

MADISON WATER UTILITY 2017 AUDIT PRESENTATION

July 31, 2018

Vicki Hellenbrand, CPA, Partner

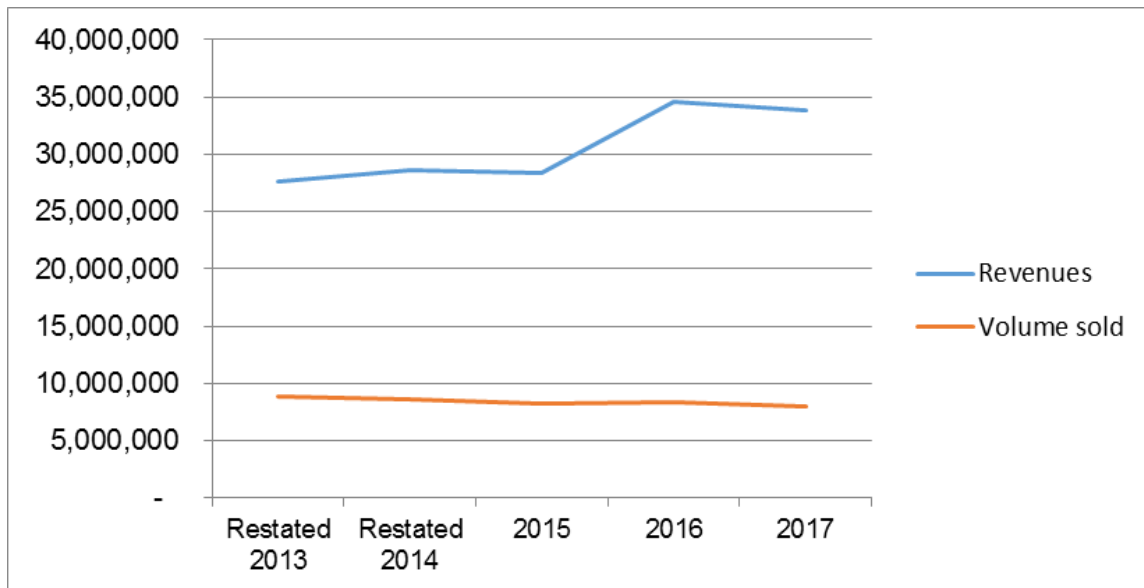
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Required Audit Communications

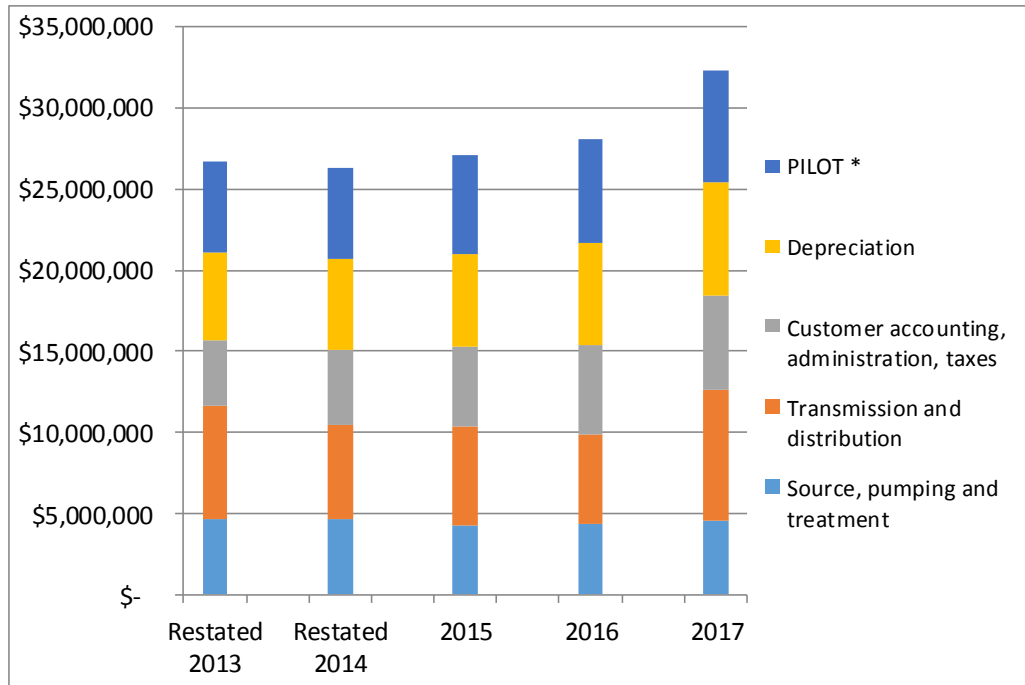
- > Auditors' opinion is a clean or unmodified opinion
 - Financial statements are managements' responsibility
 - Our responsibility is to obtain reasonable assurance that the statements are free from material misstatement
- > Material weaknesses
 - Internal Control Over Financial reporting
- > New accounting pronouncements
 - None in 2017
- > Current year recommendations
 - Reconciliation of Cash Balances
 - Monitoring Financial Position
- > Prior year recommendations
 - Debt coverage requirements - did not meet in 2017
- > 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
- > Waunona Sanitary District No. 2 transfer of operations
- > Future GASB statements
 - GASB 75 – Other Post-Employment Benefits

Sales of Water



	Restated 2013	Restated 2014	2015	2016	2017
Total Sales of Water	\$ 27,635,710	\$ 28,658,183	\$ 28,381,185	\$ 34,588,398	\$ 33,838,096
Gallons Sold (in thousands)	8,863,612	8,655,054	8,242,860	8,340,542	8,048,070
Revenue per Thousand Gallons	\$ 3.12	\$ 3.31	\$ 3.44	\$ 4.15	\$ 4.20

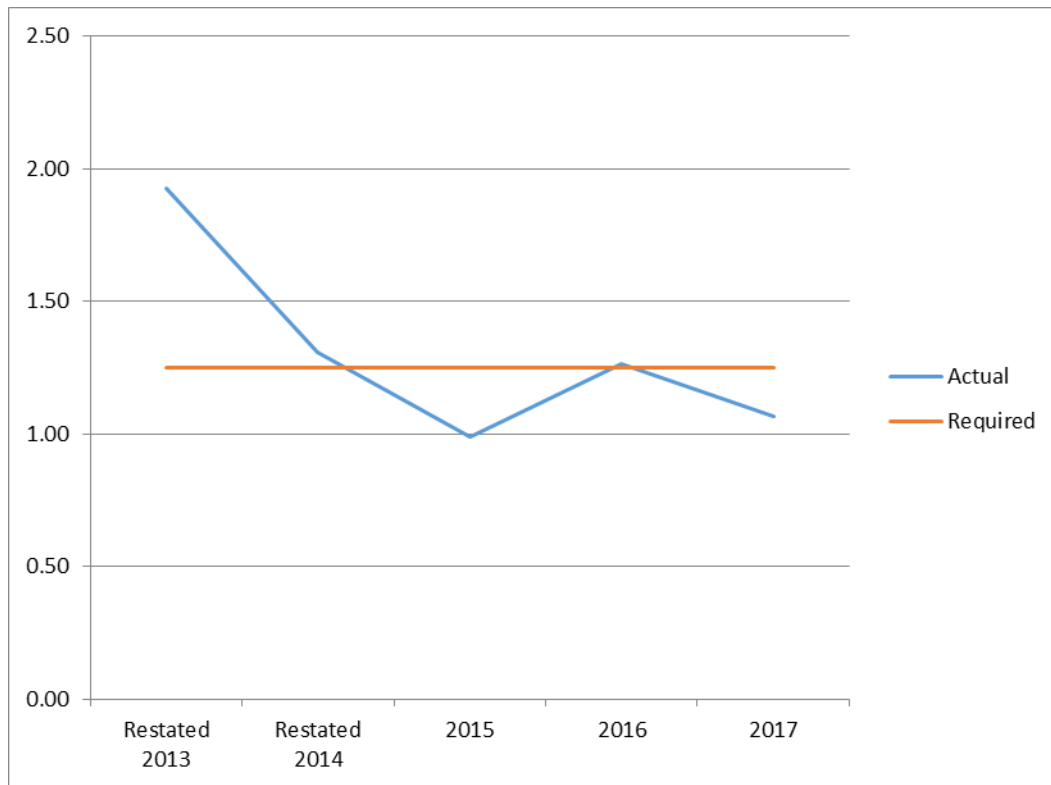
Cost of Operations



	<u>Restated 2013</u>	<u>Restated 2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Source, pumping and treatment	\$ 4,614,507	\$ 4,603,230	\$ 4,218,370	\$ 4,401,320	\$ 4,512,176
Transmission and distribution	7,012,383	5,841,369	6,180,536	5,460,023	8,067,043
Customer accounting, administration, taxes	4,037,503	4,662,355	4,851,176	5,495,294	5,852,342
Depreciation	5,419,760	5,621,261	5,775,814	6,328,463	6,944,967
PILOT *	<u>5,581,435</u>	<u>5,587,851</u>	<u>6,049,329</u>	<u>6,415,680</u>	<u>6,923,928</u>
Total Costs of Operations	<u>\$ 24,179,807</u>	<u>\$ 26,316,066</u>	<u>\$ 27,075,225</u>	<u>\$ 28,100,780</u>	<u>\$ 32,300,456</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

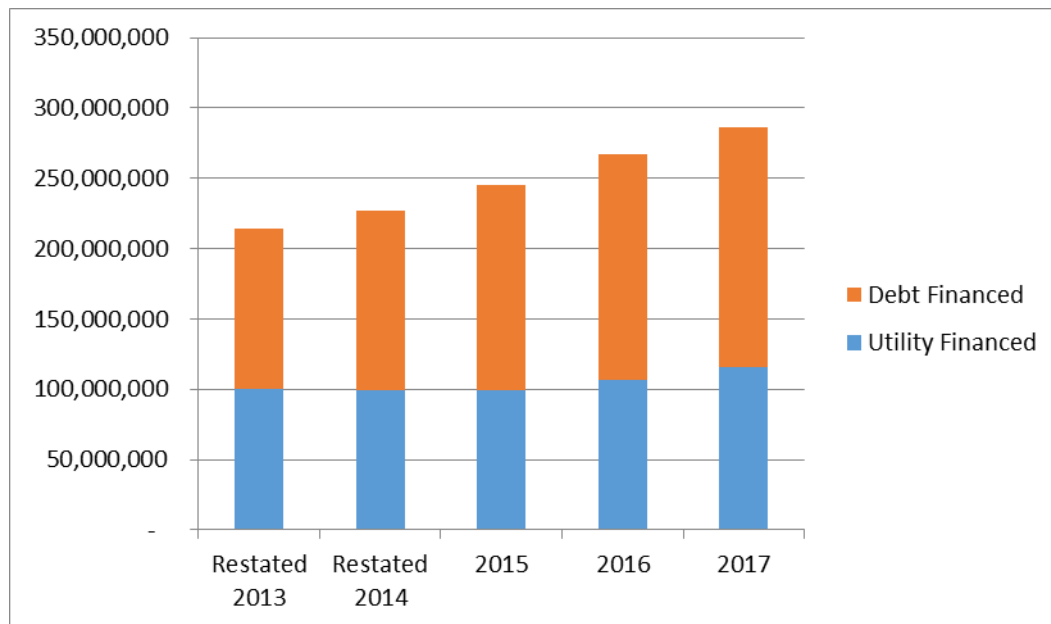


	Restated 2013	Restated 2014	2015	2016	2017
Gross Revenues (a)	\$ 28,883,821	\$ 30,332,733	\$ 29,744,626	\$ 35,909,550	\$ 35,431,200
Operating Expenses (b)	<u>15,704,880</u>	<u>15,106,954</u>	<u>15,250,082</u>	<u>15,356,637</u>	<u>18,431,561</u>
Available for Debt Service	\$ 15,791,963	\$ 15,225,779	\$ 14,494,544	\$ 20,552,913	\$ 16,999,639
Debt Service Requirements (for 2018 and beyond, based on highest annual d/s)	\$ 8,187,579	\$ 11,643,593	\$ 14,664,997	\$ 16,271,293	\$ 16,290,684
Debt Coverage Ratio	1.93	1.31	0.99	1.26	1.04
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 2013	Restated 2014	2015	2016	2017
Net Property, Plant and Equipment	\$ 214,048,247	\$ 227,394,657	\$ 244,981,757	\$ 266,710,565	\$ 286,479,322
Net Assets Invested in Capital Assets	99,948,208	99,646,259	98,847,032	106,282,192	115,880,264
Portion of Capital Assets Funded through Accumulated Earnings	47%	44%	40%	40%	40%