

**ANNUAL FINANCIAL REPORT**  
**CITY OF LAKE GENEVA, WISCONSIN**  
**DECEMBER 31, 2016**

CITY OF LAKE GENEVA, WISCONSIN

December 31, 2016

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	11 - 12
Statement of Activities	13 - 14
Fund Financial Statements	
Balance Sheet - Governmental Funds	15 - 17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18 - 20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Parking Meters and Lots	22
Statement of Net Position - Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25 - 26
Statement of Net Position - Fiduciary Funds	27
Notes to Basic Financial Statements	28 - 51
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Employer Contributions - Other Post-Employment Benefit Plan	52
Schedule of Funding Progress - Other Post-Employment Benefit Plan	53
Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System	54
Schedule of Contributions - Wisconsin Retirement System	54
Notes to Required Supplementary Information	55
SUPPLEMENTARY INFORMATION	
Detailed Comparison of Revenues and Other Financing Sources - Budget and Actual - General Fund	56 - 57
Detailed Comparison of Expenditures and Other Financing Uses - Budget and Actual - General Fund	58 - 59
Combining Balance Sheet - Nonmajor Governmental Funds	60 - 61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	62 - 63
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 <i>Government Auditing Standards</i>	64 - 65
Schedule of Findings and Responses	66 - 67

## 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, 2016, 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Parking Meters and Lots Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note C.1 to the financial statements, in 2016 the City adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the schedules relating to pensions and other post-employment benefits on pages 52 through 54 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 basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 of Lake Geneva's 2015 financial statements, and our report dated June 21, 2016, 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, 2015, 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 19, 2017, 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 19, 2017

***THIS PAGE LEFT BLANK INTENTIONALLY***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# CITY OF LAKE GENEVA

626 GENEVA STREET  
LAKE GENEVA, WISCONSIN 53147  
(262) 248-3673 • Fax (262) 248-4715



## Management's Discussion and Analysis Fiscal Year 2016

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, 2016.

### Financial Highlights

- As of the December 31, 2016, the assets and deferred outflows of the City of Lake Geneva exceeded its liabilities and deferred inflows of resources by \$58,248,554. This represents a 12.4% decrease over the 2015 net position balance of \$66,547,173. The decrease is due primarily to the close-out of the City's tax incremental district no. 4 which resulted in refunds to other taxing entities of \$6,532,561.
- The general fund balance at the end of 2016 was \$3,953,788, an increase of \$701,915 from the prior year.
- Of the general fund balance, \$127,805 is nonspendable for prepaid items and delinquent taxes, \$557,839 has been assigned for various uses, and \$3,268,144 is currently unassigned.
- The outstanding general obligation debt as of December 31, 2016 is \$5,335,000. This compares to \$6,290,000 at the end of 2015.

### 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 six major government funds: General, General Debt Service, Capital Improvements, Parking Meters and Lots, Equipment Replacement 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.
- Parking Meters and Lots: Accounts for resources collected from parking meters and parking citations, which using resources for operations and related capital improvements.
- Equipment Replacement Fund: Accounts for proceeds from long-term borrowing and other resources to be used for equipment replacement.
- 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 a loss of \$8,107,784. The total fund balance for all governmental funds is \$10,126,985. (See pages 15 - 22.)

**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 an increase of \$151,950 and the Sewer Utility had a decrease of \$224,651. Water Utility net position totaled \$12,817,913. Sewer Utility net position totaled \$14,062,743, for a proprietary/enterprise fund total of \$26,880,656. (See pages 23 - 26)

**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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$58,248,554 at the close of 2016.

City of Lake Geneva, Wisconsin's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 18,263,894	\$ 28,264,981	\$ 2,855,363	\$ 4,090,250	\$ 21,119,257	\$ 32,355,231
Capital assets	27,541,947	28,191,309	24,594,974	23,723,139	52,136,921	51,914,448
Total Assets	45,805,841	56,456,290	27,450,337	27,813,389	73,256,178	84,269,679
Deferred outflows of resources	3,093,127	867,082	422,298	130,173	3,515,425	997,255
Long-term liabilities outstanding	8,526,879	7,829,751	302,102	257,160	8,828,981	8,086,911
Other liabilities	759,796	1,778,838	532,530	733,045	1,292,326	2,511,883
Total Liabilities	9,286,675	9,608,589	834,632	990,205	10,121,307	10,598,794
Deferred inflows of resources	8,244,395	8,120,967	157,347	-	8,401,742	8,120,967
Net Position						
Net investment in capital assets	22,130,220	22,726,755	24,594,974	23,723,139	46,725,194	46,449,894
Restricted	1,419,796	12,091,076	66,404	1,346,506	1,486,200	13,437,582
Unrestricted	7,817,882	4,775,985	2,219,278	1,883,712	10,037,160	6,659,697
Total Net Position	\$ 31,367,898	\$ 39,593,816	\$ 26,880,656	\$ 26,953,357	\$ 58,248,554	\$ 66,547,173

By far the largest portion of the City's net position (80%) 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 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$10,037,160 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 \$8,225,918 and business-type activities decreased the City's net position by \$72,701 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	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 3,956,430	\$ 3,696,089	\$ 3,097,880	\$ 2,629,702	\$ 7,054,310	\$ 6,325,791
Operating grants and contributions	887,057	886,204	-	-	887,057	886,204
Capital grants and contributions	-	250	210,679	288,201	210,679	288,451
<b>General Revenues</b>						
Property taxes	6,487,507	6,331,069	-	-	6,487,507	6,331,069
Property tax increment	1,633,460	1,696,930	-	-	1,633,460	1,696,930
Other taxes	669,914	601,722	-	-	669,914	601,722
Grants and contributions not restricted to specific programs	204,350	182,725	-	-	204,350	182,725
Other	325,168	224,008	25,408	8,157	350,576	232,165
<b>Total Revenues</b>	<b>14,163,886</b>	<b>13,618,997</b>	<b>3,333,967</b>	<b>2,926,060</b>	<b>17,497,853</b>	<b>16,545,057</b>
<b>Expenses</b>						
General government	2,780,409	3,185,063	-	-	2,780,409	3,185,063
Public safety	4,428,320	4,063,648	-	-	4,428,320	4,063,648
Public works	6,853,797	5,899,364	-	-	6,853,797	5,899,364
Health and human services	209,557	193,210	-	-	209,557	193,210
Culture and recreation	1,578,588	1,604,528	-	-	1,578,588	1,604,528
Conservation and development	6,744,320	160,031	-	-	6,744,320	160,031
Interest and fiscal charges	114,243	163,766	-	-	114,243	163,766
Water utility	-	-	1,459,576	1,538,284	1,459,576	1,538,284
Sewer utility	-	-	1,627,662	1,619,230	1,627,662	1,619,230
<b>Total Expenses</b>	<b>22,709,234</b>	<b>15,269,610</b>	<b>3,087,238</b>	<b>3,157,514</b>	<b>25,796,472</b>	<b>18,427,124</b>
<b>Increase in Net Position</b>						
Before Transfers	(8,545,348)	(1,650,613)	246,729	(231,454)	(8,298,619)	(1,882,067)
Transfers	319,430	324,039	(319,430)	(324,039)	-	-
<b>Change in Net Position</b>	<b>(8,225,918)</b>	<b>(1,326,574)</b>	<b>(72,701)</b>	<b>(555,493)</b>	<b>(8,298,619)</b>	<b>(1,882,067)</b>
Net Position - January 1	39,593,816	40,920,390	26,953,357	27,508,850	66,547,173	68,429,240
<b>Net Position - December 31</b>	<b>\$ 31,367,898</b>	<b>\$ 39,593,816</b>	<b>\$ 26,880,656</b>	<b>\$ 26,953,357</b>	<b>\$ 58,248,554</b>	<b>\$ 66,547,173</b>

As previously discussed, the City closed tax incremental district no. 4 during 2016, resulting in refunding to other taxing entities of \$6,532,561, which is reported in conservation and development above.

## 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.)

<b>General Fund Revenues and Transfers In</b>	
Budget	\$ 8,489,006
Actual	11,027,631
Variance	<u>\$ 2,538,625</u>

The positive revenue variance was primarily due to the following:

- Room tax revenue was \$165,330 over budget.
- Transfers in exceeded budget by \$2,110,496 - mainly due to the closing of TID No. 4.

<b>General Fund Expenditures and Transfers Out</b>	
Budget	\$ 8,492,457
Actual	10,327,334
Variance	<u>\$ (1,834,877)</u>

The functions with significant budget variances are listed below:

- Practically all of the expense budget variance was due to the increase in transfers out related to the closing of TID No. 4 and transferring funds to Equipment Replacement fund.

<b>General Fund Balance</b>	
Beginning of year	\$ 3,251,873
End of the year	<u>3,953,788</u>
Change in Fund Balance	<u>\$ 701,915</u>

**Proprietary funds.** (See pages 23 - 26.) 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 \$12,817,913, an increase of \$151,950 from the prior year. Operating income for the water utility fund totaled \$358,909.

Net position of the sewer utility at the end of the year totaled \$14,062,743, a decrease of \$224,651 from the prior year. Operating loss for the sewer utility fund totaled \$348,267.

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, 2016 amounts to \$52,136,921 (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	
	2016	2015	2016	2015	2016	2015
Land	\$ 3,601,266	\$ 3,601,266	\$ 926,030	\$ 765,749	\$ 4,527,296	\$ 4,367,015
Property held for future	-	-	-	197,158	-	197,158
Construction in progress	2,063,132	8,301	28,440	528,805	2,091,572	537,106
Buildings	13,114,959	13,104,969	9,082,934	7,450,876	22,197,893	20,555,845
Land improvements	821,245	238,446	36,877	-	858,122	238,446
Machinery and equipment	11,881,122	11,235,422	10,627,771	8,539,534	22,508,893	19,774,956
Infrastructure	86,353,329	86,069,030	22,490,767	23,881,615	108,844,096	109,950,645
Accumulated depreciation	(90,293,106)	(86,066,125)	(18,597,845)	(17,640,598)	(108,890,951)	(103,706,723)
<b>Total</b>	<b>\$ 27,541,947</b>	<b>\$ 28,191,309</b>	<b>\$ 24,594,974</b>	<b>\$ 23,723,139</b>	<b>\$ 52,136,921</b>	<b>\$ 51,914,448</b>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,335,000.

City of Lake Geneva, Wisconsin's Capital Assets General Obligation Debt and Alliant Energy Note						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General Obligation Debt						
Notes	\$ 5,335,000	\$ 6,290,000	\$ -	\$ -	\$ 5,335,000	\$ 6,290,000
Alliant Energy	-	2,270	-	-	-	2,270
<b>Total General Obligation Debt</b>	<b>\$ 5,335,000</b>	<b>\$ 6,292,270</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,335,000</b>	<b>\$ 6,292,270</b>

**Debt Service - Governmental Activities:** (Page 41) All general obligation notes are backed by the full faith and credit of the City. 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, 2016 was \$59,540,825. Total general obligation debt outstanding at year-end was \$5,335,000. The outstanding GO debt applicable to the debt limit represents 9% 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 2017 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 2016 audit in detail. If you would like additional information regarding the audit report, please contact City Administrator Blaine Oborn (262-248-3673) or City Comptroller Alyssa Slater (262-248-3673).

***THIS PAGE LEFT BLANK INTENTIONALLY***

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LAKE GENEVA, WISCONSIN**

Statement of Net Position

December 31, 2016

(With summarized financial information as of December 31, 2015)

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	
			2016	2015
<b>ASSETS</b>				
Cash and investments	\$ 10,140,055	\$ 1,955,764	\$ 12,095,819	\$ 20,283,369
Receivables				
Taxes	7,103,746	-	7,103,746	8,126,411
Delinquent personal property taxes	6,883	-	6,883	6,463
Accounts	195,186	592,032	787,218	674,086
Other	-	44,127	44,127	24,586
Special assessments	247,115	444,092	691,207	732,564
Internal balances	331,157	(331,157)	-	-
Inventories	-	83,109	83,109	82,791
Prepaid items	120,922	992	121,914	135,462
Other assets				
Net pension asset	-	-	-	965,799
Restricted cash and investments	118,830	66,404	185,234	1,323,700
Capital assets, not being depreciated				
Land	3,601,266	728,872	4,330,138	4,367,015
Property held for future	-	197,158	197,158	197,158
Construction in progress	2,063,132	28,440	2,091,572	537,106
Capital assets, being depreciated				
Land improvements	821,245	36,877	858,122	238,446
Buildings	13,114,959	9,082,934	22,197,893	20,555,845
Machinery and equipment	11,881,122	10,627,771	22,508,893	19,774,956
Infrastructure	86,353,329	22,490,767	108,844,096	109,950,645
Accumulated depreciation	(90,293,106)	(18,597,845)	(108,890,951)	(103,706,723)
<b>TOTAL ASSETS</b>	<b>45,805,841</b>	<b>27,450,337</b>	<b>73,256,178</b>	<b>84,269,679</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension	3,093,127	422,298	3,515,425	997,255
<b>LIABILITIES</b>				
Accounts payable	523,358	31,200	554,558	739,841
Accrued liabilities	149,994	17,091	167,085	163,672
Accrued interest	32,544	-	32,544	45,038
Deposits	53,900	-	53,900	87,947
Unearned revenue	-	484,239	484,239	505,839
Noncurrent liabilities				
Due within one year	887,276	-	887,276	969,546
Due in more than one year	4,670,342	50,242	4,720,584	5,647,324
Net pension liability	545,687	74,767	620,454	-
Other post-employment benefits	2,423,574	177,093	2,600,667	2,439,587
<b>TOTAL LIABILITIES</b>	<b>9,286,675</b>	<b>834,632</b>	<b>10,121,307</b>	<b>10,598,794</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes levied for subsequent year	7,096,006	-	7,096,006	8,120,967
Deferred inflows related to pension	1,148,389	157,347	1,305,736	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>8,244,395</b>	<b>157,347</b>	<b>8,401,742</b>	<b>8,120,967</b>
<b>NET POSITION</b>				
Net investment in capital assets	22,130,220	24,594,974	46,725,194	46,449,894
Restricted				
Cemetery perpetual care funds	564,576	-	564,576	522,308
Library	719,515	-	719,515	608,477
Tax incremental district	-	-	-	9,999,465
Impact fees	135,705	-	135,705	127,008
Pension benefits	-	-	-	965,799
Plant replacement	-	66,404	66,404	1,214,525
Unrestricted	7,817,882	2,219,278	10,037,160	6,659,697
<b>TOTAL NET POSITION</b>	<b>\$ 31,367,898</b>	<b>\$ 26,880,656</b>	<b>\$ 58,248,554</b>	<b>\$ 66,547,173</b>

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



**CITY OF LAKE GENEVA, WISCONSIN**

Statement of Activities

For the Year Ended December 31, 2016

(With summarized financial information for the year ended December 31, 2015)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,780,409	\$ 235,368	\$ 1,610	\$ -
Public safety	4,428,320	829,016	69,632	-
Public works	6,853,797	1,448,632	777,787	-
Health and human services	209,557	47,089	-	-
Culture and recreation	1,578,588	1,396,325	37,536	-
Conservation and development	6,744,320	-	492	-
Interest and fiscal charges	114,243	-	-	-
Total Governmental Activities	<u>22,709,234</u>	<u>3,956,430</u>	<u>887,057</u>	<u>-</u>
Business-type Activities				
Water	1,459,576	1,818,485	-	106,932
Sewer	1,627,662	1,279,395	-	103,747
Total Business-type Activities	<u>3,087,238</u>	<u>3,097,880</u>	<u>-</u>	<u>210,679</u>
Total Primary Government	<u>\$ 25,796,472</u>	<u>\$ 7,054,310</u>	<u>\$ 887,057</u>	<u>\$ 210,679</u>
Component Unit				
Business improvement district	<u>\$ 268,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

- Taxes, levied for general purposes
- Taxes levied for debt service
- Tax increment
- Other taxes
- Special event revenue
- 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

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	Primary Government		Component Unit		
		2016	2015	2016	2015	
\$ (2,543,431)	\$ -	\$ (2,543,431)	\$ (2,933,408)	\$ -	\$ -	
(3,529,672)	-	(3,529,672)	(3,318,917)	-	-	
(4,627,378)	-	(4,627,378)	(3,807,322)	-	-	
(162,468)	-	(162,468)	(146,952)	-	-	
(144,727)	-	(144,727)	(157,563)	-	-	
(6,743,828)	-	(6,743,828)	(159,139)	-	-	
(114,243)	-	(114,243)	(163,766)	-	-	
(17,865,747)	-	(17,865,747)	(10,687,067)	-	-	
-	465,841	465,841	35,563	-	-	
-	(244,520)	(244,520)	(275,174)	-	-	
-	221,321	221,321	(239,611)	-	-	
(17,865,747)	221,321	(17,644,426)	(10,926,678)	-	-	
-	-	-	-	(268,504)	(214,991)	
5,416,801	-	5,416,801	5,294,005	-	-	
1,070,706	-	1,070,706	1,037,064	-	-	
1,633,460	-	1,633,460	1,696,930	-	-	
669,914	-	669,914	601,722	198,745	199,000	
-	-	-	-	34,608	-	
204,350	-	204,350	182,725	-	-	
133,215	25,408	158,623	29,889	913	660	
182,688	-	182,688	197,716	-	1,551	
9,265	-	9,265	4,560	-	-	
319,430	(319,430)	-	-	-	-	
9,639,829	(294,022)	9,345,807	9,044,611	234,266	201,211	
(8,225,918)	(72,701)	(8,298,619)	(1,882,067)	(34,238)	(13,780)	
39,593,816	26,953,357	66,547,173	68,429,240	52,801	66,581	
\$ 31,367,898	\$ 26,880,656	\$ 58,248,554	\$ 66,547,173	\$ 18,563	\$ 52,801	

**CITY OF LAKE GENEVA, WISCONSIN**

Balance Sheet

Governmental Funds

December 31, 2016

(With summarized financial information as of December 31, 2015)

	General	Parking Meters and Lots	General Debt Service
<b>ASSETS</b>			
Cash and investments	\$ 6,389,035	\$ -	\$ -
Receivables			
Taxes	4,778,250	-	1,070,706
Delinquent personal property taxes	6,883	-	-
Accounts	173,588	-	-
Special assessments	247,115	-	-
Due from other funds	371,126	1,039,237	-
Prepaid items	120,922	-	-
Restricted cash and investments	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 12,086,919</b>	<b>\$ 1,039,237</b>	<b>\$ 1,070,706</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 210,090	\$ 139,237	\$ -
Accrued liabilities	123,694	-	-
Due to other funds	2,712,686	-	-
Deposits	2,500	-	-
<b>Total Liabilities</b>	<b>3,048,970</b>	<b>139,237</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>			
Property taxes levied for subsequent year	4,770,510	-	1,070,706
Special assessments	247,115	-	-
Other	66,536	-	-
<b>Total Deferred Inflows of Resources</b>	<b>5,084,161</b>	<b>-</b>	<b>1,070,706</b>
<b>Fund Balances</b>			
<b>Nonspendable</b>			
Delinquent taxes	6,883	-	-
Prepaid items	120,922	-	-
Cemetery perpetual care	-	-	-
Library endowment	-	-	-
<b>Restricted</b>			
Debt service	-	-	-
Capital projects funds	-	-	-
Library	-	-	-
Impact fees	-	-	-
Tax incremental district	-	-	-
<b>Committed</b>			
Equipment replacement	-	-	-
<b>Assigned</b>			
General fund	557,839	-	-
Special revenue funds	-	900,000	-
Capital projects funds	-	-	-
<b>Unassigned</b>			
General fund	3,268,144	-	-
<b>Total Fund Balances</b>	<b>3,953,788</b>	<b>900,000</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 12,086,919</b>	<b>\$ 1,039,237</b>	<b>\$ 1,070,706</b>

Capital Improvements	Equipment Replacement	TID No. 4 Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2016	2015
\$ 23,360	\$ 2,528,123	\$ -	\$ 1,199,537	\$ 10,140,055	\$ 18,274,594
-	677,990	-	576,800	7,103,746	8,126,411
-	-	-	-	6,883	6,463
-	-	14,115	7,483	195,186	217,574
-	-	-	-	247,115	248,383
343,389	-	6,900	1,395,831	3,156,483	4,150,907
-	-	-	-	120,922	130,136
-	-	-	118,830	118,830	109,175
<u>\$ 366,749</u>	<u>\$ 3,206,113</u>	<u>\$ 21,015</u>	<u>\$ 3,298,481</u>	<u>\$ 21,089,220</u>	<u>\$ 31,263,643</u>

\$ 92,440	\$ 28,279	\$ 6,600	\$ 46,712	\$ 523,358	\$ 527,037
-	-	14,415	11,885	149,994	149,270
-	-	-	112,640	2,825,326	3,832,480
-	-	-	51,400	53,900	87,947
<u>92,440</u>	<u>28,279</u>	<u>21,015</u>	<u>222,637</u>	<u>3,552,578</u>	<u>4,596,734</u>

-	677,990	-	576,800	7,096,006	8,120,967
-	-	-	-	247,115	248,383
-	-	-	-	66,536	62,790
-	<u>677,990</u>	-	<u>576,800</u>	<u>7,409,657</u>	<u>8,432,140</u>

-	-	-	-	6,883	6,463
-	-	-	-	120,922	130,136
-	-	-	564,576	564,576	522,308
-	-	-	112,890	112,890	106,141
-	-	-	-	-	34,663
-	-	-	-	-	827,580
-	-	-	606,625	606,625	502,336
-	-	-	135,705	135,705	127,008
-	-	-	-	-	9,999,465
-	582,484	-	15,000	597,484	684,009
-	-	-	-	557,839	547,332
-	-	-	1,033,135	1,933,135	1,796,857
274,309	1,917,360	-	31,113	2,222,782	382,529
-	-	-	-	3,268,144	2,567,942
<u>274,309</u>	<u>2,499,844</u>	<u>-</u>	<u>2,499,044</u>	<u>10,126,985</u>	<u>18,234,769</u>

<u>\$ 366,749</u>	<u>\$ 3,206,113</u>	<u>\$ 21,015</u>	<u>\$ 3,298,481</u>	<u>\$ 21,089,220</u>	<u>\$ 31,263,643</u>
-------------------	---------------------	------------------	---------------------	----------------------	----------------------

**CITY OF LAKE GENEVA, WISCONSIN**

Balance Sheet (Continued)

Governmental Funds

December 31, 2016

(With summarized financial information as of December 31, 2015)

<u>Reconciliation to the Statement of Net Position</u>	2016	2015
Total Fund Balances as shown on previous page	\$ 10,126,985	\$ 18,234,769
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.	27,541,947	28,191,309
The City's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:		
Net pension asset	-	833,818
Deferred outflows of resources	3,093,127	867,082
Net pension liability	(545,687)	-
Deferred inflows of resources	(1,148,389)	-
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments	247,115	248,383
Other	66,536	62,790
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Notes payable	(5,335,000)	(6,290,000)
Debt premium	(76,727)	(89,003)
Alliant Energy notes payable	-	(2,270)
Compensated absences	(145,891)	(157,882)
Other post-employment benefit	(2,423,574)	(2,260,142)
Accrued interest on long-term obligations	(32,544)	(45,038)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see pages 11 - 12)	\$ 31,367,898	\$ 39,593,816

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

***THIS PAGE LEFT BLANK INTENTIONALLY***

**CITY OF LAKE GENEVA, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2016  
(With summarized financial information for the year ended December 31, 2015)

	General	Parking Meters and Lots	General Debt Service
<b>Revenues</b>			
Taxes	\$ 5,276,555	\$ -	\$ 1,070,706
Special assessments	1,268	-	-
Intergovernmental	1,055,634	-	-
Licenses and permits	435,751	24,968	-
Fines and forfeits	134,657	305,012	-
Public charges for services	459,068	1,105,050	-
Intergovernmental charges for services	162,456	-	-
Investment income	36,728	2,084	-
Miscellaneous	62,533	1,862	-
<b>Total Revenues</b>	<u>7,624,650</u>	<u>1,438,976</u>	<u>1,070,706</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	2,503,509	-	-
Public safety	3,830,328	-	-
Public works	1,510,828	726,490	-
Health and human services	-	-	-
Culture and recreation	244,148	-	-
Conservation and development	211,759	-	-
<b>Capital outlay</b>			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and human services	-	-	-
Culture and recreation	-	-	-
<b>Debt service</b>			
Principal retirement	-	-	956,059
Interest and fiscal charges	-	-	149,310
<b>Total Expenditures</b>	<u>8,300,572</u>	<u>726,490</u>	<u>1,105,369</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(675,922)</u>	<u>712,486</u>	<u>(34,663)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	1,618	-	-
Transfers in	3,402,981	-	-
Transfers out	(2,026,762)	(637,485)	-
<b>Total Other Financing Sources (Uses)</b>	<u>1,377,837</u>	<u>(637,485)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	701,915	75,001	(34,663)
<b>Fund Balances - January 1</b>	<u>3,251,873</u>	<u>824,999</u>	<u>34,663</u>
<b>Fund Balances - December 31</b>	<u>\$ 3,953,788</u>	<u>\$ 900,000</u>	<u>\$ -</u>

(Continued)

Capital Improvements	Equipment Replacement	TID No. 4 Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2016	2015
\$ 90,000	\$ 130,000	\$ 1,633,460	\$ 591,800	\$ 8,792,521	\$ 8,631,357
-	-	-	-	1,268	3,178
-	-	-	310,384	1,366,018	1,338,392
-	-	-	-	460,719	409,803
-	-	-	22,066	461,735	424,419
-	-	-	1,137,926	2,702,044	2,550,316
-	-	-	-	162,456	133,004
4,491	503	18,418	79,276	141,500	18,188
-	-	-	9,799	74,194	102,519
94,491	130,503	1,651,878	2,151,251	14,162,455	13,611,176
-	-	-	-	2,503,509	2,917,375
-	-	-	-	3,830,328	3,633,432
-	451,440	-	-	2,688,758	1,881,358
-	-	-	173,883	173,883	167,674
-	-	-	1,285,454	1,529,602	1,434,099
-	-	6,532,561	-	6,744,320	160,031
7,011	-	8,596	-	15,607	109,101
224,282	-	-	-	224,282	149,577
639,902	-	1,244,011	-	1,883,913	979,657
-	-	-	43,553	43,553	9,979
10,620	-	1,839,413	4,551	1,854,584	78,976
-	-	-	1,211	957,270	917,704
-	-	-	15	149,325	194,575
881,815	451,440	9,624,581	1,508,667	22,598,934	12,633,538
(787,324)	(320,937)	(7,972,703)	642,584	(8,436,479)	977,638
7,647	-	-	-	9,265	22,412
-	2,026,762	-	13,184	5,442,927	1,571,497
-	-	(2,026,762)	(432,488)	(5,123,497)	(1,247,458)
7,647	2,026,762	(2,026,762)	(419,304)	328,695	346,451
(779,677)	1,705,825	(9,999,465)	223,280	(8,107,784)	1,324,089
1,053,986	794,019	9,999,465	2,275,764	18,234,769	16,910,680
\$ 274,309	\$ 2,499,844	\$ -	\$ 2,499,044	\$ 10,126,985	\$ 18,234,769

**CITY OF LAKE GENEVA, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
Governmental Funds  
For the Year Ended December 31, 2016  
(With summarized financial information for the year ended December 31, 2015)

<u>Reconciliation to the Statement of Activities</u>	2016	2015
Net change in fund balances - total governmental funds	\$ (8,107,784)	\$ 1,324,089
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	3,838,373	1,092,498
Depreciation is reported in the government-wide statements	(4,471,853)	(4,448,061)
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	(9,265)	(22,412)
Loss on disposition reported on the statement of activities	(15,882)	-
Gain on disposition reported on the statement of activities	9,265	4,560
Book value of capital assets disposed of	(15,882)	(17,852)
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	(1,268)	(3,178)
Other	3,746	4,721
Changes in the net pension asset (liability) and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan		
	(301,849)	10,210
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	957,270	917,704
Debt premium	12,276	12,276
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	(163,432)	(230,932)
Compensated absences	11,991	(8,300)
Accrued interest on debt	12,494	20,251
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 13 - 14)	<u>\$ (8,225,918)</u>	<u>\$ (1,326,574)</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, 2016  
(With comparative financial information for the year ended December 31, 2015)

	Budgeted Amounts		2016 Actual Amounts	Variance Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Revenues</b>					
Taxes	\$ 5,111,225	\$ 5,111,225	\$ 5,276,555	\$ 165,330	\$ 5,098,363
Special assessments	1,268	1,268	1,268	-	3,178
Intergovernmental	1,035,655	1,035,655	1,055,634	19,979	982,627
Licenses and permits	378,850	378,850	435,751	56,901	393,714
Fines and forfeits	130,500	130,500	134,657	4,157	144,775
Public charges for services	355,738	355,738	459,068	103,330	373,611
Intergovernmental charges for services	153,156	153,156	162,456	9,300	133,004
Investment Income	6,202	6,202	36,728	30,526	10,245
Miscellaneous	23,928	23,928	62,533	38,605	90,837
<b>Total Revenues</b>	<b>7,196,522</b>	<b>7,196,522</b>	<b>7,624,650</b>	<b>428,128</b>	<b>7,230,354</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	2,682,397	2,644,557	2,503,509	141,048	2,917,375
Public safety	3,818,851	3,856,691	3,830,328	26,363	3,631,011
Public works	1,601,264	1,601,264	1,510,828	90,436	1,357,232
Culture and recreation	208,870	208,870	244,148	(35,278)	209,502
Conservation and development	181,075	181,075	211,759	(30,684)	160,031
<b>Total Expenditures</b>	<b>8,492,457</b>	<b>8,492,457</b>	<b>8,300,572</b>	<b>191,885</b>	<b>8,275,151</b>
<b>Excess (Deficiency) of Revenues Under Expenditures</b>	<b>(1,295,935)</b>	<b>(1,295,935)</b>	<b>(675,922)</b>	<b>620,013</b>	<b>(1,044,797)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	-	-	1,618	1,618	4,131
Transfers in	1,292,485	1,292,485	3,402,981	2,110,496	1,557,592
Transfers out	-	-	(2,026,762)	(2,026,762)	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,292,485</b>	<b>1,292,485</b>	<b>1,377,837</b>	<b>85,352</b>	<b>1,561,723</b>
<b>Net Change in Fund Balance</b>	<b>(3,450)</b>	<b>(3,450)</b>	<b>701,915</b>	<b>705,365</b>	<b>516,926</b>
<b>Fund Balance - January 1</b>	<b>3,251,873</b>	<b>3,251,873</b>	<b>3,251,873</b>	<b>-</b>	<b>2,734,947</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,248,423</b>	<b>\$ 3,248,423</b>	<b>\$ 3,953,788</b>	<b>\$ 705,365</b>	<b>\$ 3,251,873</b>

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

**CITY OF LAKE SR1EVA, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Parking Meters and Lots Special Revenue Fund  
For the Year Ended December 31, 2016  
(With comparative financial information for the year ended December 31, 2015)

	Budgeted Amounts		2016 Actual Amounts	Variance Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
Revenues					
Licenses and permits	\$ 18,308	\$ 18,308	\$ 24,968	\$ 6,660	\$ 16,089
Fines and forfeits	255,000	255,000	305,012	50,012	255,651
Public charges for services	910,000	910,000	1,105,050	195,050	1,027,988
Investment Income	2,000	2,000	2,084	84	2,682
Miscellaneous	900	900	1,862	962	1,814
Total Revenues	<u>1,186,208</u>	<u>1,186,208</u>	<u>1,438,976</u>	<u>252,768</u>	<u>1,304,224</u>
Expenditures					
Current					
Public works	<u>629,998</u>	<u>629,998</u>	<u>726,490</u>	<u>(96,492)</u>	<u>524,126</u>
Excess of Revenues Under Expenditures	<u>556,210</u>	<u>556,210</u>	<u>712,486</u>	<u>156,276</u>	<u>780,098</u>
Other Financing Uses					
Transfers out	<u>(531,210)</u>	<u>(531,210)</u>	<u>(637,485)</u>	<u>(106,275)</u>	<u>(705,100)</u>
Net Change in Fund Balance	25,000	25,000	75,001	50,001	74,998
Fund Balance - January 1	<u>824,999</u>	<u>824,999</u>	<u>824,999</u>	<u>-</u>	<u>750,001</u>
Fund Balance - December 31	<u>\$ 849,999</u>	<u>\$ 849,999</u>	<u>\$ 900,000</u>	<u>\$ 50,001</u>	<u>\$ 824,999</u>

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, 2016

(With summarized financial information as of December 31, 2015)

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Totals	
			2016	2015
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 871,824	\$ 1,083,940	\$ 1,955,764	\$ 2,008,775
Receivables				
Accounts	348,118	243,914	592,032	456,512
Other	33,396	10,731	44,127	24,586
Due from other funds	-	-	-	18,392
Inventories and prepaid expenses	83,689	412	84,101	88,117
Total Current Assets	<u>1,337,027</u>	<u>1,338,997</u>	<u>2,676,024</u>	<u>2,596,382</u>
Noncurrent assets				
Receivables				
Special assessments	20,902	423,190	444,092	484,181
Net pension asset	-	-	-	131,981
Restricted assets				
Cash and investments	2,390	64,014	66,404	1,214,525
Capital assets not being depreciated				
Land	131,241	597,631	728,872	765,749
Property held for future use	197,158	-	197,158	197,158
Construction in progress	28,440	-	28,440	528,805
Capital assets, being depreciated				
Land improvements	-	36,877	36,877	-
Buildings	1,265,268	7,817,666	9,082,934	7,450,876
Machinery and equipment	5,027,356	5,600,415	10,627,771	8,539,534
Infrastructure	13,367,021	9,123,746	22,490,767	23,881,615
Less: Accumulated depreciation	(8,135,993)	(10,461,852)	(18,597,845)	(17,640,598)
Total Capital Assets, Net of Accumulated Depreciation	<u>11,880,491</u>	<u>12,714,483</u>	<u>24,594,974</u>	<u>23,723,139</u>
Total Noncurrent Assets	<u>11,903,783</u>	<u>13,201,687</u>	<u>25,105,470</u>	<u>25,553,826</u>
<b>TOTAL ASSETS</b>	<u>13,240,810</u>	<u>14,540,684</u>	<u>27,781,494</u>	<u>28,150,208</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension	<u>317,118</u>	<u>105,180</u>	<u>422,298</u>	<u>130,173</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	8,382	22,818	31,200	212,804
Accrued liabilities	10,276	6,815	17,091	14,402
Due to other funds	327,782	3,375	331,157	336,819
Unearned revenue	85,911	398,328	484,239	505,839
Total Current Liabilities	<u>432,351</u>	<u>431,336</u>	<u>863,687</u>	<u>1,069,864</u>
Noncurrent Liabilities				
Compensated absences	37,315	12,927	50,242	77,715
Net pension liability	56,437	18,330	74,767	-
Other post employment benefits	95,141	81,952	177,093	179,445
Total Noncurrent Liabilities	<u>188,893</u>	<u>113,209</u>	<u>302,102</u>	<u>257,160</u>
<b>TOTAL LIABILITIES</b>	<u>621,244</u>	<u>544,545</u>	<u>1,165,789</u>	<u>1,327,024</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension	<u>118,771</u>	<u>38,576</u>	<u>157,347</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	11,880,491	12,714,483	24,594,974	23,723,139
Restricted for				
Plant replacement	2,390	64,014	66,404	1,214,525
Pension benefits	-	-	-	131,981
Unrestricted	<u>935,032</u>	<u>1,284,246</u>	<u>2,219,278</u>	<u>1,883,712</u>
<b>TOTAL NET POSITION</b>	<u>\$ 12,817,913</u>	<u>\$ 14,062,743</u>	<u>\$ 26,880,656</u>	<u>\$ 26,953,357</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, 2016  
(With summarized financial information for the year ended December 31, 2015)

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Totals	
			2016	2015
Operating Revenues				
Charges for services	\$ 1,544,410	\$ 1,076,595	\$ 2,621,005	\$ 2,248,248
Other	274,075	202,800	476,875	381,454
Total Operating Revenues	<u>1,818,485</u>	<u>1,279,395</u>	<u>3,097,880</u>	<u>2,629,702</u>
Operating Expenses				
Operation and maintenance	1,013,025	1,046,349	2,059,374	2,139,649
Depreciation	426,663	557,663	984,326	963,752
Taxes	19,888	23,650	43,538	53,659
Total Operating Expenses	<u>1,459,576</u>	<u>1,627,662</u>	<u>3,087,238</u>	<u>3,157,060</u>
Operating Income (Loss)	<u>358,909</u>	<u>(348,267)</u>	<u>10,642</u>	<u>(527,358)</u>
Nonoperating Revenues (Expenses)				
Interest income	5,539	19,869	25,408	8,157
Contributions to other City departments	-	-	-	(454)
Total Nonoperating Revenues (Expenses)	<u>5,539</u>	<u>19,869</u>	<u>25,408</u>	<u>7,703</u>
Income (Loss) Before Contributions and Transfers	364,448	(328,398)	36,050	(519,655)
Capital contributions	106,932	103,747	210,679	288,201
Transfers out	<u>(319,430)</u>	<u>-</u>	<u>(319,430)</u>	<u>(324,039)</u>
Change in Net Position	151,950	(224,651)	(72,701)	(555,493)
Net Position - January 1	<u>12,665,963</u>	<u>14,287,394</u>	<u>26,953,357</u>	<u>27,508,850</u>
Net Position - December 31	<u>\$ 12,817,913</u>	<u>\$ 14,062,743</u>	<u>\$ 26,880,656</u>	<u>\$ 26,953,357</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, 2016

(With summarized financial information for the year ended December 31, 2015)

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Totals	
			2016	2015
<b>Cash Flows from Operating Activities</b>				
Cash received from customers and municipality	\$ 1,684,698	\$ 1,253,860	\$ 2,938,558	\$ 2,634,206
Cash payments to suppliers and municipality	(505,405)	(752,950)	(1,258,355)	(1,253,837)
Cash payments to employees	(461,718)	(515,593)	(977,311)	(753,286)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>717,575</b>	<b>(14,683)</b>	<b>702,892</b>	<b>627,083</b>
<b>Cash Flows from Noncapital and Related Financing Activities</b>				
Transfer to other funds	(324,039)	-	(324,039)	(315,671)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of capital assets	(750,115)	(1,092,046)	(1,842,161)	(798,190)
Contribution to other City departments	-	-	-	(454)
Special assessment collections	2,540	42,629	45,169	15,233
Capital contributions received	87,852	103,747	191,599	145,755
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(659,723)</b>	<b>(945,670)</b>	<b>(1,605,393)</b>	<b>(637,656)</b>
<b>Cash Flows from Investing Activities</b>				
Interest income received	5,539	19,869	25,408	8,157
Purchase of long-term investments	-	-	-	(1,288,774)
Redemption of long-term investments	256,171	351,385	607,556	1,285,406
<b>Net Cash Provided by Investing Activities</b>	<b>261,710</b>	<b>371,254</b>	<b>632,964</b>	<b>4,789</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(4,477)</b>	<b>(589,099)</b>	<b>(593,576)</b>	<b>(321,455)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>610,817</b>	<b>1,323,709</b>	<b>1,934,526</b>	<b>2,255,981</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 606,340</b>	<b>\$ 734,610</b>	<b>\$ 1,340,950</b>	<b>\$ 1,934,526</b>
<b>Reconciliation to Statement of Net Position</b>				
Cash and investments in current assets	\$ 871,824	\$ 1,083,940	\$ 1,955,764	\$ 2,008,775
Cash and investments in restricted assets	2,390	64,014	66,404	1,214,525
Less: Long-term investments	(267,874)	(413,344)	(681,218)	(1,288,774)
<b>Total Cash and Cash Equivalents</b>	<b>\$ 606,340</b>	<b>\$ 734,610</b>	<b>\$ 1,340,950</b>	<b>\$ 1,934,526</b>

(Continued)

**CITY OF LAKE GENEVA, WISCONSIN**

Statement of Cash Flows (Continued)

Proprietary Funds

For the Year Ended December 31, 2016

(With summarized financial information for the year ended December 31, 2015)

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Totals	
			2016	2015
Reconciliation of Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 358,909	\$ (348,267)	\$ 10,642	\$ (527,358)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	426,663	557,663	984,326	963,752
Depreciation charged to sewer utility	36,622	(36,622)	-	-
Change in pension related assets, liabilities and deferred outflows and inflows related to pension	56,610	15,360	71,970	6,519
Changes in assets and liabilities				
Accounts receivable	(155,752)	691	(155,061)	(31,504)
Due from other funds	18,392	-	18,392	36,008
Inventories and prepaid expenses	4,428	(412)	4,016	(1,881)
Accounts payable	(23,669)	(157,935)	(181,604)	133,558
Due to other funds	1,266	(2,319)	(1,053)	(15,338)
Accrued and other current liabilities	786	1,903	2,689	11,657
Compensated absences	(7,664)	(19,809)	(27,473)	32,963
Other post employment benefits	(1,323)	(1,029)	(2,352)	16,087
Unearned revenue	2,307	(23,907)	(21,600)	2,620
<b>Net Cash Provided (Used) 'by Operating Activities</b>	<b>\$ 717,575</b>	<b>\$ (14,683)</b>	<b>\$ 702,892</b>	<b>\$ 627,083</b>
Noncash Investing, Capital and Financing Activities				
Capital assets contributed by developers	\$ 14,000	\$ -	\$ 14,000	\$ 142,446

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

**CITY OF LAKE GENEVA, WISCONSIN**  
Statement of Net Position  
Fiduciary Fund - Tax Collection Agency Fund  
December 31, 2016

(With summarized financial information as of December 31, 2015)

	2016	2015
<b>ASSETS</b>		
Cash and investments	\$ 8,740,386	\$ 7,925,508
Receivables		
Taxes	12,248,208	12,299,048
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 20,988,594</b>	<b>\$ 20,224,556</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>		
Due to other governments	\$ 20,988,594	\$ 20,224,556
	<hr/> <hr/>	<hr/> <hr/>

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

***THIS PAGE LEFT BLANK INTENTIONALLY***

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**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, 2016. 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, 2016

**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.

PARKING METERS AND LOTS SPECIAL REVENUE FUND

This fund accounts for collections through parking meters and parking violations, to support wages for monitoring operations and providing resources to support capital purchases.

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.

EQUIPMENT REPLACEMENT CAPITAL PROJECTS FUND

This fund accounts for acquisition of major equipment purchased 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.

CITY OF LAKE GENEVA, WISCONSIN

Notes to Basic Financial Statements

December 31, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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 other governmental agencies in an agency fund. The City reports the Tax Collection Fund as an agency fund.

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, 2016

**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 price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. 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 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 - 2016 tax roll

Levy date	December 2016
Real estate tax collection due dates:	January 31, 2017
Payment in full or first installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale - 2016 delinquent real estate taxes	September 2018

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, 2016

**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 acquisition 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	Business-type
	Activities	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.

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 has one item that qualifies for reporting in this category in the government-wide statement of net position. The item is related to the City's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, represent 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 two items that qualify for reporting in this category in the government-wide statement of net position. The first is property taxes, which will be recognized as an inflow of resources in the subsequent year for which it was levied. The second is related to the City's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants. 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 receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts became 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.

j. Pensions

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

k. 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.

## CITY OF LAKE GENEVA, WISCONSIN

Notes to Basic Financial Statements

December 31, 2016

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- 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.

#### 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, 2015, from which the summarized information was derived.

#### 7. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**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, 2016.

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, 2016 as follows:

Funds	Function	Excess Expenditures
General fund	Culture and recreation	\$ 35,278
General fund	Conservation and development	30,684
Parking meters and lots	Public works	96,492
TID No. 4 capital projects	Conservation and development	532,561
TID No. 4 capital projects	Capital outlay - culture and recreation	404,413

Excess expenditures were financed by available budget balances in other activities within the fund or additional revenue streams.

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**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 \$21,021,439 on December 31, 2016 as summarized below:

Petty cash and cash on hand	\$ 2,275
Deposits with financial institutions	4,072,064
Investments	16,947,100
	<u>\$ 21,021,439</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	\$ 12,095,819
Restricted cash and investments	185,234
Fiduciary Fund Statement of Net Position	
Agency fund	8,740,386
	<u>\$ 21,021,439</u>

Fair Value Measurements

The City implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending December 31, 2016. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following fair value measurements as of December 31, 2016:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Mutual funds	\$ 848,660	\$ -	\$ -
Exchange traded funds	92,184	-	-
Total investments by fair value level	<u>\$ 940,844</u>	<u>\$ -</u>	<u>\$ -</u>

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.

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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, 2016, \$340,682 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
Mutual funds	\$ 848,660	\$ -	\$ -	\$ -	\$ 848,660
Exchange traded funds	92,184	-	-	-	92,184
Wisconsin Local Government Investment Pool	16,006,256	-	-	-	16,006,256
<b>Totals</b>	<b>\$16,947,100</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$16,947,100</b>

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 external investment pools) that represent 5% or more of total City investments.

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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
Mutual funds	\$ 848,660	\$ 848,660	\$ -	\$ -	\$ -
Exchange traded funds	92,184	92,184	-	-	-
Wisconsin Local Government Investment Pool	16,006,256	16,006,256	-	-	-
<b>Totals</b>	<b>\$16,947,100</b>	<b>\$16,947,100</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$16,006,256 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, 2016, 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, 2016 totaled \$185,234 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	\$ 118,830	\$ -	\$ -	\$ 118,830
Plant and equipment replacement fund	-	2,390	64,014	66,404
<b>Total</b>	<b>\$ 118,830</b>	<b>\$ 2,390</b>	<b>\$ 64,014</b>	<b>\$ 185,234</b>

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.

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

3. Capital Assets

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

	Beginning Balance	Reclass- ification	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 3,601,266	\$ -	\$ -	\$ -	\$ 3,601,266
Construction in progress	8,301	-	2,063,132	8,301	2,063,132
Subtotals	<u>3,609,567</u>	<u>-</u>	<u>2,063,132</u>	<u>8,301</u>	<u>5,664,398</u>
Capital assets, being depreciated:					
Land improvements	238,446	-	582,799	-	821,245
Buildings	13,104,969	-	9,990	-	13,114,959
Machinery and equipment	11,235,422	-	688,454	42,754	11,881,122
Infrastructure	86,069,030	-	502,299	218,000	86,353,329
Subtotals	<u>110,647,867</u>	<u>-</u>	<u>1,783,542</u>	<u>260,754</u>	<u>112,170,655</u>
Less accumulated depreciation for:					
Land improvements	35,875	-	19,961	-	55,836
Buildings	8,593,365	-	312,966	-	8,906,331
Machinery and equipment	9,152,588	-	411,897	26,872	9,537,613
Infrastructure	68,284,297	-	3,727,029	218,000	71,793,326
Subtotals	<u>86,066,125</u>	<u>-</u>	<u>4,471,853</u>	<u>244,872</u>	<u>90,293,106</u>
Total capital assets, being depreciated, net	<u>24,581,742</u>	<u>-</u>	<u>(2,688,311)</u>	<u>15,882</u>	<u>21,877,549</u>
Governmental activities capital assets, net	<u>\$ 28,191,309</u>	<u>\$ -</u>	<u>\$ (625,179)</u>	<u>\$ 24,183</u>	<u>27,541,947</u>
Less related long-term debt outstanding					<u>5,411,727</u>
Net investment in capital assets					<u>\$ 22,130,220</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 765,749	\$ (36,877)	\$ -	\$ -	\$ 728,872
Property held for future use	197,158	-	-	-	197,158
Construction in progress	528,805	-	1,112,077	1,612,442	28,440
Subtotals	<u>1,491,712</u>	<u>(36,877)</u>	<u>1,112,077</u>	<u>1,612,442</u>	<u>954,470</u>
Capital assets, being depreciated:					
Land improvements	-	36,877	-	-	36,877
Buildings	7,450,876	35,436	1,596,622	-	9,082,934
Machinery and equipment	8,539,534	2,021,801	66,436	-	10,627,771
Infrastructure	23,881,615	(2,057,237)	693,468	27,079	22,490,767
Subtotals	<u>39,872,025</u>	<u>36,877</u>	<u>2,356,526</u>	<u>27,079</u>	<u>42,238,349</u>
Less accumulated depreciation	<u>17,640,598</u>	<u>-</u>	<u>984,326</u>	<u>27,079</u>	<u>18,597,845</u>
Total capital assets, being depreciated, net	<u>22,231,427</u>	<u>36,877</u>	<u>1,372,200</u>	<u>-</u>	<u>23,640,504</u>
Business-type activities capital assets, net	<u>\$ 23,723,139</u>	<u>\$ -</u>	<u>\$ 2,484,277</u>	<u>\$ 1,612,442</u>	<u>24,594,974</u>
Less related long-term debt outstanding					<u>-</u>
Net investment in capital assets					<u>\$ 24,594,974</u>

**CITY OF LAKE GENEVA, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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

Governmental activities	
General government	\$ 221,698
Public safety	216,856
Public works	3,840,356
Health and human services	23,776
Culture and recreation	169,167
Total depreciation expense - governmental activities	<u>\$ 4,471,853</u>
Business-type activities	
Water	\$ 426,663
Sewer	557,663
Total depreciation expense - business-type activities	<u>\$ 984,326</u>

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, 2016 are detailed below:

	Interfund Receivables	Interfund Payables
Governmental Funds		
General Fund	\$ 371,126	\$ 2,712,686
Capital Improvements Fund	343,389	-
TID No. 4 Capital Projects	6,900	-
Parking Meters and Lots	1,039,237	-
Lakefront Operations	1,061,417	72,671
Public Library	206,998	-
Cemetery Operations	125,916	-
Cemetery Perpetual Care	1,500	-
Impact Fees	-	39,969
Enterprise Funds		
Water Utility	-	327,782
Sewer Utility	-	3,375
Totals	<u>\$ 3,156,483</u>	<u>\$ 3,156,483</u>

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

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Interfund transfers for the year ended December 31, 2016 were as follows:

	Transfer to:			
	General	Equipment Replacement	Cemetery Operations	Totals
Transfers from:				
General Fund	\$ -	\$ 2,026,762	\$ -	\$ 2,026,762
Parking Meters and Lots	637,485	-	-	637,485
TID No. 4 Capital Projects	2,026,762	-	-	2,026,762
Lakefront Operations	419,304	-	-	419,304
Cemetery Perpetual Care	-	-	13,184	13,184
Water Utility	319,430	-	-	319,430
<b>Totals</b>	<b>\$ 3,402,981</b>	<b>\$ 2,026,762</b>	<b>\$ 13,184</b>	<b>\$ 5,442,927</b>

Transfers are used to (1) transfer the cemetery appropriation to the cemetery operations fund (\$13,184), (2) parking meters and lots and lakefront operations used for property tax relief (\$1,056,789), (3) TID No. 4 closing funds transfer to the general fund and subsequent transfer to assign for equipment replacement (\$2,026,762), (4) payment of property tax equivalent by the City's regulated water utility to the general fund (\$319,430).

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2016:

	Outstanding 1/1/16	Issued	Retired	Outstanding 12/31/16	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Notes	\$ 6,290,000	\$ -	\$ 955,000	\$ 5,335,000	\$ 875,000
Debt premium	89,003	-	12,276	76,727	12,276
Alliant Energy notes	2,270	-	2,270	-	-
Compensated absences	157,882	-	11,991	145,891	-
Governmental activities Long-term obligations	<u>\$ 6,539,155</u>	<u>\$ -</u>	<u>\$ 981,537</u>	<u>\$ 5,557,618</u>	<u>\$ 887,276</u>
<b>Business-type activities:</b>					
Compensated absences	<u>\$ 77,715</u>	<u>\$ 50,242</u>	<u>\$ 77,715</u>	<u>\$ 50,242</u>	<u>\$ -</u>

Total interest paid during the year on long-term debt totaled \$149,325.

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Notes

\$2,980,000 issued 07/01/11; \$525,000 to \$585,000 due annually through 2021; interest 1.80% to 2.70%	\$ 2,775,000
\$2,560,000 issued 8/27/14; \$350,000 to \$385,000 due annually through 2023; interest 2.00% to 3.00%	<u>2,560,000</u>
Total Outstanding General Obligation Debt	<u>\$ 5,335,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$5,335,000 on December 31, 2016 are as detailed below:

Year Ended December 31	Governmental Activities		
	General Obligation		
	Principal	Interest	Totals
2017	\$ 875,000	\$ 120,200	\$ 995,200
2018	895,000	99,230	994,230
2019	910,000	76,250	986,250
2020	935,000	51,380	986,380
2021	955,000	26,898	981,898
2022-2023	765,000	15,350	780,350
	<u>\$ 5,335,000</u>	<u>\$ 389,308</u>	<u>\$ 5,724,308</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, 2016 was \$54,205,825 as follows:

Equalized valuation of the City	\$ 1,190,816,500
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	59,540,825
Total outstanding general obligation debt applicable to debt limitation	\$ 5,335,000
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>-</u>
Net outstanding general obligation debt applicable to debt limitation	5,335,000
Legal Margin for New Debt	<u>\$ 54,205,825</u>

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

6. Pension Plan

a. Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (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.

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.

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

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

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

The WRS also provides death and disability benefits for employees.

b. Post-Retirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%
2015	2.9%	2%

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

c. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$363,003 in contributions from the City.

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2016, the City reported a liability of \$620,454 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the City's proportion was 0.03818226%, which was a decrease of 0.00111139% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$760,450.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 104,963	\$ 1,305,736
Changes in assumptions	434,097	-
Net differences between projected and actual earnings on pension plan investments	2,540,318	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	47,517	-
Employer contributions subsequent to the measurement date	388,530	-
Total	<u>\$ 3,515,425</u>	<u>\$ 1,305,736</u>

\$388,530 reported as deferred outflows related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 811,929	\$ 315,990
2017	811,929	315,990
2018	811,929	315,990
2019	676,241	315,990
2020	14,867	41,776
Total	<u>\$ 3,126,895</u>	<u>\$ 1,305,736</u>

e. Actuarial Assumption

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability:	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

\* *No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

*Long-term Expected Return on Plan Assets.* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

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

*Single Discount Rate.* A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
City's proportionate share of the net pension liability (asset)	\$ 4,351,878	\$ 620,454	\$ (2,293,854)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

f. Payable to the WRS

At December 31, 2016 the City did not report a payable for an outstanding amount of contributions to the pension plan for the year ended December 31, 2016.

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements  
December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

7. 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, 2016 was \$211,285. The remaining future rental payments due on the leases are as follows:

Year Ended December 31	Amount
2017	\$ 226,605
2018	236,913
2019	247,705
2020	259,004
2021	270,836
	<u>\$ 1,241,063</u>

8. Fund Equity

Portions of the City's fund balance have been assigned on December 31, 2016 as follows:

Funds/Departments	Purpose	Balance
General Fund		
Fire department	Donations	\$ 12,296
Fire department	CPR revenue	5,903
Police department	Uniform allowance	10,367
Police department	Donations	2,804
Police department	State seizures	9,020
Ambulance	EMS Act 102 program	7,016
Historical preservation	Donations	2,892
Post-employment	Post-employment liability	507,541
		<u>557,839</u>
Special revenue funds		
Parking meters and lots	Operations	900,000
Lakefront operations	Operations	909,856
Cemetery operations	Operations	123,279
		<u>1,933,135</u>
Capital projects funds		
Capital improvements	Capital expenditures	274,309
Equipment replacement	Equipment replacement	1,917,360
Impact fees	Impact fees	31,113
		<u>2,222,782</u>
Total Assigned Fund Balance		<u>\$ 4,713,756</u>

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 2016 general fund expenditures	\$ 8,300,572
Minimum fund balance %	25%
Minimum fund balance amount	<u>\$ 2,075,143</u>

The City's unassigned fund balance of \$3,268,144 meets the minimum fund balance amount.

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

9. 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 \$45,059 and the bank balance was \$86,928. The entire bank balance was covered by federal depository insurance.

**NOTE D - OTHER INFORMATION**

1. Other Postemployment Benefits

*Plan Description.* The City operates a single-employer retiree benefit plan that provides postemployment health benefits to eligible employees and their families. There were 64 active and 10 retired members in the plan as of December 31, 2016. Benefits and eligibility for employees are established and amended through collective bargaining with the recognized bargaining agent for each group; and include postemployment health 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	\$ 270,521
Interest on net OPEB	109,781
Adjustment to annual required contribution	(143,320)
Annual OPEB cost (expense)	<u>236,982</u>
Contributions made	<u>75,902</u>
Change in net OPEB obligation	161,080
OPEB obligation - beginning of year	2,439,587
OPEB obligation - end of year	<u><u>\$ 2,600,667</u></u>

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**NOTE D - OTHER INFORMATION (Continued)**

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, 2016
Actuarial cost method	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	7.60% initial 5.00% ultimate
Projected salary increases	Not applicable

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
12/31/2016	\$ 236,982	32%	\$ 2,600,667
12/31/2015	419,855	41%	2,439,587
12/31/2014	411,786	34%	2,192,568

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	(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)
January 1, 2016	\$ -	\$ 2,612,337	-	\$ 2,612,337	\$ 2,952,660	88.5%
2012	-	3,132,602	-	3,132,602	3,778,432	82.9%
2008	-	3,081,962	-	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, 2016

**NOTE D - OTHER INFORMATION (Continued)**

2. 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 \$72,233 reported in the general fund at December 31, 2016 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 2015 and 2016 follow:

	Liability January 1,	Current Year Claims and Changes in Estimates	Payments	Liability December 31,
2015	\$ 184,289	\$ 2,322,632	\$ 2,425,791	\$ 81,130
2016	81,130	1,772,988	1,781,885	72,233

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.

3. 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.

4. 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 2016 and 2017 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 and value increased from terminated TID. The actual limit for the City for the 2016 budget was 1.48%. The actual limit for the City for the 2017 budget was 0.80%. 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.

5. Customer User Rates

Rates currently charged for water service as of December 31, 2016 were authorized by the Wisconsin Public Service Commission on March 16, 2016. Rates currently charged for sewer service as of December 31, 2016 were authorized by the City of Lake Geneva on April 1, 2013.

**CITY OF LAKE GENEVA, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2016

**NOTE D - OTHER INFORMATION (Continued)**

6. Tax Incremental District No. 4 - Escrow

The City escrowed certain project plan expenditures of TID No. 4 prior to close-out of the District and treated the escrow as an expenditure, as amounts were appropriated and control of the funds was transferred to an escrow agent. A summary of projects and remaining funds held in the escrow as of December 31, 2016 follows:

Project	Description	Escrow
Underground Electric Bury	Overage Contingency	\$ 18,860
Main Street Widening	Parkway Lawn Restoration	21,999
Main Street Widening	Engineering Contract	22,080
Main Street Widening	Widening Contract	174,519
Main Street Widening	Additional Asphalt Work Estimate	30,000
Main Street Widening	Additional Sidewalk Repair	25,000
Main Street Widening	Irrigation System Repairs	18,000
Main Street Lighting	Lighting Contract	43,810
Dunn Field Sidewalks	Sidewalk in 4 Areas	299
Traver Hotel Redevelopment	Development Agreement	16,900
Theatre Redevelopment Grant	Construction Match at 85%	241,883
Theatre Redevelopment Grant	Projection & Sound Installation	50,000
Theatre Redevelopment Grant	Final Payment	40,000
Theatre Redevelopment Grant	Elevator Contingency	27,500
Riviera Grounds	Irrigation	7,215
		<u>\$ 738,065</u>

If remaining balances exist when the projects are completed, the escrow agent will disburse to the taxing jurisdictions.

7. Upcoming Accounting Pronouncements

In June 2015, the GASB issued a new standard addressing accounting and financial reporting for post-employment benefits other than pensions (OPEB). GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. The City will, after adoption of GASB No. 75, recognize on the face of the financial statements its OPEB liability. GASB No. 75 is effective for fiscal years beginning after June 15, 2017. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

8. Subsequent Event

Subsequent to December 31, 2016, the City issued \$3,500,000 in General Obligation Promissory Notes to PNC Bank with an interest rate of 2.337%. At the time of closing on the note agreement, the City drew down \$300,000 of funds. Future expected drawdown of funds are as follows:

July 1, 2017	\$ 1,200,000
January 1, 2018	\$ 1,000,000
January 1, 2019	\$ 1,000,000

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LAKE GENEVA, WISCONSIN**  
 Schedule of Employer Contributions  
 Other Post-Employment Benefit Plan  
 For the Year Ended December 31, 2016

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2014	\$ 139,777	\$ 427,207	33%
2015	172,836	443,262	39%
2016	75,902	270,521	28%

See Notes to Required Supplementary Information.

**CITY OF LAKE GENEVA, WISCONSIN**  
 Schedule of Funding Progress  
 Other Post-Employment Benefit Plan  
 For the Year Ended December 31, 2016

Actuarial Valuation Date January 1,	(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)
2016	\$ -	\$ 2,612,337	0.00%	\$ 2,612,337	\$ 2,952,660	88.5%
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%

See Notes to Required Supplementary Information.

**CITY OF LAKE GENEVA**  
Schedule of Proportionate Share of the Net Pension Liability (Asset)  
Wisconsin Retirement System  
Last 10 Fiscal Years

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/15	0.03929365%	\$ (965,160)	\$ 4,508,233	21.41%	102.74%
12/31/16	0.03818226%	620,454	4,611,460	13.45%	98.20%

Schedule of Contributions  
Wisconsin Retirement System  
Last 10 Fiscal Years

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 369,634	\$ 369,634	\$ -	\$ 4,508,233	8.20%
12/31/16	363,003	363,003	-	4,611,460	7.87%

See Notes to Required Supplementary Information.

**CITY OF LAKE GENEVA, WISCONSIN**  
Notes to Required Supplementary Information  
December 31, 2016

**NOTE A - WISCONSIN RETIREMENT SYSTEM**

There were no changes of benefit terms or assumptions for any participating employer in WRS.

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the prior fiscal year. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

***THIS PAGE LEFT BLANK INTENTIONALLY***

## **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, 2016

(With comparative financial information for the year ended December 31, 2015)

	Budgeted Amounts		2016 Actual Amounts	Variance Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Taxes</b>					
General property	\$ 4,605,000	\$ 4,605,000	\$ 4,605,001	\$ 1	\$ 4,495,005
Omitted and other taxes	-	-	6,767	6,767	-
Mobile home	4,950	4,950	4,985	35	5,091
Room tax	500,000	500,000	657,612	157,612	596,169
Sales tax discount	375	375	550	175	462
Interest on taxes	900	900	1,640	740	1,636
<b>Total Taxes</b>	<b>5,111,225</b>	<b>5,111,225</b>	<b>5,276,555</b>	<b>165,330</b>	<b>5,098,363</b>
<b>Special Assessments</b>					
Curb and gutter	1,268	1,268	1,268	-	3,178
<b>Intergovernmental</b>					
Recycling	23,673	23,673	22,570	(1,103)	23,852
State shared revenues	168,230	168,230	171,060	2,830	107,384
Police department	10,120	10,120	9,758	(362)	8,177
Fire department	45,500	45,500	49,004	3,504	45,873
Emergency management	-	-	10,000	10,000	10,000
State aid for highways	755,516	755,516	754,677	(839)	755,393
Municipal services	2,446	2,446	2,430	(16)	2,589
Exempt computer	16,000	16,000	20,352	4,352	16,186
Aids in lieu of taxes	10,170	10,170	10,173	3	10,173
GLLEA accounting services	4,000	4,000	4,000	-	3,000
Other state grants	-	-	1,610	1,610	-
<b>Total Intergovernmental</b>	<b>1,035,655</b>	<b>1,035,655</b>	<b>1,055,634</b>	<b>19,979</b>	<b>982,627</b>
<b>Licenses and Permits</b>					
<b>Licenses</b>					
Liquor and malt beverage licenses	31,500	31,500	31,231	(269)	32,207
Operators	15,750	15,750	17,535	1,785	16,440
Cable TV franchise fees	107,000	107,000	114,932	7,932	108,691
Other business licenses	20,500	20,500	18,300	(2,200)	21,520
Dog and cat	500	500	1,006	506	709
Miscellaneous	13,500	13,500	13,040	(460)	15,505
<b>Permits</b>					
Building	100,000	100,000	115,882	15,882	93,075
Electrical	25,000	25,000	33,288	8,288	28,820
Plumbing	20,000	20,000	24,501	4,501	19,752
Zoning	15,000	15,000	20,451	5,451	18,290
Other miscellaneous	30,100	30,100	45,585	15,485	38,705
<b>Total Licenses and Permits</b>	<b>378,850</b>	<b>378,850</b>	<b>435,751</b>	<b>56,901</b>	<b>393,714</b>
<b>Fines and Forfeits</b>					
Court penalties and costs	115,500	115,500	124,952	9,452	129,794
Parking violations	15,000	15,000	8,860	(6,140)	14,741
Restitution	-	-	845	845	240
<b>Total Fines and Forfeits</b>	<b>130,500</b>	<b>130,500</b>	<b>134,657</b>	<b>4,157</b>	<b>144,775</b>

(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, 2016

(With comparative financial information for the year ended December 31, 2015)

	Budgeted Amounts		2016 Actual Amounts	Variance Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>Public Charges for Services</b>					
General government fees	10,500	10,500	13,476	2,976	15,359
Police department	10,538	10,538	12,676	2,138	12,125
Fire department	320,100	320,100	410,144	90,044	323,910
Street department	3,300	3,300	8,702	5,402	7,636
Snow and ice	2,000	2,000	-	(2,000)	1,722
Tree and brush	500	500	980	480	1,121
Traffic control	1,900	1,900	3,920	2,020	2,590
Parks	6,650	6,650	8,390	1,740	8,898
Miscellaneous fees and charges	250	250	780	530	250
<b>Total Public Charges for Services</b>	<b>355,738</b>	<b>355,738</b>	<b>459,068</b>	<b>103,330</b>	<b>373,611</b>
<b>Intergovernmental Charges for Services</b>					
Police department	98,156	98,156	110,081	11,925	90,747
Fire department	55,000	55,000	52,375	(2,625)	42,257
<b>Total Intergovernmental Charges for Services</b>	<b>153,156</b>	<b>153,156</b>	<b>162,456</b>	<b>9,300</b>	<b>133,004</b>
<b>Investment income</b>					
Interest income	6,000	6,000	36,527	30,527	9,861
Interest on special assessment	202	202	201	(1)	384
<b>Total Investment Income</b>	<b>6,202</b>	<b>6,202</b>	<b>36,728</b>	<b>30,526</b>	<b>10,245</b>
<b>Miscellaneous</b>					
Insurance recoveries	15,500	15,500	51,986	36,486	67,987
Rent of city property	3	3	26	23	151
Donation	7,475	7,475	9,161	1,686	21,324
Miscellaneous	950	950	1,360	410	1,375
<b>Total Miscellaneous</b>	<b>23,928</b>	<b>23,928</b>	<b>62,533</b>	<b>38,605</b>	<b>90,837</b>
<b>Total Revenues</b>	<b>7,196,522</b>	<b>7,196,522</b>	<b>7,624,650</b>	<b>428,128</b>	<b>7,230,354</b>
<b>Other Financing Sources</b>					
Sale of capital assets	-	-	1,618	1,618	4,131
<b>Transfers In</b>					
Capital Projects Funds					
Tax Incremental District #2	-	-	2,026,762	2,026,762	-
Special Revenue Funds					
Lakefront	449,275	449,275	419,304	(29,971)	528,453
Parking fund	531,210	531,210	637,485	106,275	705,100
Enterprise Fund					
Payment in lieu of tax	312,000	312,000	319,430	7,430	324,039
<b>Total Transfers In</b>	<b>1,292,485</b>	<b>1,292,485</b>	<b>3,402,981</b>	<b>2,110,496</b>	<b>1,557,592</b>
<b>Total Other Financing Sources</b>	<b>1,292,485</b>	<b>1,292,485</b>	<b>3,404,599</b>	<b>2,112,114</b>	<b>1,561,723</b>
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 8,489,007</b>	<b>\$ 8,489,007</b>	<b>\$ 11,029,249</b>	<b>\$ 2,540,242</b>	<b>\$ 8,792,077</b>

**CITY OF LAKE GENEVA, WISCONSIN**

General Fund

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

For the Year Ended December 31, 2016

(With comparative financial information for the year ended December 31, 2015)

	Budgeted Amounts		2016 Actual Amounts	Variance Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
<b>General Government</b>					
General government expense	\$ 152,238	\$ 114,398	\$ 165,810	\$ (51,412)	\$ 92,165
Insurance	234,000	234,000	213,662	20,338	230,628
Health and other benefits	1,325,980	1,325,980	1,133,991	191,989	1,674,451
Common council	40,872	40,872	41,280	(408)	40,833
Municipal court	73,898	73,898	74,697	(799)	68,541
City attorney	78,064	78,064	77,043	1,021	75,958
Outside legal services	25,000	25,000	47,758	(22,758)	21,160
Mayor	7,883	7,883	8,022	(139)	7,482
City administrator	127,531	127,531	125,554	1,977	150,325
City clerk	164,167	164,167	158,744	5,423	126,101
Accounting and data processing	230,311	230,311	245,053	(14,742)	214,528
City assessor	42,100	42,100	40,285	1,815	41,951
City hall building	180,353	180,353	163,230	17,123	165,556
Sheridan springs property	-	-	8,380	(8,380)	7,696
<b>Total General Government</b>	<b>2,682,397</b>	<b>2,644,557</b>	<b>2,503,509</b>	<b>141,048</b>	<b>2,917,375</b>
<b>Public Safety</b>					
Police department	2,736,431	2,736,431	2,775,343	(38,912)	2,517,620
Fire department	885,457	885,457	834,614	50,843	703,261
Fire hydrant rental	19,500	57,340	57,339	1	230,271
Building and zoning	141,616	141,616	124,382	17,234	134,142
Emergency management	35,847	35,847	38,650	(2,803)	45,717
<b>Total Public Safety</b>	<b>3,818,851</b>	<b>3,856,691</b>	<b>3,830,328</b>	<b>26,363</b>	<b>3,631,011</b>
<b>Public Works</b>					
DPW and engineering	10,800	10,800	3,108	7,692	5,502
Street and highway	674,541	674,541	617,523	57,018	522,051
Snow and ice	132,597	132,597	126,612	5,985	101,560
Tree and brush	96,460	96,460	100,475	(4,015)	60,636
Compost operations	67,805	67,805	46,549	21,256	54,568
Storm sewer	19,291	19,291	17,532	1,759	20,004
Traffic control	139,970	139,970	138,294	1,676	133,562
Recycling and sanitation	459,800	459,800	460,735	(935)	459,349
<b>Total Public Works</b>	<b>1,601,264</b>	<b>1,601,264</b>	<b>1,510,828</b>	<b>90,436</b>	<b>1,357,232</b>

(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, 2016

(With comparative financial information for the year ended December 31, 2015)

	Budgeted Amounts		2016 Actual Amounts	Variance Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
Culture and Recreation					
Parks	135,245	135,245	159,689	(24,444)	139,573
Veteran's park	38,225	38,225	48,338	(10,113)	37,938
Leisure activities	35,400	35,400	36,121	(721)	31,991
Total Culture and Recreation	<u>208,870</u>	<u>208,870</u>	<u>244,148</u>	<u>(35,278)</u>	<u>209,502</u>
Conservation and development					
Plan commission	8,075	8,075	4,465	3,610	1,551
Conservation and development	173,000	173,000	207,294	(34,294)	158,480
Total Conservation and Development	<u>181,075</u>	<u>181,075</u>	<u>211,759</u>	<u>(30,684)</u>	<u>160,031</u>
Total Expenditures	<u>8,492,457</u>	<u>8,492,457</u>	<u>8,300,572</u>	<u>191,885</u>	<u>8,275,151</u>
Other Financing Uses					
Transfers out					
Capital Projects Fund					
Equipment replacement	-	-	2,026,762	(2,026,762)	-
Total Expenditures and Other Financing Uses	<u>\$ 8,492,457</u>	<u>\$ 8,492,457</u>	<u>\$ 10,327,334</u>	<u>\$ (1,834,877)</u>	<u>\$ 8,275,151</u>

**CITY OF LAKE GENEVA, WISCONSIN**

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016

	Special Revenue Funds			
	Lakefront Operations	Public Library	Cemetery Operations	Total
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 413,174	\$ -	\$ 413,174
Receivables				
Taxes	-	441,800	135,000	576,800
Accounts	7,298	-	185	7,483
Due from other funds	1,061,417	206,998	125,916	1,394,331
Restricted cash and investments	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,068,715</b>	<b>\$ 1,061,972</b>	<b>\$ 261,101</b>	<b>\$ 2,391,788</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 32,531	\$ 13,538	\$ 643	\$ 46,712
Accrued liabilities	2,257	5,949	2,179	10,385
Due to other funds	72,671	-	-	72,671
Deposits held in trust	51,400	-	-	51,400
<b>Total Liabilities</b>	<b>158,859</b>	<b>19,487</b>	<b>2,822</b>	<b>181,168</b>
Deferred Inflows of Resources				
Property taxes levied for subsequent year	-	441,800	135,000	576,800
Fund Balances				
Nonspendable				
Cemetery perpetual care	-	-	-	-
Library endowment	-	-	-	-
Restricted				
Library	-	600,685	-	600,685
Impact fees	-	-	-	-
Committed				
Equipment replacement	-	-	-	-
Assigned				
Special revenue funds	909,856	-	123,279	1,033,135
Capital projects fund	-	-	-	-
<b>Total Fund Balances</b>	<b>909,856</b>	<b>600,685</b>	<b>123,279</b>	<b>1,633,820</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,068,715</b>	<b>\$ 1,061,972</b>	<b>\$ 261,101</b>	<b>\$ 2,391,788</b>

Permanent Funds			Capital Projects	Total Other Governmental Funds
Cemetery Perpetual Care	Swanson Library Endowment	Total	Impact Fees	
\$ 564,576	\$ -	\$ 564,576	\$ 221,787	\$ 1,199,537
-	-	-	-	576,800
-	-	-	-	7,483
1,500	-	1,500	-	1,395,831
-	118,830	118,830	-	118,830
<u>\$ 566,076</u>	<u>\$ 118,830</u>	<u>\$ 684,906</u>	<u>\$ 221,787</u>	<u>\$ 3,298,481</u>

\$ -	\$ -	\$ -	\$ -	\$ 46,712
1,500	-	1,500	-	11,885
-	-	-	39,969	112,640
-	-	-	-	51,400
<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>39,969</u>	<u>222,637</u>

-	-	-	-	576,800
---	---	---	---	---------

564,576	-	564,576	-	564,576
-	112,890	112,890	-	112,890
-	5,940	5,940	-	606,625
-	-	-	135,705	135,705
-	-	-	15,000	15,000
-	-	-	-	1,033,135
-	-	-	31,113	31,113
<u>564,576</u>	<u>118,830</u>	<u>683,406</u>	<u>181,818</u>	<u>2,499,044</u>

<u>\$ 566,076</u>	<u>\$ 118,830</u>	<u>\$ 684,906</u>	<u>\$ 221,787</u>	<u>\$ 3,298,481</u>
-------------------	-------------------	-------------------	-------------------	---------------------

**CITY OF LAKE GENEVA, WISCONSIN**

Combining Statement of Revenues, Expenditures and Changes in fund Balance

Nonmajor Governmental Funds

For the year Ended December 31, 2016

	Special Revenue Funds			
	Lakefront Operations	Public Library	Cemetery Operations	Total
<b>Revenues</b>				
Taxes	\$ -	\$ 441,800	\$ 150,000	\$ 591,800
Intergovernmental	25,296	285,088	-	310,384
Fines and forfeits	-	22,066	-	22,066
Public charges for services	1,078,647	-	39,164	1,117,811
Investment income	-	20,429	-	20,429
Miscellaneous	1,347	7,037	1,365	9,749
<b>Total Revenues</b>	<b>1,105,290</b>	<b>776,420</b>	<b>190,529</b>	<b>2,072,239</b>
<b>Expenditures</b>				
Current				
Health and human services	-	-	173,883	173,883
Culture and recreation	610,986	673,811	-	1,284,797
Capital outlay				
Health and human services	-	-	43,553	43,553
Culture and recreation	-	-	-	-
Debt service				
Principal retirement	-	1,211	-	1,211
Interest and fiscal charges	-	15	-	15
<b>Total Expenditures</b>	<b>610,986</b>	<b>675,037</b>	<b>217,436</b>	<b>1,503,459</b>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	494,304	101,383	(26,907)	568,780
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	13,184	13,184
Transfers out	(419,304)	-	-	(419,304)
<b>Total Other Financing Sources (Uses)</b>	<b>(419,304)</b>	<b>-</b>	<b>13,184</b>	<b>(406,120)</b>
<b>Net Change in Fund Balances</b>	<b>75,000</b>	<b>101,383</b>	<b>(13,723)</b>	<b>162,660</b>
<b>Fund Balances - January 1</b>	<b>834,856</b>	<b>499,302</b>	<b>137,002</b>	<b>1,471,160</b>
<b>Fund Balances - December 31</b>	<b>\$ 909,856</b>	<b>\$ 600,685</b>	<b>\$ 123,279</b>	<b>\$ 1,633,820</b>

Permanent Funds			Capital Projects	Total Other Governmental Funds
Cemetery Perpetual Care	Swanson Library Endowment	Total	Impact Fees	
\$ -	\$ -	\$ -	\$ -	\$ 591,800
-	-	-	-	310,384
-	-	-	-	22,066
7,925	-	7,925	12,190	1,137,926
47,527	10,312	57,839	1,008	79,276
-	-	-	50	9,799
<u>55,452</u>	<u>10,312</u>	<u>65,764</u>	<u>13,248</u>	<u>2,151,251</u>
-	-	-	-	173,883
-	657	657	-	1,285,454
-	-	-	-	43,553
-	-	-	4,551	4,551
-	-	-	-	1,211
-	-	-	-	15
<u>-</u>	<u>657</u>	<u>657</u>	<u>4,551</u>	<u>1,508,667</u>
<u>55,452</u>	<u>9,655</u>	<u>65,107</u>	<u>8,697</u>	<u>642,584</u>
-	-	-	-	13,184
(13,184)	-	(13,184)	-	(432,488)
(13,184)	-	(13,184)	-	(419,304)
42,268	9,655	51,923	8,697	223,280
<u>522,308</u>	<u>109,175</u>	<u>631,483</u>	<u>173,121</u>	<u>2,275,764</u>
<u>\$ 564,576</u>	<u>\$ 118,830</u>	<u>\$ 683,406</u>	<u>\$ 181,818</u>	<u>\$ 2,499,044</u>

***THIS PAGE LEFT BLANK INTENTIONALLY***

**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, 2016, 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 19, 2017.

**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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2016-001 and 2016-002 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 from 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 is 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 19, 2017

**CITY OF LAKE GENEVA, WISCONSIN**  
 Schedule of Findings and Responses  
 For the Year Ended December 31, 2016

**Section I - Internal Control Over Financial Reporting**

Finding No.	Control Deficiencies
<b>2016-001</b>	<p><b>Segregation of Duties</b></p> <p>Repeat of Finding 2014-001</p> <p>Condition: A limited number of City employees perform the majority of the accounting functions for the City of Lake Geneva.</p> <p>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.</p> <p>Cause: The lack of segregation of duties is due to the limited number of employees and the size of City's operations. In addition, the City has not conducted a risk assessment and analysis of its internal controls to identify compensating controls and other potential opportunities to enhance its control structure.</p> <p>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.</p> <p>Recommendation: We recommend the City Council continue to monitor the transactions and the financial records of the City. We further recommend the City complete a risk assessment and analysis of its internal controls to identify opportunities to strengthen and enhance controls over financial reporting.</p> <p>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.</p>

**CITY OF LAKE GENEVA, WISCONSIN**  
 Schedule of Findings and Responses (Continued)  
 For the Year Ended December 31, 2016

**Section I - Internal Control Over Financial Reporting (Continued)**

Finding No.	Control Deficiencies
<b>2016-002</b>	<p><b>Preparation of Annual Financial Report</b></p> <p>Repeat of Finding 2014-002</p> <p>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. For the same reasons, the City contracts with us to compile the Wisconsin Municipal Financial Report Form C</p> <p>Criteria: The preparation and review of the annual financial report and municipal 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 or other required State Financial reports.</p> <p>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.</p> <p>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.</p> <p>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 and municipal financial report.</p> <p>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.</p>

**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, 2016.