

VERONA UTILITIES

Enterprise Funds of the
City of Verona, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2018 and 2017

VERONA UTILITIES

Enterprise Funds of the City of Verona, Wisconsin

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INDEPENDENT AUDITORS' REPORT

To the City Council
Verona Utilities
Verona, Wisconsin

We have audited the accompanying financial statements of Verona Utilities, enterprise funds of the City of Verona, Wisconsin, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Verona Utilities as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Verona Utilities enterprise funds and do not purport to, and do not, present fairly the financial position of the City of Verona, Wisconsin, as of December 31, 2018 and 2017 and the respective changes in financial position, or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Supplementary Information

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
May 2, 2019

WATER UTILITY

VERONA WATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2018 and 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and investments	\$ 2,558,061	\$ 2,067,954
Restricted Assets		
Redemption account	140,190	140,190
Customer accounts receivable	300,762	317,630
Other accounts receivable	3,501	52,605
Due from municipality	26,346	27,632
Materials and supplies	35,952	37,928
Prepayments	281	-
Due from other governments	1,185	1,130
Total Current Assets	3,066,278	2,645,069
NONCURRENT ASSETS		
Restricted Assets		
Reserve account	501,278	501,278
Depreciation account	377,760	377,760
Construction account	410,700	600,000
Net pension asset	48,523	-
Capital Assets		
Plant in service	42,105,386	41,365,730
Accumulated depreciation	(9,245,370)	(8,337,522)
Construction work in progress	139,730	41,060
Total Noncurrent Assets	34,338,007	34,548,306
Total Assets	37,404,285	37,193,375
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on advance refunding	2,610	4,281
Deferred outflows related to pension	97,730	115,165
Total Deferred Outflows of Resources	100,340	119,446

LIABILITIES		<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES			
Accounts payable		\$ 93,275	\$ 26,172
Accrued wages		22,697	12,520
Accrued interest		14,613	16,690
Current portion of general obligation debt		210,000	200,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		150,000	235,000
Accrued interest		<u>1,567</u>	<u>2,339</u>
Total Current Liabilities		<u>492,152</u>	<u>492,721</u>
NONCURRENT LIABILITIES			
General obligation debt		2,320,000	2,285,000
Revenue bonds		285,000	435,000
Unamortized premium and discount		35,160	40,377
Accrued compensated absences		54,770	49,598
Net pension liability		<u>-</u>	<u>15,493</u>
Total Noncurrent Liabilities		<u>2,694,930</u>	<u>2,825,468</u>
Total Liabilities		<u>3,187,082</u>	<u>3,318,189</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>92,201</u>	<u>48,069</u>
NET POSITION			
Net investment in capital assets		30,412,896	30,478,172
Restricted for:			
Debt service		639,901	639,129
Depreciation		377,760	377,760
Pension		48,523	-
Unrestricted		<u>2,746,262</u>	<u>2,451,502</u>
TOTAL NET POSITION		<u><u>\$ 34,225,342</u></u>	<u><u>\$ 33,946,563</u></u>

See accompanying notes to the financial statements.

VERONA WATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Sales of water	\$ 1,778,406	\$ 1,763,930
Other	<u>189,782</u>	<u>196,108</u>
Total Operating Revenues	<u>1,968,188</u>	<u>1,960,038</u>
OPERATING EXPENSES		
Operation and maintenance	834,796	675,272
Depreciation	<u>881,026</u>	<u>852,003</u>
Total Operating Expenses	<u>1,715,822</u>	<u>1,527,275</u>
OPERATING INCOME	<u>252,366</u>	<u>432,763</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	54,078	21,403
Amortization of premium, discount, and loss on refunding	6,064	4,811
Interest expense	(78,183)	(88,279)
Debt issuance costs	(5,009)	(9,773)
Gain on sale of fixed assets	717	1,932
Loss on impaired asset	<u>-</u>	<u>(56,340)</u>
Total Nonoperating Revenues (Expenses)	<u>(22,333)</u>	<u>(126,246)</u>
Income Before Contributions and Transfers	230,033	306,517
CAPITAL CONTRIBUTIONS	756,019	1,567,233
CAPITAL CONTRIBUTIONS - MUNICIPAL	4,913	349,268
TRANSFERS - TAX EQUIVALENT	<u>(712,186)</u>	<u>(694,045)</u>
CHANGE IN NET POSITION	278,779	1,528,973
NET POSITION - Beginning of Year	<u>33,946,563</u>	<u>32,417,590</u>
NET POSITION - END OF YEAR	<u><u>\$ 34,225,342</u></u>	<u><u>\$ 33,946,563</u></u>

See accompanying notes to the financial statements.

VERONA WATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,604,552	\$ 1,456,674
Received from municipality for services	478,019	478,019
Paid to suppliers for goods and services	(418,059)	(397,695)
Paid to employees for operating payroll	(413,554)	(255,495)
Net Cash Flows From Operating Activities	1,250,958	1,281,503
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(712,186)	(694,045)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(339,022)	(226,172)
Salvage on retirement of plant	14,125	29,578
Capital contributions received	306,376	68,799
Premium on bonds	2,519	10,794
Debt retired	(435,000)	(588,650)
Interest paid	(81,032)	(91,448)
Proceeds from debt issue	245,000	605,000
Debt issuance costs	(5,009)	(9,773)
Net Cash Flows From Capital and Related Financing Activities	(292,043)	(201,872)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	54,078	21,403
Net Change in Cash and Cash Equivalents	300,807	406,989
CASH AND CASH EQUIVALENTS - Beginning of Year	3,687,182	3,280,193
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,987,989	\$ 3,687,182
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	\$ 449,643	\$ 1,500,746
Municipality financed additions to utility plant	\$ 4,913	\$ -
Deferred special assessments written off	\$ -	\$ (2,312)
TIF financed additions to utility plant	\$ -	\$ 349,268
Loss on impairment	\$ -	\$ (56,340)

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 252,366	\$ 432,763
Noncash items in operating income		
Depreciation	881,026	852,003
Depreciation charged to clearing and other utilities	47,180	47,000
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Customer accounts receivable	16,868	(20,786)
Other accounts receivable	49,104	(47,699)
Due from other funds and governments	1,231	(3,860)
Materials and supplies	1,976	(3,379)
Prepayments	(281)	360
Pension related deferrals and liabilities	(2,449)	21,166
Accounts payable	(11,412)	(6,113)
Other current liabilities	<u>15,349</u>	<u>10,048</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,250,958</u>	<u>\$ 1,281,503</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 2,558,061	\$ 2,067,954
Redemption account	140,190	140,190
Reserve account	501,278	501,278
Depreciation account	377,760	377,760
Construction account	<u>410,700</u>	<u>600,000</u>
CASH AND CASH EQUIVALENTS	<u>\$ 3,987,989</u>	<u>\$ 3,687,182</u>

See accompanying notes to the financial statements.

SEWER UTILITY

VERONA SEWER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and investments	\$ 1,913,023	\$ 1,245,182
Restricted Assets		
Redemption account	58,767	67,195
Customer accounts receivable	497,829	529,513
Other accounts receivable	9,295	81,254
Due from municipality	47,025	42,580
Prepayments	281	-
Due from other governments	<u>1,658</u>	<u>1,418</u>
Total Current Assets	<u>2,527,878</u>	<u>1,967,142</u>
NONCURRENT ASSETS		
Restricted Assets		
Reserve account	80,319	80,319
Depreciation account	49,690	49,690
Replacement account	117,000	101,200
Construction account	734,600	730,000
Net pension asset	22,224	-
Other Assets		
Investment in interceptor	271,755	305,724
Deferred special assessments receivable	-	7,191
Capital Assets		
Plant in service	22,233,224	21,857,122
Accumulated depreciation	(5,265,863)	(4,894,538)
Construction work in progress	<u>291,424</u>	<u>66,531</u>
Total Noncurrent Assets	<u>18,534,373</u>	<u>18,303,239</u>
Total Assets	<u>21,062,251</u>	<u>20,270,381</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on advance refunding	-	642
Deferred outflows related to pension	<u>43,883</u>	<u>45,467</u>
Total Deferred Outflows of Resources	<u>43,883</u>	<u>46,109</u>

LIABILITIES		<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES			
Accounts payable		\$ 390,316	\$ 321,067
Accrued wages		11,049	6,493
Accrued interest		6,888	6,309
Current portion of general obligation debt		145,000	130,000
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		90,000	110,000
Accrued interest		<u>2,653</u>	<u>3,028</u>
Total Current Liabilities		<u>645,906</u>	<u>576,897</u>
NONCURRENT LIABILITIES			
General obligation debt		1,450,000	1,220,000
Revenue bonds		635,000	725,000
Unamortized premium and discount		23,136	24,955
Accrued compensated absences		49,868	40,337
Net pension liability		<u>-</u>	<u>6,754</u>
Total Noncurrent Liabilities		<u>2,158,004</u>	<u>2,017,046</u>
Total Liabilities		<u>2,803,910</u>	<u>2,593,943</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		<u>45,015</u>	<u>18,937</u>
NET POSITION			
Net investment in capital assets		15,650,249	15,549,802
Restricted for:			
Debt service		136,433	144,486
Equipment replacement		117,000	101,200
Depreciation		49,690	49,690
Pension		22,224	-
Unrestricted		<u>2,281,613</u>	<u>1,858,432</u>
TOTAL NET POSITION		<u>\$ 18,257,209</u>	<u>\$ 17,703,610</u>

See accompanying notes to the financial statements.

VERONA SEWER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Treatment charges	\$ 2,080,989	\$ 2,075,492
Other	19,890	69,211
Total Operating Revenues	2,100,879	2,144,703
OPERATING EXPENSES		
Operation and maintenance	1,859,380	1,823,075
Depreciation	417,134	406,279
Amortization	33,969	33,969
Total Operating Expenses	2,310,483	2,263,323
OPERATING LOSS	(209,604)	(118,620)
NONOPERATING REVENUES (EXPENSES)		
Investment income	49,896	13,087
Amortization of premium, discount, and loss on refunding	5,298	3,484
Interest expense	(64,662)	(56,484)
Debt issuance costs	(12,667)	(11,873)
Gain on sale of assets	1,750	3,787
Total Nonoperating Revenues (Expenses)	(20,385)	(47,999)
Loss Before Contributions	(229,989)	(166,619)
CAPITAL CONTRIBUTIONS	783,588	1,081,568
CAPITAL CONTRIBUTIONS - MUNICIPAL	-	42,942
CHANGE IN NET POSITION	553,599	957,891
NET POSITION - Beginning of Year	17,703,610	16,745,719
NET POSITION - END OF YEAR	\$ 18,257,209	\$ 17,703,610

See accompanying notes to the financial statements.

VERONA SEWER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 2,127,878	\$ 1,985,896
Paid to suppliers for goods and services	(1,645,938)	(1,650,562)
Paid to employees for operating payroll	(169,245)	(144,872)
Net Cash Flows From Operating Activities	312,695	190,462
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(356,819)	(182,581)
Salvage on retirement of plant	23,083	25,931
Capital contributions received	588,962	143,061
Premium on bonds	4,121	13,112
Debt retired	(240,000)	(210,000)
Interest paid	(64,458)	(55,434)
Proceeds from debt issue	375,000	735,000
Debt issuance costs	(12,667)	(11,873)
Net Cash Flows From Capital and Related Financing Activities	317,222	457,216
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	49,896	13,087
Net Change in Cash and Cash Equivalents	679,813	660,765
CASH AND CASH EQUIVALENTS - Beginning of Year	2,273,586	1,612,821
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,953,399	\$ 2,273,586
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	\$ 273,776	\$ 871,297
Special assessments written off	\$ (7,191)	\$ (14,044)
Capital contributions receivable	\$ (71,959)	\$ 81,254
TIF financed additions to utility plant	\$ -	\$ 42,942

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (209,604)	\$ (118,620)
Noncash items in operating loss		
Depreciation	417,134	406,279
Amortization	33,969	33,969
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Customer accounts receivable	31,684	(144,521)
Due from other funds and governments	(4,685)	(14,286)
Prepayments	(281)	-
Pension related deferrals and assets	(1,316)	9,733
Accounts payable	31,707	10,963
Other current liabilities	<u>14,087</u>	<u>6,945</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 312,695</u>	<u>\$ 190,462</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 1,913,023	\$ 1,245,182
Redemption account	58,767	67,195
Reserve account	80,319	80,319
Depreciation account	49,690	49,690
Replacement account	117,000	101,200
Construction account	<u>734,600</u>	<u>730,000</u>
CASH AND CASH EQUIVALENTS	<u>\$ 2,953,399</u>	<u>\$ 2,273,586</u>

See accompanying notes to the financial statements.

STORMWATER UTILITY

VERONA STORMWATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2018 and 2017

	ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS			
Cash and investments		\$ 1,053,913	\$ 912,486
Customer accounts receivable		179,876	142,989
Other accounts receivable		1,433	-
Due from municipality		6,451	7,484
Due from other governments		<u>365</u>	<u>323</u>
Total Current Assets		<u>1,242,038</u>	<u>1,063,282</u>
NONCURRENT ASSETS			
Restricted Assets			
Net pension asset		17,297	-
Capital Assets			
Plant in service		30,982,744	30,039,585
Accumulated depreciation		(5,375,455)	(4,973,785)
Construction work in progress		<u>248,365</u>	<u>29,694</u>
Total Noncurrent Assets		<u>25,872,951</u>	<u>25,095,494</u>
Total Assets		<u>27,114,989</u>	<u>26,158,776</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on advance refunding		3,819	4,388
Deferred outflows related to pension		<u>35,819</u>	<u>43,009</u>
Total Deferred Outflows of Resources		<u>39,638</u>	<u>47,397</u>

LIABILITIES		<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES			
Accounts payable		\$ 72,155	\$ 14,494
Accrued wages		8,387	3,435
Accrued interest		5,592	7,557
Current portion of general obligation debt		<u>175,000</u>	<u>160,000</u>
Total Current Liabilities		<u>261,134</u>	<u>185,486</u>
NONCURRENT LIABILITIES			
General obligation debt		870,000	945,000
Unamortized premium and discount		15,440	16,875
Accrued compensated absences		23,113	43,861
Net pension liability		<u>-</u>	<u>5,704</u>
Total Noncurrent Liabilities		<u>908,553</u>	<u>1,011,440</u>
Total Liabilities		<u>1,169,687</u>	<u>1,196,926</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension		33,234	19,222
Unamortized gain on refunding		<u>994</u>	<u>1,456</u>
Total Deferred Inflows of Resources		<u>34,228</u>	<u>20,678</u>
NET POSITION			
Net investment in capital assets		24,798,039	23,976,553
Restricted for:			
Pension		17,297	-
Unrestricted		<u>1,135,376</u>	<u>1,012,016</u>
TOTAL NET POSITION		<u><u>\$ 25,950,712</u></u>	<u><u>\$ 24,988,569</u></u>

See accompanying notes to the financial statements.

VERONA STORMWATER UTILITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Charges for services	\$ 605,386	\$ 561,600
Other	<u>19,313</u>	<u>18,845</u>
Total Operating Revenues	<u>624,699</u>	<u>580,445</u>
OPERATING EXPENSES		
Operation and maintenance	285,400	323,076
Depreciation	<u>408,866</u>	<u>390,191</u>
Total Operating Expenses	<u>694,266</u>	<u>713,267</u>
OPERATING LOSS	<u>(69,567)</u>	<u>(132,822)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	19,432	7,493
Amortization of premium, discount, and refunding	3,786	3,027
Interest expense	(25,290)	(23,157)
Debt issuance costs	<u>(1,515)</u>	<u>(5,411)</u>
Total Nonoperating Revenues (Expenses)	<u>(3,587)</u>	<u>(18,048)</u>
Loss Before Contributions	(73,154)	(150,870)
CAPITAL CONTRIBUTIONS	483,961	721,028
CAPITAL CONTRIBUTIONS - MUNICIPAL	<u>551,336</u>	<u>124,322</u>
CHANGE IN NET POSITION	962,143	694,480
NET POSITION - Beginning of Year	<u>24,988,569</u>	<u>24,294,089</u>
NET POSITION - END OF YEAR	<u><u>\$ 25,950,712</u></u>	<u><u>\$ 24,988,569</u></u>

See accompanying notes to the financial statements.

VERONA STORMWATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 587,370	\$ 576,845
Paid to suppliers for goods and services	(178,306)	(158,103)
Paid to employees for operating payroll	(123,296)	(100,438)
Net Cash Flows From Operating Activities	285,768	318,304
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(77,461)	(417,518)
Premium on debt	2,458	5,969
Debt retired	(160,000)	(125,000)
Interest paid	(27,255)	(21,450)
Proceeds from debt issue	100,000	335,000
Debt issuance costs	(1,515)	(5,411)
Net Cash Flows From Capital and Related Financing Activities	(163,773)	(228,410)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	19,432	7,493
Net Change in Cash and Cash Equivalents	141,427	97,387
CASH AND CASH EQUIVALENTS - Beginning of Year	912,486	815,099
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,053,913	\$ 912,486
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	\$ 483,961	\$ 721,028
Municipality financed additions to utility plant	\$ 551,336	\$ -
TIF financed additions to utility plant	\$ -	\$ 124,322

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (69,567)	\$ (132,822)
Noncash items in operating loss		
Depreciation	408,866	390,191
Discontinued prelim survey and investigation	-	47,771
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Customer accounts receivable	(36,887)	(2,654)
Other accounts receivable	(1,475)	-
Due from other funds and governments	1,033	(946)
Pension related deferrals and assets	(1,799)	7,258
Accounts payable	1,393	3,889
Other current liabilities	<u>(15,796)</u>	<u>5,617</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 285,768</u>	<u>\$ 318,304</u>

See accompanying notes to the financial statements.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

Deposits and Investments

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

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

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

Deposits and Investments (cont.)

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

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

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

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

Receivables/Payables

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

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

Materials and Supplies

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

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.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

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

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

Sewer Investment in Interceptor

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

Capital Assets

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

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

	<u>Years</u>
Water Plant	
Source of supply	35
Pumping	23 - 32
Water treatment	17
Transmission and distribution	18 - 77
General	4 - 35
Sewer Plant	
Collecting system	10 - 100
General	4 - 10
Stormwater Plant	
Detention Basins	75
Stormwater Plant	4 - 75

Pensions

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

Deferred Outflow of Resources

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

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

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

Accrued Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation and sick leave pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the utilities.

Long-Term Obligations

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

Deferred Inflows of Resources

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

REVENUES AND EXPENSES

The utilities distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the utility's principal ongoing operations. The principal operating revenues of the utilities are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charges for Services

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

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

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

Current sewer rates were approved by the city council effective January 1, 2017.

Capital Contributions

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

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

REVENUES AND EXPENSES (cont.)

Connection or Impact Fee

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

Water Loss on Impairment

During 2017, the service utility of certain water distribution assets became impaired as a result of the construction of new facilities which replaced the assets prior to the end of their intended useful life. The financial statements for the water utility include an impairment loss of \$56,340.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB 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*, and 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.

COMPARATIVE DATA

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

NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		
	2018	2017	Risks
Checking and savings accounts	<u>\$ 7,995,301</u>	<u>\$ 6,873,254</u>	Custodial credit

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest bearing and noninterest bearing).

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

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (cont.)

In addition, the utilities and other funds of the city have collateral or depository insurance agreements in the amount of \$3,362,512 and \$2,042,280 at December 31, 2018 and 2017 respectively.

Custodial Credit Risk

Deposits

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

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

	2018		2017	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Checking and savings accounts	\$ 7,995,301	\$ 7,995,301	\$ 6,873,254	\$ 6,873,254

Investment Policy

The utilities follow the investment policy of the city. That policy follows the state statute for allowable investments.

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2018 and 2017:

Due To	Due From	2018		2017	
		Amount	Principal Purpose	Amount	Principal Purpose
Water Utility	General Fund	\$ 26,346	Delinquent bills on tax roll	\$ 27,632	Delinquent bills on tax roll
Sewer Utility	General Fund	47,025	Delinquent bills on tax roll	42,580	Delinquent bills on tax roll
Stormwater Utility	General Fund	6,451	Delinquent bills on tax roll	7,484	Delinquent bills on tax roll

The following is a schedule of transfer balances for the years ending December 31, 2018 and 2017:

To	From	2018		2017	
		Amount	Principal Purpose	Amount	Principal Purpose
General Fund	Water Utility	\$ 712,186	Tax Equivalent	\$ 694,045	Tax equivalent

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 4 - RESTRICTED ASSETS

Restricted Accounts

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

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

Replacement Account

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

Net Pension Asset

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

Restricted Net Position

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

	<u>2018</u>	<u>2017</u>
Restricted Assets		
Redemption account	\$ 140,190	\$ 140,190
Reserve account	501,278	501,278
Depreciation account	377,760	377,760
Construction account	410,700	600,000
Net pension asset	48,523	-
Total Restricted Assets	<u>1,478,451</u>	<u>1,619,228</u>
Less: Restricted Assets Not Funded by Revenues		
Construction account	<u>(410,700)</u>	<u>(600,000)</u>
Current Liabilities Payable From Restricted Assets	<u>(1,567)</u>	<u>(2,339)</u>
Total Restricted Net Position as Calculated	<u>\$ 1,066,184</u>	<u>\$ 1,016,889</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

NOTE 4 - RESTRICTED ASSETS (cont.)

Restricted Net Position (cont.)

The purpose of the restricted net position is as follows:

	2018	2017
Debt service	\$ 639,901	\$ 639,129
Depreciation	377,760	377,760
Pension	48,523	-
Total Restricted Net Position	\$ 1,066,184	\$ 1,016,889

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

	2018	2017
Restricted Assets		
Redemption account	\$ 58,767	\$ 67,195
Reserve account	80,319	80,319
Depreciation account	49,690	49,690
Replacement account	117,000	101,200
Construction account	734,600	730,000
Net pension asset	22,224	-
Total Restricted Assets	1,062,600	1,028,404
Less: Restricted Assets Not Funded by Revenues		
Construction account	(734,600)	(730,000)
Current Liabilities Payable From Restricted Assets	(2,653)	(3,028)
Total Restricted Net Position as Calculated	\$ 325,347	\$ 295,376

The purpose of the restricted net position is as follows:

	2018	2017
Debt service	\$ 136,433	\$ 144,486
Equipment replacement	117,000	101,200
Depreciation	49,690	49,690
Pension	22,224	-
Total Restricted Net Position	\$ 325,347	\$ 295,376

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

	2018	2017
Restricted Assets		
Net pension asset	\$ 17,297	-
Total Restricted Net Position as Calculated	\$ 17,297	-

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 5 - CHANGES IN CAPITAL ASSETS

Water Utility

A summary of changes in water capital assets for 2018 follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
Capital assets, not being depreciated				
Land and land rights	\$ 65,089	\$ -	\$ -	\$ 65,089
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	41,365,730	773,422	33,766	42,105,386
Less: Accumulated depreciation	(8,337,522)	(941,614)	33,766	(9,245,370)
Construction in progress	41,060	110,527	11,857	139,730
Net Capital Assets	\$ 33,069,268			\$ 32,999,746

A summary of changes in water capital assets for 2017 follows:

	Balance 1/1/17	Increases	Decreases	Balance 12/31/17
Capital assets, not being depreciated				
Land and land rights	\$ 65,089	\$ -	\$ -	\$ 65,089
Capital assets being depreciated				
Source of supply	886,061	-	-	886,061
Pumping	4,051,172	22,400	7,955	4,065,617
Water treatment	120,145	-	-	120,145
Transmission and distribution	33,149,311	1,957,983	74,161	35,033,133
General	1,185,969	37,400	27,684	1,195,685
Total Capital Assets Being Depreciated	39,392,658	2,017,783	109,800	41,300,641
Total Capital Assets	39,457,747	2,017,783	109,800	41,365,730
Less: Accumulated depreciation	(7,464,333)	(899,003)	25,814	(8,337,522)
Construction in progress	82,104	11,857	52,901	41,060
Net Capital Assets	\$ 32,075,518			\$ 33,069,268

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

Sewer Utility

A summary of changes in sewer capital assets for 2018 follows:

	<u>Balance 1/1/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/18</u>
Capital assets being depreciated				
Collecting system	\$ 20,447,419	\$ 383,930	\$ 15,935	\$ 20,815,414
Collecting system pumping	244,054	-	-	244,054
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>
Less: Accumulated depreciation	<u>(4,894,538)</u>	<u>(438,467)</u>	<u>67,142</u>	<u>(5,265,863)</u>
Construction in progress	<u>66,531</u>	<u>260,271</u>	<u>35,378</u>	<u>291,424</u>
Net Capital Assets	<u>\$ 17,029,115</u>			<u>\$ 17,258,785</u>

A summary of changes in sewer capital assets for 2017 follows:

	<u>Balance 1/1/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/17</u>
Capital assets being depreciated				
Collecting system	\$ 19,537,576	\$ 914,239	\$ 4,396	\$ 20,447,419
Collecting system pumping	244,054	-	-	244,054
General	<u>1,123,623</u>	<u>69,709</u>	<u>27,683</u>	<u>1,165,649</u>
Total Capital Assets Being Depreciated	<u>20,905,253</u>	<u>983,948</u>	<u>32,079</u>	<u>21,857,122</u>
Less: Accumulated depreciation	<u>(4,498,192)</u>	<u>(406,279)</u>	<u>9,933</u>	<u>(4,894,538)</u>
Construction in progress	<u>51,279</u>	<u>15,252</u>	<u>-</u>	<u>66,531</u>
Net Capital Assets	<u>\$ 16,458,340</u>			<u>\$ 17,029,115</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

Stormwater Utility

A summary of changes in stormwater capital assets for 2018 follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
Capital assets, not being depreciated				
Land and land rights	\$ 2,881,480	\$ -	\$ -	\$ 2,881,480
Intangible	<u>112,000</u>	<u>-</u>	<u>-</u>	<u>112,000</u>
Total Capital Assets Not Being Depreciated	<u>2,993,480</u>	<u>-</u>	<u>-</u>	<u>2,993,480</u>
Capital assets being depreciated				
Stormwater Plant	26,582,349	942,855	7,196	27,518,008
General	<u>463,756</u>	<u>7,500</u>	<u>-</u>	<u>471,256</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>30,039,585</u>	<u>950,355</u>	<u>7,196</u>	<u>30,982,744</u>
Less: Accumulated depreciation	<u>(4,973,785)</u>	<u>(408,866)</u>	<u>7,196</u>	<u>(5,375,455)</u>
Construction in progress	<u>29,694</u>	<u>610,515</u>	<u>391,844</u>	<u>248,365</u>
Net Capital Assets	<u>\$ 25,095,494</u>			<u>\$ 25,855,654</u>

A summary of changes in stormwater capital assets for 2017 follows:

	Balance 1/1/17	Increases	Decreases	Balance 12/31/17
Capital assets, not being depreciated				
Land and land rights	\$ 2,881,480	\$ -	\$ -	\$ 2,881,480
Intangible	<u>112,000</u>	<u>-</u>	<u>-</u>	<u>112,000</u>
Total Capital Assets Not Being Depreciated	<u>2,993,480</u>	<u>-</u>	<u>-</u>	<u>2,993,480</u>
Capital assets being depreciated				
Stormwater Plant	25,395,585	1,201,025	14,261	26,582,349
General	<u>431,447</u>	<u>32,309</u>	<u>-</u>	<u>463,756</u>
Total Capital Assets Being Depreciated	<u>25,827,032</u>	<u>1,233,334</u>	<u>14,261</u>	<u>27,046,105</u>
Total Capital Assets	<u>28,820,512</u>	<u>1,233,334</u>	<u>14,261</u>	<u>30,039,585</u>
Less: Accumulated depreciation	<u>(4,597,855)</u>	<u>(390,191)</u>	<u>14,261</u>	<u>(4,973,785)</u>
Construction in progress	<u>3,166</u>	<u>175,900</u>	<u>149,372</u>	<u>29,694</u>
Net Capital Assets	<u>\$ 24,225,823</u>			<u>\$ 25,095,494</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 6 - LONG-TERM OBLIGATIONS

Revenue Bonds Water and Sewer

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/18
7/1/2006	Capital Projects	6/1/2026	4.10-4.50%	\$ 1,615,000	\$ 860,000
7/1/2006	Refund Prior Debt	6/1/2020	4.10-4.50	1,100,000	300,000
3/1/2008	Capital Projects	6/1/2018	2.90-3.75	1,340,000	-

Revenue bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 240,000	\$ 45,535	\$ 285,535
2020	245,000	35,168	280,168
2021	100,000	27,725	127,725
2022	100,000	23,350	123,350
2023	110,000	18,730	128,730
2024 - 2026	<u>365,000</u>	<u>25,030</u>	<u>390,030</u>
Totals	<u>\$ 1,160,000</u>	<u>\$ 175,538</u>	<u>\$ 1,335,538</u>

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2018 and 2017 were \$402,520 and \$401,543, respectively. Total customer gross revenues as defined for the same periods were \$4,950,371 and \$4,415,989. Annual principal and interest payments are expected to require 3% of gross revenues on average.

General Obligation Debt - Water

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/18
7/24/2012	Refund 2009 Build America Bonds	3/1/2029	2.00-3.00	\$ 1,205,000	\$ 895,000
6/26/2013	Refund 2010 Build America Bonds	4/1/2030	2.00-3.25	305,000	230,000
7/26/2016	Capital projects	6/1/2026	1.70-2.00	760,000	610,000
7/20/2017	Capital Projects	6/1/2027	2.00-2.25	605,000	550,000
7/19/2018	Capital Projects	6/1/2038	3.00-3.50	245,000	245,000

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt - Water (cont.)

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 210,000	\$ 59,085	\$ 269,085
2020	220,000	51,164	271,164
2021	225,000	46,264	271,264
2022	235,000	41,564	276,564
2023	250,000	36,604	286,604
2024-2028	1,095,000	103,943	1,198,943
2029-2033	195,000	24,006	219,006
2034-2038	100,000	8,649	108,649
Totals	<u>\$ 2,530,000</u>	<u>\$ 371,279</u>	<u>\$ 2,901,279</u>

General Obligation Debt - Sewer

The following general obligation bonds have been issued:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/18</u>
7/26/2016	Capital projects	6/1/2026	1.70-2.00	\$ 690,000	\$ 555,000
7/20/2017	Capital Projects	6/1/2027	2.00-2.25	735,000	665,000
7/19/2018	Capital Projects	6/1/2038	3.00-3.50	375,000	375,000

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 145,000	\$ 38,368	\$ 183,368
2020	150,000	30,943	180,943
2021	150,000	27,793	177,793
2022	160,000	24,543	184,543
2023	160,000	21,193	181,193
2024-2028	615,000	61,014	676,014
2029-2033	100,000	27,675	127,675
2034-2038	115,000	10,835	125,835
Totals	<u>\$ 1,595,000</u>	<u>\$ 242,364</u>	<u>\$ 1,837,364</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt - Stormwater

The following general obligation bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/18
7/27/2011	Capital projects	6/1/2021	0.09-2.80%	\$ 560,000	\$ 185,000
7/24/2012	Capital projects	3/1/2022	2.00-3.00	315,000	125,000
7/24/2012	Refund 2009 Build America Bonds	3/1/2022	2.00-3.00	260,000	125,000
6/26/2013	Refund 2010 Build America Bonds	4/1/2030	2.00-3.25	275,000	205,000
7/20/2017	Capital projects	6/1/2027	2.00-2.25	335,000	305,000
7/19/2018	Capital projects	6/1/2028	3.00-3.50	100,000	100,000

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2019	\$ 175,000	\$ 24,637	\$ 199,637
2020	175,000	19,021	194,021
2021	190,000	14,501	204,501
2022	125,000	10,991	135,991
2023	60,000	9,033	69,033
2024-2028	285,000	22,771	307,771
2029-2030	35,000	1,056	36,056
Totals	<u>\$ 1,045,000</u>	<u>\$ 102,010</u>	<u>\$ 1,147,010</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Water

Long-term obligation activity for the year ended December 31, 2018 is as follows:

	1/1/18 Balance	Additions	Reductions	12/31/18 Balance	Due Within One Year
Revenue bonds	\$ 670,000	\$ -	\$ 235,000	\$ 435,000	\$ 150,000
General obligation debt	2,485,000	245,000	200,000	2,530,000	210,000
Accrued compensated absences	49,598	30,129	24,957	54,770	-
Unamortized premium and discount	<u>40,377</u>	<u>2,518</u>	<u>7,735</u>	<u>35,160</u>	<u>-</u>
Totals	<u>\$ 3,244,975</u>	<u>\$ 277,647</u>	<u>\$ 467,692</u>	<u>\$ 3,054,930</u>	<u>\$ 360,000</u>

Long-term obligation activity for the year ended December 31, 2017 is as follows:

	1/1/17 Balance	Additions	Reductions	12/31/17 Balance	Due Within One Year
Revenue bonds	\$ 905,000	\$ -	\$ 235,000	\$ 670,000	\$ 235,000
General obligation debt	2,233,650	605,000	353,650	2,485,000	200,000
Accrued compensated absences	42,377	19,898	12,677	49,598	-
Unamortized premium and discount	<u>36,458</u>	<u>10,793</u>	<u>6,874</u>	<u>40,377</u>	<u>-</u>
Totals	<u>\$ 3,217,485</u>	<u>\$ 635,691</u>	<u>\$ 608,201</u>	<u>\$ 3,244,975</u>	<u>\$ 435,000</u>

Long-Term Obligations Summary - Sewer

Long-term obligation activity for the year ended December 31, 2018 is as follows:

	1/1/18 Balance	Additions	Reductions	12/31/18 Balance	Due Within One Year
Revenue bonds	\$ 835,000	\$ -	\$ 110,000	\$ 725,000	\$ 90,000
General obligation debt	1,350,000	375,000	130,000	1,595,000	145,000
Accrued compensated absences	40,337	11,743	2,212	49,868	-
Unamortized premium and discount	<u>24,955</u>	<u>4,121</u>	<u>5,940</u>	<u>23,136</u>	<u>-</u>
Totals	<u>\$ 2,250,292</u>	<u>\$ 390,864</u>	<u>\$ 248,152</u>	<u>\$ 2,393,004</u>	<u>\$ 235,000</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Sewer (cont.)

Long-term obligation activity for the year ended December 31, 2017 is as follows:

	<u>1/1/17 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/17 Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 930,000	\$ -	\$ 95,000	\$ 835,000	\$ 110,000
General obligation debt	730,000	735,000	115,000	1,350,000	130,000
Accrued compensated absences	35,709	15,768	11,140	40,337	-
Unamortized premium and discount	<u>16,141</u>	<u>16,141</u>	<u>7,327</u>	<u>24,955</u>	<u>-</u>
Totals	<u>\$ 1,711,850</u>	<u>\$ 766,909</u>	<u>\$ 228,467</u>	<u>\$ 2,250,292</u>	<u>\$ 240,000</u>

Long-Term Obligations Summary - Stormwater

Long-term obligation activity for the year ended December 31, 2018 is as follows:

	<u>1/1/18 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18 Balance</u>	<u>Due Within One Year</u>
General obligation debt	\$ 1,105,000	\$ 100,000	\$ 160,000	\$ 1,045,000	\$ 175,000
Accrued compensated absences	43,861	25,363	46,111	23,113	-
Unamortized premium and discount	<u>16,875</u>	<u>2,451</u>	<u>3,886</u>	<u>15,440</u>	<u>-</u>
Totals	<u>\$ 1,165,736</u>	<u>\$ 127,814</u>	<u>\$ 209,997</u>	<u>\$ 1,083,553</u>	<u>\$ 175,000</u>

Long-term obligation activity for the year ended December 31, 2017 is as follows:

	<u>1/1/17 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/17 Balance</u>	<u>Due Within One Year</u>
General obligation debt	\$ 895,000	\$ 335,000	\$ 125,000	\$ 1,105,000	\$ 160,000
Accrued compensated absences	36,878	17,756	10,773	43,861	-
Unamortized premium and discount	<u>13,943</u>	<u>5,958</u>	<u>3,026</u>	<u>16,875</u>	<u>-</u>
Totals	<u>\$ 945,821</u>	<u>\$ 358,714</u>	<u>\$ 138,799</u>	<u>\$ 1,165,736</u>	<u>\$ 160,000</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures

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

Insurance

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

The utilities are covered under the following insurance policies at December 31, 2018:

Type	Coverage	Expiration
<i>Cities and Villages Mutual Insurance Company</i>		
General Liability	\$ 5,000,000	Each occurrence
Excess Liability	5,000,000	Each occurrence
Workers Compensation- Bodily Injury Accident	100,000	Per accident
Workers Compensation - Bodily injury by Disease	100,000	Each employee
	500,000	Limit
Network Extortion	10,000,000	Limit
Network Security	10,000,000	Limit
Employment Practice Liability Insurance	1,000,000	Each occurrence
Equipment Breakdown	\$ 25,000,000	Limit

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Debt Coverage

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2018 and 2017 as follows:

	2018	2017
Operating revenues	\$ 4,069,067	\$ 4,104,741
Investment income	103,974	34,490
Connection fees	777,330	276,758
Less: Operation and maintenance expenses	(2,694,176)	(2,498,347)
Net Defined Earnings	\$ 2,256,195	\$ 1,917,642
Minimum Required Earnings per Resolution:		
Debt service requirement	\$ 402,520	\$ 401,543
Coverage factor	1.25	1.25
Minimum Required Earnings	\$ 503,150	\$ 501,929
Actual Debt Coverage	5.61	4.78

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2018 and 2017:

	Customers		Sales (000 gals)	
	2018	2017	2018	2017
Residential	4,292	4,231	198,123	203,531
Multifamily residential	92	92	38,555	40,708
Commercial	389	375	82,195	85,603
Industrial	40	39	40,554	43,379
Public authority	48	45	14,254	16,795
Totals	4,861	4,782	373,681	390,016

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Number of Customers and Billed Volumes - Sewer

The utility has the following number of customers and billed volumes for 2018 and 2017:

	Customers		Sales (000 gals)	
	2018	2017	2018	2017
Residential	4,107	4,042	194,678	198,735
Multifamily residential	78	75	37,882	38,212
Commercial	352	344	80,743	76,201
Industrial	34	34	19,669	19,831
Public authority	35	34	12,085	12,702
Totals	4,606	4,529	345,057	345,681

NOTE 7 - NET POSITION

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

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

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

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

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

NOTE 7 - NET POSITION (cont.)

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

	2018	2017
Construction work in progress	\$ 139,730	\$ 41,060
Plant in service	42,105,386	41,365,730
Accumulated depreciation	<u>(9,245,370)</u>	<u>(8,337,522)</u>
Sub-Totals	<u>32,999,746</u>	<u>33,069,268</u>
Less: Capital related debt		
Current portion of capital related long-term debt	360,000	435,000
Long-term portion of capital related long-term debt	2,605,000	2,720,000
Unamortized premium and discount	35,160	40,377
Unamortized loss on advanced refunding	<u>(2,610)</u>	<u>(4,281)</u>
Sub-Totals	<u>2,997,550</u>	<u>3,191,096</u>
Add: Unspent debt proceeds		
Construction funds	<u>410,700</u>	<u>600,000</u>
Total Net Investment in Capital Assets	<u>\$ 30,412,896</u>	<u>\$ 30,478,172</u>

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

	2018	2017
Construction work in progress	\$ 291,424	\$ 66,531
Plant in service	22,233,224	21,857,122
Accumulated depreciation	<u>(5,265,863)</u>	<u>(4,894,538)</u>
Sub-Totals	<u>17,258,785</u>	<u>17,029,115</u>
Less: Capital related debt		
Current portion of capital related long-term debt	235,000	240,000
Long-term portion of capital related long-term debt	2,085,000	1,945,000
Unamortized premium and discount	23,136	24,955
Unamortized loss on advance refunding	<u>-</u>	<u>(642)</u>
Sub-Totals	<u>2,343,136</u>	<u>2,209,313</u>
Add: Unspent debt proceeds		
Construction funds	<u>734,600</u>	<u>730,000</u>
Total Net Investment in Capital Assets	<u>\$ 15,650,249</u>	<u>\$ 15,549,802</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

NOTE 7 - NET POSITION (cont.)

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

	2018	2017
Construction work in progress	\$ 248,365	\$ 29,694
Plant in service	30,982,744	30,039,585
Accumulated depreciation	<u>(5,375,455)</u>	<u>(4,973,785)</u>
Sub-Totals	<u>25,855,654</u>	<u>25,095,494</u>
Less: Capital related debt		
Current portion of capital related long-term debt	175,000	160,000
Long-term portion of capital related long-term debt	870,000	945,000
Unamortized premium and discount	15,440	16,873
Unamortized gain on advance refunding	994	1,456
Unamortized loss on advance refunding	<u>(3,819)</u>	<u>(4,388)</u>
Sub-Totals	<u>1,057,615</u>	<u>1,118,941</u>
Total Net Investment in Capital Assets	<u>\$ 24,798,039</u>	<u>\$ 23,976,553</u>

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM

General Information About the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

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.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

NOTE 8 - 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	4.0

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

The WRS recognized \$34,653 and \$34,240 in contributions from the utilities during the current and prior reporting periods, respectively.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Contribution rates as of December 31, 2018 and December 31, 2017 are:

	2018		2017	
	Employee	Employer	Employee	Employer
General (including Executives and Elected Officials)	6.7%	6.7%	6.8%	6.8%
Protective with Social Security	6.7%	10.7%	6.8%	10.6%
Protective without Social Security	6.7%	14.9%	6.8%	14.9%

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

At December 31, 2018, the utilities reported a liability (asset) of \$(88,044) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (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 utilities's proportion of the net pension liability (asset) was based on the utilities's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City of Verona's proportion was .0416010%, which was an increase of .0031457% from its proportion measured as of December 31, 2016.

At December 31, 2017, the utilities reported a liability (asset) of \$27,951 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The utilities's proportion of the net pension liability (asset) was based on the utilities's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the City of Verona's proportion was .038455350%, which was an increase of .001244300% from its proportion measured as of December 31, 2015.

For the years ended December 31, 2018 and 2017, the utilities recognized pension expense of \$37,795 and \$73,812, respectively.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

	<u>Water Utility</u>		<u>Sewer Utility</u>		<u>Stormwater Utility</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 63,179	\$ 36,031	\$ 28,513	\$ 13,526	\$ 22,050	\$ 14,978
Changes in assumption	11,979	-	4,497	-	4,978	-
Net differences between project and actual earnings on pension plan	-	54,293	-	30,732	-	17,634
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,877	-	757	-	622
Employer contributions subsequent to the measurement date	<u>22,572</u>	<u>-</u>	<u>10,873</u>	<u>-</u>	<u>8,791</u>	<u>-</u>
Total	<u>\$ 97,730</u>	<u>\$ 92,201</u>	<u>\$ 43,883</u>	<u>\$ 45,015</u>	<u>\$ 35,819</u>	<u>\$ 33,234</u>

At December 31, 2017, the utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Water Utility</u>		<u>Sewer Utility</u>		<u>Stormwater Utility</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,279	\$ 46,352	\$ 2,452	\$ 18,254	\$ 1,764	\$ 18,658
Changes in assumption	15,410	-	6,069	-	6,203	-
Net differences between project and actual earnings on pension plan	74,378	-	28,199	-	28,234	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,717	-	683	-	564
Employer contributions subsequent to the measurement date	<u>19,098</u>	<u>-</u>	<u>8,747</u>	<u>-</u>	<u>6,808</u>	<u>-</u>
Total	<u>\$ 115,165</u>	<u>\$ 48,069</u>	<u>\$ 45,467</u>	<u>\$ 18,937</u>	<u>\$ 43,009</u>	<u>\$ 19,222</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

Deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date reported in the tables above will be recognized as a reduction of the net pension liability (asset) in the subsequent year. 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	Water Utility	Sewer Utility	Stormwater Utility
2019	\$ (504)	\$ (355)	\$ (184)
2020	(9,491)	(6,675)	(3,454)
2021	(7,165)	(5,028)	(2,607)
2022	117	53	39
2023	-	-	-
Thereafter	-	-	-
Total	\$ (17,043)	\$ (12,005)	\$ (6,206)

Actuarial assumptions. The total pension liability in the actuarial valuation used in the current and prior year was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018	2017
Actuarial valuation date	December 31, 2016	December 31, 2015
Measurement date of net pension liability (asset)	December 31, 2017	December 31, 2016
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Fair Value	Fair Value
Long-term expected rate of return	7.2%	7.2%
Discount rate	7.2%	7.2%
Salary increases		
Inflation	3.2%	3.2%
Seniority/Merit	0.2% - 5.6%	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%	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 used in the December 31, 2016 and 2015 actuarial valuations are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 and 2016 are based upon a roll-forward of the liability calculated from the December 31, 2016 and 2015 actuarial valuation, respectively.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

NOTE 8 - 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 as of December 31, 2018 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 U.S. CPI (Inflation) Forecast: 2.75%.
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2017 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%	8.3%	5.4%
Fixed Income	24.5	4.24	1.4
Inflation Sensitive Assets	15.5	4.3	1.5
Real Estate	8	6.5	3.6
Private Equity/Debt	7	9.4	6.5
Multi-Asset	4	6.6	3.7
Total Core Fund	110	7.4	4.5
 <u>Variable Fund Asset Class</u>			
U.S Equities	70	7.6	4.7
International Equities	30	8.5	5.6
Total Variable Fund	100	7.9	5.0

New England Pension Consultants Long-Term U.S. CPI (Inflation) Forecast: 2.75%.
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability as of December 31, 2018 and December 31, 2017. 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% in 2018 and 3.78% in 2017. 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.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

The sensitivity analysis as of December 31, 2018 follows:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Water Utility's proportionate share of the net position liability (asset)	\$ 125,545	\$ (48,523)	\$ (180,820)
Sewer Utility's proportionate share of the net position liability (asset)	57,500	(22,224)	(82,817)
Stormwater Utility's proportionate share of the net position liability (asset)	44,754	(17,297)	(64,458)

The sensitivity analysis as of December 31, 2017 follows:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Water Utility's proportionate share of the net position liability (asset)	\$ 203,906	\$ 15,493	\$ (129,582)
Sewer Utility's proportionate share of the net position liability (asset)	88,818	6,754	(56,444)
Stormwater Utility's proportionate share of the net position liability (asset)	75,058	5,704	(47,699)

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>.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Claims and Judgments

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2018 and 2017

NOTE 10 - RISK MANAGEMENT

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

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

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

Details of the plan are disclosed in the basic financial statements of the City of Verona for the years ended December 31, 2018 and 2017.

NOTE 11 - SIGNIFICANT CUSTOMERS

Sewer Utility

The utility has one significant customer who was responsible for 10% of operating revenues in 2018.

Stormwater Utility

The utility has one significant customer who was responsible for 15% and 15% of operating revenues in 2018 and 2017, respectively.

NOTE 12 - SUBSEQUENT EVENTS

The utilities evaluated subsequent events through May 2, 2019, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

Open Contracts

The water utility entered into agreements with contractors and engineers for the construction of a new water well, not to exceed \$2,734,253.

Rate Adjustment

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.

REQUIRED SUPPLEMENTAL INFORMATION

VERONA UTILITIES

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

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

The required supplementary information presented below represents the proportionate information for the enterprise funds included in this report.

	2015	2016	2017	2018
Verona Utilities' proportion of the net pension liability (asset)	.0365757%	.0372111%	.03845535%	.0416010%
Verona Utilities' proportionate share of the net pension liability (asset)	\$ (77,377)	\$ 51,118	\$ 27,951	\$ (88,044)
Verona Utilities' covered employee payroll	\$ 440,329	\$ 456,059	\$ 503,529	\$ 509,603
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%	99.12%	102.93%

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

SCHEDULE OF CONTRIBUTIONS Wisconsin Retirement System Last 10 Fiscal Years*

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

	2015	2016	2017	2018
Contractually required contributions	\$ 31,012	\$ 34,240	\$ 34,653	\$ 42,236
Contributions in relation to the contractually required contributions	31,012	34,240	34,653	42,236
Contributions deficiency (excess)	-	-	-	-
Verona Utilities' covered-employee payroll	456,059	503,529	509,603	630,388
Contributions as a percentage of covered-employee payroll	6.80%	6.60%	6.80%	6.70%

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

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

VERONA UTILITIES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2018

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

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

See independent auditors' report.

SUPPLEMENTAL INFORMATION

VERONA UTILITIES

WATER UTILITY PLANT As of and for the Year Ended December 31, 2018

	Balance 1/1/18	Additions	Retirements	Balance 12/31/18
SOURCE OF SUPPLY				
Wells and springs	\$ 886,061	\$ 8,999	\$ -	\$ 895,060
PUMPING				
Land and land rights	65,089	-	-	65,089
Structures and improvements	2,325,928	-	-	2,325,928
Electric pumping equipment	1,688,980	-	-	1,688,980
Other pumping equipment	50,709	-	-	50,709
Total Pumping	<u>4,130,706</u>	<u>-</u>	<u>-</u>	<u>4,130,706</u>
WATER TREATMENT				
Water treatment equipment	<u>120,145</u>	<u>-</u>	<u>-</u>	<u>120,145</u>
TRANSMISSION AND DISTRIBUTION				
Distribution reservoirs and standpipes	3,029,014	-	-	3,029,014
Transmission and distribution mains	24,599,746	446,026	9,539	25,036,233
Services	3,106,490	88,989	4,651	3,190,828
Meters	1,712,967	10,862	2,509	1,721,320
Hydrants	2,539,702	129,087	1,651	2,667,138
Other transmission and distribution plant	45,214	-	-	45,214
Total Transmission and Distribution	<u>35,033,133</u>	<u>674,964</u>	<u>18,350</u>	<u>35,689,747</u>
GENERAL				
Structures and improvements	451,000	-	-	451,000
Office furniture and equipment	8,156	-	-	8,156
Computer equipment	62,421	41,528	-	103,949
Transportation equipment	492,068	47,931	15,416	524,583
Tools, shop and garage equipment	38,026	-	-	38,026
Power-operated equipment	7,702	-	-	7,702
SCADA equipment	136,312	-	-	136,312
Total General	<u>1,195,685</u>	<u>89,459</u>	<u>15,416</u>	<u>1,269,728</u>
TOTAL WATER UTILITY PLANT	<u><u>\$41,365,730</u></u>	<u><u>\$ 773,422</u></u>	<u><u>\$ 33,766</u></u>	<u><u>\$42,105,386</u></u>

VERONA UTILITIES

WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Sales of Water		
Unmetered	\$ 19,121	\$ 5,090
Metered		
Residential	750,622	740,811
Multifamily residential	105,279	106,586
Commercial	241,786	249,676
Industrial	77,223	80,424
Public authorities	51,596	48,019
Total Metered Sales	1,226,506	1,225,516
Private fire protection	54,760	55,305
Public fire protection	478,019	478,019
Total Sales of Water	1,778,406	1,763,930
Other Operating Revenues		
Forfeited discounts	5,530	5,941
Miscellaneous service revenue	59,772	70,732
Rents from water property	124,480	119,435
Total Operating Revenues	1,968,188	1,960,038
OPERATING EXPENSES		
Operation and Maintenance		
Pumping		
Operation supervision and engineering	17,020	14,517
Fuel or purchased power for pumping	77,409	90,337
Pumping labor	5,428	5,493
Maintenance		
Pumping equipment	8,059	15,091
Total Pumping	107,916	125,438
Water Treatment		
Operation supervision and engineering	31,689	17,092
Chemicals	13,332	13,134
Operation labor	5,489	13,817
Maintenance		
Water treatment equipment	3,133	2,491
Total Water Treatment	53,643	46,534
Transmission and Distribution		
Operation supervision and engineering	59,052	66,093
Transmission and distribution lines	33,096	18,807
Maintenance		
Reservoirs and standpipes	165,847	73,944
Mains	44,157	13,855
Services	14,547	17,011
Meters	52,651	23,234
Hydrants	3,448	3,778
Miscellaneous	1,655	-
Total Transmission and Distribution	374,453	216,722
Customer Accounts		
Supervision	6,518	-
Accounting and collecting labor	8,194	9,090
Total Customer Accounts	14,712	9,090

VERONA UTILITIES

WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 69,681	\$ 62,920
Office supplies	24,660	20,383
Outside services employed	35,670	42,165
Property insurance	16,425	19,871
Employee pensions and benefits	112,232	119,355
Regulatory commission	2,439	-
Miscellaneous	422	1,158
Transportation	6,756	-
Maintenance	1,985	2,020
Total Administrative and General	270,270	267,872
Taxes	13,802	9,616
Total Operation and Maintenance	834,796	675,272
Depreciation	881,026	852,003
Total Operating Expenses	1,715,822	1,527,275
 OPERATING INCOME	 \$ 252,366	 \$ 432,763

VERONA UTILITIES

SEWER UTILITY PLANT
As of and for the Year Ended December 31, 2018

	Balance 1/1/18	Additions	Retirements	Adjustments	Balance 12/31/18
COLLECTING SYSTEM					
Structures and improvements	\$ 450,000	\$ -	\$ -	\$ -	\$ 450,000
Service connections	3,288,388	130,632	5,051	-	3,413,969
Collecting mains	16,603,187	253,298	10,884	-	16,845,601
Interceptor mains	104,723	-	-	-	104,723
Other collecting system equipment	1,121	-	-	-	1,121
Total Collecting System	<u>20,447,419</u>	<u>383,930</u>	<u>15,935</u>	<u>-</u>	<u>20,815,414</u>
COLLECTING SYSTEM PUMPING					
Receiving wells	172,621	-	-	-	172,621
Electric pumping equipment	71,433	-	-	-	71,433
Total Collecting System Pumping	<u>244,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,054</u>
GENERAL					
Office furniture and equipment	7,250	-	-	-	7,250
Computer equipment	72,142	34,029	-	-	106,171
Transportation equipment	541,284	25,285	51,207	-	515,362
Other general equipment	289,323	-	-	-	289,323
Other tangible property	255,650	-	-	-	255,650
Total General	<u>1,165,649</u>	<u>59,314</u>	<u>51,207</u>	<u>-</u>	<u>1,173,756</u>
 TOTAL SEWER UTILITY PLANT	 <u>\$21,857,122</u>	 <u>\$ 443,244</u>	 <u>\$ 67,142</u>	 <u>\$ -</u>	 <u>\$22,233,224</u>

VERONA UTILITIES

SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Sewer Revenues		
Residential	\$ 1,330,423	\$ 1,333,837
Multifamily residential	172,864	175,156
Commercial	423,953	410,385
Industrial	83,393	83,683
Public authorities	70,356	72,431
Total Sewer Revenues	2,080,989	2,075,492
Other Operating Revenues		
Forfeited discounts	9,770	9,139
Miscellaneous	10,120	60,072
Total Operating Revenues	2,100,879	2,144,703
 OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	182,089	149,215
Treatment charges	1,316,396	1,085,759
Utilities	6,815	7,799
Other operating supplies	6,745	4,400
Joint metering costs	47,222	46,999
Total Operation	1,559,267	1,294,172
Maintenance		
General plant structures and equipment	129,399	231,073
Administrative and General		
Office supplies	7,566	8,426
Outside services employed	3,482	125,897
Insurance	10,548	14,300
Employees pensions and benefits	69,878	69,901
Miscellaneous	2,784	2,252
Rents	48,927	50,962
Total Administrative and General	143,185	271,738
Taxes	27,529	26,092
Total Operation and Maintenance	1,859,380	1,823,075
Depreciation	417,134	406,279
Amortization	33,969	33,969
Total Operating Expenses	2,310,483	2,263,323
 OPERATING LOSS	 \$ (209,604)	 \$ (118,620)

VERONA UTILITIES

STORMWATER UTILITY PLANT As of and for the Year Ended December 31, 2018

	Balance 1/1/18	Additions	Retirements	Balance 12/31/18
INTANGIBLE				
Miscellaneous intangible plant	\$ 112,000	\$ -	\$ -	\$ 112,000
STORMWATER PLANT				
Land and land rights	2,881,480	-	-	2,881,480
Detention basins	4,520,804	-	-	4,520,804
General stormwater plant	<u>22,061,545</u>	<u>942,855</u>	<u>7,196</u>	<u>22,997,204</u>
Total Stormwater Plant	<u>29,463,829</u>	<u>942,855</u>	<u>7,196</u>	<u>30,399,488</u>
GENERAL				
Computer equipment	4,488	7,500	-	11,988
Power-operated equipment	<u>459,268</u>	<u>-</u>	<u>-</u>	<u>459,268</u>
Total General	<u>463,756</u>	<u>7,500</u>	<u>-</u>	<u>471,256</u>
TOTAL STORMWATER UTILITY PLANT	<u>\$ 30,039,585</u>	<u>\$ 950,355</u>	<u>\$ 7,196</u>	<u>\$ 30,982,744</u>

VERONA UTILITIES

STORMWATER OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Stormwater Revenues		
Residential	\$ 214,997	\$ 198,663
Multifamily residential	34,702	32,282
Small commercial and industrial	290,915	270,225
Public authorities	<u>64,772</u>	<u>60,430</u>
Total Charges for Services	<u>605,386</u>	<u>561,600</u>
Other Operating Revenues		
Forfeited discounts	1,483	1,682
Miscellaneous service revenues	<u>17,830</u>	<u>17,163</u>
Total Operating Revenues	<u>624,699</u>	<u>580,445</u>
 OPERATING EXPENSES		
Operation and Maintenance		
Maintenance	<u>61,880</u>	<u>47,449</u>
Operation supplies	<u>10,154</u>	<u>11,709</u>
Administrative and General		
Salaries	123,296	111,608
Office Supplies	7,471	9,462
Outside services employed	32,501	89,037
Property insurance	3,284	5,875
Employee pensions and benefits	<u>36,042</u>	<u>39,760</u>
Total Administrative and General	<u>202,594</u>	<u>255,742</u>
Taxes	<u>10,772</u>	<u>8,176</u>
Total Operation and Maintenance	<u>285,400</u>	<u>323,076</u>
Depreciation	<u>408,866</u>	<u>390,191</u>
Total Operating Expenses	<u>694,266</u>	<u>713,267</u>
 OPERATING LOSS	 <u>\$ (69,567)</u>	 <u>\$ (132,822)</u>