

# **VERONA UTILITIES**

Enterprise Funds of the  
City of Verona, Wisconsin

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2013 and 2012

# VERONA UTILITIES

Enterprise Funds of the City of Verona, Wisconsin

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
Verona Utilities  
Verona, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Verona Utilities, enterprise funds of the City of Verona, Wisconsin, as of and for the years ended December 31, 2013 and 2012, and the related notes to the 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 Verona Utilities' 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 Verona Utilities' 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Verona Utilities as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council  
Verona Utilities

***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the Verona Utilities enterprise funds and do not purport to, and do not present fairly the financial position of the City of Verona, Wisconsin, as of December 31, 2013 and 2012 and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

***Other Matters***

*Required Supplementary Information*

Verona Utilities has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information. We note the significant financial events of the Verona Utilities are included in the Management's Discussion and Analysis of the City of Verona's financial statements.

*Supplementary Information*

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental utility plant, operating revenues and expenses, and rate of return - regulated basis schedules as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental utility plant, operating revenues and expenses, and rate of return - regulated basis schedules are fairly stated in all material respects in relation to the financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
July 16, 2014

## **WATER UTILITY**

# VERONA WATER UTILITY

## STATEMENTS OF NET POSITION As of December 31, 2013 and 2012

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 3,254,722	\$ 3,182,492
Interest receivable	-	927
Restricted Assets		
Redemption account	153,585	144,670
Customer accounts receivable	293,284	290,774
Other accounts receivable	56,719	8,813
Due from municipality	33,466	32,339
Materials and supplies	25,531	20,927
Prepayments	438	1,200
Due from other governments	<u>1,133</u>	<u>240</u>
Total Current Assets	<u>3,818,878</u>	<u>3,682,382</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Reserve account	245,410	263,480
Depreciation account	377,760	377,760
Other Assets		
Preliminary survey and investigation	19,265	-
Special assessments receivable	2,312	2,312
Unamortized debt issuance costs	-	59,933
Capital Assets		
Plant in service	34,312,783	25,823,235
Accumulated depreciation	<u>(5,460,738)</u>	<u>(4,913,579)</u>
Total Noncurrent Assets	<u>29,496,792</u>	<u>21,613,141</u>
Total Assets	<u>33,315,670</u>	<u>25,295,523</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on advance refunding	<u>14,881</u>	<u>18,530</u>

<b>LIABILITIES</b>		<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 111,235	\$ 80,325
Accrued wages		6,795	4,765
Accrued interest		18,352	17,291
Current portion of general obligation debt		86,600	76,600
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		253,765	237,229
Accrued interest		<u>5,555</u>	<u>6,287</u>
Total Current Liabilities		<u>482,302</u>	<u>422,497</u>
<b>NONCURRENT LIABILITIES</b>			
General obligation debt		1,641,850	1,728,450
Revenue bonds		1,422,163	1,675,928
Unamortized premium and discount		27,609	23,846
Accrued compensated absences		<u>42,735</u>	<u>66,733</u>
Total Noncurrent Liabilities		<u>3,134,357</u>	<u>3,494,957</u>
Total Liabilities		<u>3,616,659</u>	<u>3,917,454</u>
<b>NET POSITION</b>			
Net investment in capital assets		25,434,939	17,246,066
Restricted for:			
Debt service		393,440	401,863
Depreciation		377,760	377,760
Unrestricted		<u>3,507,753</u>	<u>3,370,910</u>
<b>TOTAL NET POSITION</b>		<u>\$ 29,713,892</u>	<u>\$ 21,396,599</u>

See accompanying notes to the financial statements.

## VERONA WATER UTILITY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>OPERATING REVENUES</b>		
Sales of water	\$ 1,708,489	\$ 1,788,365
Other	<u>168,308</u>	<u>160,432</u>
Total Operating Revenues	<u>1,876,797</u>	<u>1,948,797</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	614,168	553,361
Depreciation	<u>612,560</u>	<u>491,494</u>
Total Operating Expenses	<u>1,226,728</u>	<u>1,044,855</u>
<b>OPERATING INCOME</b>	<u>650,069</u>	<u>903,942</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	11,019	13,236
Build America Bond interest rate subsidy	2,682	19,138
Interest expense	(127,145)	(159,169)
Amortization of premium, discount, and loss on refunding	(1,257)	(4,790)
Debt issuance costs	<u>(67,807)</u>	<u>(25,663)</u>
Total Nonoperating Revenues (Expenses)	<u>(182,508)</u>	<u>(157,248)</u>
Income Before Contributions and Transfers	467,561	746,694
<b>CAPITAL CONTRIBUTIONS</b>	3,821,509	2,363,048
<b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b>	4,552,875	-
<b>TRANSFERS - TAX EQUIVALENT</b>	<u>(524,652)</u>	<u>(475,740)</u>
<b>CHANGE IN NET POSITION</b>	8,317,293	2,634,002
NET POSITION - Beginning of Year	<u>21,396,599</u>	<u>18,762,597</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 29,713,892</u></u>	<u><u>\$ 21,396,599</u></u>

See accompanying notes to the financial statements.

# VERONA WATER UTILITY

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 1,436,323	\$ 1,496,105
Received from municipality for services	464,096	464,096
Paid to suppliers for goods and services	(508,457)	(339,438)
Paid to employees for operating payroll	<u>(168,905)</u>	<u>(163,315)</u>
Net Cash Flows From Operating Activities	<u>1,223,057</u>	<u>1,457,448</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Paid to municipality for tax equivalent	<u>(524,652)</u>	<u>(475,740)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(263,130)	(245,790)
Capital contributions received	55,536	93,949
Build America Bonds interest rate subsidy received	3,609	37,692
Premium on bonds	6,155	24,087
Debt retired	(618,829)	(1,507,388)
Interest paid	(126,816)	(200,181)
Proceeds from debt issue	305,000	1,205,000
Debt issuance costs	<u>(7,874)</u>	<u>(20,704)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(646,349)</u>	<u>(613,335)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>11,019</u>	<u>13,236</u>
<b>Net Change in Cash and Cash Equivalents</b>	63,075	381,609
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,968,402</u>	<u>3,586,793</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 4,031,477</u>	<u>\$ 3,968,402</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Developer financed additions to utility plant	<u>\$ 3,718,067</u>	<u>\$ 2,295,763</u>
Municipality financed additions to utility plant	<u>\$ 4,552,875</u>	<u>\$ -</u>
Debt issuance costs written off	<u>\$ (59,933)</u>	<u>\$ -</u>

	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 650,069	\$ 903,942
Noncash items in operating income		
Depreciation	612,560	491,494
Depreciation charged to clearing and other utilities	28,152	24,428
Changes in assets and liabilities		
Customer accounts receivable	(2,510)	(8,451)
Due from other funds and governments	(2,020)	(4,573)
Materials and supplies	(4,604)	1,750
Prepayments	762	(437)
Accounts payable	(37,384)	43,806
Other current liabilities	<u>(21,968)</u>	<u>5,489</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 1,223,057</u></b>	<b><u>\$ 1,457,448</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 3,254,722	\$ 3,182,492
Redemption account	153,585	144,670
Reserve account	245,410	263,480
Depreciation account	<u>377,760</u>	<u>377,760</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 4,031,477</u></b>	<b><u>\$ 3,968,402</u></b>

See accompanying notes to the financial statements.

## **SEWER UTILITY**

## VERONA SEWER UTILITY

### STATEMENTS OF NET POSITION As of December 31, 2013 and 2012

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 1,130,835	\$ 1,328,446
Restricted Assets		
Redemption account	96,076	97,453
Customer accounts receivable	339,783	342,758
Other accounts receivable	214,956	5,916
Due from municipality	40,838	38,350
Prepayments	438	875
Due from other governments	<u>1,455</u>	<u>321</u>
Total Current Assets	<u>1,824,381</u>	<u>1,814,119</u>
<b>NONCURRENT ASSETS</b>		
Restricted Assets		
Reserve account	209,262	218,541
Depreciation account	49,690	49,690
Replacement account	52,200	43,500
Other Assets		
Unamortized capacity charge	247,943	371,914
Investment in interceptor	441,602	475,571
Special assessments receivable	21,235	21,235
Unamortized debt issuance costs	-	19,443
Capital Assets		
Plant in service	17,711,745	16,065,280
Accumulated depreciation	<u>(3,557,551)</u>	<u>(3,260,322)</u>
Total Noncurrent Assets	<u>15,176,126</u>	<u>14,004,852</u>
Total Assets	<u>17,000,507</u>	<u>15,818,971</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on advance refunding	<u>11,694</u>	<u>17,286</u>

<b>LIABILITIES</b>		<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 203,600	\$ 169,616
Accrued wages		2,818	2,216
Accrued interest		1,654	2,576
Current portion of general obligation debt		104,550	98,500
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		156,235	157,770
Accrued interest		<u>4,939</u>	<u>5,420</u>
Total Current Liabilities		<u>473,796</u>	<u>436,098</u>
<b>NONCURRENT LIABILITIES</b>			
General obligation debt		278,302	380,352
Revenue bonds		1,272,835	1,429,070
Unamortized premium and discount		2,778	3,115
Accrued compensated absences		<u>37,504</u>	<u>34,370</u>
Total Noncurrent Liabilities		<u>1,591,419</u>	<u>1,846,907</u>
Total Liabilities		<u>2,065,215</u>	<u>2,283,005</u>
<b>NET POSITION</b>			
Net investment in capital assets		12,351,188	10,772,880
Restricted for:			
Debt service		300,399	310,574
Equipment replacement		52,200	43,500
Depreciation		49,690	49,690
Unrestricted		<u>2,193,509</u>	<u>2,376,608</u>
<b>TOTAL NET POSITION</b>		<u>\$ 14,946,986</u>	<u>\$ 13,553,252</u>

See accompanying notes to the financial statements.

## VERONA SEWER UTILITY

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>OPERATING REVENUES</b>		
Treatment charges	\$ 1,349,060	\$ 1,380,286
Other	<u>24,068</u>	<u>18,452</u>
Total Operating Revenues	<u>1,373,128</u>	<u>1,398,738</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	1,222,409	955,261
Depreciation	<u>297,229</u>	<u>278,274</u>
Total Operating Expenses	<u>1,519,638</u>	<u>1,233,535</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(146,510)</u>	<u>165,203</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	4,967	6,118
Amortization of investment in interceptor	(33,969)	(33,969)
Amortization of capacity charge	(123,971)	(123,971)
Interest expense	(76,876)	(87,045)
Amortization of premium, discount, and loss on refunding	(5,255)	(6,715)
Debt issuance costs	<u>(19,443)</u>	<u>(5,262)</u>
Total Nonoperating Revenues (Expenses)	<u>(254,547)</u>	<u>(250,844)</u>
Loss Before Contributions	(401,057)	(85,641)
<b>CAPITAL CONTRIBUTIONS</b>	1,586,058	1,104,756
<b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b>	<u>208,733</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	1,393,734	1,019,115
NET POSITION - Beginning of Year	<u>13,553,252</u>	<u>12,534,137</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 14,946,986</u></u>	<u><u>\$ 13,553,252</u></u>

See accompanying notes to the financial statements.

# VERONA SEWER UTILITY

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 1,372,481	\$ 1,364,135
Paid to suppliers for goods and services	(1,051,970)	(824,720)
Paid to employees for operating payroll	(127,793)	(116,666)
Net Cash Flows From Operating Activities	<u>192,718</u>	<u>422,749</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(32,705)	(61,122)
Capital contributions received (refunded)	(32,498)	121,481
Debt retired	(253,770)	(279,355)
Interest paid	(78,279)	(86,831)
Net Cash Flows From Capital and Related Financing Activities	<u>(397,252)</u>	<u>(305,827)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>4,967</u>	<u>6,118</u>
<b>Net Change in Cash and Cash Equivalents</b>	(199,567)	123,040
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,737,630</u>	<u>1,614,590</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,538,063</u>	<u>\$ 1,737,630</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Developer financed additions to utility plant	<u>\$ 1,409,516</u>	<u>\$ 977,359</u>
Debt issuance costs written off	<u>\$ (19,443)</u>	<u>\$ -</u>
Debt paid through advance refunding	<u>\$ -</u>	<u>\$ 80,000</u>
Premium received net of issuance cost paid through trustee	<u>\$ -</u>	<u>\$ 5,258</u>
Municipal financed additions to utility plant	<u>\$ 208,733</u>	<u>\$ -</u>

	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (146,510)	\$ 165,203
Noncash items in operating income (loss)		
Depreciation	297,229	278,274
Changes in assets and liabilities		
Customer accounts receivable	2,975	(35,203)
Due from other funds and governments	(3,622)	600
Prepayments	437	(437)
Accounts payable	38,473	11,343
Other current liabilities	<u>3,736</u>	<u>2,969</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 192,718</u>	<u>\$ 422,749</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS</b>		
Cash and investments	\$ 1,130,835	\$ 1,328,446
Redemption account	96,076	97,453
Reserve account	209,262	218,541
Depreciation account	49,690	49,690
Replacement account	<u>52,200</u>	<u>43,500</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 1,538,063</u>	<u>\$ 1,737,630</u>

See accompanying notes to the financial statements.

## **STORMWATER UTILITY**

## VERONA STORMWATER UTILITY

### STATEMENTS OF NET POSITION As of December 31, 2013 and 2012

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 578,145	\$ 776,466
Interest receivable	-	845
Customer accounts receivable	115,898	113,443
Other accounts receivable	641	226
Due from municipality	<u>7,885</u>	<u>7,436</u>
Total Current Assets	<u>702,569</u>	<u>898,416</u>
<b>NONCURRENT ASSETS</b>		
Other Assets		
Preliminary survey and investigation	-	59,686
Unamortized debt issuance costs	-	21,820
Capital Assets		
Plant in service	25,096,495	22,817,918
Accumulated depreciation	<u>(3,549,812)</u>	<u>(3,233,843)</u>
Total Noncurrent Assets	<u>21,546,683</u>	<u>19,665,581</u>
Total Assets	<u>22,249,252</u>	<u>20,563,997</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on refunding	<u>7,144</u>	<u>-</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	2,603	622
Accrued wages	1,539	1,388
Accrued interest	8,732	9,440
Current portion of general obligation debt	<u>115,000</u>	<u>115,000</u>
Total Current Liabilities	<u>127,874</u>	<u>126,450</u>
<b>NONCURRENT LIABILITIES</b>		
General obligation debt	1,140,000	1,260,000
Unamortized premium and discount	26,039	25,256
Accrued compensated absences	<u>41,210</u>	<u>38,035</u>
Total Noncurrent Liabilities	<u>1,207,249</u>	<u>1,323,291</u>
Total Liabilities	<u>1,335,123</u>	<u>1,449,741</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unamortized gain on refunding	<u>4,293</u>	<u>5,240</u>
<b>NET POSITION</b>		
Net investment in capital assets	20,268,495	18,200,399
Unrestricted	<u>648,485</u>	<u>908,617</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 20,916,980</u></u>	<u><u>\$ 19,109,016</u></u>

See accompanying notes to the financial statements.

## VERONA STORMWATER UTILITY

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 449,082	\$ 433,045
Other	<u>12,385</u>	<u>1,777</u>
Total Operating Revenues	<u>461,467</u>	<u>434,822</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	227,395	195,548
Depreciation	<u>315,969</u>	<u>292,093</u>
Total Operating Expenses	<u>543,364</u>	<u>487,641</u>
<b>OPERATING LOSS</b>	<u>(81,897)</u>	<u>(52,819)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	2,763	3,362
Build America Bond interest rate subsidy	2,445	8,445
Interest expense	(34,564)	(39,773)
Amortization of premium, discount, and refunding	5,989	(733)
Debt issuance costs	<u>(24,225)</u>	<u>(2,066)</u>
Total Nonoperating Revenues (Expenses)	<u>(47,592)</u>	<u>(30,765)</u>
Loss Before Contributions	(129,489)	(83,584)
<b>CAPITAL CONTRIBUTIONS</b>	1,549,460	10,375
<b>CAPITAL CONTRIBUTIONS - MUNICIPAL</b>	<u>387,993</u>	<u>22,000</u>
<b>CHANGE IN NET POSITION</b>	1,807,964	(51,209)
NET POSITION - Beginning of Year	<u>19,109,016</u>	<u>19,160,225</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 20,916,980</u>	<u>\$ 19,109,016</u>

See accompanying notes to the financial statements.

# VERONA STORMWATER UTILITY

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 458,148	\$ 434,043
Paid to suppliers for goods and services	(121,480)	(110,660)
Paid to employees for operating payroll	(100,608)	(85,100)
Net Cash Flows From Operating Activities	236,060	238,283
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(281,438)	(256,499)
Capital contributions received	-	74,173
Build America Bonds interest rate subsidy received	3,290	12,551
Premium on bonds	5,826	28,177
Debt retired	(395,000)	(343,849)
Interest paid	(35,272)	(49,534)
Proceeds from debt issue	275,000	575,000
Debt issuance costs	(2,405)	(3,196)
Contribution to refunding	(7,145)	-
Net Cash Flows From Capital and Related Financing Activities	(437,144)	36,823
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	2,763	3,362
<b>Net Change in Cash and Cash Equivalents</b>	(198,321)	278,468
CASH AND CASH EQUIVALENTS - Beginning of Year	776,466	497,998
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 578,145	\$ 776,466
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Developer financed additions to utility plant	\$ 1,549,464	\$ -
Municipality financed additions to utility plant	\$ 387,993	\$ -
Debt issuance costs written off	\$ (21,820)	\$ -

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	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (81,897)	\$ (52,819)
Noncash items in operating loss		
Depreciation	315,969	292,093
Changes in assets and liabilities		
Customer accounts receivable	(2,455)	(4,616)
Other accounts receivable	(415)	(226)
Due from other funds	(449)	4,063
Accounts payable	1,981	(3,309)
Other current liabilities	<u>3,326</u>	<u>3,097</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 236,060</u>	<u>\$ 238,283</u>

See accompanying notes to the financial statements.

# VERONA UTILITIES

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013 and 2012

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of Verona Utilities (utilities) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the utilities are described below.

#### ***REPORTING ENTITY***

The utilities are separate enterprise funds of the City of Verona (municipality). The utilities are managed by a city council. The utilities provide water, sewer, and stormwater service to properties within the municipality. Sewer treatment services are provided per agreement by Madison Metropolitan Sewerage District.

The water utility operates under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The sewer and stormwater utilities operate under rules and rates established by the city council.

#### ***MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION***

The utilities are presented as enterprise funds of the municipality. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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. The utilities implemented this standard effective January 1, 2013.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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

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### *ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION*

#### ***Deposits and Investments***

For purposes of the statement of cash flows, cash, and cash equivalents have original maturities of three months or less from the date of acquisition.

Investment of the utilities' funds are restricted by state statutes. Investments are limited to:

- > Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- > Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- > Bonds or securities issued or guaranteed by the federal government.
- > The local government investment pool.
- > Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- > Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- > Repurchase agreements with public depositories, with certain conditions.

The utilities have adopted an investment policy. That policy follows the state statute for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

#### ***Receivables/Payables***

Transactions between the utilities and other funds of the municipality that are representative of lending/borrowing arrangements outstanding at year end are referred to as advances to/from other funds. All other outstanding balances between the utilities and other funds of the municipality are reported as due to/from other funds.

The utilities have the right under Wisconsin statutes to place delinquent water, sewer, and stormwater bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

#### ***Materials and Supplies***

Materials and supplies are generally used for construction, operation, and maintenance work, not for resale. They are valued at the lower of cost or market utilizing the average cost method and charged to construction or expense when used.

# VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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

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### *ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)*

#### ***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.

#### ***Sewer Unamortized Capacity Charge***

This account represents a one-time connection fee, net of amortization paid to Madison Metropolitan Sewerage 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.

#### ***Sewer Investment in Interceptor***

This account represents the costs incurred for an interceptor project entered into with Madison Metropolitan Sewerage District in 2007. The costs are being amortized on a straight-line basis over a 20 year period to correspond with the term of the debt issued to fund the payment.

#### ***Preliminary Survey and Investigation***

The balance represents initial project engineering costs related to utility plant construction. The balance will be capitalized upon commencement of the project.

#### ***Special Assessments***

The balance of this account consists of amounts that will be assessed to property owners when specific property is annexed by the municipality or when vacant land is developed.

#### ***Capital Assets***

Capital assets are generally defined by the utilities as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets of the utilities are recorded at cost or the fair market value at the time of contribution to the utilities. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed. Capital assets in service are depreciated or amortized using the straight-line method over the following useful lives:

	<u>Years</u>
Water Plant	
Source of supply	35
Pumping	23-32
Water treatment	17
Transmission and distribution	18-77
General	4-35

# VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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

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### **ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)**

#### **Capital Assets (cont.)**

Sewer Plant	
Collecting system	10-100
General	4-10
Stormwater Plant	
Detention Basins	75
General	4-75

#### **Deferred Outflow 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) until that future time.

#### **Accrued 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. Vested vacation and sick leave pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the utilities.

#### **Long-Term Obligations**

Long-term debt and other obligations are reported as utility liabilities. Bond premiums and discounts, are amortized over the life of the bonds using the straight-line or 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 and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss/gain on refunding is shown as a deferred outflow/inflow in the statement of net position.

#### **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.

#### **REVENUES AND EXPENSES**

The utilities 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 the utility's principal ongoing operations. The principal operating revenues of the utilities are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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

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

#### ***Charges for Services***

Billings are rendered and recorded quarterly based on metered usage or equivalent runoff units. The utilities do not accrue revenues beyond billing dates.

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

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

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

#### ***Capital Contributions***

Cash and capital assets are contributed to the utilities from customers, the municipality, or external parties. The value of property contributed to the utilities are reported as revenue on the statements of revenues, expenses, and changes in net position.

#### ***Connection or Impact Fee***

The water and sewer utilities charge new customers an impact fee and connection fee, respectively, to connect to the system. Fees collected are recorded as capital contributions on the statements of revenues, expenses, and changes in net position.

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

The GASB has approved GASB 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*; and Statement No. 70, *Accounting and Financial reporting for Nonexchange Financial Guarantees*. Application of these standards may restate portions of these financial statements.

### ***COMPARATIVE DATA***

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

### NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		Risks
	2013	2012	
Checking and savings accounts	<u>\$ 6,147,685</u>	<u>\$ 6,482,498</u>	Custodial credit

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).

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000.

The utilities may also maintain separate cash and investment accounts at the same financial institutions utilized by the municipality. Federal depository insurance and the SDGF apply to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the utilities alone. Therefore, coverage for the utilities may be reduced. Investment income on commingled investments of the entire municipality is allocated based on average investment balances.

In addition, the utilities and other funds of the city have collateral or depository insurance agreements in the amount of \$5,472,644 and \$6,603,512 at December 31, 2013 and 2012 respectively.

#### ***Custodial Credit Risk***

##### **Deposits**

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

The utilities maintain certain deposits commingled with the municipality. The following is a summary of the utilities' total deposit balances at these institutions.

	2013		2012	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Checking and savings accounts	<u>\$ 6,147,685</u>	<u>\$ 6,147,685</u>	<u>\$ 6,482,498</u>	<u>\$ 6,482,498</u>

The city's investment policy does not address this risk.

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

### **NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

The following is a schedule of interfund balances for the years ending December 31, 2013 and 2012:

Due To	Due From	2013		2012	
		Amount	Principal Purpose	Amount	Principal Purpose
Water Utility	General Fund	\$ 33,466	Delinquent bills on tax roll	\$ 32,339	Delinquent bills on tax roll
Sewer Utility	General Fund	40,838	Delinquent bills on tax roll	38,350	Delinquent bills on tax roll
Stormwater	General Fund	7,885	Delinquent bills on tax roll	7,436	Delinquent bills on tax roll

The following is a schedule of transfer balances for the years ending December 31, 2013 and 2012:

To	From	2013		2012	
		Amount	Principal Purpose	Amount	Principal Purpose
General Fund	Water Utility	\$ 524,652	Tax equivalent	\$ 475,740	Tax equivalent

### **NOTE 4 - RESTRICTED ASSETS**

#### ***Restricted Accounts***

Certain proceeds of the utilities' debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited. The following accounts are reported as restricted assets:

- 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.

#### ***Replacement Account***

As a condition of receiving state and federal funds for wastewater plant construction, the utilities have established an account for replacement of certain mechanical equipment.

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

### **NOTE 4 - RESTRICTED ASSETS (cont.)**

#### ***Restricted Net Position***

The following calculation supports the amount of water restricted net position:

	2013	2012
Restricted Assets		
Redemption account	\$ 153,585	\$ 144,670
Reserve account	245,410	263,480
Depreciation account	377,760	377,760
Total Restricted Assets	776,755	785,910
Current Liabilities Payable From Restricted Assets	(5,555)	(6,287)
Total Restricted Net Position as Calculated	\$ 771,200	\$ 779,623

The purpose of the restricted net position is as follows:

	2013	2012
Debt service	\$ 393,440	\$ 401,863
Depreciation	377,760	377,760
Totals	\$ 771,200	\$ 779,623

The following calculation supports the amount of sewer restricted net position:

	2013	2012
Restricted Assets		
Redemption account	\$ 96,076	\$ 97,453
Reserve account	209,262	218,541
Depreciation account	49,690	49,690
Replacement account	52,200	43,500
Total Restricted Assets	407,228	409,184
Current Liabilities Payable From Restricted Assets	(4,939)	(5,420)
Total Restricted Net Position as Calculated	\$ 402,289	\$ 403,764

The purpose of the restricted net position is as follows:

	2013	2012
Debt service	\$ 300,399	\$ 310,574
Equipment replacement	52,200	43,500
Depreciation	49,690	49,690
Totals	\$ 402,289	\$ 403,764

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

### NOTE 5 - CHANGES IN CAPITAL ASSETS

#### *Water Utility*

A summary of changes in water capital assets for 2013 follows:

	Balance 1/1/13	Increases	Decreases	Balance 12/31/13
Capital assets, not being depreciated				
Land and land rights	\$ 65,089	\$ -	\$ -	\$ 65,089
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	871,460	25,165	-	896,625
Total Capital Assets Being Depreciated	25,758,146	8,583,101	93,553	34,247,694
Total Capital Assets	25,823,235	8,583,101	93,553	34,312,783
Less: Accumulated depreciation	(4,913,579)	(640,712)	93,553	(5,460,738)
Net Capital Assets	\$ 20,909,656			\$ 28,852,045

A summary of changes in water capital assets for 2012 follows:

	Balance 1/1/12	Increases	Decreases	Balance 12/31/12
Capital assets, not being depreciated				
Land and land rights	\$ 65,089	\$ -	\$ -	\$ 65,089
Capital assets being depreciated				
Source of supply	350,605	-	-	350,605
Pumping	1,590,109	-	-	1,590,109
Water treatment	7,803	-	-	7,803
Transmission and distribution	20,419,312	2,538,590	19,733	22,938,169
General	864,479	6,981	-	871,460
Total Capital Assets Being Depreciated	23,232,308	2,545,571	19,733	25,758,146
Total Capital Assets	23,297,397	2,545,571	19,733	25,823,235
Less: Accumulated depreciation	(4,417,390)	(515,922)	19,733	(4,913,579)
Net Capital Assets	\$ 18,880,007			\$ 20,909,656

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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

#### *Sewer Utility*

A summary of changes in sewer capital assets for 2013 follows:

	Balance 1/1/13	Increases	Decreases	Balance 12/31/13
Capital assets being depreciated				
Collecting system	\$ 15,211,505	\$ 1,618,146	\$ -	\$ 16,829,651
General	853,775	28,319	-	882,094
Total Capital Assets Being Depreciated	16,065,280	1,646,465	-	17,711,745
Less: Accumulated depreciation	(3,260,322)	(297,229)	-	(3,557,551)
Net Capital Assets	\$ 12,804,958			\$ 14,154,194

A summary of changes in sewer capital assets for 2012 follows:

	Balance 1/1/12	Increases	Decreases	Balance 12/31/12
Capital assets being depreciated				
Collecting system	\$ 14,181,022	\$ 1,030,483	\$ -	\$ 15,211,505
General	845,775	8,000	-	853,775
Total Capital Assets Being Depreciated	15,026,797	1,038,483	-	16,065,280
Less: Accumulated depreciation	(2,982,048)	(278,274)	-	(3,260,322)
Net Capital Assets	\$ 12,044,749			\$ 12,804,958

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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

#### *Stormwater Utility*

A summary of changes in stormwater capital assets for 2013 follows:

	Balance 1/1/13	Increases	Decreases	Balance 12/31/13
Capital assets, not being depreciated				
Land and land rights	\$ 2,881,480	\$ -	\$ -	\$ 2,881,480
Intangible	<u>112,000</u>	<u>-</u>	<u>-</u>	<u>112,000</u>
Total Capital Assets Not Being Depreciated	<u>2,993,480</u>	<u>-</u>	<u>-</u>	<u>2,993,480</u>
Capital assets being depreciated				
Stormwater plant	19,396,950	2,278,577	-	21,675,527
General	<u>427,488</u>	<u>-</u>	<u>-</u>	<u>427,488</u>
Total Capital Assets Being Depreciated	<u>19,824,438</u>	<u>2,278,577</u>	<u>-</u>	<u>22,103,015</u>
Total Capital Assets	<u>22,817,918</u>	<u>2,278,577</u>	<u>-</u>	<u>25,096,495</u>
Less: Accumulated depreciation	<u>(3,233,843)</u>	<u>(315,969)</u>	<u>-</u>	<u>(3,549,812)</u>
Net Capital Assets	<u>\$ 19,584,075</u>			<u>\$ 21,546,683</u>

A summary of changes in stormwater capital assets for 2012 follows:

	Balance 1/1/12	Increases	Decreases	Balance 12/31/12
Capital assets, not being depreciated				
Land and land rights	\$ 2,881,480	\$ -	\$ -	\$ 2,881,480
Intangible	<u>112,000</u>	<u>-</u>	<u>-</u>	<u>112,000</u>
Total Capital Assets Not Being Depreciated	<u>2,993,480</u>	<u>-</u>	<u>-</u>	<u>2,993,480</u>
Capital assets being depreciated				
Stormwater plant	19,376,103	20,847	-	19,396,950
General	<u>242,869</u>	<u>184,619</u>	<u>-</u>	<u>427,488</u>
Total Capital Assets Being Depreciated	<u>19,618,972</u>	<u>205,466</u>	<u>-</u>	<u>19,824,438</u>
Total Capital Assets	<u>22,612,452</u>	<u>205,466</u>	<u>-</u>	<u>22,817,918</u>
Less: Accumulated depreciation	<u>(2,941,750)</u>	<u>(292,093)</u>	<u>-</u>	<u>(3,233,843)</u>
Construction in progress	<u>5,600</u>	<u>56,633</u>	<u>62,233</u>	<u>-</u>
Net Capital Assets	<u>\$ 19,676,302</u>			<u>\$ 19,584,075</u>

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

### NOTE 6 - LONG-TERM OBLIGATIONS

#### *Revenue Bonds - Water and Sewer*

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Outstanding Amount 12/31/13
7/1/2003	Capital Projects	6/1/2016	1.60-3.75%	\$ 1,075,000	\$ 344,998
7/1/2006	Capital Projects	6/1/2026	4.10-4.50	1,615,000	1,225,000
7/1/2006	Refund Prior Debt	6/1/2020	4.10-4.50	1,100,000	800,000
3/1/2008	Capital Projects	6/1/2018	2.90-3.75	1,340,000	735,000

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2014	\$ 410,000	\$ 118,202	\$ 528,202
2015	420,000	102,486	522,486
2016	439,998	85,988	525,986
2017	330,000	70,942	400,942
2018	345,000	57,520	402,520
2019-2023	795,000	150,507	945,507
2024-2026	<u>365,000</u>	<u>25,030</u>	<u>390,030</u>
Totals	<u>\$ 3,104,998</u>	<u>\$ 610,675</u>	<u>\$ 3,715,673</u>

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2013 and 2012 were \$562,049 and \$522,202, respectively. Total customer gross revenues as defined for the same periods were \$3,268,593 and \$3,386,027. Annual principal and interest payments are expected to require 9% of gross revenues on average.

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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

#### *General Obligation Debt - Water*

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Outstanding Amount 12/31/13
7/1/2005	Capital projects	2/1/2015	3.25-3.50%	\$ 160,000	\$ 40,000
8/1/2008	Capital projects	8/1/2028	4.00-4.60	244,850	218,450
5/5/2010	Capital projects	5/1/2030	1.50-6.00	340,000	-
7/24/2012	Refund 2009 Build America Bonds	3/1/2029	2.00-3.00	1,205,000	1,165,000
6/26/2013	Refund 2010 Build America Bonds	4/1/2030	2.00-3.25	305,000	305,000

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2014	\$ 86,600	\$ 49,304	\$ 135,904
2015	91,600	45,046	136,646
2016	76,600	42,807	119,407
2017	85,750	40,518	126,268
2018	85,750	37,988	123,738
2019-2023	507,150	151,110	658,260
2024-2028	650,000	74,022	724,022
2029-2030	145,000	2,931	147,931
Totals	<u>\$ 1,728,450</u>	<u>\$ 443,726</u>	<u>\$ 2,172,176</u>

#### *General Obligation Debt - Sewer*

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rates	Original Amount	Outstanding Amount 12/31/13
3/1/2004	Capital projects	6/1/2016	1.30-4.40%	\$ 947,850	\$ 237,852
7/17/2007	Capital projects	6/1/2017	4.10	250,000	65,000
7/24/2012	Partial refund 2007 notes	3/1/2017	3.00	80,000	80,000

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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

#### *General Obligation Debt - Sewer* (cont.)

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 104,550	\$ 12,168	\$ 116,718
2015	113,100	8,010	121,110
2016	125,200	3,504	128,704
2017	<u>40,002</u>	<u>600</u>	<u>40,602</u>
Totals	<u>\$ 382,852</u>	<u>\$ 24,282</u>	<u>\$ 407,134</u>

#### *General Obligation Debt - Stormwater*

The following general obligation bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/13</u>
5/5/2010	Capital projects	5/1/2030	1.50-5.50%	\$ 310,000	\$ -
7/27/2011	Capital projects	6/1/2021	0.09-2.80	560,000	460,000
7/24/2012	Capital projects	3/1/2022	2.00-3.00	315,000	275,000
7/24/2012	Refund 2009 Build America Bonds	3/1/2022	2.00-3.00	260,000	245,000
6/26/2013	Refund 2010 Build America Bonds	4/1/2030	2.00-3.25	275,000	275,000

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 115,000	\$ 30,517	\$ 145,517
2015	120,000	26,786	146,786
2016	125,000	24,363	149,363
2017	125,000	21,451	146,451
2018	130,000	18,298	148,298
2019-2023	510,000	42,887	552,887
2024-2028	95,000	13,115	108,115
2029-2030	<u>35,000</u>	<u>1,057</u>	<u>36,057</u>
Totals	<u>\$ 1,255,000</u>	<u>\$ 178,474</u>	<u>\$ 1,433,474</u>

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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

#### *Long-Term Obligations Summary - Water*

Long-term obligation activity for the year ended December 31, 2013 is as follows:

	1/1/13 Balance	Additions	Reductions	12/31/13 Balance	Due Within One Year
Revenue bonds	\$ 1,913,157	\$ -	\$ 237,229	\$ 1,675,928	\$ 253,765
General obligation debt	1,805,050	305,000	381,600	1,728,450	86,600
Accrued compensated absences	66,733	24,232	48,230	42,735	-
Unamortized premium	<u>23,846</u>	<u>6,154</u>	<u>2,391</u>	<u>27,609</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 3,808,786</u></b>	<b><u>\$ 335,386</u></b>	<b><u>\$ 669,450</u></b>	<b><u>\$ 3,474,722</u></b>	<b><u>\$ 340,365</u></b>

Long-term obligation activity for the year ended December 31, 2012 is as follows:

	1/1/12 Balance	Additions	Reductions	12/31/12 Balance	Due Within One Year
Revenue bonds	\$ 2,143,852	\$ -	\$ 230,695	\$ 1,913,157	\$ 237,229
General obligation debt	1,876,743	1,205,000	1,276,693	1,805,050	76,600
Accrued compensated absences	62,741	24,058	20,066	66,733	-
Unamortized premium and discount	<u>622</u>	<u>24,087</u>	<u>863</u>	<u>23,846</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 4,083,958</u></b>	<b><u>\$ 1,253,145</u></b>	<b><u>\$ 1,528,317</u></b>	<b><u>\$ 3,808,786</u></b>	<b><u>\$ 313,829</u></b>

#### *Long-Term Obligations Summary - Sewer*

Long-term obligation activity for the year ended December 31, 2013 is as follows:

	1/1/13 Balance	Additions	Reductions	12/31/13 Balance	Due Within One Year
Revenue bonds	\$ 1,586,840	\$ -	\$ 157,770	\$ 1,429,070	\$ 156,235
General obligation debt	478,852	-	96,000	382,852	104,550
Accrued compensated absences	34,370	21,217	18,083	37,504	-
Unamortized premium and discount	<u>3,667</u>	<u>-</u>	<u>889</u>	<u>2,778</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 2,103,729</u></b>	<b><u>\$ 21,217</u></b>	<b><u>\$ 272,742</u></b>	<b><u>\$ 1,852,204</u></b>	<b><u>\$ 260,785</u></b>

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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

#### *Long-Term Obligations Summary - Sewer (cont.)*

Long-term obligation activity for the year ended December 31, 2012 is as follows:

	<u>1/1/12</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/12</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 1,731,145	\$ -	\$ 144,305	\$ 1,586,840	\$ 157,770
General obligation debt	613,902	80,000	215,050	478,852	98,500
Accrued compensated absences	31,059	21,891	18,580	34,370	-
Unamortized premium and discount	<u>4,379</u>	<u>-</u>	<u>712</u>	<u>3,667</u>	<u>-</u>
Totals	<u>\$ 2,380,485</u>	<u>\$ 101,891</u>	<u>\$ 378,647</u>	<u>\$ 2,103,729</u>	<u>\$ 256,270</u>

#### *Long-Term Obligations Summary - Stormwater*

Long-term obligation activity for the year ended December 31, 2013 is as follows:

	<u>1/1/13</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/13</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
General obligation debt	\$ 1,375,000	\$ 275,000	\$ 395,000	\$ 1,255,000	\$ 115,000
Accrued compensated absences	38,035	20,575	17,400	41,210	-
Unamortized premium and discount	<u>25,256</u>	<u>5,826</u>	<u>5,043</u>	<u>26,039</u>	<u>-</u>
Totals	<u>\$ 1,438,291</u>	<u>\$ 301,401</u>	<u>\$ 417,443</u>	<u>\$ 1,322,249</u>	<u>\$ 115,000</u>

Long-term obligation activity for the year ended December 31, 2012 is as follows:

	<u>1/1/12</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/12</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
General obligation debt	\$ 1,143,849	\$ 575,000	\$ 343,849	\$ 1,375,000	\$ 115,000
Accrued compensated absences	34,865	19,657	16,487	38,035	-
Unamortized premium and discount	<u>(3,652)</u>	<u>28,177</u>	<u>(731)</u>	<u>25,256</u>	<u>-</u>
Totals	<u>\$ 1,175,062</u>	<u>\$ 622,834</u>	<u>\$ 359,605</u>	<u>\$ 1,438,291</u>	<u>\$ 115,000</u>

## VERONA UTILITIES

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013 and 2012

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

##### ***Advance Refunding and Current Refunding***

On June 26, 2013, the city issued \$5,795,000 general obligation bonds, Series 2013A Bonds, for the purpose of advance refunding a portion of its outstanding debt and current refunding a portion of its outstanding debt. The new debt was allocated across multiple funds of the city. The water and stormwater utilities refunded the outstanding 2010 Build America Bonds. The net proceeds were used to prepay the outstanding debt service requirements on the old bonds.

The table below summarizes the allocation of the Series 2013A bonds by utility:

	Water	Stormwater
Principal	\$305,000	\$275,000
Interest Rate	2.79%	2.75%
Final Payment	2030	2030
Cash Flow Requirements	\$386,684	\$345,958

The table below summarizes the details related to the refunded debt by utility (the cash flow requirement below included the estimated interest rate subsidy associated with the Build America Bonds):

	Water	Stormwater
Debt Refunded	2010 BAB	2010 BAB
Principal	\$305,000	\$280,000
Interest Rate	4.48%	4.48%
Final Payment	2030	2030
Cash Flow Requirements	\$411,827	\$376,754
Economic Gain	\$20,072	\$18,720

On July 24, 2012, the city issued \$9,080,000 general obligation bonds, Series 2012A Bonds, for the purpose of advance refunding a portion of its outstanding debt, current refunding a portion of its outstanding debt, and issuing new debt for additional projects. The new debt was allocated across multiple funds of the city. The sewer utility advance refunded a portion of its 2007 general obligation notes. The water and stormwater utilities refunded the outstanding 2009 Build America Bonds.

The table below summarizes the allocation of the Series 2012A bonds by utility:

	Water	Sewer	Stormwater
Principal	\$1,205,000	\$80,000	\$260,000
Interest Rate	2.5%	3.0%	2.5%
Final Payment	2029	2017	2022
Cash Flow Requirements	\$1,502,503	\$89,847	\$297,728

# VERONA UTILITIES

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013 and 2012

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

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#### *Advance Refunding and Current Refunding* (cont.)

The table below summarizes the details related to the refunded debt by utility (the cash flow requirement below included the estimated interest rate subsidy associated with the Build America Bonds):

	Water	Sewer	Stormwater
Debt Refunded	2009 BAB	2007 GO	2009 BAB
Principal	\$1,183,593	\$80,000	\$268,849
Interest Rate	5.5%	4.1%	5.5%
Final Payment	2029	2017	2022
Cash Flow Requirements	\$1,522,393	\$93,304	\$328,707
Economic Gain	\$30,131	\$1,195	\$30,979

The net proceeds received by the sewer utility of \$84,900 (after payment of \$1,181 in underwriting fees and other issuance costs) plus an additional \$1,640 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 old bonds. As a result, the old bonds are considered to be defeased and the liability for the old bonds has been removed from the statement of net position. The 2007 general obligation bonds are callable on June 1, 2014. At December 31, 2013, \$80,000 of bonds outstanding are considered defeased.

The net proceeds received by the water and stormwater utilities of \$1,480,880 (after payment of \$21,491 in underwriting fees and other issuance costs) were used to prepay the outstanding debt service requirements on the old bonds.

#### ***Bond Covenant Disclosures***

The following information is provided in compliance with the resolution creating the revenue bonds:

#### ***Insurance***

The utilities are exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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

#### **Bond Covenant Disclosures** (cont.)

##### **Insurance** (cont.)

The utilities are covered under the following insurance policies at December 31, 2013:

Type	Coverage	Expiration
<i>Cities and Villages Mutual Insurance Company</i>		
General Liability	\$ 10,000,000 Per occurrence	1/1/2014
Automobile Liability	10,000,000 Per occurrence	1/1/2014
Public Officials Liability	5,000,000 Per occurrence	1/1/2014
Umbrella	5,000,000 Per occurrence	1/1/2014
Excess Liability	5,000,000 Per occurrence	1/1/2014
Workers Compensation-		
Bodily Injury Accident	100,000 Per accident	1/1/2014
Workers Compensation -	100,000 Each employee	1/1/2014
Bodily Injury by Disease	500,000 Limit	
Employee Theft	100,000 Limit	1/1/2014
Forgery	10,000 Limit	1/1/2014
Employment Practice Liability	Per occurrence and	
Insurance	1,000,000 aggregate	1/1/2014
Boiler and Machinery		
Coverage	50,000,000 Limit	1/1/2014

##### **Debt Coverage**

Under terms of the resolutions providing for the issue of revenue bonds, water and sewer revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 3,249,925	\$ 3,347,535
Investment income	15,986	19,354
Build America Bonds interest rate subsidy	2,682	19,138
Less: Operation and maintenance expenses	<u>(1,836,577)</u>	<u>(1,508,622)</u>
Net Defined Earnings	<u>\$ 1,432,016</u>	<u>\$ 1,877,405</u>
Minimum Required Earnings per Resolution:		
Debt service requirement	\$ 528,202	\$ 528,202
Coverage factor	<u>1.25</u>	<u>1.25</u>
Minimum Required Earnings	<u>\$ 660,253</u>	<u>\$ 660,253</u>
Actual Debt Coverage	<u>2.71</u>	<u>3.55</u>

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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

#### *Bond Covenant Disclosures (cont.)*

##### *Number of Customers and Billed Volumes - Water*

The utility has the following number of customers and billed volumes for 2013 and 2012:

	Customers		Sales (000 gals)	
	2013	2012	2013	2012
Residential	3,396	3,275	186,805	209,438
Commercial	917	854	145,052	143,919
Industrial	75	75	35,376	38,394
Public authority	46	45	15,714	20,850
Totals	<u>4,434</u>	<u>4,249</u>	<u>382,947</u>	<u>412,601</u>

##### *Number of Customers and Billed Volumes - Sewer*

The utility has the following number of customers and billed volumes for 2013 and 2012:

	Customers		Sales (000 gals)	
	2013	2012	2013	2012
Residential	3,180	3,118	181,347	201,315
Commercial	867	841	118,420	116,032
Industrial	67	68	11,388	11,906
Public authority	34	32	11,608	12,337
Totals	<u>4,148</u>	<u>4,059</u>	<u>322,763</u>	<u>341,590</u>

### NOTE 7 - NET POSITION

GASB No. 34 requires the classification of net position into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

## VERONA UTILITIES

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013 and 2012

#### **NOTE 7 - NET POSITION (cont.)**

Unrestricted net position - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

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

The following calculation supports the water net investment in capital assets:

	2013	2012
Plant in service	\$ 34,312,783	\$ 25,823,235
Accumulated depreciation	(5,460,738)	(4,913,579)
Sub-Totals	28,852,045	20,909,656
Less: Capital related debt		
Current portion of capital related long-term debt	340,365	313,829
Long-term portion of capital related long-term debt	3,064,013	3,404,378
Unamortized debt issuance costs funded with borrowing	-	(59,933)
Unamortized premium and discount	27,609	23,846
Unamortized loss on advance refunding	(14,881)	(18,530)
Sub-Totals	3,417,106	3,663,590
Total Net Investment in Capital Assets	\$ 25,434,939	\$ 17,246,066

The following calculation supports the sewer net investment in capital assets:

	2013	2012
Plant in service	\$ 17,711,745	\$ 16,065,280
Accumulated depreciation	(3,557,551)	(3,260,322)
Sub-Totals	14,154,194	12,804,958
Less: Capital related debt		
Current portion of capital related long-term debt	260,785	256,270
Long-term portion of capital related long-term debt	1,551,137	1,809,422
Unamortized debt issuance costs funded with borrowing	-	(19,443)
Unamortized premium and discount	2,778	3,115
Unamortized loss on advance refunding	(11,694)	(17,286)
Sub-Totals	1,803,006	2,032,078
Total Net Investment in Capital Assets	\$ 12,351,188	\$ 10,772,880

## VERONA UTILITIES

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013 and 2012

#### **NOTE 7 - NET POSITION (cont.)**

The following calculation supports the stormwater net investment in capital assets:

	2013	2012
Plant in service	\$ 25,096,495	\$ 22,817,918
Accumulated depreciation	<u>(3,549,812)</u>	<u>(3,233,843)</u>
Sub-Totals	<u>21,546,683</u>	<u>19,584,075</u>
Less: Capital related debt		
Current portion of capital related long-term debt	115,000	115,000
Long-term portion of capital related long-term debt	1,140,000	1,260,000
Unamortized debt issuance costs funded with borrowing	-	(21,820)
Unamortized premium and discount	26,039	25,256
Unamortized loss (gain) on advance refunding	<u>(2,851)</u>	<u>5,240</u>
Sub-Totals	<u>1,278,188</u>	<u>1,383,676</u>
Total Net Investment in Capital Assets	<u>\$ 20,268,495</u>	<u>\$ 18,200,399</u>

#### **NOTE 8 - EMPLOYEES RETIREMENT SYSTEM**

All eligible 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 at least 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. 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 2013 and 2012 are:

	Employees	Employer
2013 General category	6.65%	6.65%
2012 General category	5.9%	5.9%

## VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2013 and 2012

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### NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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Covered payroll listed below is substantially the same as total payroll.

	Year Ended December 31		
	2013	2012	2011
Total Covered Employee Payroll	\$ 421,620	\$ 386,536	\$ 403,889
Total Required Contributions	\$ 56,075	\$ 45,611	\$ 46,851
Total Required Contributions	13.3%	11.8%	11.6%

Details of the plan are disclosed in the basic financial statements of the City of Verona.

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### NOTE 9 - COMMITMENTS AND CONTINGENCIES

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#### *Claims and Judgments*

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

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### NOTE 10 - RISK MANAGEMENT

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#### *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 municipalities as members.

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 municipalities which make up the membership of the WMIC.

Details of the plan are disclosed in the basic financial statements of the City of Verona for the years ended December 31, 2013 and 2012.

**SUPPLEMENTAL INFORMATION**

## VERONA UTILITIES

### WATER UTILITY PLANT As of and for the Year Ended December 31, 2013

	Balance 1/1/13	Additions	Retirements	Balance 12/31/13
<b>SOURCE OF SUPPLY</b>				
Wells and springs	\$ 350,605	\$ 535,456	\$ -	\$ 886,061
<b>PUMPING</b>				
Land and land rights	65,089	-	-	65,089
Structures and improvements	1,097,021	1,228,907	-	2,325,928
Electric pumping equipment	442,379	1,183,075	-	1,625,454
Other pumping equipment	50,709	-	-	50,709
Total Pumping	<u>1,655,198</u>	<u>2,411,982</u>	<u>-</u>	<u>4,067,180</u>
<b>WATER TREATMENT</b>				
Water treatment equipment	<u>7,803</u>	<u>112,342</u>	<u>-</u>	<u>120,145</u>
<b>TRANSMISSION AND DISTRIBUTION</b>				
Distribution reservoirs and standpipes	1,870,910	1,158,104	-	3,029,014
Transmission and distribution mains	16,094,000	3,611,762	21,945	19,683,817
Services	2,261,571	268,825	-	2,530,396
Meters	944,545	254,394	71,608	1,127,331
Hydrants	1,721,929	205,071	-	1,927,000
Other transmission and distribution plant	45,214	-	-	45,214
Total Transmission and Distribution	<u>22,938,169</u>	<u>5,498,156</u>	<u>93,553</u>	<u>28,342,772</u>
<b>GENERAL</b>				
Structures and improvements	451,000	-	-	451,000
Office furniture and equipment	8,156	-	-	8,156
Computer equipment	49,725	7,208	-	56,933
Transportation equipment	182,730	17,957	-	200,687
Tools, shop and garage equipment	35,835	-	-	35,835
Power-operated equipment	7,702	-	-	7,702
SCADA equipment	136,312	-	-	136,312
Total General	<u>871,460</u>	<u>25,165</u>	<u>-</u>	<u>896,625</u>
<b>TOTAL WATER UTILITY PLANT</b>	<u><u>\$25,823,235</u></u>	<u><u>\$ 8,583,101</u></u>	<u><u>\$ 93,553</u></u>	<u><u>\$34,312,783</u></u>

## VERONA UTILITIES

### WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2013 and 2012

	2013	2012
<b>OPERATING REVENUES</b>		
Sales of Water		
Unmetered	\$ 60,281	\$ 99,994
Metered		
Residential	642,785	695,142
Commercial	389,955	366,779
Industrial	65,866	70,509
Public authorities	42,910	51,560
Total Metered Sales	1,141,516	1,183,990
Private fire protection	42,596	40,285
Public fire protection	464,096	464,096
Total Sales of Water	1,708,489	1,788,365
Other Operating Revenues		
Forfeited discounts	8,439	7,463
Miscellaneous service revenue	44,481	35,736
Rents from water property	115,388	117,233
Total Operating Revenues	1,876,797	1,948,797
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Pumping		
Operation supervision and engineering	12,859	9,658
Fuel or purchased power for pumping	106,591	116,925
Pumping labor	5,179	2,884
Maintenance		
Pumping equipment	8,871	25,718
Total Pumping	133,500	155,185
Water Treatment		
Operation supervision and engineering	9,724	10,395
Chemicals	15,797	19,663
Operation labor	11,946	12,595
Maintenance		
Water treatment equipment	807	1,540
Total Water Treatment	38,274	44,193
Transmission and Distribution		
Operation supervision and engineering	54,886	69,185
Transmission and distribution lines	28,079	10,844
Maintenance		
Reservoirs and standpipes	30,517	16,892
Mains	70,861	46,821
Services	8,217	6,394
Meters	26,448	16,406
Hydrants	13,291	9,771
Miscellaneous	-	70
Total Transmission and Distribution	232,299	176,383
Customer Accounts		
Meter reading	5,463	8,223
Accounting and collecting labor	21,882	11,917
Total Customer Accounts	27,345	20,140

## VERONA UTILITIES

### WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
<b>OPERATING EXPENSES</b> (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 29,118	\$ 25,574
Office supplies	17,942	22,139
Outside services employed	51,909	19,465
Property insurance	9,990	10,794
Employee pensions and benefits	60,624	69,624
Miscellaneous	61	1,427
Maintenance	<u>1,874</u>	<u>1,663</u>
Total Administrative and General	<u>171,518</u>	<u>150,686</u>
Taxes	<u>11,232</u>	<u>6,774</u>
Total Operation and Maintenance	614,168	553,361
Depreciation	<u>612,560</u>	<u>491,494</u>
Total Operating Expenses	<u>1,226,728</u>	<u>1,044,855</u>
 OPERATING INCOME	 <u>\$ 650,069</u>	 <u>\$ 903,942</u>

## VERONA UTILITIES

### RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2013 and 2012

	Water	
	2013	2012
Utility Financed Plant in Service		
Beginning of year	\$ 9,164,636	\$ 8,921,716
End of year	<u>13,936,119</u>	<u>9,164,636</u>
Average	<u>11,550,378</u>	<u>9,043,176</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(2,700,335)	(2,441,175)
End of year	<u>(2,955,169)</u>	<u>(2,700,335)</u>
Average	<u>(2,827,752)</u>	<u>(2,570,755)</u>
Materials and Supplies		
Beginning of year	20,927	22,677
End of year	<u>25,531</u>	<u>20,927</u>
Average	<u>23,229</u>	<u>21,802</u>
Regulatory Liability		
Beginning of year	(412,671)	(450,186)
End of year	<u>(375,156)</u>	<u>(412,671)</u>
Average	<u>(393,914)</u>	<u>(431,429)</u>
AVERAGE NET RATE BASE	<u>\$ 8,351,941</u>	<u>\$ 6,062,794</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 417,741</u>	<u>\$ 678,075</u>
RATE OF RETURN (PERCENT)	<u>5.00</u>	<u>11.18</u>
AUTHORIZED RATE OF RETURN (PERCENT)	<u>6.50</u>	<u>6.50</u>

This schedule is computed based on Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as well as PSC order 05-US-105.

## VERONA UTILITIES

### SEWER UTILITY PLANT As of and for the Year Ended December 31, 2013

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	Balance 1/1/13	Additions	Retirements	Balance 12/31/13
<b>COLLECTING SYSTEM</b>				
Structures and improvements	\$ 450,000	\$ -	\$ -	\$ 450,000
Service connections	2,408,895	256,073	-	2,664,968
Collecting mains	12,246,766	1,362,073	-	13,608,839
Interceptor mains	104,723	-	-	104,723
Other collecting system equipment	1,121	-	-	1,121
Total Collecting System	<u>15,211,505</u>	<u>1,618,146</u>	<u>-</u>	<u>16,829,651</u>
<b>GENERAL</b>				
Office furniture and equipment	7,250	-	-	7,250
Computer equipment	48,755	12,206	-	60,961
Transportation equipment	285,106	16,113	-	301,219
Other general equipment	257,014	-	-	257,014
Other tangible property	255,650	-	-	255,650
Total General	<u>853,775</u>	<u>28,319</u>	<u>-</u>	<u>882,094</u>
<b>TOTAL SEWER UTILITY PLANT</b>	<u>\$16,065,280</u>	<u>\$ 1,646,465</u>	<u>\$ -</u>	<u>\$17,711,745</u>

## VERONA UTILITIES

### SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Sewer Revenues		
Residential	\$ 789,158	\$ 835,092
Commercial	468,625	451,908
Industrial	43,391	44,185
Public authorities	<u>47,886</u>	<u>49,101</u>
Total Sewer Revenues	<u>1,349,060</u>	<u>1,380,286</u>
Other Operating Revenues		
Forfeited discounts	10,322	8,801
Miscellaneous	<u>13,746</u>	<u>9,651</u>
Total Operating Revenues	<u>1,373,128</u>	<u>1,398,738</u>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Operation		
Supervision and labor	127,793	116,666
Treatment charges	763,822	650,776
Utilities	6,543	6,497
Other operating supplies	3,858	2,258
Joint metering costs	<u>28,149</u>	<u>24,428</u>
Total Operation	<u>930,165</u>	<u>800,625</u>
Maintenance		
General plant structures and equipment	<u>144,069</u>	<u>25,268</u>
Administrative and General		
Office supplies	4,794	8,719
Outside services employed	36,555	15,667
Insurance	7,500	8,349
Employees pensions and benefits	49,331	48,743
Miscellaneous	2,210	2,162
Rents	<u>29,468</u>	<u>28,549</u>
Total Administrative and General	<u>129,858</u>	<u>112,189</u>
Taxes	<u>18,317</u>	<u>17,179</u>
Total Operation and Maintenance	<u>1,222,409</u>	<u>955,261</u>
Depreciation	<u>297,229</u>	<u>278,274</u>
Total Operating Expenses	<u>1,519,638</u>	<u>1,233,535</u>
 OPERATING INCOME (LOSS)	 <u>\$ (146,510)</u>	 <u>\$ 165,203</u>

## VERONA UTILITIES

### STORMWATER UTILITY PLANT As of and for the Year Ended December 31, 2013

	Balance 1/1/13	Additions	Retirements	Balance 12/31/13
<b>INTANGIBLE</b>				
Miscellaneous intangible plant	\$ 112,000	\$ -	\$ -	\$ 112,000
<b>STORMWATER PLANT</b>				
Land and land rights	2,881,480	-	-	2,881,480
Detention basins	2,674,605	567,515	-	3,242,120
General stormwater plant	<u>16,722,345</u>	<u>1,711,062</u>	-	<u>18,433,407</u>
Total Stormwater Plant	<u>22,278,430</u>	<u>2,278,577</u>	-	<u>24,557,007</u>
<b>GENERAL</b>				
Computer equipment	529	-	-	529
Power-operated equipment	<u>426,959</u>	-	-	<u>426,959</u>
Total General	<u>427,488</u>	-	-	<u>427,488</u>
<b>TOTAL STORMWATER UTILITY PLANT</b>	<u><u>\$22,817,918</u></u>	<u><u>\$ 2,278,577</u></u>	<u><u>\$ -</u></u>	<u><u>\$25,096,495</u></u>

## VERONA UTILITIES

### STORMWATER OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Stormwater Revenues		
Residential	\$ 161,628	\$ 158,875
Small commercial and industrial	228,790	215,816
Public authorities	<u>58,664</u>	<u>58,354</u>
Total Charges for Services	<u>449,082</u>	<u>433,045</u>
Other Operating Revenues		
Forfeited discounts	2,054	1,766
Miscellaneous service revenues	<u>10,331</u>	<u>11</u>
Total Operating Revenues	<u>461,467</u>	<u>434,822</u>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance		
Maintenance	<u>40,473</u>	<u>35,398</u>
Operation supplies	<u>22,903</u>	<u>11,253</u>
Administrative and General		
Salaries	100,608	85,100
Office Supplies	7,101	7,388
Outside services employed	24,239	27,112
Property insurance	-	593
Employee pensions and benefits	<u>24,642</u>	<u>22,493</u>
Total Administrative and General	<u>156,590</u>	<u>142,686</u>
Taxes	<u>7,429</u>	<u>6,211</u>
Total Operation and Maintenance	227,395	195,548
Depreciation	<u>315,969</u>	<u>292,093</u>
Total Operating Expenses	<u>543,364</u>	<u>487,641</u>
 OPERATING LOSS	 <u>\$ (81,897)</u>	 <u>\$ (52,819)</u>