

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, 2014 and 2013

VERONA UTILITIES

Enterprise Funds of the City of Verona, Wisconsin

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INDEPENDENT AUDITORS' REPORT

To the City Council
Verona Utilities
Verona, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Verona Utilities, enterprise funds of the City of Verona, Wisconsin, as of and for the years ended December 31, 2014 and 2013, 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, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council
Verona Utilities

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Verona Utilities enterprise funds and do not purport to, and do not, present fairly the financial position of the City of Verona, Wisconsin, as of December 31, 2014 and 2013 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

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
May 27, 2015

WATER UTILITY

VERONA WATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2014 and 2013

	ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS			
Cash and investments		\$ 2,700,400	\$ 3,254,722
Restricted Assets			
Redemption account		150,763	153,585
Customer accounts receivable		302,349	293,284
Other accounts receivable		16,374	56,719
Due from municipality		34,048	33,466
Materials and supplies		26,796	25,531
Prepayments		3,300	438
Due from other governments		<u>1,128</u>	<u>1,133</u>
Total Current Assets		<u>3,235,158</u>	<u>3,818,878</u>
NONCURRENT ASSETS			
Restricted Assets			
Reserve account		220,021	245,410
Depreciation account		377,760	377,760
Other Assets			
Preliminary survey and investigation		-	19,265
Deferred special assessments receivable		2,312	2,312
Capital Assets			
Plant in service		35,785,873	34,312,783
Accumulated depreciation		(6,026,809)	(5,460,738)
Construction work in progress		<u>1,833</u>	<u>-</u>
Total Noncurrent Assets		<u>30,360,990</u>	<u>29,496,792</u>
Total Assets		<u>33,596,148</u>	<u>33,315,670</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on advance refunding		<u>11,655</u>	<u>14,881</u>

LIABILITIES		<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES			
Accounts payable		\$ 58,077	\$ 111,235
Accrued wages		10,517	6,795
Accrued interest		16,632	18,352
Current portion of general obligation debt		91,600	86,600
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		250,299	253,765
Accrued interest		<u>4,755</u>	<u>5,555</u>
Total Current Liabilities		<u>431,880</u>	<u>482,302</u>
NONCURRENT LIABILITIES			
General obligation debt		1,550,250	1,641,850
Revenue bonds		1,171,864	1,422,163
Unamortized premium and discount		24,709	27,609
Accrued compensated absences		<u>41,865</u>	<u>42,735</u>
Total Noncurrent Liabilities		<u>2,788,688</u>	<u>3,134,357</u>
Total Liabilities		<u>3,220,568</u>	<u>3,616,659</u>
NET POSITION			
Net investment in capital assets		26,683,830	25,434,939
Restricted for:			
Debt service		366,029	393,440
Depreciation		377,760	377,760
Unrestricted		<u>2,959,616</u>	<u>3,507,753</u>
TOTAL NET POSITION		<u>\$ 30,387,235</u>	<u>\$ 29,713,892</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, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Sales of water	\$ 1,704,259	\$ 1,708,489
Other	183,961	168,308
Total Operating Revenues	1,888,220	1,876,797
OPERATING EXPENSES		
Operation and maintenance	618,804	614,168
Depreciation	730,352	612,560
Total Operating Expenses	1,349,156	1,226,728
OPERATING INCOME	539,064	650,069
NONOPERATING REVENUES (EXPENSES)		
Investment income	6,710	11,019
Build America Bond interest rate subsidy	-	2,682
Amortization of premium, discount, and loss on refunding	(326)	(1,257)
Interest expense	(108,647)	(127,145)
Debt issuance costs	-	(67,807)
Total Nonoperating Revenues (Expenses)	(102,263)	(182,508)
Income Before Contributions and Transfers	436,801	467,561
CAPITAL CONTRIBUTIONS	896,489	3,821,509
CAPITAL CONTRIBUTIONS - MUNICIPAL	-	4,552,875
TRANSFERS - TAX EQUIVALENT	(659,947)	(524,652)
CHANGE IN NET POSITION	673,343	8,317,293
NET POSITION - Beginning of Year	29,713,892	21,396,599
NET POSITION - END OF YEAR	\$ 30,387,235	\$ 29,713,892

See accompanying notes to the financial statements.

VERONA WATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,447,866	\$ 1,436,323
Received from municipality for services	464,096	464,096
Paid to suppliers for goods and services	(412,935)	(508,457)
Paid to employees for operating payroll	(201,563)	(168,905)
Net Cash Flows From Operating Activities	1,297,464	1,223,057
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Paid to municipality for tax equivalent	(659,947)	(524,652)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(881,277)	(263,130)
Capital contributions received	106,049	55,536
Build America Bonds interest rate subsidy received	-	3,609
Premium on bonds	-	6,155
Debt retired	(340,365)	(618,829)
Interest paid	(111,167)	(126,816)
Proceeds from debt issue	-	305,000
Debt issuance costs	-	(7,874)
Net Cash Flows From Capital and Related Financing Activities	(1,226,760)	(646,349)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	6,710	11,019
Net Change in Cash and Cash Equivalents	(582,533)	63,075
CASH AND CASH EQUIVALENTS - Beginning of Year	4,031,477	3,968,402
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,448,944	\$ 4,031,477
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	\$ 830,785	\$ 3,718,067
Municipality financed additions to utility plant	\$ -	\$ 4,552,875
Debt issuance costs written off	\$ -	\$ (59,933)

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 539,064	\$ 650,069
Noncash items in operating income		
Depreciation	730,352	612,560
Depreciation charged to clearing and other utilities	33,384	28,152
Changes in assets and liabilities		
Customer accounts receivable	(9,065)	(2,510)
Due from other funds and governments	(577)	(2,020)
Materials and supplies	(1,265)	(4,604)
Prepayments	(2,862)	762
Accounts payable	5,581	(37,384)
Other current liabilities	<u>2,852</u>	<u>(21,968)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,297,464</u>	<u>\$ 1,223,057</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 2,700,400	\$ 3,254,722
Redemption account	150,763	153,585
Reserve account	220,021	245,410
Depreciation account	<u>377,760</u>	<u>377,760</u>
CASH AND CASH EQUIVALENTS	<u>\$ 3,448,944</u>	<u>\$ 4,031,477</u>

See accompanying notes to the financial statements.

SEWER UTILITY

VERONA SEWER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2014 and 2013

	ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS			
Cash and investments		\$ 1,204,690	\$ 1,130,835
Restricted Assets			
Redemption account		103,666	96,076
Customer accounts receivable		352,531	339,783
Other accounts receivable		113,319	214,956
Due from municipality		41,200	40,838
Prepayments		2,650	438
Due from other governments		<u>1,487</u>	<u>1,455</u>
Total Current Assets		<u>1,819,543</u>	<u>1,824,381</u>
NONCURRENT ASSETS			
Restricted Assets			
Reserve account		196,919	209,262
Depreciation account		49,690	49,690
Replacement account		60,900	52,200
Other Assets			
Unamortized capacity charge		123,971	247,943
Investment in interceptor		407,632	441,602
Deferred special assessments receivable		21,235	21,235
Capital Assets			
Plant in service		18,852,639	17,711,745
Accumulated depreciation		<u>(3,874,798)</u>	<u>(3,557,551)</u>
Total Noncurrent Assets		<u>15,838,188</u>	<u>15,176,126</u>
Total Assets		<u>17,657,731</u>	<u>17,000,507</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on advance refunding		<u>7,137</u>	<u>11,694</u>

		<u>2014</u>	<u>2013</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		\$ 213,955	\$ 203,600
Accrued wages		3,246	2,818
Accrued interest		1,227	1,654
Current portion of general obligation debt		113,100	104,550
Current Liabilities Payable from Restricted Assets			
Current portion of revenue bonds		169,701	156,235
Accrued interest		<u>4,673</u>	<u>4,939</u>
Total Current Liabilities		<u>505,902</u>	<u>473,796</u>
NONCURRENT LIABILITIES			
General obligation debt		165,202	278,302
Revenue bonds		1,103,134	1,272,835
Unamortized premium and discount		2,079	2,778
Accrued compensated absences		<u>36,208</u>	<u>37,504</u>
Total Noncurrent Liabilities		<u>1,306,623</u>	<u>1,591,419</u>
Total Liabilities		<u>1,812,525</u>	<u>2,065,215</u>
NET POSITION			
Net investment in capital assets		13,431,762	12,351,188
Restricted for:			
Debt service		295,912	300,399
Equipment replacement		60,900	52,200
Depreciation		49,690	49,690
Unrestricted		<u>2,014,079</u>	<u>2,193,509</u>
TOTAL NET POSITION		<u>\$ 15,852,343</u>	<u>\$ 14,946,986</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, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Treatment charges	\$ 1,349,122	\$ 1,349,060
Other	<u>22,577</u>	<u>24,068</u>
Total Operating Revenues	<u>1,371,699</u>	<u>1,373,128</u>
OPERATING EXPENSES		
Operation and maintenance	1,164,588	1,222,409
Depreciation	<u>320,905</u>	<u>297,229</u>
Total Operating Expenses	<u>1,485,493</u>	<u>1,519,638</u>
OPERATING LOSS	<u>(113,794)</u>	<u>(146,510)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	3,455	4,967
Amortization of investment in interceptor	(33,969)	(33,969)
Amortization of capacity charge	(123,971)	(123,971)
Amortization of premium, discount, and loss on refunding	(3,858)	(5,255)
Interest expense	(67,813)	(76,876)
Debt issuance costs	<u>-</u>	<u>(19,443)</u>
Total Nonoperating Revenues (Expenses)	<u>(226,156)</u>	<u>(254,547)</u>
Loss Before Contributions	(339,950)	(401,057)
CAPITAL CONTRIBUTIONS	1,245,307	1,586,058
CAPITAL CONTRIBUTIONS - MUNICIPAL	<u>-</u>	<u>208,733</u>
CHANGE IN NET POSITION	905,357	1,393,734
NET POSITION - Beginning of Year	<u>14,946,986</u>	<u>13,553,252</u>
NET POSITION - END OF YEAR	<u>\$ 15,852,343</u>	<u>\$ 14,946,986</u>

See accompanying notes to the financial statements.

VERONA SEWER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 1,358,557	\$ 1,372,481
Paid to suppliers for goods and services	(1,049,099)	(1,051,970)
Paid to employees for operating payroll	(108,214)	(127,793)
Net Cash Flows From Operating Activities	201,244	192,718
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(48,026)	(32,705)
Capital contributions received	250,420	(32,498)
Debt retired	(260,785)	(253,770)
Interest paid	(68,506)	(78,279)
Net Cash Flows From Capital and Related Financing Activities	(126,897)	(397,252)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	3,455	4,967
Net Change in Cash and Cash Equivalents	77,802	(199,567)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,538,063	1,737,630
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,615,865	\$ 1,538,063
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	\$ 1,096,524	\$ 1,409,516
Debt issuance costs written off	\$ -	\$ (19,443)
Municipal financed additions to utility plant	\$ -	\$ 208,733

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (113,794)	\$ (146,510)
Noncash items in operating loss		
Depreciation	320,905	297,229
Changes in assets and liabilities		
Customer accounts receivable	(12,748)	2,975
Due from other funds and governments	(394)	(3,622)
Prepayments	(2,212)	437
Accounts payable	10,355	38,473
Other current liabilities	<u>(868)</u>	<u>3,736</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 201,244</u>	<u>\$ 192,718</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET POSITION ACCOUNTS		
Cash and investments	\$ 1,204,690	\$ 1,130,835
Redemption account	103,666	96,076
Reserve account	196,919	209,262
Depreciation account	49,690	49,690
Replacement account	<u>60,900</u>	<u>52,200</u>
CASH AND CASH EQUIVALENTS	<u>\$ 1,615,865</u>	<u>\$ 1,538,063</u>

See accompanying notes to the financial statements.

STORMWATER UTILITY

VERONA STORMWATER UTILITY

STATEMENTS OF NET POSITION As of December 31, 2014 and 2013

	ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS			
Cash and investments		\$ 667,956	\$ 578,145
Customer accounts receivable		116,282	115,898
Due from municipality		8,416	7,885
Prepayments		2,162	-
Due from Dane County		<u>410</u>	<u>641</u>
Total Current Assets		<u>795,226</u>	<u>702,569</u>
NONCURRENT ASSETS			
Capital Assets			
Plant in service		25,793,622	25,096,495
Accumulated depreciation		<u>(3,885,569)</u>	<u>(3,549,812)</u>
Total Noncurrent Assets		<u>21,908,053</u>	<u>21,546,683</u>
Total Assets		<u>22,703,279</u>	<u>22,249,252</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on advance refunding		<u>6,276</u>	<u>7,144</u>

LIABILITIES		<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES			
Accounts payable		\$ 5,084	\$ 2,603
Accrued wages		2,342	1,539
Accrued interest		7,067	8,732
Current portion of general obligation debt		<u>120,000</u>	<u>115,000</u>
Total Current Liabilities		<u>134,493</u>	<u>127,874</u>
NONCURRENT LIABILITIES			
General obligation debt		1,020,000	1,140,000
Unamortized premium and discount		21,593	26,039
Accrued compensated absences		<u>39,987</u>	<u>41,210</u>
Total Noncurrent Liabilities		<u>1,081,580</u>	<u>1,207,249</u>
Total Liabilities		<u>1,216,073</u>	<u>1,335,123</u>
DEFERRED INFLOWS OF RESOURCES			
Unamortized gain on refunding		<u>3,483</u>	<u>4,293</u>
NET POSITION			
Net investment in capital assets		20,749,253	20,268,495
Unrestricted		<u>740,746</u>	<u>648,485</u>
TOTAL NET POSITION		<u><u>\$ 21,489,999</u></u>	<u><u>\$ 20,916,980</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, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Charges for services	\$ 458,307	\$ 449,082
Other	2,137	12,385
Total Operating Revenues	460,444	461,467
OPERATING EXPENSES		
Operation and maintenance	216,594	227,395
Depreciation	335,757	315,969
Total Operating Expenses	552,351	543,364
OPERATING LOSS	(91,907)	(81,897)
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,686	2,763
Build America Bond interest rate subsidy	-	2,445
Amortization of premium, discount, and refunding	4,388	5,989
Interest expense	(28,851)	(34,564)
Debt issuance costs	-	(24,225)
Total Nonoperating Revenues (Expenses)	(22,777)	(47,592)
Loss Before Contributions	(114,684)	(129,489)
CAPITAL CONTRIBUTIONS	687,703	1,549,460
CAPITAL CONTRIBUTIONS - MUNICIPAL	-	387,993
CHANGE IN NET POSITION	573,019	1,807,964
NET POSITION - Beginning of Year	20,916,980	19,109,016
NET POSITION - END OF YEAR	\$ 21,489,999	\$ 20,916,980

See accompanying notes to the financial statements.

VERONA STORMWATER UTILITY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers	\$ 459,760	\$ 458,148
Paid to suppliers for goods and services	(133,004)	(121,480)
Paid to employees for operating payroll	(83,691)	(100,608)
Net Cash Flows From Operating Activities	243,065	236,060
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(18,248)	(281,438)
Capital contributions received	8,824	-
Build America Bonds interest rate subsidy received	-	3,290
Premium on bonds	-	5,826
Debt retired	(115,000)	(395,000)
Interest paid	(30,516)	(35,272)
Proceeds from debt issue	-	275,000
Debt issuance costs	-	(2,405)
Loss on advance refunding	-	(7,145)
Net Cash Flows From Capital and Related Financing Activities	(154,940)	(437,144)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	1,686	2,763
Net Change in Cash and Cash Equivalents	89,811	(198,321)
CASH AND CASH EQUIVALENTS - Beginning of Year	578,145	776,466
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 667,956	\$ 578,145
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer financed additions to utility plant	\$ 678,879	\$ 1,549,464
Municipality financed additions to utility plant	\$ -	\$ 387,993
Debt issuance costs written off	\$ -	\$ (21,820)

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (91,907)	\$ (81,897)
Noncash items in operating loss		
Depreciation	335,757	315,969
Changes in assets and liabilities		
Customer accounts receivable	(384)	(2,455)
Other accounts receivable	231	(415)
Due from other funds	(531)	(449)
Prepayments	(2,162)	-
Accounts payable	2,481	1,981
Other current liabilities	<u>(420)</u>	<u>3,326</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 243,065</u>	<u>\$ 236,060</u>

See accompanying notes to the financial statements.

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS

As of and for the years ended December 31, 2014 and 2013

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, 2014 and 2013

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

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

Deposits and Investments (cont.)

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

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

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

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

Receivables/Payables

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

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

Materials and Supplies

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

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

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

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

Sewer Unamortized Capacity Charge

This account represents a one-time connection fee, net of amortization paid to Madison Metropolitan Sewerage District in 1996. The connection fee is being amortized on the straight-line basis over a 20 year period to correspond with the term of the debt issued to fund the payment.

Sewer Investment in Interceptor

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

Preliminary Survey and Investigation

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

Special Assessments

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

Capital Assets

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

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

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

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

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

Capital Assets (cont.)

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

Deferred Outflow of Resources

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

Accrued Compensated Absences

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

Long-Term Obligations

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

Deferred Inflows of Resources

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

REVENUES AND EXPENSES

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

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

REVENUES AND EXPENSES (cont.)

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 July 1, 2011.

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

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

Capital Contributions

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

Connection or Impact Fee

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 68, *Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. When they become effective application of these standards may restate portions of these financial statements.

COMPARATIVE DATA

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

NOTE 2 - DEPOSITS AND INVESTMENTS

	Carrying Value as of December 31,		Risks
	2014	2013	
Checking and savings accounts	<u>\$ 5,732,765</u>	<u>\$ 6,147,685</u>	Custodial credit

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

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

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

In addition, the utilities and other funds of the city have collateral or depository insurance agreements in the amount of \$4,160,873 and \$5,472,644 at December 31, 2014 and 2013 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.

	2014		2013	
	Bank Balance	Carrying Value	Bank Balance	Carrying Value
Checking and savings accounts	<u>\$ 5,732,765</u>	<u>\$ 5,732,765</u>	<u>\$ 6,147,685</u>	<u>\$ 6,147,685</u>

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

NOTE 3 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund balances for the years ending December 31, 2014 and 2013:

Due To	Due From	2014		2013	
		Amount	Principal Purpose	Amount	Principal Purpose
Water Utility	General Fund	\$ 34,048	Delinquent bills on tax roll	\$ 33,466	Delinquent bills on tax roll
Sewer Utility	General Fund	41,200	Delinquent bills on tax roll	40,838	Delinquent bills on tax roll
Stormwater	General Fund	8,416	Delinquent bills on tax roll	7,885	Delinquent bills on tax roll

The following is a schedule of transfer balances for the years ending December 31, 2014 and 2013:

To	From	2014		2013	
		Amount	Principal Purpose	Amount	Principal Purpose
General Fund	Water Utility	\$ 659,947	Tax equivalent	\$ 524,652	Tax equivalent

NOTE 4 - RESTRICTED ASSETS

Restricted Accounts

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

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

Replacement Account

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

NOTE 4 - RESTRICTED ASSETS (cont.)

Restricted Net Position

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

	2014	2013
Restricted Assets		
Redemption account	\$ 150,763	\$ 153,585
Reserve account	220,021	245,410
Depreciation account	377,760	377,760
Total Restricted Assets	748,544	776,755
Current Liabilities Payable From Restricted Assets	(4,755)	(5,555)
Total Restricted Net Position as Calculated	\$ 743,789	\$ 771,200

The purpose of the restricted net position is as follows:

	2014	2013
Debt service	\$ 366,029	\$ 393,440
Depreciation	377,760	377,760
Total	\$ 743,789	\$ 771,200

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

	2014	2013
Restricted Assets		
Redemption account	\$ 103,666	\$ 96,076
Reserve account	196,919	209,262
Depreciation account	49,690	49,690
Replacement account	60,900	52,200
Total Restricted Assets	411,175	407,228
Current Liabilities Payable From Restricted Assets	(4,673)	(4,939)
Total Restricted Net Position as Calculated	\$ 406,502	\$ 402,289

The purpose of the restricted net position is as follows:

	2014	2013
Debt service	\$ 295,912	\$ 300,399
Equipment replacement	60,900	52,200
Depreciation	49,690	49,690
Total	\$ 406,502	\$ 402,289

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

NOTE 5 - CHANGES IN CAPITAL ASSETS

Water Utility

A summary of changes in water capital assets for 2014 follows:

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
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	4,002,091	109,081	60,000	4,051,172
Water treatment	120,145	-	-	120,145
Transmission and distribution	28,342,772	1,504,796	125,271	29,722,297
General	896,625	69,928	25,444	941,109
Total Capital Assets Being Depreciated	34,247,694	1,683,805	210,715	35,720,784
Total Capital Assets	34,312,783	1,683,805	210,715	35,785,873
Less: Accumulated depreciation	(5,460,738)	(776,786)	210,715	(6,026,809)
Construction in progress	-	1,833	-	1,833
Net Capital Assets	\$ 28,852,045			\$ 29,760,897

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

	Balance 1/1/13	Increases	Decreases	Balance 12/31/13
Capital assets, not being depreciated				
Land and land rights	\$ 65,089	\$ -	\$ -	\$ 65,089
Capital assets being depreciated				
Source of supply	350,605	535,456	-	886,061
Pumping	1,590,109	2,411,982	-	4,002,091
Water treatment	7,803	112,342	-	120,145
Transmission and distribution	22,938,169	5,498,156	93,553	28,342,772
General	871,460	25,165	-	896,625
Total Capital Assets Being Depreciated	25,758,146	8,583,101	93,553	34,247,694
Total Capital Assets	25,823,235	8,583,101	93,553	34,312,783
Less: Accumulated depreciation	(4,913,579)	(640,712)	93,553	(5,460,738)
Net Capital Assets	\$ 20,909,656			\$ 28,852,045

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

Sewer Utility

A summary of changes in sewer capital assets for 2014 follows:

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
Capital assets being depreciated				
Collecting system	\$ 16,829,651	\$ 876,277	\$ 3,259	\$ 17,702,669
Collecting system pumping	-	244,054	-	244,054
General	882,094	24,222	400	905,916
Total Capital Assets Being Depreciated	17,711,745	1,144,553	3,659	18,852,639
Less: Accumulated depreciation	(3,557,551)	(320,906)	3,659	(3,874,798)
Net Capital Assets	\$ 14,154,194			\$ 14,977,841

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

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

NOTE 5 - CHANGES IN CAPITAL ASSETS (cont.)

Stormwater Utility

A summary of changes in stormwater capital assets for 2014 follows:

	Balance 1/1/14	Increases	Decreases	Balance 12/31/14
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				
Detention Basins	21,675,527	697,127	-	22,372,654
General	<u>427,488</u>	<u>-</u>	<u>-</u>	<u>427,488</u>
Total Capital Assets Being Depreciated	<u>22,103,015</u>	<u>697,127</u>	<u>-</u>	<u>22,800,142</u>
Total Capital Assets	<u>25,096,495</u>	<u>697,127</u>	<u>-</u>	<u>25,793,622</u>
Less: Accumulated depreciation	<u>(3,549,812)</u>	<u>(335,757)</u>	<u>-</u>	<u>(3,885,569)</u>
Net Capital Assets	<u>\$ 21,546,683</u>			<u>\$ 21,908,053</u>

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

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

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 12/31/14
7/1/2003	Capital Projects	6/1/2016	1.60-3.75%	\$ 1,075,000	\$ 234,998
7/1/2006	Capital Projects	6/1/2026	4.10-4.50	1,615,000	1,160,000
7/1/2006	Refund Prior Debt	6/1/2020	4.10-4.50	1,100,000	700,000
3/1/2008	Capital Projects	6/1/2018	2.90-3.75	1,340,000	600,000

Revenue bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2015	\$ 420,000	\$ 102,486	\$ 522,486
2016	440,000	85,988	525,988
2017	330,000	70,942	400,942
2018	345,000	57,520	402,520
2019	240,000	45,535	285,535
2020 - 2024	555,000	104,972	659,972
2025 - 2026	364,998	25,030	390,028
Totals	<u>\$ 2,694,998</u>	<u>\$ 492,473</u>	<u>\$ 3,187,471</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 2014 and 2013 were \$528,202 and \$562,049, respectively. Total customer gross revenues as defined for the same periods were \$3,270,084 and \$3,268,593. Annual principal and interest payments are expected to require 8% 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 12/31/14
7/1/2005	Capital projects	2/1/2015	3.25-3.50%	\$ 160,000	\$ 20,000
8/1/2008	Capital projects	8/1/2028	4.00-4.60	244,850	211,850
7/24/2012	Refund 2009 Build America Bonds	3/1/2029	2.00-3.00	1,205,000	1,120,000
6/26/2013	Refund 2010 Build America Bonds	4/1/2030	2.00-3.25	305,000	290,000

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

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>
2015	\$ 91,600	\$ 45,046	\$ 136,646
2016	76,600	42,807	119,407
2017	85,750	40,518	126,268
2018	85,750	37,988	123,738
2019	90,750	35,356	126,106
2020-2024	541,400	137,907	679,307
2025-2029	645,000	54,394	699,394
2030	<u>25,000</u>	<u>406</u>	<u>25,406</u>
Totals	<u>\$ 1,641,850</u>	<u>\$ 394,422</u>	<u>\$ 2,036,272</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 12/31/14</u>
3/1/2004	Capital projects	6/1/2016	1.30-4.40%	\$ 947,850	\$ 163,302
7/17/2007	Capital projects	6/1/2017	4.10	250,000	35,000
7/24/2012	2012 refunding	3/1/2017	3.00	80,000	80,000

General obligation bonds debt service requirements to maturity follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 113,100	\$ 8,010	\$ 121,110
2016	125,200	3,504	128,704
2017	<u>40,002</u>	<u>600</u>	<u>40,602</u>
Totals	<u>\$ 278,302</u>	<u>\$ 12,114</u>	<u>\$ 290,416</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

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 12/31/14
5/5/2010	Capital projects	5/1/2030	1.50-5.50%	\$ 310,000	\$ -
7/27/2011	Capital projects	6/1/2021	0.09-2.80	560,000	405,000
7/24/2012	Capital projects	3/1/2022	2.00-3.00	315,000	245,000
7/24/2012	Refund 2009 Build America Bonds	3/1/2022	2.00-3.00	260,000	225,000
6/26/2013	Refund 2010 Build America Bonds	4/1/2030	2.00-3.25	275,000	265,000

General obligation bonds debt service requirements to maturity follows:

Year Ending December 31	Principal	Interest	Total
2015	\$ 120,000	\$ 26,786	\$ 146,786
2016	125,000	24,363	149,363
2017	125,000	21,451	146,451
2018	130,000	18,298	148,298
2019	135,000	14,843	149,843
2020-2024	390,000	31,807	421,807
2025-2029	100,000	10,165	110,165
2030	15,000	244	15,244
Totals	<u>\$ 1,140,000</u>	<u>\$ 147,957</u>	<u>\$ 1,287,957</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Water

Long-term obligation activity for the year ended December 31, 2014 is as follows:

	<u>1/1/14</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>12/31/14</u> Balance	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 1,675,928	\$ -	\$ 253,765	\$ 1,422,163	\$ 250,299
General obligation debt	1,728,450	-	86,600	1,641,850	91,600
Accrued compensated absences	42,735	14,703	15,573	41,865	-
Unamortized premium	<u>27,609</u>	<u>-</u>	<u>2,900</u>	<u>24,709</u>	<u>-</u>
Totals	<u>\$ 3,474,722</u>	<u>\$ 14,703</u>	<u>\$ 358,838</u>	<u>\$ 3,130,587</u>	<u>\$ 341,899</u>

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

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

Long-Term Obligations Summary - Sewer

Long-term obligation activity for the year ended December 31, 2014 is as follows:

	<u>1/1/14</u> Balance	<u>Additions</u>	<u>Reductions</u>	<u>12/31/14</u> Balance	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 1,429,070	\$ -	\$ 156,235	\$ 1,272,835	\$ 169,701
General obligation debt	382,852	-	104,550	278,302	113,100
Accrued compensated absences	37,504	11,496	12,792	36,208	-
Unamortized premium and discount	<u>2,778</u>	<u>-</u>	<u>699</u>	<u>2,079</u>	<u>-</u>
Totals	<u>\$ 1,852,204</u>	<u>\$ 11,496</u>	<u>\$ 274,276</u>	<u>\$ 1,589,424</u>	<u>\$ 282,801</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Long-Term Obligations Summary - Sewer (cont.)

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

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

Long-Term Obligations Summary Stormwater

Long-term obligation activity for the year ended December 31, 2014 is as follows:

	<u>1/1/14 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/14 Balance</u>	<u>Due Within One Year</u>
General obligation debt	\$ 1,255,000	\$ -	\$ 115,000	\$ 1,140,000	\$ 120,000
Accrued compensated absences	41,210	10,803	12,026	39,987	-
Unamortized premium and discount	<u>26,039</u>	<u>-</u>	<u>4,446</u>	<u>21,593</u>	<u>-</u>
Totals	<u>\$ 1,322,249</u>	<u>\$ 10,803</u>	<u>\$ 131,472</u>	<u>\$ 1,201,580</u>	<u>\$ 120,000</u>

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

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the years ended December 31, 2014 and 2013

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Advance Refunding and Current Refunding

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

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

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

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

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

As the refunded bonds were a city-wide issue, please see City of Verona financial statements for the remaining defeased bonds outstanding.

Bond Covenant Disclosures

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

Insurance

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Insurance (cont.)

The utilities are covered under the following insurance policies at December 31, 2014:

Type	Coverage	Expiration
<i>Cities and Villages Mutual Insurance Company</i>		
General Liability	\$ 5,000,000 Limit	1/1/2015
Automobile Liability	10,000,000 Per occurrence	1/1/2015
Excess Liability	5,000,000 Limit	1/1/2015
Workers Compensation- Bodily Injury Accident		
	\$ 100,000 Per accident	1/1/2015
Workers Compensation - Bodily Injury by Disease	100,000 Each employee	1/1/2015
	500,000 Limit	
Employee Theft		
	\$ 1,000,000 Per Loss	1/1/2015
Forgery	1,000,000 Limit	1/1/2015
Employment Practice Liability Insurance		
	1,000,000 Limit	1/1/2015
Boiler and Machinery Coverage	100,000,000 Limit	1/1/2015

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 2014 and 2013 as follows:

	2014	2013
Operating revenues	\$ 3,259,919	\$ 3,249,925
Investment income	10,165	15,986
Build America Bonds interest rate subsidy	-	2,682
Less: Operation and maintenance expenses	<u>(1,783,998)</u>	<u>(1,836,577)</u>
Net Defined Earnings	<u>\$ 1,486,086</u>	<u>\$ 1,432,016</u>
Minimum Required Earnings per Resolution:		
Debt service requirement	\$ 525,987	\$ 528,202
Coverage factor	<u>1.25</u>	<u>1.25</u>
Minimum Required Earnings	<u>\$ 657,484</u>	<u>\$ 660,253</u>
Actual Debt Coverage	<u>2.83</u>	<u>2.71</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

NOTE 6 - LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures (cont.)

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2014 and 2013:

	Customers		Sales (000 gals)	
	2014	2013	2014	2013
Residential	3,468	3,396	181,359	186,805
Commercial	960	917	140,906	145,052
Industrial	75	75	35,166	35,376
Public authority	46	46	16,681	15,714
Totals	<u>4,549</u>	<u>4,434</u>	<u>374,112</u>	<u>382,947</u>

Number of Customers and Billed Volumes - Sewer

The utility has the following number of customers and billed volumes for 2014 and 2013:

	Customers		Sales (000 gals)	
	2014	2013	2014	2013
Residential	3,268	3,180	176,772	181,347
Commercial	873	867	118,001	118,420
Industrial	67	67	10,413	11,388
Public authority	34	34	11,751	11,608
Totals	<u>4,242</u>	<u>4,148</u>	<u>316,937</u>	<u>322,763</u>

NOTE 7 - NET POSITION

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

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

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS As of and for the years ended December 31, 2014 and 2013

NOTE 7 - NET POSITION (cont.)

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.

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

	2014	2013
Plant in service	\$ 35,785,873	\$ 34,312,783
Accumulated depreciation	(6,026,809)	(5,460,738)
Construction work in progress	1,833	-
Sub-Totals	29,760,897	28,852,045
Less: Capital related debt		
Current portion of capital related long-term debt	341,899	340,365
Long-term portion of capital related long-term debt	2,722,114	3,064,013
Unamortized premium and discount	24,709	27,609
Unamortized loss on advance refunding	(11,655)	(14,881)
Sub-Totals	3,077,067	3,417,106
Total Net Investment in Capital Assets	\$ 26,683,830	\$ 25,434,939

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

	2014	2013
Plant in service	\$ 18,852,639	\$ 17,711,745
Accumulated depreciation	(3,874,798)	(3,557,551)
Sub-Totals	14,977,841	14,154,194
Less: Capital related debt		
Current portion of capital related long-term debt	282,801	260,785
Long-term portion of capital related long-term debt	1,268,336	1,551,137
Unamortized premium and discount	2,079	2,778
Unamortized loss on advance refunding	(7,137)	(11,694)
Sub-Totals	1,546,079	1,803,006
Total Net Investment in Capital Assets	\$ 13,431,762	\$ 12,351,188

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

NOTE 7 - NET POSITION (cont.)

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

	2014	2013
Plant in service	\$ 25,793,622	\$ 25,096,495
Accumulated depreciation	<u>(3,885,569)</u>	<u>(3,549,812)</u>
Sub-Totals	<u>21,908,053</u>	<u>21,546,683</u>
Less: Capital related debt		
Current portion of capital related long-term debt	120,000	115,000
Long-term portion of capital related long-term debt	1,020,000	1,140,000
Unamortized premium and discount	21,593	26,039
Unamortized loss on advance refunding	(6,276)	(7,144)
Unamortized gain on advance refunding	<u>3,483</u>	<u>4,293</u>
Sub-Totals	<u>1,158,800</u>	<u>1,278,188</u>
Total Net Investment in Capital Assets	<u>\$ 20,749,253</u>	<u>\$ 20,268,495</u>

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM

All eligible employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2014 and 2013 were:

	<u>Employees</u>	<u>Employer</u>
2014 General category	7.00%	7.00%
2013 General category	6.65%	6.65%

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

	Year Ended December 31		
	2014	2013	2012
Total Covered Employee Payroll	<u>\$ 440,329</u>	<u>\$ 421,620</u>	<u>\$ 386,536</u>
Total Required Contributions	<u>\$ 61,646</u>	<u>\$ 56,075</u>	<u>\$ 45,611</u>
Total Required Contributions	<u>14.0%</u>	<u>13.3%</u>	<u>11.8%</u>

VERONA UTILITIES

NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

NOTE 8 - EMPLOYEES RETIREMENT SYSTEM (cont.)

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Claims and Judgments

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

NOTE 10 - RISK MANAGEMENT

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

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

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

Details of the plan are disclosed in the basic financial statements of the City of Verona for the years ended December 31, 2014 and 2013.

S U P P L E M E N T A L I N F O R M A T I O N

VERONA UTILITIES

WATER UTILITY PLANT As of and for the Year Ended December 31, 2014

	Balance 1/1/14	Additions	Retirements	Balance 12/31/14
SOURCE OF SUPPLY				
Wells and springs	\$ 886,061	\$ -	\$ -	\$ 886,061
PUMPING				
Land and land rights	65,089	-	-	65,089
Structures and improvements	2,325,928	-	-	2,325,928
Electric pumping equipment	1,625,454	109,081	60,000	1,674,535
Other pumping equipment	50,709	-	-	50,709
Total Pumping	<u>4,067,180</u>	<u>109,081</u>	<u>60,000</u>	<u>4,116,261</u>
WATER TREATMENT				
Water treatment equipment	<u>120,145</u>	-	-	<u>120,145</u>
TRANSMISSION AND DISTRIBUTION				
Distribution reservoirs and standpipes	3,029,014	-	-	3,029,014
Transmission and distribution mains	19,683,817	971,572	35,732	20,619,657
Services	2,530,396	177,038	5,438	2,701,996
Meters	1,127,331	254,282	81,035	1,300,578
Hydrants	1,927,000	101,904	3,066	2,025,838
Other transmission and distribution plant	45,214	-	-	45,214
Total Transmission and Distribution	<u>28,342,772</u>	<u>1,504,796</u>	<u>125,271</u>	<u>29,722,297</u>
GENERAL				
Structures and improvements	451,000	-	-	451,000
Office furniture and equipment	8,156	-	-	8,156
Computer equipment	56,933	1,362	400	57,895
Transportation equipment	200,687	68,566	25,044	244,209
Tools, shop and garage equipment	35,835	-	-	35,835
Power-operated equipment	7,702	-	-	7,702
SCADA equipment	136,312	-	-	136,312
Total General	<u>896,625</u>	<u>69,928</u>	<u>25,444</u>	<u>941,109</u>
TOTAL WATER UTILITY PLANT	<u><u>\$34,312,783</u></u>	<u><u>\$ 1,683,805</u></u>	<u><u>\$ 210,715</u></u>	<u><u>\$35,785,873</u></u>

VERONA UTILITIES

WATER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Sales of Water		
Unmetered	\$ 65,736	\$ 60,281
Metered		
Residential	636,781	642,785
Commercial	383,478	389,955
Industrial	65,410	65,866
Public authorities	44,990	42,910
Total Metered Sales	1,130,659	1,141,516
Private fire protection	43,768	42,596
Public fire protection	464,096	464,096
Total Sales of Water	1,704,259	1,708,489
Other Operating Revenues		
Forfeited discounts	7,945	8,439
Miscellaneous service revenue	54,114	44,481
Rents from water property	121,902	115,388
Total Operating Revenues	1,888,220	1,876,797
OPERATING EXPENSES		
Operation and Maintenance		
Pumping		
Operation supervision and engineering	9,800	12,859
Fuel or purchased power for pumping	85,314	106,591
Pumping labor	5,957	5,179
Maintenance		
Pumping equipment	14,175	8,871
Total Pumping	115,246	133,500
Water Treatment		
Operation supervision and engineering	9,811	9,724
Chemicals	14,183	15,797
Operation labor	15,477	11,946
Maintenance		
Water treatment equipment	2,594	807
Total Water Treatment	42,065	38,274
Transmission and Distribution		
Operation supervision and engineering	64,810	54,886
Transmission and distribution lines	29,490	28,079
Maintenance		
Reservoirs and standpipes	33,826	30,517
Mains	27,204	70,861
Services	9,199	8,217
Meters	26,450	26,448
Hydrants	6,730	13,291
Miscellaneous	118	-
Total Transmission and Distribution	197,827	232,299
Customer Accounts		
Meter reading	4,437	5,463
Accounting and collecting labor	9,171	21,882
Total Customer Accounts	13,608	27,345

VERONA UTILITIES

WATER UTILITY OPERATING REVENUES AND EXPENSES (cont.) For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING EXPENSES (cont.)		
Operation and Maintenance (cont.)		
Administrative and General		
Salaries	\$ 41,913	\$ 29,118
Office supplies	17,138	17,942
Outside services employed	89,395	51,909
Property insurance	11,106	9,990
Employee pensions and benefits	75,813	60,624
Miscellaneous	205	61
Maintenance	<u>2,608</u>	<u>1,874</u>
Total Administrative and General	<u>238,178</u>	<u>171,518</u>
Taxes	<u>11,880</u>	<u>11,232</u>
Total Operation and Maintenance	618,804	614,168
Depreciation	<u>730,352</u>	<u>612,560</u>
Total Operating Expenses	<u>1,349,156</u>	<u>1,226,728</u>
 OPERATING INCOME	 <u>\$ 539,064</u>	 <u>\$ 650,069</u>

VERONA UTILITIES

RATE OF RETURN - REGULATORY BASIS For the Years Ended December 31, 2014 and 2013

	Water	
	2014	2013
Utility Financed Plant in Service		
Beginning of year	\$ 13,936,119	\$ 9,164,636
End of year	<u>14,622,660</u>	<u>13,936,119</u>
Average	<u>14,279,390</u>	<u>11,550,378</u>
Utility Financed Accumulated Depreciation		
Beginning of year	(2,955,169)	(2,700,335)
End of year	<u>(3,240,189)</u>	<u>(2,955,169)</u>
Average	<u>(3,097,679)</u>	<u>(2,827,752)</u>
Materials and Supplies		
Beginning of year	25,531	20,927
End of year	<u>26,796</u>	<u>25,531</u>
Average	<u>26,164</u>	<u>23,229</u>
Regulatory Liability		
Beginning of year	(375,156)	(412,671)
End of year	<u>(337,641)</u>	<u>(375,156)</u>
Average	<u>(356,399)</u>	<u>(393,914)</u>
AVERAGE NET RATE BASE	<u>\$ 10,851,476</u>	<u>\$ 8,351,941</u>
OPERATING INCOME - REGULATORY BASIS	<u>\$ 204,404</u>	<u>\$ 417,741</u>
RATE OF RETURN (PERCENT)	<u>1.88</u>	<u>5.00</u>
AUTHORIZED RATE OF RETURN (PERCENT)	<u>6.50</u>	<u>6.50</u>

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

VERONA UTILITIES

SEWER UTILITY PLANT As of and for the Year Ended December 31, 2014

	Balance 1/1/14	Additions	Retirements	Balance 12/31/14
COLLECTING SYSTEM				
Structures and improvements	\$ 450,000	\$ -	\$ -	\$ 450,000
Service connections	2,664,968	155,036	-	2,820,004
Collecting mains	13,608,839	721,241	3,259	14,326,821
Interceptor mains	104,723	-	-	104,723
Other collecting system equipment	1,121	-	-	1,121
Total Collecting System	<u>16,829,651</u>	<u>876,277</u>	<u>3,259</u>	<u>17,702,669</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>244,054</u>
GENERAL				
Office furniture and equipment	7,250	-	-	7,250
Computer equipment	60,961	1,362	400	61,923
Transportation equipment	301,219	22,860	-	324,079
Other general equipment	257,014	-	-	257,014
Other tangible property	255,650	-	-	255,650
Total General	<u>882,094</u>	<u>24,222</u>	<u>400</u>	<u>905,916</u>
TOTAL SEWER UTILITY PLANT	<u>\$17,711,745</u>	<u>\$ 1,144,553</u>	<u>\$ 3,659</u>	<u>\$18,852,639</u>

VERONA UTILITIES

SEWER UTILITY OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Sewer Revenues		
Residential	\$ 783,163	\$ 789,158
Commercial	477,030	468,625
Industrial	40,448	43,391
Public authorities	48,481	47,886
Total Sewer Revenues	1,349,122	1,349,060
Other Operating Revenues		
Forfeited discounts	9,696	10,322
Miscellaneous	12,881	13,746
Total Operating Revenues	1,371,699	1,373,128
OPERATING EXPENSES		
Operation and Maintenance		
Operation		
Supervision and labor	108,214	127,793
Treatment charges	805,934	763,822
Utilities	6,788	6,543
Other operating supplies	3,505	3,858
Joint metering costs	33,384	28,149
Total Operation	957,825	930,165
Maintenance		
General plant structures and equipment	41,736	144,069
Administrative and General		
Office supplies	7,027	4,794
Outside services employed	34,839	36,555
Insurance	7,781	7,500
Employees pensions and benefits	61,013	49,331
Miscellaneous	30	2,210
Rents	34,780	29,468
Total Administrative and General	145,470	129,858
Taxes	19,557	18,317
Total Operation and Maintenance	1,164,588	1,222,409
Depreciation	320,905	297,229
Total Operating Expenses	1,485,493	1,519,638
 OPERATING LOSS	 \$ (113,794)	 \$ (146,510)

VERONA UTILITIES

STORM WATER UTILITY PLANT As of and for the Year Ended December 31, 2014

	Balance 1/1/14	Additions	Retirements	Balance 12/31/14
INTANGIBLE				
Miscellaneous intangible plant	\$ 112,000	\$ -	\$ -	\$ 112,000
STORMWATER PLANT				
Land and land rights	2,881,480	-	-	2,881,480
Detention basins	3,242,120	120,625	-	3,362,745
General stormwater plant	<u>18,433,407</u>	<u>576,502</u>	-	<u>19,009,909</u>
Total Stormwater Plant	<u>24,557,007</u>	<u>697,127</u>	-	<u>25,254,134</u>
GENERAL				
Computer equipment	529	-	-	529
Power-operated equipment	<u>426,959</u>	-	-	<u>426,959</u>
Total General	<u>427,488</u>	-	-	<u>427,488</u>
TOTAL STORMWATER UTILITY PLANT	<u>\$ 25,096,495</u>	<u>\$ 697,127</u>	<u>\$ -</u>	<u>\$ 25,793,622</u>

VERONA UTILITIES

STORM WATER OPERATING REVENUES AND EXPENSES For the Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Stormwater Revenues		
Residential	\$ 165,840	\$ 161,628
Small commercial and industrial	233,758	228,790
Public authorities	58,709	58,664
Total Charges for Services	458,307	449,082
Other Operating Revenues		
Forfeited discounts	2,014	2,054
Miscellaneous service revenues	123	10,331
Total Operating Revenues	460,444	461,467
 OPERATING EXPENSES		
Operation and Maintenance		
Maintenance	42,843	40,473
Operation supplies	9,278	22,903
Administrative and General		
Salaries	83,691	100,608
Office Supplies	7,560	7,101
Outside services employed	35,589	24,239
Property insurance	644	-
Employee pensions and benefits	30,638	24,642
Total Administrative and General	158,122	156,590
Taxes	6,351	7,429
Total Operation and Maintenance	216,594	227,395
Depreciation	335,757	315,969
Total Operating Expenses	552,351	543,364
 OPERATING LOSS	 \$ (91,907)	 \$ (81,897)