BAKER TILLY

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MADISON WATER UTILITY
2010 AUDIT PRESENTATION

September 27, 2011

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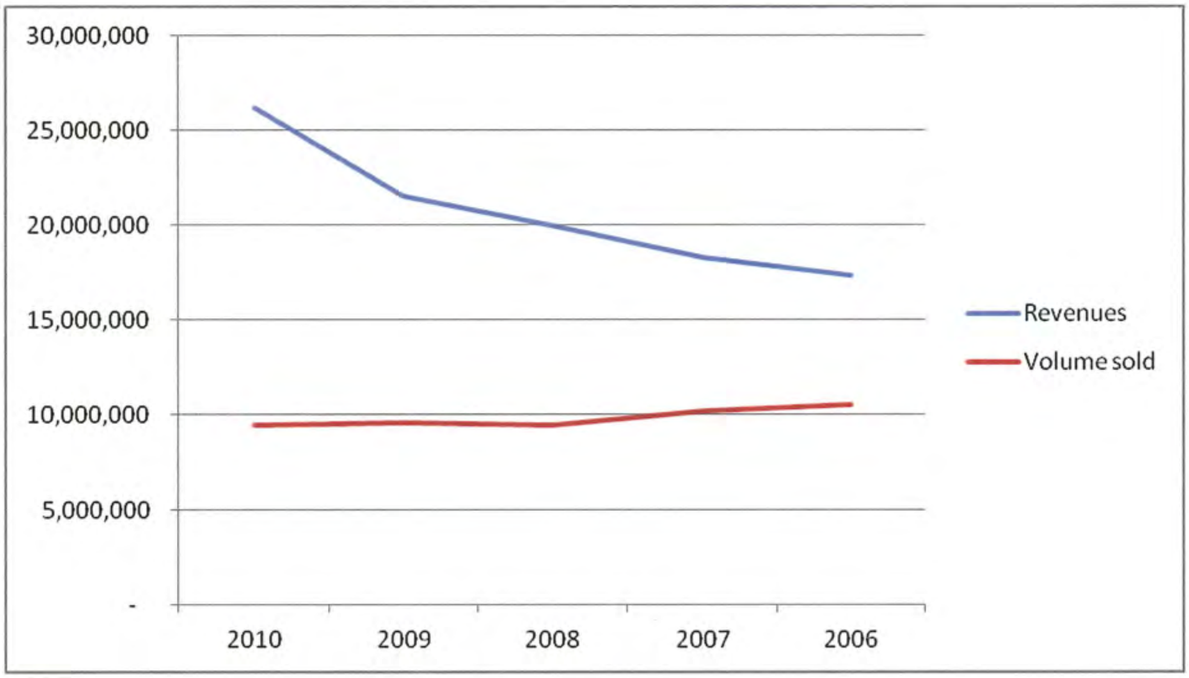
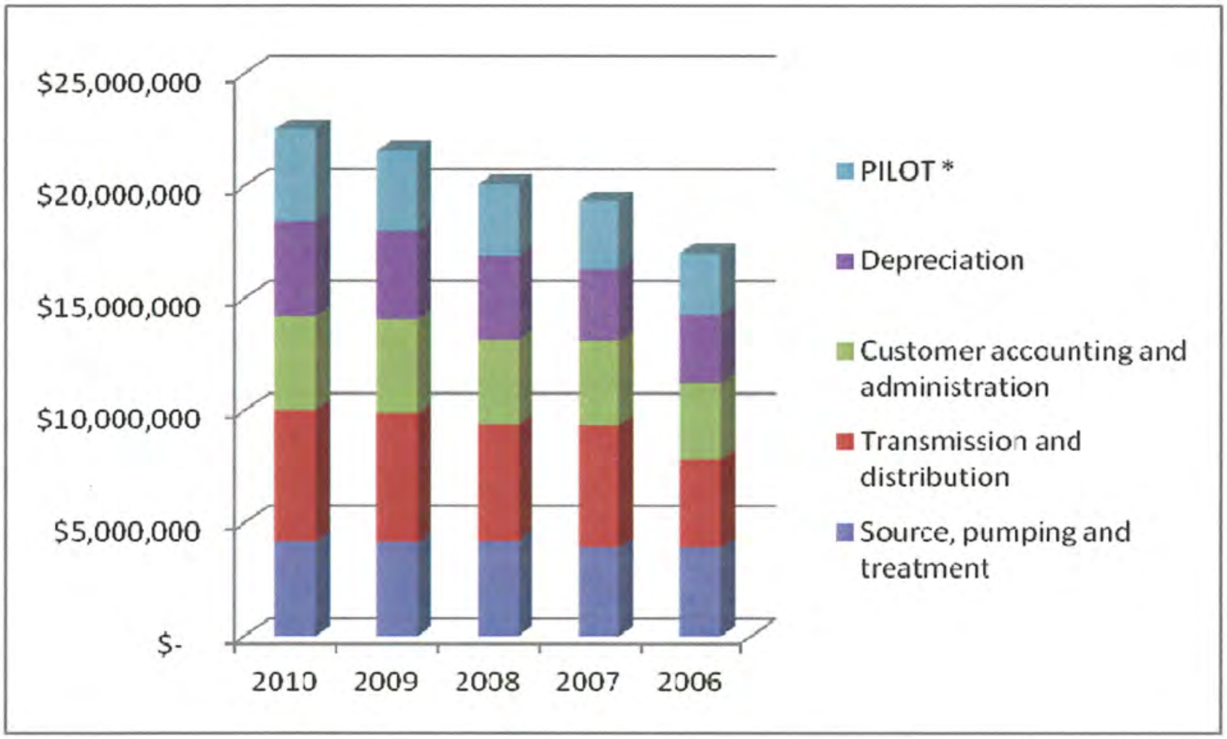
Sales of Water



	2010	2009	2008	2007	2006
Total Sales of Water	$ 26,217,212	$ 21,557,907	$ 19,950,263	$ 18,262,410	$ 17,351,379
Gallons Sold (in thousands)	9,425,919	9,568,551	9,455,452	10,169,930	10,500,035
Revenue per Thousand Gallons	$ 2.78	$ 2.25	$ 2.11	$ 1.80	$ 1.65

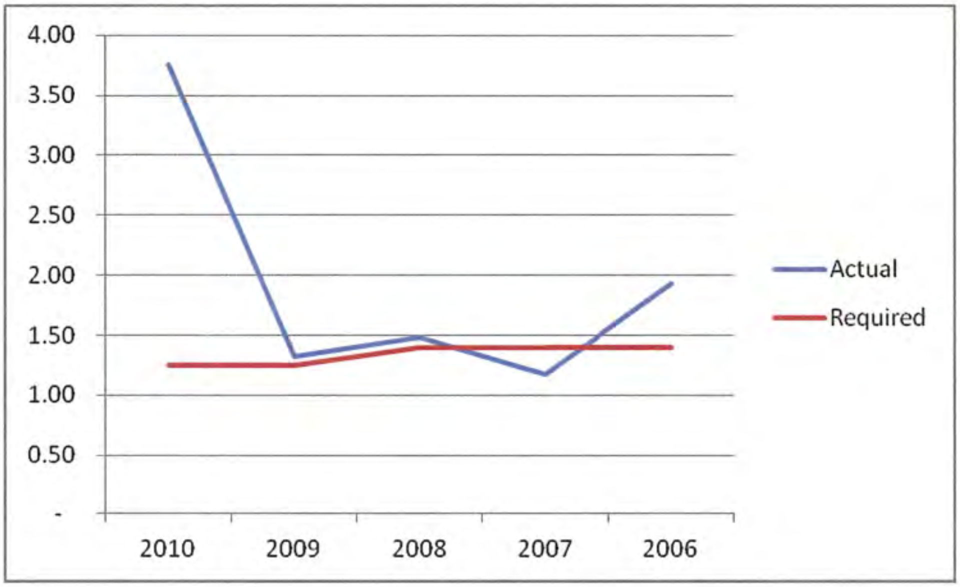
Cost of Operations



	2010	2009	2008	2007	2006
Source, pumping and treatment	$ 4,190,733	$ 4,173,979	$ 4,197,762	$ 3,914,748	$ 3,907,224
Transmission and distribution	5,834,892	5,698,700	5,182,673	5,425,628	3,934,991
Customer accounting and administration	4,168,703	4,178,998	3,765,447	3,764,429	3,425,682
Depreciation	4,219,015	3,943,059	3,728,643	3,189,156	3,015,448
PILOT *	4,113,887	3,572,131	3,211,795	3,027,577	2,730,315
Total Costs of Operations	$ 22,527,230	$ 21,566,867	$ 20,086,320	$ 19,321,538	$ 17,013,660

* 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



	2010	2009	2008	2007	2006
Gross Revenues (a)	$ 26,808,712	$ 22,152,814	$ 20,963,381	$ 19,007,353	$ 18,156,571
Operating Expenses (b)	14,194,328	14,048,677	13,145,882	13,104,805	11,267,897
Available for Debt Service	$ 12,614,384	$ 8,104,137	$ 7,817,499	$ 5,902,548	$ 6,888,674
Debt Service Requirements	$ 3,357,351	$ 6,102,934	$ 5,267,969	$ 5,041,362	$ 3,560,744
Debt Coverage Ratio	3.76	1.33	1.48	1.17	1.93
Debt Coverage Requirement (c)	1.25	1.25	1.40	1.40	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

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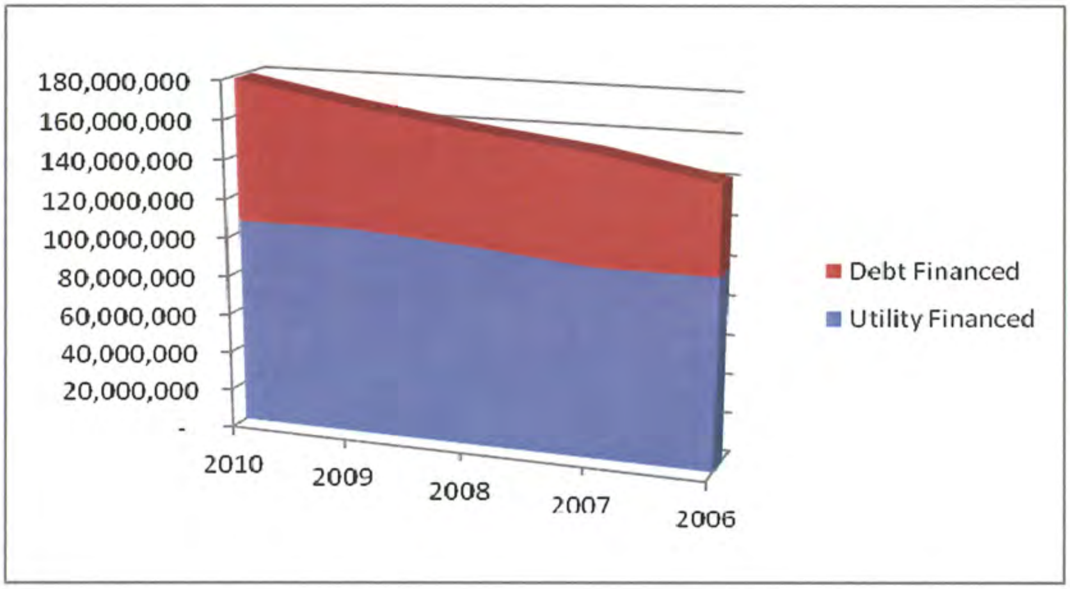
Capitalization Ratio



	2010	2009	2008	2007	2006
Net Investment in Capital Assets	$ 178,867,424	$ 168,486,363	$ 159,564,933	$ 152,640,811	$ 141,715,346
Net Assets Invested in Capital Assets, Net of Related Debt (a)	105,984,452	106,396,344	102,257,071	96,844,125	97,099,724
Portion of Capital Assets Funded through Accumulated Earnings	59%	63%	64%	63%	69%

(a) The 2006 through 2008 amounts reflect the assumption that the reserve account was borrowed funds on hand to be consistent with the current 2009 and 2010 presentation.

Note – at the same time the utilization ratio (percentage of total assets depreciated) has remained between 21 and 22%

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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 2010.

- 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

- No difficulties or disagreements with management

- No audit adjustments or passed adjustments for 2010

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