

CITY OF VERONA

Verona, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2013

CITY OF VERONA

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Verona
Verona, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Verona, Wisconsin, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Verona's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City of Verona's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Verona's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the City Council
City of Verona

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Verona, Wisconsin, as of December 31, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note I, the City of Verona adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Verona's basic financial statements. The combining and component unit financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and component unit financial statements are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Verchow Krause, LLP
Madison, Wisconsin
July 21, 2014

CITY OF VERONA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

As management of the City of Verona, Wisconsin we offer readers the financial statements of the city this narrative overview and analysis of the financial activities of the City of Verona for the fiscal year ended December 31, 2013. We encourage the reader to consider the information presented here in conjunction with the city's financial statements.

FINANCIAL HIGHLIGHTS

When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. This relationship between revenues and expenses is considered the city's results of operations. Changes in net position are one indicator of financial health or financial position. Over time, increases or decreases in net position as measured in the Statement of Activities are one indicator of improving or deteriorating financial health.

- > The assets and deferred outflows of resources of the City of Verona exceeded its liabilities and deferred inflows of resources as of December 31, 2013 by \$115,842,250 (*net position*). Of this amount, \$11,838,318 (*unrestricted net position*) may be used to meet the government's obligations to citizens and creditors, \$20,135,768 is restricted for specific purposes (restricted net position) and \$83,868,164 is invested in capital assets, including all infrastructure, net of related debt.
- > The City of Verona's total net position increased by \$12,525,039 over the previous year. Net position relating to Governmental Activities increased by \$1,006,048 while net position relating to Business-type Activities increased by \$11,518,991 in 2013.
- > As of December 31, 2013, the city's governmental funds reported combined fund balances of \$25,370,815, a decrease of \$1,037,930 from 2012.
- > Unassigned fund balance for the general fund was \$2,222,651 or approximately 32% of total originally budgeted 2014 general fund expenditures and other financing uses. The city applied \$275,000 of general fund balance to the 2014 budget.
- > The city issued \$5,795,000 in 2013 General Obligation Refunding Bonds to take advantage of lower interest rates. This issue partially refunded 2007 G.O. Bonds and fully refunded 2010 Build America Bonds. The City also issued \$2,460,000 in General Obligation Promissory Notes. The G.O. Note issue included \$510,000 for pre-construction and architectural costs for the Fire Station project, \$895,000 for annual mill and overlay street improvements, \$450,000 for Dane Com Police and Public Works Radio Communication Equipment and \$605,000 for a replacement Fire Engine Pumper. The City also funded two projects with State Trust Fund loans in 2013 including \$75,000 for an indoor batting cage facility and \$600,000 for an economic development incentive for a brewery project.
- > The City Financial Management Policy establishes 3.75% of equalized value debt limit (as compared to the State 5% legal debt limit). As of December 31, 2013 the city debt limit was \$63,173,483. General obligation debt outstanding as of December 31, 2013 was \$33,508,571 (53.04 percent of the city's financial management policy limit and 39.78 percent of the State's legal debt limit).

CITY OF VERONA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the city's basic financial statements. These financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the city:

- > The first two statements are government-wide financial statements that provide both long-term and short-term information about the city's overall financial status.
- > The remaining statements are fund financial statements that focus on individual parts of city government, reporting the city's operations in more detail than the government-wide statements.

These financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the city as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the city's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the net amount reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating. In order to assess the overall health of the city consideration should be given to additional non-financial factors such as changes in the city's property tax base and the condition of the city's infrastructure.

The *Statement of Activities* presents information showing how the city's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the city that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide statements include the Verona Community Development Authority (component unit) which is a separate legal entity for which the city is financially accountable. Financial information for the component unit is presented as a discrete column in the financial statements. The governmental activities of the city include general government; public safety; public works; health and human services; culture, education and recreation; and conservation and development. The business-type activities of the City of Verona include the water utility, the stormwater utility and sewer utility. The government-wide financial statements can be found on pages 1 to 4 of this report.

CITY OF VERONA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The city, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the city can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The city maintains seventeen (17) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service, TIF No. 7, and the capital improvement program fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 64-69 in this report.

The governmental fund financial statements can be found on pages 5 to 9 of this report.

Proprietary Funds – The city maintains three (3) proprietary funds, which are major enterprise funds, the water utility, sewer utility, and stormwater utility. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements present the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 11 to 15 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the city's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on page 16.

CITY OF VERONA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS (cont.)

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 17 to 59 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, *required supplementary information* presents a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget. This schedule can be found on pages 60 to 63 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information and can be found on pages 64 to 69 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

An analysis of the city's financial position begins with a review of the Statement of Net Assets and the Statement of Changes in Net Assets. These two statements report the city's net assets and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth and changes in the regulatory environment.

A summary of the city's Statement of Net Position is presented below in Table 1.

As noted earlier, net position may serve over time as a useful indicator of government's financial situation. In the case of the City of Verona, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$115,842,250 at the close of 2013.

General capital assets (e.g., land, construction in progress, land improvements, less any outstanding debt used to acquire those assets) equals \$28,867,096 or 24.9 percent of the city's total net position. The majority of the city's outstanding debt was incurred for the installation of infrastructure and for construction of buildings including the Verona Public Library and the City Services Center constructed from 2003 through 2008.

When assets related to business-type activities are considered, 88.9 percent of total business-type assets are represented by capital assets. The city uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the city's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

In 2013, the City implemented GASB No. 65 which changed financial reporting for certain assets and liabilities. Consequently, there are differences between 2013 and 2012 with the most significant change being unearned revenues related to the 2014 tax levy that was previously reported as a liability.

CITY OF VERONA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

A summary of the city's Statement of Net Position is presented below:

TABLE 1
Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$47,080,568	\$45,251,889	\$8,012,507	\$8,387,553	\$55,093,075	\$53,639,442
Capital Assets	61,745,894	59,850,087	64,552,922	53,298,689	126,298,816	113,148,776
Total Assets	108,826,462	105,101,976	72,565,429	61,686,242	181,391,891	166,788,218
Deferred Outflows of Resources:						
Unamortized loss on refunding	364,464	-	33,719	-	398,183	-
Total Deferred Outflows of Resources	364,464	-	33,719	-	398,183	-
Long-term Liabilities	38,447,271	38,109,164	6,649,175	7,327,429	45,096,446	45,436,593
Other Liabilities	1,277,569	17,734,468	367,822	299,946	1,645,391	18,034,414
Total Liabilities	39,724,840	55,843,632	7,016,997	7,627,375	46,741,837	63,471,007
Deferred Inflows of Resources:						
Unearned revenue	19,201,694	-	-	-	19,201,694	-
Unamortized gain on refunding	-	-	4,293	-	4,293	-
Total Deferred Inflows of Resources	19,201,694	-	4,293	-	19,205,987	-
Net Position:						
Net Investment in Capital Assets	28,867,096	28,372,036	58,054,622	46,219,345	83,868,164	72,954,517
Restricted	18,962,279	19,809,698	1,173,489	1,183,387	20,135,768	20,993,085
Unrestricted	2,435,017	1,076,610	6,349,747	6,656,135	11,838,318	9,369,609
TOTAL NET POSITION	\$50,264,392	\$49,258,344	\$65,577,858	\$54,058,867	\$115,842,250	\$103,317,211

A portion of the city's net position (approximately 17.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$11,838,318 (10.2%) may be used to meet the government's ongoing obligations to citizens and creditors. The total columns do not foot across due to the non-capital adjustment in both 2013 and 2012. The adjustment affects net investment in capital assets and unrestricted net position.

At the end of the current fiscal year, the city reported positive balances in all three categories of net position for the city as a whole.

As previously noted, the Statement of Net Position shows the change in financial results of net *position*. The specific nature or source of these changes becomes more evident in the Condensed Statement of Changes in Net Position shown on page ix.

CITY OF VERONA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

Analysis of the City's Operations – *Governmental activities* increased net position by \$1,006,048, and *business-type activities* increased net position by \$11,518,991 for an overall increase in the city's net position of \$12,525,039. The business-type activities increase in net position is primarily a result of the increase in capital contributions from developers and governmental activities.

- > General fund activities resulted in a \$25,989 deficiency of revenues and other financing sources over expenditures and other financing uses, with an additional decrease of \$275,000 attributed to applied funds for a net decrease of \$300,989 in fund balance. This outcome is mostly a consequence of a negative budget variance in general fund revenues. Overall general fund revenues were less than the amount budgeted by \$296,998. Building Permit Revenue came in under budget by \$312,784. This deficiency may be attributed simply to a timing difference in that a portion of development expected in 2013 occurred in 2014 instead. And although investment income exceeded the budget by \$60,262, the City incurred an unrealized investment market loss of \$122,510 as of December 31, 2013. Helping to offset the revenue shortfall, the police department came in under budgeted expenditures by \$260,474 which is primarily attributed to staff vacancies.
- > Collectively the non-major funds realized an overall \$1,392,701 reduction in fund balance. The most noteworthy decrease is reported in TID No. 6 with a decline of \$1,026,901. Construction funds that were borrowed in a previous year for infrastructure improvements were expended in 2013.
- > Net Utility capital asset additions totaled \$11,254,233. Current and Other assets decreased by \$375,046. Liabilities decreased by \$610,378. Total increase in utility net position is \$11,518,991.

Capital assets net of depreciation increased \$13,150,040 or 11.6%.

Property taxes increased \$583,261 (3.7 percent) during the year. The increase is supported by new value as of January 1, 2013.

Overall capital grants and contributions increased by \$4,982,131.

As identified on the following pages, property taxes are the largest revenue source for governmental activities accounting for 73.5 percent of total revenues. Charges for services, operating grants and contributions and capital grants and contributions provided approximately 7.8 percent, 6.1 percent and 10.1 percent of total revenues, respectively.

CITY OF VERONA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

TABLE 2
Condensed Statement of Revenues,
Expenses and Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
REVENUES						
Program Revenues						
Charges for Services	\$1,712,238	\$3,012,146	\$3,711,392	\$3,782,357	\$5,423,630	\$6,794,503
Operating Grants and contributions	1,348,077	1,595,386	-	-	1,348,077	1,595,386
Capital Grants and contributions	2,222,585	669,719	6,957,027	3,527,762	9,179,612	4,197,481
General Revenues						
Property Taxes	16,169,541	15,586,280	-	-	16,169,541	15,586,280
Other Taxes	195,608	201,876	-	-	195,608	201,876
Intergovernmental	659,826	563,866	-	-	659,826	563,866
Investment Income/ (Unrealized Loss)	(415,146)	317,403	18,749	22,716	(396,397)	340,119
Public Gifts and Grants	79,251	223,050	-	-	79,251	223,050
Miscellaneous	14,979	22,492	-	-	14,979	22,492
Total Revenues	<u>21,986,959</u>	<u>22,192,218</u>	<u>10,687,168</u>	<u>7,332,835</u>	<u>32,674,127</u>	<u>29,525,053</u>
EXPENSES						
General Government	947,681	1,297,188	-	-	947,681	1,297,188
Public Safety	4,499,483	4,311,285	-	-	4,499,483	4,311,285
Health and Human Services	355,674	316,221	-	-	355,674	316,221
Public Works	4,566,786	2,854,847	-	-	4,566,786	2,854,847
Culture, education & Recreation	2,202,361	2,083,403	-	-	2,202,361	2,083,403
Conservation & Development	2,014,396	1,425,196	-	-	2,014,396	1,425,196
Interest & Fiscal Charges	1,769,581	1,501,207	-	-	1,769,581	1,501,207
Water, Stormwater & Sewer	-	-	3,793,126	3,255,187	3,793,126	3,255,187
Total Expenses	<u>16,355,962</u>	<u>13,789,347</u>	<u>3,793,126</u>	<u>3,255,187</u>	<u>20,149,088</u>	<u>17,044,534</u>
Change in Net Position						
before transfers	5,630,997	8,402,871	6,894,042	4,077,648	12,525,039	12,480,519
Transfers	(4,624,949)	475,740	4,624,949	(475,740)	-	-
Changes in Net Position	<u>1,006,048</u>	<u>8,878,611</u>	<u>11,518,991</u>	<u>3,601,908</u>	<u>12,525,039</u>	<u>12,480,519</u>
NET POSITION - January 1	<u>49,258,344</u>	<u>40,379,733</u>	<u>54,058,867</u>	<u>50,456,959</u>	<u>103,317,211</u>	<u>90,836,692</u>
NET POSITION - December 31	<u>\$50,264,392</u>	<u>\$49,258,344</u>	<u>\$65,577,858</u>	<u>\$54,058,867</u>	<u>\$115,842,250</u>	<u>\$103,317,211</u>

CITY OF VERONA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

GOVERNMENTAL FUNDS

The focus of the City of Verona's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the city's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

At December 31, 2013, the City of Verona's governmental funds reported combined fund balances of \$25,370,815. Approximately 9% of this total amount, \$2,188,777 constitutes unassigned fund balance, which is available to meet the city's current and future needs. The remainder of the fund balance (\$23,182,038) is not available for new spending because it has already been committed, restricted or assigned.

GENERAL FUND

The city's general fund is the chief operating fund of the city. Total fund balance in the general fund decreased \$300,989 or by 10 percent. Unassigned fund balance *decreased* by a net of \$432,374 resulting from a net unfavorable general fund budget variance in an amount of \$25,989 in addition to \$275,000 in budgeted applied funds for application to the 2014 budget and \$130,000 paid to the fire district related to the January 1, 2014 purchase of district assets . See the following General Fund Budgetary Highlights section for further details.

The city evaluates general fund balance by measuring the unassigned general fund balance as a percentage of the subsequent year's general fund budget. For 2013, unassigned fund balance is \$2,222,651 and the 2014 general fund expenditure budget is \$6,942,000, resulting in an unassigned fund balance of 32.02 percent. It should be noted that \$275,000 of fund balance was appropriated (reported as designated as of 12/31/13) to reduce the 2014 general fund levy. The financial management plan as amended in 2013 by the city indicates that unassigned fund balance should be between 25 and 35% of the following year's general fund expenditure budget.

DEBT SERVICE FUND

The city's debt service fund accounts for the accumulation of resources for and payment of general obligation long-term debt principal, interest and related costs. The entire fund balance of \$215,086 is restricted for future debt service and fiscal charges. The debt service fund balance reflected as of December 31, 2013 includes special assessments paid to the City for East Verona Avenue that will be applied toward associated future debt service.

CAPITAL IMPROVEMENT PROGRAM

The city's capital fund accounts for departmental capital improvement projects and associated funding sources. Funding sources include tax levy, general obligation borrowing, grants, donations and developer contributions. The fund balance of \$2,459,253 is assigned for capital expenditures approved as a part of the city's approved budget for the capital improvement program.

CITY OF VERONA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2013

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (cont.)

TIF DISTRICT No. 7

TIF 7 activity is shown as one of the major governmental funds maintaining a fund balance of \$14,059,626 as of December 31, 2013. The entire fund balance is classified as restricted for TIF project plan expenditures. The fund balance increased by \$540,733 in 2013 as a result of tax incremental revenue in excess of capital and debt service expenditures.

NON-MAJOR GOVERNMENTAL FUNDS

Fund balance of all other non-major governmental funds is \$6,002,955 which is restricted or committed for future projects and expenditures. A portion of the total non-major governmental fund balance (\$296,575) was applied to the 2014 budget to reduce the library debt service levy (\$10,000), City Services Center (police) debt levy (\$250,000) and fire district operating levy (\$36,575).

PROPRIETARY FUNDS

The City of Verona's proprietary fund financial statements are addressed in the discussion of the city's business-type activities which are comprised of the water, storm water and sewer utilities.

CITY OF VERONA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

FUND BUDGETARY HIGHLIGHTS

The 2013 adopted General Fund budget appropriation of \$6,703,000 is as originally adopted. Excluding (unspent) budgeted debt issuance contingencies the budget appropriation for comparison purposes totals \$6,356,197. Actual expenditures and transfers out total \$6,085,188 resulting in a \$271,009 favorable variance. The net positive variance is a result of departmental expenditures that were less than the amount budgeted. Positive budget variances were generated primarily from police department staff vacancies and unspent operating contingency.

Total operating revenues and transfers in were \$5,784,199, \$296,998 less than the adopted budget. Transfers in (utility PILOT) contributed \$19,652 in revenue in excess of the amount budgeted. Licenses and permit revenue resulted in \$300,604 in actual receipts less than the amount budgeted. Although investment income exceeded the budget by \$60,262, the City incurred an unrealized investment market loss of \$122,510 as of December 31, 2013. Other revenue surpluses making up the difference include charges for services \$(26,813) and intergovernmental revenues (\$14,582).

CAPITAL ASSETS

At the end of 2013, the city had invested a total of \$126,298,816 in capital assets (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, infrastructure and construction work in progress.

**TABLE 3
CAPITAL ASSETS**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Capital Assets Not Depreciated						
Land, right of way and intangible assets	\$15,864,080	\$ 16,230,589	\$3,058,569	\$ 3,058,569	\$18,922,649	\$ 19,289,158
Building and improvements	19,143,204	19,079,860	-	-	19,143,204	19,079,860
Machinery and equipment	8,718,899	7,388,423	-	-	8,718,899	7,388,423
Infrastructure	33,935,732	31,656,274	-	-	33,935,732	31,656,274
Utility plant	-	-	74,062,454	61,647,864	74,062,454	61,647,864
Total Capital Assets	<u>77,661,915</u>	<u>74,355,146</u>	<u>77,121,023</u>	<u>64,706,433</u>	<u>154,782,938</u>	<u>139,061,579</u>
Less: Accumulated depreciation	<u>(15,916,021)</u>	<u>(14,505,059)</u>	<u>(12,568,101)</u>	<u>(11,407,744)</u>	<u>(28,484,122)</u>	<u>(25,912,803)</u>
NET CAPITAL ASSETS	<u>\$61,745,894</u>	<u>\$59,850,087</u>	<u>\$64,552,922</u>	<u>\$53,298,689</u>	<u>\$126,298,816</u>	<u>\$113,148,776</u>

Additional information on the City of Verona's capital assets can be found in note IV.D.

CITY OF VERONA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

LONG-TERM DEBT

At December 31, 2013, the city had \$33,508,571 including utility debt, of long-term general obligation bonds and notes outstanding. The increase in long-term bonds and notes outstanding at December 31, 2013 is \$426,270.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed five percent of the equalized value of the taxable property within the city's jurisdiction. The debt limit as of December 31, 2013 was \$84,231,310. Total general obligation debt outstanding at year end was \$33,508,571 or 39.78 percent of the legal debt limit. The city has chosen to further restrict its borrowing by adopting a financial management policy which limits its general obligation debt to 3.75 percent of the equalized value of the city's taxable property. According to the 3.75 percent limit, at the end of 2013, the city was at 53.04 percent of its financial management policy limit.

**TABLE 4
CITY OF VERONA'S OUTSTANDING DEBT GENERAL
OBLIGATION AND REVENUE BONDS**

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds						
and notes payable	\$ 30,142,269	\$ 29,423,399	\$ 3,366,302	\$ 3,658,902	\$ 33,508,571	\$ 33,082,301
Revenue bonds	480,000	560,000	3,104,998	3,499,997	3,584,998	4,059,997
Capital leases	6,830,000	7,710,000	-	-	6,830,000	7,710,000
Total Outstanding General Obligation, Revenue Bonds & Capital Leases	<u>\$ 37,452,269</u>	<u>\$ 37,693,399</u>	<u>\$ 6,471,300</u>	<u>\$ 7,158,899</u>	<u>\$ 43,923,569</u>	<u>\$ 44,852,298</u>

Additional information on the City of Verona's long-term debt can be found in footnote IV.F.

CITY OF VERONA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2013

ECONOMIC FACTORS

As reported by the U.S. Department of Labor-Bureau of Labor Statistics the unemployment rate as of December 31, 2013, for the Madison metropolitan area, which includes the City of Verona is 4.5 percent. This compares with an unemployment rate of 6.3 percent for the State of Wisconsin compared with a national unemployment rate of 7.4 percent.

The rate of inflation for Midwest urban consumers was 1.2 percent for 2013.

Single family residence housing starts for the city in 2013 were 76 compared with 64 in 2012 and 41 in 2011.

In 2013, \$275,000 of fund balance was applied to the 2014 budget. In 2012 \$275,000 of fund balance was applied to the 2013 budget. It is the city's policy as updated in 2013 to maintain unassigned general fund balance at 25 to 35 percent of the subsequent year's general fund budget expenditures. As of December 31, 2013 the unassigned fund balance was maintained at 32.2%.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City of Verona's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 111 Lincoln Street, Verona, WI 53593.

CITY OF VERONA

STATEMENT OF NET POSITION As of December 31, 2013

	Governmental Activities	Business-type Activities	Totals	Component Unit
ASSETS				
Cash and investments	\$ 24,775,530	\$ 4,963,702	\$ 29,739,232	\$ -
Receivables (net)				
Taxes receivable	19,266,967	-	19,266,967	-
Delinquent personal property taxes	37,793	-	37,793	-
Accounts	362,604	1,021,281	1,383,885	33,927
Special assessments	9,285	23,547	32,832	-
Loans	251,232	-	251,232	-
Other	34,722	-	34,722	-
Leases receivable from primary government	-	-	-	6,830,000
Due from other governmental units	1,713	2,588	4,301	-
Due from component unit/to primary government	1,163,719	-	1,163,719	(1,163,719)
Internal balances	(82,189)	82,189	-	-
Inventories	-	25,531	25,531	-
Prepaid items	305,662	876	306,538	-
Restricted assets				
Cash and investments	-	1,183,983	1,183,983	1,163,719
Other assets	-	708,810	708,810	-
Investment in joint ventures	953,530	-	953,530	-
Capital Assets				
Capital assets not being depreciated	15,864,080	3,058,569	18,922,649	-
Other capital assets net of accumulated depreciation	45,881,814	61,494,353	107,376,167	-
Total Assets	<u>108,826,462</u>	<u>72,565,429</u>	<u>181,391,891</u>	<u>6,863,927</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding	<u>364,464</u>	<u>33,719</u>	<u>398,183</u>	<u>-</u>
LIABILITIES				
Accounts payable	830,110	317,438	1,147,548	-
Other accrued liabilities	87,354	11,152	98,506	-
Due to other governmental units	23,615	-	23,615	-
Accrued interest	322,866	39,232	362,098	33,927
Deposits	13,624	-	13,624	-
Noncurrent Liabilities				
Due within one year	4,241,432	716,150	4,957,582	920,000
Due in more than one year	<u>34,205,839</u>	<u>5,933,025</u>	<u>40,138,864</u>	<u>5,910,000</u>
Total Liabilities	<u>39,724,840</u>	<u>7,016,997</u>	<u>46,741,837</u>	<u>6,863,927</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	19,201,694	-	19,201,694	-
Unamortized gain on refunding	<u>-</u>	<u>4,293</u>	<u>4,293</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>19,201,694</u>	<u>4,293</u>	<u>19,205,987</u>	<u>-</u>

See accompanying notes to financial statements.

	Governmental Activities	Business-type Activities	Totals	Component Unit
NET POSITION				
Net investment in capital assets	28,867,096	58,054,622	83,868,164	-
Restricted for				
Debt service	-	1,121,289	1,121,289	-
TIF debt service	1,324,270	-	1,324,270	-
TIF activity	16,485,699	-	16,485,699	-
Library	191,086	-	191,086	-
Impact fees	961,224	-	961,224	-
Equipment replacement	-	52,200	52,200	-
Unrestricted	<u>2,435,017</u>	<u>6,349,747</u>	<u>11,838,318</u>	-
TOTAL NET POSITION	<u>\$ 50,264,392</u>	<u>\$ 65,577,858</u>	<u>\$ 115,842,250</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF VERONA

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 947,681	\$ 133,337	\$ -	\$ -
Public safety	4,499,483	158,700	48,424	85,525
Health and human services	355,674	36,318	-	-
Public works	4,566,786	739,908	727,815	2,101,380
Culture, education and recreation	2,202,361	478,388	556,592	35,680
Conservation and development	2,014,396	165,587	300	-
Interest and fiscal charges	<u>1,769,581</u>	<u>-</u>	<u>14,946</u>	<u>-</u>
Total Governmental Activities	<u>16,355,962</u>	<u>1,712,238</u>	<u>1,348,077</u>	<u>2,222,585</u>
Business-type Activities				
Water Utility	1,420,255	1,876,797	-	3,821,509
Sewer Utility	1,779,152	1,373,128	-	1,586,058
Stormwater Utility	<u>593,719</u>	<u>461,467</u>	<u>-</u>	<u>1,549,460</u>
Total Business-type Activities	<u>3,793,126</u>	<u>3,711,392</u>	<u>-</u>	<u>6,957,027</u>
Total Primary Government	<u>\$ 20,149,088</u>	<u>\$ 5,423,630</u>	<u>\$ 1,348,077</u>	<u>\$ 9,179,612</u>
Component Unit				
Community Development Authority	<u>\$ 363,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues				
Taxes				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Property taxes, levied for TIF districts				
Other taxes				
Intergovernmental revenues not restricted to specific programs				
Public gifts and grants				
Investment income (loss)				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in net position				
NET POSITION - Beginning of Year				
NET POSITION - END OF YEAR				

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	Community Development Authority
\$ (814,344)	\$ -	\$ (814,344)	\$ -
(4,206,834)	-	(4,206,834)	-
(319,356)	-	(319,356)	-
(997,683)	-	(997,683)	-
(1,131,701)	-	(1,131,701)	-
(1,848,509)	-	(1,848,509)	-
<u>(1,754,635)</u>	<u>-</u>	<u>(1,754,635)</u>	<u>-</u>
<u>(11,073,062)</u>	<u>-</u>	<u>(11,073,062)</u>	<u>-</u>
-	4,278,051	4,278,051	-
-	1,180,034	1,180,034	-
-	<u>1,417,208</u>	<u>1,417,208</u>	-
-	<u>6,875,293</u>	<u>6,875,293</u>	-
<u>(11,073,062)</u>	<u>6,875,293</u>	<u>(4,197,769)</u>	<u>-</u>
-	-	-	(363,145)
6,246,609	-	6,246,609	-
1,904,925	-	1,904,925	-
8,018,007	-	8,018,007	-
195,608	-	195,608	-
659,826	-	659,826	-
79,251	-	79,251	-
(415,146)	18,749	(396,397)	363,145
14,979	-	14,979	-
<u>(4,624,949)</u>	<u>4,624,949</u>	<u>-</u>	<u>-</u>
<u>12,079,110</u>	<u>4,643,698</u>	<u>16,722,808</u>	<u>363,145</u>
1,006,048	11,518,991	12,525,039	-
<u>49,258,344</u>	<u>54,058,867</u>	<u>103,317,211</u>	<u>-</u>
<u>\$ 50,264,392</u>	<u>\$ 65,577,858</u>	<u>\$ 115,842,250</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF VERONA

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2013

	General	Debt Service	Capital Improvement Program	TIF District No. 7
ASSETS				
Cash and investments	\$ 2,680,196	\$ 215,086	\$ 2,485,353	\$ 13,815,491
Receivables				
Taxes	3,583,168	2,074,775	162,113	8,683,847
Delinquent personal property tax	37,793	-	-	-
Accounts	154,668	-	-	-
Special assessments	2,032	7,253	-	-
Promissory notes	-	-	-	-
Other	34,722	-	-	-
Due from component units	-	-	-	613,252
Due from other governments	-	-	-	-
Due from other funds	30,755	-	-	-
Prepaid items	<u>136,244</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 6,659,578</u>	<u>\$ 2,297,114</u>	<u>\$ 2,647,466</u>	<u>\$ 23,112,590</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 250,454	\$ -	\$ 26,100	\$ 369,117
Accrued liabilities	67,198	-	-	-
Deposits	13,624	-	-	-
Due to other governments	23,615	-	-	-
Due to other funds	<u>82,189</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>437,080</u>	<u>-</u>	<u>26,100</u>	<u>369,117</u>
Deferred Inflows of Resources				
Unavailable revenues	77,961	-	-	-
Unearned revenues	<u>3,510,642</u>	<u>2,082,028</u>	<u>162,113</u>	<u>8,683,847</u>
Total Deferred Inflows of Resources	<u>3,588,603</u>	<u>2,082,028</u>	<u>162,113</u>	<u>8,683,847</u>
Fund Balances (Deficit)				
Nonspendable	136,244	-	-	-
Restricted	-	215,086	-	14,059,626
Committed	-	-	-	-
Assigned	275,000	-	2,459,253	-
Unassigned (deficit)	<u>2,222,651</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>2,633,895</u>	<u>215,086</u>	<u>2,459,253</u>	<u>14,059,626</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 6,659,578</u>	<u>\$ 2,297,114</u>	<u>\$ 2,647,466</u>	<u>\$ 23,112,590</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 5,475,967	\$ 24,672,093
4,763,064	19,266,967
-	37,793
205,726	360,394
-	9,285
251,232	251,232
-	34,722
550,467	1,163,719
1,713	1,713
-	30,755
<u>6,145</u>	<u>142,389</u>
<u>\$ 11,254,314</u>	<u>\$ 45,971,062</u>

\$ 184,439	\$ 830,110
20,156	87,354
-	13,624
-	23,615
<u>30,755</u>	<u>112,944</u>
<u>235,350</u>	<u>1,067,647</u>

252,945	330,906
<u>4,763,064</u>	<u>19,201,694</u>
<u>5,016,009</u>	<u>19,532,600</u>

6,145	142,389
4,683,258	18,957,970
1,347,426	1,347,426
-	2,734,253
<u>(33,874)</u>	<u>2,188,777</u>
<u>6,002,955</u>	<u>25,370,815</u>

<u>\$ 11,254,314</u>	<u>\$ 45,971,062</u>
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See accompanying notes to financial statements.

CITY OF VERONA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2013

Total Fund Balances - Governmental Funds	\$ 25,370,815
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note II. A.	61,745,894
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Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	330,906
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The city's investment in joint ventures is not a financial resource and, therefore, is not reported in the funds.	953,530
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Internal service funds are reported in the statement of net position as governmental activities.	268,920
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Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II. A.	<u>(38,405,673)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 50,264,392</u></u>
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CITY OF VERONA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement Program</u>	<u>TIF District No. 7</u>
REVENUES				
Taxes	\$ 3,434,727	\$ 1,904,925	\$ 103,038	\$ 6,349,378
Intergovernmental	1,068,514	-	-	269,064
Public charges for services	279,313	-	153,464	-
Fines, forfeitures and penalties	101,624	-	-	-
Licenses and permits	253,169	-	-	-
Special assessments	4,154	-	-	-
Investment income (unrealized loss)	117,752	-	43	(466,844)
Miscellaneous	294	14,946	70,785	-
Total Revenues	<u>5,259,547</u>	<u>1,919,871</u>	<u>327,330</u>	<u>6,151,598</u>
EXPENDITURES				
Current				
General government	972,114	-	-	-
Public safety	3,034,646	-	-	-
Public works	1,035,400	-	-	-
Health and human services	-	-	-	-
Culture, recreation and education	721,313	-	-	-
Conservation and development	321,715	-	-	675,225
Capital Outlay	-	-	2,355,004	4,127,185
Debt Service				
Principal	-	3,484,072	60,412	3,400
Interest and fiscal charges	-	788,199	49,755	2,234
Principal payments on capital lease	-	-	-	500,000
Interest payments on capital lease	-	-	-	302,821
Total Expenditures	<u>6,085,188</u>	<u>4,272,271</u>	<u>2,465,171</u>	<u>5,610,865</u>
Excess (deficiency) of revenues over expenditures	<u>(825,641)</u>	<u>(2,352,400)</u>	<u>(2,137,841)</u>	<u>540,733</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	-	4,595,000	2,535,000	-
Premium on debt issued	-	119,987	-	-
Payment to refunding bond escrow agent	-	(3,408,788)	-	-
Transfers in	524,652	804,069	-	-
Transfers out	-	-	(40,000)	-
Total Other Financing Sources (Uses)	<u>524,652</u>	<u>2,110,268</u>	<u>2,495,000</u>	<u>-</u>
Net Change in Fund Balances	(300,989)	(242,132)	357,159	540,733
FUND BALANCES - Beginning of Year	<u>2,934,884</u>	<u>457,218</u>	<u>2,102,094</u>	<u>13,518,893</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,633,895</u>	<u>\$ 215,086</u>	<u>\$ 2,459,253</u>	<u>\$ 14,059,626</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 4,569,442	\$ 16,361,510
939,671	2,277,249
733,694	1,166,471
29,658	131,282
103,083	356,252
-	4,154
(66,097)	(415,146)
<u>117,298</u>	<u>203,323</u>
<u>6,426,749</u>	<u>20,085,095</u>

2,995	975,109
1,126,864	4,161,510
898,899	1,934,299
363,687	363,687
1,294,264	2,015,577
385,034	1,381,974
2,467,394	8,949,583

473,247	4,021,131
208,594	1,048,782
380,000	880,000
<u>60,488</u>	<u>363,309</u>
<u>7,661,466</u>	<u>26,094,961</u>

<u>(1,234,717)</u>	<u>(6,009,866)</u>
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1,220,000	8,350,000
18,536	138,523
(632,451)	(4,041,239)
55,000	1,383,721
<u>(819,069)</u>	<u>(859,069)</u>
<u>(157,984)</u>	<u>4,971,936</u>

(1,392,701)	(1,037,930)
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<u>7,395,656</u>	<u>26,408,745</u>
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<u>\$ 6,002,955</u>	<u>\$ 25,370,815</u>
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See accompanying notes to financial statements.

CITY OF VERONA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2013

Net change in fund balances - total governmental funds	\$	(1,037,930)
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		8,949,583
Some items reported as capital outlay were not capitalized		(5,558,704)
Depreciation is reported in the government-wide financial statements		(1,734,883)
Construction in progress transferred to the enterprise funds		(1,596,723)
Contributed capital assets are reported as revenues in the government-wide financial statements.		1,836,534
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		(19,690)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Debt issued		(8,350,000)
Principal repaid		4,901,131
Advance refundings of outstanding debt are reported as other financing uses in the governmental funds. However, advance refundings are considered a reduction in long-term liabilities in the statement of net position.		3,690,000
Governmental funds report debt premiums and discounts as other financing sources (uses). However, in the statement of net position, these are reported as additions/ deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.		
Change in debt discount/premium		(93,884)
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences		(55,254)
Amortization of the deferred loss on refunding		(65,636)
Accrued interest on debt		14,727
The proportionate share of the change in net position related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund financial statements.		85,525
Internal service funds are used by management to charge self insurance costs to individual funds. The change in net position of the internal service fund is reported with governmental activities		41,252
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,006,048</u>

See accompanying notes to financial statements.

CITY OF VERONA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Totals	
ASSETS					
Current Assets					
Cash and investments	\$ 3,254,722	\$ 1,130,835	\$ 578,145	\$ 4,963,702	\$ 103,437
Receivables					
Other receivables	350,003	554,739	116,539	1,021,281	2,210
Due from other governments	1,133	1,455	-	2,588	-
Due from other funds	33,466	40,838	7,885	82,189	-
Inventories	25,531	-	-	25,531	-
Prepaid items	438	438	-	876	163,273
Restricted Assets					
Redemption account	153,585	96,076	-	249,661	-
Total Current Assets	<u>3,818,878</u>	<u>1,824,381</u>	<u>702,569</u>	<u>6,345,828</u>	<u>268,920</u>
Noncurrent Assets					
Restricted assets	623,170	311,152	-	934,322	-
Capital Assets					
Intangible assets	-	-	112,000	112,000	-
Land	65,089	-	2,881,480	2,946,569	-
Utility Plant	34,247,694	17,711,745	22,103,015	74,062,454	-
Less: Accumulated depreciation	(5,460,738)	(3,557,551)	(3,549,812)	(12,568,101)	-
Other Assets					
Preliminary survey and investigation	19,265	-	-	19,265	-
Special assessments receivable	2,312	21,235	-	23,547	-
Investment in interceptor	-	441,602	-	441,602	-
Unamortized capacity charge	-	247,943	-	247,943	-
Total Noncurrent Assets	<u>29,496,792</u>	<u>15,176,126</u>	<u>21,546,683</u>	<u>66,219,601</u>	<u>-</u>
Total Assets	<u>33,315,670</u>	<u>17,000,507</u>	<u>22,249,252</u>	<u>72,565,429</u>	<u>268,920</u>
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on advance refunding	<u>14,881</u>	<u>11,694</u>	<u>7,144</u>	<u>33,719</u>	<u>-</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Totals	
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 111,235	\$ 203,600	\$ 2,603	\$ 317,438	\$ -
Accrued wages	6,795	2,818	1,539	11,152	-
Accrued interest	18,352	1,654	8,732	28,738	-
Current portion of general obligation debt	86,600	104,550	115,000	306,150	-
Liabilities Payable from Restricted Assets					
Current portion of revenue bonds	253,765	156,235	-	410,000	-
Accrued interest	5,555	4,939	-	10,494	-
Total Current Liabilities	<u>482,302</u>	<u>473,796</u>	<u>127,874</u>	<u>1,083,972</u>	<u>-</u>
Noncurrent Liabilities					
Long-Term Debt					
General obligation debt	1,641,850	278,302	1,140,000	3,060,152	-
Revenue bonds payable	1,422,163	1,272,835	-	2,694,998	-
Accrued compensated absences	42,735	37,504	41,210	121,449	-
Unamortized premium	27,609	2,778	26,039	56,426	-
Total Noncurrent Liabilities	<u>3,134,357</u>	<u>1,591,419</u>	<u>1,207,249</u>	<u>5,933,025</u>	<u>-</u>
Total Liabilities	<u>3,616,659</u>	<u>2,065,215</u>	<u>1,335,123</u>	<u>7,016,997</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unamortized gain on refunding	-	-	4,293	4,293	-
NET POSITION					
Net investment in capital assets	25,434,939	12,351,188	20,268,495	58,054,622	-
Restricted for					
Debt service	393,440	300,399	-	693,839	-
Equipment replacement	-	52,200	-	52,200	-
Depreciation	377,760	49,690	-	427,450	-
Unrestricted	<u>3,507,753</u>	<u>2,193,509</u>	<u>648,485</u>	<u>6,349,747</u>	<u>268,920</u>
TOTAL NET POSITION	<u>\$ 29,713,892</u>	<u>\$ 14,946,986</u>	<u>\$ 20,916,980</u>	<u>\$ 65,577,858</u>	<u>\$ 268,920</u>

See accompanying notes to financial statements.

CITY OF VERONA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Totals	
OPERATING REVENUES					
Charges for services	\$ 1,876,797	\$ 1,373,128	\$ 461,467	\$ 3,711,392	\$ 993,249
Total Operating Revenues	<u>1,876,797</u>	<u>1,373,128</u>	<u>461,467</u>	<u>3,711,392</u>	<u>993,249</u>
OPERATING EXPENSES					
Operation and maintenance	614,168	1,222,409	227,395	2,063,972	-
Depreciation	612,560	297,229	315,969	1,225,758	-
Insurance services	-	-	-	-	951,997
Total Operating Expenses	<u>1,226,728</u>	<u>1,519,638</u>	<u>543,364</u>	<u>3,289,730</u>	<u>951,997</u>
Operating Income (Loss)	<u>650,069</u>	<u>(146,510)</u>	<u>(81,897)</u>	<u>421,662</u>	<u>41,252</u>
NONOPERATING REVENUES (EXPENSES)					
Interest expense	(127,145)	(76,876)	(34,564)	(238,585)	-
Issuance costs and amortization	(69,064)	(24,698)	(18,236)	(111,998)	-
Investment income	11,019	4,967	2,763	18,749	-
Amortization of investment in interceptor	-	(33,969)	-	(33,969)	-
Amortization of capacity charge	-	(123,971)	-	(123,971)	-
Build America Bonds interest rate subsidy	<u>2,682</u>	<u>-</u>	<u>2,445</u>	<u>5,127</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(182,508)</u>	<u>(254,547)</u>	<u>(47,592)</u>	<u>(484,647)</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	<u>467,561</u>	<u>(401,057)</u>	<u>(129,489)</u>	<u>(62,985)</u>	<u>41,252</u>
CONTRIBUTIONS AND TRANSFERS					
Capital contributions	3,821,509	1,586,058	1,549,460	6,957,027	-
Capital contributions - municipal	4,552,875	208,733	387,993	5,149,601	-
Transfers out	<u>(524,652)</u>	<u>-</u>	<u>-</u>	<u>(524,652)</u>	<u>-</u>
Total Contributions and Transfers	<u>7,849,732</u>	<u>1,794,791</u>	<u>1,937,453</u>	<u>11,581,976</u>	<u>-</u>
Change in Net Position	8,317,293	1,393,734	1,807,964	11,518,991	41,252
NET POSITION - Beginning of Year	<u>21,396,599</u>	<u>13,553,252</u>	<u>19,109,016</u>	<u>54,058,867</u>	<u>227,668</u>
NET POSITION - END OF YEAR	<u>\$ 29,713,892</u>	<u>\$ 14,946,986</u>	<u>\$ 20,916,980</u>	<u>\$ 65,577,858</u>	<u>\$ 268,920</u>

See accompanying notes to financial statements.

CITY OF VERONA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 1,436,323	\$ 1,372,481	\$ 458,148	\$ 3,266,952	\$ 991,039
Received from city for services	464,096	-	-	464,096	-
Paid to suppliers for goods and services	(508,457)	(1,051,970)	(121,480)	(1,681,907)	(989,294)
Paid to employees for services	(168,905)	(127,793)	(100,608)	(397,306)	-
Net Cash Flows From Operating Activities	<u>1,223,057</u>	<u>192,718</u>	<u>236,060</u>	<u>1,651,835</u>	<u>1,745</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	<u>11,019</u>	<u>4,967</u>	<u>2,763</u>	<u>18,749</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Paid to municipality for tax equivalent	<u>(524,652)</u>	<u>-</u>	<u>-</u>	<u>(524,652)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from debt issue	305,000	-	275,000	580,000	-
Debt retired	(618,829)	(253,770)	(395,000)	(1,267,599)	-
Interest paid	(126,816)	(78,279)	(35,272)	(240,367)	-
Debt issuance costs	(7,874)	-	(2,405)	(10,279)	-
Acquisitions and construction of capital assets	(263,130)	(32,705)	(281,438)	(577,273)	-
Capital contributions received (refunded)	55,536	(32,498)	-	23,038	-
Build America Bonds interest rate subsidy received	3,609	-	3,290	6,899	-
Premium on bonds	6,155	-	5,826	11,981	-
Contribution to refunding	-	-	(7,145)	(7,145)	-
Net Cash Flows From Capital and Related Financing Activities	<u>(646,349)</u>	<u>(397,252)</u>	<u>(437,144)</u>	<u>(1,480,745)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	63,075	(199,567)	(198,321)	(334,813)	1,745
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,968,402</u>	<u>1,737,630</u>	<u>776,466</u>	<u>6,482,498</u>	<u>101,692</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,031,477</u>	<u>\$ 1,538,063</u>	<u>\$ 578,145</u>	<u>\$ 6,147,685</u>	<u>\$ 103,437</u>

See accompanying notes to financial statements.

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Fund
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Stormwater Utility</u>	<u>Totals</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 650,069	\$ (146,510)	\$ (81,897)	\$ 421,662	\$ 41,252
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Depreciation	612,560	297,229	315,969	1,225,758	-
Depreciation charged to other funds	28,152	-	-	28,152	-
Changes in assets and liabilities					
Accounts receivable	(2,510)	2,975	(2,870)	(2,405)	(2,210)
Due from other funds	(2,020)	(3,622)	(449)	(6,091)	-
Materials and supplies	(4,604)	-	-	(4,604)	-
Prepayments	762	437	-	1,199	(25,486)
Accounts payable	(37,384)	38,473	1,981	3,070	(11,811)
Other current liabilities	(21,968)	3,736	3,326	(14,906)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,223,057</u>	<u>\$ 192,718</u>	<u>\$ 236,060</u>	<u>\$ 1,651,835</u>	<u>\$ 1,745</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS					
Cash and investments - statement of net position	\$ 3,254,722	\$ 1,130,835	\$ 578,145	\$ 4,963,702	\$ 103,437
Redemption account	153,585	96,076	-	249,661	-
Reserve account	245,410	209,262	-	454,672	-
Depreciation account	377,760	49,690	-	427,450	-
Replacement account	-	52,200	-	52,200	-
CASH AND CASH EQUIVALENTS	<u>\$ 4,031,477</u>	<u>\$ 1,538,063</u>	<u>\$ 578,145</u>	<u>\$ 6,147,685</u>	<u>\$ 103,437</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Developer financed additions to utility plant	<u>\$ 3,718,067</u>	<u>\$ 1,049,516</u>	<u>\$ 1,549,460</u>		<u>\$ -</u>
Municipality financed additions to utility plant	<u>\$ 4,552,875</u>	<u>\$ 208,733</u>	<u>\$ 387,993</u>		<u>\$ -</u>
Debt issue costs written off	<u>\$ (59,933)</u>	<u>\$ (19,443)</u>	<u>\$ (21,820)</u>		<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF VERONA

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
As of December 31, 2013

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 13,564,918
Taxes receivable	<u>8,570,245</u>
TOTAL ASSETS	<u>\$ 22,135,163</u>
LIABILITIES	
Accounts payable	\$ 79,477
Due to other governments	<u>22,055,686</u>
TOTAL LIABILITIES	<u>\$ 22,135,163</u>

See accompanying notes to financial statements.

CITY OF VERONA

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CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Verona, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the city. The reporting entity for the city consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Community Development Authority of the City of Verona

The government-wide financial statements include the Community Development Authority of the City of Verona ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the city council. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the CDA, and also create a potential financial benefit to or burden on the city. See Note IV.I. As a component unit, the CDA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2013. The CDA does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In March 2012, the GASB issued statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented January 1, 2013.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The city does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the city believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The city reports the following major governmental funds:

- General Fund - accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.
- Capital Improvement Program Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Tax Incremental Financing (TIF) District No. 7 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TIF project plan.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The city reports the following major enterprise funds:

- Water Utility - accounts for operations of the water system
- Sewer Utility - accounts for operations of the sewer system
- Stormwater Utility - accounts for operations of the stormwater system

The city reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

- Senior Citizens Center
- Refuse and Recycling
- Forestry
- Cable Franchise
- Special Accounts
- Impact Fees
- Library
- Economic Development Commission
- Fire Department

Capital Projects Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

- Revolving Funds
- TIF District No. 4
- TIF District No. 5
- TIF District No. 6

In addition, the city reports the following fund types:

Internal Service Fund - used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

- Insurance Fund

Agency Funds - used to account for and report assets held by the city in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

- Tax Collection Fund

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities 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. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water and sewer and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and unearned revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled the resources and the amounts are available. Amounts owed to the city which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The proprietary funds distinguish 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 proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, and stormwater funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary 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.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the city considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of city funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. 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, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The city has adopted an investment policy. That policy follows the state statute for allowable investments.

No policy exists for the following risks:

- Credit risk
- Custodial credit risk
- Interest rate risk
- Concentration of credit risk

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. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2013, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV. A. for further information.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the city, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying statement of assets and liabilities - agency fund.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

Property tax calendar - 2013 tax roll:

Lien date and levy date	December 2013
Tax bills mailed	December 2013
Payment in full, or	January 31, 2014
First installment due	January 31, 2014
Second installment due	July 31, 2014
Personal property taxes in full	January 31, 2014
Tax sale - 2013 delinquent real estate taxes	October 2016

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

It is the city's policy to record unavailable revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

4. 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. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$25,000 for land improvements, buildings, and building improvements, more than \$15,000 for machinery and equipment, and \$25,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 Years
Land Improvements	15-30 Years
Machinery and Equipment	3-15 Years
Utility System	5-100 Years
Infrastructure	20-75 Years

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets (cont.)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Other Assets

Other assets include the sewer utility's deferred capacity charge and investment in an interceptor project with Madison Metropolitan Sewerage District.

\$247,943 of deferred capacity charge represent a one-time connection fee, net of amortization, paid to Madison Metropolitan Sanitary District in 1996. The connection fee is being amortized on the straight-line basis over a 20 year period to correspond with the term of the debt issued to fund the payment.

\$441,602 is the unamortized costs for an interceptor project that began in 2007. These costs are being amortized on the straight line basis over a 20 year period to correspond with the term of the debt issued to fund the payment.

7. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

8. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2013, are determined on the basis of current salary rates and include salary related payments.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses or refunding are shown as a deferred outflow/inflow in the statement of net position.

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$8,810,000, made up of two issues.

At year end, the aggregate principal amount for a third issue outstanding, the 1996 series, could not be determined; however, their original issue was \$3,300,000.

10. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

11. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

11. Equity Classifications (cont.)

Government-Wide Statements (cont.)

- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the totals column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 28,867,096	\$ 58,054,622	\$ (3,053,554)	\$ 83,868,164
Unrestricted	2,435,017	6,349,747	3,053,554	11,838,318

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

11. Equity Classifications (cont.)

Fund Statements (cont.)

- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The city has adopted a financial policy authorizing the Council to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The city has a formal minimum fund balance policy. That policy targets to maintain unassigned general fund balance between 25-35% of the total subsequent year's budgeted general fund revenues. The unassigned general fund balance at year end was \$2,222,651, or 32% of 2014 budgeted general fund revenues.

See Note IV. H. for further information.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

12. Basis for Existing Rates

Water Utility

Current water rates were approved by the PSCW effective July 1, 2011.

Sewer Utility

Current sewer rates were approved by the city council effective April 1, 2012.

Stormwater Utility

Current stormwater rates were approved by the city council effective July 1, 2010.

NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land	\$	3,647,946
Right of way		11,497,318
Land improvements		910,621
Buildings		18,232,583
Machinery and equipment		8,718,899
Infrastructure		33,935,732
Construction in progress		718,816
Less: Accumulated depreciation		<u>(15,916,021)</u>
Combined Adjustment for Capital Assets	\$	<u><u>61,745,894</u></u>

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION (cont.)

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the statement of net position.

Bonds and notes payable	\$	30,622,269
Compensated absences		608,610
Accrued interest		322,866
Unamortized discount/premium on debt		386,392
Capital leases		6,830,000
Unamortized loss on refunding		<u>(364,464)</u>
 Combined Adjustment for Long-Term Liabilities	 \$	 <u><u>38,405,673</u></u>

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Debt service fund	\$ 2,965,059	\$ 4,272,271	\$ 1,307,212
Senior citizen center	343,787	363,687	19,900
TIF District No. 5	146,020	300,923	154,903

The city controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the city's year-end budget to actual report.

B. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2013, the following individual funds held a deficit balance:

Fund	Amount	Reason
Fire department	\$ (27,729)	Expenditures exceeded revenues.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

B. DEFICIT BALANCES (cont.)

The fire department fund was created in 2013 to account for the operations of the new city fire department. Previously the city belonged to the Verona Fire District, a joint venture which was dissolved on December 31, 2013. The deficit will be recovered through future taxes, intergovernmental charges or other resources.

C. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the city's future tax levies. Generally the city is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the city's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The city is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The city's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 16,719,779	\$ 17,371,450	Custodial credit
Money market	2,912,737	2,912,737	Custodial credit
US agencies	17,938,957	17,938,957	Credit, custodial credit, concentration of credit, and interest rate
US treasuries	706,064	706,064	Custodial credit and interest rate
LGIP	4,011,875	4,011,875	Credit
Corporate bonds	1,330,025	1,330,025	Credit, custodial credit, concentration of credit and interest rate
Mutual funds	867,766	867,766	Custodial credit and interest rate
Petty cash	930	-	N/A
Total Deposits and Investments	\$ 44,488,133	\$ 45,138,874	

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Reconciliation to financial statements	
Per statement of net position	
Unrestricted cash and investments	\$ 29,739,232
Restricted cash and investments	1,183,983
Per statement of assets and liabilities -	
agency funds	
Agency Fund	<u>13,564,918</u>
 Total Deposits and Investments	 <u>\$ 44,488,133</u>

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government).

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$1,000,000 of the city's investments are covered by SIPC. Additionally, through Lloyds of London, accounts have additional securities coverage of \$99.5 million per customer, subject to a \$500 million aggregate firm limit. \$2,128,324 of the city's investments are covered by Lloyds of London.

The city maintains collateral agreements with its banks. At December 31, 2013, the banks had pledged various government securities in the amount of \$5,472,644 to secure the city's deposits.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the city's deposits may not be returned to the city.

The city does not have any deposits exposed to custodial credit risk.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

A. 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 city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The city does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2013, the city's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
U.S. agencies implicitly guaranteed- FHLB	AA+	Aaa
U.S. agencies implicitly guaranteed- FNMA	AA+	Aaa
U.S. agencies implicitly guaranteed - FFEB	AAA	Aaa
Corporate bonds - GE	AAA+	A1
Corporate bonds - Bk of NY Mellon FLT	A+	Aa3
Mutual funds	AAA	Aaa-mf

The city also held investments in the following external pool which is not rated:

Local Government Investment Pool

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2013, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal Home Loan Bank	U.S. agencies implicitly guaranteed	27.93%
Federal Farm Credit Bank	U.S. agencies implicitly guaranteed	7.26%

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2013, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1 to 5	6 to 7
US agencies	\$ 17,938,957	\$ -	\$ 9,611,002	\$ 8,327,955
US treasuries	706,064	-	706,064	-
Mutual funds	867,766	867,766	-	-
Corporate bonds	<u>1,330,025</u>	<u>1,330,025</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 20,842,812</u>	<u>\$ 2,197,791</u>	<u>\$ 10,317,066</u>	<u>\$ 8,327,955</u>

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year with the exception of the majority of receivables reported as loans receivable, delinquent personal property taxes, and special assessments.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES (cont.)

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 18,585,978	\$ -
Delinquent personal property taxes receivable	-	37,793
Special assessments on properties not yet annexed to city	9,858	-
Special charges placed on tax roll	598,230	2,283
Long-term notes/loans receivable	-	251,232
Dog licenses	3,175	-
Reimbursement of expenses	-	39,598
Revenues collected in advance	4,453	-
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 19,201,694	 \$ 330,906

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

Equipment Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS (cont.)

Following is a list of restricted assets at December 31, 2013:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Bond redemption account	\$ 249,661	\$ 10,494	\$ 239,167
Bond reserve account	454,672	-	454,672
Bond depreciation account	427,450	-	427,450
Equipment replacement account	52,200	-	52,200
Total	\$ 1,183,983	\$ 10,494	\$ 1,173,489

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 3,464,169	\$ 183,777	\$ -	\$ 3,647,946
Right of way	11,169,697	327,621	-	11,497,318
Construction in progress	1,596,723	718,816	1,596,723	718,816
Total Capital Assets Not Being Depreciated	16,230,589	1,230,214	1,596,723	15,864,080
Capital assets being depreciated				
Land improvements	910,621	-	-	910,621
Buildings	18,169,239	63,344	-	18,232,583
Machinery and equipment	7,388,423	1,464,651	134,175	8,718,899
Streets	22,089,296	1,861,155	162,804	23,787,647
Sidewalks	3,254,113	218,957	-	3,473,070
Curb and gutter	5,499,749	389,092	26,942	5,861,899
Street lights	813,116	-	-	813,116
Total Capital Assets Being Depreciated	58,124,557	3,997,199	323,921	61,797,835
Total Capital Assets	74,355,146	5,227,413	1,920,644	77,661,915

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation for				
Land improvements	\$ (54,593)	\$ (3,241)	\$ -	\$ (57,834)
Buildings	(3,261,070)	(411,463)	-	(3,672,533)
Machinery and equipment	(3,058,500)	(484,554)	134,175	(3,408,879)
Streets	(5,994,317)	(594,691)	162,804	(6,426,204)
Sidewalks	(622,748)	(69,461)	-	(692,209)
Curb and gutter	(1,310,978)	(117,238)	26,942	(1,401,274)
Street lights	(202,853)	(54,235)	-	(257,088)
Total Accumulated Depreciation	<u>(14,505,059)</u>	<u>(1,734,883)</u>	<u>323,921</u>	<u>(15,916,021)</u>
Net Capital Assets Being Depreciated	<u>43,619,498</u>	<u>2,262,316</u>	<u>-</u>	<u>45,881,814</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 59,850,087</u>	<u>\$ 3,492,530</u>	<u>\$ 1,596,723</u>	<u>\$ 61,745,894</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 102,584
Public safety	182,386
Health and human services	33,837
Public works	1,022,955
Culture, education, and recreation	392,455
Conservation and development	666
Total Governmental Activities Depreciation Expense	<u>\$ 1,734,883</u>

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 65,089	\$ -	\$ -	\$ 65,089
Total Capital Assets Not Being Depreciated	<u>65,089</u>	<u>-</u>	<u>-</u>	<u>65,089</u>
Capital assets being depreciated				
Source of supply	350,605	535,456	-	886,061
Pumping	1,590,109	2,411,982	-	4,002,091
Water treatment	7,803	112,342	-	120,145
Transmission and distribution	22,938,169	5,498,156	93,553	28,342,772
General	<u>871,460</u>	<u>25,165</u>	<u>-</u>	<u>896,625</u>
Total Capital Assets Being Depreciated	<u>25,758,146</u>	<u>8,583,101</u>	<u>93,553</u>	<u>34,247,694</u>
Total Capital Assets	<u>25,823,235</u>	<u>8,583,101</u>	<u>93,553</u>	<u>34,312,783</u>
Less: Accumulated depreciation for				
Water plant	<u>(4,913,579)</u>	<u>(640,712)</u>	<u>93,553</u>	<u>(5,460,738)</u>
Total Accumulated Depreciation	<u>(4,913,579)</u>	<u>(640,712)</u>	<u>93,553</u>	<u>(5,460,738)</u>
Net Capital Assets Being Depreciated	<u>20,844,567</u>	<u>7,942,389</u>	<u>-</u>	<u>28,786,956</u>
Net Water Capital Assets	<u>\$ 20,909,656</u>	<u>\$ 7,942,389</u>	<u>\$ -</u>	<u>\$ 28,852,045</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Sewer</u>				
Capital assets being depreciated				
Collection system	\$ 15,211,505	\$ 1,618,146	\$ -	\$ 16,829,651
General	<u>853,775</u>	<u>28,319</u>	<u>-</u>	<u>882,094</u>
Total Capital Assets Being Depreciated	<u>16,065,280</u>	<u>1,646,465</u>	<u>-</u>	<u>17,711,745</u>
Less: Accumulated depreciation for				
Sewer plant	<u>(3,260,322)</u>	<u>(297,229)</u>	<u>-</u>	<u>(3,557,551)</u>
Total Accumulated Depreciation	<u>(3,260,322)</u>	<u>(297,229)</u>	<u>-</u>	<u>(3,557,551)</u>
Net Capital Assets Being Depreciated	<u>12,804,958</u>	<u>1,349,236</u>	<u>-</u>	<u>14,154,194</u>
Net Sewer Capital Assets	<u>\$ 12,804,958</u>	<u>\$ 1,349,236</u>	<u>\$ -</u>	<u>\$ 14,154,194</u>

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital assets not being depreciated				
Intangible assets	\$ 112,000	\$ -	\$ -	\$ 112,000
Land and land rights	2,881,480	-	-	2,881,480
Total Capital Assets Not Being Depreciated	2,993,480	-	-	2,993,480
Capital assets being depreciated				
General plant	19,824,438	2,278,577	-	22,103,015
Total Capital Assets Being Depreciated	19,824,438	2,278,577	-	22,103,015
Total Capital Assets	22,817,918	2,278,577	-	25,096,495
Less: Accumulated depreciation for				
General plant	(3,233,843)	(315,969)	-	(3,549,812)
Total Accumulated Depreciation	(3,233,843)	(315,969)	-	(3,549,812)
Net Capital Assets Being Depreciated	16,590,595	1,962,608	-	18,553,203
Net Stormwater Capital Assets	\$ 19,584,075	\$ 1,962,608	\$ -	\$ 21,546,683
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 53,298,689	\$ 11,254,233	\$ -	\$ 64,552,922

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 612,560
Sewer	297,229
Stormwater	315,969
Total Business-type Activities Depreciation Expense	\$ 1,225,758

Depreciation expense may be different from accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocations or costs associated with the disposal of assets.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Fire Department	\$ 30,755
Water utility	General	33,466
Sewer utility	General	40,838
Stormwater utility	General	<u>7,885</u>
Total - Fund Financial Statements		112,944
Less: Fund eliminations		<u>(30,755)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u><u>\$ 82,189</u></u>

All amounts are due within one year.

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General	Water utility	\$ 524,652	Payment in lieu of taxes
Debt service	Library	604,069	Debt service
Debt service	Impact fees	200,000	Debt service
Library	Capital improvement program	40,000	Library capital campaign
Library	Impact fees	<u>15,000</u>	Impact fees collection applied to library debt
Total - Fund Financial Statements		1,383,721	
Less: Fund eliminations		(859,069)	
Less: Transfer utility capital assets to water, sewer and stormwater utilities from governmental activities		<u>(5,149,601)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ (4,624,949)</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 29,423,399	\$ 8,350,000	\$ 7,631,130	\$ 30,142,269	\$ 2,879,318
Revenue bonds	560,000	-	80,000	480,000	85,000
(Discounts)/Premiums	292,508	138,523	44,639	386,392	-
Sub-totals	30,275,907	8,488,523	7,755,769	31,008,661	2,964,318
Other Liabilities					
Vested compensated absences	553,356	386,757	331,503	608,610	357,114
Capital leases	7,710,000	-	880,000	6,830,000	920,000
Total Other Liabilities	8,263,356	386,757	1,211,503	7,438,610	1,277,114
Total Governmental Activities Long-Term Liabilities	\$ 38,539,263	\$ 8,875,280	\$ 8,967,272	\$ 38,447,271	\$ 4,241,432
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 3,658,902	\$ 580,000	\$ 872,600	\$ 3,366,302	\$ 306,150
Revenue bonds	3,499,997	-	394,999	3,104,998	410,000
(Discounts)/Premiums	59,968	11,980	15,522	56,426	-
Sub-totals	7,218,867	591,980	1,283,121	6,527,726	716,150
Other Liabilities					
Vested compensated absences	139,138	66,024	83,713	121,449	-
Total Business-type Activities Long-Term Liabilities	\$ 7,358,005	\$ 658,004	\$ 1,366,834	\$ 6,649,175	\$ 716,150

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2013, was \$84,231,310. Total general obligation debt outstanding at year end was \$33,508,571.

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the city. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
General obligation refunding bonds	03/01/2004	06/01/2016	1.30 - 4.00%	\$ 2,907,400	\$ 97,150
State trust fund loan	12/03/2004	03/15/2014	4.00%	493,000	64,448
General obligation corporate purpose bonds	07/01/2005	02/01/2019	3.25 - 4.10%	6,545,000	2,110,000
General obligation promissory notes	07/01/2006	02/01/2016	4.00 - 4.25%	945,000	435,000
General obligation corporate purpose bonds	07/17/2007	09/01/2026	4.00 - 4.25%	4,565,000	325,000
General obligation promissory notes	07/17/2007	06/01/2017	4.10%	2,210,000	730,000
State trust fund loan	02/19/2007	03/15/2016	5.25%	450,000	174,121
General obligation promissory notes	08/19/2008	08/01/2018	3.00-4.10%	1,220,000	845,000
General obligation corporate purpose bonds	08/19/2008	08/01/2028	4.00-4.60%	3,630,150	3,266,550
General obligation refunding bonds	05/05/2010	12/01/2019	1.00-3.30%	5,405,000	2,875,000
General obligation corporate purpose bonds	07/27/2011	06/01/23	0.90-3.00%	4,040,000	3,915,000
General obligation corporate purpose bonds	07/24/2012	03/01/2029	2.00-3.00%	7,220,000	6,955,000
State Trust Fund loan	3/26/2013	3/15/2023	2.75%	75,000	75,000
State Trust Fund loan	8/19/2013	3/15/2023	2.75%	600,000	600,000
General obligation refunding bonds	6/26/2013	4/1/2030	2.00-3.25%	5,215,000	5,215,000
General obligation promissory notes	6/26/2013	4/1/2023	1.00-2.10%	2,460,000	<u>2,460,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 30,142,269</u>

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
General obligation refunding bonds	03/01/2004	06/01/2016	1.30-4.00%	\$ 947,850	\$ 237,852
General obligation corporate purpose bonds	07/01/2005	08/01/2015	3.25-3.50%	160,000	40,000
General obligation corporate purpose notes	7/17/2007	12/1/2017	4.10%	250,000	65,000
General Obligation corporate purpose bonds	08/01/2008	08/01/2028	4.00-4.60%	244,850	218,450
General obligation corporate purpose bonds	07/27/11	06/01/21	0.90-2.80%	560,000	460,000
General obligation corporate purpose bonds	07/24/2012	03/01/2029	2.00-3.00%	1,860,000	1,765,000
General obligation refunding bonds	6/26/2013	4/1/2030	2.00-3.25%	580,000	<u>580,000</u>
Total Business-type Activities - General Obligation Debt					<u><u>\$ 3,366,302</u></u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2014	\$ 2,879,318	\$ 859,067	\$ 306,150	\$ 91,989
2015	3,053,867	741,804	324,700	79,842
2016	3,176,428	649,720	326,800	70,674
2017	2,778,201	562,049	250,752	62,569
2018	2,589,959	487,863	215,750	56,286
2019-2023	11,529,496	1,426,295	1,017,150	193,997
2024-2028	3,950,000	325,369	745,000	87,137
2029-2030	<u>185,000</u>	<u>6,094</u>	<u>180,000</u>	<u>3,988</u>
Totals	<u><u>\$ 30,142,269</u></u>	<u><u>\$ 5,058,261</u></u>	<u><u>\$ 3,366,302</u></u>	<u><u>\$ 646,482</u></u>

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt

Governmental activities revenue bonds are payable from revenues derived from future tax levies. Business-type activities revenue bonds are payable only from revenues derived from the operation of the water and sewer utilities.

The city has pledged future TIF 6 revenues, net of specified operating expenses, to repay revenue bonds issued in 2006. Proceeds from the bonds provided financing for the TIF 6 projects. The bonds are payable solely from TIF 6 incremental revenues and are payable through 2018. Annual principal and interest payments on the bonds are expected to require 15% of net revenues. The total principal and interest remaining to be paid on the bonds is \$530,734. Principal and interest paid for the current year and total customer net revenues were \$101,546 and \$701,025, respectively.

The water and sewer utilities has pledged future water and sewer revenues to repay revenue bonds issued in 2000-2008. Proceeds from the bonds provided financing for the water and sewer projects. The bonds are payable solely from water and sewer utility revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require 7% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$3,715,673. Principal and interest paid for the current year and total customer gross revenues were \$528,201 and \$3,249,925, respectively.

Revenue debt payable at December 31, 2013, consists of the following:

Governmental Activities Revenue Debt

Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
Revenue refunding bonds	7/1/2006	6/1/2018	4.10-4.50%	\$ 730,000	\$ <u>480,000</u>
Total Governmental Activities - Revenue Debt					\$ <u><u>480,000</u></u>

Business-type Activities Revenue Debt

Water and Sewer Utility	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
Revenue bonds	07/01/2003	06/01/2016	1.60-3.75%	\$ 1,075,000	\$ 344,998
Revenue bonds	07/01/2006	06/01/2026	4.10-4.50%	1,615,000	1,225,000
Revenue bonds - refunding	07/01/2006	06/01/2020	4.10-4.30%	1,100,000	800,000
Refunding revenue bonds	03/01/2008	06/01/2018	2.90-3.75%	1,340,000	<u>735,000</u>
Total Business-type Activities - Revenue Debt					\$ <u><u>3,104,998</u></u>

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities Revenue Debt		Business-type Activities Revenue Debt	
	Principal	Interest	Principal	Interest
2014	\$ 85,000	\$ 18,143	\$ 410,000	\$ 118,202
2015	100,000	14,328	420,000	102,486
2016	100,000	10,203	439,998	85,988
2017	100,000	6,065	330,000	70,942
2018	95,000	1,995	345,000	57,520
2019-2023	-	-	795,000	150,507
2024-2026	-	-	365,000	25,030
Totals	<u>\$ 480,000</u>	<u>\$ 50,734</u>	<u>\$ 3,104,998</u>	<u>\$ 610,675</u>

Capital Leases

Refer to Note IV. G.

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

During 2005, the city guaranteed a loan in the amount of \$300,000 for the Verona Little League to assist it with borrowing for its share of the financing of new baseball diamonds. At December 31, 2013, the balance was \$123,883.

A statutory mortgage lien upon the city's system and any additions, improvements and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The city's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Advance Refunding

On June 26, 2013, the city issued \$5,795,000 in general obligation bonds with an average coupon rate of 2.58% to advance refund \$3,690,000 of outstanding bonds with an average coupon rate of 4.13%. A portion of the debt issue was to current refund some existing debt (\$1,845,000) as reported in the next section. The net proceeds of \$3,965,348 (after payment of \$102,244 in underwriting fees, insurance and other issuance costs) plus an additional \$76,081 of sinking fund monies, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The cash flow requirements on the refunded debt prior to the advance refunding was \$5,053,840 from 2014 through 2026. The cash flow requirements on the 2013 refunding bonds are \$4,775,578 from 2014 through 2026. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$205,891.

Current Refunding

On June 26, 2013, the city issued \$5,795,000 in general obligation bonds with an average coupon rate of 2.58% to refund \$1,845,000 of outstanding bonds with an average coupon rate of 4.48%. The net proceeds of \$1,834,556 (after payment of \$43,354 in underwriting fees, insurance and other issuance costs) plus an additional \$30,547 of sinking fund monies, were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the refunded debt prior to the current refunding was \$2,470,623 from 2014 through 2030. The cash flow requirements on the 2013 refunding bonds are \$2,325,024 from 2014 through 2030. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$110,439.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

G. LEASE DISCLOSURES

Lessee - Capital Leases

The Community Development Authority (CDA) of the City of Verona has issued lease revenue bonds (see Note IV.I.). As security for the 2002, 2003, 2004 and 2008 bonds, the CDA has entered into lease agreements with the City of Verona. The terms and amounts of the rent payments are the same as the payment dates and amounts of the lease revenue bonds. The future principal and interest payments as of December 31, 2013, are as follows:

<u>Years</u>	Governmental Activities		
	Principal	Interest	Totals
2014	\$ 920,000	\$ 325,040	\$ 1,245,040
2015	980,000	283,517	1,263,517
2016	795,000	243,509	1,038,509
2017	830,000	205,993	1,035,993
2018	650,000	171,457	821,457
2019-2022	2,655,000	341,162	2,996,162
Totals	\$ 6,830,000	\$ 1,570,678	\$ 8,400,678

H. NET POSITION/FUND BALANCES

Net position reported on the government-wide statement of net position at December 31, 2013, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 3,647,946
Construction in progress	718,816
Right of way	11,497,318
Other capital assets, net of accumulated depreciation	45,881,814
Less: Long-term debt outstanding	(33,959,422)
Plus: Unspent capital related debt proceeds	1,080,624
Total Net Investment in Capital Assets	28,867,096
Restricted	
TIF debt service	1,324,270
TIF activity	16,485,699
Library	191,086
Impact fees	961,224
Total Restricted	18,962,279
Unrestricted	
	2,435,017
Total Governmental Activities Net Position	\$ 50,264,392

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2013, include the following:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>TIF District No. 7</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Fund Balances						
Nonspendable:						
Prepaid items	\$ 136,244	\$ -	\$ -	\$ -	\$ 6,145	\$ 142,389
Restricted for:						
Debt service	-	215,086	-	-	-	215,086
Library purposes	-	-	-	-	191,086	191,086
TIF activities	-	-	-	14,059,626	3,530,948	17,590,574
Library facilities	-	-	-	-	172,119	172,119
Police facilities	-	-	-	-	786,315	786,315
Fire facilities	-	-	-	-	2,790	2,790
Committed to:						
Senior citizen activities and services	-	-	-	-	15,058	15,058
Cable operations	-	-	-	-	346,668	346,668
Tourism	-	-	-	-	71,349	71,349
Crime prevention	-	-	-	-	14,086	14,086
Fire and EMS	-	-	-	-	54,874	54,874
Council activities	-	-	-	-	5,287	5,287
Equipment replacement	-	-	-	-	489,473	489,473
Refuse and Recycling	-	-	-	-	47,802	47,802
Urban forestry programs	-	-	-	-	31,119	31,119
Epic Grant activity	-	-	-	-	49,415	49,415
Economic development	-	-	-	-	222,295	222,295
Assigned to:						
Subsequent year's budget	275,000	-	-	-	-	275,000
Capital projects	-	-	2,459,253	-	-	2,459,253
Unassigned (deficit):	<u>2,222,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,874)</u>	<u>2,188,777</u>
Total Fund Balances (Deficit)	<u>\$ 2,633,895</u>	<u>\$ 215,086</u>	<u>\$ 2,459,253</u>	<u>\$ 14,059,626</u>	<u>\$ 6,002,955</u>	<u>\$ 25,370,815</u>

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 2,946,569
Intangible assets	112,000
Other capital assets, net of accumulated depreciation	61,494,353
Less: Long-term debt outstanding	(6,471,300)
Plus: Unamortized loss on advance refunding	29,426
Less: Unamortized debt premium	<u>(56,426)</u>
Total Net Investment in Capital Assets	<u>58,054,622</u>
Restricted	
Debt service	1,121,289
Equipment replacement	<u>52,200</u>
Total Restricted	<u>1,173,489</u>
Unrestricted	<u>6,349,747</u>
Total Business-type Activities Net Position	<u><u>\$ 65,577,858</u></u>

I. COMPONENT UNIT

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF VERONA

This report contains the Community Development Authority of the City of Verona (CDA), which is included as a component unit. Financial information is presented as a discrete column in the statement of net position and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The CDA follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Deposits and Investments

	Carrying Value	Statement Balances	Associated Risks
LGIP	<u>\$ 1,163,719</u>	<u>\$ 1,163,719</u>	Credit

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

I. COMPONENT UNIT (cont.)

Community Development Authority of the City of Verona (cont.)

b. Deposits and Investments (cont.)

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the CDA's deposits may not be returned to the CDA.

The CDA does not have any deposits exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The CDA had investments in the external Wisconsin Local Government Investment Pool which is not rated.

See Note I.D.1. for further information on deposit and investment policies.

c. Long-Term Obligations

The Community Development Authority (CDA) of the City of Verona has outstanding lease revenue bonds. The CDA agrees to maintain a reserve account for each lease revenue bond issue equal to the least of (a) 10% of the principal amount of the bonds, (b) maximum annual debt service on the bonds, and (c) 125% of average annual debt service on the bonds. If, during the leasehold terms, the amount on deposit in the reserve accounts for the bonds fall below the respective reserve requirement, the city agrees to pay additional monthly rent payments to the CDA to make the amount on deposit in the reserve account equal to the applicable reserve requirements. Upon full and final payment of all bonds, the leases shall terminate and title to the leased property shall be transferred to the city. The bonds are limited obligations of the CDA payable by it solely from the revenues and income derived by the CDA pursuant to the terms of the lease. The bonds shall never be considered a general obligation of the CDA or the city.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Lease revenue bonds	\$7,710,000	\$ -	\$ 880,000	\$6,830,000	\$ 920,000

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

I. COMPONENT UNIT (cont.)

Community Development Authority of the City of Verona (cont.)

c. Long-Term Obligations (cont.)

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 920,000	\$ 325,041	\$ 1,245,041
2015	980,000	283,517	1,263,517
2016	795,000	243,509	1,038,509
2017	830,000	205,994	1,035,994
2018	650,000	171,457	821,457
2019-2022	2,655,000	341,160	2,996,160
Totals	<u>\$ 6,830,000</u>	<u>\$ 1,570,678</u>	<u>\$ 8,400,678</u>

NOTE V - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible city employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective employees are the same as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for December 31, 2013 are:

	<u>Employee</u>	<u>Employer</u>
General	6.65%	6.65%
Executives and Elected Officials	7.00%	7.00%
Protective with Social Security	6.65%	11.65%
Protective without Social Security	6.65%	14.25%

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The payroll for city employees covered by the WRS for the year ended December 31, 2013 was \$3,736,927; the employer's total payroll was \$4,125,138. The total required contribution for the year ended December 31, 2013 was \$567,861 or 15.2% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ended 2012 and 2011 were \$490,299 and \$458,244, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of December 31, 2013 there was no pension related debt for the city.

B. RISK MANAGEMENT

The city 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. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC) (cont.)

The CVMIC is a municipal mutual insurance company established on September 14, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC that was established under Section 66.30 of the Wisconsin Statutes governing intergovernmental cooperation commissions.

The CVMIC insures the municipalities up to \$5,000,000 per occurrence above the self-insured retention amount selected by each individual city or village. CVMIC also provides excess insurance of \$5,000,000 over the CVMIC layer thru a group purchase program paid proportionately by members for a total limit of \$10,000,000 per occurrence. Members pay premiums based on their self-insured retention amount, claims experience and population.

Management of CVMIC and WMIC consists of a board of directors and officers elected by the membership from each class of participants based on population. The board of directors hires the company executive director who in turn hires the management staff of CVMIC. The city does not exercise any control over the activities of CVMIC and WMIC beyond the election of the officer and board.

Financial statements of CVMIC can be obtained directly from CVMIC's offices. The city's Mutual Member Participation Calculation for 2013 is calculated at .121%. This calculation is based on premiums, claims and self-insured retention of the city as compared to the entire membership. The city's participation portion of available funds would be distributed upon dissolution. WMIC is not required to have an audit.

The city pays an annual premium to CVMIC for its general liability insurance as noted. The city's self-insured retention amount annually is \$25,000 per occurrence and \$100,000 in the aggregate. An actuarially determined estimate for outstanding losses and incurred but not reported losses is recorded in CVMIC's balance sheet in liability reserves. The amount related to the city is \$0.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the city 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 city attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the city's financial position or results of operations.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

The city has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The city has active construction projects as of December 31, 2013. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

Developer Agreements

In 2006, the city issued a tax increment bond as part of a development agreement. The amount of the obligation was \$9,000,000, and is payable to the developer solely from tax increments collected from a specific portion of the development in TIF No. 7. Amounts paid by the city to the developer are based upon the tax increments collected by the city during the calendar year, less the amount of tax increments used to pay debt service on the obligations issued by the city for the public improvements, any city contributions, and any other eligible project costs in connection with the development.

Payments are scheduled through the year 2025, and carry an interest rate of 3.85%. The obligation does not constitute a charge upon any funds of the city. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the city. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$5,400,000.

In 2006, the city issued a municipal revenue obligation as part of a development agreement. The amount of the obligation was \$1,000,000, and is payable to the developer solely from tax increments collected from a specific portion of the development in TIF No. 4.

Payments are scheduled through the year 2023, and carry an interest rate of 7.5%. The obligation does not constitute a charge upon any funds of the city. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the city. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$412,421.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V - OTHER INFORMATION (cont.)

D. JOINT VENTURES

Emergency Medical Services District

The City of Verona, the City of Fitchburg, and the Town of Verona jointly operate the local EMS District, which is called the Fitch-Rona EMS District and provides emergency medical services. The communities share in the annual operation of the district based on the most recent equalized value of each municipality in the district. The governing body is made up of three citizens from each community. Local representatives are appointed by the district's governing bodies. The governing body of the district has the authority to prepare its own budget (which must then be approved by the council or board of the governing bodies) and control the financial affairs of the district. The city made payments of \$291,211 for operating costs to the district for 2013. In addition to payments made by the city to the district, the city and town lease an EMS facility in Verona. The city's share of 2013 lease payments was \$61,660. The city believes that the district will continue to provide services in the future at similar rates. The transactions of the district are not reflected in these financial statements. The city accounts for its share of the operation in the special accounts special revenue fund. Financial information of the district is available directly from the district's office. The city has an equity interest of \$250,337 in the district that is accounted for in the governmental activities.

Verona Joint Fire District

The City of Verona and the Town of Verona jointly operate the local fire district, which is called the Verona Joint Fire District and provides fire protection and rescue services to the district. The communities share in the annual operation of the district based on the most recent equalized valuation of the municipality. The capital outlay portion for buildings and building improvements is funded 50% by the city and 50% by the Town of Verona. The capital outlay portion for equipment is shared in accordance with equalized value. The governing body consists of five members: three appointed by the City of Verona and two appointed by the Town of Verona. The governing bodies of each participating municipality must approve the annual budget. Once unanimously approved, the district administers the budget. The city made payments totaling \$770,907 to the district in 2013 for capital and operations. The transactions of the district are not reflected in these financial statements. The city accounts for its share of the operation in the special accounts special revenue fund. The city has an equity interest in the district of \$703,193 that is accounted for in the governmental activities. The district was dissolved effective January 1, 2014. See Note V. E. for more information.

E. SUBSEQUENT EVENTS

The City of Verona and Town of Verona executed a dissolution agreement of the Verona Joint Fire District, effective January 1, 2014. The City of Verona entered into a new Fire Service Agreement. The dissolution agreement provides for an appointment of the assets of the district and other fire service matters. A complete copy of this agreement can be obtained at the City of Verona, 111 Lincoln Street, Verona, WI 53593.

On July 16, 2014, the City issued \$8,690,000 of general obligation corporate purpose bonds, Series 2014A, for street projects and a fire station. Interest rates vary from 2.00% to 4.00%.

CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE V - OTHER INFORMATION (cont.)

F. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- > Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- > Statement No. 69, *Government Combinations and Disposals of Government Operations*
- > Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VERONA

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
TAXES			
Property	\$ 3,388,492	\$ 3,383,102	\$ (5,390)
Use tax penalty	-	941	941
Other taxes	<u>45,000</u>	<u>50,684</u>	<u>5,684</u>
Total Taxes	<u>3,433,492</u>	<u>3,434,727</u>	<u>1,235</u>
INTERGOVERNMENTAL REVENUES			
Federal aid - law enforcement	-	8,722	8,722
State aid - shared taxes	132,167	132,480	313
State expenditure restraint	179,929	179,930	1
State aid - road aid	705,836	705,836	-
State aid - other public safety	-	3,040	3,040
State aid - exempt computer aid	24,000	24,765	765
Other state payments	-	236	236
Payments for municipal services	<u>12,000</u>	<u>13,505</u>	<u>1,505</u>
Total Intergovernmental Revenues	<u>1,053,932</u>	<u>1,068,514</u>	<u>14,582</u>
PUBLIC CHARGES FOR SERVICES			
General government	-	13	13
Photocopies	-	1,292	1,292
Parks	22,000	20,922	(1,078)
Shelter and rental fees	10,000	10,868	868
Recreation programs	131,150	135,016	3,866
Swimming areas	18,000	14,665	(3,335)
Fairs, exhibits and celebrations	21,750	22,918	1,168
Stadium fees	3,500	3,770	270
Other public charges for services	<u>46,100</u>	<u>69,849</u>	<u>23,749</u>
Total Public Charges for Services	<u>252,500</u>	<u>279,313</u>	<u>26,813</u>
FINES, FORFEITURES AND PENALTIES			
Court penalties and costs	88,000	91,084	3,084
Parking violations	<u>14,000</u>	<u>10,540</u>	<u>(3,460)</u>
Total Fines, Forfeitures and Penalties	<u>102,000</u>	<u>101,624</u>	<u>(376)</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF VERONA

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2013

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
LICENSES AND PERMITS			
Liquor and malt beverage licenses	\$ 12,200	\$ 13,686	\$ 1,486
Operators' license	4,500	5,965	1,465
Cigarette licenses	1,400	1,100	(300)
Amusement device licenses	5,800	5,300	(500)
Bicycle licenses	-	24	24
Dog licenses	4,100	5,133	1,033
Building permits	141,487	68,449	(73,038)
Electrical permits	75,813	36,712	(39,101)
Plumbing permits	75,030	35,087	(39,943)
Heating and air conditioning permits	74,320	34,508	(39,812)
Erosion control permits	63,859	15,928	(47,931)
Zoning permits and fees	900	4,300	3,400
Plan review fees	89,814	16,845	(72,969)
Other regulatory permits and fees	4,550	10,132	5,582
Total Licenses and Permits	<u>553,773</u>	<u>253,169</u>	<u>(300,604)</u>
SPECIAL ASSESSMENTS			
Sidewalk	-	4,154	4,154
INVESTMENT INCOME			
Interest on investments	180,000	240,262	60,262
Unrealized loss on investments	-	(122,510)	(122,510)
Total Investment Income	<u>180,000</u>	<u>117,752</u>	<u>(62,248)</u>
MISCELLANEOUS REVENUES			
Miscellaneous	500	294	(206)
Total Revenues	<u>5,576,197</u>	<u>5,259,547</u>	<u>(316,650)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Mayor and city council	99,075	94,646	4,429
Municipal court	103,782	97,076	6,706
Administration	576,993	548,480	28,513
General buildings/plant/hall	80,903	89,286	(8,383)
Other insurance	103,500	112,626	(9,126)
Health insurance	30,000	30,000	-
Total General Government	<u>994,253</u>	<u>972,114</u>	<u>22,139</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF VERONA

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance with Final Budget
PUBLIC SAFETY			
Police	\$ 2,788,039	\$ 2,569,279	\$ 218,760
Emergency government	10,985	1,271	9,714
Hydrant rental	464,096	464,096	-
Operating contingency	32,000	-	32,000
Debt Contingency	<u>346,803</u>	<u>-</u>	<u>346,803</u>
Total Public Safety	<u>3,641,923</u>	<u>3,034,646</u>	<u>607,277</u>
PUBLIC WORKS			
Highway	<u>998,143</u>	<u>1,035,400</u>	<u>(37,257)</u>
CULTURE, RECREATION AND EDUCATION			
Parks	461,472	472,022	(10,550)
Recreation programs and events	67,400	75,251	(7,851)
Recreation administration	127,885	125,090	2,795
Recreation facilities	18,125	20,229	(2,104)
Swimming areas	<u>28,400</u>	<u>28,721</u>	<u>(321)</u>
Total Culture, Recreation and Education	<u>703,282</u>	<u>721,313</u>	<u>(18,031)</u>
CONSERVATION AND DEVELOPMENT			
Building Inspection	231,198	215,063	16,135
Planning	126,201	101,760	24,441
Tourism/city beautification	<u>8,000</u>	<u>4,892</u>	<u>3,108</u>
Total Conservation and Development	<u>365,399</u>	<u>321,715</u>	<u>43,684</u>
Total Expenditures	<u>6,703,000</u>	<u>6,085,188</u>	<u>617,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,126,803)</u>	<u>(825,641)</u>	<u>301,162</u>
OTHER FINANCING SOURCES (USES)			
Debt issued	346,803	-	(346,803)
Transfers in - utility PILOT	<u>505,000</u>	<u>524,652</u>	<u>19,652</u>
Total Other Financing Sources (Uses)	<u>851,803</u>	<u>524,652</u>	<u>(327,151)</u>
Net Change in Fund Balance	(275,000)	(300,989)	(25,989)
FUND BALANCE - Beginning of Year	<u>2,934,884</u>	<u>2,934,884</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,659,884</u>	<u>\$ 2,633,895</u>	<u>\$ (25,989)</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF VERONA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2013

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

The budgeted amounts presented include any amendments made. The city may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the fund level of expenditure.

SUPPLEMENTARY INFORMATION

CITY OF VERONA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2013

	Special Revenue Funds			
	Senior Citizens Center	Refuse and Recycling	Forestry	Cable Franchise
ASSETS				
Cash and investments	\$ 31,845	\$ 91,148	\$ 31,003	\$ 322,411
Receivables				
Taxes	326,940	620,662	7,750	-
Accounts	140	-	116	25,701
Promissory notes	-	-	-	-
Due from component units	-	-	-	-
Due from other governments	-	1,713	-	-
Prepaid items	-	-	-	-
	<u>\$ 358,925</u>	<u>\$ 713,523</u>	<u>\$ 38,869</u>	<u>\$ 348,112</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 12,955	\$ 42,560	\$ -	\$ 258
Accrued liabilities	3,972	786	-	1,186
Due to other funds	-	-	-	-
Total Liabilities	<u>16,927</u>	<u>43,346</u>	<u>-</u>	<u>1,444</u>
Deferred Inflows of Resources				
Unavailable revenues	-	1,713	-	-
Unearned revenues	326,940	620,662	7,750	-
Total Deferred Inflows of Resources	<u>326,940</u>	<u>622,375</u>	<u>7,750</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	15,058	47,802	31,119	346,668
Unassigned (deficit)	-	-	-	-
Total Fund Balances	<u>15,058</u>	<u>47,802</u>	<u>31,119</u>	<u>346,668</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 358,925</u>	<u>\$ 713,523</u>	<u>\$ 38,869</u>	<u>\$ 348,112</u>

Special Revenue Funds					Capital Projects Funds	
Special Accounts	Impact Fees	Library	Economic Development Commission	Fire Department	Revolving Funds	TIF District No. 4
\$ 79,588	\$ 961,224	\$ 232,102	\$ 222,295	\$ -	\$ 492,997	\$ 426,564
366,225	-	1,123,131	-	690,379	230,000	651,357
149,409	-	-	-	30,360	-	-
-	-	-	31,837	-	-	219,395
-	-	-	-	-	-	55,000
-	-	-	-	-	-	-
-	-	-	-	6,145	-	-
<u>\$ 595,222</u>	<u>\$ 961,224</u>	<u>\$ 1,355,233</u>	<u>\$ 254,132</u>	<u>\$ 726,884</u>	<u>\$ 722,997</u>	<u>\$ 1,352,316</u>
\$ 33,986	\$ -	\$ 26,804	\$ -	\$ 33,479	\$ 3,524	\$ 4,289
-	-	14,212	-	-	-	-
-	-	-	-	30,755	-	-
<u>33,986</u>	<u>-</u>	<u>41,016</u>	<u>-</u>	<u>64,234</u>	<u>3,524</u>	<u>4,289</u>
-	-	-	31,837	-	-	219,395
<u>366,225</u>	<u>-</u>	<u>1,123,131</u>	<u>-</u>	<u>690,379</u>	<u>230,000</u>	<u>651,357</u>
<u>366,225</u>	<u>-</u>	<u>1,123,131</u>	<u>31,837</u>	<u>690,379</u>	<u>230,000</u>	<u>870,752</u>
-	-	-	-	6,145	-	-
-	961,224	191,086	-	-	-	477,275
195,011	-	-	222,295	-	489,473	-
-	-	-	-	(33,874)	-	-
<u>195,011</u>	<u>961,224</u>	<u>191,086</u>	<u>222,295</u>	<u>(27,729)</u>	<u>489,473</u>	<u>477,275</u>
<u>\$ 595,222</u>	<u>\$ 961,224</u>	<u>\$ 1,355,233</u>	<u>\$ 254,132</u>	<u>\$ 726,884</u>	<u>\$ 722,997</u>	<u>\$ 1,352,316</u>

CITY OF VERONA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2013

	<u>Capital Projects Funds</u>		Total
	TIF District No. 5	TIF District No. 6	Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 521,600	\$ 2,063,190	\$ 5,475,967
Receivables			
Taxes	-	746,620	4,763,064
Accounts	-	-	205,726
Promissory notes	-	-	251,232
Due from component units	106,000	389,467	550,467
Due from other governments	-	-	1,713
Prepaid items	<u>-</u>	<u>-</u>	<u>6,145</u>
TOTAL ASSETS	<u>\$ 627,600</u>	<u>\$ 3,199,277</u>	<u>\$ 11,254,314</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 26,584	\$ 184,439
Accrued liabilities	-	-	20,156
Due to other funds	<u>-</u>	<u>-</u>	<u>30,755</u>
Total Liabilities	<u>-</u>	<u>26,584</u>	<u>235,350</u>
Deferred Inflows of Resources			
Unavailable revenues	-	-	252,945
Unearned revenues	<u>-</u>	<u>746,620</u>	<u>4,763,064</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>746,620</u>	<u>5,016,009</u>
Fund Balances			
Nonspendable	-	-	6,145
Restricted	627,600	2,426,073	4,683,258
Committed	-	-	1,347,426
Unassigned (deficit)	<u>-</u>	<u>-</u>	<u>(33,874)</u>
Total Fund Balances	<u>627,600</u>	<u>2,426,073</u>	<u>6,002,955</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 627,600</u>	<u>\$ 3,199,277</u>	<u>\$ 11,254,314</u>

CITY OF VERONA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2013

	Special Revenue Funds			
	Senior Citizens Center	Refuse and Recycling	Forestry	Cable Franchise
REVENUES				
Taxes	\$ 300,787	\$ 23,684	\$ 7,800	\$ -
Intergovernmental	2,865	21,979	-	-
Public charges for services	36,318	561,900	27,709	-
Fines, forfeitures and penalties	-	-	-	-
Licenses and permits	-	-	-	95,793
Investment income (unrealized loss)	-	-	-	-
Miscellaneous	-	476	-	-
Total Revenues	339,970	608,039	35,509	95,793
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	586,953	17,210	-
Health and human services	363,687	-	-	-
Culture, recreation and education	-	-	-	69,128
Conservation and development	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Principal payments on capital lease	-	-	-	-
Interest payments on capital lease	-	-	-	-
Total Expenditures	363,687	586,953	17,210	69,128
Excess (deficiency) of revenues over expenditures	(23,717)	21,086	18,299	26,665
OTHER FINANCING SOURCES (USES)				
Debt issued	-	-	-	-
Debt refunded	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(23,717)	21,086	18,299	26,665
FUND BALANCES - Beginning of Year	38,775	26,716	12,820	320,003
FUND BALANCES - END OF YEAR	\$ 15,058	\$ 47,802	\$ 31,119	\$ 346,668

Special Revenue Funds					Capital Projects Funds	
Special Accounts	Impact Fees	Library	Economic Development Commission	Fire Department	Revolving Funds	TIF District No. 4
\$ 1,166,464	\$ -	\$ 1,172,078	\$ -	\$ -	\$ 230,000	\$ 574,368
352,228	-	535,834	-	-	-	4,913
-	103,228	4,539	-	-	-	-
-	-	29,658	-	-	-	-
7,290	-	-	-	-	-	-
-	3,572	-	2,107	-	2,356	(10,004)
58,585	-	45,372	3,120	-	-	9,745
<u>1,584,567</u>	<u>106,800</u>	<u>1,787,481</u>	<u>5,227</u>	<u>-</u>	<u>232,356</u>	<u>579,022</u>
2,995	-	-	-	-	-	-
1,099,135	-	-	-	27,729	-	-
294,736	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,225,136	-	-	-	-
150,073	-	-	-	-	-	132,355
-	-	-	-	-	345,902	256,433
-	-	-	-	-	-	323,247
-	-	-	-	-	-	58,155
-	-	-	-	-	-	65,000
-	-	-	-	-	-	14,743
<u>1,546,939</u>	<u>-</u>	<u>1,225,136</u>	<u>-</u>	<u>27,729</u>	<u>345,902</u>	<u>849,933</u>
<u>37,628</u>	<u>106,800</u>	<u>562,345</u>	<u>5,227</u>	<u>(27,729)</u>	<u>(113,546)</u>	<u>(270,911)</u>
-	-	-	-	-	-	638,536
-	-	-	-	-	-	(632,451)
-	-	55,000	-	-	-	-
-	(215,000)	(604,069)	-	-	-	-
-	(215,000)	(549,069)	-	-	-	6,085
37,628	(108,200)	13,276	5,227	(27,729)	(113,546)	(264,826)
<u>157,383</u>	<u>1,069,424</u>	<u>177,810</u>	<u>217,068</u>	<u>-</u>	<u>603,019</u>	<u>742,101</u>
<u>\$ 195,011</u>	<u>\$ 961,224</u>	<u>\$ 191,086</u>	<u>\$ 222,295</u>	<u>\$ (27,729)</u>	<u>\$ 489,473</u>	<u>\$ 477,275</u>

CITY OF VERONA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2013

	<u>Capital Projects Funds</u>		Total Nonmajor Governmental Funds
	<u>TIF District No. 5</u>	<u>TIF District No. 6</u>	
REVENUES			
Taxes	\$ 328,877	\$ 765,384	\$ 4,569,442
Intergovernmental	19,745	2,107	939,671
Public charges for services	-	-	733,694
Fines, forfeitures and penalties	-	-	29,658
Licenses and permits	-	-	103,083
Investment income (unrealized loss)	2,338	(66,466)	(66,097)
Miscellaneous	-	-	117,298
Total Revenues	<u>350,960</u>	<u>701,025</u>	<u>6,426,749</u>
EXPENDITURES			
Current			
General government	-	-	2,995
Public safety	-	-	1,126,864
Public works	-	-	898,899
Health and human services	-	-	363,687
Culture, recreation and education	-	-	1,294,264
Conservation and development	-	102,606	385,034
Capital Outlay	162,353	1,702,706	2,467,394
Debt Service			
Principal	-	150,000	473,247
Interest and fiscal charges	-	150,439	208,594
Principal payments on capital lease	115,000	200,000	380,000
Interest payments on capital lease	23,570	22,175	60,488
Total Expenditures	<u>300,923</u>	<u>2,327,926</u>	<u>7,661,466</u>
Excess (deficiency) of revenues over expenditures	<u>50,037</u>	<u>(1,626,901)</u>	<u>(1,234,717)</u>
OTHER FINANCING SOURCES (USES)			
Debt issued	-	600,000	1,238,536
Debt refunded	-	-	(632,451)
Transfers in	-	-	55,000
Transfers out	-	-	(819,069)
Total Other Financing Sources (Uses)	<u>-</u>	<u>600,000</u>	<u>(157,984)</u>
Net Change in Fund Balances	50,037	(1,026,901)	(1,392,701)
FUND BALANCES - Beginning of Year	<u>577,563</u>	<u>3,452,974</u>	<u>7,395,656</u>
FUND BALANCES - END OF YEAR	<u>\$ 627,600</u>	<u>\$ 2,426,073</u>	<u>\$ 6,002,955</u>

CITY OF VERONA

STATEMENT OF CASH FLOWS
COMPONENT UNIT
For the Year Ended December 31, 2013

	Component Unit - CDA
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	\$ 363,145
Net Cash Flows From Investing Activities	<u>363,145</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Lease payments received	880,000
Debt retired	(880,000)
Interest paid	<u>(363,145)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(363,145)</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,163,719</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,163,719</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Restricted cash and investments - statement of net position	<u>\$ 1,163,719</u>
CASH AND CASH EQUIVALENTS	<u>\$ 1,163,719</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	