

CITY OF VERONA

Verona, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

CITY OF VERONA

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Verona
Verona, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Verona, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Verona's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the City Council
City of Verona

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Verona, Wisconsin, as of December 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Management 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 basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 19, 2017

CITY OF VERONA

STATEMENT OF NET POSITION
As of December 31, 2016

	Governmental Activities	Business-type Activities	Totals	Component Unit
ASSETS				
Cash and investments	\$ 48,363,329	\$ 4,812,806	\$ 53,176,135	\$ -
Receivables (net)				
Taxes receivable	15,503,075	-	15,503,075	-
Delinquent personal property taxes	25,203	-	25,203	-
Accounts	477,544	827,077	1,304,621	826
Special assessments	9,285	23,547	32,832	-
Loans	122,145	-	122,145	-
Other	20,323	-	20,323	-
Leases receivable from primary government	-	-	-	210,000
Due from other governmental units	1,143	978	2,121	-
Due from component unit/to primary government	260,467	-	260,467	(260,467)
Internal balances	(59,537)	59,537	-	-
Inventories	-	34,549	34,549	-
Prepaid items	223,689	1,320	225,009	-
Restricted assets				
Cash and investments	2,654,896	895,307	3,550,203	260,467
Other assets	-	387,465	387,465	-
Investment in joint venture	529,946	-	529,946	-
Capital Assets				
Capital assets not being depreciated	29,316,877	3,083,118	32,399,995	-
Other capital assets net of accumulated depreciation	66,193,504	69,676,563	135,870,067	-
Total Assets	<u>163,641,889</u>	<u>79,802,267</u>	<u>243,444,156</u>	<u>210,826</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding	199,526	12,788	212,314	-
Pension related amounts	3,100,479	288,857	3,389,336	-
Total Deferred Outflows of Resources	<u>3,300,005</u>	<u>301,645</u>	<u>3,601,650</u>	<u>-</u>
LIABILITIES				
Accounts payable	1,846,671	553,070	2,399,741	-
Other accrued liabilities	178,884	18,670	197,554	-
Due to other governmental units	16,928,943	-	16,928,943	-
Accrued interest	334,069	29,878	363,947	826
Deposits	12,824	-	12,824	-
Developer payable	4,205,925	-	4,205,925	-
Liabilities Payable from Restricted Assets				
Current portion of revenue bonds	-	330,000	330,000	-
Accrued interest	-	6,457	6,457	-
Noncurrent Liabilities				
Due within one year	4,964,707	405,750	5,370,457	210,000
Due in more than one year	43,686,304	5,190,524	48,876,828	-
Total Liabilities	<u>72,158,327</u>	<u>6,534,349</u>	<u>78,692,676</u>	<u>210,826</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	15,470,336	-	15,470,336	-
Unamortized gain on refunding	-	2,045	2,045	-
Pension related amounts	1,192,105	110,120	1,302,225	-
Total Deferred Inflows of Resources	<u>16,662,441</u>	<u>112,165</u>	<u>16,774,606</u>	<u>-</u>

See accompanying notes to financial statements.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	<u>Component Unit</u>
NET POSITION				
Net investment in capital assets	\$ 64,023,590	\$ 67,010,232	\$128,871,144	\$ -
Restricted for				
Debt service	2,760,886	376,000	3,136,886	-
TIF debt service	197,813	-	197,813	-
TIF activity	4,436,387	-	4,436,387	-
Library	406,780	-	406,780	-
Impact fees	2,654,896	-	2,654,896	-
Equipment replacement	-	85,400	85,400	-
Depreciation	-	427,450	427,450	-
Unrestricted	<u>3,640,774</u>	<u>5,558,316</u>	<u>11,361,768</u>	-
TOTAL NET POSITION	<u>\$ 78,121,126</u>	<u>\$ 73,457,398</u>	<u>\$151,578,524</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF VERONA

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,261,947	\$ 363,772	\$ 25,840	\$ -
Public safety	5,876,047	485,228	128,695	451,981
Health and human services	479,274	46,594	-	-
Public works	6,336,912	1,054,233	766,461	10,920,236
Culture, education and recreation	2,655,807	412,513	648,776	96,732
Conservation and development	24,128,887	49,808	2,401	52,941
Interest and fiscal charges	<u>1,309,747</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>42,048,621</u>	<u>2,412,148</u>	<u>1,572,173</u>	<u>11,521,890</u>
Business-type Activities				
Water Utility	1,564,748	1,948,101	-	991,667
Sewer Utility	1,941,016	1,505,913	-	337,048
Stormwater Utility	<u>654,264</u>	<u>552,217</u>	<u>-</u>	<u>2,043,458</u>
Total Business-type Activities	<u>4,160,028</u>	<u>4,006,231</u>	<u>-</u>	<u>3,372,173</u>
Total Primary Government	<u>\$ 46,208,649</u>	<u>\$ 6,418,379</u>	<u>\$ 1,572,173</u>	<u>\$ 14,894,063</u>
Component Unit				
Community Development Authority	<u>\$ 243,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for TIF districts

Other taxes

Intergovernmental revenues not restricted to specific programs

Public gifts and grants

Investment income

Developer guarantee payments

Gain on sale of capital assets

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	Community Development Authority
\$ (872,335)	\$ -	\$ (872,335)	\$ -
(4,810,143)	-	(4,810,143)	-
(432,680)	-	(432,680)	-
6,404,018	-	6,404,018	-
(1,497,786)	-	(1,497,786)	-
(24,023,737)	-	(24,023,737)	-
(1,309,747)	-	(1,309,747)	-
<u>(26,542,410)</u>	<u>-</u>	<u>(26,542,410)</u>	<u>-</u>
-	1,375,020	1,375,020	-
-	(98,055)	(98,055)	-
-	1,941,411	1,941,411	-
<u>-</u>	<u>3,218,376</u>	<u>3,218,376</u>	<u>-</u>
<u>(26,542,410)</u>	<u>3,218,376</u>	<u>(23,324,034)</u>	<u>-</u>
-	-	-	(243,509)
7,680,656	-	7,680,656	-
3,019,001	-	3,019,001	-
10,600,306	-	10,600,306	-
475,444	-	475,444	-
942,267	-	942,267	-
145,680	-	145,680	-
344,243	12,259	356,502	243,509
194,706	-	194,706	-
106,608	-	106,608	-
103,348	-	103,348	-
<u>658,433</u>	<u>(658,433)</u>	<u>-</u>	<u>-</u>
<u>24,270,692</u>	<u>(646,174)</u>	<u>23,624,518</u>	<u>243,509</u>
(2,271,718)	2,572,202	300,484	-
<u>80,392,844</u>	<u>70,885,196</u>	<u>151,278,040</u>	<u>-</u>
<u>\$ 78,121,126</u>	<u>\$ 73,457,398</u>	<u>\$ 151,578,524</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF VERONA

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement Program</u>	<u>TIF District No. 7</u>
ASSETS				
Cash and investments	\$ 3,510,204	\$ 212,830	\$ 9,559,014	\$ 28,144,420
Receivables				
Taxes	5,072,448	2,957,430	1,356,742	-
Delinquent personal property tax	25,203	-	-	-
Accounts	363,691	-	-	-
Special assessments	2,032	7,253	-	-
Promissory notes	-	-	-	-
Other	20,323	-	-	-
Due from component units	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	2,882,125	3,533,203	-
Prepaid items	<u>2,380</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 8,996,281</u>	<u>\$ 6,059,638</u>	<u>\$ 14,448,959</u>	<u>\$ 28,144,420</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 530,992	\$ -	\$ 325,346	\$ 112,740
Accrued liabilities	108,638	-	-	-
Deposits	12,824	-	316,000	-
Due to other governments	18,516	-	-	16,910,427
Due to other funds	59,537	-	-	6,915,328
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,205,925</u>
Total Liabilities	<u>730,507</u>	<u>-</u>	<u>641,346</u>	<u>28,144,420</u>
Deferred Inflows of Resources				
Unavailable revenues	18,381	-	-	-
Unearned revenues	<u>5,025,652</u>	<u>2,964,683</u>	<u>1,363,233</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>5,044,033</u>	<u>2,964,683</u>	<u>1,363,233</u>	<u>-</u>
Fund Balances				
Nonspendable	2,380	-	-	-
Restricted	-	3,094,955	7,186,015	-
Committed	-	-	-	-
Assigned	-	-	5,258,365	-
Unassigned	<u>3,219,361</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>3,221,741</u>	<u>3,094,955</u>	<u>12,444,380</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 8,996,281</u>	<u>\$ 6,059,638</u>	<u>\$ 14,448,959</u>	<u>\$ 28,144,420</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 9,500,890	\$ 50,927,358
6,116,455	15,503,075
-	25,203
113,853	477,544
-	9,285
122,145	122,145
-	20,323
260,467	260,467
1,143	1,143
500,000	6,915,328
<u>-</u>	<u>2,380</u>
<u>\$ 16,614,953</u>	<u>\$ 74,264,251</u>

\$ 559,317	\$ 1,528,395
69,058	177,696
-	328,824
-	16,928,943
-	6,974,865
<u>-</u>	<u>4,205,925</u>
<u>628,375</u>	<u>30,144,648</u>

123,288	141,669
<u>6,116,768</u>	<u>15,470,336</u>
<u>6,240,056</u>	<u>15,612,005</u>

-	2,380
6,904,276	17,185,246
2,842,246	2,842,246
-	5,258,365
<u>-</u>	<u>3,219,361</u>
<u>9,746,522</u>	<u>28,507,598</u>

<u>\$ 16,614,953</u>	<u>\$ 74,264,251</u>
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See accompanying notes to financial statements.

CITY OF VERONA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2016

Total Fund Balances - Governmental Funds	\$ 28,507,598
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note II. A.	95,510,381
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	141,669
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	3,100,479
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(1,192,105)
The city's investment in the joint venture is not a financial resource and, therefore, is not reported in the funds.	529,946
Internal service funds are reported in the statement of net position as governmental activities.	308,712
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II. A.	<u>(48,785,554)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 78,121,126</u>

CITY OF VERONA

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

For the Year Ended December 31, 2016

	General	Debt Service	Capital Improvement Program	TIF District No. 7
REVENUES				
Taxes	\$ 4,199,474	\$ 3,019,001	\$ 321,253	\$ 8,898,314
Intergovernmental	1,100,112	-	68,246	192,344
Public charges for services	258,429	-	96,732	-
Fines, forfeitures and penalties	154,887	-	-	-
Licenses and permits	671,771	-	-	-
Investment income	252,468	-	-	70,989
Miscellaneous	54,679	-	85,770	-
Total Revenues	6,691,820	3,019,001	572,001	9,161,647
EXPENDITURES				
Current				
General government	1,149,409	-	-	-
Public safety	3,433,003	-	-	-
Public works	1,245,108	-	-	-
Health and human services	-	-	-	-
Culture, recreation and education	793,653	-	-	-
Conservation and development	404,169	-	-	21,739,602
Capital Outlay	-	-	2,857,750	1,374,488
Debt Service				
Principal	-	4,150,932	101,977	3,400
Interest and fiscal charges	-	1,084,785	45,890	2,352
Principal payments on capital lease	-	-	-	4,515,000
Interest payments on capital lease	-	-	-	229,256
Total Expenditures	7,025,342	5,235,717	3,005,617	27,864,098
Excess (deficiency) of revenues over expenditures	(333,522)	(2,216,716)	(2,433,616)	(18,702,451)
OTHER FINANCING SOURCES (USES)				
Debt issued	-	990,000	5,815,000	-
Premium on debt issued	-	162,683	-	-
Sales of capital assets	-	-	106,608	-
Transfers in	665,318	3,971,075	4,324,803	-
Transfers out	-	-	(30,000)	(7,737,380)
Total Other Financing Sources (Uses)	665,318	5,123,758	10,216,411	(7,737,380)
Net Change in Fund Balances	331,796	2,907,042	7,782,795	(26,439,831)
FUND BALANCES - Beginning of Year	2,889,945	187,913	4,661,585	26,439,831
FUND BALANCES - END OF YEAR	\$ 3,221,741	\$ 3,094,955	\$ 12,444,380	\$ -

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 5,327,831	\$ 21,765,873
1,370,355	2,731,057
1,566,899	1,922,060
29,763	184,650
180,161	851,932
20,786	344,243
<u>476,714</u>	<u>617,163</u>
<u>8,972,509</u>	<u>28,416,978</u>
-	1,149,409
1,909,194	5,342,197
1,071,206	2,316,314
437,467	437,467
1,552,850	2,346,503
516,740	22,660,511
2,301,129	6,533,367
911,250	5,167,559
192,051	1,325,078
205,000	4,720,000
<u>14,253</u>	<u>243,509</u>
<u>9,111,140</u>	<u>52,241,914</u>
<u>(138,631)</u>	<u>(23,824,936)</u>
1,500,000	8,305,000
49,216	211,899
1,925	108,533
575,000	9,536,196
<u>(1,110,383)</u>	<u>(8,877,763)</u>
<u>1,015,758</u>	<u>9,283,865</u>
877,127	(14,541,071)
<u>8,869,395</u>	<u>43,048,669</u>
<u>\$ 9,746,522</u>	<u>\$ 28,507,598</u>

See accompanying notes to financial statements.

CITY OF VERONA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds \$ (14,541,071)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	6,533,367
Some items reported as capital outlay were not capitalized	(3,658,955)
Depreciation is reported in the government-wide financial statements	(2,289,452)
Net book value of capital assets disposed	(142,382)

Contributed capital assets are reported as revenues in the government-wide financial statements.	10,693,996
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Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	(101,037)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt issued	(8,305,000)
Principal repaid	9,887,559

Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.	
Change in debt premium	77,270

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	48,899
Amortization of the deferred loss on refunding	(51,287)
Accrued interest on debt	20,939
Net pension asset/liability	(1,374,577)
Deferred outflows of resources related to pensions	2,248,047
Deferred inflows of resources related to pensions	(1,172,917)

The proportionate share of the change in net position related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund financial statements.	(68,370)
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Internal service funds are used by management to charge self insurance costs to individual funds. The change in net position of the internal service fund reported with governmental activities	(76,747)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,271,718)</u>
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See accompanying notes to financial statements.

CITY OF VERONA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
As of December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Totals	
ASSETS					
Current Assets					
Cash and investments	\$ 2,671,743	\$ 1,325,964	\$ 815,099	\$ 4,812,806	\$ 90,867
Receivables					
Other receivables	301,750	384,992	140,335	827,077	-
Due from other governments	747	-	231	978	-
Due from other funds	24,155	28,752	6,630	59,537	-
Inventories	34,549	-	-	34,549	-
Prepaid items	360	960	-	1,320	221,309
Restricted Assets					
Redemption account	<u>140,190</u>	<u>58,767</u>	<u>-</u>	<u>198,957</u>	<u>-</u>
Total Current Assets	<u>3,173,494</u>	<u>1,799,435</u>	<u>962,295</u>	<u>5,935,224</u>	<u>312,176</u>
Noncurrent Assets					
Restricted Assets					
Reserve account	90,500	93,000	-	183,500	-
Depreciation account	377,760	49,690	-	427,450	-
Replacement account	-	85,400	-	85,400	-
Capital Assets					
Construction in progress	82,104	51,279	3,166	136,549	-
Property and equipment	39,457,747	20,905,253	28,820,512	89,183,512	-
Less: Accumulated depreciation	(7,464,333)	(4,498,192)	(4,597,855)	(16,560,380)	-
Other Assets					
Preliminary survey and investigation	-	-	47,771	47,771	-
Deferred special assessments receivable	2,312	21,235	-	23,547	-
Unamortized investment in interceptor	<u>-</u>	<u>339,694</u>	<u>-</u>	<u>339,694</u>	<u>-</u>
Total Noncurrent Assets	<u>32,546,090</u>	<u>17,047,359</u>	<u>24,273,594</u>	<u>73,867,043</u>	<u>-</u>
Total Assets	<u>35,719,584</u>	<u>18,846,794</u>	<u>25,235,889</u>	<u>79,802,267</u>	<u>312,176</u>
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	6,345	1,456	4,987	12,788	-
Pension related amounts	<u>162,510</u>	<u>65,686</u>	<u>60,661</u>	<u>288,857</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>168,855</u>	<u>67,142</u>	<u>65,648</u>	<u>301,645</u>	<u>-</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Totals	
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 131,732	\$ 407,727	\$ 13,611	\$ 553,070	\$ 3,464
Accrued wages	9,693	4,176	4,801	18,670	-
Accrued interest	19,091	4,937	5,850	29,878	-
Current portion of general obligation debt	165,750	115,000	125,000	405,750	-
Liabilities Payable from Restricted Assets					
Current portion of revenue bonds	235,000	95,000	-	330,000	-
Accrued interest	<u>3,107</u>	<u>3,350</u>	<u>-</u>	<u>6,457</u>	<u>-</u>
Total Current Liabilities	<u>564,373</u>	<u>630,190</u>	<u>149,262</u>	<u>1,343,825</u>	<u>3,464</u>
Noncurrent Liabilities					
Long-Term Debt					
General obligation	2,067,900	615,000	770,000	3,452,900	-
Revenue bonds	670,000	835,000	-	1,505,000	-
Accrued compensated absences	42,377	35,709	36,878	114,964	-
Unamortized premium	36,458	16,141	13,943	66,542	-
Net pension liability	<u>28,429</u>	<u>11,466</u>	<u>11,223</u>	<u>51,118</u>	<u>-</u>
Total Noncurrent Liabilities	<u>2,845,164</u>	<u>1,513,316</u>	<u>832,044</u>	<u>5,190,524</u>	<u>-</u>
Total Liabilities	<u>3,409,537</u>	<u>2,143,506</u>	<u>981,306</u>	<u>6,534,349</u>	<u>3,464</u>
DEFERRED INFLOWS OF RESOURCES					
Unamortized gain on refunding	-	-	2,045	2,045	-
Pension related amounts	<u>61,312</u>	<u>24,711</u>	<u>24,097</u>	<u>110,120</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>61,312</u>	<u>24,711</u>	<u>26,142</u>	<u>112,165</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	28,906,755	14,783,655	23,319,822	67,010,232	-
Restricted for					
Debt service	227,583	148,417	-	376,000	-
Equipment replacement	-	85,400	-	85,400	-
Depreciation	377,760	49,690	-	427,450	-
Unrestricted	<u>2,905,492</u>	<u>1,678,557</u>	<u>974,267</u>	<u>5,558,316</u>	<u>308,712</u>
TOTAL NET POSITION	<u>\$ 32,417,590</u>	<u>\$ 16,745,719</u>	<u>\$ 24,294,089</u>	<u>\$ 73,457,398</u>	<u>\$ 308,712</u>

See accompanying notes to financial statements.

CITY OF VERONA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Totals	
OPERATING REVENUES					
Charges for services	\$ 1,944,493	\$ 1,502,520	\$ 548,565	\$ 3,995,578	\$ 1,402,943
Total Operating Revenues	<u>1,944,493</u>	<u>1,502,520</u>	<u>548,565</u>	<u>3,995,578</u>	<u>1,402,943</u>
OPERATING EXPENSES					
Operation and maintenance	660,689	1,473,714	263,250	2,397,653	-
Depreciation	808,303	374,026	367,375	1,549,704	-
Amortization expense	-	33,969	-	33,969	-
Insurance services	-	-	-	-	1,479,690
Total Operating Expenses	<u>1,468,992</u>	<u>1,881,709</u>	<u>630,625</u>	<u>3,981,326</u>	<u>1,479,690</u>
Operating Income (Loss)	<u>475,501</u>	<u>(379,189)</u>	<u>(82,060)</u>	<u>14,252</u>	<u>(76,747)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest expense	(88,107)	(50,365)	(23,639)	(162,111)	-
Amortization	215	(1,535)	3,652	2,332	-
Investment income	6,384	3,716	2,159	12,259	-
Debt issuance cost	(7,649)	(7,407)	-	(15,056)	-
Gain on sale of fixed asset	<u>3,393</u>	<u>3,393</u>	<u>-</u>	<u>6,786</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(85,764)</u>	<u>(52,198)</u>	<u>(17,828)</u>	<u>(155,790)</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	<u>389,737</u>	<u>(431,387)</u>	<u>(99,888)</u>	<u>(141,538)</u>	<u>(76,747)</u>
CONTRIBUTIONS AND TRANSFERS					
Capital contributions	991,667	337,048	2,043,458	3,372,173	-
Transfers out	<u>(658,433)</u>	<u>-</u>	<u>-</u>	<u>(658,433)</u>	<u>-</u>
Total Contributions and Transfers	<u>333,234</u>	<u>337,048</u>	<u>2,043,458</u>	<u>2,713,740</u>	<u>-</u>
Change in Net Position	722,971	(94,339)	1,943,570	2,572,202	(76,747)
NET POSITION - Beginning of Year	<u>31,694,619</u>	<u>16,840,058</u>	<u>22,350,519</u>	<u>70,885,196</u>	<u>385,459</u>
NET POSITION - END OF YEAR	<u>\$ 32,417,590</u>	<u>\$ 16,745,719</u>	<u>\$ 24,294,089</u>	<u>\$ 73,457,398</u>	<u>\$ 308,712</u>

See accompanying notes to financial statements.

CITY OF VERONA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 1,540,435	\$ 1,480,693	\$ 544,566	\$ 3,565,694	\$ 1,408,544
Received from city for services	475,118	-	-	475,118	-
Paid to suppliers for goods and services	(371,478)	(1,335,543)	(177,058)	(1,884,079)	(1,502,511)
Paid to employees for services	<u>(275,527)</u>	<u>(121,639)</u>	<u>(96,087)</u>	<u>(493,253)</u>	<u>-</u>
Net Cash Flows From Operating Activities	<u>1,368,548</u>	<u>23,511</u>	<u>271,421</u>	<u>1,663,480</u>	<u>(93,967)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	<u>6,384</u>	<u>3,716</u>	<u>2,159</u>	<u>12,259</u>	<u>-</u>
Net Cash Flows From Investing Activities	<u>6,384</u>	<u>3,716</u>	<u>2,159</u>	<u>12,259</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Paid to municipality for tax equivalent	<u>(658,433)</u>	<u>-</u>	<u>-</u>	<u>(658,433)</u>	<u>-</u>
Net Cash Flows From Noncapital Financing Activities	<u>(658,433)</u>	<u>-</u>	<u>-</u>	<u>(658,433)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from debt issue	760,000	690,000	-	1,450,000	-
Debt retired	(343,464)	(298,336)	(125,000)	(766,800)	-
Interest paid	(85,225)	(47,073)	(24,363)	(156,661)	-
Debt issuance costs and bond premium	9,542	8,284	-	17,826	-
Acquisitions and construction of capital assets	(1,028,323)	(511,212)	(67,495)	(1,607,030)	-
Capital contributions received	45,414	103,449	10,081	158,944	-
Salvage on retirement of plant	<u>40,135</u>	<u>47,256</u>	<u>-</u>	<u>87,391</u>	<u>-</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(601,921)</u>	<u>(7,632)</u>	<u>(206,777)</u>	<u>(816,330)</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	114,578	19,595	66,803	200,976	(93,967)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,165,615</u>	<u>1,593,226</u>	<u>748,296</u>	<u>5,507,137</u>	<u>184,834</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,280,193</u>	<u>\$ 1,612,821</u>	<u>\$ 815,099</u>	<u>\$ 5,708,113</u>	<u>\$ 90,867</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Totals	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 475,501	\$ (379,189)	\$ (82,060)	\$ 14,252	\$ (76,747)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Depreciation	808,303	374,026	367,375	1,549,704	-
Depreciation charged to other funds	44,197	-	-	44,197	-
Amortization	-	33,969	-	33,969	-
Changes in assets, deferred outflows, liabilities, and deferred inflows					
Accounts receivable	8,167	(31,804)	(4,947)	(28,584)	-
Other accounts receivable	11,010	-	-	11,010	5,601
Due from other funds	7,686	9,977	948	18,611	-
Materials and supplies	865	-	-	865	-
Prepayments	128	488	-	616	(25,938)
Accounts payable	(1,587)	16,227	(8,078)	6,562	3,117
Other current liabilities	(4,140)	(6,255)	(4,976)	(15,371)	-
Pension related deferrals and assets	18,418	6,072	3,159	27,649	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,368,548</u>	<u>\$ 23,511</u>	<u>\$ 271,421</u>	<u>\$ 1,663,480</u>	<u>\$ (93,967)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS					
Cash and investments	\$ 2,671,743	\$ 1,325,964	\$ 815,099	\$ 4,812,806	\$ 90,867
Restricted cash and investments					
Redemption account	140,190	58,767	-	198,957	-
Reserve account	90,500	93,000	-	183,500	-
Depreciation account	377,760	49,690	-	427,450	-
Replacement account	-	85,400	-	85,400	-
CASH AND CASH EQUIVALENTS	<u>\$ 3,280,193</u>	<u>\$ 1,612,821</u>	<u>\$ 815,099</u>	<u>\$ 5,708,113</u>	<u>\$ 90,867</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Developer financed additions to utility plant	<u>\$ 946,253</u>	<u>\$ 259,748</u>	<u>\$ 2,043,458</u>		<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF VERONA

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
As of December 31, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 15,705,982
Taxes receivable	<u>21,616,182</u>
TOTAL ASSETS	<u>\$ 37,322,164</u>
LIABILITIES	
Accounts payable	\$ 31,355
Due to other governments	<u>37,290,809</u>
TOTAL LIABILITIES	<u>\$ 37,322,164</u>

See accompanying notes to financial statements.

CITY OF VERONA

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CITY OF VERONA

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

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

CITY OF VERONA

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

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Community Development Authority of the City of Verona

The government-wide financial statements include the Community Development Authority of the City of Verona ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the city council. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the CDA, and also create a potential financial benefit to or burden on the city. See Note IV.I. As a component unit, the CDA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2016. The CDA does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2015, the GASB issued statement No. 72 - *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

Government-Wide Financial Statements

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

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

CITY OF VERONA

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

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

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

Fund Financial Statements

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

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

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

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

The city reports the following major governmental funds:

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

CITY OF VERONA

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

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

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

Fund Financial Statements (cont.)

The city reports the following major enterprise funds:

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

The city reports the following nonmajor governmental funds:

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

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

Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.

TIF District No. 5

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

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

In addition, the city reports the following fund types:

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

Insurance Fund

CITY OF VERONA

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

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

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

Fund Financial Statements (cont.)

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

Tax Collection Fund

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

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In general, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. However, the city also judgmentally uses an extended period of time, mainly due to unusual delays in payments from other governments, to avoid artificially distorting normal revenue patterns. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

CITY OF VERONA

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

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

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

Fund Financial Statements (cont.)

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

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

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

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, and stormwater funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF VERONA

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

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

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

1. Deposits and Investments

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

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

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

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

No policy exists for the following risks:

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note IV. A. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

CITY OF VERONA

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

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

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

1. Deposits and Investments (cont.)

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV. A. for further information.

2. Receivables

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

Property tax calendar - 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale - 2016 delinquent real estate taxes	October 2019

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

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

CITY OF VERONA

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

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

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

2. Receivables (cont.)

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government-Wide Statements

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

CITY OF VERONA

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

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

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

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

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

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

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

Fund Financial Statements

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

6. Other Assets

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

\$339,694 is the unamortized costs for an interceptor project that began in 2007. These costs are being amortized on the straight line basis over a 20 year period to correspond with the term of the debt issued to fund the payment.

CITY OF VERONA

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

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

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

7. Deferred Outflows of Resources

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

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

8. Compensated Absences

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

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2016, are determined on the basis of current salary rates and include salary related payments.

9. Long-Term Obligations/Conduit Debt

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

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

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

CITY OF VERONA

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

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

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

9. Long-Term Obligations/Conduit Debt (cont.)

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$6,185,000, made up of 2 issues.

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

10. Deferred Inflows of Resources

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

11. Equity Classifications

Government-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

CITY OF VERONA

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

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

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

11. Equity Classifications (cont.)

Government-Wide Statements (cont.)

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Adjustment</u>	<u>Total</u>
Net investment in capital assets	\$ 64,023,590	\$ 67,010,232	\$ (2,162,678)	\$128,871,144
Unrestricted	3,640,774	5,558,316	2,162,678	11,361,768

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council has, by resolution, adopted a financial policy authorizing the Council to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.

CITY OF VERONA

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

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

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

11. Equity Classifications (cont.)

Fund Statements (cont.)

- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

The city has a formal minimum fund balance policy. That policy targets to maintain unassigned general fund balance between 25-35% of the total subsequent year's budgeted general fund expenditures. Amounts in excess of these targets are to be applied to one-time expenses or capital items. The unassigned general fund balance at year end was \$3,219,361, or 40% of 2017 budgeted general fund expenditures.

See Note IV. H. for further information.

12. Pension

For purposes of measuring the net pension asset (liability), 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.

13. Basis for Existing Rates

Water Utility

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

Sewer Utility

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

Stormwater Utility

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

CITY OF VERONA

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

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

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

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

Land	\$	11,189,584
Right of way		15,679,037
Land improvements		1,293,073
Buildings		29,219,149
Machinery and equipment		9,624,774
Infrastructure		46,650,225
Construction in progress		2,448,256
Less: Accumulated depreciation		<u>(20,593,717)</u>
Combined Adjustment for Capital Assets	\$	<u>95,510,381</u>

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

Bonds and notes payable	\$	(46,602,524)
Compensated absences		(788,870)
Accrued interest		(334,069)
Unamortized premium on debt		(496,063)
Capital leases		(210,000)
Unamortized loss on refunding		199,526
Net pension liability		<u>(553,554)</u>
Combined Adjustment for Long-Term Liabilities	\$	<u>(48,785,554)</u>

CITY OF VERONA

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

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Debt service fund	\$ 4,201,737	\$ 5,235,717	\$ 1,033,980
Impact fees	395,000	560,500	165,500
Forestry	24,875	36,452	11,577
Special accounts	870,000	1,125,510	255,510
Revolving funds	242,150	341,874	99,724
Library	1,985,299	2,004,641	19,342
Refuse and recycling	659,226	660,514	1,288
TIF District No. 6	875,332	1,585,547	710,215
TIF District No. 7	3,255,269	35,601,478	32,346,209

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

B. LIMITATIONS ON THE CITY'S TAX LEVY

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

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The city maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments.

CITY OF VERONA

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 32,923,901	\$ 33,138,857	Custodial credit
US agencies - explicitly guaranteed	4,297,433	4,297,433	Custodial credit and interest rate
US agencies - implicitly guaranteed	2,323,378	2,323,378	Credit, custodial credit, concentration of credit, and interest rate
US treasuries	1,283,913	1,283,913	Custodial credit and interest rate
LGIP	31,602,765	31,602,765	Credit
Petty cash	930	-	N/A
Total Deposits and Investments	<u>\$ 72,432,320</u>	<u>\$ 72,646,346</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 53,176,135		
Restricted cash and investments	3,550,203		
Per statement of assets and liabilities - agency fund			
Agency Fund	15,705,982		
Total Deposits and Investments	<u>\$ 72,432,320</u>		

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

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

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

CITY OF VERONA

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

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

The city maintains collateral agreements with its banks. At December 31, 2016, the banks had pledged various government securities in the amount of \$7,778,229 to secure the city's deposits.

The city categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- > Quoted market prices

Investment Type	December 31, 2016			
	Level 1	Level 2	Level 3	Total
US treasuries	\$ 1,283,913	\$ -	\$ -	\$ 1,283,913
US agencies - implicitly guaranteed	-	2,323,378	-	2,323,378
US agencies - explicitly guaranteed	-	4,297,433	-	4,297,433
Total	\$ 1,283,913	\$ 6,620,811	\$ -	\$ 7,904,724

Custodial Credit Risk

Deposits

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

As of December 31, 2016, \$24,085,931 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 24,085,931
Total	\$ 24,085,931

CITY OF VERONA

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

Credit Risk

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

As of December 31, 2016, the city's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>	<u>Moody's Investors Services</u>
U.S. agencies implicitly guaranteed- FHLB	AA+	Aaa
U.S. agencies implicitly guaranteed - FFEB	AA+	Aaa
U.S. agencies implicitly guaranteed - FHNB	AA+	Aaa

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

Local Government Investment Pool

Concentration of Credit Risk

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

There were no investments in excess of 5% of the investment portfolio at December 31, 2016.

CITY OF VERONA

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

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

As of December 31, 2016, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Months)	
		Less than 1	1 to 5
US agencies-explicit	\$ 4,297,433	\$ -	\$ 4,297,433
US agencies-implicit	2,323,378	424,694	1,898,684
US Treasuries	1,283,913	705,000	578,913
Totals	<u>\$ 7,904,724</u>	<u>\$ 1,129,694</u>	<u>\$ 6,775,030</u>

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

B. RECEIVABLES

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

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

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 14,814,549	\$ -
Delinquent personal property taxes receivable	-	15,146
Special assessments on properties not yet annexed to city	7,253	-
Special charges placed on tax roll	640,900	3,235
Long-term notes/loans receivable	-	122,145
Dog licenses	830	-
Delinquent charges put on the tax roll	-	1,143
Revenues collected in advance	6,804	-
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 15,470,336</u>	<u>\$ 141,669</u>

CITY OF VERONA

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

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

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

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

Equipment Replacement Account

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

Impact Fee Account

The city has received impact fees which must be spent in accordance with the local ordinance and state statutes. Any unspent funds must be refunded to the current property owner.

Following is a list of restricted assets at December 31, 2016:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Bond redemption account	\$ 198,957	\$ 6,457	\$ 192,500
Bond reserve account	183,500	-	183,500
Bond depreciation account	427,450	-	427,450
Equipment replacement account	85,400	-	85,400
Impact fee account	2,654,896	-	2,654,896
Total	\$ 3,550,203	\$ 6,457	\$ 3,543,746

CITY OF VERONA

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

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 10,583,886	\$ 605,698	\$ -	\$ 11,189,584
Right of way	12,391,320	3,344,966	57,249	15,679,037
Construction in progress	<u>969,077</u>	<u>1,479,179</u>	<u>-</u>	<u>2,448,256</u>
Total Capital Assets Not Being Depreciated	<u>23,944,283</u>	<u>5,429,843</u>	<u>57,249</u>	<u>29,316,877</u>
Capital assets being depreciated				
Land improvements	922,298	396,517	25,742	1,293,073
Buildings	28,832,362	386,787	-	29,219,149
Machinery and equipment	9,487,043	611,928	474,197	9,624,774
Streets	28,431,349	6,124,278	19,822	34,535,805
Sidewalks	4,058,356	171,805	1,254	4,228,907
Curb and gutter	6,642,946	447,249	17,798	7,072,397
Street lights	<u>813,116</u>	<u>-</u>	<u>-</u>	<u>813,116</u>
Total Capital Assets Being Depreciated	<u>79,187,470</u>	<u>8,138,564</u>	<u>538,813</u>	<u>86,787,221</u>
Total Capital Assets	<u>103,131,753</u>	<u>13,568,407</u>	<u>596,062</u>	<u>116,104,098</u>
Less: Accumulated depreciation for				
Land improvements	(63,830)	(12,831)	25,742	(50,919)
Buildings	(4,603,189)	(627,085)	-	(5,230,274)
Machinery and equipment	(3,991,503)	(505,880)	389,064	(4,108,319)
Streets	(7,280,605)	(863,395)	19,822	(8,124,178)
Sidewalks	(847,801)	(84,578)	1,254	(931,125)
Curb and gutter	(1,605,459)	(141,448)	17,798	(1,729,109)
Street lights	<u>(365,558)</u>	<u>(54,235)</u>	<u>-</u>	<u>(419,793)</u>
Total Accumulated Depreciation	<u>(18,757,945)</u>	<u>(2,289,452)</u>	<u>453,680</u>	<u>(20,593,717)</u>
Net Capital Assets Being Depreciated	<u>60,429,525</u>	<u>5,849,112</u>	<u>85,133</u>	<u>66,193,504</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 84,373,808</u>	<u>\$11,278,955</u>	<u>\$ 142,382</u>	<u>\$ 95,510,381</u>

CITY OF VERONA

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

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 98,762
Public safety	441,061
Health and human services	35,030
Public works	1,319,932
Culture, education, and recreation	394,001
Conservation and development	<u>666</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,289,452</u>

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 65,089	\$ -	\$ -	\$ 65,089
Construction in progress	<u>6,975</u>	<u>82,104</u>	<u>6,975</u>	<u>82,104</u>
Total Capital Assets Not Being Depreciated	<u>72,064</u>	<u>82,104</u>	<u>6,975</u>	<u>147,193</u>
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	<u>962,991</u>	<u>268,483</u>	<u>45,505</u>	<u>1,185,969</u>
Total Capital Assets Being Depreciated	<u>37,566,191</u>	<u>1,976,505</u>	<u>150,038</u>	<u>39,392,658</u>
Total Capital Assets	<u>37,638,255</u>	<u>2,058,609</u>	<u>157,013</u>	<u>39,539,851</u>
Less: Accumulated depreciation for				
Water plant	<u>(6,725,129)</u>	<u>(852,500)</u>	<u>113,296</u>	<u>(7,464,333)</u>
Total Accumulated Depreciation	<u>(6,725,129)</u>	<u>(852,500)</u>	<u>113,296</u>	<u>(7,464,333)</u>
Net Capital Assets Being Depreciated	<u>30,841,062</u>	<u>1,124,005</u>	<u>36,742</u>	<u>31,928,325</u>
Net Water Capital Assets	<u>\$ 30,913,126</u>	<u>\$ 1,206,109</u>	<u>\$ 43,717</u>	<u>\$ 32,075,518</u>

CITY OF VERONA

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

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated				
Construction in progress	\$ 6,975	\$ 51,279	\$ 6,975	\$ 51,279
Total Capital Assets Not Being Depreciated	6,975	51,279	6,975	51,279
Capital assets being depreciated				
Collection system	19,229,549	589,405	37,324	19,781,630
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
Total Capital Assets	20,168,215	911,542	123,225	20,956,532
Less: Accumulated depreciation for				
Sewer plant	(4,196,553)	(374,026)	72,387	(4,498,192)
Total Accumulated Depreciation	(4,196,553)	(374,026)	72,387	(4,498,192)
Net Capital Assets Being Depreciated	15,964,687	486,237	43,863	16,407,061
Net Sewer Capital Assets	\$ 15,971,662	\$ 537,516	\$ 50,838	\$ 16,458,340

CITY OF VERONA

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

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital assets not being depreciated				
Intangible assets	\$ 112,000	\$ -	\$ -	\$ 112,000
Land and land rights	2,881,480	-	-	2,881,480
Construction in progress	-	3,166	-	3,166
Total Capital Assets Not Being Depreciated	2,993,480	3,166	-	2,996,646
Capital assets being depreciated				
General plant	23,755,042	2,071,990	-	25,827,032
Total Capital Assets Being Depreciated	23,755,042	2,071,990	-	25,827,032
Total Capital Assets	26,748,522	2,075,156	-	28,823,678
Less: Accumulated depreciation for				
Stormwater plant	(4,230,480)	(367,375)	-	(4,597,855)
Total Accumulated Depreciation	(4,230,480)	(367,375)	-	(4,597,855)
Net Capital Assets Being Depreciated	19,524,562	1,704,615	-	21,229,177
Net Stormwater Capital Assets	\$ 22,518,042	\$ 1,707,781	\$ -	\$ 24,225,823
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 69,402,830	\$ 3,451,406	\$ 94,555	\$ 72,759,681

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ (808,303)
Sewer	(374,026)
Storm	(367,375)
Total Business-type Activities Depreciation Expense	\$ (1,549,704)

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

CITY OF VERONA

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

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

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
Water utility	General	\$ 24,155
Sewer utility	General	28,752
Stormwater utility	General	6,630
Debt service	TIF District No. 7	2,882,125
Capital Improvement Program	TIF District No. 7	3,533,203
Economic Development Commission	TIF District No. 7	<u>500,000</u>
Total Internal Balances - Government-Wide Statement of Net Position		6,974,865
Less: Fund eliminations		<u>(6,915,328)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 59,537</u>

All amounts are due within one year.

The amounts due from TIF District No. 7 are for the city's share of the final distribution of the closing of the district.

CITY OF VERONA

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

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

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

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Debt service	Library	\$ 542,998	Debt service
Debt service	Impact fees	515,500	Debt service
Library	Capital improvement program	30,000	Library capital campaign
Library	Impact fees	45,000	Impact fees collection applied to library debt
Capital improvement program	TIF 7	4,324,803	Ongoing and future capital projects from the city's share of the final distribution of TIF 7
Debt service	TIF 7	2,912,577	Early retirement of debt and remaining debt from TIF 7
General	Economic development commission	6,885	Transfer revenue
Economic development commission	TIF 7	500,000	Economic development program
General	Water utility	<u>658,433</u>	Payment in lieu of taxes
Total - Fund Financial Statements		9,536,196	
Less: Fund eliminations		<u>(8,877,763)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 658,433</u>	

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

CITY OF VERONA

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

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 43,170,083	\$ 8,305,000	\$ 5,067,559	\$ 46,407,524	\$ 4,196,857
Revenue bonds	295,000	-	100,000	195,000	100,000
(Discounts)/Premiums	573,333	-	77,270	496,063	-
Sub-totals	<u>44,038,416</u>	<u>8,305,000</u>	<u>5,244,829</u>	<u>47,098,587</u>	<u>4,296,857</u>
Other Liabilities					
Vested compensated absences	837,769	421,873	470,772	788,870	457,850
Capital leases	4,930,000	-	4,720,000	210,000	210,000
Net pension liability	-	553,554	-	553,554	-
Total Other Liabilities	<u>5,767,769</u>	<u>975,427</u>	<u>5,190,772</u>	<u>1,552,424</u>	<u>667,850</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 49,806,185</u>	<u>\$ 9,280,427</u>	<u>\$ 10,435,601</u>	<u>\$ 48,651,011</u>	<u>\$ 4,964,707</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 2,735,452	\$ 1,450,000	\$ 326,802	\$ 3,858,650	\$ 405,750
Revenue bonds	2,274,998	-	439,998	1,835,000	330,000
(Discounts)/Premiums	40,520	32,884	6,862	66,542	-
Sub-totals	<u>5,050,970</u>	<u>1,482,884</u>	<u>773,662</u>	<u>5,760,192</u>	<u>735,750</u>
Other Liabilities					
Vested compensated absences	132,237	30,643	47,916	114,964	-
Net pension liability	-	51,118	-	51,118	-
Total Other Liabilities	<u>132,237</u>	<u>81,761</u>	<u>47,916</u>	<u>166,082</u>	<u>-</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 5,183,207</u>	<u>\$ 1,564,645</u>	<u>\$ 821,578</u>	<u>\$ 5,926,274</u>	<u>\$ 735,750</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2016, was \$118,694,535. Total general obligation debt outstanding at year end was \$50,266,174.

CITY OF VERONA

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

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

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

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2016
General obligation promissory notes	08/19/2008	08/01/2018	3.00-4.10%	\$ 1,220,000	\$ 370,000
General obligation corporate purpose bonds	08/19/2008	08/01/2028	4.00-4.60%	3,630,150	2,786,350
General obligation refunding bonds	05/05/2010	12/01/2019	1.00-3.30%	5,405,000	850,000
General obligation corporate purpose bonds	07/27/2011	06/01/2023	0.90-3.00%	4,040,000	3,250,000
General obligation corporate purpose bonds	07/24/2012	03/01/2029	2.00-3.00%	7,220,000	5,700,000
State Trust Fund loan	03/26/2013	03/15/2023	2.75%	75,000	54,555
State Trust Fund loan	08/19/2013	03/15/2023	2.75%	600,000	431,751
General obligation refunding bonds	06/26/2013	04/01/2030	2.00-3.25%	5,215,000	4,770,000
General obligation promissory notes	06/26/2013	04/01/2023	1.00-2.10%	2,460,000	1,755,000
General obligation corporate purpose bonds	07/16/2014	6/01/2034	2.00-4.00%	8,690,000	7,890,000
General obligation promissory notes	07/22/2015	06/01/2025	2.00-2.50%	4,865,000	4,505,000
General obligation corporate purpose bonds	07/22/2015	06/01/2035	2.00-3.50%	4,765,000	4,690,000
State Trust Fund Loan	10/20/2015	03/15/2023	3.25%	700,000	700,000
State Trust Fund Loan	02/10/2015	03/15/2024	3.50%	386,000	349,868
General obligation promissory notes	07/26/2016	06/01/2026	1.45-2.00%	8,305,000	<u>8,305,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 46,407,524</u>

CITY OF VERONA

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

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2016
General Obligation corporate purpose bonds	08/01/2008	08/01/2028	4.00-4.60%	\$ 244,850	\$ 198,650
General obligation corporate purpose bonds	07/27/2011	06/01/2021	0.90-2.80%	560,000	295,000
General obligation corporate purpose bonds	07/24/2012	03/01/2029	2.00-3.00%	1,860,000	1,420,000
General obligation refunding bonds	06/26/2013	04/01/2030	2.00-3.25%	580,000	495,000
General obligation corporate purpose bonds	07/26/2016	06/01/2026	1.45-2.00%	1,450,000	<u>1,450,000</u>
Total Business-type Activities - General Obligation Debt					<u><u>\$ 3,858,650</u></u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2017	\$ 4,196,857	\$ 1,241,122	\$ 405,750	\$ 97,390
2018	4,689,967	1,059,893	345,750	78,884
2019	4,618,176	951,355	360,750	70,147
2020	4,516,438	835,587	365,750	61,005
2021	4,589,887	725,285	375,750	52,228
2022-2026	17,186,199	2,152,443	1,514,900	159,983
2027-2031	4,830,000	696,219	490,000	25,539
2032-2035	<u>1,780,000</u>	<u>113,094</u>	-	-
Totals	<u><u>\$ 46,407,524</u></u>	<u><u>\$ 7,774,998</u></u>	<u><u>\$ 3,858,650</u></u>	<u><u>\$ 545,176</u></u>

Revenue Debt

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

CITY OF VERONA

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

The city has pledged future TIF 6 revenues to repay revenue bonds issued in 2006. Proceeds from the bonds provided financing for the TIF 6 projects. The bonds are payable solely from TIF 6 incremental revenues and are payable through 2018. Annual principal and interest payments on the bonds are expected to require 8.00% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$203,060. Principal and interest paid for the current year and total customer gross revenues were \$110,203 and \$1,227,461, respectively.

The water and sewer utilities has pledged future revenues to repay revenue bonds issued in 2006 and 2008. Proceeds from the bonds provided financing for the water and sewer projects. The bonds are payable solely from water and sewer utility revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require 6% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$2,138,999. Principal and interest paid for the current year and total customer gross revenues were \$525,988 and \$3,457,113, respectively.

Revenue debt payable at December 31, 2016, consists of the following:

Governmental Activities Revenue Debt

<u>Revenue Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2016</u>
Revenue refunding bonds	7/1/2006	6/1/2018	4.10-4.50%	\$ 730,000	<u>\$ 195,000</u>
Total Governmental Activities - Revenue Debt					<u><u>\$ 195,000</u></u>

Business-type Activities Revenue Debt

<u>Water Utility</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2016</u>
Revenue bonds	07/01/2006	06/01/2026	4.10-4.50%	\$ 1,615,000	\$ 1,020,000
Revenue bonds - refunding	07/01/2006	06/01/2020	4.10-4.30%	1,100,000	500,000
Refunding revenue bonds	03/01/2008	06/01/2018	2.90-3.75%	1,340,000	<u>315,000</u>
Total Business-type Activities - Revenue Debt					<u><u>\$ 1,835,000</u></u>

CITY OF VERONA

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

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities Revenue Debt		Business-type Activities Revenue Debt	
	Principal	Interest	Principal	Interest
2017	\$ 100,000	\$ 6,065	\$ 330,000	\$ 70,942
2018	95,000	1,995	345,000	57,520
2019	-	-	240,000	45,535
2020	-	-	245,000	35,167
2021	-	-	100,000	27,725
2022-2026	-	-	575,000	67,110
Totals	<u>\$ 195,000</u>	<u>\$ 8,060</u>	<u>\$ 1,835,000</u>	<u>\$ 303,999</u>

Capital Leases

Refer to Note IV. G.

Other Debt Information

Estimated payments of compensated absences and the net pension liability are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund. The net pension liability will be funded by changes in the plan's assets and future contributions.

During 2005, the city guaranteed a loan in the amount of \$300,000 for the Verona Little League related to a borrowing for baseball diamonds. At December 31, 2016, the balance was \$33,165

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

Current Refunding

On July 26, 2016, the city issued \$9,755,000 in general obligation bonds (of which \$1,065,000 was for the current refunding) with an average coupon rate of 1.81% to refund \$1,065,000 of outstanding bonds with an average coupon rate of 3.68%. The net proceeds were used to prepay the outstanding debt.

CITY OF VERONA

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

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

F. LONG-TERM OBLIGATIONS (cont.)

The cash flow requirements on the refunded debt prior to the current refunding was \$1,126,872 from 2017 through 2019. The cash flow requirements on the 2016 refunding bonds are \$1,084,007 from 2017 through 2019. The current refunding resulted in an economic (difference between the present values of the debt service payments on the old and new debt) of \$42,864.

G. LEASE DISCLOSURES

Lessee - Capital Leases

The Community Development Authority (CDA) of the City of Verona has issued lease revenue bonds (see Note IV.I.). As security for the 2008 bonds, the CDA has entered into lease agreements with the City of Verona. The terms and amounts of the rent payments are the same as the payment dates and amounts of the lease revenue bonds. The future principal and interest payments as of December 31, 2016, are as follows:

<u>Years</u>	Governmental Activities		
	Principal	Interest	Totals
2017	\$ 210,000	\$ 4,858	\$ 214,858
Totals	<u>\$ 210,000</u>	<u>\$ 4,858</u>	<u>\$ 214,858</u>

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2016, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 11,189,584
Construction in progress	2,448,256
Right of way	15,679,037
Other capital assets, net of accumulated depreciation	66,193,504
Less: Long-term capital related debt outstanding	(37,385,143)
Plus: Unspent capital related debt proceeds	6,394,415
Less: Unamortized debt premium	<u>(496,063)</u>
Total Net Investment in Capital Assets	<u>\$ 64,023,590</u>

CITY OF VERONA

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

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2016, include the following:

	General Fund	Debt Service	Capital Improvement Program	Nonmajor Funds	Totals
Fund Balances					
Nonspendable:					
Prepaid items	\$ 2,380	\$ -	\$ -	\$ -	\$ 2,380
Restricted for:					
Debt service	-	3,094,955	-	197,813	3,292,768
Library purposes	-	-	-	406,780	406,780
TIF activities	-	-	-	3,644,787	3,644,787
Library facilities	-	-	-	349,407	349,407
Police facilities	-	-	-	1,255,533	1,255,533
Fire facilities	-	-	-	1,049,956	1,049,956
Capital projects	-	-	7,186,015	-	7,186,015
Committed to:					
Senior citizen activities and services	-	-	-	96,766	96,766
Cable operations	-	-	-	492,411	492,411
Tourism	-	-	-	71,349	71,349
Crime prevention	-	-	-	16,981	16,981
Fire and EMS	-	-	-	406,316	406,316
Economic development	-	-	-	750,000	750,000
Equipment replacement	-	-	-	736,180	736,180
Refuse and recycling	-	-	-	96,828	96,828
Urban forestry programs	-	-	-	40,446	40,446
Epic grant	-	-	-	134,969	134,969
Assigned to:					
Capital projects	-	-	5,258,365	-	5,258,365
Unassigned:	<u>3,219,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,219,361</u>
Total Fund Balances	<u>\$ 3,221,741</u>	<u>\$ 3,094,955</u>	<u>\$ 12,444,380</u>	<u>\$ 9,746,522</u>	<u>\$ 28,507,598</u>

CITY OF VERONA

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

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Construction in progress	\$ 136,549
Other capital assets, net of accumulated depreciation	72,623,132
Less: Long-term debt outstanding	(4,957,900)
Plus: Unamortized loss on refunding	12,788
Less: Unamortized premium	(66,542)
Less: Unamortized gain on refunding	(2,045)
Less: Current portion of debt outstanding	<u>(735,750)</u>
Total Net Investment in Capital Assets	<u>\$ 67,010,232</u>

I. COMPONENT UNIT

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF VERONA

This report contains the Community Development Authority of the City of Verona (CDA), which is included as a component unit.

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

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

	Carrying Value	Statement Balances	Associated Risks
LGIP	<u>\$ 260,467</u>	<u>\$ 260,467</u>	Credit
Total Deposits and Investments	<u>\$ 260,467</u>	<u>\$ 260,467</u>	

CITY OF VERONA

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

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

I. COMPONENT UNIT (cont.)

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF VERONA (cont.)

b. Deposits and Investments (cont.)

Credit Risk

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

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

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

c. Long-Term Obligations

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Lease revenue bonds	\$ 4,930,000	\$ -	\$ 4,720,000	\$ 210,000	\$ 210,000
Totals	\$ 4,930,000	\$ -	\$ 4,720,000	\$ 210,000	\$ 210,000

Debt service requirements to maturity are as follows:

	Principal	Interest	Totals
2017	\$ 210,000	\$ 4,858	\$ 214,858
Totals	\$ 210,000	\$ 4,858	\$ 214,858

CITY OF VERONA

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

NOTE V - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found 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.

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.

CITY OF VERONA

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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

CITY OF VERONA

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 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.

During the reporting period, the WRS recognized \$368,769 in contributions from the city.

Contribution rates as of December 31, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2016, the city reported a liability of \$604,672 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability 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 city's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the city's proportion was 0.03721105%, which was an increase of 0.00063531% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the city recognized pension expense of \$725,155.

CITY OF VERONA

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 102,293	\$ 1,272,523
Changes in assumptions	423,055	-
Net differences between projected and actual earnings on pension plan investments	2,475,701	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	29,702
Employer contributions subsequent to the measurement date	<u>388,287</u>	<u>-</u>
Totals	<u>\$ 3,389,336</u>	<u>\$ 1,302,225</u>

\$388,287 reported as 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 year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 779,190	\$ 316,005
2018	779,190	316,005
2019	779,189	316,005
2020	649,945	313,066
2021	13,535	41,144

CITY OF VERONA

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

NOTE V - OTHER INFORMATION (cont.)

A. 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.

CITY OF VERONA

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

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
 <u>Variable Fund Asset Class</u>				
U.S Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

CITY OF VERONA

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

NOTE V - OTHER INFORMATION (cont.)

A. 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 city's proportionate share of the net pension liability to changes in the discount rate. The following presents the city's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the city's proportionate share of the net pension liability 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:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability	\$4,241,183	\$604,672	\$(2,235,508)

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>.

At December 31, 2016, the city reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

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

CITY OF VERONA

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

NOTE V - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool

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

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

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

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities. The city's share of such losses is less than 1%.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The city does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC can be obtained directly from CVMIC's offices.

The city pays an annual premium to CVMIC for its general liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the city's retained liability. The city's retained liability is limited to \$25,000 per occurrence and an annual aggregate limit of \$100,000. An actuarially determined estimate for outstanding losses and incurred but not reported losses is recorded in CVMIC's balance sheet in liability reserves. The amount related to the city is \$0.

C. COMMITMENTS AND CONTINGENCIES

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

From time to time, the city is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the city attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the city's financial position or results of operations.

CITY OF VERONA

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

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

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

The city has active construction projects as of December 31, 2016. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

Developer Agreements

TIF No. 7

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

Payments are scheduled through the year 2025, and carry an interest rate of 3.85%. However, due to the early closure of TIF No. 7 during 2016, the final payment is anticipated to be made during 2017 in the amount of \$4,205,925 and this has been accrued in TIF No. 7.

TIF No. 4

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

Payments are scheduled through the year 2023, and carry an interest rate of 7.5%. The obligation does not constitute a charge upon any funds of the city. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the city. Since the amount of future payments is contingent on the collection of future TIF increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end was \$107,768.

CITY OF VERONA

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

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

TIF No. 6

In 2011, the city amended an agreement originally entered into during 2008, regarding the development of property within the Verona Technology Park located in TIF District No. 6. The agreement allows payments from the city to the developer based on the parcel improvement value excluding personal property each year. The payments are calculated from a formula based upon an \$8,000,000 target improvement value. If the improvement value is less, reduced developer payments are made by the city. Any payments made are from tax increments generated within the same TIF district. During 2016 the city made a payment in the amount of \$131,879. Since the payments are contingent upon the value of parcel value identified with the agreement, the obligation is not reported as a liability in the accompanying financial statements.

In 2015, the city entered into an agreement with a developer to provide an economic incentive payment in the amount of \$700,000, contingent upon the developer acquiring the property by July 1, 2015 and achieving 85% completion of the project on or before June 30, 2016. The payment by the city will be considered a "project cost" of TIF No. 6 and will be financed with the State Trust Fund loan issued on October 20, 2015. If future payments on the State Trust Fund loan exceed the incremental tax revenue generated from the property, then the developer shall be required to make a short fall payment for the difference.

D. JOINT VENTURES

Emergency Medical Services District

The City of Verona, the City of Fitchburg, and the Town of Verona jointly operate the local EMS District, which is called the Fitch-Rona EMS District and provides emergency medical services. The communities share in the annual operation of the district based on the most recent equalized value of each municipality in the district. The governing body is made up of three citizens from each community. Local representatives are appointed by the district's governing bodies. The governing body of the district has the authority to prepare its own budget (which must then be approved by the council or board of the governing bodies) and control the financial affairs of the district. The city made payments of \$382,865 for operating and capital costs to the district for 2016. In addition to payments made by the city to the district, the city and town lease an EMS facility in Verona. The city believes that the district will continue to provide services in the future at similar rates. The transactions of the district are not reflected in these financial statements. The city accounts for its share of the operation in the special accounts special revenue fund. Financial information of the district is available directly from the district's office. The city has an equity interest of \$529,946 in the district that is accounted for in the governmental activities.

E. SUBSEQUENT EVENT

On May 22, 2017, the city authorized the sale of general obligation street bonds, Series 2017A, in an amount not to exceed \$5,340,000. The city also authorized the sale of \$3,075,000 general obligation promissory notes, Series 2017B for building improvements, public works and EMS equipment, community development projects in TID No. 4, stormwater, sewer, and water projects.

CITY OF VERONA

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

NOTE V - OTHER INFORMATION (cont.)

F. ECONOMIC DEPENDENCY

Stormwater Utility

The Stormwater Utility has one significant customer who was responsible for 16% of operating revenues in 2016.

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

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

- > *Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- > *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*
- > *Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*
- > *Statement No. 83, Certain Asset Retirement Obligations*
- > *Statement No. 84, Fiduciary Activities*

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VERONA

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
TAXES			
Property	\$ 4,031,669	\$ 4,007,964	\$ (23,705)
Use tax penalty	-	69,824	69,824
Other taxes	95,000	121,686	26,686
Total Taxes	<u>4,126,669</u>	<u>4,199,474</u>	<u>72,805</u>
INTERGOVERNMENTAL REVENUES			
Federal aid - law enforcement	-	19,795	19,795
State aid - shared taxes	132,390	132,673	283
State expenditure restraint	220,694	220,695	1
State aid - road aid	677,778	677,446	(332)
State aid - exempt computer aid	30,000	32,016	2,016
Other state payments	-	245	245
Payments for municipal services	13,100	17,242	4,142
Total Intergovernmental Revenues	<u>1,073,962</u>	<u>1,100,112</u>	<u>26,150</u>
PUBLIC CHARGES FOR SERVICES			
Photocopies	-	1,076	1,076
Parks	35,000	39,570	4,570
Shelter and rental fees	10,500	7,346	(3,154)
Recreation programs	142,210	156,624	14,414
Swimming areas	14,000	14,651	651
Fairs, exhibits and celebrations	22,200	15,905	(6,295)
Stadium fees	2,500	1,954	(546)
Other public charges for services	87,000	21,303	(65,697)
Total Public Charges for Services	<u>313,410</u>	<u>258,429</u>	<u>(54,981)</u>
FINES, FORFEITURES AND PENALTIES			
Court penalties and costs	100,000	114,878	14,878
Parking violations	10,000	40,009	30,009
Total Fines, Forfeitures and Penalties	<u>110,000</u>	<u>154,887</u>	<u>44,887</u>

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

CITY OF VERONA

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
LICENSES AND PERMITS			
Liquor and malt beverage licenses	\$ 13,000	\$ 39,892	\$ 26,892
Operators' license	4,500	10,704	6,204
Cigarette licenses	800	800	-
Amusement device licenses	5,000	4,700	(300)
Bicycle licenses	-	54	54
Dog licenses	4,500	5,561	1,061
Building permits	153,031	184,913	31,882
Electrical permits	80,799	78,228	(2,571)
Plumbing permits	77,466	70,836	(6,630)
Heating and air conditioning permits	76,516	70,815	(5,701)
Erosion control permits	74,054	65,324	(8,730)
Zoning permits and fees	2,800	20,450	17,650
Plan review fees	107,442	107,639	197
Other regulatory permits and fees	7,150	11,855	4,705
Total Licenses and Permits	<u>607,058</u>	<u>671,771</u>	<u>64,713</u>
INVESTMENT INCOME			
Interest on investments	<u>180,000</u>	<u>252,468</u>	<u>72,468</u>
Total Investment Income	<u>180,000</u>	<u>252,468</u>	<u>72,468</u>
MISCELLANEOUS REVENUES			
Miscellaneous	<u>-</u>	<u>54,679</u>	<u>54,679</u>
Total Revenues	<u>6,411,099</u>	<u>6,691,820</u>	<u>280,721</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Mayor and city council	140,481	164,006	(23,525)
Municipal court	105,593	114,242	(8,649)
Administration	657,558	601,497	56,061
General buildings/plant/hall	100,809	104,468	(3,659)
Other insurance	140,750	113,209	27,541
Health insurance	35,000	35,000	-
Other general government	18,000	16,987	1,013
Total General Government	<u>1,198,191</u>	<u>1,149,409</u>	<u>48,782</u>
PUBLIC SAFETY			
Police	3,130,572	2,953,221	177,351
Emergency government	17,520	4,664	12,856
Hydrant rental	464,096	475,118	(11,022)
Public safety contingency	48,551	-	48,551
Total Public Safety	<u>3,660,739</u>	<u>3,433,003</u>	<u>227,736</u>

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

CITY OF VERONA

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
PUBLIC WORKS			
Highway	\$ 1,284,491	\$ 1,245,108	\$ 39,383
CULTURE, RECREATION AND EDUCATION			
Parks	510,056	501,298	8,758
Recreation programs and events	72,000	79,593	(7,593)
Recreation administration	151,689	161,081	(9,392)
Recreation facilities	19,175	17,692	1,483
Swimming areas	30,000	33,989	(3,989)
Total Culture, Recreation and Education	<u>782,920</u>	<u>793,653</u>	<u>(10,733)</u>
CONSERVATION AND DEVELOPMENT			
Building Inspection	269,267	241,710	27,557
Planning	140,392	144,358	(3,966)
Tourism/city beautification	12,000	18,101	(6,101)
Total Conservation and Development	<u>421,659</u>	<u>404,169</u>	<u>17,490</u>
Total Expenditures	<u>7,348,000</u>	<u>7,025,342</u>	<u>322,658</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(936,901)</u>	<u>(333,522)</u>	<u>603,379</u>
OTHER FINANCING SOURCES			
Debt issued	41,901	-	(41,901)
Transfers in - utility PILOT	695,000	658,433	(36,567)
Transfers in from other funds	-	6,885	6,885
Total Other Financing Sources	<u>736,901</u>	<u>665,318</u>	<u>(71,583)</u>
Net Change in Fund Balance	(200,000)	331,796	531,796
FUND BALANCE - Beginning of Year	<u>2,889,945</u>	<u>2,889,945</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,689,945</u>	<u>\$ 3,221,741</u>	<u>\$ 531,796</u>

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

CITY OF VERONA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET) -
WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability/(Asset)</u>	<u>Proportionate Share of the Net Pension Liability/(Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/15	0.03657574%	\$ (868,153)	\$ 4,286,287	20.25%	102.74%
12/31/16	0.03721105%	604,672	4,593,045	13.16%	98.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2015

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 366,842	\$ 366,842	\$ -	\$ 4,593,045	7.99%
12/31/16	388,287	388,287	-	4,933,900	7.87%

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

CITY OF VERONA

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

BUDGETARY INFORMATION

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

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. The city may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds action.

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

WISCONSIN RETIREMENT SYSTEM

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

The city is required to present the last ten years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

CITY OF VERONA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016

	Special Revenue Funds		
	Senior Citizens Center	Refuse and Recycling	Forestry
ASSETS			
Cash and investments	\$ 128,870	\$ 144,845	\$ 40,330
Receivables			
Taxes	414,837	655,221	11,100
Accounts	-	-	116
Promissory notes	-	-	-
Due from other funds	-	-	-
Due from component units	-	-	-
Due from other governments	-	1,143	-
	<u>543,707</u>	<u>801,209</u>	<u>51,546</u>
TOTAL ASSETS	<u>\$ 543,707</u>	<u>\$ 801,209</u>	<u>\$ 51,546</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 25,286	\$ 43,432	\$ -
Accrued liabilities	6,505	4,585	-
Total Liabilities	<u>31,791</u>	<u>48,017</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenues	-	1,143	-
Unearned revenues	415,150	655,221	11,100
Total Deferred Inflows of Resources	<u>415,150</u>	<u>656,364</u>	<u>11,100</u>
Fund Balances			
Restricted	-	-	-
Committed	96,766	96,828	40,446
Total Fund Balances	<u>96,766</u>	<u>96,828</u>	<u>40,446</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 543,707</u>	<u>\$ 801,209</u>	<u>\$ 51,546</u>

Special Revenue Funds						Debt Service Funds
Cable Franchise	Impact Fees	Library	Economic Development Commission	Fire Department	Special Accounts	TIF District No. 5
\$ 458,619	\$ 2,654,896	\$ 466,306	\$ 250,000	\$ 689,071	\$ 239,941	\$ 91,813
-	-	1,136,836	-	1,242,365	417,467	-
35,670	-	3,444	-	2,425	72,198	-
-	-	-	-	-	-	-
-	-	-	500,000	-	-	-
-	-	-	-	-	-	106,000
-	-	-	-	-	-	-
<u>\$ 494,289</u>	<u>\$ 2,654,896</u>	<u>\$ 1,606,586</u>	<u>\$ 750,000</u>	<u>\$ 1,933,861</u>	<u>\$ 729,606</u>	<u>\$ 197,813</u>
\$ 120	\$ -	\$ 37,801	\$ -	\$ 265,033	\$ 77,946	\$ -
1,758	-	25,169	-	31,041	-	-
<u>1,878</u>	<u>-</u>	<u>62,970</u>	<u>-</u>	<u>296,074</u>	<u>77,946</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	1,136,836	-	1,242,365	417,467	-
-	-	1,136,836	-	1,242,365	417,467	-
-	2,654,896	406,780	-	-	-	197,813
492,411	-	-	750,000	395,422	234,193	-
<u>492,411</u>	<u>2,654,896</u>	<u>406,780</u>	<u>750,000</u>	<u>395,422</u>	<u>234,193</u>	<u>197,813</u>
<u>\$ 494,289</u>	<u>\$ 2,654,896</u>	<u>\$ 1,606,586</u>	<u>\$ 750,000</u>	<u>\$ 1,933,861</u>	<u>\$ 729,606</u>	<u>\$ 197,813</u>

CITY OF VERONA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016

	Capital Projects Funds		
	Revolving Funds	TIF District No. 4	TIF District No. 6
ASSETS			
Cash and investments	\$ 736,180	\$ 1,631,650	\$ 1,968,369
Receivables			
Taxes	510,000	550,460	1,178,169
Accounts	-	-	-
Promissory notes	-	122,145	-
Due from other funds	-	-	-
Due from component units	-	55,000	99,467
Due from other governments	-	-	-
	-	-	-
TOTAL ASSETS	\$ 1,246,180	\$ 2,359,255	\$ 3,246,005
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 109,699	\$ -
Accrued liabilities	-	-	-
Total Liabilities	-	109,699	-
Deferred Inflows of Resources			
Unavailable revenues	-	122,145	-
Unearned revenues	510,000	550,460	1,178,169
Total Deferred Inflows of Resources	510,000	672,605	1,178,169
Fund Balances			
Restricted	-	1,576,951	2,067,836
Committed	736,180	-	-
Total Fund Balances	736,180	1,576,951	2,067,836
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,246,180	\$ 2,359,255	\$ 3,246,005

Total
Nonmajor
Governmental
Funds

\$ 9,500,890

6,116,455
113,853
122,145
500,000
260,467
1,143

\$ 16,614,953

\$ 559,317
69,058
628,375

123,288
6,116,768
6,240,056

6,904,276
2,842,246
9,746,522

\$ 16,614,953

CITY OF VERONA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Special Revenue Funds		
	Senior Citizens Center	Refuse and Recycling	Forestry
REVENUES			
Taxes	\$ 389,876	\$ 1,326	\$ 7,500
Intergovernmental	-	20,769	-
Public charges for services	46,594	655,000	25,130
Fines, forfeitures and penalties	-	-	-
Licenses and permits	-	-	-
Investment income	-	-	-
Miscellaneous	100	403	-
Total Revenues	<u>436,570</u>	<u>677,498</u>	<u>32,630</u>
EXPENDITURES			
Current			
Public safety	-	-	-
Public works	-	660,514	36,452
Health and human services	415,129	-	-
Culture, recreation and education	-	-	-
Conservation and development	-	-	-
Capital Outlay	-	-	-
Debt Service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Principal payments on capital lease	-	-	-
Interest payments on capital lease	-	-	-
Total Expenditures	<u>415,129</u>	<u>660,514</u>	<u>36,452</u>
Excess (deficiency) of revenues over expenditures	<u>21,441</u>	<u>16,984</u>	<u>(3,822)</u>
OTHER FINANCING SOURCES (USES)			
Debt issued	-	-	-
Premium on debt issued	-	-	-
Sales of assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	21,441	16,984	(3,822)
FUND BALANCES - Beginning of Year	<u>75,325</u>	<u>79,844</u>	<u>44,268</u>
FUND BALANCES - END OF YEAR	<u>\$ 96,766</u>	<u>\$ 96,828</u>	<u>\$ 40,446</u>

Special Revenue Funds						Debt Service Funds
Cable Franchise	Impact Fees	Library	Economic Development Commission	Fire Department	Special Accounts	TIF District No. 5
\$ -	\$ -	\$ 1,216,266	\$ -	\$ 1,071,197	\$ 659,674	\$ -
-	-	648,776	-	287,041	374,240	-
-	833,166	7,009	-	-	-	-
-	-	29,763	-	-	-	-
139,691	-	-	-	40,470	-	-
-	6,495	-	-	-	-	377
-	-	89,769	-	9,306	77,519	-
<u>139,691</u>	<u>839,661</u>	<u>1,991,583</u>	<u>-</u>	<u>1,408,014</u>	<u>1,111,433</u>	<u>377</u>
-	-	-	-	1,483,886	425,308	-
-	-	-	-	-	374,240	-
-	-	-	-	-	22,338	-
71,517	-	1,461,643	-	-	19,690	-
-	-	-	-	-	283,934	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	135,000
-	-	-	-	-	-	8,663
<u>71,517</u>	<u>-</u>	<u>1,461,643</u>	<u>-</u>	<u>1,483,886</u>	<u>1,125,510</u>	<u>143,663</u>
<u>68,174</u>	<u>839,661</u>	<u>529,940</u>	<u>-</u>	<u>(75,872)</u>	<u>(14,077)</u>	<u>(143,286)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,925	-	-
-	-	75,000	500,000	-	-	-
-	(560,500)	(542,998)	(6,885)	-	-	-
-	<u>(560,500)</u>	<u>(467,998)</u>	<u>493,115</u>	<u>1,925</u>	<u>-</u>	<u>-</u>
68,174	279,161	61,942	493,115	(73,947)	(14,077)	(143,286)
<u>424,237</u>	<u>2,375,735</u>	<u>344,838</u>	<u>256,885</u>	<u>469,369</u>	<u>248,270</u>	<u>341,099</u>
<u>\$ 492,411</u>	<u>\$ 2,654,896</u>	<u>\$ 406,780</u>	<u>\$ 750,000</u>	<u>\$ 395,422</u>	<u>\$ 234,193</u>	<u>\$ 197,813</u>

CITY OF VERONA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Capital Project Funds		
	Revolving Funds	TIF District No. 4	TIF District No. 6
REVENUES			
Taxes	\$ 280,000	\$ 680,479	\$ 1,021,513
Intergovernmental	30,541	3,189	5,799
Public charges for services	-	-	-
Fines, forfeitures and penalties	-	-	-
Licenses and permits	-	-	-
Investment income	1,990	6,481	5,443
Miscellaneous	23,906	81,005	194,706
Total Revenues	<u>336,437</u>	<u>771,154</u>	<u>1,227,461</u>
EXPENDITURES			
Current			
Public safety	-	-	-
Public works	-	-	-
Health and human services	-	-	-
Culture, recreation and education	-	-	-
Conservation and development	-	100,927	131,879
Capital Outlay	341,874	1,237,918	721,337
Debt Service			
Principal	-	316,028	595,222
Interest and fiscal charges	-	54,942	137,109
Principal payments on capital lease	-	70,000	-
Interest payments on capital lease	-	5,590	-
Total Expenditures	<u>341,874</u>	<u>1,785,405</u>	<u>1,585,547</u>
Excess (deficiency) of revenues over expenditures	<u>(5,437)</u>	<u>(1,014,251)</u>	<u>(358,086)</u>
OTHER FINANCING SOURCES (USES)			
Debt issued	50,000	1,450,000	-
Premium on debt issued	-	49,216	-
Sales of assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>1,499,216</u>	<u>-</u>
Net Change in Fund Balances	44,563	484,965	(358,086)
FUND BALANCES - Beginning of Year	<u>691,617</u>	<u>1,091,986</u>	<u>2,425,922</u>
FUND BALANCES - END OF YEAR	<u>\$ 736,180</u>	<u>\$ 1,576,951</u>	<u>\$ 2,067,836</u>

Total
Nonmajor
Governmental
Funds

\$ 5,327,831
1,370,355
1,566,899
29,763
180,161
20,786
476,714
8,972,509

1,909,194
1,071,206
437,467
1,552,850
516,740
2,301,129

911,250
192,051
205,000
14,253

9,111,140

(138,631)

1,500,000
49,216
1,925
575,000
(1,110,383)
1,015,758

877,127

8,869,395

\$ 9,746,522

CITY OF VERONA

STATEMENT OF CASH FLOWS
COMPONENT UNIT
For the Year Ended December 31, 2016

	Component Unit - CDA
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	\$ 243,509
Lease payments received	<u>4,720,000</u>
Net Cash Flows From Investing Activities	<u>4,963,509</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Debt retired	(4,720,000)
Interest paid	(243,509)
Payment to city for reduction in restricted cash	<u>(613,252)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(5,576,761)</u>
Net Change in Cash and Cash Equivalents	(613,252)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>873,719</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 260,467</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Restricted cash and investments - statement of net position	<u>\$ 260,467</u>
CASH AND CASH EQUIVALENTS	<u>\$ 260,467</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	