

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, 2016 and 2015

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, 2016 and 2015, 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 opinions 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 opinions.

Opinions

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, 2016 and 2015, and the respective changes in financial position and cash flows thereof 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 Matter

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, 2016 and 2015 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. 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 required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such 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 financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

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 opinions on the financial statements are not affected by this missing information.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental information as listed in the table of contents is 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 2, 2017

WATER UTILITY

VERONA WATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2016 and 2015

	ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash and investments		\$ 2,671,743	\$ 2,453,892
Restricted Assets			
Redemption account		140,190	159,633
Customer accounts receivable		296,844	305,011
Other accounts receivable		4,906	15,916
Due from municipality		24,155	31,328
Materials and supplies		34,549	35,414
Prepayments		360	488
Due from other governments		747	1,260
Total Current Assets		<u>3,173,494</u>	<u>3,002,942</u>
NONCURRENT ASSETS			
Restricted Assets			
Reserve account		90,500	174,330
Depreciation account		377,760	377,760
Net pension asset		-	46,043
Other Assets			
Deferred special assessments receivable		2,312	2,312
Capital Assets			
Plant in service		39,457,747	37,631,280
Accumulated depreciation		(7,464,333)	(6,725,129)
Construction work in progress		82,104	6,975
Total Noncurrent Assets		<u>32,546,090</u>	<u>31,513,571</u>
Total Assets		<u>35,719,584</u>	<u>34,516,513</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on advance refunding		6,345	8,808
Deferred outflows related to pension		162,510	46,219
Total Deferred Outflows of Resources		<u>168,855</u>	<u>55,027</u>

LIABILITIES		<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES			
Accounts payable		\$ 131,732	\$ 56,261
Accrued wages		9,693	9,921
Accrued interest		19,091	15,353
Current portion of general obligation debt		165,750	76,600
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		235,000	266,862
Accrued interest		<u>3,107</u>	<u>3,963</u>
Total Current Liabilities		<u>564,373</u>	<u>428,960</u>
NONCURRENT LIABILITIES			
General obligation debt		2,067,900	1,473,650
Revenue bonds		670,000	905,002
Unamortized premium and discount		36,458	21,945
Accrued compensated absences		42,377	46,289
Net pension liability		<u>28,429</u>	<u>-</u>
Total Noncurrent Liabilities		<u>2,845,164</u>	<u>2,446,886</u>
Total Liabilities		<u>3,409,537</u>	<u>2,875,846</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>61,312</u>	<u>1,075</u>
NET POSITION			
Net investment in capital assets		28,906,755	28,177,875
Restricted for:			
Debt service		227,583	330,000
Depreciation		377,760	377,760
Pension		-	46,043
Unrestricted		<u>2,905,492</u>	<u>2,762,941</u>
TOTAL NET POSITION		<u><u>\$ 32,417,590</u></u>	<u><u>\$ 31,694,619</u></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, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Sales of water	\$ 1,776,941	\$ 1,695,016
Other	<u>167,552</u>	<u>180,802</u>
Total Operating Revenues	<u>1,944,493</u>	<u>1,875,818</u>
OPERATING EXPENSES		
Operation and maintenance	660,689	667,669
Depreciation	<u>808,303</u>	<u>763,188</u>
Total Operating Expenses	<u>1,468,992</u>	<u>1,430,857</u>
OPERATING INCOME	<u>475,501</u>	<u>444,961</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	6,384	5,109
Amortization of premium, discount, and loss on refunding	215	(83)
Interest expense	(88,107)	(95,286)
Debt issuance costs	(7,649)	-
Gain on sale of fixed assets	<u>3,393</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(85,764)</u>	<u>(90,260)</u>
Income Before Contributions and Transfers	389,737	354,701
CAPITAL CONTRIBUTIONS	991,667	1,387,727
CAPITAL CONTRIBUTIONS - MUNICIPAL	-	151,352
TRANSFERS - TAX EQUIVALENT	<u>(658,433)</u>	<u>(677,292)</u>
CHANGE IN NET POSITION	722,971	1,216,488
NET POSITION - Beginning of Year	31,694,619	30,387,235
Cumulative effect of a change in accounting principle	<u>-</u>	<u>90,896</u>
NET POSITION - END OF YEAR	<u><u>\$ 32,417,590</u></u>	<u><u>\$ 31,694,619</u></u>

See accompanying notes to the financial statements.

VERONA WATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,540,435	\$ 1,450,738
Received from municipality for services	475,118	464,096
Paid to suppliers for goods and services	(371,478)	(461,734)
Paid to employees for operating payroll	(275,527)	(211,622)
Net Cash Flows From Operating Activities	1,368,548	1,241,478
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(658,433)	(677,292)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(1,028,323)	(541,017)
Salvage on retirement of plant	40,135	38,129
Capital contributions received	45,414	89,520
Debt retired	(343,464)	(341,899)
Interest paid	(85,225)	(97,357)
Proceeds from debt issue	760,000	-
Debt issuance costs and bond premium	9,542	-
Net Cash Flows From Capital and Related Financing Activities	(601,921)	(852,624)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	6,384	5,109
Net Change in Cash and Cash Equivalents	114,578	(283,329)
CASH AND CASH EQUIVALENTS - Beginning of Year	3,165,615	3,448,944
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,280,193	\$ 3,165,615
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	\$ 946,253	\$ 1,298,207
TIF financed additions to utility plant	\$ -	\$ 151,352

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 475,501	\$ 444,961
Noncash items in operating income		
Depreciation	808,303	763,188
Depreciation charged to clearing and other utilities	44,197	38,632
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Customer accounts receivable	8,167	(2,662)
Other accounts receivable	11,010	458
Due from other funds and governments	7,686	2,588
Materials and supplies	865	(8,618)
Prepayments	128	2,812
Pension related deferrals and liabilities	18,418	(291)
Accounts payable	(1,587)	(3,418)
Other current liabilities	<u>(4,140)</u>	<u>3,828</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,368,548</u>	<u>\$ 1,241,478</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 2,671,743	\$ 2,453,892
Redemption account	140,190	159,633
Reserve account	90,500	174,330
Depreciation account	<u>377,760</u>	<u>377,760</u>
CASH AND CASH EQUIVALENTS	<u>\$ 3,280,193</u>	<u>\$ 3,165,615</u>

See accompanying notes to the financial statements.

SEWER UTILITY

VERONA SEWER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2016 and 2015

	ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash and investments		\$ 1,325,964	\$ 1,204,921
Restricted Assets			
Redemption account		58,767	104,908
Customer accounts receivable		384,992	353,188
Other accounts receivable		-	26,148
Due from municipality		28,752	38,092
Prepayments		-	488
Due from other governments		960	1,597
Total Current Assets		<u>1,799,435</u>	<u>1,729,342</u>
NONCURRENT ASSETS			
Restricted Assets			
Reserve account		93,000	164,107
Depreciation account		49,690	49,690
Replacement account		85,400	69,600
Net pension asset		-	17,826
Other Assets			
Investment in interceptor		339,694	373,663
Deferred special assessments receivable		21,235	21,235
Capital Assets			
Plant in service		20,905,253	20,161,240
Accumulated depreciation		(4,498,192)	(4,196,553)
Construction work in progress		51,279	6,975
Total Noncurrent Assets		<u>17,047,359</u>	<u>16,667,783</u>
Total Assets		<u>18,846,794</u>	<u>18,397,125</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on advance refunding		1,456	3,574
Deferred outflows related to pension		65,686	18,172
Total Deferred Outflows of Resources		<u>67,142</u>	<u>21,746</u>

LIABILITIES		<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES			
Accounts payable		\$ 407,727	\$ 257,893
Accrued wages		4,176	4,152
Accrued interest		4,937	1,083
Current portion of general obligation debt		115,000	125,200
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		95,000	173,137
Accrued interest		<u>3,350</u>	<u>3,912</u>
Total Current Liabilities		<u>630,190</u>	<u>565,377</u>
NONCURRENT LIABILITIES			
General obligation debt		615,000	40,002
Revenue bonds		835,000	929,997
Unamortized premium and discount		16,141	1,032
Accrued compensated absences		35,709	41,988
Net pension liability		<u>11,466</u>	<u>-</u>
Total Noncurrent Liabilities		<u>1,513,316</u>	<u>1,013,019</u>
Total Liabilities		<u>2,143,506</u>	<u>1,578,396</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>24,711</u>	<u>417</u>
NET POSITION			
Net investment in capital assets		14,783,655	14,705,868
Restricted for:			
Debt service		148,417	265,103
Equipment replacement		85,400	69,600
Depreciation		49,690	49,690
Pension		-	17,826
Unrestricted		<u>1,678,557</u>	<u>1,731,971</u>
TOTAL NET POSITION		<u><u>\$ 16,745,719</u></u>	<u><u>\$ 16,840,058</u></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, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Treatment charges	\$ 1,495,247	\$ 1,364,895
Other	<u>7,273</u>	<u>33,814</u>
Total Operating Revenues	<u>1,502,520</u>	<u>1,398,709</u>
OPERATING EXPENSES		
Operation and maintenance	1,473,714	1,285,019
Depreciation	374,026	341,819
Amortization	<u>33,969</u>	<u>157,941</u>
Total Operating Expenses	<u>1,881,709</u>	<u>1,784,779</u>
OPERATING LOSS	<u>(379,189)</u>	<u>(386,070)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	3,716	2,862
Amortization of premium, discount, and loss on refunding	(1,535)	(2,517)
Interest expense	(50,365)	(57,278)
Debt issuance costs	(7,407)	-
Gain on sale of assets	<u>3,393</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(52,198)</u>	<u>(56,933)</u>
Loss Before Contributions	(431,387)	(443,003)
CAPITAL CONTRIBUTIONS	337,048	1,328,526
CAPITAL CONTRIBUTIONS - MUNICIPAL	<u>-</u>	<u>67,000</u>
CHANGE IN NET POSITION	(94,339)	952,523
NET POSITION - Beginning of Year	16,840,058	15,852,343
Cumulative effect of a change in accounting principle	<u>-</u>	<u>35,192</u>
NET POSITION - END OF YEAR	<u>\$ 16,745,719</u>	<u>\$ 16,840,058</u>

See accompanying notes to the financial statements.

VERONA SEWER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,480,693	\$ 1,401,050
Paid to suppliers for goods and services	(1,335,543)	(1,124,650)
Paid to employees for operating payroll	(121,639)	(117,364)
Net Cash Flows From Operating Activities	23,511	159,036
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(511,212)	(139,698)
Salvage on retirement of plant	47,256	38,129
Capital contributions received	103,449	258,016
Debt retired	(298,336)	(282,801)
Interest paid	(47,073)	(58,183)
Proceeds from debt issue	690,000	-
Debt issuance costs and bond premium	8,284	-
Net Cash Flows From Capital and Related Financing Activities	(7,632)	(184,537)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	3,716	2,862
Net Change in Cash and Cash Equivalents	19,595	(22,639)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,593,226	1,615,865
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,612,821	\$ 1,593,226
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	\$ 259,748	\$ 1,157,681
TIF financed additions to utility plant	\$ -	\$ 67,000

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (379,189)	\$ (386,070)
Noncash items in operating loss		
Depreciation	374,026	341,819
Amortization	33,969	157,941
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Customer accounts receivable	(31,804)	(657)
Due from other funds and governments	9,977	2,998
Prepayments	488	2,162
Pension related deferrals and assets	6,072	(389)
Accounts payable	16,227	34,546
Other current liabilities	<u>(6,255)</u>	<u>6,686</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 23,511</u>	<u>\$ 159,036</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 1,325,964	\$ 1,204,921
Redemption account	58,767	104,908
Reserve account	93,000	164,107
Depreciation account	49,690	49,690
Replacement account	<u>85,400</u>	<u>69,600</u>
CASH AND CASH EQUIVALENTS	<u>\$ 1,612,821</u>	<u>\$ 1,593,226</u>

See accompanying notes to the financial statements.

STORMWATER UTILITY

VERONA STORMWATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2016 and 2015

	ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash and investments		\$ 815,099	\$ 748,296
Customer accounts receivable		140,335	135,388
Other accounts receivable		-	10,081
Due from municipality		6,630	7,561
Due from other governments		<u>231</u>	<u>248</u>
Total Current Assets		<u>962,295</u>	<u>901,574</u>
NONCURRENT ASSETS			
Restricted Assets			
Net pension asset		-	13,508
Other Assets			
Preliminary survey and investigation		47,771	-
Capital Assets			
Plant in service		28,820,512	26,748,522
Accumulated depreciation		(4,597,855)	(4,230,480)
Construction work in progress		<u>3,166</u>	<u>-</u>
Total Noncurrent Assets		<u>24,273,594</u>	<u>22,531,550</u>
Total Assets		<u>25,235,889</u>	<u>23,433,124</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on advance refunding		4,987	5,616
Deferred outflows related to pension		<u>60,661</u>	<u>15,308</u>
Total Deferred Outflows of Resources		<u>65,648</u>	<u>20,924</u>

LIABILITIES		<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES			
Accounts payable		\$ 13,611	\$ 9,715
Accrued wages		4,801	2,695
Accrued interest		5,850	6,574
Current portion of general obligation debt		<u>125,000</u>	<u>125,000</u>
Total Current Liabilities		<u>149,262</u>	<u>143,984</u>
NONCURRENT LIABILITIES			
General obligation debt		770,000	895,000
Unamortized premium and discount		13,943	17,543
Accrued compensated absences		36,878	43,960
Net pension liability		<u>11,223</u>	<u>-</u>
Total Noncurrent Liabilities		<u>832,044</u>	<u>956,503</u>
Total Liabilities		<u>981,306</u>	<u>1,100,487</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		24,097	316
Unamortized gain on refunding		<u>2,045</u>	<u>2,726</u>
Total Deferred Inflows of Resources		<u>26,142</u>	<u>3,042</u>
NET POSITION			
Net investment in capital assets		23,319,822	21,483,389
Restricted for:			
Pension		-	13,508
Unrestricted		<u>974,267</u>	<u>853,622</u>
TOTAL NET POSITION		<u><u>\$ 24,294,089</u></u>	<u><u>\$ 22,350,519</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, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Charges for services	\$ 546,990	\$ 501,535
Other	<u>1,575</u>	<u>17,427</u>
Total Operating Revenues	<u>548,565</u>	<u>518,962</u>
OPERATING EXPENSES		
Operation and maintenance	263,250	233,572
Depreciation	<u>367,375</u>	<u>344,911</u>
Total Operating Expenses	<u>630,625</u>	<u>578,483</u>
OPERATING LOSS	<u>(82,060)</u>	<u>(59,521)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	2,159	1,448
Amortization of premium, discount, and refunding	3,652	4,147
Interest expense	<u>(23,639)</u>	<u>(26,292)</u>
Total Nonoperating Revenues (Expenses)	<u>(17,828)</u>	<u>(20,697)</u>
Loss Before Contributions	(99,888)	(80,218)
CAPITAL CONTRIBUTIONS	2,043,458	638,412
CAPITAL CONTRIBUTIONS - MUNICIPAL	<u>-</u>	<u>275,658</u>
CHANGE IN NET POSITION	1,943,570	833,852
NET POSITION - Beginning of Year	22,350,519	21,489,999
Cumulative effect of a change in accounting principle	<u>-</u>	<u>26,668</u>
NET POSITION - END OF YEAR	<u>\$ 24,294,089</u>	<u>\$ 22,350,519</u>

See accompanying notes to the financial statements.

VERONA STORMWATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 544,566	\$ 490,792
Paid to suppliers for goods and services	(177,058)	(120,766)
Paid to employees for operating payroll	(96,087)	(103,519)
Net Cash Flows From Operating Activities	<u>271,421</u>	<u>266,507</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(67,495)	(40,830)
Capital contributions received	10,081	-
Debt retired	(125,000)	(120,000)
Interest paid	(24,363)	(26,785)
Net Cash Flows From Capital and Related Financing Activities	<u>(206,777)</u>	<u>(187,615)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>2,159</u>	<u>1,448</u>
Net Change in Cash and Cash Equivalents	66,803	80,340
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>748,296</u>	<u>667,956</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 815,099</u>	<u>\$ 748,296</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	<u>\$ 2,043,458</u>	<u>\$ 638,412</u>
TIF financed additions to utility plant	<u>\$ -</u>	<u>\$ 275,658</u>

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (82,060)	\$ (59,521)
Noncash items in operating loss		
Depreciation	367,375	344,911
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Customer accounts receivable	(4,947)	(19,106)
Other accounts receivable	-	(10,081)
Due from other funds and governments	948	1,017
Prepayments	-	2,162
Pension related deferrals and assets	3,159	(1,832)
Accounts payable	(8,078)	4,631
Other current liabilities	<u>(4,976)</u>	<u>4,326</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 271,421</u>	<u>\$ 266,507</u>

See accompanying notes to the financial statements.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

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

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

Deposits and Investments (cont.)

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. 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 Years Ended December 31, 2016 and 2015

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

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. The final year of amortization occurred in 2015.

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.

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 estimated acquisition 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 Years Ended December 31, 2016 and 2015

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

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

Capital Assets (cont.)

	<u>Years</u>
Sewer Plant	
Collecting system	10 - 100
General	4 - 10
Stormwater Plant	
Detention Basins	75
General	4 - 75

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

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.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

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

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 utilities' 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.

Charges for Services

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

Current water rates were approved by the PSCW effective March 16, 2016.

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

Current sewer rates were approved by the city council effective July 1, 2016.

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

GASB has approved GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14, Statement No. 81, *Irrevocable Split-Interest Agreements*, and Statement No. 82, *Pension Issues*, an amendment of GASB Statements No. 67, No. 68, and No. 73. When they become effective, 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 Years Ended December 31, 2016 and 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		Risks
	2016	2015	
Checking and savings accounts	<u>\$ 5,708,113</u>	<u>\$ 5,507,137</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 \$3,354,057 and \$3,734,086 at December 31, 2016 and 2015 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.

	2016		2015	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Checking and savings accounts	<u>\$ 5,708,113</u>	<u>\$ 5,708,113</u>	<u>\$ 5,507,137</u>	<u>\$ 5,507,137</u>

Investment Policy

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2016 and 2015:

Due To	Due From	2016		2015	
		Amount	Principal Purpose	Amount	Principal Purpose
Water Utility	General Fund	\$ 24,155	Delinquent bills on tax roll	\$ 31,328	Delinquent bills on tax roll
Sewer Utility	General Fund	28,752	Delinquent bills on tax roll	38,092	Delinquent bills on tax roll
Stormwater Utility	General Fund	6,630	Delinquent bills on tax roll	7,561	Delinquent bills on tax roll

The following is a schedule of transfer balances for the years ending December 31, 2016 and 2015:

To	From	2016		2015	
		Amount	Principal Purpose	Amount	Principal Purpose
General Fund	Water Utility	\$ 658,433	Tax equivalent	\$ 677,292	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 sewer utility has established an account for replacement of certain mechanical equipment.

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 4 - RESTRICTED ASSETS (cont.)

Restricted Net Position

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

	<u>2016</u>	<u>2015</u>
Restricted Assets		
Redemption account	\$ 140,190	\$ 159,633
Reserve account	90,500	174,330
Depreciation account	377,760	377,760
Net pension asset	-	46,043
Total Restricted Assets	<u>608,450</u>	<u>757,766</u>
Current Liabilities Payable From Restricted Assets	<u>(3,107)</u>	<u>(3,963)</u>
Total Restricted Net Position as Calculated	<u>\$ 605,343</u>	<u>\$ 753,803</u>

The purpose of the restricted net position is as follows:

	<u>2016</u>	<u>2015</u>
Debt service	\$ 227,583	\$ 330,000
Depreciation	377,760	377,760
Pension	-	46,043
Totals	<u>\$ 605,343</u>	<u>\$ 753,803</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 4 - RESTRICTED ASSETS (cont.)

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

	<u>2016</u>	<u>2015</u>
Restricted Assets		
Redemption account	\$ 58,767	\$ 104,908
Reserve account	93,000	164,107
Depreciation account	49,690	49,690
Replacement account	85,400	69,600
Net pension asset	<u>-</u>	<u>17,826</u>
Total Restricted Assets	<u>286,857</u>	<u>406,131</u>
Current Liabilities Payable From Restricted Assets	<u>(3,350)</u>	<u>(3,912)</u>
Total Restricted Net Position as Calculated	<u>\$ 283,507</u>	<u>\$ 402,219</u>

The purpose of the restricted net position is as follows:

	<u>2016</u>	<u>2015</u>
Debt service	\$ 148,417	\$ 265,103
Equipment replacement	85,400	69,600
Depreciation	49,690	49,690
Pension	<u>-</u>	<u>17,826</u>
Totals	<u>\$ 283,507</u>	<u>\$ 402,219</u>

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

	<u>2016</u>	<u>2015</u>
Restricted Assets		
Net pension asset	<u>\$ -</u>	<u>\$ 13,508</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 5 - CHANGES IN CAPITAL ASSETS

Water Utility

A summary of changes in water capital assets for 2016 follows:

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
Capital assets, not being depreciated				
Land and land rights	\$ 65,089	\$ -	\$ -	\$ 65,089
Capital assets being depreciated				
Source of supply	886,061	-	-	886,061
Pumping	4,051,172	-	-	4,051,172
Water treatment	120,145	-	-	120,145
Transmission and distribution	31,545,822	1,708,022	104,533	33,149,311
General	962,991	268,483	45,505	1,185,969
Total Capital Assets Being Depreciated	37,566,191	1,976,505	150,038	39,392,658
Total Capital Assets	37,631,280	1,976,505	150,038	39,457,747
Less: Accumulated depreciation	(6,725,129)	(852,500)	113,296	(7,464,333)
Construction in progress	6,975	82,104	6,975	82,104
Net Capital Assets	\$ 30,913,126			\$ 32,075,518

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

Water Utility (cont.)

A summary of changes in water capital assets for 2015 follows:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
Capital assets, not being depreciated				
Land and land rights	\$ 65,089	\$ -	\$ -	\$ 65,089
Capital assets being depreciated				
Source of supply	886,061	-	-	886,061
Pumping	4,051,172	-	-	4,051,172
Water treatment	120,145	-	-	120,145
Transmission and distribution	29,722,297	1,914,209	90,684	31,545,822
General	941,109	72,827	50,945	962,991
Total Capital Assets Being Depreciated	35,720,784	1,987,036	141,629	37,566,191
Total Capital Assets	35,785,873	1,987,036	141,629	37,631,280
Less: Accumulated depreciation	(6,026,809)	(839,949)	141,629	(6,725,129)
Construction in progress	1,833	6,975	1,833	6,975
Net Capital Assets	\$ 29,760,897			\$ 30,913,126

Sewer Utility

A summary of changes in sewer capital assets for 2016 follows:

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
Capital assets being depreciated				
Collecting system	\$ 18,985,495	\$ 589,405	\$ 37,324	\$ 19,537,576
Collecting system pumping	244,054	-	-	244,054
General	931,691	270,858	78,926	1,123,623
Total Capital Assets Being Depreciated	20,161,240	860,263	116,250	20,905,253
Less: Accumulated depreciation	(4,196,553)	(374,026)	72,387	(4,498,192)
Construction in progress	6,975	51,279	6,975	51,279
Net Capital Assets	\$ 15,971,662			\$ 16,458,340

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

Sewer Utility (cont.)

A summary of changes in sewer capital assets for 2015 follows:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
Capital assets being depreciated				
Collecting system	\$ 17,702,669	\$ 1,294,640	\$ 11,814	\$ 18,985,495
Collecting system pumping	244,054	-	-	244,054
General	905,916	72,154	46,379	931,691
Total Capital Assets Being Depreciated	18,852,639	1,366,794	58,193	20,161,240
Less: Accumulated depreciation	(3,874,798)	(341,819)	20,064	(4,196,553)
Construction in progress	-	6,975	-	6,975
Net Capital Assets	\$ 14,977,841			\$ 15,971,662

Stormwater Utility

A summary of changes in stormwater capital assets for 2016 follows:

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
Capital assets, not being depreciated				
Land and land rights	\$ 2,881,480	\$ -	\$ -	\$ 2,881,480
Intangible	112,000	-	-	112,000
Total Capital Assets Not Being Depreciated	2,993,480	-	-	2,993,480
Capital assets being depreciated				
Detention Basins	23,327,554	2,068,031	-	25,395,585
General	427,488	3,959	-	431,447
Total Capital Assets Being Depreciated	23,755,042	2,071,990	-	25,827,032
Total Capital Assets	26,748,522	2,071,990	-	28,820,512
Less: Accumulated depreciation	(4,230,480)	(367,375)	-	(4,597,855)
Construction in progress	-	3,166	-	3,166
Net Capital Assets	\$ 22,518,042			\$ 24,225,823

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

Stormwater Utility (cont.)

A summary of changes in stormwater capital assets for 2015 follows:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
Capital assets, not being depreciated				
Land and land rights	\$ 2,881,480	\$ -	\$ -	\$ 2,881,480
Intangible	112,000	-	-	112,000
Total Capital Assets Not Being Depreciated	2,993,480	-	-	2,993,480
Capital assets being depreciated				
Detention Basins	22,372,654	954,900	-	23,327,554
General	427,488	-	-	427,488
Total Capital Assets Being Depreciated	22,800,142	954,900	-	23,755,042
Total Capital Assets	25,793,622	954,900	-	26,748,522
Less: Accumulated depreciation	(3,885,569)	(344,911)	-	(4,230,480)
Net Capital Assets	\$ 21,908,053			\$ 22,518,042

NOTE 6 - LONG-TERM OBLIGATIONS

Revenue Bonds - Water and Sewer

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/16
7/1/2006	Capital Projects	6/1/2026	4.10-4.50%	\$ 1,615,000	\$ 1,020,000
7/1/2006	Refund Prior Debt	6/1/2020	4.10-4.50	1,100,000	500,000
3/1/2008	Capital Projects	6/1/2018	2.90-3.75	1,340,000	315,000

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Revenue Bonds - Water and Sewer (cont.)

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 330,000	\$ 70,942	\$ 400,942
2018	345,000	57,520	402,520
2019	240,000	45,535	285,535
2020	245,000	35,167	280,167
2021	100,000	27,725	127,725
2022 - 2026	<u>575,000</u>	<u>67,110</u>	<u>642,110</u>
Totals	<u>\$ 1,835,000</u>	<u>\$ 303,999</u>	<u>\$ 2,138,999</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 2016 and 2015 were \$525,988 and \$522,486, respectively. Total customer gross revenues as defined for the same periods were \$3,457,113 and \$3,282,498. Annual principal and interest payments are expected to require 6% of gross revenues on average.

General Obligation Debt - Water

The following general obligation bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/16</u>
8/1/2008	Capital projects	8/1/2028	4.00-4.60%	\$ 244,850	\$ 198,650
7/24/2012	Refund 2009 Build America Bonds	3/1/2029	2.00-3.00	1,205,000	1,015,000
6/26/2013	Refund 2010 Build America Bonds	4/1/2030	2.00-3.25	305,000	260,000
7/26/2016	Capital projects	6/1/2026	1.70-2.00	760,000	760,000

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt - Water (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>
2017	\$ 165,750	\$ 58,774	\$ 224,524
2018	155,750	49,833	205,583
2019	160,750	45,801	206,551
2020	165,750	41,619	207,369
2021	165,750	37,712	203,462
2022 - 2026	1,004,900	125,952	1,130,852
2027 - 2030	<u>415,000</u>	<u>21,006</u>	<u>436,006</u>
Totals	<u>\$ 2,233,650</u>	<u>\$ 380,697</u>	<u>\$ 2,614,347</u>

General Obligation Debt - Sewer

The following general obligation bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/16</u>
7/24/2012	Refunding bonds	3/1/2017	3.00%	\$ 80,000	\$ 40,000
7/26/2016	Capital projects	6/1/2026	1.70-2.00	690,000	690,000

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 115,000	\$ 17,165	\$ 132,165
2018	60,000	10,753	70,753
2019	65,000	9,503	74,503
2020	65,000	8,203	73,203
2021	65,000	6,903	71,903
2022-2026	<u>360,000</u>	<u>15,144</u>	<u>375,144</u>
Totals	<u>\$ 730,000</u>	<u>\$ 67,671</u>	<u>\$ 797,671</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt - Stormwater

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/16
7/27/2011	Capital projects	6/1/2021	0.09-2.80%	\$ 560,000	\$ 295,000
7/24/2012	Capital projects	3/1/2022	2.00-3.00	315,000	185,000
7/24/2012	Refund 2009 Build America Bonds	3/1/2022	2.00-3.00	260,000	180,000
6/26/2013	Refund 2010 Build America Bonds	4/1/2030	2.00-3.25	275,000	235,000

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2017	\$ 125,000	\$ 21,451	\$ 146,451
2018	130,000	18,298	148,298
2019	135,000	14,843	149,843
2020	135,000	11,183	146,183
2021	145,000	7,613	152,613
2022-2026	150,000	18,887	168,887
2026-2030	<u>75,000</u>	<u>4,533</u>	<u>79,533</u>
Totals	<u>\$ 895,000</u>	<u>\$ 96,808</u>	<u>\$ 991,808</u>

Long-Term Obligations Summary - Water

Long-term obligation activity for the year ended December 31, 2016 is as follows:

	1/1/16 Balance	Additions	Reductions	12/31/16 Balance	Due Within One Year
Revenue bonds	\$ 1,171,864	\$ -	\$ 266,864	\$ 905,000	\$ 235,000
General obligation debt	1,550,250	760,000	76,600	2,233,650	165,750
Accrued compensated absences	46,289	22,929	26,841	42,377	-
Unamortized premium and discount	21,945	17,193	2,680	36,458	-
Net pension liability	<u>-</u>	<u>28,429</u>	<u>-</u>	<u>28,429</u>	<u>-</u>
Totals	<u>\$ 2,790,348</u>	<u>\$ 828,551</u>	<u>\$ 372,985</u>	<u>\$ 3,245,914</u>	<u>\$ 400,750</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Water (cont.)

Long-term obligation activity for the year ended December 31, 2015 is as follows:

	<u>1/1/15</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/15</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 1,422,163	\$ -	\$ 250,299	\$ 1,171,864	\$ 266,862
General obligation debt	1,641,850	-	91,600	1,550,250	76,600
Accrued compensated absences	41,865	16,124	11,700	46,289	-
Unamortized premium and discount	<u>24,709</u>	<u>-</u>	<u>2,764</u>	<u>21,945</u>	<u>-</u>
Totals	<u>\$ 3,130,587</u>	<u>\$ 16,124</u>	<u>\$ 356,363</u>	<u>\$ 2,790,348</u>	<u>\$ 343,462</u>

Long-Term Obligations Summary - Sewer

Long-term obligation activity for the year ended December 31, 2016 is as follows:

	<u>1/1/16</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/16</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 1,103,134	\$ -	\$ 173,134	\$ 930,000	\$ 95,000
General obligation debt	165,202	690,000	125,202	730,000	115,000
Accrued compensated absences	41,988	14,796	21,075	35,709	-
Unamortized premium and discount	1,032	15,691	582	16,141	-
Net pension liability	<u>-</u>	<u>11,466</u>	<u>-</u>	<u>11,466</u>	<u>-</u>
Totals	<u>\$ 1,311,356</u>	<u>\$ 731,953</u>	<u>\$ 319,993</u>	<u>\$ 1,723,316</u>	<u>\$ 210,000</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Sewer (cont.)

Long-term obligation activity for the year ended December 31, 2015 is as follows:

	<u>1/1/15 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/15 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 1,272,835	\$ -	\$ 169,701	\$ 1,103,134	\$ 173,137
General obligation debt	278,302	-	113,100	165,202	125,200
Accrued compensated absences	36,208	12,828	7,048	41,988	-
Unamortized premium and discount	<u>2,079</u>	<u>-</u>	<u>1,047</u>	<u>1,032</u>	<u>-</u>
Totals	<u>\$ 1,589,424</u>	<u>\$ 12,828</u>	<u>\$ 290,896</u>	<u>\$ 1,311,356</u>	<u>\$ 298,337</u>

Long-Term Obligations Summary - Stormwater

Long-term obligation activity for the year ended December 31, 2016 is as follows:

	<u>1/2/16 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/16 Balance</u>	<u>Due Within One Year</u>
General obligation debt	\$ 1,020,000	\$ -	\$ 125,000	\$ 895,000	\$ 125,000
Accrued compensated absences	43,960	12,924	20,006	36,878	-
Unamortized premium and discount	17,543	-	3,600	13,943	-
Net pension liability	<u>-</u>	<u>11,223</u>	<u>-</u>	<u>11,223</u>	<u>-</u>
Totals	<u>\$ 1,081,503</u>	<u>\$ 24,147</u>	<u>\$ 148,606</u>	<u>\$ 957,044</u>	<u>\$ 125,000</u>

Long-term obligation activity for the year ended December 31, 2015 is as follows:

	<u>1/1/15 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/15 Balance</u>	<u>Due Within One Year</u>
General obligation debt	\$ 1,140,000	\$ -	\$ 120,000	\$ 1,020,000	\$ 125,000
Accrued compensated absences	39,987	12,200	8,227	43,960	-
Unamortized premium and discount	<u>21,593</u>	<u>-</u>	<u>4,050</u>	<u>17,543</u>	<u>-</u>
Totals	<u>\$ 1,201,580</u>	<u>\$ 12,200</u>	<u>\$ 132,277</u>	<u>\$ 1,081,503</u>	<u>\$ 125,000</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

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.

The utilities are covered under the following insurance policies at December 31, 2016:

Type	Coverage	Expiration
<i>Cities and Villages Mutual Insurance Company</i>		
General Liability	\$ 5,000,000 Limit	1/1/2017
Excess Liability	5,000,000 Limit	1/1/2017
Workers Compensation- Bodily Injury Accident	100,000 Per accident	1/1/2017
Workers Compensation - Bodily injury by Disease	100,000 Each employee 500,000 Limit	1/1/2017 1/1/2017
Employee Theft	3,000,000 Per Loss	1/1/2017
Forgery	3,000,000 Limit	1/1/2017
Employment Practice Liability Insurance	\$ 1,000,000 Limit	1/1/2017
Boiler and Machinery Coverage	100,000,000 Limit	1/1/2017
<i>Municipal Property Insurance Company</i>		
Property Insurance	\$ 55,177,907 Limit	2/13/2017

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Debt Coverage

Under terms of the resolutions providing for the issue of revenue bonds, 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 2016 and 2015 as follows:

	2016	2015
Operating revenues	\$ 3,447,013	\$ 3,274,527
Investment income	10,100	7,971
Less: Operation and maintenance expenses	(2,134,403)	(1,952,688)
Net Defined Earnings	\$ 1,322,710	\$ 1,329,810
Minimum Required Earnings per Resolution:		
Debt service requirement	\$ 525,988	\$ 525,987
Coverage factor	1.25	1.25
Minimum Required Earnings	\$ 657,485	\$ 657,484
Actual Debt Coverage	2.51	2.53

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2016 and 2015:

	Customers		Sales (000 gals)	
	2016	2015	2016	2015
Residential	4,203	3,548	201,699	181,163
Multifamily residential	88	83	36,461	35,346
Commercial	384	906	90,270	109,179
Industrial	40	75	39,047	35,431
Public authority	46	47	16,678	18,249
Totals	4,761	4,659	384,155	379,368

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Number of Customers and Billed Volumes - Sewer

The utility has the following number of customers and billed volumes for 2016 and 2015:

	Customers		Sales (000 gals)	
	2016	2015	2016	2015
Residential	3,934	3,349	196,856	176,772
Multifamily residential	73	72	34,235	32,876
Commercial	354	817	71,092	87,549
Industrial	35	67	16,686	10,320
Public authority	34	34	11,425	12,678
Totals	<u>4,430</u>	<u>4,339</u>	<u>330,294</u>	<u>320,195</u>

During 2016, the utilities underwent a detailed review of customer classifications and reclassified customers based on definitions of customer type determined by the PSCW.

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.

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.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 7 - NET POSITION (cont.)

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

	2016	2015
Construction work in progress	\$ 82,104	\$ 6,975
Plant in service	39,457,747	37,631,280
Accumulated depreciation	<u>(7,464,333)</u>	<u>(6,725,129)</u>
Sub-Totals	<u>32,075,518</u>	<u>30,913,126</u>
Less: Capital related debt		
Current portion of capital related long-term debt	400,750	343,462
Long-term portion of capital related long-term debt	2,737,900	2,378,652
Unamortized premium and discount	36,458	21,945
Unamortized loss on advanced refunding	<u>(6,345)</u>	<u>(8,808)</u>
Sub-Totals	<u>3,168,763</u>	<u>2,735,251</u>
Total Net Investments in Capital Assets	<u>\$ 28,906,755</u>	<u>\$ 28,177,875</u>

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

	2016	2015
Construction work in progress	\$ 51,279	\$ 6,975
Plant in service	20,905,253	20,161,240
Accumulated depreciation	<u>(4,498,192)</u>	<u>(4,196,553)</u>
Sub-Totals	<u>16,458,340</u>	<u>15,971,662</u>
Less: Capital related debt		
Current portion of capital related long-term debt	210,000	298,337
Long-term portion of capital related long-term debt	1,450,000	969,999
Unamortized premium and discount	16,141	1,032
Unamortized loss on advance refunding	<u>(1,456)</u>	<u>(3,574)</u>
Sub-Totals	<u>1,674,685</u>	<u>1,265,794</u>
Total Net Investment in Capital Assets	<u>\$ 14,783,655</u>	<u>\$ 14,705,868</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 7 - NET POSITION (cont.)

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

	2016	2015
Construction work in progress	\$ 3,166	\$ -
Plant in service	28,820,512	26,748,522
Accumulated depreciation	(4,597,855)	(4,230,480)
Sub-Totals	24,225,823	22,518,042
Less: Capital related debt		
Current portion of capital related long-term debt	125,000	125,000
Long-term portion of capital related long-term debt	770,000	895,000
Unamortized premium and discount	13,943	17,543
Unamortized gain on advance refunding	2,045	2,726
Unamortized loss on advance refunding	(4,987)	(5,616)
Sub-Totals	906,001	1,034,653
Total Net Investment in Capital Assets	\$ 23,319,822	\$ 21,483,389

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM

The utilities implemented GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective January 1, 2015. The cumulative effect of the change in net position due to the change in accounting standard is shown as a change in beginning net position for 2015.

General Information About the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. 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 (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be bound at <http://etf.wi.gov/publications/cafr.htm>.

Vesting. 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.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-Retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate 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.

The WRS recognized \$31,012 and \$30,823 in contributions from the utilities during the current and prior reporting periods, respectively.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Contribution rates as of December 31 are:

	2016		2015	
	Employee	Employer	Employee	Employer
General (including teachers)	6.6%	6.6%	6.8%	6.8%
Executives & Elected Officials	6.6%	6.6%	7.7%	7.7%
Protective with Social Security	6.6%	9.4%	6.8%	9.5%
Protective without Social Security	6.6%	13.2%	6.8%	13.1%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the utilities reported a liability (asset) of \$51,118 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities's proportion of the net pension liability (asset) was based on the utilities's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City of Verona's proportion was .0327211%, which was an increase of .0063531% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, and 2015 the utilities recognized pension expense of \$94,585 and \$27,728.

At December 31, 2016, the utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Water Utility		Sewer Utility		Stormwater Utility	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,371	\$ 59,828	\$ 2,056	\$ 24,129	\$ 1,431	\$ 23,619
Changes in assumption	19,890	-	8,022	-	7,852	-
Net differences between project and actual earnings on pension plan	118,270	-	47,334	-	44,391	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,484	-	582	-	478
Employer contributions subsequent to the measurement date	18,979	-	8,274	-	6,987	-
Total	\$ 162,510	\$ 61,312	\$ 65,686	\$ 24,711	\$ 60,661	\$ 24,097

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

At December 31, 2015, the utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Sewer Utility</u>		<u>Stormwater Utility</u>		<u>Stormwater Utility</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,675	\$ -	\$ 2,584	\$ -	\$ 1,958	\$ -
Changes in assumption	-	-	-	-	-	-
Net differences between project and actual earnings on pension plan	22,297	-	8,632	-	6,541	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,075	-	417	-	316
Employer contributions subsequent to the measurement date	<u>17,247</u>	<u>-</u>	<u>6,956</u>	<u>-</u>	<u>6,809</u>	<u>-</u>
Total	<u>\$ 46,219</u>	<u>\$ 1,075</u>	<u>\$ 18,172</u>	<u>\$ 417</u>	<u>\$ 15,308</u>	<u>\$ 316</u>

Deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the subsequent year ended December 31, 2017. \$18,979, \$8,274, and \$6,987 are reported for the water, sewer, and stormwater utilities, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31	<u>Water Utility</u>		<u>Sewer Utility</u>		<u>Stormwater Utility</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 37,266	\$ 14,880	\$ 14,906	\$ 5,997	\$ 13,936	\$ 5,846
2017	37,266	14,880	14,906	5,997	13,936	5,846
2018	37,266	14,880	14,906	5,997	13,936	5,846
2019	31,085	14,738	12,434	5,940	11,624	5,795
2020	648	1,934	260	780	242	764
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 143,531</u>	<u>\$ 61,312</u>	<u>\$ 57,412</u>	<u>\$ 24,711</u>	<u>\$ 53,674</u>	<u>\$ 24,097</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2014
Measurement date of net pension liability (asset)	December 31, 2015
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

Long-term expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Long-term Real Rate of Return	Target Allocation
US Equities	4.7%	23.0%
International Equities	5.6	22.0
Fixed Income	1.6	37.0
Inflation Sensitive Assets	1.4	20.0
Real Estate	3.6	7.0
Private Equity/Debt	6.5	7.0
Multi-Asset	<u>3.8</u>	<u>4.0</u>
Total Core Fund	<u>4.5%</u>	<u>120.0%</u>
Variable Fund Asset Class	Long-term Real Rate of Return	Target Allocation
US Equities	4.7%	70.0%
International Equities	<u>5.6</u>	<u>30.0</u>
Total Variable Fund	<u>5.0%</u>	<u>100.0%</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the utilities' proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the utilities' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the utilities' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

The sensitivity analysis as of December 31, 2016 follows:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Water Utility's proportionate share of the net position liability (asset)	\$ 199,398	\$ 28,429	\$ (105,102)
Sewer Utility's proportionate share of the net position liability (asset)	80,421	11,466	(42,389)
Stormwater Utility's proportionate share of the net position liability (asset)	78,721	11,223	(41,494)

The sensitivity analysis as of December 31, 2015 follows:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Water Utility's proportionate share of the net position liability (asset)	\$ 129,895	\$ (46,043)	\$ (184,992)
Sewer Utility's proportionate share of the net position liability (asset)	50,291	(17,826)	(71,622)
Stormwater Utility's proportionate share of the net position liability (asset)	38,109	(13,508)	(54,274)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/Publications/cafr.htm>.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 9 - COMMITMENTS AND CONTINGENCIES

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.

NOTE 10 - RISK MANAGEMENT

Wisconsin Municipal Mutual Insurance Company (WMMIC) Cities and Villages Mutual Insurance Company (CVMIC)

The WMMIC 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, 2016 and 2015.

NOTE 11 - SIGNIFICANT CUSTOMERS

Stormwater Utility

The utility has one significant customer who was responsible for 16% and 11% of operating revenues in 2016 and 2015, respectively.

NOTE 12 - SUBSEQUENT EVENTS

The utilities evaluated subsequent events through the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

The sewer utility enacted a rate increase on January 1, 2017.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2016 and 2015

NOTE 13 - CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE

The utilities adopted GASB Statement No. 68 effective January 1, 2015. The cumulative effect of implementation is reflected as a change in net position at December 31, 2015 as follows:

Water Utility

Net pension liability (asset) January 1, 2014	\$	72,555
Deferred outflows January 1, 2014		<u>18,341</u>
Cumulative Effect of a Change in Accounting Principle	\$	<u>90,896</u>

Sewer Utility

Net pension liability (asset) January 1, 2014	\$	28,091
Deferred outflows January 1, 2014		<u>7,101</u>
Cumulative Effect of a Change in Accounting Principle	\$	<u>35,192</u>

Stormwater Utility

Net pension liability (asset) January 1, 2014	\$	21,287
Deferred outflows January 1, 2014		<u>5,381</u>
Cumulative Effect of a Change in Accounting Principle	\$	<u>26,668</u>

Additional information required for retroactive implementation was not provided by the pension plan.

REQUIRED SUPPLEMENTAL INFORMATION

VERONA UTILITIES

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) Wisconsin Retirement System Last 10 Fiscal Years*

Changes of benefit terms: There were no changes of benefit terms for any participating employer in WRS. The required supplementary information presented below represents the proportionate information for the enterprise funds included in this report.

	2015	2016
Verona Utilities' proportion of the net pension liability (asset)	.0365757%	.0372111%
Verona Utilities' proportionate share of the net pension liability (asset)	\$ (77,377)	\$ 51,118
Verona Utilities' covered employee payroll	\$ 440,329	\$ 456,059
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

SCHEDULE OF CONTRIBUTIONS Wisconsin Retirement System Last 10 Fiscal Years*

Changes of benefit terms: There were no changes of benefit terms for any participating employer in WRS.

	2015	2016
Contractually required contributions	\$ 31,012	\$ 34,240
Contributions in relation to the contractually required contributions	\$ 31,012	\$ 34,240
Contributions deficiency (excess)	\$ -	\$ -
Verona Utilities' covered-employee payroll	\$ 456,059	\$ 503,529
Contributions as a percentage of covered-employee payroll	6.80%	6.80%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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

VERONA UTILITIES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2016

Changes of benefit terms: There were no changes of benefit terms for any participating employer in WRS.

Changes of assumption: There were no changes in the assumptions.

SUPPLEMENTAL INFORMATION

VERONA UTILITIES

WATER UTILITY PLANT As of and for the Year Ended December 31, 2016

	Balance 1/1/16	Additions	Retirements	Balance 12/31/16
SOURCE OF SUPPLY				
Wells and springs	\$ 886,061	\$ -	\$ -	\$ 886,061
PUMPING				
Land and land rights	65,089	-	-	65,089
Structures and improvements	2,325,928	-	-	2,325,928
Electric pumping equipment	1,674,535	-	-	1,674,535
Other pumping equipment	50,709	-	-	50,709
Total Pumping	<u>4,116,261</u>	<u>-</u>	<u>-</u>	<u>4,116,261</u>
WATER TREATMENT				
Water treatment equipment	<u>120,145</u>	<u>-</u>	<u>-</u>	<u>120,145</u>
TRANSMISSION AND DISTRIBUTION				
Distribution reservoirs and standpipes	3,029,014	-	-	3,029,014
Transmission and distribution mains	21,903,608	1,205,743	25,743	23,083,608
Services	2,836,050	91,546	8,935	2,918,661
Meters	1,509,030	261,833	65,727	1,705,136
Hydrants	2,222,906	148,900	4,128	2,367,678
Other transmission and distribution plant	45,214	-	-	45,214
Total Transmission and Distribution	<u>31,545,822</u>	<u>1,708,022</u>	<u>104,533</u>	<u>33,149,311</u>
GENERAL				
Structures and improvements	451,000	-	-	451,000
Office furniture and equipment	8,156	-	-	8,156
Computer equipment	57,895	5,276	750	62,421
Transportation equipment	263,900	263,207	44,755	482,352
Tools, shop and garage equipment	38,026	-	-	38,026
Power-operated equipment	7,702	-	-	7,702
SCADA equipment	136,312	-	-	136,312
Total General	<u>962,991</u>	<u>268,483</u>	<u>45,505</u>	<u>1,185,969</u>
TOTAL WATER UTILITY PLANT	<u><u>\$37,631,280</u></u>	<u><u>\$ 1,976,505</u></u>	<u><u>\$ 150,038</u></u>	<u><u>\$39,457,747</u></u>

VERONA UTILITIES

WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Sales of Water		
Unmetered	\$ 37,213	\$ 21,471
Metered		
Residential	744,002	638,269
Multifamily residential	96,456	90,393
Commercial	252,916	320,579
Industrial	72,301	65,482
Public authorities	46,751	47,812
Total Metered Sales	1,212,426	1,162,535
Private fire protection	52,184	46,914
Public fire protection	475,118	464,096
Total Sales of Water	1,776,941	1,695,016
Other Operating Revenues		
Forfeited discounts	5,535	6,738
Miscellaneous service revenue	43,606	70,916
Rents from water property	118,411	103,148
Total Operating Revenues	1,944,493	1,875,818
OPERATING EXPENSES		
Operation and Maintenance		
Pumping		
Operation supervision and engineering	15,169	11,221
Fuel or purchased power for pumping	73,562	73,671
Pumping labor	6,551	4,977
Maintenance		
Pumping equipment	13,920	14,056
Total Pumping	109,202	103,925
Water Treatment		
Operation supervision and engineering	12,770	10,877
Chemicals	12,759	14,846
Operation labor	16,067	16,946
Maintenance		
Water treatment equipment	687	15
Total Water Treatment	42,283	42,684
Transmission and Distribution		
Operation supervision and engineering	72,345	52,324
Transmission and distribution lines	34,759	30,730
Maintenance		
Reservoirs and standpipes	55,878	45,900
Mains	22,482	53,652
Services	19,721	22,350
Meters	32,288	38,507
Hydrants	4,347	4,192
Miscellaneous	-	2,686
Total Transmission and Distribution	241,820	250,341
Customer Accounts		
Meter reading	7,082	4,421
Accounting and collecting labor	10,818	8,706
Total Customer Accounts	17,900	13,127

VERONA UTILITIES

WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 53,366	\$ 39,593
Office supplies	24,743	22,815
Outside services employed	33,672	84,559
Property insurance	12,000	12,000
Employee pensions and benefits	108,621	82,552
Regulatory commission	300	-
Miscellaneous	2,351	2,765
Maintenance	<u>2,269</u>	<u>3,610</u>
Total Administrative and General	<u>237,322</u>	<u>247,894</u>
Taxes	<u>12,162</u>	<u>9,698</u>
Total Operation and Maintenance	660,689	667,669
Depreciation	<u>808,303</u>	<u>763,188</u>
Total Operating Expenses	<u>1,468,992</u>	<u>1,430,857</u>
 OPERATING INCOME	 <u>\$ 475,501</u>	 <u>\$ 444,961</u>

VERONA UTILITIES

RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2016 and 2015

	Water	
	2016	2015
Utility Financed Plant in Service		
Beginning of year	\$ 15,184,759	\$ 14,622,660
End of year	<u>16,064,975</u>	<u>15,184,759</u>
Average	<u>15,624,867</u>	<u>14,903,710</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(3,611,928)	(3,240,189)
End of year	<u>(3,992,933)</u>	<u>(3,611,928)</u>
Average	<u>(3,802,431)</u>	<u>(3,426,059)</u>
Materials and Supplies		
Beginning of year	35,414	26,796
End of year	<u>34,549</u>	<u>35,414</u>
Average	<u>34,982</u>	<u>31,105</u>
Regulatory Liability		
Beginning of year	(300,126)	(337,641)
End of year	<u>(262,211)</u>	<u>(300,126)</u>
Average	<u>(281,169)</u>	<u>(318,884)</u>
AVERAGE NET RATE BASE	<u>\$ 11,576,249</u>	<u>\$ 11,189,872</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 190,325</u>	<u>\$ 109,150</u>
RATE OF RETURN (PERCENT)	<u>1.64</u>	<u>0.98</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, 2016

	Balance <u>1/1/16</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/16</u>
COLLECTING SYSTEM				
Structures and improvements	\$ 450,000	\$ -	\$ -	\$ 450,000
Service connections	3,040,055	81,337	5,984	3,115,408
Collecting mains	15,389,596	508,068	31,340	15,866,324
Interceptor mains	104,723	-	-	104,723
Other collecting system equipment	<u>1,121</u>	<u>-</u>	<u>-</u>	<u>1,121</u>
Total Collecting System	<u>18,985,495</u>	<u>589,405</u>	<u>37,324</u>	<u>19,537,576</u>
COLLECTING SYSTEM PUMPING				
Receiving wells	172,621	-	-	172,621
Electric pumping equipment	<u>71,433</u>	<u>-</u>	<u>-</u>	<u>71,433</u>
Total Collecting System Pumping	<u>244,054</u>	<u>-</u>	<u>-</u>	<u>244,054</u>
GENERAL				
Office furniture and equipment	7,250	-	-	7,250
Computer equipment	65,241	7,651	750	72,142
Transportation equipment	346,536	263,207	78,176	531,567
Other general equipment	257,014	-	-	257,014
Other tangible property	<u>255,650</u>	<u>-</u>	<u>-</u>	<u>255,650</u>
Total General	<u>931,691</u>	<u>270,858</u>	<u>78,926</u>	<u>1,123,623</u>
TOTAL SEWER UTILITY PLANT	<u>\$20,161,240</u>	<u>\$ 860,263</u>	<u>\$ 116,250</u>	<u>\$20,905,253</u>

VERONA UTILITIES

SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Sewer Revenues		
Residential	\$ 950,119	\$ 784,649
Multifamily residential	130,553	119,254
Commercial	303,082	369,123
Industrial	60,225	40,324
Public authorities	<u>51,268</u>	<u>51,545</u>
Total Sewer Revenues	<u>1,495,247</u>	<u>1,364,895</u>
Other Operating Revenues		
Forfeited discounts	6,659	8,164
Miscellaneous	<u>614</u>	<u>25,650</u>
Total Operating Revenues	<u>1,502,520</u>	<u>1,398,709</u>
 OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	125,815	117,364
Treatment charges	1,005,710	878,134
Utilities	6,460	6,692
Other operating supplies	4,375	4,834
Joint metering costs	<u>44,195</u>	<u>38,632</u>
Total Operation	<u>1,186,555</u>	<u>1,045,656</u>
Maintenance		
General plant structures and equipment	<u>49,493</u>	<u>72,898</u>
Administrative and General		
Office supplies	5,496	7,249
Outside services employed	75,052	31,034
Insurance	13,800	8,500
Employees pensions and benefits	70,840	53,645
Miscellaneous	2,676	4,529
Rents	<u>46,275</u>	<u>40,146</u>
Total Administrative and General	<u>214,139</u>	<u>145,103</u>
Taxes	<u>23,527</u>	<u>21,362</u>
Total Operation and Maintenance	<u>1,473,714</u>	<u>1,285,019</u>
Depreciation	374,026	341,819
Amortization	<u>33,969</u>	<u>157,941</u>
Total Operating Expenses	<u>1,881,709</u>	<u>1,784,779</u>
 OPERATING LOSS	 <u>\$ (379,189)</u>	 <u>\$ (386,070)</u>

VERONA UTILITIES

STORMWATER UTILITY PLANT As of and for the Year Ended December 31, 2016

	Balance 1/1/16	Additions	Retirements	Balance 12/31/16
INTANGIBLE				
Miscellaneous intangible plant	\$ 112,000	\$ -	\$ -	\$ 112,000
STORMWATER PLANT				
Land and land rights	2,881,480	-	-	2,881,480
Detention basins	3,483,371	744,420	-	4,227,791
General stormwater plant	19,844,183	1,323,611	-	21,167,794
Total Stormwater Plant	<u>26,209,034</u>	<u>2,068,031</u>	<u>-</u>	<u>28,277,065</u>
GENERAL				
Computer equipment	529	3,959	-	4,488
Power-operated equipment	426,959	-	-	426,959
Total General	<u>427,488</u>	<u>3,959</u>	<u>-</u>	<u>431,447</u>
TOTAL STORMWATER UTILITY PLANT	<u><u>\$ 26,748,522</u></u>	<u><u>\$ 2,071,990</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,820,512</u></u>

VERONA UTILITIES

STORMWATER OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Stormwater Revenues		
Residential	\$ 194,368	\$ 171,893
Multifamily residential	29,609	26,060
Small commercial and industrial	262,583	244,012
Public authorities	<u>60,430</u>	<u>59,570</u>
Total Charges for Services	<u>546,990</u>	<u>501,535</u>
Other Operating Revenues		
Forfeited discounts	1,518	1,753
Miscellaneous service revenues	<u>57</u>	<u>15,674</u>
Total Operating Revenues	<u>548,565</u>	<u>518,962</u>
OPERATING EXPENSES		
Operation and Maintenance		
Maintenance	<u>41,710</u>	<u>41,213</u>
Operation supplies	<u>25,395</u>	<u>20,741</u>
Administrative and General		
Salaries	100,887	103,519
Office Supplies	7,467	11,747
Outside services employed	30,789	22,462
Property insurance	6,500	800
Employee pensions and benefits	<u>42,671</u>	<u>25,624</u>
Total Administrative and General	<u>188,314</u>	<u>164,152</u>
Taxes	<u>7,832</u>	<u>7,466</u>
Total Operation and Maintenance	<u>263,251</u>	<u>233,572</u>
Depreciation	<u>367,375</u>	<u>344,911</u>
Total Operating Expenses	<u>630,626</u>	<u>578,483</u>
 OPERATING LOSS	 <u>\$ (82,061)</u>	 <u>\$ (59,521)</u>