

CITY OF LAKE GENEVA, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2013

CITY OF LAKE GENEVA, WISCONSIN
December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Lake Geneva, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Geneva, Wisconsin ("the City") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Water Utility and Sewer Utility enterprise funds, which represents 100 percent of the assets and revenues of the City's business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Water Utility and Sewer enterprise funds, is based on the report of the other auditors. We did not audit the financial statements of the Oak Hill Cemetery, which is reported as cemetery operations special revenue fund and cemetery perpetual care permanent fund in the City's financial statements. The Oak Hill Cemetery represents 2 percent of the assets and revenues of the City's governmental funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the cemetery operations special revenue fund and cemetery perpetual care permanent fund is based on the report of the other auditors. We did not audit the financial statements of Downtown Lake Geneva Business Improvement District, which represents 100 percent of the assets and revenues of the City's discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Downtown Lake Geneva Business Improvement District is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2013, and the changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Report on Summarized Financial Information

We have previously audited the City's 2012 financial statements, and our report dated June 19, 2013, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
July 28, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Fiscal Year 2013

The management of the City of Lake Geneva, Wisconsin (the "City") offers readers of the City's financial statements this narrative and analysis of the financial activities of the City for the fiscal year ended December 31, 2013.

Financial Highlights

- As of the December 31, 2013, the assets of the City of Lake Geneva exceeded its liabilities and deferred inflows of resources by \$68,763,849. This represents a 2.63% decrease over the 2012 net position balance of \$70,623,021.
- The general fund balance at the end of 2013 was \$2,721,757, a decrease of \$747,401 from the prior year. The City's final budget projected a \$715,000 decrease in fund balance as the City transferred available general fund balance to an equipment replacement fund and committed \$715,000 for future equipment needs.

Of the general fund balance, \$155,545 is nonspendable for prepaid items and delinquent taxes, \$360,114 has been assigned for various uses, and \$2,206,098 is currently unassigned.

- The outstanding general obligation debt as of December 31, 2013 is \$5,525,000. This compares to \$6,375,000 at the end of 2012.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Lake Geneva's basic financial statements. The basic financial statements comprise three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Basic Financial Statements.

Government-wide Financial Statements. The Government-wide Financial Statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. Financial information in the government-wide financial statements is reported as either governmental activities or business-type activities. Governmental activities are principally supported by taxes and intergovernmental revenues. Examples of governmental activities are: general government, public safety, public works, health and human services, culture and recreation, conservation and development and interest and fiscal charges.

Business-type (Enterprise) activities recover all or a significant portion of their costs through user fees and charges. These activities include the City's water and sewer utilities.

The **Statement of Net Position** presents information on all City of Lake Geneva, Wisconsin's assets, liabilities and deferred outflows and inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or decreasing. (See pages 11 - 12 of this report).

The **Statement of Activities** presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., earned but unused vacation leave.) (See pages 13 - 14 of this report.)

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City of Lake Geneva, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the City's funds can be divided into three categories: government funds, proprietary funds, and fiduciary funds.

Government Funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City has identified four major government funds: General, General Debt Service, Capital Improvements, and Tax Incremental District No. 4.

- General Fund: Accounts for the City's primary operating activities.
- General Debt Service Fund: Accounts for financial resources and payments made on long-term general obligation debt.
- Capital Improvements Fund: Accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects.
- Tax Incremental District No. 4 Fund: Accounts for financial sources to be used for the activity in the TIF District No. 4.

The net change in fund balances for the year is \$542,331. The total fund balance for all governmental funds is \$13,334,048. (See pages 13 - 21)

Proprietary / Enterprise Funds: *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City has identified two major enterprise funds:

- Water Utility: Accounts for revenues and expenses for operations of the municipal water distribution system.
- Sewer Utility: Accounts for operations of the sanitary sewer collection system and wastewater treatment plant.

The net change in position for the Water Utility is a decrease of \$260,774 and the Sewer Utility had a decrease of \$357,363. Water Utility net position totaled \$12,942,932. Sewer Utility net position totaled \$14,771,723, for a proprietary/enterprise fund total of \$27,714,655. (See pages 22 - 25)

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

Government-wide Financial Analysis

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred inflows of resources by \$68,763,849 at the close of 2013.

City of Lake Geneva, Wisconsin's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 22,743,954	\$ 21,890,204	\$ 4,437,397	\$ 4,730,789	\$ 27,181,351	\$ 26,620,993
Capital assets	34,942,949	37,656,143	24,080,569	24,459,009	59,023,518	62,115,152
Total Assets	57,686,903	59,546,347	28,517,966	29,189,798	86,204,869	88,736,145
Long-term liabilities outstanding	7,477,198	8,154,190	645,125	164,579	8,122,323	8,318,769
Other liabilities	1,113,702	953,358	158,186	692,427	1,271,888	1,645,785
Total Liabilities	8,590,900	9,107,548	803,311	857,006	9,394,211	9,964,554
Deferred inflows of resources	8,046,809	8,148,570	-	-	8,046,809	8,148,570
Net Position						
Net investment in capital assets	29,410,351	31,270,999	24,080,569	24,459,009	53,490,920	55,730,008
Restricted	8,237,177	7,082,229	1,211,880	1,210,681	9,449,057	8,292,910
Unrestricted	3,401,666	3,937,001	2,422,206	2,663,102	5,823,872	6,600,103
Total Net Position	\$ 41,049,194	\$ 42,290,229	\$ 27,714,655	\$ 28,332,792	\$ 68,763,849	\$ 70,623,021

By far the largest portion of the City's net position (78%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$5,823,872 may be used to meet the City's ongoing obligations to citizens and creditors.

Change in net position. Governmental activities decreased the City's net position by \$1,241,035 and business-type activities decreased the City's net position by \$618,137 during the current fiscal year. Key elements of these changes are as follows:

City of Lake Geneva, Wisconsin's Change in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for services	\$ 3,396,081	\$ 3,294,966	\$ 2,575,453	\$ 2,682,002	\$ 5,971,534	\$ 5,976,968
Operating grants and contributions	876,356	923,811	-	-	876,356	923,811
Capital grants and contributions	233,339	17,663	120,893	114,376	354,232	132,039
General Revenues						
Property taxes	6,157,390	6,166,012	-	-	6,157,390	6,166,012
Property tax increment	1,991,180	1,775,802	-	-	1,991,180	1,775,802
Other taxes	489,616	497,702	-	-	489,616	497,702
Grants and contributions not restricted to specific programs	139,619	159,844	-	-	139,619	159,844
Other	368,735	392,112	17,876	18,167	386,611	410,279
Total Revenues	13,652,316	13,227,912	2,714,222	2,814,545	16,366,538	16,042,457
Expenses						
General government	2,902,077	2,501,801	-	-	2,902,077	2,501,801
Public safety	4,160,374	3,964,236	-	-	4,160,374	3,964,236
Public works	5,916,936	5,649,196	-	-	5,916,936	5,649,196
Health and human services	205,591	242,038	-	-	205,591	242,038
Culture and recreation	1,691,988	1,539,451	-	-	1,691,988	1,539,451
Conservation and development	159,696	145,406	-	-	159,696	145,406
Interest and fiscal charges	178,862	211,048	-	-	178,862	211,048
Water utility	-	-	1,394,058	1,306,077	1,394,058	1,306,077
Sewer utility	-	-	1,616,128	1,522,625	1,616,128	1,522,625
Total Expenses	15,215,524	14,253,176	3,010,186	2,828,702	18,225,710	17,081,878
Increase in Net Position						
Before Transfers	(1,563,208)	(1,025,264)	(295,964)	(14,157)	(1,859,172)	(1,039,421)
Transfers	322,173	311,682	(322,173)	(311,682)	-	-
Change in Net Position	(1,241,035)	(713,582)	(618,137)	(325,839)	(1,859,172)	(1,039,421)
New accounting principle	-	(40,407)	-	-	-	(40,407)
Net Position - January 1	42,290,229	43,044,218	28,332,792	28,658,631	70,623,021	71,702,849
Net Position - December 31	\$ 41,049,194	\$ 42,290,229	\$ 27,714,655	\$ 28,332,792	\$ 68,763,849	\$ 70,623,021

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. An analysis of the City's general fund follows:

General Fund Budget Comparison: Budgeted versus Actual Revenue and Transfers In/Expenditures and Transfers Out (See page 21 of this report)

General Fund Revenues and Transfers In	
Budget	\$ 8,028,470
Actual	8,393,638
Variance	\$ 365,168

The positive revenue variance was primarily due to the following:

- Room tax revenue was \$70,680 over budget.
- Building and other permits due to construction activities within the City exceeded budget by \$106,996.
- Fire department public charges exceeded budget by \$63,663.

General Fund Expenditures and Transfers Out	
Budget	\$ 8,743,470
Actual	9,141,039
Variance	\$ (397,569)

The functions with significant budget variances are listed below:

- Practically all of the expense budget variance was due to an increase in health insurance claims.

General Fund Balance	
Beginning of year	\$ 3,469,158
End of the year	2,721,757
Change in Fund Balance	\$ (747,401)

Proprietary funds. (See pages 22 - 25) The City's proprietary funds provide the same type of information found in the City's government-wide financial statements, but in more detail. Also, a separation of the financial activities of the sewer and water utilities can be found on these pages.

Net position of the water utility fund at the end of the year amounted to \$12,942,932, a decrease of \$260,774 from the prior year. Operating loss for the water utility fund totaled \$2,076.

Net position of the sewer utility at the end of the year totaled \$14,771,723, a decrease of \$357,363 from the prior year. Operating loss for the sewer utility fund totaled \$431,725.

Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2013 amounts to \$59,023,518 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles, infrastructure (streets and bridges), and construction in progress.

City of Lake Geneva, Wisconsin's Capital Assets						
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,601,266	\$ 3,602,766	\$ 765,749	\$ 765,749	\$ 4,367,015	\$ 4,368,515
Property held for future	-	-	197,158	197,158	197,158	197,158
Construction in progress	-	13,017	24,396	36,493	24,396	49,510
Buildings	12,902,698	12,551,136	7,694,035	7,684,245	20,596,733	20,235,381
Land improvements	219,443	121,688	-	-	219,443	121,688
Machinery and equipment	10,738,417	10,585,773	8,325,900	8,189,427	19,064,317	18,775,200
Infrastructure	85,193,629	84,395,086	22,931,848	22,552,041	108,125,477	106,947,127
Accumulated depreciation	(77,712,504)	(73,613,323)	(15,858,517)	(14,966,104)	(93,571,021)	(88,579,427)
Total	\$ 34,942,949	\$ 37,656,143	\$ 24,080,569	\$ 24,459,009	\$ 59,023,518	\$ 62,115,152

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,525,000.

City of Lake Geneva, Wisconsin's Capital Assets General Obligation Debt and Alliant Energy Note						
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General Obligation Debt						
Notes	\$ 5,525,000	\$ 6,375,000	-	-	\$ 5,525,000	\$ 6,375,000
Alliant Energy	7,598	10,144	-	-	7,598	10,144
Total General Obligation Debt	\$ 5,532,598	\$ 6,385,144	\$ -	\$ -	\$ 5,532,598	\$ 6,385,144

Debt Service - Governmental Activities: (Page 41) All general obligation notes are backed by the full faith and credit of the City. Notes in the government funds will be retired by future property tax levies. In accordance with Wisconsin Statutes, total general obligation debt of City may not exceed five percent (5%) of the equalized value of taxable property of the City. This debt limit as of December 31, 2013 was \$55,625,610. Total general obligation debt outstanding at year-end was \$5,525,000. The outstanding GO debt applicable to the debt limit represents 10% of the City's debt capacity.

Economic Factors and Next Year's Budget and Rates

- The economic condition and outlook of the City has remained quite stable.
- The 2014 Budget is reflective of the City's commitment to maintaining sound fiscal policy with an emphasis on establishing fiscally sound reserve funds

Contacting the City's Financial Management

The administrative staff hopes the Management Discussion and Analysis is informative. We encourage you to read the 2013 audit in detail. If you would like additional information regarding the audit report, please contact City Administrator Dennis Jordan (262-248-3673) or City Comptroller Peg Pollitt (262-248-3673).

BASIC FINANCIAL STATEMENTS

CITY OF LAKE GENEVA, WISCONSIN

Statement of Net Position

December 31, 2013

(With summarized financial information as of December 31, 2012)

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	
			2013	2012
ASSETS				
Cash and investments	\$ 13,611,979	\$ 2,448,680	\$ 16,060,659	\$ 15,556,854
Receivables				
Taxes	8,061,969	-	8,061,969	8,185,779
Delinquent personal property taxes	5,005	-	5,005	7,712
Accounts	237,201	439,967	677,168	723,809
Other	-	42,654	42,654	28,287
Special assessments	253,147	511,655	764,802	566,346
Internal balances	311,612	(311,612)	-	-
Inventories	-	78,345	78,345	77,282
Prepaid items	150,540	15,828	166,368	155,941
Other assets	-	-	-	10,687
Restricted cash and investments	112,501	1,211,880	1,324,381	1,308,296
Capital assets, not being depreciated				
Land	3,601,266	765,749	4,367,015	4,368,515
Property held for future	-	197,158	197,158	197,158
Construction in progress	-	24,396	24,396	49,510
Capital assets, being depreciated				
Land improvements	219,443	-	219,443	121,688
Buildings	12,902,698	7,694,035	20,596,733	20,235,381
Machinery and equipment	10,738,417	8,325,900	19,064,317	18,775,200
Infrastructure	85,193,629	22,931,848	108,125,477	106,947,127
Accumulated depreciation	(77,712,504)	(15,858,517)	(93,571,021)	(88,579,427)
TOTAL ASSETS	57,686,903	28,517,966	86,204,869	88,736,145
LIABILITIES				
Accounts payable	627,121	94,580	721,701	661,158
Accrued liabilities	343,862	2,735	346,597	315,421
Accrued interest	52,130	-	52,130	62,789
Due to other governments	339	-	339	-
Deposits	90,250	-	90,250	86,950
Unearned revenue	-	522,069	522,069	519,467
Noncurrent liabilities				
Due within one year	882,624	-	882,624	852,546
Due in more than one year	6,594,574	183,927	6,778,501	7,466,223
TOTAL LIABILITIES	8,590,900	803,311	9,394,211	9,964,554
DEFERRED INFLOWS OF RESOURCES				
Property taxes	8,046,809	-	8,046,809	8,148,570
NET POSITION				
Net investment in capital assets	29,410,351	24,080,569	53,490,920	55,730,008
Restricted				
Library	551,972	-	551,972	387,785
Cemetery perpetual care funds	503,619	-	503,619	434,016
Tax incremental district	6,948,971	-	6,948,971	6,065,896
Impact fees	232,615	-	232,615	194,532
Plant replacement	-	1,211,880	1,211,880	1,210,681
Unrestricted	3,401,666	2,422,206	5,823,872	6,600,103
TOTAL NET POSITION	\$ 41,049,194	\$ 27,714,655	\$ 68,763,849	\$ 70,623,021

The notes to the basic financial statements are an integral part of this statement.

Component Unit	
2013	2012

\$ 47,501 \$ 45,468

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CITY OF LAKE GENEVA, WISCONSIN

Statement of Activities

For the Year Ended December 31, 2013

(With summarized financial information for the year ended December 31, 2012)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,902,077	\$ 214,565	\$ -	\$ -
Public safety	4,160,374	656,027	77,706	-
Public works	5,916,936	1,177,296	739,101	233,339
Health and human services	205,591	66,829	-	-
Culture and recreation	1,691,988	1,281,364	59,299	-
Conservation and development	159,696	-	250	-
Interest and fiscal charges	178,862	-	-	-
Total Governmental Activities	<u>15,215,524</u>	<u>3,396,081</u>	<u>876,356</u>	<u>233,339</u>
Business-type Activities				
Water	1,394,058	1,391,756	-	60,424
Sewer	1,616,128	1,183,697	-	60,469
Total Business-type Activities	<u>3,010,186</u>	<u>2,575,453</u>	<u>-</u>	<u>120,893</u>
Total Primary Government	<u>\$ 18,225,710</u>	<u>\$ 5,971,534</u>	<u>\$ 876,356</u>	<u>\$ 354,232</u>
Component Unit				
Business improvement district	<u>\$ 181,720</u>	<u>\$ 30,633</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Taxes, levied for general purposes

Taxes levied for debt service

Tax increment

Other taxes

Grants and contributions not restricted to specific programs

Investment income

Miscellaneous revenue

Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Cumulative effect of change in accounting principle

Net Position - January 1

Net Position - December 31

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position					
Governmental Activities	Business-type Activities	Governmental Activities		Component Unit	
		2013	2012	2013	2012
\$ (2,687,512)	\$ -	\$ (2,687,512)	\$ (2,252,776)	\$ -	\$ -
(3,426,641)	-	(3,426,641)	(3,285,163)	-	-
(3,767,200)	-	(3,767,200)	(3,817,587)	-	-
(138,762)	-	(138,762)	(189,939)	-	-
(351,325)	-	(351,325)	(115,192)	-	-
(159,446)	-	(159,446)	(145,031)	-	-
(178,862)	-	(178,862)	(211,048)	-	-
(10,709,748)	-	(10,709,748)	(10,016,736)	-	-
-	58,122	58,122	207,114	-	-
-	(371,962)	(371,962)	(239,438)	-	-
-	(313,840)	(313,840)	(32,324)	-	-
(10,709,748)	(313,840)	(11,023,588)	(10,049,060)	-	-
-	-	-	-	(151,087)	(136,845)
5,117,001	-	5,117,001	5,116,972	-	-
1,040,389	-	1,040,389	1,049,040	-	-
1,991,180	-	1,991,180	1,775,802	-	-
489,616	-	489,616	497,702	178,300	149,000
139,619	-	139,619	159,844	-	-
135,004	17,876	152,880	126,910	213	142
200,684	-	200,684	144,235	-	-
33,047	-	33,047	139,134	-	-
322,173	(322,173)	-	-	-	-
9,468,713	(304,297)	9,164,416	9,009,639	178,513	149,142
(1,241,035)	(618,137)	(1,859,172)	(1,039,421)	27,426	12,297
-	-	-	(40,407)	-	-
42,290,229	28,332,792	70,623,021	71,702,849	12,839	542
\$ 41,049,194	\$ 27,714,655	\$ 68,763,849	\$ 70,623,021	\$ 40,265	\$ 12,839

CITY OF LAKE GENEVA, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2013

(With summarized financial information as of December 31, 2012)

	General	General Debt Service	Capital Improvements
ASSETS			
Cash and investments	\$ 5,753,644	\$ -	\$ 120,093
Receivables			
Taxes	4,488,412	1,037,064	90,000
Delinquent personal property taxes	5,005	-	-
Accounts	236,051	-	-
Special assessments	253,147	-	-
Due from other funds	370,496	2,829	388,275
Prepaid items	150,540	-	-
Restricted cash and investments	-	-	-
TOTAL ASSETS	\$ 11,257,295	\$ 1,039,893	\$ 598,368
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 112,800	\$ -	\$ 279,894
Accrued liabilities	318,860	-	-
Due to other governments	339	-	-
Due to other funds	3,325,312	-	33,216
Deposits	3,450	-	-
Total Liabilities	3,760,761	-	313,110
Deferred Inflows of Resources			
Property taxes	4,473,252	1,037,064	90,000
Special assessments	253,147	-	-
Other	48,378	-	-
Total Deferred Inflows of Resources	4,774,777	1,037,064	90,000
Fund Balances			
Nonspendable			
Delinquent taxes	5,005	-	-
Prepaid items	150,540	-	-
Cemetery perpetual care	-	-	-
Library endowment	-	-	-
Restricted			
Debt service	-	2,829	-
Library	-	-	-
Impact fees	-	-	-
Tax incremental district	-	-	-
Committed			
Equipment replacement	-	-	-
Assigned			
General fund	360,114	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	195,258
Unassigned			
General fund	2,206,098	-	-
Total Fund Balances	2,721,757	2,829	195,258
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 11,257,295	\$ 1,039,893	\$ 598,368

The notes to the basic financial statements are an integral part of this statement.

TID No. 4 Capital Projects	Other Governmental Funds	Total Governmental Funds	
		2013	2012
\$ 6,470,171	\$ 1,268,071	\$ 13,611,979	\$ 12,837,824
1,856,605	589,888	8,061,969	8,352,667
-	-	5,005	7,712
-	1,150	237,201	277,565
-	-	253,147	24,061
679,842	2,319,412	3,760,854	3,136,980
-	-	150,540	140,709
-	112,501	112,501	97,615
<u>\$ 9,006,618</u>	<u>\$ 4,291,022</u>	<u>\$ 26,193,196</u>	<u>\$ 24,875,133</u>

\$ 201,042	\$ 33,385	\$ 627,121	\$ 492,715
-	25,002	343,862	310,904
-	-	339	-
-	90,714	3,449,242	2,818,041
-	86,800	90,250	86,950
<u>201,042</u>	<u>235,901</u>	<u>4,510,814</u>	<u>3,708,610</u>

1,856,605	589,888	8,046,809	8,315,458
-	-	253,147	24,061
-	-	48,378	35,287
<u>1,856,605</u>	<u>589,888</u>	<u>8,348,334</u>	<u>8,374,806</u>

-	-	5,005	7,712
-	-	150,540	140,709
-	503,619	503,619	434,016
-	110,184	110,184	97,615
-	-	2,829	2,829
-	441,788	441,788	290,170
-	232,615	232,615	194,532
6,948,971	-	6,948,971	6,065,896
-	715,000	715,000	-
-	-	360,114	1,070,650
-	1,435,409	1,435,409	1,371,176
-	26,618	221,876	866,325
-	-	2,206,098	2,250,087
<u>6,948,971</u>	<u>3,465,233</u>	<u>13,334,048</u>	<u>12,791,717</u>

<u>\$ 9,006,618</u>	<u>\$ 4,291,022</u>	<u>\$ 26,193,196</u>	<u>\$ 24,875,133</u>
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CITY OF LAKE GENEVA, WISCONSIN

Balance Sheet (Continued)

Governmental Funds

December 31, 2013

(With summarized financial information as of December 31, 2012)

Reconciliation to the Statement of Net Position

	2013	2012
Total Fund Balances as shown on previous page	\$ 13,334,048	\$ 12,791,717
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	34,942,949	37,656,143
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments	253,147	24,061
Other	48,378	35,287
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Notes payable	(5,525,000)	(6,375,000)
Alliant Energy notes payable	(7,598)	(10,144)
Compensated absences	(172,006)	(153,807)
Other post-employment benefit	(1,772,594)	(1,615,239)
Accrued interest on long-term obligations	(52,130)	(62,789)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see pages 11 - 12)	<u>\$ 41,049,194</u>	<u>\$ 42,290,229</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF LAKE GENEVA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013
(With summarized financial information for the year ended December 31, 2012)

	General	General Debt Service	Capital Improvements
Revenues			
Taxes	\$ 5,100,138	\$ 1,040,389	\$ 90,000
Special assessments	4,253	-	-
Intergovernmental	944,518	-	-
Licenses and permits	402,351	-	-
Fines and forfeits	120,227	-	-
Public charges for services	354,824	-	-
Intergovernmental charges for services	146,971	-	-
Investment income	9,481	-	307
Miscellaneous	41,356	-	19,911
Total Revenues	7,124,119	1,040,389	110,218
Expenditures			
Current			
General government	2,616,064	-	-
Public safety	3,742,453	-	-
Public works	1,489,025	-	-
Health and human services	-	-	-
Culture and recreation	161,279	-	-
Conservation and development	159,696	-	-
Capital outlay			
General government	-	-	19,839
Public safety	-	-	196,792
Public works	-	-	510,569
Culture and recreation	-	-	41,362
Debt service			
Principal retirement	-	851,026	-
Interest and fiscal charges	-	189,363	-
Total Expenditures	8,168,517	1,040,389	768,562
Excess of Revenues Over (Under) Expenditures	(1,044,398)	-	(658,344)
Other Financing Sources (Uses)			
Sale of capital assets	2,157	-	33,390
Transfers in	1,267,362	-	-
Transfers out	(972,522)	-	-
Total Other Financing Sources (Uses)	296,997	-	33,390
Net Change in Fund Balances	(747,401)	-	(624,954)
Fund Balances - January 1	3,469,158	2,829	820,212
Fund Balances - December 31	\$ 2,721,757	\$ 2,829	\$ 195,258

The notes to the basic financial statements are an integral part of this statement.

(Continued)

TID No. 4 Capital Projects	Other Governmental Funds	Total Governmental Funds	
		2013	2012
\$ 1,991,180	\$ 418,000	\$ 8,639,707	\$ 8,440,717
-	-	4,253	7,440
2,432	303,282	1,250,232	1,309,349
-	13,508	415,859	334,825
-	253,921	374,148	381,916
-	1,968,599	2,323,423	2,256,442
-	-	146,971	190,299
12,018	111,417	133,223	107,186
1,007	27,002	89,276	49,813
<u>2,006,637</u>	<u>3,095,729</u>	<u>13,377,092</u>	<u>13,077,987</u>
-	-	2,616,064	2,194,360
-	410	3,742,863	3,639,136
-	494,606	1,983,631	1,845,285
-	221,313	221,313	232,026
-	1,333,720	1,494,999	1,357,861
-	-	159,696	145,406
619	-	20,458	8,208
-	-	196,792	231,483
680,340	-	1,190,909	1,487,399
464,484	17,843	523,689	866,880
-	1,520	852,546	912,276
-	158	189,521	238,117
<u>1,145,443</u>	<u>2,069,570</u>	<u>13,192,481</u>	<u>13,158,437</u>
<u>861,194</u>	<u>1,026,159</u>	<u>184,611</u>	<u>(80,450)</u>
-	-	35,547	334,496
21,881	985,237	2,274,480	1,543,485
-	(979,785)	(1,952,307)	(1,231,803)
<u>21,881</u>	<u>5,452</u>	<u>357,720</u>	<u>646,178</u>
883,075	1,031,611	542,331	565,728
<u>6,065,896</u>	<u>2,433,622</u>	<u>12,791,717</u>	<u>12,225,989</u>
<u>\$ 6,948,971</u>	<u>\$ 3,465,233</u>	<u>\$ 13,334,048</u>	<u>\$ 12,791,717</u>

CITY OF LAKE GENEVA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2013
(With summarized financial information for the year ended December 31, 2012)

Reconciliation to the Statement of Activities

	2013	2012
Net change in fund balances - total governmental funds	\$ 542,331	\$ 565,728
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	1,785,460	2,642,168
Depreciation is reported in the government-wide statements	(4,496,154)	(4,414,969)
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.		
Proceeds from the disposition of capital assets as reported on the governmental funds operating statement	(35,547)	(334,496)
Gain on disposition reported on the statement of activities	33,047	139,134
Book value of capital assets disposed of	(2,500)	(195,362)
Revenues not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		
Special assessments	229,086	5,223
Other	13,091	5,568
Debt issued provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal retired	852,546	912,276
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Other post-employment benefits	(157,355)	(273,389)
Compensated absences	(18,199)	12,106
Accrued interest on debt	10,659	27,069
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 13 - 14)	<u>\$ (1,241,035)</u>	<u>\$ (713,582)</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF LAKE GENEVA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2013
(With comparative financial information for the year ended December 31, 2012)

	Budgeted Amounts		2013 Actual Amounts	Variance Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
Revenues					
Taxes	\$ 5,014,250	\$ 5,014,250	\$ 5,100,138	\$ 85,888	\$ 5,107,875
Special assessments	1,582	1,582	4,253	2,671	7,440
Intergovernmental	947,202	947,202	944,518	(2,684)	963,322
Licenses and permits	275,100	275,100	402,351	127,251	313,859
Public charges for services	235,490	235,490	354,824	119,334	340,860
Fines and forfeits	139,500	139,500	120,227	(19,273)	152,501
Intergovernmental charges for services	155,498	155,498	146,971	(8,527)	190,299
Interest	7,575	7,575	9,481	1,906	10,597
Miscellaneous	9,825	9,825	41,356	31,531	21,479
Total Revenues	6,786,022	6,786,022	7,124,119	338,097	7,108,232
Expenditures					
Current					
General government	2,331,496	2,331,496	2,616,064	(284,568)	2,194,360
Public safety	3,728,559	3,728,559	3,742,453	(13,894)	3,639,136
Public works	1,465,517	1,465,517	1,489,025	(23,508)	1,383,787
Culture and recreation	184,199	184,199	161,279	22,920	177,610
Conservation and development	151,811	151,811	159,696	(7,885)	145,406
Total Expenditures	7,861,582	7,861,582	8,168,517	(306,935)	7,540,299
Excess of Revenues Over (Under)					
Expenditures	(1,075,560)	(1,075,560)	(1,044,398)	31,162	(432,067)
Other Financing Sources (Uses)					
Sale of capital assets	-	-	2,157	2,157	323,173
Transfers in	1,242,448	1,242,448	1,267,362	24,914	1,251,389
Transfers out	(166,888)	(881,888)	(972,522)	(90,634)	(266,298)
Total Other Financing Sources (Uses)	1,075,560	360,560	296,997	(63,563)	1,308,264
Net Change in Fund Balance	-	(715,000)	(747,401)	(32,401)	876,197
Fund Balance - January 1	3,469,158	3,469,158	3,469,158	-	2,592,961
Fund Balance - December 31	\$ 3,469,158	\$ 2,754,158	\$ 2,721,757	\$ (32,401)	\$ 3,469,158

The notes to the basic financial statements are an integral part of this statement.

CITY OF LAKE GENEVA, WISCONSIN

Statement of Net Position

Proprietary Funds

December 31, 2013

(With summarized financial information as of December 31, 2012)

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Totals	
			2013	2012
ASSETS				
Current assets				
Cash and investments	\$ 1,063,472	\$ 1,385,208	\$ 2,448,680	\$ 2,719,030
Receivables				
Accounts	202,164	237,803	439,967	446,244
Other	10,430	32,224	42,654	28,287
Due from other funds	4,718	3,837	8,555	5,593
Inventories and prepaid expenses	94,173	-	94,173	92,514
Total Current Assets	<u>1,374,957</u>	<u>1,659,072</u>	<u>3,034,029</u>	<u>3,291,668</u>
Noncurrent assets				
Receivables				
Special assessments	18,362	493,293	511,655	542,285
Restricted assets				
Cash and investments	350,936	860,944	1,211,880	1,210,681
Other assets - preliminary construction costs	-	-	-	10,687
Capital assets not being depreciated				
Land	131,241	634,508	765,749	765,749
Property held for future use	197,158	-	197,158	197,158
Construction in progress	24,396	-	24,396	36,493
Capital assets, being depreciated				
Buildings	1,472,986	6,221,049	7,694,035	7,684,245
Land improvements	2,123,926	6,201,974	8,325,900	8,189,427
Machinery and equipment	14,722,717	8,209,131	22,931,848	22,552,041
Less: Accumulated depreciation	(6,931,465)	(8,927,052)	(15,858,517)	(14,966,104)
Total Capital Assets, Net of Accumulated Depreciation	<u>11,740,959</u>	<u>12,339,610</u>	<u>24,080,569</u>	<u>24,459,009</u>
Total Noncurrent Assets	<u>12,110,257</u>	<u>13,693,847</u>	<u>25,804,104</u>	<u>26,222,662</u>
TOTAL ASSETS	<u>13,485,214</u>	<u>15,352,919</u>	<u>28,838,133</u>	<u>29,514,330</u>
LIABILITIES				
Current Liabilities				
Accounts payable	47,551	47,029	94,580	168,443
Accrued liabilities	2,735	-	2,735	4,517
Due to other funds	313,033	7,134	320,167	324,532
Unearned revenue	78,317	443,752	522,069	519,467
Total Current Liabilities	<u>441,636</u>	<u>497,915</u>	<u>939,551</u>	<u>1,016,959</u>
Noncurrent Liabilities				
Compensated absences	22,440	13,522	35,962	31,345
Other post employment benefits	78,206	69,759	147,965	133,234
Total Noncurrent Liabilities	<u>100,646</u>	<u>83,281</u>	<u>183,927</u>	<u>164,579</u>
TOTAL LIABILITIES	<u>542,282</u>	<u>581,196</u>	<u>1,123,478</u>	<u>1,181,538</u>
NET POSITION				
Net investment in capital assets	11,740,959	12,339,610	24,080,569	24,459,009
Restricted for				
Plant replacement	350,936	860,944	1,211,880	1,210,681
Unrestricted	851,037	1,571,169	2,422,206	2,663,102
TOTAL NET POSITION	<u>\$ 12,942,932</u>	<u>\$ 14,771,723</u>	<u>\$ 27,714,655</u>	<u>\$ 28,332,792</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF LAKE GENEVA, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2013
(With summarized financial information for the year ended December 31, 2012)

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Totals	
			2013	2012
Operating Revenues				
Charges for services	\$ 1,391,756	\$ 1,183,697	\$ 2,575,453	\$ 2,682,002
Operating Expenses				
Operation and maintenance	960,151	1,031,099	1,991,250	1,820,102
Taxes	20,939	24,977	45,916	45,568
Depreciation	412,742	559,346	972,088	962,779
Total Operating Expenses	<u>1,393,832</u>	<u>1,615,422</u>	<u>3,009,254</u>	<u>2,828,449</u>
Operating Loss	<u>(2,076)</u>	<u>(431,725)</u>	<u>(433,801)</u>	<u>(146,447)</u>
Nonoperating Revenues (Expenses)				
Interest income	3,277	14,599	17,876	18,167
Contributions to other city departments	(226)	(670)	(896)	-
Contribution to city museum development	-	(36)	(36)	(253)
Total Nonoperating Revenues (Expenses)	<u>3,051</u>	<u>13,893</u>	<u>16,944</u>	<u>17,914</u>
Income (Loss) Before Contributions and Transfers	975	(417,832)	(416,857)	(128,533)
Capital contributions	60,424	60,469	120,893	114,376
Transfers out	<u>(322,173)</u>	<u>-</u>	<u>(322,173)</u>	<u>(311,682)</u>
Change in Net Position	(260,774)	(357,363)	(618,137)	(325,839)
Net Position - January 1	<u>13,203,706</u>	<u>15,129,086</u>	<u>28,332,792</u>	<u>28,658,631</u>
Net Position - December 31	<u>\$ 12,942,932</u>	<u>\$ 14,771,723</u>	<u>\$ 27,714,655</u>	<u>\$ 28,332,792</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF LAKE GENEVA, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013
(With summarized financial information for the year ended December 31, 2012)

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Totals	
			2013	2012
Cash Flows from Operating Activities				
Cash received from customers and municipality	\$ 1,395,476	\$ 1,168,925	\$ 2,564,401	\$ 2,678,599
Cash payments to suppliers and municipality	(549,972)	(781,713)	(1,331,685)	(985,150)
Cash payments to employees	(410,348)	(317,977)	(728,325)	(726,918)
Net Cash Provided by Operating Activities	<u>435,156</u>	<u>69,235</u>	<u>504,391</u>	<u>966,531</u>
Cash Flows from Noncapital and Related Financing Activities				
Transfer to other funds	(348,361)	-	(348,361)	(275,003)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(427,304)	(158,090)	(585,394)	(716,505)
Contribution to city museum development	-	(36)	(36)	(253)
Contribution to other city departments	(226)	(670)	(896)	-
Salvage and insurance proceeds	5,667	1,134	6,801	3,937
Special assessment collections	-	30,630	30,630	21,963
Capital contributions received	45,369	60,469	105,838	725
Customer advances for construction	-	-	-	68,081
Net Cash Used by Capital and Related Financing Activities	<u>(376,494)</u>	<u>(66,563)</u>	<u>(443,057)</u>	<u>(622,052)</u>
Cash Flows from Investing Activities				
Interest income received	3,277	14,599	17,876	18,167
Purchase of long-term investments	(152,454)	(256,552)	(409,006)	(510,984)
Redemption of long-term investments	100,487	152,036	252,523	517,572
Net Cash Provided (Used) by Investing Activities	<u>(48,690)</u>	<u>(89,917)</u>	<u>(138,607)</u>	<u>24,755</u>
Change in Cash and Cash Equivalents	(338,389)	(87,245)	(425,634)	94,231
Cash and Cash Equivalents - Beginning of Year	<u>1,082,493</u>	<u>1,573,057</u>	<u>2,655,550</u>	<u>2,561,319</u>
Cash and Cash Equivalents - End of Year	<u>\$ 744,104</u>	<u>\$ 1,485,812</u>	<u>\$ 2,229,916</u>	<u>\$ 2,655,550</u>
Reconciliation to Statement of Net Position				
Cash and investments in current assets	\$ 1,063,472	\$ 1,385,208	\$ 2,448,680	\$ 2,719,030
Cash and investments in restricted assets	350,936	860,944	1,211,880	1,210,681
Less: Long-term investments	(670,304)	(760,340)	(1,430,644)	(1,274,161)
Total Cash and Cash Equivalents	<u>\$ 744,104</u>	<u>\$ 1,485,812</u>	<u>\$ 2,229,916</u>	<u>\$ 2,655,550</u>

(Continued)

CITY OF LAKE GENEVA, WISCONSIN
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2013
(With summarized financial information for the year ended December 31, 2012)

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Totals	
			2013	2012
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (2,076)	\$ (431,725)	\$ (433,801)	\$ (146,447)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	412,742	559,346	972,088	962,779
Depreciation charged to sewer department	33,121	(33,121)	-	-
Changes in assets and liabilities				
Accounts receivable	4,742	(16,358)	(11,616)	(1,365)
Due from other funds	(1,022)	1,586	564	(4,021)
Inventories and prepaid expenses	(7,674)	6,015	(1,659)	(21,495)
Other assets	-	10,687	10,687	3,468
Accounts payable	(38,979)	(34,884)	(73,863)	137,665
Due to other funds	20,347	1,476	21,823	(2,425)
Accrued and other current liabilities	(679)	(1,103)	(1,782)	2,750
Compensated absences	3,488	1,129	4,617	(544)
Other post employment benefits	8,544	6,187	14,731	33,679
Unearned revenue	2,602	-	2,602	2,487
Net Cash Provided by Operating Activities	<u>\$ 435,156</u>	<u>\$ 69,235</u>	<u>\$ 504,391</u>	<u>\$ 966,531</u>
Noncash Investing, Capital and Financing Activities				
Capital assets contributed by developers	<u>\$ 15,055</u>	<u>\$ -</u>	<u>\$ 15,055</u>	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF LAKE GENEVA, WISCONSIN

Statement of Net Position

Fiduciary Funds

December 31, 2013

(With summarized financial information as of December 31, 2012)

	Tax Collection Fund	Municipal Court Bond	Totals	
			2013	2012
ASSETS				
Cash and investments	\$ 7,614,242	\$ -	\$ 7,614,242	\$ 7,231,137
Receivables				
Taxes	12,735,556	-	12,735,556	14,198,940
TOTAL ASSETS	\$ 20,349,798	\$ -	\$ 20,349,798	\$ 21,430,077
LIABILITIES				
Due to other governments	\$ 20,349,798	\$ -	\$ 20,349,798	\$ 21,429,359
Court bonds held	-	-	-	718
TOTAL LIABILITIES	\$ 20,349,798	\$ -	\$ 20,349,798	\$ 21,430,077

The notes to the basic financial statements are an integral part of this statement.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Lake Geneva, Wisconsin ("the City"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 City are described below:

1. Reporting Entity

The City of Lake Geneva, Wisconsin is a municipal corporation governed by an elected mayor and eight-member council. Included in the City's operations (the primary government) is the City's water and sewer utilities managed by the Lake Geneva Utility Commission appointed by the Common Council. The City's Mayor and two aldermen also serve on the Commission. Included in the City's operations (the primary government) is the City's Oak Hill Cemetery operations managed by a three-member cemetery commission committee appointed by the Mayor.

As required by GAAP, the basic financial statements present the City (the primary government) and any component units. A legal separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financial accountable if it appoints a majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a primary government if all of the following criteria are met:

- a. the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents;
- b. the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization;
- c. the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

The component unit discussed below is included in the City's reporting entity because of the significance of their operational and/or financial relationship with the City.

Downtown Lake Geneva Business Improvement District

The Downtown Lake Geneva Business Improvement District ("BID"), created under the provisions of Wisconsin Statute Section 66.1109, is a discretely presented component unit with a separate eight-member board of directors. The BID nomination of the board of directors must be approved by the Common Council. The purpose of the BID is to allow businesses within the district boundaries to develop, manage, and promote the district and to establish an assessment method to finance these activities. The BID has its own independent budgetary authority and borrowing capabilities. However, the City can impose its will on the BID. The BID financial information is presented for the fiscal year ended December 31, 2013. Separate financial statements for the BID can be obtained from its office at 626 Geneva Street, Lake Geneva, Wisconsin 53147.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

GENERAL FUND

This is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

GENERAL DEBT SERVICE FUND

This fund accounts for the resources accumulated and payments made for principal and interest on long-term other than TIF, library expansion, or enterprise funds.

CAPITAL IMPROVEMENTS FUND

This fund accounts for the acquisition or construction of major capital facilities other than those financed by proprietary fund types.

TID DISTRICT NO. 4 CAPITAL PROJECTS FUND

This fund accounts for the acquisition or construction of major capital facilities related to the City's Tax Incremental District No. 4.

The City reports the following major proprietary funds:

WATER UTILITY ENTERPRISE FUND

This fund accounts for the provision of water services to City residents, public authorities, and business entities.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SEWER UTILITY ENTERPRISE FUND

This fund accounts for the provision of sewer collection and treatment services to City residents, public authorities, and business entities.

The City reports the following fund type:

The City accounts for assets held for individuals by various departments and funds held for other governmental agencies in an agency fund. The City reports the Tax Collection Fund and Municipal Court Bond Fund as agency funds.

3. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assets, Liabilities Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Receivables

Property taxes are levied prior to the end of the calendar year and are due and collectible in the following year. Property taxes are levied on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the State of Wisconsin, Walworth County, United High School District of Lake Geneva – Genoa City Union High, School District of Lake Geneva J1, School District Linn J 4 and Gateway Technical College District for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units in the accompanying agency fund statement of net position.

Property tax calendar - 2013 tax roll

Levy date	December 2013
Real estate tax collection due dates:	January 31, 2014
Payment in full or first installment due	January 31, 2014
Second installment due	July 31, 2014
Personal property taxes in full	January 31, 2014
Tax sale - 2013 delinquent real estate taxes	September 2016

Accounts receivable have been shown net of an allowance for doubtful accounts. Delinquent real estate taxes as of July 31 are paid in full by the county which assumes the collection thereof. No provision for uncollectible accounts receivable has been made in the accompanying enterprise fund financial statements because the utilities have the right by law to place delinquent bills on the tax roll.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” and “due to other funds” in the fund financial statements.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental activities and business-type activities.

d. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental fund types in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental fund types in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

f. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of at least \$5,000 for property, plant and equipment and infrastructure assets and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	Governmental Activities	Business-type Activities
	Years	
Land improvements	10 - 50	10 - 50
Buildings	20 - 50	20 - 50
Improvements other than buildings	5 - 15	5 - 15
Machinery and equipment	5 - 50	5 - 50
Infrastructure	5 - 40	5 - 150

g. Compensated Absences

Under terms of employment, employees are granted sick leave and vacation in varying amounts. Only benefits considered to be vested are disclosed in these statements. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations or retirements. The governmental fund that has typically been used to liquidate the compensated absences liability is the general fund.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied. The City also has an additional type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, special assessments and ambulance receivables. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

i. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the City Council. These constraints can only be removed or changed by the City Council using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of City management. The City Council has not authorized management to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The City has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Use of Estimates

The 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

6. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During November, City management submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the City's funds.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council by two-thirds vote.
- e. Encumbrance accounting is not used by the City to record commitments related to unperformed contracts for goods or services.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2013.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

2. Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the City's governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2013 as follows:

Fund	Function	Excess Expenditures
General fund	General government	\$ 284,568
General fund	Public safety	13,894
General fund	Public works	23,508
General fund	Conservation and development	7,885
Cemetery Operations	Health and human services	8,825
Parking Meters and Lots	Public works	19,901
Lakefront Operations	Culture and recreation	43,348

Excess expenditures were financed by available budget balances in other activities within the function, and/or additional revenue streams.

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The City maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "Cash and investments."

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the cemetery perpetual care and library donation accounts may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "Uniform Prudent Investor Act".

The carrying amount of the City's cash and investments totaled \$24,999,282 on December 31, 2013 as summarized below:

Petty cash and cash on hand	\$ 2,475
Deposits with financial institutions	5,868,210
Investments	19,128,597
	<u>\$ 24,999,282</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	\$ 16,060,659
Restricted cash and investments	1,324,381
Fiduciary Fund Statement of Net Position	
Agency fund	7,614,242
	<u>\$ 24,999,282</u>

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and investments of the City are subject to various risks. Presented below is a discussion of the specific risks and the City's policy related to the risk.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The City's investment policy on custodial credit risk places safety of funds as one of the top priorities. The City's policy requires the City to choose bank deposits that have a lower default or credit risk and requires agreements that will fully collateralize the City's assets. No more than 25% of bank deposits can be with a single financial institution.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2013, \$669,692 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The City's policy requires the City to choose investments that have a lower default or credit risk and requires agreements that will fully collateralize the City's assets. Presented below is the actual rating as of year-end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	AA	Not Rated
Exchange Traded Funds	\$ 69,797	\$ -	\$ -	\$ -	\$ 69,797
Mutual Funds	748,907	-	-	-	748,907
Wisconsin Local Government Investment Pool	18,309,893	-	-	-	18,309,893
Totals	\$ 19,128,597	\$ -	\$ -	\$ -	\$ 19,128,597

CITY OF LAKE GENEVA, WISCONSIN

Notes to Basic Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Concentration of Credit Risk

With the exception of U.S. Treasury securities and authorized pools, the City's investment policy requires that no more than 25% of the City's total investment portfolio in any particular fund may be invested in a single security type. The City does not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy requires the City to diversify investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Unless matched to a specific cash flow or maturity, the City will not directly invest in securities maturing more than two years from the date of purchase. Reserve funds may be invested in securities exceeding two years if the maturity is made to coincide with the expected use of the funds.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Exchange Traded Funds	\$ 69,797	\$ 69,797	\$ -	\$ -	\$ -
Mutual Funds	748,907	748,907	-	-	-
Wisconsin Local Government Investment Pool	18,309,893	18,309,893	-	-	-
Totals	\$ 19,128,597	\$ 19,128,597	\$ -	\$ -	\$ -

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$18,309,893 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2013, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

2. Restricted Assets

Restricted assets on December 31, 2013 totaled \$1,324,381 and consisted of cash and investments held for the following purposes:

	Swanson Library Endowment	Water Utility	Sewer Utility	Total
Restricted Cash and Investments				
Library endowment	\$ 112,501	\$ -	\$ -	\$ 112,501
Plant and equipment replacement fund	-	350,936	860,944	1,211,880
Total	\$ 112,501	\$ 350,936	\$ 860,944	\$ 1,324,381

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Grant requirement, bond covenants, and restricted donations require the City to restrict cash and investments, as summarized below:

Library endowment	A donor established an endowment with the Library which requires the original gift plus appreciation to be held in perpetuity. Income is available to be spent by the Library.
Plant and equipment replacement fund	Represents resources set aside to fund plant renewals and replacements or make up potential future deficiencies in the redemption account.

3. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,602,766	\$ -	\$ 1,500	\$ 3,601,266
Construction in progress	13,017	26,423	39,440	-
Subtotals	3,615,783	26,423	40,940	3,601,266
Capital assets, being depreciated:				
Land improvements	121,688	97,755	-	219,443
Buildings	12,551,136	351,562	-	12,902,698
Machinery and equipment	10,585,773	550,617	397,973	10,738,417
Infrastructure	84,395,086	798,543	-	85,193,629
Subtotals	107,653,683	1,798,477	397,973	109,054,187
Less accumulated depreciation for:				
Land improvements	8,346	7,985	-	16,331
Buildings	7,662,057	306,435	-	7,968,492
Machinery and equipment	8,412,141	446,193	396,973	8,461,361
Infrastructure	57,530,779	3,735,541	-	61,266,320
Subtotals	73,613,323	4,496,154	396,973	77,712,504
Total capital assets, being depreciated, net	34,040,360	(2,697,677)	1,000	31,341,683
Governmental activities capital assets, net	<u>\$ 37,656,143</u>	<u>\$ (2,671,254)</u>	<u>\$ 41,940</u>	34,942,949
Less related long-term debt outstanding				<u>5,532,598</u>
Net investment in capital assets				<u><u>\$ 29,410,351</u></u>

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 765,749	\$ -	\$ -	\$ 765,749
Property held for future use	197,158	-	-	197,158
Construction in progress	36,493	231,560	243,657	24,396
Subtotals	<u>999,400</u>	<u>231,560</u>	<u>243,657</u>	<u>987,303</u>
Capital assets, being depreciated:				
Buildings	7,684,245	12,790	3,000	7,694,035
Machinery and equipment	8,186,152	187,748	48,000	8,325,900
Infrastructure	22,552,041	415,282	35,475	22,931,848
Subtotals	<u>38,422,438</u>	<u>615,820</u>	<u>86,475</u>	<u>38,951,783</u>
Less accumulated depreciation	<u>14,966,104</u>	<u>972,088</u>	<u>79,675</u>	<u>15,858,517</u>
Total capital assets, being depreciated, net	<u>23,456,334</u>	<u>(356,268)</u>	<u>6,800</u>	<u>23,093,266</u>
Business-type activities capital assets, net	<u>\$ 24,455,734</u>	<u>\$ (124,708)</u>	<u>\$ 250,457</u>	<u>24,080,569</u>
Less related long-term debt outstanding				<u>-</u>
Net investment in capital assets				<u>\$ 24,080,569</u>

Depreciation expense was charged to functions of the City as follows:

Governmental activities	
General government	\$ 239,486
Public safety	263,693
Public works	3,813,742
Health and human services	13,123
Culture and recreation	166,110
Total depreciation expense - governmental activities	<u>\$ 4,496,154</u>
Business-type activities	
Water	\$ 412,742
Sewer	559,346
Total depreciation expense - business-type activities	<u>\$ 972,088</u>

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Interfund Receivable/Payables, Advance and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2013 are detailed below:

	Interfund Receivables	Interfund Payables
Governmental Funds		
General Fund	\$ 370,496	\$ 3,325,312
General Debt Service Fund	2,829	-
Capital Improvements Fund	388,275	33,216
TID No. 4 Capital Projects	679,842	-
Parking Meters and Lots	694,492	-
Lakefront Operations	842,001	62,217
Public Library	67,919	-
Cemetery Operations	-	1,476
Impact Fees	-	27,021
Equipment Replacement	715,000	-
Enterprise Funds		
Water Utility	4,718	313,033
Sewer Utility	3,837	7,134
Totals	\$ 3,769,409	\$ 3,769,409

Interfund receivables and payables relate to temporary cash advances for deficit cash, pooled cash transactions and operating accounts.

Interfund transfers for the year ended December 31, 2013 were as follows:

	Transfer to:					Totals
	General	TID No. 4 Capital Projects	Library	Equipment Replacement	Cemetery Operations	
Transfers from:						
General Fund	\$ -	\$ -	\$ 90,634	\$ 715,000	\$ 166,888	\$ 972,522
Parking Meters and Lots	566,658	-	-	-	-	566,658
Lakefront Operations	378,531	21,881	-	-	-	400,412
Cemetery Perpetual Care	-	-	-	-	12,715	12,715
Water Utility	322,173	-	-	-	-	322,173
Totals	\$ 1,267,362	\$ 21,881	\$ 90,634	\$ 715,000	\$ 179,603	\$ 2,274,480

Transfers are used to (1) transfer the cemetery appropriate to the cemetery operations fund, (2) reimburse general fund for administrative support functions provided to various funds, (3) payment of property tax equivalent by the City's regulated water utility to the general fund, (4) reimburse library for insurance recoveries recognized in the general fund and (5) move unrestricted general fund revenues to finance other programs of the City accounted for in other funds.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2013:

	Outstanding 1/1/13	Issued	Retired	Outstanding 12/31/13	Due Within One Year
Governmental activities:					
General Obligation Debt					
Notes	\$ 6,375,000	\$ -	\$ 850,000	\$ 5,525,000	\$ 880,000
Alliant Energy notes	10,144	-	2,546	7,598	2,624
Compensated absences	153,807	18,199	-	172,006	-
Post-employment benefits payable	1,615,239	377,597	220,242	1,772,594	-
Governmental activities Long-term obligations	<u>\$ 8,154,190</u>	<u>\$ 395,796</u>	<u>\$ 1,072,788</u>	<u>\$ 7,477,198</u>	<u>\$ 882,624</u>
Business-type activities:					
Compensated absences	\$ 31,345	\$ 4,617	\$ -	\$ 35,962	\$ -
Post-employment benefits payable	133,234	14,731	-	147,965	-
Business-type activities Long-term obligations	<u>\$ 164,579</u>	<u>\$ 19,348</u>	<u>\$ -</u>	<u>\$ 183,927</u>	<u>\$ -</u>

Total interest paid during the year on long-term debt totaled \$189,521.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Notes

\$4,390,000 issued 12/15/06; \$855,000 to \$930,000 due annually through 2016; interest 4.00%	\$ 2,675,000
\$2,980,000 issued 07/01/11; \$25,000 to \$585,000 due annually through 2021; interest 1.50% to 2.70%	<u>2,850,000</u>
Total Outstanding General Obligation Debt	<u>\$ 5,525,000</u>

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Alliant Energy Notes

Alliant Energy has installed equipment in City facilities to reduce the City's annual energy consumption. The City has entered into agreements to repay Alliant Energy over five years. Alliant Energy notes currently outstanding are detailed as follows:

Alliant Energy Notes

\$7,782 issued 08/29/11; \$140 principal and interest payment due monthly through 2016; interest 3.00%	\$ 4,424
\$5,278 issued 08/29/11; \$95 principal and interest payment due monthly through 2016; interest 3.00%	<u>3,174</u>
Total Outstanding Alliant Energy Notes	<u>\$ 7,598</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$5,525,000 and Alliant Energy notes of \$7,598 on December 31, 2013 are as detailed below:

Year Ended December 31	Governmental Activities					
	General Obligation		Alliant Energy Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 880,000	\$ 155,563	\$ 2,624	\$ 192	\$ 882,624	\$ 155,755
2015	915,000	120,288	2,704	112	917,704	120,400
2016	955,000	83,513	2,270	31	957,270	83,544
2017	525,000	60,000	-	-	525,000	60,000
2018	540,000	49,605	-	-	540,000	49,605
2019-2021	1,710,000	68,378	-	-	1,710,000	68,378
	<u>\$ 5,525,000</u>	<u>\$ 537,347</u>	<u>\$ 7,598</u>	<u>\$ 335</u>	<u>\$ 5,532,598</u>	<u>\$ 537,682</u>

For governmental activities, the other long-term liabilities are generally funded by the general fund.

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2013 was \$50,097,381 as follows:

Equalized valuation of the City	\$ 1,112,504,200
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	55,625,210
Total outstanding general obligation debt applicable to debt limitation	\$ 5,525,000
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>2,829</u>
Net outstanding general obligation debt applicable to debt limitation	<u>5,527,829</u>
Legal Margin for New Debt	<u>\$ 50,097,381</u>

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

6. Tower Rental Income

The City of Lake Geneva rents space on its water towers to various lessees for the mounting of telecommunications equipment. Rental income for the year ended December 31, 2013 was \$184,834. The remaining future rental payments due on the leases are as follows:

Year Ended December 31	Amount
2014	\$ 198,374
2015	207,056
2016	216,760
2017	216,760
2018	236,913
	<u>\$ 1,075,863</u>

7. Fund Equity

Portions of the City's fund balance have been assigned on December 31, 2013 as follows:

Funds/Departments	Purpose	Balance
General Fund		
Fire department	Donations	\$ 7,797
Fire department	CPR revenue	4,240
Police department	Uniform allowance	6,432
Police department	Vest donations	1,300
Police department	Donations	7,100
Police department	State seizures	3,103
Ambulance	EMS Act 102 program	19,709
Historical preservation	Donations	2,892
Post-employment	Post-employment liability	307,541
		<u>360,114</u>
Special revenue funds		
Parking meters and lots	Operations	675,000
Lakefront operations	Operations	684,856
Cemetery operations	Operations	75,553
		<u>1,435,409</u>
Capital projects funds		
Capital improvements	Fire vehicle	94,232
Capital improvements	Capital purchases	101,026
Impact fees	Impact fees	46,113
		<u>241,371</u>
Total Assigned Fund Balance		<u>\$ 2,036,894</u>

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Fund Equity

The City Council adopted a minimum fund balance policy in 2006, whereas the unassigned fund balance be equivalent to three months of expenditures of general fund. This amount is to be maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Actual 2013 general fund expenditures	\$	8,168,517
Minimum fund balance %		25%
Minimum fund balance amount	\$	2,042,129

The City's unassigned fund balance of \$2,206,098 meets the minimum fund balance amount.

8. Component Unit

This report contains Downtown Lake Geneva Business Improvement District ("BID"), which is included as a discretely presented component unit. Financial information is presented as a discrete column in the statement of net position and statement of activities.

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

a. Basis of Accounting/Measurement Focus

BID follows the accrual basis of accounting wherein revenues and expenses are recorded in the period earned or incurred.

b. Deposits and Investments

At year-end, the carrying amount of BID deposits was \$47,501 and the bank balance was \$56,175. The entire bank balance was covered by federal depository insurance.

NOTE D - OTHER INFORMATION

1. Retirement Commitments

All eligible City 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 (440 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. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (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. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

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, including Teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates are as follows:

	2013	
	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.65%	6.65%
Executives & Elected Officials	7.0%	7.0%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for City employees covered by the WRS for the year ended December 31, 2013 was \$4,498,906; the employer's total payroll was \$5,119,481. The total required contribution for the year ended December 31, 2013 was \$653,499, which consisted of \$354,024 or 7.90% of covered payroll from the employer, and \$299,475, or 6.70% of covered payroll from employees. Total contributions for the years ended December 31, 2012 and 2011 were \$594,826 and \$559,576, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. 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.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

2. Other Postemployment Benefits

Plan Description. The City operates a single-employer retiree benefit plan that provides postemployment health and dental benefits to eligible employees and their spouses. There were 64 active and 9 retired members in the plan as of December 31, 2013. Benefits and eligibility for employees are established and amended through collective bargaining with the recognized bargaining agent for each group; and include postemployment health and dental coverage. Benefits and eligibility for administrators and general support staff are established and amended by the governing body.

Funding Policy. Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payments of future benefits. The general fund is used for funding of all pension/retirement benefits. The employer makes all contributions.

Annual Required Contribution and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Component	Amount
Annual required contribution	\$ 416,366
Interest on net OPEB	78,681
Adjustment to annual required contribution	<u>(102,719)</u>
Annual OPEB cost (expense)	392,328
Contributions made	<u>220,242</u>
Change in net OPEB obligation	172,086
OPEB obligation - beginning of year	<u>1,748,473</u>
OPEB obligation - end of year	<u>\$ 1,920,559</u>

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	January 1, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	30 year open level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.50%
Healthcare cost trend rate	8.00% initial 5.00% ultimate
Projected salary increases	Not applicable

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

Demographic assumptions are based on those used to value the pension plan of the Wisconsin Retirement System with some consideration given to differences exhibited by the employees.

Trend Information - The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	\$ 392,328	56%	\$ 1,920,559
12/31/2012	456,724	33%	1,748,473
12/31/2011	438,446	35%	1,441,405

Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2012	\$ -	\$ 3,132,602	0%	\$ 3,132,602	\$ 3,778,432	82.9%
2008	\$ -	\$ 3,081,962	0%	\$ 3,081,962	\$ 4,098,954	75.2%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

3. Risk Management

The City is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; employee health and accident claims; or acts of God. The City has chosen to retain a portion of the risks through self-insurance programs and has also purchased insurance to transfer other risks to outside parties. A description of the City's risk management programs is presented below:

The City maintains self-insurance for medical insurance. The claims liability of \$165,964 reported in the general fund at December 31, 2013 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claim liability amount for 2012 and 2013 follow:

	Liability January 1	Current Year Claims and Changes in Estimates	Payments	Liability December 31
2012	\$ 123,519	\$ 1,534,007	\$ 1,521,835	\$ 135,691
2013	\$ 135,691	\$ 2,010,514	\$ 1,980,241	\$ 165,964

The City also purchases commercial insurance policies for various property and other liability risks. Payments of premiums for these policies are recorded as expenditures or expenses in various other funds of the City. Settlements have not exceeded insurance coverage for each of the past three years. There have also been no significant changes in insurance coverage from the prior year.

4. Contingencies

- a. The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.
- b. From time to time, the City is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

5. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2013 and 2014 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2013 budget was 0%. The actual limit for the City for the 2014 budget was .54%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

6. Tax Incremental Financing Districts

The City has established a separate capital projects fund for a Tax Incremental Financing Districts (TID) created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the TID was created, the property tax base within the TID was "frozen" and increment taxes resulting from increases to the property tax base are used to finance TID improvements, including principal and interest on long-term debt issued by the City to finance such improvements. The Statutes allow eligible project costs to be incurred up to five years prior to the maximum termination date. The City's district is still eligible to incur project costs.

Since creation of the above TID, the City has provided various financing sources to the TID and has also recorded eligible TID project costs in other funds of the City. The foregoing amounts are not recorded as liabilities in the TID capital project fund but can be recovered by the City from any future excess tax increment revenues.

The intent of the City is to recover the above amounts from future TID surplus funds, if any, prior to termination of the respective TID's. Unless terminated by the City prior thereto, each TID has a statutory termination year as follows:

	TID No. 4
Termination year	<u>2023</u>

7. Customer User Rates

Rates currently charged for water service as of December 31, 2013 were authorized by the Wisconsin Public Service Commission on November 26, 1991. Rates currently charged for sewer service as of December 31, 2013 were authorized by the City of Lake Geneva on March 16, 1999.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE GENEVA, WISCONSIN
 Schedule of Funding Progress
 Other Post-Employment Benefit Plan
 For the Year Ended December 31, 2013

Actuarial Valuation Date December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Unit Credit	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2012	\$ -	\$ 3,132,602	0.00%	\$ 3,132,602	\$ 3,778,432	82.9%
2008	-	3,081,962	0.00%	3,081,962	4,098,954	75.2%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008.
 Information for prior years is not available.

CITY OF LAKE GENEVA, WISCONSIN
 Schedule of Employer Contributions
 Other Post-Employment Benefit Plan
 For the Year Ended December 31, 2013

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	\$ 153,704	\$ 384,299	40%
2012	149,656	384,299	39%
2013	220,242	416,366	53%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008.

SUPPLEMENTARY INFORMATION

CITY OF LAKE GENEVA, WISCONSIN

General Fund

Detailed Comparison of Revenues and Other Financing Sources - Budget and Actual
For the Year Ended December 31, 2013
(With comparative financial information for the year ended December 31, 2012)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2012 Actual
Taxes					
General property	\$ 4,609,000	\$ 4,609,000	\$ 4,609,001	\$ 1	\$ 4,608,972
Omitted and other taxes	-	-	13,691	13,691	-
Mobile home	4,000	4,000	4,777	777	4,338
Room tax	400,000	400,000	470,680	70,680	492,495
Sales tax discount	350	350	458	108	453
Interest on taxes	900	900	1,531	631	1,617
Total Taxes	5,014,250	5,014,250	5,100,138	85,888	5,107,875
Special Assessments					
Curb and gutter	1,582	1,582	4,253	2,671	7,440
Intergovernmental					
Recycling	23,500	23,500	23,884	384	23,852
State shared revenues	109,347	109,347	109,153	(194)	115,251
Police department	4,500	4,500	10,561	6,061	9,503
Fire department	45,500	45,500	44,147	(1,353)	46,267
Emergency management	-	-	10,165	10,165	-
State aid for highways	715,055	715,055	714,665	(390)	661,426
Municipal services	3,300	3,300	3,162	(138)	3,315
Exempt computer	16,000	16,000	15,781	(219)	18,976
Aids in lieu of taxes	27,000	27,000	10,000	(17,000)	28,000
GLLEA accounting services	3,000	3,000	3,000	-	3,000
Other state grants	-	-	-	-	53,732
Total Intergovernmental	947,202	947,202	944,518	(2,684)	963,322
Licenses and Permits					
Licenses					
Liquor and malt beverage licenses	30,000	30,000	31,566	1,566	32,280
Operators	13,000	13,000	17,395	4,395	14,500
Cable TV franchise fees	105,000	105,000	112,785	7,785	112,201
Other business licenses	18,000	18,000	23,410	5,410	21,970
Dog and cat	400	400	764	364	1,055
Miscellaneous	9,500	9,500	10,235	735	10,695
Permits					
Building	50,000	50,000	110,364	60,364	56,368
Electrical	10,000	10,000	19,892	9,892	14,842
Plumbing	10,000	10,000	17,139	7,139	11,814
Zoning	14,000	14,000	19,668	5,668	18,380
Other miscellaneous	15,200	15,200	39,133	23,933	19,754
Total Licenses and Permits	275,100	275,100	402,351	127,251	313,859
Fines and Forfeits					
Court penalties and costs	126,500	126,500	91,415	(35,085)	138,822
Parking violations	13,000	13,000	18,725	5,725	13,667
Restitution	-	-	10,087	10,087	12
Total Fines and Forfeits	139,500	139,500	120,227	(19,273)	152,501

(Continued)

CITY OF LAKE GENEVA, WISCONSIN

General Fund

Detailed Comparison of Revenues and Other Financing Sources - Budget and Actual (Continued)

For the Year Ended December 31, 2013

(With comparative financial information for the year ended December 31, 2012)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2012 Actual
Public Charges for Services					
General government fees	7,500	7,500	14,855	7,355	9,526
Police department	8,090	8,090	21,046	12,956	13,521
Fire department	205,500	205,500	269,163	63,663	274,615
Street department	5,000	5,000	25,847	20,847	25,768
Snow and ice	3,000	3,000	16,030	13,030	10,437
Tree and brush	-	-	48	48	-
Traffic control	2,000	2,000	1,970	(30)	1,656
Parks	4,000	4,000	5,014	1,014	4,800
Miscellaneous fees and charges	400	400	851	451	537
Total Public Charges for Services	235,490	235,490	354,824	119,334	340,860
Intergovernmental Charges for Services					
Police department	93,498	93,498	89,334	(4,164)	138,799
Fire department	42,000	42,000	57,637	15,637	51,500
TID reimbursement	20,000	20,000	-	(20,000)	-
Total Intergovernmental Charges for Services	155,498	155,498	146,971	(8,527)	190,299
Investment income					
Interest income	7,000	7,000	8,921	1,921	10,900
Interest on special assessment	575	575	560	(15)	(303)
Total Investment Income	7,575	7,575	9,481	1,906	10,597
Miscellaneous					
Insurance recoveries	6,000	6,000	30,352	24,352	5,791
Rent of city property	225	225	451	226	476
Donation	2,500	2,500	9,737	7,237	13,690
Miscellaneous	1,100	1,100	816	(284)	1,522
Total Miscellaneous	9,825	9,825	41,356	31,531	21,479
Total Revenues	6,786,022	6,786,022	7,124,119	338,097	7,108,232
Other Financing Sources					
Sale of capital assets	-	-	2,157	2,157	323,173
Transfers In					
Special Revenue Funds					
Lakefront	406,986	406,986	378,531	(28,455)	439,333
Parking fund	560,462	560,462	566,658	6,196	500,374
Enterprise Fund					
Payment in lieu of tax	275,000	275,000	322,173	47,173	311,682
Total Transfers In	1,242,448	1,242,448	1,267,362	24,914	1,251,389
Total Other Financing Sources	1,242,448	1,242,448	1,269,519	27,071	1,574,562
Total Revenues and Other Financing Sources	\$ 8,028,470	\$ 8,028,470	\$ 8,393,638	\$ 365,168	\$ 8,682,794

CITY OF LAKE GENEVA, WISCONSIN

General Fund

Detailed Comparison of Expenditures and Other Financing Uses - Budget and Actual

For the Year Ended December 31, 2013

(With comparative financial information for the year ended December 31, 2012)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2012 Actual
General Government					
General government expense	\$ 97,800	\$ 97,800	\$ 102,346	\$ (4,546)	\$ 53,640
Insurance	190,000	190,000	192,626	(2,626)	179,838
Health and other benefits	1,138,600	1,138,600	1,479,664	(341,064)	1,077,715
Common council	37,106	37,106	36,414	692	35,687
Municipal court	85,925	85,925	70,100	15,825	80,452
City attorney	75,660	75,660	75,301	359	74,766
Outside legal services	35,000	35,000	16,303	18,697	29,165
Mayor	7,060	7,060	6,736	324	6,719
City administrator	110,611	110,611	109,614	997	108,623
City clerk	130,271	130,271	126,112	4,159	132,124
Accounting and data processing	174,597	174,597	165,203	9,394	165,396
City treasurer	26,495	26,495	23,107	3,388	23,658
City assessor	45,700	45,700	45,055	645	45,271
City hall building	176,671	176,671	167,483	9,188	175,591
Sheridan springs property	-	-	-	-	5,715
Total General Government	2,331,496	2,331,496	2,616,064	(284,568)	2,194,360
Public Safety					
Police department	2,590,062	2,590,062	2,589,825	237	2,527,618
Fire department	735,864	735,864	726,659	9,205	717,052
Fire hydrant rental	229,000	229,000	228,692	308	228,491
Building and zoning	140,128	140,128	157,119	(16,991)	136,450
Emergency management	33,505	33,505	40,158	(6,653)	29,525
Total Public Safety	3,728,559	3,728,559	3,742,453	(13,894)	3,639,136
Public Works					
DPW and engineering	9,500	9,500	5,746	3,754	5,848
Street and highway	578,064	578,064	566,400	11,664	559,141
Snow and ice	126,928	126,928	179,364	(52,436)	74,680
Tree and brush	75,540	75,540	87,131	(11,591)	94,181
Compost operations	70,990	70,990	66,011	4,979	67,000
Storm sewer	16,660	16,660	19,053	(2,393)	16,467
Traffic control	145,510	145,510	122,763	22,747	133,360
Recycling and sanitation	442,325	442,325	442,557	(232)	433,110
Total Public Works	1,465,517	1,465,517	1,489,025	(23,508)	1,383,787

(Continued)

CITY OF LAKE GENEVA, WISCONSIN

General Fund

Detailed Comparison of Expenditures and Other Financing Uses - Budget and Actual (Continued)

For the Year Ended December 31, 2013

(With comparative financial information for the year ended December 31, 2012)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2012 Actual
Culture and Recreation					
Parks	112,675	112,675	99,556	13,119	111,244
Veteran's park	37,724	37,724	32,016	5,708	35,402
Leisure activities	33,800	33,800	29,707	4,093	30,964
Total Culture and Recreation	184,199	184,199	161,279	22,920	177,610
Conservation and development					
Plan commission	2,200	2,200	10,122	(7,922)	1,771
Conservation and development	149,611	149,611	149,574	37	143,635
Total Conservation and Development	151,811	151,811	159,696	(7,885)	145,406
Total Expenditures	7,861,582	7,861,582	8,168,517	(306,935)	7,540,299
Other Financing Uses					
Transfers out					
Special Revenue Funds					
Cemetery	166,888	166,888	166,888	-	160,000
Library	-	-	90,634	(90,634)	-
Capital Projects Fund					
Equipment replacement	-	715,000	715,000	-	106,298
Total Transfers Out	166,888	881,888	972,522	(90,634)	266,298
Total Expenditures and Other Financing Uses	\$ 8,028,470	\$ 8,743,470	\$ 9,141,039	\$ (397,569)	\$ 7,806,597

CITY OF LAKE GENEVA, WISCONSIN

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2013

(With summarized financial information as of December 31, 2012)

	Special Revenue Funds				
	Parking Meters and Lots	Lakefront Operations	Public Library	Cemetery Operations	Total
ASSETS					
Cash and investments	\$ 50	\$ -	\$ 398,598	\$ 79,550	\$ 478,198
Receivables					
Taxes	-	-	423,000	166,888	589,888
Accounts	815	335	-	-	1,150
Due from other funds	694,492	842,001	67,919	-	1,604,412
Restricted cash and investments	-	-	-	-	-
TOTAL ASSETS	\$ 695,357	\$ 842,336	\$ 889,517	\$ 246,438	\$ 2,673,648
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 14,833	\$ 4,834	\$ 11,197	\$ 2,521	\$ 33,385
Accrued liabilities	5,524	3,629	15,849	-	25,002
Due to other funds	-	62,217	-	1,476	63,693
Deposits held in trust	-	86,800	-	-	86,800
Total Liabilities	20,357	157,480	27,046	3,997	208,880
Deferred Inflows of Resources					
Property taxes	-	-	423,000	166,888	589,888
Fund Balances					
Nonspendable					
Cemetery perpetual care	-	-	-	-	-
Library endowment	-	-	-	-	-
Restricted					
Library	-	-	439,471	-	439,471
Impact fees	-	-	-	-	-
Committed					
Equipment replacement	-	-	-	-	-
Assigned					
Special revenue funds	675,000	684,856	-	75,553	1,435,409
Capital projects fund	-	-	-	-	-
Total Fund Balances	675,000	684,856	439,471	75,553	1,874,880
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 695,357	\$ 842,336	\$ 889,517	\$ 246,438	\$ 2,673,648

Permanent Funds			Capital Projects Funds			Total Other Governmental Funds	
Cemetery Perpetual Care	Swanson Library Endowment	Total	Equipment Replacement	Impact Fees	Total	2013	2012
\$ 503,619	\$ -	\$ 503,619	\$ -	\$ 286,254	\$ 286,254	\$ 1,268,071	\$ 1,165,277
-	-	-	-	-	-	589,888	584,888
-	-	-	-	-	-	1,150	75,053
-	-	-	715,000	-	715,000	2,319,412	1,395,986
-	112,501	112,501	-	-	-	112,501	97,615
<u>\$ 503,619</u>	<u>\$ 112,501</u>	<u>\$ 616,120</u>	<u>\$ 715,000</u>	<u>\$ 286,254</u>	<u>\$ 1,001,254</u>	<u>\$ 4,291,022</u>	<u>\$ 3,318,819</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,385	\$ 74,614
-	-	-	-	-	-	25,002	24,816
-	-	-	-	27,021	27,021	90,714	118,079
-	-	-	-	-	-	86,800	82,800
-	-	-	-	27,021	27,021	235,901	300,309
-	-	-	-	-	-	589,888	584,888

503,619	-	503,619	-	-	-	503,619	434,016
-	110,184	110,184	-	-	-	110,184	97,615
-	2,317	2,317	-	-	-	441,788	290,170
-	-	-	-	232,615	232,615	232,615	194,532
-	-	-	715,000	-	715,000	715,000	-
-	-	-	-	-	-	1,435,409	1,371,176
-	-	-	-	26,618	26,618	26,618	46,113
<u>503,619</u>	<u>112,501</u>	<u>616,120</u>	<u>715,000</u>	<u>259,233</u>	<u>974,233</u>	<u>3,465,233</u>	<u>2,433,622</u>

<u>\$ 503,619</u>	<u>\$ 112,501</u>	<u>\$ 616,120</u>	<u>\$ 715,000</u>	<u>\$ 286,254</u>	<u>\$ 1,001,254</u>	<u>\$ 4,291,022</u>	<u>\$ 3,318,819</u>
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CITY OF LAKE GENEVA, WISCONSIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2013

(With summarized financial information for the year ended December 31, 2012)

	Special Revenue Funds				
	Parking Meters and Lots	Lakefront Operations	Public Library	Cemetery Operations	Total
Revenues					
Taxes	\$ -	\$ -	\$ 418,000	\$ -	\$ 418,000
Intergovernmental	-	27,643	275,639	-	303,282
Licenses and permits	13,508	-	-	-	13,508
Fines and forfeits	229,315	-	24,606	-	253,921
Public charges for services	890,578	974,638	-	52,479	1,917,695
Investment income	1,467	-	26,801	8	28,276
Miscellaneous	1,396	1,013	24,393	200	27,002
Total Revenues	1,136,264	1,003,294	769,439	52,687	2,961,684
Expenditures					
Current					
Public safety	-	-	-	-	-
Public works	494,606	-	-	-	494,606
Health and human services	-	-	-	221,313	221,313
Culture and recreation	-	624,626	709,094	-	1,333,720
Capital outlay					
Culture and recreation	-	-	-	-	-
Debt service					
Principal retirement	-	-	1,520	-	1,520
Interest and fiscal charges	-	-	158	-	158
Total Expenditures	494,606	624,626	710,772	221,313	2,051,317
Excess of Revenues Over (Under)					
Expenditures	641,658	378,668	58,667	(168,626)	910,367
Other Financing Sources (Uses)					
Transfers in	-	-	90,634	179,603	270,237
Transfers out	(566,658)	(400,412)	-	-	(967,070)
Total Other Financing Sources (Uses)	(566,658)	(400,412)	90,634	179,603	(696,833)
Net Change in Fund Balances	75,000	(21,744)	149,301	10,977	213,534
Fund Balances - January 1	600,000	706,600	290,170	64,576	1,661,346
Fund Balances - December 31	\$ 675,000	\$ 684,856	\$ 439,471	\$ 75,553	\$ 1,874,880

Permanent Funds			Capital Projects Funds			Total Other Governmental Funds	
Cemetery Perpetual Care	Swanson Library Endowment	Total	Equipment Replacement	Impact Fees	Total	2013	2012
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 418,000	\$ 418,000
-	-	-	-	-	-	303,282	283,128
-	-	-	-	-	-	13,508	20,966
-	-	-	-	-	-	253,921	229,415
14,350	-	14,350	-	36,554	36,554	1,968,599	1,915,582
67,968	14,886	82,854	-	287	287	111,417	81,442
-	-	-	-	-	-	27,002	20,241
82,318	14,886	97,204	-	36,841	36,841	3,095,729	2,968,774
-	-	-	-	410	410	410	-
-	-	-	-	-	-	494,606	461,498
-	-	-	-	-	-	221,313	232,026
-	-	-	-	-	-	1,333,720	1,180,251
-	-	-	-	17,843	17,843	17,843	40,171
-	-	-	-	-	-	1,520	1,475
-	-	-	-	-	-	158	203
-	-	-	-	18,253	18,253	2,069,570	1,915,624
82,318	14,886	97,204	-	18,588	18,588	1,026,159	1,053,150
-	-	-	715,000	-	715,000	985,237	173,021
(12,715)	-	(12,715)	-	-	-	(979,785)	(965,505)
(12,715)	-	(12,715)	715,000	-	715,000	5,452	(792,484)
69,603	14,886	84,489	715,000	18,588	733,588	1,031,611	260,666
434,016	97,615	531,631	-	240,645	240,645	2,433,622	2,172,956
\$ 503,619	\$ 112,501	\$ 616,120	\$ 715,000	\$ 259,233	\$ 974,233	\$ 3,465,233	\$ 2,433,622

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and City Council
City of Lake Geneva, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Geneva, Wisconsin, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Lake Geneva's basic financial statements, and have issued our report thereon dated July 28, 2014. Our report includes a reference to other auditors. Other auditors audited the Lake Geneva Utility Commission, as described in our report on the City's financial statements. The financial statements of the City's Oak Hill Cemetery, Downtown Lake Geneva Business Improvement District, and Lake Geneva Utility Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lake Geneva, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Geneva, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Geneva, Wisconsin's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2013-001 and 2013-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Geneva, Wisconsin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Lake Geneva, Wisconsin's Response to Findings

City of Lake Geneva, Wisconsin's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Lake Geneva, Wisconsin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of City of Lake Geneva, Wisconsin's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lake Geneva, Wisconsin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
July 28, 2014

CITY OF LAKE GENEVA, WISCONSIN
 Schedule of Findings and Responses
 For the Year Ended December 31, 2013

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
2013-001	Segregation of Duties
Condition:	A limited number of City employees perform the majority of the accounting functions for the City of Lake Geneva.
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Cause:	The lack of segregation of duties is due to the limited number of employees and the size of City's operations.
Effect:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction. Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Recommendation:	We recommend the City Council continue to monitor the transactions and the financial records of the City.
Management Response:	Management believes that the cost of segregating cash receipts and cash disbursement duties from the related recording functions outweigh the benefits to be received.

CITY OF LAKE GENEVA, WISCONSIN
 Schedule of Findings and Responses (Continued)
 For the Year Ended December 31, 2013

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2013-002	Preparation of Annual Financial Report
Condition:	Current City staff maintains accounting records which reflect the City's financial transactions; however, preparing the City's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The City contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner.
Criteria:	The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes.
Cause:	City management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without our involvement, the City may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the City continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report.
Management Response:	Management believes the cost for additional staff time and training to prepare GASB 34 conversion entries outweigh the benefits to be received. Management has reviewed and approved the financial statements and other information prior to issuance.

Section II - Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under government auditing standards generally accepted in the United States of America for the year ended December 31, 2013.