

**CITY OF VERONA**

Verona, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2018

# 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, each major fund, and the aggregate remaining fund information of the City of Verona, Wisconsin as of and for the year ended December 31, 2018, 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 did not audit the financial statements of the Fitch-Rona EMS District, in which the City of Verona has an equity interest, which represents .36 percent, .66 percent, and 0.0 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fitch-Rona EMS District, is based solely on the report of the other auditors. 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.

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Verona, Wisconsin as of December 31, 2018 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 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  
May 6, 2019

# CITY OF VERONA

## STATEMENT OF NET POSITION As of December 31, 2018

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 29,226,816	\$ 5,524,997	\$ 34,751,813
Receivables (net)			
Taxes	18,307,364	-	18,307,364
Delinquent personal property taxes	15,523	-	15,523
Accounts	339,460	992,696	1,332,156
Special assessments	2,032	-	2,032
Promissory notes	127,716	-	127,716
Other	365,895	-	365,895
Due from other governmental units	10,275	3,208	13,483
Internal balances	(79,822)	79,822	-
Inventories	-	35,952	35,952
Prepaid items	241,037	562	241,599
Restricted assets			
Cash and investments	2,230,437	2,470,304	4,700,741
Net pension asset	1,147,131	88,044	1,235,175
Other assets	-	271,755	271,755
Investment in joint venture	595,534	-	595,534
Capital Assets			
Capital assets not being depreciated/amortized	35,412,697	3,738,088	39,150,785
Other capital assets net of accumulated depreciation/amortization	<u>75,480,676</u>	<u>72,376,097</u>	<u>147,856,773</u>
Total Assets	<u>163,422,771</u>	<u>85,581,525</u>	<u>249,004,296</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	6,429	6,429
Pension related amounts	<u>2,139,373</u>	<u>177,432</u>	<u>2,316,805</u>
Total Deferred Outflows of Resources	<u>2,139,373</u>	<u>183,861</u>	<u>2,323,234</u>
<b>LIABILITIES</b>			
Accounts payable	3,039,632	555,746	3,595,378
Other accrued liabilities	339,305	42,133	381,438
Due to other governmental units	35,612	-	35,612
Accrued interest	332,731	27,093	359,824
Deposits	12,324	-	12,324
Liabilities Payable from Restricted Assets			
Current portion of revenue bonds	-	240,000	240,000
Accrued interest	-	4,220	4,220
Noncurrent Liabilities			
Due within one year	5,733,509	530,000	6,263,509
Due in more than one year	<u>45,505,461</u>	<u>5,761,487</u>	<u>51,266,948</u>
Total Liabilities	<u>54,998,574</u>	<u>7,160,679</u>	<u>62,159,253</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenues	18,233,373	-	18,233,373
Unamortized gain on refunding	-	994	994
Pension related amounts	<u>2,299,850</u>	<u>170,450</u>	<u>2,470,300</u>
Total Deferred Inflows of Resources	<u>20,533,223</u>	<u>171,444</u>	<u>20,704,667</u>

See accompanying notes to financial statements.

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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 71,874,586	\$ 70,861,184	\$ 140,678,343
Restricted for			
Debt service	221,892	776,334	998,226
TIF activities	2,611,301	-	2,611,301
Library	316,149	-	316,149
Impact fees	2,230,437	-	2,230,437
Equipment replacement	-	117,000	117,000
Depreciation	-	427,450	427,450
Cemetery	283,581	-	283,581
Pension	1,147,131	88,044	1,235,175
Unrestricted	<u>11,345,270</u>	<u>6,163,251</u>	<u>19,565,948</u>
 <b>TOTAL NET POSITION</b>	 <u>\$ 90,030,347</u>	 <u>\$ 78,433,263</u>	 <u>\$ 168,463,610</u>

See accompanying notes to financial statements.

# CITY OF VERONA

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 1,338,095	\$ 249,932	\$ -	\$ -
Public safety	6,512,362	427,708	156,910	74,578
Health and human services	330,271	36,613	1,228	-
Public works	5,689,282	1,143,661	926,872	1,011,456
Culture, education and recreation	2,612,208	461,265	851,434	106,449
Conservation and development	1,086,739	68,920	2,700	80,546
Interest and fiscal charges	<u>1,331,641</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>18,900,598</u>	<u>2,388,099</u>	<u>1,939,144</u>	<u>1,273,029</u>
<b>Business-type Activities</b>				
Water Utility	1,792,950	1,968,188	-	756,019
Sewer Utility	2,382,514	2,100,879	-	783,588
Stormwater Utility	<u>717,285</u>	<u>624,699</u>	<u>-</u>	<u>483,961</u>
Total Business-type Activities	<u>4,892,749</u>	<u>4,693,766</u>	<u>-</u>	<u>2,023,568</u>
Total	<u>\$ 23,793,347</u>	<u>\$ 7,081,865</u>	<u>\$ 1,939,144</u>	<u>\$ 3,296,597</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

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**

See accompanying notes to financial statements.

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Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (1,088,163)	\$ -	\$ (1,088,163)
(5,853,166)	-	(5,853,166)
(292,430)	-	(292,430)
(2,607,293)	-	(2,607,293)
(1,193,060)	-	(1,193,060)
(934,573)	-	(934,573)
<u>(1,331,641)</u>	<u>-</u>	<u>(1,331,641)</u>
<u>(13,300,326)</u>	<u>-</u>	<u>(13,300,326)</u>
-	931,257	931,257
-	501,953	501,953
-	<u>391,375</u>	<u>391,375</u>
-	<u>1,824,585</u>	<u>1,824,585</u>
<u>(13,300,326)</u>	<u>1,824,585</u>	<u>(11,475,741)</u>
9,742,058	-	9,742,058
3,592,674	-	3,592,674
2,311,352	-	2,311,352
640,230	-	640,230
488,917	-	488,917
90,393	-	90,393
551,024	123,406	674,430
33,104	2,467	35,571
64,844	-	64,844
<u>155,937</u>	<u>(155,937)</u>	<u>-</u>
<u>17,670,533</u>	<u>(30,064)</u>	<u>17,640,469</u>
4,370,207	1,794,521	6,164,728
<u>85,660,140</u>	<u>76,638,742</u>	<u>162,298,882</u>
<u>\$ 90,030,347</u>	<u>\$ 78,433,263</u>	<u>\$ 168,463,610</u>

See accompanying notes to financial statements.

**CITY OF VERONA**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement Program</u>
<b>ASSETS</b>			
Cash and investments	\$ 4,792,759	\$ 278,810	\$ 16,520,474
Receivables			
Taxes	5,048,025	4,044,681	590,715
Delinquent personal property taxes	15,523	-	-
Accounts	162,271	-	38,882
Special assessments	2,032	-	-
Promissory notes	-	-	-
Other	90,082	275,813	-
Due from other governments	8,235	-	-
Advances to other funds	105,018	-	-
Prepaid items	23,143	-	-
Restricted cash	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,247,088</u></b>	<b><u>\$ 4,599,304</u></b>	<b><u>\$ 17,150,071</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 330,642	\$ -	\$ 2,456,767
Accrued liabilities	221,820	-	-
Deposits	12,324	-	-
Due to other governments	35,612	-	-
Due to other funds	79,822	-	-
Advances from other funds	-	-	-
Total Liabilities	<u>680,220</u>	<u>-</u>	<u>2,456,767</u>
Deferred Inflows of Resources			
Unavailable revenues	23,758	275,813	-
Unearned revenues	<u>4,967,396</u>	<u>4,044,681</u>	<u>597,353</u>
Total Deferred Inflows of Resources	<u>4,991,154</u>	<u>4,320,494</u>	<u>597,353</u>
Fund Balances			
Nonspendable	128,161	-	-
Restricted	-	278,810	9,991,634
Committed	-	-	-
Assigned	766,955	-	4,104,317
Unassigned (deficit)	<u>3,680,598</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>4,575,714</u>	<u>278,810</u>	<u>14,095,951</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 10,247,088</u></b>	<b><u>\$ 4,599,304</u></b>	<b><u>\$ 17,150,071</u></b>

See accompanying notes to financial statements.

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Nonmajor Governmental Funds	Totals
\$ 7,462,614	\$ 29,054,657
8,623,943	18,307,364
-	15,523
138,307	339,460
-	2,032
127,716	127,716
-	365,895
2,040	10,275
-	105,018
381	23,524
<u>2,230,437</u>	<u>2,230,437</u>
<u>\$ 18,585,438</u>	<u>\$ 50,581,901</u>

\$ 252,223	\$ 3,039,632
117,485	339,305
-	12,324
-	35,612
-	79,822
<u>105,018</u>	<u>105,018</u>
<u>474,726</u>	<u>3,611,713</u>

2,040	301,611
<u>8,623,943</u>	<u>18,233,373</u>
<u>8,625,983</u>	<u>18,534,984</u>

381	128,542
5,441,468	15,711,912
4,122,229	4,122,229
-	4,871,272
<u>(79,349)</u>	<u>3,601,249</u>
<u>9,484,729</u>	<u>28,435,204</u>

<u>\$ 18,585,438</u>	<u>\$ 50,581,901</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, 2018

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Total Fund Balances - Governmental Funds	\$ 28,435,204
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.	110,893,373
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.	301,611
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.	1,147,131
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	2,139,373
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(2,299,850)
The city's investment in the joint venture is not a financial resource and, therefore, is not reported in the funds.	595,534
Internal service funds are reported in the statement of net position as governmental activities.	389,672
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>(51,571,701)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 90,030,347</u></b>

See accompanying notes to financial statements.

## CITY OF VERONA

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

For the Year Ended December 31, 2018

	General	Debt Service	Capital Improvement Program
<b>REVENUES</b>			
Taxes	\$ 5,298,507	\$ 3,592,674	\$ 797,406
Intergovernmental	1,172,597	-	38,882
Public charges for services	302,916	-	106,449
Fines, forfeitures and penalties	158,287	-	-
Licenses and permits	494,406	-	-
Investment income	442,027	12,521	-
Miscellaneous revenues	8,446	137,906	87,709
Total Revenues	7,877,186	3,743,101	1,030,446
<b>EXPENDITURES</b>			
Current			
General government	1,151,357	-	-
Public safety	3,836,093	-	-
Public works	1,362,072	-	-
Health and human services	-	-	-
Culture, recreation and education	963,104	-	-
Conservation and development	449,407	-	-
Capital Outlay	47,211	-	10,091,780
Debt Service			
Principal	-	4,001,213	27,371
Interest and fiscal charges	-	1,151,088	20,109
Total Expenditures	7,809,244	5,152,301	10,139,260
Excess (deficiency) of revenues over expenditures	67,942	(1,409,200)	(9,108,814)
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt issued	-	58,110	8,771,890
Premium on debt issued	-	161,912	-
Proceeds from sale of capital assets	33,104	-	-
Transfers in	712,186	767,858	200,000
Transfers out	(200,000)	-	(30,000)
Total Other Financing Sources (Uses)	545,290	987,880	8,941,890
<b>Net Change in Fund Balances</b>	613,232	(421,320)	(166,924)
FUND BALANCES - Beginning of Year	3,962,482	700,130	14,262,875
<b>FUND BALANCES - END OF YEAR</b>	\$ 4,575,714	\$ 278,810	\$ 14,095,951

See accompanying notes to financial statements.

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Nonmajor Governmental Funds	Totals
\$ 6,597,775	\$ 16,286,362
1,634,948	2,846,427
921,786	1,331,151
30,711	188,998
166,620	661,026
118,772	573,320
<u>249,355</u>	<u>483,416</u>
<u>9,719,967</u>	<u>22,370,700</u>
2,423	1,153,780
1,960,239	5,796,332
1,112,815	2,474,887
497,426	497,426
1,805,382	2,768,486
533,864	983,271
945,542	11,084,533
1,278,338	5,306,922
<u>185,035</u>	<u>1,356,232</u>
<u>8,321,064</u>	<u>31,421,869</u>
<u>1,398,903</u>	<u>(9,051,169)</u>
-	8,830,000
-	161,912
3,086	36,190
55,000	1,735,044
<u>(792,858)</u>	<u>(1,022,858)</u>
<u>(734,772)</u>	<u>9,740,288</u>
664,131	689,119
<u>8,820,598</u>	<u>27,746,085</u>
<u>\$ 9,484,729</u>	<u>\$ 28,435,204</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, 2018

Net change in fund balances - total governmental funds	\$	689,119
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		11,084,533
Some items reported as capital outlay were not capitalized		(1,096,948)
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements		93,237
Depreciation is reported in the government-wide financial statements		(2,661,974)
Net book value of capital assets disposed		(64,906)
Contributed capital assets are reported as revenues in the government-wide financial statements.		866,413
Capital assets contributed to business-type activities are reported as capital outlay in the fund financial statements.		(556,249)
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.		(158,435)
<p>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.</p>		
Debt issued		(8,830,000)
Principal repaid		5,306,922
<p>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.</p>		
Change in debt premium		63,764
<p>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.</p>		
Compensated absences		(124,821)
Amortization of the deferred loss on refunding		(156,109)
Accrued interest on debt		(45,114)
Net pension liability/asset		1,436,144
Deferred outflows of resources related to pensions		(173,138)
Deferred inflows of resources related to pensions		(1,354,787)
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.		252
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		52,304
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>4,370,207</b>

See accompanying notes to financial statements.

**CITY OF VERONA**

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 As of December 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Totals	
<b>ASSETS</b>					
Current Assets					
Cash and investments	\$ 2,558,061	\$ 1,913,023	\$ 1,053,913	\$ 5,524,997	\$ 172,159
Receivables					
Other receivables	304,263	507,124	181,309	992,696	-
Due from other governments	1,185	1,658	365	3,208	-
Due from other funds	26,346	47,025	6,451	79,822	-
Inventories	35,952	-	-	35,952	-
Prepaid items	281	281	-	562	217,513
Restricted Assets					
Redemption account	<u>140,190</u>	<u>58,767</u>	<u>-</u>	<u>198,957</u>	<u>-</u>
Total Current Assets	<u>3,066,278</u>	<u>2,527,878</u>	<u>1,242,038</u>	<u>6,836,194</u>	<u>389,672</u>
Noncurrent Assets					
Restricted Assets					
Reserve account	501,278	80,319	-	581,597	-
Depreciation account	377,760	49,690	-	427,450	-
Construction account	410,700	734,600	-	1,145,300	-
Replacement account	-	117,000	-	117,000	-
Net pension asset	48,523	22,224	17,297	88,044	-
Capital Assets					
Construction in progress	139,730	291,424	248,365	679,519	-
Property and equipment	42,105,386	22,233,224	30,982,744	95,321,354	-
Less: Accumulated depreciation	(9,245,370)	(5,265,863)	(5,375,455)	(19,886,688)	-
Other Assets					
Unamortized investment in interceptor	<u>-</u>	<u>271,755</u>	<u>-</u>	<u>271,755</u>	<u>-</u>
Total Noncurrent Assets	<u>34,338,007</u>	<u>18,534,373</u>	<u>25,872,951</u>	<u>78,745,331</u>	<u>-</u>
Total Assets	<u>37,404,285</u>	<u>21,062,251</u>	<u>27,114,989</u>	<u>85,581,525</u>	<u>389,672</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Unamortized loss on refunding	2,610	-	3,819	6,429	-
Pension related amounts	<u>97,730</u>	<u>43,883</u>	<u>35,819</u>	<u>177,432</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>100,340</u>	<u>43,883</u>	<u>39,638</u>	<u>183,861</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	
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	\$ 93,275	\$ 390,316	\$ 72,155	\$ 555,746	\$ -
Accrued wages	22,697	11,049	8,387	42,133	-
Accrued interest	14,613	6,888	5,592	27,093	-
Current portion of general obligation debt	210,000	145,000	175,000	530,000	-
Liabilities Payable from Restricted Assets					
Current portion of revenue bonds	150,000	90,000	-	240,000	-
Accrued interest	1,567	2,653	-	4,220	-
Total Current Liabilities	<u>492,152</u>	<u>645,906</u>	<u>261,134</u>	<u>1,399,192</u>	<u>-</u>
Noncurrent Liabilities					
Long-Term Debt					
General obligation	2,320,000	1,450,000	870,000	4,640,000	-
Revenue bonds	285,000	635,000	-	920,000	-
Compensated absences	54,770	49,868	23,113	127,751	-
Unamortized premium	35,160	23,136	15,440	73,736	-
Total Noncurrent Liabilities	<u>2,694,930</u>	<u>2,158,004</u>	<u>908,553</u>	<u>5,761,487</u>	<u>-</u>
Total Liabilities	<u>3,187,082</u>	<u>2,803,910</u>	<u>1,169,687</u>	<u>7,160,679</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unamortized gain on refunding	-	-	994	994	-
Pension related amounts	<u>92,201</u>	<u>45,015</u>	<u>33,234</u>	<u>170,450</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>92,201</u>	<u>45,015</u>	<u>34,228</u>	<u>171,444</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	30,412,896	15,650,249	24,798,039	70,861,184	-
Restricted for					
Debt service	639,901	136,433	-	776,334	-
Equipment replacement	-	117,000	-	117,000	-
Depreciation	377,760	49,690	-	427,450	-
Pension	48,523	22,224	17,297	88,044	-
Unrestricted	<u>2,746,262</u>	<u>2,281,613</u>	<u>1,135,376</u>	<u>6,163,251</u>	<u>389,672</u>
<b>TOTAL NET POSITION</b>	<u>\$ 34,225,342</u>	<u>\$ 18,257,209</u>	<u>\$ 25,950,712</u>	<u>\$ 78,433,263</u>	<u>\$ 389,672</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, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Totals	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,968,188	\$ 2,100,879	\$ 624,699	\$ 4,693,766	\$ 1,547,022
Total Operating Revenues	<u>1,968,188</u>	<u>2,100,879</u>	<u>624,699</u>	<u>4,693,766</u>	<u>1,547,022</u>
<b>OPERATING EXPENSES</b>					
Operation and maintenance	834,796	1,859,380	285,400	2,979,576	-
Depreciation	881,026	417,134	408,866	1,707,026	-
Amortization expense	-	33,969	-	33,969	-
Insurance services	-	-	-	-	1,494,718
Total Operating Expenses	<u>1,715,822</u>	<u>2,310,483</u>	<u>694,266</u>	<u>4,720,571</u>	<u>1,494,718</u>
Operating Income (Loss)	<u>252,366</u>	<u>(209,604)</u>	<u>(69,567)</u>	<u>(26,805)</u>	<u>52,304</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest expense	(78,183)	(64,662)	(25,290)	(168,135)	-
Amortization	6,064	5,298	3,786	15,148	-
Investment income	54,078	49,896	19,432	123,406	-
Debt issuance cost	(5,009)	(12,667)	(1,515)	(19,191)	-
Gain on sale of capital asset	717	1,750	-	2,467	-
Total Nonoperating Revenues (Expenses)	<u>(22,333)</u>	<u>(20,385)</u>	<u>(3,587)</u>	<u>(46,305)</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	<u>230,033</u>	<u>(229,989)</u>	<u>(73,154)</u>	<u>(73,110)</u>	<u>52,304</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>					
Capital contributions	756,019	783,588	483,961	2,023,568	-
Capital contributions - municipal	4,913	-	551,336	556,249	-
Transfers out	(712,186)	-	-	(712,186)	-
Total Contributions and Transfers	<u>48,746</u>	<u>783,588</u>	<u>1,035,297</u>	<u>1,867,631</u>	<u>-</u>
<b>Change in Net Position</b>	278,779	553,599	962,143	1,794,521	52,304
NET POSITION - Beginning of Year	<u>33,946,563</u>	<u>17,703,610</u>	<u>24,988,569</u>	<u>76,638,742</u>	<u>337,368</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 34,225,342</u>	<u>\$ 18,257,209</u>	<u>\$ 25,950,712</u>	<u>\$ 78,433,263</u>	<u>\$ 389,672</u>

See accompanying notes to financial statements.

# CITY OF VERONA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Received from customers	\$ 1,604,552	\$ 2,127,878	\$ 587,370	\$ 4,319,800	\$ 1,547,022
Received from city for services	478,019	-	-	478,019	-
Paid to suppliers for goods and services	(418,059)	(1,645,938)	(178,306)	(2,242,303)	(1,509,222)
Paid to employees for services	(413,554)	(169,245)	(123,296)	(706,095)	-
Net Cash Flows From Operating Activities	1,250,958	312,695	285,768	1,849,421	37,800
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	54,078	49,896	19,432	123,406	-
Net Cash Flows From Investing Activities	54,078	49,896	19,432	123,406	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Paid to municipality for tax equivalent	(712,186)	-	-	(712,186)	-
Net Cash Flows From Noncapital Financing Activities	(712,186)	-	-	(712,186)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from debt issue	245,000	375,000	100,000	720,000	-
Debt retired	(435,000)	(240,000)	(160,000)	(835,000)	-
Interest paid	(81,032)	(64,458)	(27,255)	(172,745)	-
Debt issuance costs	(5,009)	(12,667)	(1,515)	(19,191)	-
Acquisitions and construction of capital assets	(339,022)	(356,819)	(77,461)	(773,302)	-
Capital contributions received	306,376	588,962	-	895,338	-
Premium on bonds	2,519	4,121	2,458	9,098	-
Salvage on retirement of plant	14,125	23,083	-	37,208	-
Net Cash Flows From Capital and Related Financing Activities	(292,043)	317,222	(163,773)	(138,594)	-
<b>Net Change in Cash and Cash Equivalents</b>	300,807	679,813	141,427	1,122,047	37,800
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	3,687,182	2,273,586	912,486	6,873,254	134,359
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,987,989	\$ 2,953,399	\$ 1,053,913	\$ 7,995,301	\$ 172,159

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Utility	Sewer Utility	Stormwater Utility	Totals	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 252,366	\$ (209,604)	\$ (69,567)	\$ (26,805)	\$ 52,304
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities					
Depreciation	881,026	417,134	408,866	1,707,026	-
Depreciation charged to other funds	47,180	-	-	47,180	-
Amortization	-	33,969	-	33,969	-
Changes in assets, deferred outflows, liabilities, and deferred inflows					
Accounts receivable	16,868	31,684	(36,887)	11,665	-
Other accounts receivable	49,104	-	(1,475)	47,629	-
Due from other funds	1,231	(4,685)	1,033	(2,421)	-
Materials and supplies	1,976	-	-	1,976	-
Prepayments	(281)	(281)	-	(562)	(14,504)
Accounts payable	(11,412)	31,707	1,393	21,688	-
Other current liabilities	15,349	14,087	(15,796)	13,640	-
Pension related deferrals and assets	(2,449)	(1,316)	(1,799)	(5,564)	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 1,250,958</u>	<u>\$ 312,695</u>	<u>\$ 285,768</u>	<u>\$ 1,849,421</u>	<u>\$ 37,800</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b>					
Cash and investments	\$ 2,558,061	\$ 1,913,023	\$ 1,053,913	\$ 5,524,997	\$ 172,159
Restricted cash and investments					
Redemption account	140,190	58,767	-	198,957	-
Reserve account	501,278	80,319	-	581,597	-
Depreciation account	377,760	49,690	-	427,450	-
Construction account	410,700	734,600	-	1,145,300	-
Replacement account	-	117,000	-	117,000	-
<b>CASH AND CASH EQUIVALENTS</b>	<u>\$ 3,987,989</u>	<u>\$ 2,953,399</u>	<u>\$ 1,053,913</u>	<u>\$ 7,995,301</u>	<u>\$ 172,159</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Developer financed additions to utility plant	\$ 449,643	\$ 273,776	\$ 483,961		
Special assessments written off	\$ -	\$ (7,191)	\$ -		
Municipality financed additions to utility plant	\$ 4,913	\$ -	\$ 551,336		
Capital contributions receivable	\$ -	\$ (71,959)	\$ -		

See accompanying notes to financial statements.

**CITY OF VERONA**

STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUND  
As of December 31, 2018

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 18,598,782
Taxes receivable	<u>26,873,191</u>
<b>TOTAL ASSETS</b>	<u>\$ 45,471,973</u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$ 45,471,973</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 45,471,973</u>

See accompanying notes to financial statements.

# CITY OF VERONA

## INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

#### ***A. REPORTING ENTITY***

This report includes all of the funds of the city. The reporting entity for the city consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The city has not identified any organizations that meet this criteria.

#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

##### ***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.

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.

##### ***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.

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

---

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

---

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

##### ***Fund Financial Statements (cont.)***

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.

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

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

##### ***Fund Financial Statements (cont.)***

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
Cemetery	Special Accounts

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. 8
TIF District No. 4	TIF District No. 9
TIF District No. 6	

In addition, the city reports the following fund types:

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

Insurance Fund

Agency 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.

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

---

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

##### ***Government-Wide Financial Statements (cont.)***

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 judgementally 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.

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.

# CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

---

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

#### ***Fund Financial Statements (cont.)***

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.

### ***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.
- 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.

# CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

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

#### ***1. Deposits and Investments*** (cont.)

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.

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, 2018, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV. A. for further information.

#### ***2. Receivables***

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

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

---

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

##### ***2. Receivables (cont.)***

Property tax calendar - 2018 tax roll:

Lien date and levy date	December 2018
Tax bills mailed	December 2018
Payment in full, or	January 31, 2019
First installment due	January 31, 2019
Second installment due	July 31, 2019
Personal property taxes in full	January 31, 2019
Tax sale - 2018 delinquent real estate taxes	October 2021

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.

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

##### ***3. Inventories and Prepaid Items***

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

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

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

---

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

---

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

##### **4. Restricted Assets**

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

##### **5. Capital Assets**

###### ***Government-Wide Statements***

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$25,000 for 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 acquisition value at the date of donation.

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

Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation and amortization 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
Intangible	8 Years

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

---

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

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

###### ***Fund Financial Statements***

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

##### **6. Other Assets**

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

\$271,755 is the unamortized costs for an interceptor project that began in 2007. These costs are being amortized on the straight line basis over a 20 year period to correspond with the term of the debt issued to fund the payment.

##### **7. Deferred Outflows of Resources**

A deferred outflow of resources represents a consumption of net position/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, 2018, are determined on the basis of current salary rates and include salary related payments.

# CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

---

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

---

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

#### ***9. Long-Term Obligations/Conduit Debt***

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

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 \$4,385,000, 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/amortization 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.

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

### **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.)***

- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 71,874,586	\$ 70,861,184	\$ (2,057,427)	\$ 140,678,343
Unrestricted	11,345,270	6,163,251	2,057,427	19,565,948

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.

# CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

---

## 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.)***

- 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.
- 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 \$3,680,598, or 39.5% of 2019 budgeted general fund expenditures.

See Note IV. G. 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.

# CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

---

## 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.)*

#### **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 January 1, 2017.

##### ***Stormwater Utility***

Current stormwater rates were approved by the city council effective October 1, 2018.

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

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### ***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	\$	11,831,433
Right of way		15,679,037
Land improvements		2,160,037
Buildings		29,622,185
Machinery and equipment		10,347,434
Infrastructure		54,446,967
Construction in progress		7,902,227
Cemetery land		1,840,886
Intangible		92,540
Less: Accumulated depreciation		<u>(23,029,373)</u>
Combined Adjustment for Capital Assets	\$	<u>110,893,373</u>

**CITY OF VERONA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

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

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

Bonds and notes payable	\$	(49,846,645)
Compensated absences		(1,030,088)
Accrued interest		(332,731)
Unamortized premium on debt		<u>(362,237)</u>
Combined Adjustment for Long-Term Liabilities	\$	<u><u>(51,571,701)</u></u>

**NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS**

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Debt service fund	\$ 4,744,477	\$ 5,152,301	\$ 407,824
Impact fees	32,630	410,000	377,370
Forestry	28,000	34,920	6,920
Special accounts	431,499	1,368,530	937,031
Library	2,169,470	2,257,069	87,599
TIF District No. 4	629,056	662,261	33,205
Cemetery	12,020	20,884	8,864
Cable franchise	94,033	98,730	4,697
Capital improvement program	6,461,536	10,169,260	3,707,724

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.

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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#### ***B. DEFICIT BALANCES***

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

As of December 31, 2018, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
TIF District No. 4	\$ 26,242	Expenditures exceeded revenues.
TIF District No. 8	25,450	Expenditures exceeded revenues.
TIF District No. 9	27,657	Expenditures exceeded revenues.

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases.

#### ***C. LIMITATIONS ON THE CITY'S TAX LEVY***

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

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### NOTE IV - DETAILED NOTES ON ALL FUNDS

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#### ***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. In addition, investments are separately held by several of the city's funds.

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

### 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	\$ 24,324,825	\$ 24,787,338	Custodial credit
U.S. agencies - implicitly guaranteed	19,746,087	19,746,087	Credit, custodial credit, concentration of credit, and interest rate
LGIP	<u>13,980,424</u>	<u>13,980,424</u>	Credit
Total Deposits and Investments	<u>\$ 58,051,336</u>	<u>\$ 58,513,849</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 34,751,813		
Restricted cash and investments	4,700,741		
Per statement of assets and liabilities -			
agency fund			
Agency Fund	<u>18,598,782</u>		
Total Deposits and Investments	<u>\$ 58,051,336</u>		

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

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

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

SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. \$1,500,000 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, 2018, the banks had pledged various government securities in the amount of \$3,362,512 to secure the city's deposits.

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

#### A. DEPOSITS AND INVESTMENTS (cont.)

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, 2018			
	Level 1	Level 2	Level 3	Total
U.S. agencies - implicitly guaranteed	\$ 12,824,429	\$ 6,921,658	\$ -	\$ 19,746,087
Total	\$ 12,824,429	\$ 6,921,658	\$ -	\$ 19,746,087

#### ***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, 2018, \$18,263,214 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 18,263,214
Total	\$ 18,263,214

##### **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.

**CITY OF VERONA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

**A. DEPOSITS AND INVESTMENTS (cont.)**

**Credit Risk (cont.)**

As of December 31, 2018, the city's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
U.S. agencies implicitly guaranteed- FHLB	AA+	Aaa
U.S. agencies implicitly guaranteed - FFEB	AA+	Aaa
U.S. agencies implicitly guaranteed - SBA	AA+	Aaa
U.S. agencies implicitly guaranteed - FHLMC	AA+	Aaa
U.S. agencies implicitly guaranteed - FNMA	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.

At December 31, 2018, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal Home Loan Bank	U.S. agencies implicitly guaranteed	11.50%
Federal Home Loan Mortgage Bank	U.S. agencies implicitly guaranteed	16.00%
Freddie Mac	U.S. agencies implicitly guaranteed	8.73%
Small Business Administration Bonds	U.S. agencies implicitly guaranteed	5.60%

**CITY OF VERONA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

**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, 2018, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1 to 5	5 to 10+
US agencies implicitly guaranteed	\$ 19,746,087	\$ 3,198,268	\$ 9,626,162	\$ 6,921,657
Totals	<u>\$ 19,746,087</u>	<u>\$ 3,198,268</u>	<u>\$ 9,626,162</u>	<u>\$ 6,921,657</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	\$ 17,538,563	\$ -
Delinquent personal property taxes receivable	-	15,523
Omitted taxes	1,654	-
Special charges placed on tax roll	682,704	-
Developer deposit	909	-
Dog licenses	2,905	-
Delinquent charges put on the tax roll	-	10,275
Revenues collected in advance	6,638	-
Developer contribution	<u>-</u>	<u>275,813</u>
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 18,233,373</u>	<u>\$ 301,611</u>

# CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

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### **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.
- Construction - Used to report proceeds of revenue bond issuances that are restricted for use in construction.

#### ***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.

#### ***Net Pension Asset***

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

**CITY OF VERONA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

**C. RESTRICTED ASSETS (cont.)**

Following is a list of restricted assets at December 31, 2018:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Bond redemption account	\$ 198,957	\$ 4,220	\$ 194,737
Bond reserve account	581,597	-	581,597
Bond depreciation account	427,450	-	427,450
Construction account	1,145,300	-	n/a
Equipment replacement account	117,000	-	117,000
Impact fee account	2,230,437	-	2,230,437
Net pension asset	1,235,175	-	1,235,175
Total	\$ 5,935,916	\$ 4,220	\$ 4,786,396

**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated/amortized				
Land	\$ 11,669,049	\$ 162,384	\$ -	\$ 11,831,433
Right of way	15,679,037	-	-	15,679,037
Construction in progress	2,335,607	5,950,718	384,098	7,902,227
Total Capital Assets Not Being Depreciated/Amortized	29,683,693	6,113,102	384,098	35,412,697
Capital assets being depreciated/amortized				
Land improvements	1,316,012	844,025	-	2,160,037
Buildings	29,702,281	526,191	606,287	29,622,185
Machinery and equipment	10,101,665	591,610	345,841	10,347,434
Streets	38,703,778	2,224,781	638,496	40,290,063
Intangible	-	92,540	-	92,540
Sidewalks	4,891,839	189,698	52,017	5,029,520
Curb and gutter	7,519,380	193,137	38,057	7,674,460
Street lights	1,452,924	-	-	1,452,924
Cemetery land	1,840,886	-	-	1,840,886
Total Capital Assets Being Depreciated/Amortized	95,528,765	4,661,982	1,680,698	98,510,049
Total Capital Assets	125,212,458	10,775,084	2,064,796	133,922,746

**CITY OF VERONA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

**D. CAPITAL ASSETS (cont.)**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities (cont.)</b>				
Less: Accumulated depreciation/amortization for				
Land improvements	\$ (74,235)	\$ (44,332)	\$ -	\$ (118,567)
Buildings	(5,867,798)	(654,063)	583,551	(5,938,310)
Machinery and equipment	(4,313,790)	(593,272)	303,671	(4,603,391)
Streets	(8,411,824)	(1,007,252)	638,496	(8,780,580)
Intangible	-	(3,085)	-	(3,085)
Sidewalks	(978,938)	(100,591)	52,017	(1,027,512)
Curb and gutter	(1,810,924)	(153,489)	38,057	(1,926,356)
Street lights	(516,702)	(96,910)	-	(613,612)
Cemetery land	(8,980)	(8,980)	-	(17,960)
	Total Accumulated			
Depreciation/Amortization	(21,983,191)	(2,661,974)	1,615,792	(23,029,373)
Net Capital Assets Being Depreciated/Amortized	73,545,574	2,000,008	64,906	75,480,676
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/Amortization	\$103,229,267	\$ 8,113,110	\$ 449,004	\$110,893,373

Depreciation/amortization expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 98,367
Public safety	459,978
Health and human services	44,840
Public works	1,569,859
Culture, education, and recreation	488,930
Total Governmental Activities Depreciation/Amortization Expense	\$ 2,661,974

## CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

#### D. CAPITAL ASSETS (cont.)

##### 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	41,060	110,527	11,857	139,730
Total Capital Assets Not Being Depreciated	106,149	110,527	11,857	204,819
Capital assets being depreciated				
Source of supply	886,061	8,999	-	895,060
Pumping	4,065,617	-	-	4,065,617
Water treatment	120,145	-	-	120,145
Transmission and distribution	35,033,133	674,964	18,350	35,689,747
General	1,195,685	89,459	15,416	1,269,728
Total Capital Assets Being Depreciated	41,300,641	773,422	33,766	42,040,297
Total Capital Assets	41,406,790	883,949	45,623	42,245,116
Less: Accumulated depreciation for				
Water plant	(8,337,522)	(941,614)	33,766	(9,245,370)
Total Accumulated Depreciation	(8,337,522)	(941,614)	33,766	(9,245,370)
Net Capital Assets Being Depreciated	32,963,119	(168,192)	-	32,794,927
Net Water Capital Assets	\$ 33,069,268	\$ (57,665)	\$ 11,857	\$ 32,999,746

**CITY OF VERONA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

**D. CAPITAL ASSETS (cont.)**

**Business-type Activities (cont.)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Sewer</u>				
Capital assets not being depreciated				
Construction in progress	\$ 66,531	\$ 260,271	\$ 35,378	\$ 291,424
Total Capital Assets Not Being Depreciated	<u>66,531</u>	<u>260,271</u>	<u>35,378</u>	<u>291,424</u>
Capital assets being depreciated				
Collection system	20,691,473	383,930	15,935	21,059,468
General	<u>1,165,649</u>	<u>59,314</u>	<u>51,207</u>	<u>1,173,756</u>
Total Capital Assets Being Depreciated	<u>21,857,122</u>	<u>443,244</u>	<u>67,142</u>	<u>22,233,224</u>
Total Capital Assets	<u>21,923,653</u>	<u>703,515</u>	<u>102,520</u>	<u>22,524,648</u>
Less: Accumulated depreciation for				
Sewer plant	<u>(4,894,538)</u>	<u>(438,467)</u>	<u>67,142</u>	<u>(5,265,863)</u>
Total Accumulated Depreciation	<u>(4,894,538)</u>	<u>(438,467)</u>	<u>67,142</u>	<u>(5,265,863)</u>
Net Capital Assets Being Depreciated	<u>16,962,584</u>	<u>4,777</u>	<u>-</u>	<u>16,967,361</u>
Net Sewer Capital Assets	<u>\$ 17,029,115</u>	<u>\$ 265,048</u>	<u>\$ 35,378</u>	<u>\$ 17,258,785</u>

**CITY OF VERONA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

**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	<u>29,694</u>	<u>610,515</u>	<u>391,844</u>	<u>248,365</u>
Total Capital Assets Not Being Depreciated	<u>3,023,174</u>	<u>610,515</u>	<u>391,844</u>	<u>3,241,845</u>
Capital assets being depreciated				
General plant	<u>27,046,105</u>	<u>950,355</u>	<u>7,196</u>	<u>27,989,264</u>
Total Capital Assets Being Depreciated	<u>27,046,105</u>	<u>950,355</u>	<u>7,196</u>	<u>27,989,264</u>
Total Capital Assets	<u>30,069,279</u>	<u>1,560,870</u>	<u>399,040</u>	<u>31,231,109</u>
Less: Accumulated depreciation for				
Stormwater plant	<u>(4,973,785)</u>	<u>(408,866)</u>	<u>7,196</u>	<u>(5,375,455)</u>
Total Accumulated Depreciation	<u>(4,973,785)</u>	<u>(408,866)</u>	<u>7,196</u>	<u>(5,375,455)</u>
Net Capital Assets Being Depreciated	<u>22,072,320</u>	<u>541,489</u>	<u>-</u>	<u>22,613,809</u>
Net Stormwater Capital Assets	<u>\$ 25,095,494</u>	<u>\$ 1,152,004</u>	<u>\$ 391,844</u>	<u>\$ 25,855,654</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 75,193,877</u>	<u>\$ 1,359,387</u>	<u>\$ 439,079</u>	<u>\$ 76,114,185</u>

Depreciation/amortization expense was charged to functions as follows:

**Business-type Activities**

Water	\$ 881,026
Sewer	417,134
Storm	<u>408,866</u>

Total Business-type Activities Depreciation Expense \$ 1,707,026

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, 2018

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

***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES 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 fund	\$ 26,346
Sewer utility	General fund	47,025
Stormwater utility	General fund	6,451
Total Internal Balances - Government-Wide Statement of Net Position		\$ 79,822

All amounts are due within one year.

***Advances***

The general fund is advancing funds to TIF District No. 4, No. 8 and No. 9. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources. The districts will pay back the advance with borrowed funds. No repayment schedule has been established and interest is not being charged. The balance at December 31, 2018 is \$105,018.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General fund	TIF District No. 4	\$ 51,911	\$ 51,911
General fund	TIF District No. 8	25,450	25,450
General fund	TIF District No. 9	27,657	27,657
Total - Fund Financial Statements		105,018	
Less: Fund eliminations		(105,018)	
Total - Interfund Advances - Government-Wide Statement of Net Position		\$ -	

**CITY OF VERONA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES 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	\$ 382,858	Debt service
Debt service	Impact fees	385,000	Debt service
Capital improvement program	General fund	200,000	Capital projects
Library	Impact fees	25,000	Impact fees collection applied to library debt
Library	Capital improvement program	30,000	Transfer library rent for debt payment.
General	Water utility	<u>712,186</u>	Payment in lieu of taxes
Total - Fund Financial Statements		1,735,044	
Less: Transfer utility capital assets to Water and Stormwater utilities from governmental activities		<u>(556,249)</u>	
Subtotal - Fund Financial Statements		1,178,795	
Less: Fund eliminations		<u>(1,022,858)</u>	
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ 155,937</u></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, 2018

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

#### F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 46,228,567	\$ 8,830,000	\$ 5,211,922	\$ 49,846,645	\$ 5,132,517
Revenue bonds	95,000	-	95,000	-	-
Premiums	426,001	-	63,764	362,237	-
Sub-totals	46,749,568	8,830,000	5,370,686	50,208,882	5,132,517
Other Liabilities					
Vested compensated absences	905,267	633,866	509,045	1,030,088	600,992
Net pension liability	289,013	-	289,013	-	-
Total Other Liabilities	1,194,280	633,866	798,058	1,030,088	600,992
Total Governmental Activities Long-Term Liabilities	\$ 47,943,848	\$ 9,463,866	\$ 6,168,744	\$ 51,238,970	\$ 5,733,509
<b>Business-type Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 4,940,000	\$ 720,000	\$ 490,000	\$ 5,170,000	\$ 530,000
Revenue bonds	1,505,000	-	345,000	1,160,000	240,000
Premiums	82,207	9,090	17,561	73,736	-
Sub-totals	6,527,207	729,090	852,561	6,403,736	770,000
Other Liabilities					
Vested compensated absences	133,796	67,235	73,280	127,751	-
Net pension liability	27,951	-	27,951	-	-
Total Other Liabilities	161,747	67,235	101,231	127,751	-
Total Business-type Activities Long-Term Liabilities	\$ 6,688,954	\$ 796,325	\$ 953,792	\$ 6,531,487	\$ 770,000

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, 2018, was \$145,392,325. Total general obligation debt outstanding at year-end was \$55,016,645.

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

### 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				Original	Balance
General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Indebtedness	December 31, 2018
General obligation refunding bonds	05/05/2010	12/01/2019	1.00-3.30%	\$ 5,405,000	\$ 225,000
General obligation corporate purpose bonds	07/27/2011	06/01/2023	0.90-3.00%	4,040,000	2,525,000
General obligation corporate purpose bonds	07/24/2012	03/01/2029	2.00-3.00%	7,220,000	4,375,000
State Trust Fund loan	03/26/2013	03/15/2023	2.75%	75,000	40,008
State Trust Fund loan	08/19/2013	03/15/2023	2.75%	600,000	316,637
General obligation refunding bonds	06/26/2013	04/01/2030	2.00-3.25%	5,215,000	4,125,000
General obligation promissory notes	06/26/2013	04/01/2023	1.00-2.10%	2,460,000	1,270,000
General obligation corporate purpose bonds	07/16/2014	6/01/2034	2.00-4.00%	8,690,000	7,150,000
General obligation promissory notes	07/22/2015	06/01/2025	2.00-2.50%	4,865,000	3,380,000
General obligation corporate purpose bonds	07/22/2015	06/01/2035	2.00-3.50%	4,765,000	4,355,000
State Trust Fund loan	10/20/2015	03/15/2023	3.25%	700,000	550,000
General obligation promissory notes	07/26/2016	06/01/2026	1.45-2.00%	8,305,000	6,520,000
General obligation promissory notes	07/20/2017	06/01/2027	2.00-2.25%	1,360,000	1,200,000
General obligation corporate purpose bonds	07/20/2017	06/01/2037	3.00-3.15%	5,265,000	4,985,000
General obligation corporate purpose bonds	07/19/2018	06/01/2038	3.00-3.50%	4,230,000	4,230,000
General obligation promissory notes	07/19/2018	06/01/2028	2.50-3.00%	4,600,000	<u>4,600,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 49,846,645</u>

**CITY OF VERONA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

**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, 2018
General obligation corporate purpose bonds	07/27/2011	06/01/2021	0.90-2.80%	\$ 560,000	\$ 185,000
General obligation corporate purpose bonds	07/24/2012	03/01/2029	2.00-3.00%	1,860,000	1,145,000
General obligation refunding bonds	06/26/2013	04/01/2030	2.00-3.25%	580,000	435,000
General obligation corporate purpose bonds	07/26/2016	06/01/2026	1.45-2.00%	1,450,000	1,165,000
General Obligation corporate purpose bonds	07/20/2017	06/01/2027	2.00-2.25%	1,675,000	1,520,000
General obligation corporate purpose bonds	07/19/2018	06/01/2038	3.00-3.50%	620,000	620,000
General obligation promissory notes	07/19/2018	06/01/2028	2.50-3.00%	100,000	<u>100,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 5,170,000</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
2019	\$ 5,132,517	\$ 1,367,991	\$ 530,000	\$ 122,090
2020	5,069,352	1,141,935	545,000	101,128
2021	5,326,280	1,016,810	565,000	88,558
2022	5,258,241	892,358	520,000	77,098
2023	4,985,255	768,975	470,000	66,830
2024-2028	14,715,000	2,424,444	1,995,000	187,728
2029-2033	6,035,000	1,031,211	330,000	52,737
2034-2038	<u>3,325,000</u>	<u>216,920</u>	<u>215,000</u>	<u>19,484</u>
Totals	<u>\$ 49,846,645</u>	<u>\$ 8,860,644</u>	<u>\$ 5,170,000</u>	<u>\$ 715,653</u>

**Revenue Debt**

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, 2018

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

**F. LONG-TERM OBLIGATIONS (cont.)**

**Revenue Debt (cont.)**

The water and sewer utilities has pledged future utility revenues to repay revenue bonds issued in 2006. 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 3% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$1,335,538. Principal and interest paid for the current year and total customer gross revenues were \$402,520 and \$4,950,371, respectively.

Revenue debt payable at December 31, 2018, consists of the following:

**Business-type Activities Revenue Debt**

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2018
<u>Water and Sewer Utility</u>					
Revenue bonds	07/01/2006	06/01/2026	4.10-4.50%	\$ 1,615,000	\$ 860,000
Revenue bonds - refunding	07/01/2006	06/01/2020	4.10-4.30%	1,100,000	<u>300,000</u>
Total Business-type Activities - Revenue Debt					<u><u>\$ 1,160,000</u></u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 240,000	\$ 45,535
2020	245,000	35,168
2021	100,000	27,725
2022	100,000	23,350
2023	110,000	18,730
2024-2026	<u>365,000</u>	<u>25,030</u>
Totals	<u><u>\$ 1,160,000</u></u>	<u><u>\$ 175,538</u></u>

**Other Debt Information**

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

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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#### *F. LONG-TERM OBLIGATIONS* (cont.)

##### *Other Debt Information* (cont.)

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.

#### *G. NET POSITION/FUND BALANCES*

Net position reported on the government wide statement of net position at December 31, 2018, includes the following:

##### *Governmental Activities*

Net Investment in Capital Assets	
Land	\$ 11,831,433
Construction in progress	7,902,227
Right of way	15,679,037
Other capital assets, net of accumulated depreciation/amortization	75,480,676
Plus: Unspent capital related debt proceeds	9,991,634
Less: Long-term capital debt outstanding	(48,648,184)
Less: Unamortized debt premium	<u>(362,237)</u>
Total Net Investment in Capital Assets	<u>\$ 71,874,586</u>

**CITY OF VERONA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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

**G. NET POSITION/FUND BALANCES (cont.)**

**Governmental Funds**

Governmental fund balances reported on the fund financial statements at December 31, 2018, include the following:

	General Fund	Debt Service	Capital Improvement Program	Nonmajor Funds	Totals
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Prepaid items	\$ 23,143	\$ -	\$ -	\$ 381	\$ 23,524
Long-term receivables	105,018	-	-	-	105,018
Sub-total	128,161	-	-	381	128,542
<b>Restricted for:</b>					
Debt service	-	278,810	-	-	278,810
Capital projects	-	-	9,991,634	-	9,991,634
Library purposes	-	-	-	316,149	316,149
TIF activities	-	-	-	2,611,301	2,611,301
Library facilities	-	-	-	361,188	361,188
Police facilities	-	-	-	1,041,046	1,041,046
Fire facilities	-	-	-	828,203	828,203
Cemetery	-	-	-	283,581	283,581
Sub-total	-	278,810	9,991,634	5,441,468	15,711,912
<b>Committed to:</b>					
Senior citizen activities and services	-	-	-	100,239	100,239
Refuse and recycling	-	-	-	183,487	183,487
Urban forestry programs	-	-	-	43,256	43,256
Cable operations	-	-	-	555,574	555,574
Tourism	-	-	-	221,649	221,649
Crime prevention	-	-	-	22,834	22,834
Fire and EMS	-	-	-	665,041	665,041
Council activities	-	-	-	100	100
EPIC grant activities	-	-	-	132,618	132,618
Equipment replacement	-	-	-	1,440,749	1,440,749
Economic development	-	-	-	756,682	756,682
Sub-total	-	-	-	4,122,229	4,122,229
<b>Assigned to:</b>					
Subsequent year's budget	460,000	-	-	-	460,000
Compensated absences payouts	306,955	-	-	-	306,955
Capital projects	-	-	4,104,317	-	4,104,317
Sub-total	766,955	-	4,104,317	-	4,871,272
<b>Unassigned (deficit):</b>					
	3,680,598	-	-	(79,349)	3,601,249
<b>Total Fund Balances</b>	<b>\$ 4,575,714</b>	<b>\$ 278,810</b>	<b>\$ 14,095,951</b>	<b>\$ 9,484,729</b>	<b>\$ 28,435,204</b>

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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#### G. NET POSITION/FUND BALANCES (cont.)

##### *Business-type Activities*

Net Investment in Capital Assets	
Construction in progress	\$ 679,519
Other capital assets, net of accumulated depreciation	75,435,666
Less: Long-term capital debt outstanding	(5,560,000)
Plus: Unspent capital related debt proceeds	1,144,300
Less: Unamortized gain on refunding	(994)
Plus: Unamortized loss on refunding	6,429
Less: Unamortized premium	(73,736)
Less: Current portion of debt outstanding	<u>(770,000)</u>
Total Net Investment in Capital Assets	<u>\$ 70,861,184</u>

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### NOTE V - OTHER INFORMATION

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#### 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, if hired on or before 12/31/2016) 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.

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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### NOTE V - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

The WRS also provides death and disability benefits for employees.

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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
2016	0.5	(5)
2017	2.0	4

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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### NOTE V - OTHER INFORMATION (cont.)

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#### 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. Starting on January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. 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 \$461,605 in contributions from the city.

Contribution rates for the plan year reported as of December 31, 2018 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

#### ***Pension Asset, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At December 31, 2018, the city reported an asset of \$1,235,175 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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 asset was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the city's proportion was 0.04160076%, which was an increase of 0.00314541% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the city recognized pension expense of \$572,367.

**CITY OF VERONA**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

**NOTE V - OTHER INFORMATION** (cont.)

**A. EMPLOYEES' RETIREMENT SYSTEM** (cont.)

At December 31, 2018, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,569,319	\$ 734,074
Changes in assumptions	244,046	-
Net differences between projected and actual earnings on pension plan investments	-	1,697,634
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	38,592
Employer contributions subsequent to the measurement date	503,440	-
Totals	\$ 2,316,805	\$ 2,470,300

\$503,440 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2019	\$ 118,578
2020	(22,975)
2021	(431,012)
2022	(324,458)
2023	2,932

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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### NOTE V - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**Actuarial assumptions.** The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset):	December 31, 2017
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair 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 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

# CITY OF VERONA

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

### 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>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
<u>Variable Fund Asset Class</u>			
U.S Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	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, 2018

**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 3.31%. 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 (asset)/liability to changes in the discount rate.** The following presents the city's proportionate share of the net pension (asset)/liability calculated using the discount rate of 7.20 percent, as well as what the city's proportionate share of the net pension (asset)/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 (asset)/liability	\$3,195,821	\$(1,235,175)	\$(4,602,871)

**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, 2018, 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, 2018

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## **NOTE V - OTHER INFORMATION (cont.)**

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### ***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 approximately 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 has been recorded 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, 2018

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### NOTE V - OTHER INFORMATION (cont.)

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#### **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, 2018. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

The city has the following encumbrances outstanding at year-end expected to be honored upon performance by the vendor:

Capital improvement program	\$ 1,307,157
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#### ***Developer Agreements***

##### ***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 city has paid a total of \$1,101,199 as of December 31, 2018 for principal and interest.

##### ***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 2018 the city did not make a payment. 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.

# CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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## **NOTE V - OTHER INFORMATION (cont.)**

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### ***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 that 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 \$431,499 for operating and capital costs to the district for 2018. 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 \$595,534 in the district that is accounted for in the governmental activities.

### ***E. SUBSEQUENT EVENTS***

The sewer utility enacted a rate increase on January 1, 2019 in conjunction with a purchased treatment clause, which automatically adjusts rates for changes in purchased treatment charges.

The water utility has filed for a rate increase with the Public Service Commission of Wisconsin.

The city has authorized the sale of \$2,510,000 of general obligation bonds, Series 2019A for the purpose of street, trail and sidewalk improvements, public works facility design costs, and the purchase of a fire truck.

### ***F. ECONOMIC DEPENDENCY***

#### ***Stormwater Utility***

The Stormwater Utility has one significant customer who was responsible for 15% of operating revenues in 2018.

#### ***Sewer Utility***

The Sewer Utility has one significant customer who was responsible for 10% of operating revenues in 2017.

# CITY OF VERONA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2018

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## **NOTE V - OTHER INFORMATION** (cont.)

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

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

- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 87, *Leases*
- > Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*
- > Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- > Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*

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, 2018

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
<b>TAXES</b>			
Property	\$ 5,100,873	\$ 5,106,438	\$ 5,565
Other taxes	155,000	192,069	37,069
Total Taxes	5,255,873	5,298,507	42,634
<b>INTERGOVERNMENTAL REVENUES</b>			
State aid - shared taxes	132,468	132,351	(117)
State aid - road aid	866,122	866,123	1
State aid - exempt computer aid	163,729	163,729	-
Other state payments	-	236	236
Payments for municipal services	26,000	10,158	(15,842)
Total Intergovernmental Revenues	1,188,319	1,172,597	(15,722)
<b>PUBLIC CHARGES FOR SERVICES</b>			
Photocopies	-	1,251	1,251
Parks	39,000	38,575	(425)
Shelter and rental fees	7,500	6,941	(559)
Recreation programs	156,345	172,708	16,363
Swimming areas	14,400	13,694	(706)
Fairs, exhibits and celebrations	18,200	23,197	4,997
Stadium	2,000	1,528	(472)
Other public charges for services	54,500	45,022	(9,478)
Total Public Charges for Services	291,945	302,916	10,971
<b>FINES, FORFEITURES AND PENALTIES</b>			
Court penalties and costs	110,000	140,567	30,567
Parking violations	20,000	17,720	(2,280)
Total Fines, Forfeitures and Penalties	130,000	158,287	28,287
<b>LICENSES AND PERMITS</b>			
Liquor and malt beverage licenses	31,600	19,704	(11,896)
Operators' license	7,000	5,154	(1,846)
Cigarette licenses	900	900	-
Amusement device licenses	4,800	3,600	(1,200)
Bicycle licenses	-	27	27
Dog licenses	5,000	6,380	1,380
Building permits	150,784	134,833	(15,951)
Electrical permits	76,965	68,901	(8,064)
Plumbing permits	81,252	67,290	(13,962)
Heating and air conditioning permits	85,469	68,828	(16,641)
Erosion control permits	99,462	41,003	(58,459)
Zoning permits and fees	-	300	300
Plan review fees	93,247	70,249	(22,998)
Other regulatory permits and fees	6,800	7,237	437
Total Licenses and Permits	643,279	494,406	(148,873)

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, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>INVESTMENT INCOME</b>			
Interest on investments	\$ 225,000	\$ 442,027	\$ 217,027
<b>MISCELLANEOUS REVENUES</b>			
Miscellaneous revenues	-	8,446	8,446
Total Revenues	<u>7,734,416</u>	<u>7,877,186</u>	<u>142,770</u>
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
Mayor and city council	148,366	123,302	25,064
Municipal court	105,771	100,612	5,159
Administration	796,284	727,616	68,668
General buildings/plant/hall	92,255	86,325	5,930
Other insurance	120,000	113,502	6,498
Other general government	<u>100,000</u>	-	<u>100,000</u>
Total General Government	<u>1,362,676</u>	<u>1,151,357</u>	<u>211,319</u>
<b>PUBLIC SAFETY</b>			
Police	3,570,874	3,348,922	221,952
Emergency government	11,050	9,152	1,898
Hydrant rental	<u>478,019</u>	<u>478,019</u>	-
Total Public Safety	<u>4,059,943</u>	<u>3,836,093</u>	<u>223,850</u>
<b>PUBLIC WORKS</b>			
Highway	<u>1,515,166</u>	<u>1,362,072</u>	<u>153,094</u>
<b>CULTURE, RECREATION AND EDUCATION</b>			
Parks	646,170	644,574	1,596
Recreation programs and events	80,728	107,347	(26,619)
Recreation administration	180,680	163,435	17,245
Recreation facilities	10,000	14,539	(4,539)
Swimming areas	<u>33,000</u>	<u>33,209</u>	<u>(209)</u>
Total Culture, Recreation and Education	<u>950,578</u>	<u>963,104</u>	<u>(12,526)</u>
<b>CONSERVATION AND DEVELOPMENT</b>			
Building Inspection	262,981	226,835	36,146
Planning	237,747	198,753	38,994
Tourism/city beautification	<u>25,000</u>	<u>23,819</u>	<u>1,181</u>
Total Conservation and Development	<u>525,728</u>	<u>449,407</u>	<u>76,321</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, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>CAPITAL OUTLAY</b>			
Capital Outlay	\$ 70,325	\$ 47,211	\$ 23,114
Total Expenditures	<u>8,484,416</u>	<u>7,809,244</u>	<u>675,172</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(750,000)</u>	<u>67,942</u>	<u>817,942</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in - utility PILOT	750,000	712,186	(37,814)
Transfers out	(200,000)	(200,000)	-
Proceeds from sale of capital assets	<u>-</u>	<u>33,104</u>	<u>33,104</u>
Total Other Financing Sources (Uses)	<u>550,000</u>	<u>545,290</u>	<u>(4,710)</u>
<b>Net Change in Fund Balance</b>	(200,000)	613,232	813,232
FUND BALANCE - Beginning of Year	<u>3,962,482</u>	<u>3,962,482</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 3,762,482</u>	<u>\$ 4,575,714</u>	<u>\$ 813,232</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, 2018

<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>
12/31/18	0.04160076%	\$ (1,235,175)	\$ 5,372,913	22.99%	102.93%
12/31/17	0.03845535%	316,964	4,933,900	6.42%	99.12%
12/31/16	0.03721105%	604,672	4,593,045	13.16%	98.20%
12/31/15	0.03657574%	(898,153)	4,286,287	20.25%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2018

<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>
12/31/18	\$ 503,440	\$ 503,440	\$ -	\$ 5,977,401	8.42%
12/31/17	486,150	486,150	-	5,357,116	9.07%
12/31/16	388,287	388,287	-	4,933,900	7.87%
12/31/15	366,842	366,842	-	4,593,045	7.99%

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, 2018

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### ***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, 2018

	Special Revenue Funds		
	Senior Citizens Center	Refuse and Recycling	Forestry
<b>ASSETS</b>			
Cash and investments	\$ 124,036	\$ 187,298	\$ 43,256
Receivables			
Taxes	508,857	692,704	14,000
Accounts	-	-	-
Promissory notes	-	-	-
Due from other governments	-	2,040	-
Prepaid items	-	-	-
Restricted cash	-	-	-
	<u>632,893</u>	<u>882,042</u>	<u>57,256</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 632,893</u></b>	<b><u>\$ 882,042</u></b>	<b><u>\$ 57,256</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 8,537	\$ 89	\$ -
Accrued liabilities	15,260	3,722	-
Advances from other funds	-	-	-
Total Liabilities	<u>23,797</u>	<u>3,811</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenues	-	2,040	-
Unearned revenues	508,857	692,704	14,000
Total Deferred Inflows of Resources	<u>508,857</u>	<u>694,744</u>	<u>14,000</u>
Fund Balances (Deficit)			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	100,239	183,487	43,256
Unassigned (Deficit)	-	-	-
Total Fund Balances (Deficit)	<u>100,239</u>	<u>183,487</u>	<u>43,256</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 632,893</u></b>	<b><u>\$ 882,042</u></b>	<b><u>\$ 57,256</u></b>

Special Revenue Funds

Cable Franchise	Impact Fees	Library	Economic Development Commission	Fire Department	Special Accounts	Cemetery
\$ 520,703	\$ -	\$ 386,147	\$ 661,125	\$ 751,582	\$ 412,625	\$ 283,699
-	-	1,241,073	-	1,322,557	517,278	-
37,574	-	-	-	-	100,733	-
-	-	-	95,557	-	-	-
-	-	-	-	-	-	-
-	-	-	-	381	-	-
<u>-</u>	<u>2,230,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 558,277</u>	<u>\$ 2,230,437</u>	<u>\$ 1,627,220</u>	<u>\$ 756,682</u>	<u>\$ 2,074,520</u>	<u>\$ 1,030,636</u>	<u>\$ 283,699</u>
\$ -	\$ -	\$ 22,382	\$ -	\$ 49,251	\$ 125,263	\$ 118
2,703	-	47,616	-	48,184	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,703</u>	<u>-</u>	<u>69,998</u>	<u>-</u>	<u>97,435</u>	<u>125,263</u>	<u>118</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>1,241,073</u>	<u>-</u>	<u>1,322,557</u>	<u>517,278</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>1,241,073</u>	<u>-</u>	<u>1,322,557</u>	<u>517,278</u>	<u>-</u>
-	-	-	-	381	-	-
-	2,230,437	316,149	-	-	-	283,581
555,574	-	-	756,682	654,147	388,095	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>555,574</u>	<u>2,230,437</u>	<u>316,149</u>	<u>756,682</u>	<u>654,528</u>	<u>388,095</u>	<u>283,581</u>
<u>\$ 558,277</u>	<u>\$ 2,230,437</u>	<u>\$ 1,627,220</u>	<u>\$ 756,682</u>	<u>\$ 2,074,520</u>	<u>\$ 1,030,636</u>	<u>\$ 283,699</u>

**CITY OF VERONA**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
As of December 31, 2018

	Capital Projects Funds		
	Revolving Funds	TIF District No. 4	TIF District No. 6
<b>ASSETS</b>			
Cash and investments	\$ 1,454,281	\$ -	\$ 2,637,862
Receivables			
Taxes	510,000	687,566	2,043,425
Accounts	-	-	-
Promissory notes	-	32,159	-
Due from other governments	-	-	-
Prepaid items	-	-	-
Restricted cash	-	-	-
	<u>\$ 1,964,281</u>	<u>\$ 719,725</u>	<u>\$ 4,681,287</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 13,532	\$ 6,490	\$ 26,561
Accrued liabilities	-	-	-
Advances from other funds	-	51,911	-
Total Liabilities	<u>13,532</u>	<u>58,401</u>	<u>26,561</u>
Deferred Inflows of Resources			
Unavailable revenues	-	-	-
Unearned revenues	510,000	687,566	2,043,425
Total Deferred Inflows of Resources	<u>510,000</u>	<u>687,566</u>	<u>2,043,425</u>
Fund Balances (Deficit)			
Nonspendable	-	-	-
Restricted	-	-	2,611,301
Committed	1,440,749	-	-
Unassigned (Deficit)	-	(26,242)	-
Total Fund Balances (Deficit)	<u>1,440,749</u>	<u>(26,242)</u>	<u>2,611,301</u>
	<u>\$ 1,964,281</u>	<u>\$ 719,725</u>	<u>\$ 4,681,287</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			

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<u>Capital Projects Funds</u>		
<u>TIF District No. 8</u>	<u>TIF District No. 9</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 7,462,614
1,082,544	3,939	8,623,943
-	-	138,307
-	-	127,716
-	-	2,040
-	-	381
-	-	<u>2,230,437</u>
<u>\$ 1,082,544</u>	<u>\$ 3,939</u>	<u>\$ 18,585,438</u>
\$ -	\$ -	\$ 252,223
-	-	117,485
<u>25,450</u>	<u>27,657</u>	<u>105,018</u>
<u>25,450</u>	<u>27,657</u>	<u>474,726</u>
-	-	2,040
<u>1,082,544</u>	<u>3,939</u>	<u>8,623,943</u>
<u>1,082,544</u>	<u>3,939</u>	<u>8,625,983</u>
-	-	381
-	-	5,441,468
-	-	4,122,229
<u>(25,450)</u>	<u>(27,657)</u>	<u>(79,349)</u>
<u>(25,450)</u>	<u>(27,657)</u>	<u>9,484,729</u>
<u>\$ 1,082,544</u>	<u>\$ 3,939</u>	<u>\$ 18,585,438</u>

## CITY OF VERONA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2018

	Special Revenue Funds		
	Senior Citizens Center	Refuse and Recycling	Forestry
<b>REVENUES</b>			
Taxes	\$ 476,938	\$ 10,000	\$ 8,000
Intergovernmental	1,500	21,867	-
Public charges for services	36,613	663,181	20,325
Fines, forfeitures and penalties	-	-	-
Licenses and permits	-	-	-
Investment income	-	-	-
Miscellaneous revenues	1,228	305	-
Total Revenues	516,279	695,353	28,325
<b>EXPENDITURES</b>			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	634,687	34,920
Health and human services	476,542	-	-
Culture, recreation and education	-	-	-
Conservation and development	-	-	-
Capital Outlay	13,311	-	-
Debt Service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	489,853	634,687	34,920
Excess (deficiency) of revenues over expenditures	26,426	60,666	(6,595)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
<b>Net Change in Fund Balances</b>	26,426	60,666	(6,595)
FUND BALANCES (DEFICIT) - Beginning of Year	73,813	122,821	49,851
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ 100,239	\$ 183,487	\$ 43,256

Special Revenue Funds

Cable Franchise	Impact Fees	Library	Economic Development Commission	Fire Department	Special Accounts	Cemetery
\$ -	\$ -	\$ 1,119,942	\$ -	\$ 1,281,883	\$ 879,660	\$ -
-	-	799,649	-	329,792	443,208	-
-	175,753	7,494	-	-	-	18,420
-	-	30,711	-	-	-	-
147,997	-	-	-	18,623	-	-
-	40,317	-	3,803	-	-	5,281
-	-	66,141	-	7,139	105,874	-
<u>147,997</u>	<u>216,070</u>	<u>2,023,937</u>	<u>3,803</u>	<u>1,637,437</u>	<u>1,428,742</u>	<u>23,701</u>
-	-	-	-	-	2,423	-
-	-	-	-	1,431,577	528,662	-
-	-	-	-	-	443,208	-
-	-	-	-	-	-	20,884
98,730	-	1,695,152	-	-	11,500	-
-	-	-	-	-	382,737	-
-	-	179,059	-	34,314	-	-
-	-	-	-	-	-	-
<u>98,730</u>	<u>-</u>	<u>1,874,211</u>	<u>-</u>	<u>1,465,891</u>	<u>1,368,530</u>	<u>20,884</u>
<u>49,267</u>	<u>216,070</u>	<u>149,726</u>	<u>3,803</u>	<u>171,546</u>	<u>60,212</u>	<u>2,817</u>
-	-	-	-	1,591	-	-
-	-	55,000	-	-	-	-
-	(410,000)	(382,858)	-	-	-	-
-	(410,000)	(327,858)	-	1,591	-	-
49,267	(193,930)	(178,132)	3,803	173,137	60,212	2,817
<u>506,307</u>	<u>2,424,367</u>	<u>494,281</u>	<u>752,879</u>	<u>481,391</u>	<u>327,883</u>	<u>280,764</u>
<u>\$ 555,574</u>	<u>\$ 2,230,437</u>	<u>\$ 316,149</u>	<u>\$ 756,682</u>	<u>\$ 654,528</u>	<u>\$ 388,095</u>	<u>\$ 283,581</u>

**CITY OF VERONA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2018

	Capital Projects Funds		
	Revolving Funds	TIF District No. 4	TIF District No. 6
<b>REVENUES</b>			
Taxes	\$ 510,000	\$ 633,407	\$ 1,677,945
Intergovernmental	31,588	2,157	5,187
Public charges for services	-	-	-
Fines, forfeitures and penalties	-	-	-
Licenses and permits	-	-	-
Investment income	27,293	3,993	38,085
Miscellaneous revenues	<u>29,727</u>	<u>-</u>	<u>38,941</u>
Total Revenues	<u>598,608</u>	<u>639,557</u>	<u>1,760,158</u>
<b>EXPENDITURES</b>			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and human services	-	-	-
Culture, recreation and education	-	-	-
Conservation and development	-	143,200	-
Capital Outlay	232,345	10,906	475,607
Debt Service			
Principal	-	445,000	833,338
Interest and fiscal charges	<u>-</u>	<u>63,155</u>	<u>121,880</u>
Total Expenditures	<u>232,345</u>	<u>662,261</u>	<u>1,430,825</u>
Excess (deficiency) of revenues over expenditures	<u>366,263</u>	<u>(22,704)</u>	<u>329,333</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	1,495	-	-
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,495</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	367,758	(22,704)	329,333
FUND BALANCES (DEFICIT) - Beginning of Year	<u>1,072,991</u>	<u>(3,538)</u>	<u>2,281,968</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 1,440,749</u>	<u>\$ (26,242)</u>	<u>\$ 2,611,301</u>

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<u>Capital Projects Funds</u>		
<u>TIF District No. 8</u>	<u>TIF District No. 9</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 6,597,775
-	-	1,634,948
-	-	921,786
-	-	30,711
-	-	166,620
-	-	118,772
-	-	<u>249,355</u>
<u>-</u>	<u>-</u>	<u>9,719,967</u>
-	-	2,423
-	-	1,960,239
-	-	1,112,815
-	-	497,426
-	-	1,805,382
3,119	4,808	533,864
-	-	945,542
-	-	1,278,338
-	-	<u>185,035</u>
<u>3,119</u>	<u>4,808</u>	<u>8,321,064</u>
<u>(3,119)</u>	<u>(4,808)</u>	<u>1,398,903</u>
-	-	3,086
-	-	55,000
-	-	<u>(792,858)</u>
-	-	<u>(734,772)</u>
(3,119)	(4,808)	664,131
<u>(22,331)</u>	<u>(22,849)</u>	<u>8,820,598</u>
<u>\$ (25,450)</u>	<u>\$ (27,657)</u>	<u>\$ 9,484,729</u>