
Public fire protection	2,220	1,972	1,797
Total Sales of Water	21,558	19,950	18,262
Forfeited discounts	196	183	141
Miscellaneous	26	22	38
Other	170	152	143
Total Operating Revenues	21,950	20,307	18,584
<b>OPERATING EXPENSES</b>			
Source of Supply	190	90	163
Pumping	3,215	3,292	3,045
Water Treatment	769	815	707
Transmission and Distribution	5,699	5,183	5,426
Customer Accounts	612	390	313
Administrative and General	3,374	3,209	3,382
Total Operation and Maintenance	13,859	12,979	13,036
Depreciation	3,943	3,729	3,189
Taxes	190	167	69
Total Operating Expenses	17,992	16,875	16,294
<b>OPERATING INCOME</b>	\$ 3,958	\$ 3,432	\$ 2,290

See accompanying independent auditors' report.

# MADISON WATER UTILITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009 and 2008

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### UTILITY FINANCIAL ANALYSIS (cont.)

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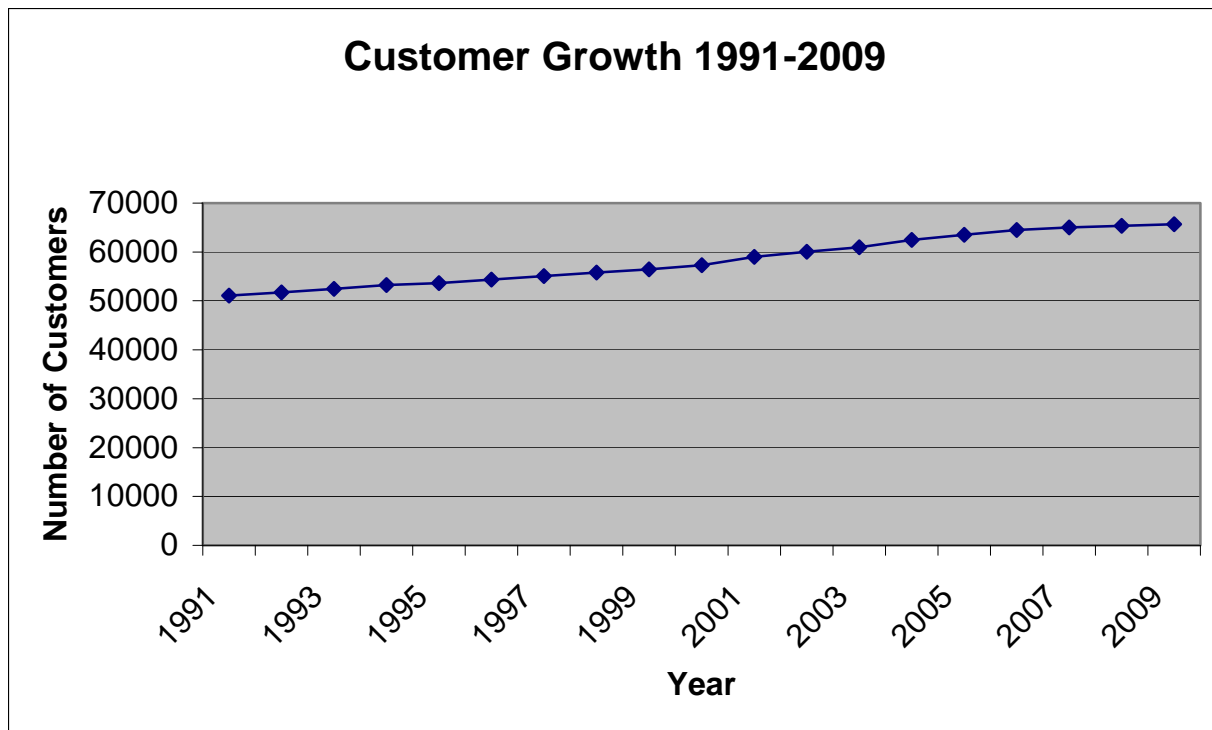
#### **Revenues**

Total operating revenues increased from \$20.307 million in 2008 to \$21.950 million in 2009, an increase of 8.09%. This increase was due to the rate increase that became effective January 12, 2009. The utility added 298 new customers in 2009 and pumped 5.06% less water.

#### **Expenses**

Operation and maintenance expenses totaled \$13.859 million in 2009 compared to \$12.979 million in 2008. This represents an increase of 6.78% over 2008. Major changes were noted in maintenance of distribution reservoirs which increased \$383,514 due to the painting of the tower at unit well #26, maintenance of mains which increased \$100,024 due to increased main leaks, maintenance of services which increased \$124,391 over 2008 due to the closing of a large number of work orders with expenses in excess of allowable cost of removals in 2009, employees pensions and benefits which increased \$195,989 over 2008 and an increase in our water conservation expenses of \$234,989 due to the implementation of a residential toilet rebate program in 2009.

**Chart 1**



Customer growth has slowed in 2009. The utility received 403 new applications for service in 2009; the record number of new applications was 1,442 in 2002. 2008 produced 524 new applications for service.

# MADISON WATER UTILITY

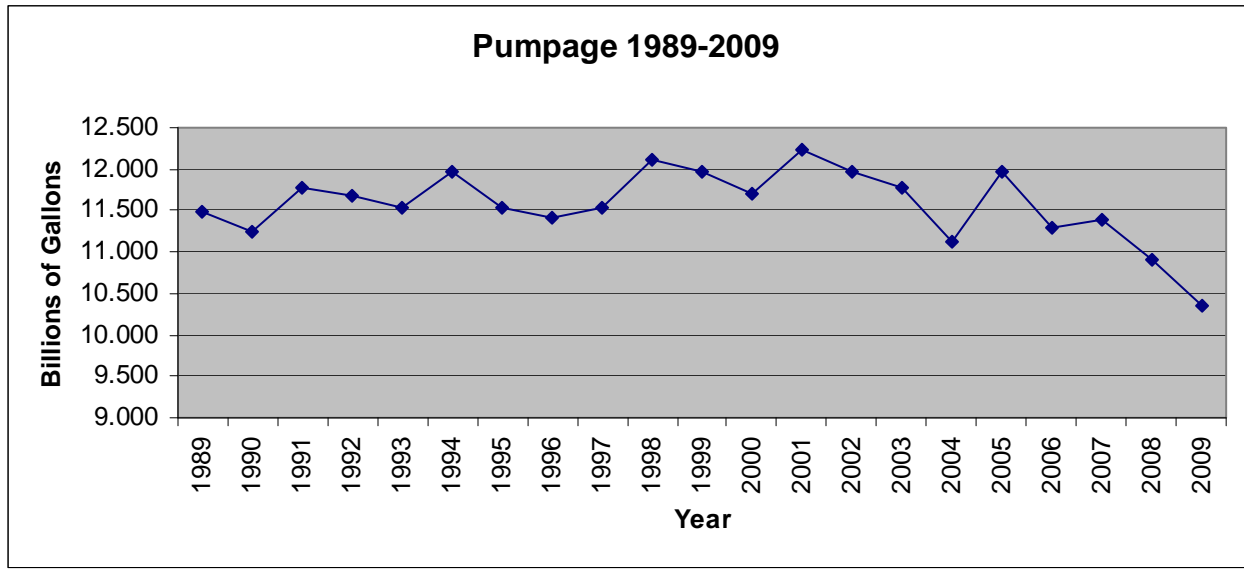
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2009 and 2008

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## UTILITY FINANCIAL ANALYSIS (cont.)

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Chart 2



Pumping for the year decreased from 10.907 billion gallons in 2008 to 10.355 billion gallons in 2009 due to the economy and an increase in conservation awareness by our customers.

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## CAPITAL EXPENDITURES

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The utility added a net \$10,303,688 of plant in 2009. Of this amount, \$2,906,364 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 2009, it was estimated there were 295 lead services remaining in the system. The utility is on schedule for compliance with the consent order by 2011.

Capital projects completed in 2009 and paid for by the utility include \$14,986 for the lead service replacement program, \$2,070,218 for the Iron and Manganese Filter @ Unit Well #29, and \$5.351 million for 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, 2009 and 2008

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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 \$48.54 million in December of 2009. \$10.9 million of the 2009 borrowing is being used to fund 2009 and 2010 capital projects, while the other \$37.64 million refunded the outstanding 2001, 2002, 2003, and 2006 revenue bonds and the 2005 refunding bond issue. The utility plans a sale of revenue bonds in 2010 to fund its the balance of its 2010 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 May of 2009) utility rates remain below the average rates of large utilities 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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 137,251	\$ 376,698
Restricted cash and investments	1,678,238	4,661,389
Customer accounts receivable	3,001,403	3,075,953
Accrued revenue	4,331,756	3,921,123
Receivable from other funds	211,537	-
Materials and supplies	732,266	689,392
Current portion of special assessments	152,500	40,741
Other current assets	<u>233,994</u>	<u>354,699</u>
Total Current Assets	<u>10,478,945</u>	<u>13,119,995</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash and investments	12,065,526	11,402,742
Other Assets		
Special assessments receivable	1,875,468	1,333,413
Unamortized debt issuance costs	656,647	572,774
Preliminary survey and investigation	232,006	232,006
Property held for future use	659,573	659,489
Non-utility property (net of accumulated depreciation)	210,990	205,059
Capital Assets		
Plant in service	202,235,146	191,931,458
Accumulated depreciation	(47,260,128)	(43,639,112)
Construction work in progress	<u>13,511,345</u>	<u>11,272,587</u>
Total Non-Current Assets	<u>184,186,573</u>	<u>173,970,416</u>
Total Assets	<u>194,665,518</u>	<u>187,090,411</u>

	<u>2009</u>	<u>2008</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 785,180	\$ 927,256
Other current liabilities	236,629	276,709
Payable to other funds	-	1,044,208
Accrued interest	56,922	57,986
Short term loan from municipality	9,070,000	5,405,000
Current portion of advance	31,111	25,656
Current Liabilities Payable From Restricted Assets		
Current portion of revenue bonds	1,115,000	3,160,000
Accrued interest	683,492	1,501,388
Total Current Liabilities	<u>11,978,334</u>	<u>12,398,203</u>
<b>NON-CURRENT LIABILITIES</b>		
Revenue bonds	73,670,000	64,990,000
Unamortized debt premium	2,517,374	253,492
Unamortized loss on advance refunding	(3,390,182)	(20,114)
Compensated absences	1,634,538	1,626,467
Other postemployment benefit obligation	168,442	101,732
Advance from municipality	1,750,467	1,773,482
Customer advances for construction	192,873	385,101
Total Non-Current Liabilities	<u>76,543,512</u>	<u>69,110,160</u>
Total Liabilities	<u>88,521,846</u>	<u>81,508,363</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	100,446,344	95,957,071
Restricted for debt service	7,844,746	10,360,001
Unrestricted	<u>(2,147,418)</u>	<u>(735,024)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 106,143,672</u>	<u>\$ 105,582,048</u>

See accompanying notes to financial statements.

## MADISON WATER UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended December 31, 2009 and 2008

	2009	2008
<b>OPERATING REVENUES</b>		
Sales of water	\$ 21,557,907	\$ 19,950,263
Other	391,499	356,285
Total Operating Revenues	21,949,406	20,306,548
<b>OPERATING EXPENSES</b>		
Operation and maintenance	14,048,677	13,145,882
Depreciation	3,943,059	3,728,643
Total Operating Expenses	17,991,736	16,874,525
Operating Income	3,957,670	3,432,023
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Merchandising and jobbing	(20,442)	(37,078)
Investment income	203,408	656,833
Interest and amortization expense	(3,115,276)	(3,273,394)
Interest charged to construction	42,142	-
Gain on acquisition of territory	-	145,971
Other	1,650	1,650
Total Non-Operating Revenues (Expenses)	(2,888,518)	(2,506,018)
Income Before Capital Contributions and Transfers	1,069,152	926,005
<b>CAPITAL CONTRIBUTIONS</b>	3,069,603	2,594,508
<b>TRANSFERS</b>	(5,000)	500,000
<b>TRANSFERS - TAX EQUIVALENT</b>	(3,572,131)	(3,211,795)
<b>Change in Net Assets</b>	561,624	808,718
NET ASSETS - Beginning of Year	105,582,048	104,773,330
<b>NET ASSETS - END OF YEAR</b>	\$ 106,143,672	\$ 105,582,048

See accompanying notes to financial statements.

# MADISON WATER UTILITY

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2009 and 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 21,727,827	\$ 19,892,467
Paid to suppliers for goods and services	(9,130,649)	(6,818,979)
Paid to employees for services	(5,619,881)	(5,271,838)
Net Cash Flows from Operating Activities	6,977,297	7,801,650
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers - paid to municipality for tax equivalent	(3,572,131)	(3,211,795)
Short-term loan received - operating portion	4,520,000	1,830,000
Repayment of advances from other funds	(17,560)	(20,790)
Interest paid on advances from other funds	(80,277)	(74,540)
Transfers - equipment fund	(235,000)	-
Transfers - tower rental from special revenue fund	230,000	500,000
Net Cash Flows from Noncapital Financing Activities	845,032	(977,125)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(11,564,349)	(8,140,597)
Special assessments received	111,273	94,555
Contributions in aid of construction	131,543	255,018
Short term borrowing paid to municipality - capital portion	(855,000)	(688,000)
Interest paid on short-term loan - capital portion	(93,817)	(139,286)
Proceeds from debt issued	10,900,000	-
Cash used in refunding transaction	(3,211,183)	-
Debt premium received	100,000	-
Debt retired	(3,160,000)	(5,920,000)
Interest paid	(2,944,018)	(2,657,970)
Net Cash Flows from Capital and Related Financing Activities	(10,585,551)	(17,196,280)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Marketable securities purchased	-	(6,300,000)
Marketable securities sold	6,300,000	6,208,086
Investment income	203,408	656,833
Net Cash Flows from Investing Activities	6,503,408	564,919
<b>Net Change in Cash and Cash Equivalents</b>	3,740,186	(9,806,836)
CASH AND CASH EQUIVALENTS – Beginning of Year	10,140,829	19,947,665
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	\$ 13,881,015	\$ 10,140,829



	2009	2008
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 3,957,670	\$ 3,432,023
Nonoperating loss	(18,791)	(35,428)
Noncash items included in operating income		
Depreciation	3,943,059	3,728,643
Depreciation charged to other accounts	520,363	482,311
Other non-cash items in operations	-	28,211
Changes in Assets and Liabilities		
Customer accounts receivable	54,665	(221,335)
Receivable from other funds	(103,248)	(164,523)
Materials and supplies	(42,874)	164,150
Accrued revenues	(410,633)	(147,886)
Other current assets	123,462	(58,184)
Accounts payable and other current liabilities	23,583	100,392
Payable to other funds	(1,144,740)	326,469
Other postemployment benefit obligation	66,710	50,476
Compensated absences	8,071	116,331
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 6,977,297</b>	<b>\$ 7,801,650</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS ACCOUNTS</b>		
Cash and investments	\$ 137,251	\$ 376,698
Restricted cash and investments - current	1,678,238	4,661,389
Restricted cash and investments - noncurrent	12,065,526	11,402,742
Total Cash and Investments	13,881,015	16,440,829
Less: Noncash equivalents	-	6,300,000
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$ 13,881,015</b>	<b>\$ 10,140,829</b>
<b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Municipality, customer and developer financed additions to utility plant	\$ 2,200,915	\$ 2,502,848
Advance from Municipality for Burke Utility District #1	\$ -	\$ 403,989
Gain on acquisition of territory	\$ -	\$ 145,971
Capital additions assessed to customers	\$ 772,845	\$ -
Capital contributions accrued or applied	\$ 210,800	\$ -
Interest capitalized	\$ 42,142	\$ -
Refunding debt issued	\$ 37,640,000	\$ -
Debt refunded	\$ (38,745,000)	\$ -
Accrued interest on refunded debt	\$ (775,116)	\$ -
Net premium, discount and issuance costs on refunding	\$ 1,851,599	\$ -

See accompanying notes to financial statements.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

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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 policies 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, 2009 and 2008

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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, 2009 and 2008

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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:

	Years	
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, 2009 and 2008

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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, 2009 and 2008

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

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

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

Rates were authorized by the PSCW in an order dated December 23, 2008 and are designed to earn a 7.00% return on rate base. New rates were authorized by the PSCW effective December 29, 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.

#### *EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS*

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. Application of these standards may restate portions of these financial statements

### NOTE 2 – DEPOSITS AND INVESTMENTS

	<u>Carrying Value as of December 31,</u>		<u>Associated Risks</u>
	<u>2009</u>	<u>2008</u>	
Checking and Savings	\$ 113,326	\$ 104,567	Custodial credit (A)
Other Investment Pools	7,810,664	10,029,237	
Money Market	5,950,000	-	Custodial credit
Certificate of Deposit	-	6,300,000	Custodial credit
Working Funds – Petty Cash	<u>7,025</u>	<u>7,025</u>	None
Totals	<u>\$ 13,881,015</u>	<u>\$ 16,440,829</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, 2009 and 2008

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited for noninterest bearing accounts as of December 31, 2009 and 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.

	2009		2008	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Park Bank	\$ 499,157	\$ 113,326	\$ 95,478	\$ 104,567
US Bank	5,950,000	5,950,000	-	-
Bankers' Bank	-	-	6,300,000	6,300,000
<b>Totals</b>	<b>\$ 6,449,157</b>	<b>\$ 6,063,326</b>	<b>\$ 6,395,478</b>	<b>\$ 6,404,567</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.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

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

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

#### **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.

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.

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

The following is a schedule of interfund balances as of December 31, 2009 and 2008:

Due To	Due From	2009		2008	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water	-	-	\$ 1,044,208	Sewer/storm receipts and joint meter allocation
Water	Municipality	\$ 211,537	Items on tax roll	-	-



## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

#### **NOTE 3 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)**

The following is a schedule of transfer balances as of December 31, 2009 and 2008:

To	From	2009		2008	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water	\$ 3,572,131	Tax equivalent	\$ 3,211,795	Tax equivalent
Water	Municipality	230,000	Tower rental received by special revenue fund	500,000	Tower rental received by special revenue fund
Municipality	Water	235,000	ELAM software	-	

#### **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, 2009 and 2008

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

#### RESTRICTED ACCOUNTS (cont.)

The following calculation supports the amount of restricted net assets:

	December 31	
	2009	2008
Restricted Assets		
Current restricted assets		
Principal and interest	\$ 1,678,238	\$ 4,661,389
Non-current Restricted Assets		
Operation and maintenance reserve	150,000	150,000
Reserve	5,950,000	6,300,000
Construction	5,215,526	4,202,742
Depreciation	750,000	750,000
Total Restricted Assets	13,743,764	16,064,131
Borrowed funds on hand	(5,215,526)	(4,202,742)
Current Liabilities Payable From Restricted Assets	(683,492)	(1,501,388)
Total Restricted Net Assets	\$ 7,844,746	\$ 10,360,001

### NOTE 5 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2009 follows:

	Balance 1/01/09	Increases	Decreases	Balance 12/31/09
Capital assets, not being depreciated				
Land and land rights	\$ 2,064,183	\$ 6,851	\$ -	\$ 2,071,034
Capital assets being depreciated				
Source of supply	9,568,888	157,362	-	9,726,250
Pumping	10,726,742	159,982	64,295	10,822,429
Water treatment	339,546	1,834,891	28,935	2,145,502
Transmission and distribution	152,164,411	8,373,196	437,336	160,100,271
General	17,067,688	692,003	390,031	17,369,660
Total Capital Assets	189,867,275	11,217,434	920,597	200,164,112
Being Depreciated	189,867,275	11,217,434	920,597	200,164,112
Total Capital Assets	191,931,458	11,224,285	920,597	202,235,146
Less: Accumulated Depreciation				
Source of supply	(4,009,984)	(214,564)	-	(4,224,548)
Pumping	(5,165,477)	(407,138)	(70,150)	(5,502,465)
Water treatment	(79,760)	(40,518)	(28,935)	(91,343)
Transmission and distribution	(27,109,990)	(3,062,316)	(451,916)	(29,720,390)
Administration and general assets	(7,273,901)	(837,514)	(390,033)	(7,721,382)
Total Accumulated Depreciation	(43,639,112)	(4,562,050)	(941,034)	(47,260,128)
Construction in progress	11,272,587	15,658,979	13,420,221	13,511,345
Net Capital Assets	\$ 159,564,933			\$ 168,486,363

## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

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

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	<u>\$ 152,640,811</u>			<u>\$ 159,564,933</u>

## MADISON WATER UTILITY

### NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

#### NOTE 6 – LONG-TERM OBLIGATIONS

##### REVENUE BONDS

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Outstanding Amount 12/31/09
4/01/01	System improvement	1/01/21	4.00 – 5.05%	\$ 5,000,000	\$ (1) -
5/01/02	System improvement	1/01/22	3.50 – 5.10%	4,500,000	(1) -
8/15/03	System improvement	1/01/24	2.50 – 5.25%	19,055,000	(1) -
3/15/05	Refunding debt used for system improvement	1/01/15	3.00 – 4.00%	3,630,000	(1) -
6/15/06	System improvement	1/01/26	4.00 – 4.13%	15,955,000	(1) -
12/01/07	Refunding debt and system improvements	1/01/28	3.00 – 4.00%	27,185,000	26,245,000
12/09/09	Refunding debt and system improvements	1/01/30	3.00 – 4.00%	48,540,000	48,540,000
Totals				<u>\$ 123,865,000</u>	<u>\$ 74,785,000</u>

(1) Refunded in 2009.

Revenue bond debt service requirements to maturity follows:

Bond Year	Principal	Interest	Total
2010	\$ 1,115,000	\$ 1,117,000	\$ 2,232,000
2011	2,680,000	3,242,711	5,922,711
2012	2,695,000	3,028,320	5,723,320
2013	2,700,000	2,936,794	5,636,794
2014	2,800,000	2,843,194	5,643,194
2015	2,895,000	2,744,594	5,639,594
2016	2,975,000	2,629,594	5,604,594
2017	3,435,000	2,510,594	5,945,594
2018	3,555,000	2,373,194	5,928,194
2019	3,595,000	2,230,994	5,825,994
2020	3,660,000	2,079,675	5,739,675
2021	3,805,000	1,907,438	5,712,438
2022	4,150,000	1,726,788	5,876,788
2023	4,350,000	1,529,338	5,879,338
2024	4,360,000	1,320,556	5,680,556
2025	4,425,000	1,109,857	5,534,857
2026	4,565,000	923,325	5,488,325
2027	4,270,000	730,757	5,000,757
2028	4,450,000	547,432	4,997,432
2029	4,895,000	352,963	5,247,963
2030	3,410,000	144,925	3,554,925
Totals	<u>\$ 74,785,000</u>	<u>\$ 38,030,043</u>	<u>\$ 112,815,043</u>

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

### 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 2009 and 2008 were \$43,578,071 and \$8,577,970, respectively. The 2009 debt service included refunding payment of \$38,745,000 of the 2001, 2002, 2003, 2005, and 2006 bonds with proceeds from the 2009 bonds. Total customer net revenues as defined for 2009 and 2008 were \$8,104,137 and \$7,817,499, respectively. Annual principal and interest payments are expected to require 66% of net revenues.

#### ADVANCE FROM MUNICIPALITY

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/09
7/01/04	Payoff unfunded pension liability	3/15/24	5.25%	\$ 1,474,476	\$ 1,369,493
1/01/08	Advance from BUD #1	(A)	2.6%	393,762	412,085

Advance debt service requirements to maturity follows:

Year	Principal	Interest	Total
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	\$ 1,369,493	\$ 726,464	\$ 2,095,957

(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, 2009 and 2008

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

#### *LONG-TERM OBLIGATIONS SUMMARY*

Long-term obligation activity for the year ended December 31, 2009 is as follows:

	1/01/09 Balance	Additions	Reductions	12/31/09 Balance	Due Within One Year
Revenue bonds	\$ 68,150,000	\$ 48,540,000	\$ 41,905,000	\$ 74,785,000	\$ 1,115,000
Compensated absences	1,626,467	264,628	256,557	1,634,538	-
Other postemployment benefit obligation	101,732	66,710	-	168,442	-
Customer advances for construction	385,101	35,700	227,928	192,873	-
Advance from municipality	1,799,138	8,096	25,656	1,781,578	31,111
Unamortized debt premium	253,492	2,341,055	77,173	2,517,374	228,147
Unamortized loss on advanced refunding	(20,114)	(3,390,182)	(20,114)	(3,390,182)	(313,305)
<b>Totals</b>	<b>\$ 72,295,816</b>	<b>\$ 47,866,007</b>	<b>\$ 42,472,200</b>	<b>\$ 77,689,623</b>	<b>\$ 1,060,953</b>

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>

#### *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, 2009, \$1,890,000 of bonds outstanding are considered defeased.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

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

#### *ADVANCE REFUNDING*

On December 9, 2009, the municipality, on behalf of the utility, issued \$1,475,000 in bonds (2009 B) with an average interest rate of 3.27 percent and \$36,165,000 (2009 A) with an average interest rate of 4.35 percent to advance refund \$38,745,000 (2001, 2002, 2003, 2005 and 2006) of outstanding bonds with an average interest rate of 4.35 percent. The net proceeds of \$39,803,904 (after payment of \$312,766 in underwriting fees, insurance and other issuance costs) plus an additional \$3,215,868 of sinking fund monies were used to purchase U.S. government securities. Those securities were deposits in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered to be defeased and the liabilities for the old bonds have been removed from the balance sheet.

The cash flow requirements on the old bonds prior to the advance refunding was \$49,549,708 from 2010 through 2026. The cash flow requirements on the new bonds are \$56,570,066 from 2010 through 2029. The advance refunding resulted in an economic loss of \$635,469 but allows the utility to adjust the repayment period.

The bonds are callable as follows: 2001 bonds on January 1, 2010; 2002 bonds on January 1, 2012; 2003 and 2005 bonds on January 1, 2013; 2006 bonds on January 1, 2016.

### 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 2008. The maximum loan originally approved was \$6 million with interest charged monthly at .25% higher than the monthly rate earned through the utility's commingled cash account.

The following table shows the activity since the inception of this loan:

	1/01/09 Balance	Additions	Reductions	12/31/09 Balance	Due Within One Year
2005	\$ -	\$ 4,573,000	\$ -	\$ 4,573,000	\$ 4,573,000
2006	4,573,000	1,877,000	5,235,000	1,215,000	1,215,000
2007	1,215,000	10,305,169	7,257,169	4,263,000	4,263,000
2008	4,263,000	1,830,000	688,000	5,405,000	5,405,000
2009	5,405,000	4,520,000	855,000	9,070,000	9,070,000

In January 2010, the utility made a payment of \$1,420,000. No formal schedule for repayment has been established.

The year end balance is comprised of the following:

	December 31,	
	2009	2008
Operations	\$ 6,350,000	\$ 1,830,000
Capital	2,720,000	3,575,000
Total	<u>\$ 9,070,000</u>	<u>\$ 5,405,000</u>

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

### 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.

*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:

	2009	2008
Plant in Service	\$ 202,235,146	\$ 191,931,458
Accumulated Depreciation	(47,260,128)	(43,639,112)
Construction Work in Progress	13,511,345	11,272,587
Sub-Totals	168,486,363	159,564,933
 Less: Capital Related Debt		
Current portion of capital related long-term debt	1,115,000	3,160,000
Long-term portion capital related long-term debt	73,670,000	64,990,000
Unamortized debt issuance costs	(656,647)	(572,774)
Unamortized debt premium	2,517,374	253,492
Unamortized loss on advance refunding	(3,390,182)	(20,114)
Sub-Totals	73,255,545	67,810,604
Add back borrowed funds on hand	5,215,526	4,202,742
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 100,446,344	\$ 95,957,071



# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

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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 6.0% of their salary to the plan in both 2009 and 2008. 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		
	2009	2008	2007
Total Utility Payroll	<u>\$ 7,102,983</u>	<u>\$ 6,827,615</u>	<u>\$ 6,679,806</u>
Total Covered Employee Payroll	<u>\$ 6,496,000</u>	<u>\$ 6,097,000</u>	<u>\$ 5,904,000</u>
Total Required Contributions	<u>\$ 675,584</u>	<u>\$ 646,282</u>	<u>\$ 625,824</u>
Total Required Contributions (%)	<u>10.4%</u>	<u>10.6%</u>	<u>10.6%</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, 2009 and 2008

#### **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	
	2009	2008	2009	2008
Annual required contribution	\$ 6,156,565	\$ 5,460,866	\$ 121,787	\$ 98,504
Contributions made	(3,912,191)	(2,366,912)	(55,077)	(48,028)
Net OPEB Obligation – Beg of Year	6,235,738	3,141,784	101,732	51,256
Net OPEB Obligation – End of Year	\$ 8,480,112	\$ 6,235,738	\$ 168,442	\$ 101,732

The municipality's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Municipality	2009	\$ 6,156,565	64%	\$ 2,244,374
Municipality	2008	5,460,866	43%	3,093,954
Water Utility	2009	121,787	55%	66,710
Water Utility	2008	98,504	49%	50,476

The funded status of the plan as of December 31, 2009, the most recent actuarial valuation date, was as follows (overall municipality):

Actuarial accrued liability (AAL)	\$ 52,380,424
Actuarial value of plan assets	(2,878,094)
Unfunded Actuarial Accrued Liability (UAAL)	\$ 49,502,330
Funded ratio (actuarial value of plan assets/AAL)	5.5%
Covered payroll (active plan members)	\$ 151,200,168
UAAL as a percentage of covered payroll	32.7%

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, 2009 and 2008

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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 8.0% for 2010, reduced by decrements to an ultimate rate of 4.5% for 2017 and beyond. 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, 2008 and 2009, was 28 and 27 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, 2009 has been accrued in these financial statements.

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2009 and 2008

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### NOTE 12 – SUBSEQUENT EVENTS

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#### *RATE INCREASE*

The utility had new rates approved by the PSCW effective December 29, 2009 which will be prorated on the 2010 semiannual invoices.

#### *RATE STUDY*

The utility will be filing an application to increase rates with the PSCW in early 2010.

#### *SALE OF PROPERTY*

In March of 2010 the Water Utility Board approved the sale of a piece of surplus property on East Main Street.

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### NOTE 13 – WELL NO. 29

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During 2008 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 was considered temporary and no adjustment to the asset value was 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, 2009 and 2008, the utility served the following number of customers:

	<u>2009</u>	<u>2008</u>
Residential	56,139	55,882
Commercial	8,826	8,769
Industrial	53	53
Public authority	<u>493</u>	<u>493</u>
Totals	<u>65,511</u>	<u>65,197</u>

# MADISON WATER UTILITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

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

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#### *WATER PUMPED AND BILLED*

During 2009 and 2008, the following amounts of water were pumped and billed:

	(000 gallons)	
	<u>2009</u>	<u>2008</u>
Water pumped	<u>10,355,095</u>	<u>10,907,098</u>
Water billed	<u>9,568,551</u>	<u>9,771,906</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.

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### NOTE 15 – SUBSEQUENT EVENT

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On May 14, 2010 the utility experienced a fire in one of its water towers. The tower was out of service for planned maintenance at the time. Management is working with the appropriate organizations to determine the extent of the damage, however, at this time, the cost, responsibility or duration of repairs has not been determined.

**SUPPLEMENTAL INFORMATION**

# MADISON WATER UTILITY

City of Madison, Wisconsin

## SCHEDULE OF INSURANCE IN FORCE

December 31, 2009

<u>Type of Coverage and Name of Company</u>	<u>Policy Number Policy Period From      To</u>	<u>Details of Coverage*</u>	<u>Liability Limits</u>
Automobile Comprehensive <b>LOCAL GOVERNMENT PROPERTY INSURANCE FUND</b>	140337 01/01/09 to 01/01/10	\$99,597,967	Replacement Cost \$3,000 deductible
Automobile Liability <b>WISCONSIN MUNICIPAL MUTUAL INSURANCE COMPANY</b>	WI2009CS03A 01/01/09 to 01/01/10	Automobile liability	\$5,000,000 per occurrence \$300,000 Self-insured Retention
Boiler & Machinery <b>CHUBB</b>	7834-76-48 01/01/09 to 01/01/10	Repair & Replace Boiler & Machinery	\$50,000,000 \$25,000 deductible
Employee Theft <b>FIDELITY &amp; DEPOSIT</b>	CCP 0060387 05 01/01/09 to 01/01/10	Blanket Bond	\$500,000 limit \$10,000 deductible
Fire & Extended Coverage on all structures <b>LOCAL GOVERNMENT PROPERTY INSURANCE FUND</b>	140337 01/01/09 to 01/01/10	\$527,362,989	Replacement Cost \$25,000 deductible
General Liability <b>WISCONSIN MUNICIPAL MUTUAL INSURANCE COMPANY</b>	WI2009CS03A 01/01/09 TO 01/01/10	General liability, personal injury liability, and errors & omission liability	\$5,000,000 per occurrence \$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.

# MADISON WATER UTILITY

## REVENUE BOND DEBT REPAYMENT SCHEDULES

December 31, 2009

Year	2007A MRB's			2007B MRB's			2009A Refunding		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 835,000	\$ 994,000	\$ 1,829,000	\$ 280,000	\$ 123,000	\$ 403,000	\$ -	\$ -	\$ -
2011	865,000	960,600	1,825,600	300,000	111,800.00	411,800	980,000	1,642,501	2,622,501
2012	895,000	926,000	1,821,000	315,000	99,800.00	414,800	955,000	1,518,506	2,473,506
2013	930,000	890,200	1,820,200	330,000	87,200.00	417,200	885,000	1,489,856	2,374,856
2014	965,000	853,000	1,818,000	340,000	74,000.00	414,000	920,000	1,463,306	2,383,306
2015	1,005,000	814,400	1,819,400	360,000	60,400.00	420,400	930,000	1,435,706	2,365,706
2016	1,045,000	774,200	1,819,200	370,000	46,000.00	416,000	1,215,000	1,398,506	2,613,506
2017	1,085,000	732,400	1,817,400	385,000	31,200.00	416,200	1,625,000	1,349,906	2,974,906
2018	1,130,000	689,000	1,819,000	395,000	15,800.00	410,800	1,675,000	1,284,906	2,959,906
2019	1,175,000	643,800	1,818,800	-	-	-	2,055,000	1,217,906	3,272,906
2020	1,230,000	595,331	1,825,331	-	-	-	2,040,000	1,130,569	3,170,569
2021	1,280,000	544,594	1,824,594	-	-	-	2,110,000	1,028,569	3,138,569
2022	1,340,000	490,194	1,830,194	-	-	-	2,510,000	923,069	3,433,069
2023	1,395,000	433,244	1,828,244	-	-	-	2,955,000	797,569	3,752,569
2024	1,460,000	372,212	1,832,212	-	-	-	2,900,000	649,819	3,549,819
2025	1,525,000	306,513	1,831,513	-	-	-	2,900,000	504,819	3,404,819
2026	1,595,000	235,981	1,830,981	-	-	-	2,970,000	388,819	3,358,819
2027	1,670,000	162,213	1,832,213	-	-	-	2,085,000	270,019	2,355,019
2028	1,745,000	82,888	1,827,888	-	-	-	2,175,000	186,619	2,361,619
2029	-	-	-	-	-	-	2,280,000	96,900	2,376,900
2030	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 23,170,000</b>	<b>\$ 11,500,770</b>	<b>\$ 34,670,770</b>	<b>\$ 3,075,000</b>	<b>\$ 649,200</b>	<b>\$ 3,724,200</b>	<b>\$ 36,165,000</b>	<b>\$ 18,777,870</b>	<b>\$ 54,942,870</b>

Year	2009B Refunding			2009C Refunding			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,115,000	\$ 1,117,000	\$ 2,232,000
2011	265,000	46,822	311,822	270,000	480,988	750,988	2,680,000	3,242,711	5,922,711
2012	285,000	38,825	323,825	245,000	445,189	690,189	2,695,000	3,028,320	5,723,320
2013	295,000	31,700	326,700	260,000	437,838	697,838	2,700,000	2,936,794	5,636,794
2014	310,000	22,850	332,850	265,000	430,038	695,038	2,800,000	2,843,194	5,643,194
2015	320,000	12,000	332,000	280,000	422,088	702,088	2,895,000	2,744,594	5,639,594
2016	-	-	-	345,000	410,888	755,888	2,975,000	2,629,594	5,604,594
2017	-	-	-	340,000	397,088	737,088	3,435,000	2,510,594	5,945,594
2018	-	-	-	355,000	383,488	738,488	3,555,000	2,373,194	5,928,194
2019	-	-	-	365,000	369,288	734,288	3,595,000	2,230,994	5,825,994
2020	-	-	-	390,000	353,775	743,775	3,660,000	2,079,675	5,739,675
2021	-	-	-	415,000	334,275	749,275	3,805,000	1,907,438	5,712,438
2022	-	-	-	300,000	313,525	613,525	4,150,000	1,726,788	5,876,788
2023	-	-	-	-	298,525	298,525	4,350,000	1,529,338	5,879,338
2024	-	-	-	-	298,525	298,525	4,360,000	1,320,556	5,680,556
2025	-	-	-	-	298,525	298,525	4,425,000	1,109,857	5,534,857
2026	-	-	-	-	298,525	298,525	4,565,000	923,325	5,488,325
2027	-	-	-	515,000	298,525	813,525	4,270,000	730,757	5,000,757
2028	-	-	-	530,000	277,925	807,925	4,450,000	547,432	4,997,432
2029	-	-	-	2,615,000	256,063	2,871,063	4,895,000	352,963	5,247,963
2030	-	-	-	3,410,000	144,925	3,554,925	3,410,000	144,925	3,554,925
<b>Totals</b>	<b>\$ 1,475,000</b>	<b>\$ 152,197</b>	<b>\$ 1,627,197</b>	<b>\$ 10,900,000</b>	<b>\$ 6,950,006</b>	<b>\$ 17,850,006</b>	<b>\$ 74,785,000</b>	<b>\$ 38,030,043</b>	<b>\$ 112,815,043</b>



## MADISON WATER UTILITY

### OPERATING REVENUES AND EXPENSES

Years Ended December 31, 2009 and 2008

	2009	2008
<b>OPERATING REVENUES</b>		
Unmetered Sales	\$ 73,305	\$ 56,905
Metered Sales		
Residential	8,616,482	8,108,353
Commercial	6,986,507	6,426,627
Industrial	1,070,834	892,422
Public authorities	2,134,430	1,899,741
Sales for resale	168,027	315,298
Total Metered Sales	18,976,280	17,642,441
Private fire protection	288,112	278,961
Public fire protection	2,220,210	1,971,956
Total Sales of Water	21,557,907	19,950,263
Forfeited discounts	196,423	183,157
Miscellaneous	25,656	21,851
Other	169,420	151,277
Total Operating Revenues	21,949,406	20,306,548
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Source of Supply		
Maintenance		
Supervision and engineering	22,081	21,764
Collecting and impounding reservoirs	130,503	16,738
Wells and springs	37,410	51,382
Total Source of Supply	189,994	89,884
Pumping		
Operation supervision and engineering	80,585	79,639
Power purchased for pumping	2,019,949	2,013,263
Pumping labor	304,982	324,262
Miscellaneous	339,252	311,165
Maintenance		
Supervision and engineering	64,390	63,212
Structures and improvements	120,910	87,543
Pumping equipment	285,270	413,534
Total Pumping	3,215,338	3,292,618
Water Treatment		
Operation supervision and engineering	65,635	56,569
Chemicals	229,319	225,965
Operation labor	345,010	312,447
Miscellaneous	11,970	62,314
Maintenance		
Supervision and engineering	21,993	21,700
Water treatment equipment	94,720	136,265
Total Water Treatment	768,647	815,260

## MADISON WATER UTILITY

### OPERATING REVENUES AND EXPENSES (cont.) Years Ended December 31, 2009 and 2008

	2009	2008
<b>OPERATING EXPENSES (cont.)</b>		
Operation and Maintenance (cont.)		
Transmission and Distribution		
Operation supervision and engineering	\$ 205,545	\$ 186,610
Storage facilities	76,952	82,726
Transmission and distribution lines	349,601	325,555
Meter	51,546	83,124
Customer installation	172,701	109,347
Miscellaneous	623,686	704,945
Maintenance	-	9,182
Reservoirs	419,974	36,461
Mains	2,115,914	2,015,890
Services	1,233,061	1,108,670
Meters	104,286	129,967
Hydrants	345,434	390,196
Total Transmission and Distribution	5,698,700	5,182,673
Customer Accounts		
Supervision	19,847	18,407
Meter reading	91,723	96,310
Customer records and collection	230,644	240,027
Conservation	270,152	35,163
Total Customer Accounts	612,366	389,907
Administrative and General		
Salaries	682,196	629,966
Office supplies	410,867	399,994
Outside services employed	44,190	163,970
Property insurance	11,096	17,394
Injuries and damages	378,117	309,498
Employees pensions and benefits	1,776,409	1,580,419
Regulatory commission	12,534	12,137
Miscellaneous	53,482	89,413
Maintenance of general plant	5,009	6,062
Total Administrative and General	3,373,900	3,208,853
Total Operation and Maintenance	13,858,945	12,979,195
Depreciation	3,943,059	3,728,643
Taxes	189,732	166,687
Total Operating Expenses	17,991,736	16,874,525
 <b>OPERATING INCOME</b>	 <b>\$ 3,957,670</b>	 <b>\$ 3,432,023</b>