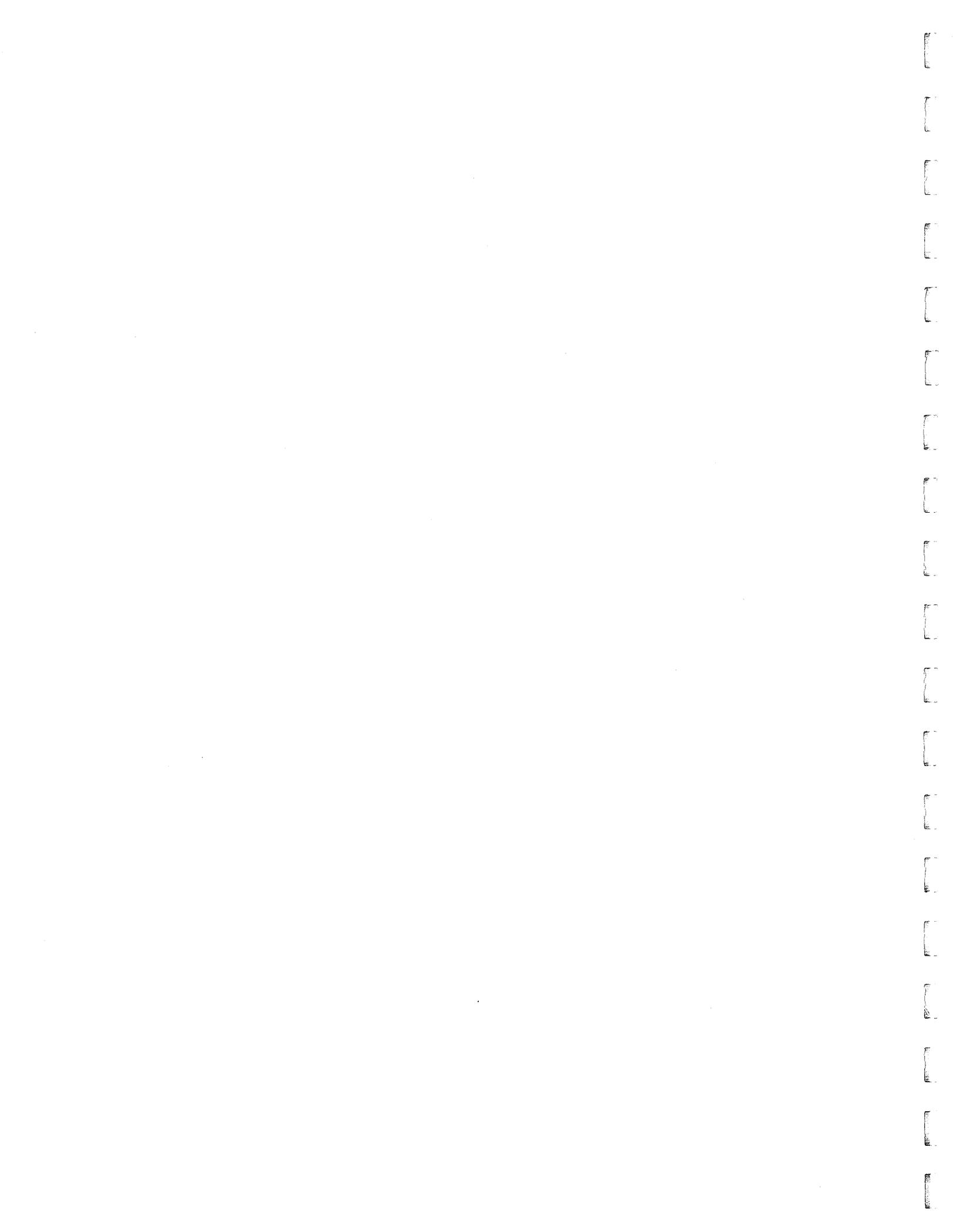


City of Lake Geneva, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2017



City of Lake Geneva, Wisconsin

DECEMBER 31, 2017

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City of Lake Geneva, Wisconsin

DECEMBER 31, 2017

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Independent auditors' report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Geneva, Wisconsin (the "City") as of and for the year ended December 31, 2017, 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, 2017, 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.

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 3 through 8 and the schedules relating to pensions and other postemployment benefits on pages 51 through 53 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's 2016 financial statements, and our report dated July 19, 2017, 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, 2016, 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 20, 2018, 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 20, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Lake Geneva, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

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, 2017.

Financial Highlights

- As of the December 31, 2017, the assets and deferred outflows of the City of Lake Geneva exceeded its liabilities and deferred inflows of resources by \$54,594,708. This represents a 6.3% decrease over the 2016 net position balance of \$58,248,554. The decrease is due primarily to the decrease in investment of capital assets.
- The general fund balance at the end of 2017 was \$4,639,166, an increase of \$685,378 from the prior year.
- Of the general fund balance, \$66,744 is nonspendable for prepaid items and delinquent taxes, \$549,333 has been assigned for various uses, and \$4,023,089 is currently unassigned.
- The outstanding general obligation debt as of December 31, 2017 is \$4,760,000. This compares to \$5,335,000 at the end of 2016.

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.

Statement of Net Position. 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 9 - 10 of this report.)

Statement of Activities. 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 11 - 12 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.

City of Lake Geneva, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

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 three major government funds: General, Parking Meters and Lots, and Equipment Replacement.

- General Fund: Accounts for the City's primary operating activities.
- Parking Meters and Lots: Accounts for resources collected from parking meters and parking citations, which use resources for operations and related capital improvements.
- Equipment Replacement Fund: Accounts for special tax levy and sale of equipment revenue to be used for equipment replacement.

The net change in fund balances for the year is an increase of \$717,135. The total fund balance for all governmental funds is \$10,844,120. (See pages 13 - 20.)

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 had a decrease of \$346,314 and the Sewer Utility had a decrease of \$99,841. The Water Utility decrease was primarily due to extraordinary repairs which are amortized for rate purposes but expensed in the current year for generally accepted accounting principles. Water Utility net position totaled \$12,471,599. Sewer Utility net position totaled \$13,962,902, for a proprietary/enterprise fund total of \$26,434,501. (See pages 21 - 24.)

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. (See page 26.)

City of Lake Geneva, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

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 \$54,594,708 at the close of 2017.

City of Lake Geneva, Wisconsin's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 19,084,138	\$ 18,263,894	\$ 3,094,935	\$ 2,855,363	\$ 22,179,073	\$ 21,119,257
Capital assets	23,535,245	27,541,947	23,916,584	24,594,974	47,451,829	52,136,921
Total Assets	42,619,383	45,805,841	27,011,519	27,450,337	69,630,902	73,256,178
Deferred outflows of resources	2,147,693	3,093,127	305,403	422,298	2,453,096	3,515,425
Long-term liabilities outstanding	7,801,487	8,526,879	258,935	302,102	8,060,422	8,828,981
Other liabilities	775,648	759,796	500,753	532,530	1,276,401	1,292,326
Total Liabilities	8,577,135	9,286,675	759,688	834,632	9,336,823	10,121,307
Deferred inflows of resources	8,029,734	8,244,395	122,733	157,347	8,152,467	8,401,742
Net Position						
Net investment in capital asset	18,698,518	22,130,220	23,916,584	24,594,974	42,615,102	46,725,194
Restricted	1,497,814	1,419,796	631,583	66,404	2,129,397	1,486,200
Unrestricted	7,963,875	7,817,882	1,886,334	2,219,278	9,850,209	10,037,160
Total Net Position	\$ 28,160,207	\$ 31,367,898	\$ 26,434,501	\$ 26,880,656	\$ 54,594,708	\$ 58,248,554

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

An additional portion of the City's net position (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$9,950,209 may be used to meet the City's ongoing obligations to citizens and creditors.

City of Lake Geneva, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

Change in net position. Governmental activities decreased the City's net position by \$3,207,691 and business-type activities decreased the City's net position by \$446,155 during the current fiscal year. Key elements of these changes are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for services	\$ 4,090,901	\$ 3,956,430	\$ 3,365,340	\$ 3,097,880	\$ 7,456,241	\$ 7,054,310
Operating grants and contribu	855,518	887,057	-	-	855,518	887,057
Capital grants and contributi	1,569	-	329,296	210,679	330,865	210,679
General Revenues						
Property taxes	7,096,005	6,487,507	-	-	7,096,005	6,487,507
Property tax increment	-	1,633,460	-	-	-	1,633,460
Other taxes	682,489	669,914	-	-	682,489	669,914
Grants and contributions not restricted to specific progr	142,336	204,350	-	-	142,336	204,350
Other	557,436	325,168	27,540	25,408	584,976	350,576
Total Revenues	13,426,254	14,163,886	3,722,176	3,333,967	17,148,430	17,497,853
Expenses						
General government	3,062,763	2,780,409	-	-	3,062,763	2,780,409
Public safety	4,690,290	4,428,320	-	-	4,690,290	4,428,320
Public works	5,970,060	6,853,797	-	-	5,970,060	6,853,797
Health and human services	208,643	209,557	-	-	208,643	209,557
Culture and recreation	2,666,867	1,578,588	-	-	2,666,867	1,578,588
Conservation and developmen	239,676	6,744,320	-	-	239,676	6,744,320
Interest and fiscal charges	117,813	114,243	-	-	117,813	114,243
Water utility	-	-	2,100,477	1,459,576	2,100,477	1,459,576
Sewer utility	-	-	1,745,687	1,627,662	1,745,687	1,627,662
Total Expenses	16,956,112	22,709,234	3,846,164	3,087,238	20,802,276	25,796,472
Increase in Net Position						
Before Transfers	(3,529,858)	(8,545,348)	(123,988)	246,729	(3,653,846)	(8,298,619)
Transfers	322,167	319,430	(322,167)	(319,430)	-	-
Change in Net Position	(3,207,691)	(8,225,918)	(446,155)	(72,701)	(3,653,846)	(8,298,619)
Net Position - January 1	31,367,898	39,593,816	26,880,656	26,953,357	58,248,554	66,547,173
Net Position - December 31	\$ 28,160,207	\$ 31,367,898	\$ 26,434,501	\$ 26,880,656	\$ 54,594,708	\$ 58,248,554

As discussed in the prior year, 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.

City of Lake Geneva, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

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 19 of this report.)

General Fund Revenues and Transfers In	
Budget	\$ 8,658,737
Actual	9,276,184
Variance	\$ 617,447

The positive revenue variance was primarily due to the following:

- Licenses and permits exceeded budget by \$165,696 – related to increase in building related permits.
- Miscellaneous revenues exceeded budget by \$184,593 – mostly related to insurance reimbursements.
- Transfers in exceeded budget by \$276,997 due to excess transfers from the parking meters and lots fund.

General Fund Expenditures and Transfers Out	
Budget	\$ 8,658,737
Actual	8,590,805
Variance	\$ 67,932

The functions with significant budget variances are listed below:

- General government exceeded budget by \$23,083 – mostly related to unanticipated insurance claims
- Conservation and development exceed budget by \$17,721 – related to increased planning expenditures

General Fund Balance	
Beginning of year	\$ 3,953,788
End of the year	4,639,166
Change in Fund Balance	\$ 685,378

Proprietary funds. (See pages 21 - 24.) 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 \$12,471,599, a decrease of \$346,314 from the prior year. Operating loss for the water utility fund totaled \$175,508.

Net position of the sewer utility at the end of the year totaled \$13,962,902, a decrease of \$99,841 from the prior year. Operating loss for the sewer utility fund totaled \$305,316.

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

City of Lake Geneva, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

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, 2017 amounts to \$47,451,829 (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.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,601,266	\$ 3,601,266	\$ 728,872	\$ 728,872	\$ 4,330,138	\$ 4,330,138
Property held for future	-	-	197,158	197,158	197,158	197,158
Construction in progress	108,684	2,063,132	21,075	28,440	129,759	2,091,572
Buildings	13,114,959	13,114,959	9,099,220	9,082,934	22,214,179	22,197,893
Land improvements	839,845	821,245	36,877	36,877	876,722	858,122
Machinery and equipment	12,319,320	11,881,122	10,685,595	10,627,771	23,004,915	22,508,893
Infrastructure	87,867,500	86,353,329	22,644,941	22,490,767	110,512,441	108,844,096
Accumulated depreciation	(94,316,329)	(90,293,106)	(19,497,154)	(18,597,845)	(113,813,483)	(108,890,951)
Total	\$ 23,535,245	\$ 27,541,947	\$ 23,916,584	\$ 24,594,974	\$ 47,451,829	\$ 52,136,921

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$4,760,000.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General Obligation Debt						
Notes	\$ 4,760,000	\$ 5,335,000	\$ -	\$ -	\$ 4,760,000	\$ 5,335,000

Debt Service - Governmental Activities: (Page 39) 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, 2017 was \$62,867,315. Total general obligation debt outstanding at year-end was \$4,760,000. The outstanding GO debt applicable to the debt limit represents 8% 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 2018 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 2017 audit in detail. If you would like additional information regarding the audit report, please contact City Administrator Blaine Oborn (262-248-3673) or City Finance Director/Comptroller Karen Hall (262-248-3673).

BASIC FINANCIAL STATEMENTS

City of Lake Geneva, Wisconsin

STATEMENT OF NET POSITION

DECEMBER 31, 2017

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Totals	
			2017	2016
ASSETS				
Cash and investments	\$ 10,255,241	\$ 1,615,474	\$ 11,870,715	\$ 11,577,803
Receivables				
Taxes and special charges	7,175,755	-	7,175,755	7,103,746
Delinquent taxes and special charges	20,232	-	20,232	6,883
Accounts, net	541,288	685,376	1,226,664	787,218
Special assessments	246,395	405,202	651,597	691,207
Other	-	40,636	40,636	44,127
Internal balances	371,665	(371,665)	-	-
Due from other governments	-	5,538	5,538	-
Inventories and prepaid items	46,512	82,791	129,303	205,023
Restricted assets				
Cash and investments	427,050	631,583	1,058,633	703,250
Capital assets, nondepreciable	3,709,950	947,105	4,657,055	6,618,868
Capital assets, depreciable	19,825,295	22,969,479	42,794,774	45,518,053
Total assets	<u>42,619,383</u>	<u>27,011,519</u>	<u>69,630,902</u>	<u>73,256,178</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	<u>2,147,693</u>	<u>305,403</u>	<u>2,453,096</u>	<u>3,515,425</u>
LIABILITIES				
Accounts payable	509,481	55,068	564,549	554,558
Accrued and other current liabilities	182,960	15,822	198,782	164,475
Accrued interest payable	27,557	-	27,557	32,544
Special deposits	55,650	320	55,970	56,510
Unearned revenues	-	429,543	429,543	484,239
Long-term obligations				
Due within one year	907,276	-	907,276	887,276
Due in more than one year	3,989,550	53,130	4,042,680	4,720,584
Net pension liability	274,383	39,026	313,409	620,454
Other postemployment benefits	2,630,278	166,779	2,797,057	2,600,667
Total liabilities	<u>8,577,135</u>	<u>759,688</u>	<u>9,336,823</u>	<u>10,121,307</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	7,166,821	-	7,166,821	7,096,006
Pension related amounts	<u>862,913</u>	<u>122,733</u>	<u>985,646</u>	<u>1,305,736</u>
Total deferred inflows of resources	<u>8,029,734</u>	<u>122,733</u>	<u>8,152,467</u>	<u>8,401,742</u>
NET POSITION				
Net investment in capital assets	18,698,518	23,916,584	42,615,102	46,725,194
Restricted	1,497,814	631,583	2,129,397	1,486,200
Unrestricted	<u>7,963,875</u>	<u>1,886,334</u>	<u>9,850,209</u>	<u>10,037,160</u>
Total net position	<u>\$ 28,160,207</u>	<u>\$ 26,434,501</u>	<u>\$ 54,594,708</u>	<u>\$ 58,248,554</u>

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

Component Unit	
2017	2016
\$ 30,697	\$ 45,059
199,000	199,000
13,417	9,588
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>243,114</u>	<u>253,647</u>
-	-
64,250	36,084
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>64,250</u>	<u>36,084</u>
199,000	199,000
-	-
<u>199,000</u>	<u>199,000</u>
-	-
-	18,563
(20,136)	-
<u>\$ (20,136)</u>	<u>\$ 18,563</u>

City of Lake Geneva, Wisconsin

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2017
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 3,062,763	\$ 270,732	\$ -	\$ -
Public safety	4,690,290	902,929	77,411	-
Public works	5,970,060	1,557,521	735,202	1,569
Health and human services	208,643	43,240	-	-
Culture and recreation	2,666,867	1,316,479	42,506	-
Conservation and development	239,676	-	399	-
Interest and fiscal charges	117,813	-	-	-
Total governmental activities	<u>16,956,112</u>	<u>4,090,901</u>	<u>855,518</u>	<u>1,569</u>
BUSINESS-TYPE ACTIVITIES				
Water utility	2,100,477	1,924,969	-	146,682
Sewer utility	1,745,687	1,440,371	-	182,614
Total business-type activities	<u>3,846,164</u>	<u>3,365,340</u>	<u>-</u>	<u>329,296</u>
Total primary government	<u>\$ 20,802,276</u>	<u>\$ 7,456,241</u>	<u>\$ 855,518</u>	<u>\$ 330,865</u>
COMPONENT UNIT				
Business improvement district	<u>\$ 291,297</u>	<u>\$ -</u>	<u>\$ 52,612</u>	<u>\$ -</u>

General revenues
 Taxes
 Property taxes, levied for general purposes
 Tax increments
 Other taxes
 Federal and state grants and other contributions
 not restricted to specific functions
 Interest and investment earnings
 Miscellaneous
 Gain on sale of asset
 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	Totals		Component Unit	
		2017	2016	2017	2016
\$ (2,792,031)	\$ -	\$ (2,792,031)	(2,543,431)	\$ -	\$ -
(3,709,950)	-	(3,709,950)	(3,529,672)	-	-
(3,675,768)	-	(3,675,768)	(4,627,378)	-	-
(165,403)	-	(165,403)	(162,468)	-	-
(1,307,882)	-	(1,307,882)	(144,727)	-	-
(239,277)	-	(239,277)	(6,743,828)	-	-
(117,813)	-	(117,813)	(114,243)	-	-
<u>(12,008,124)</u>	<u>-</u>	<u>(12,008,124)</u>	<u>(17,865,747)</u>	<u>-</u>	<u>-</u>
-	(28,826)	(28,826)	465,841	-	-
<u>-</u>	<u>(122,702)</u>	<u>(122,702)</u>	<u>(244,520)</u>	<u>-</u>	<u>-</u>
-	(151,528)	(151,528)	221,321	-	-
<u>(12,008,124)</u>	<u>(151,528)</u>	<u>(12,159,652)</u>	<u>(17,644,426)</u>	<u>-</u>	<u>-</u>
-	-	-	-	(238,685)	(233,896)
7,096,005	-	7,096,005	6,487,507	-	-
-	-	-	1,633,460	-	-
682,489	-	682,489	669,914	199,255	198,745
142,336	-	142,336	204,350	-	-
218,234	26,206	244,440	158,623	731	913
274,618	-	274,618	182,688	-	-
64,584	1,334	65,918	9,265	-	-
322,167	(322,167)	-	-	-	-
<u>8,800,433</u>	<u>(294,627)</u>	<u>8,505,806</u>	<u>9,345,807</u>	<u>199,986</u>	<u>199,658</u>
(3,207,691)	(446,155)	(3,653,846)	(8,298,619)	(38,699)	(34,238)
<u>31,367,898</u>	<u>26,880,656</u>	<u>58,248,554</u>	<u>66,547,173</u>	<u>18,563</u>	<u>52,801</u>
<u>\$ 28,160,207</u>	<u>\$ 26,434,501</u>	<u>\$ 54,594,708</u>	<u>\$ 58,248,554</u>	<u>\$ (20,136)</u>	<u>\$ 18,563</u>

City of Lake Geneva, Wisconsin

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	General	Parking Meters and Lots	Equipment Replacement	Other Governmental Funds
ASSETS				
Cash and investments	\$ 5,511,060	\$ -	\$ 2,776,255	\$ 1,967,926
Restricted cash and investments	-	-	-	427,050
Receivables				
Taxes and special charges	4,835,259	-	677,990	1,662,506
Delinquent taxes	20,232	-	-	-
Accounts, net	534,384	-	-	6,904
Special assessments	246,395	-	-	-
Due from other funds	1,025,687	992,126	-	1,481,266
Prepaid items	46,512	-	-	-
	<u>\$ 12,219,529</u>	<u>\$ 992,126</u>	<u>\$ 3,454,245</u>	<u>\$ 5,545,652</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 212,870	\$ 17,126	\$ 78,512	\$ 200,973
Accrued and other current liabilities	148,944	-	-	34,016
Due to other funds	2,064,268	-	68,303	994,843
Special deposits	2,850	-	-	52,800
	<u>2,428,932</u>	<u>17,126</u>	<u>146,815</u>	<u>1,282,632</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	4,826,325	-	677,990	1,662,506
Special charges assessed	78,711	-	-	-
Special assessments	246,395	-	-	-
	<u>5,151,431</u>	<u>-</u>	<u>677,990</u>	<u>1,662,506</u>
Fund balances				
Nonspendable	66,744	-	-	753,788
Restricted	-	-	-	771,583
Committed	-	-	-	-
Assigned	549,333	975,000	2,629,440	1,207,700
Unassigned	4,023,089	-	-	(132,557)
	<u>4,639,166</u>	<u>975,000</u>	<u>2,629,440</u>	<u>2,600,514</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,219,529</u>	<u>\$ 992,126</u>	<u>\$ 3,454,245</u>	<u>\$ 5,545,652</u>

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

Totals	
2017	2016
\$ 10,255,241	\$ 10,140,055
427,050	118,830
7,175,755	7,103,746
20,232	6,883
541,288	195,186
246,395	247,115
3,499,079	3,156,483
46,512	120,922
<u>\$ 22,211,552</u>	<u>\$ 21,089,220</u>
\$ 509,481	\$ 523,358
182,960	149,994
3,127,414	2,825,326
55,650	53,900
<u>3,875,505</u>	<u>3,552,578</u>
7,166,821	7,096,006
78,711	66,536
246,395	247,115
<u>7,491,927</u>	<u>7,409,657</u>
820,532	805,271
771,583	742,330
-	597,484
5,361,473	4,713,756
3,890,532	3,268,144
<u>10,844,120</u>	<u>10,126,985</u>
<u>\$ 22,211,552</u>	<u>\$ 21,089,220</u>

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City of Lake Geneva, Wisconsin

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	2017	2016
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 10,844,120	\$ 10,126,985
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	23,535,245	27,541,947
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	325,106	313,651
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Deferred outflows related to pensions	2,147,693	3,093,127
Deferred inflows related to pensions	(862,913)	(1,148,389)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(4,760,000)	(5,335,000)
Premium on debt	(64,451)	(76,727)
Compensated absences	(72,375)	(145,891)
Net pension liability	(274,383)	(545,687)
Other postemployment benefit	(2,630,278)	(2,423,574)
Accrued interest on long-term obligations	(27,557)	(32,544)
Net position of governmental activities as reported on the statement of net position (see pages 9 - 10)	\$ 28,160,207	\$ 31,367,898

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

City of Lake Geneva, Wisconsin

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Parking Meters and Lots	Equipment Replacement	Other Governmental Funds
REVENUES				
Taxes	\$ 5,208,959	\$ -	\$ 677,990	\$ 1,892,505
Special assessments	2,289	-	-	-
Intergovernmental	944,504	-	-	285,749
Licenses and permits	545,696	36,913	-	-
Fines and forfeits	113,386	295,463	-	19,751
Public charges for services	427,617	1,217,710	-	1,084,172
Intergovernmental charges for services	149,214	-	-	-
Interdepartmental charges for services	53,206	-	-	-
Miscellaneous	230,813	4,422	20,141	139,715
Total revenues	<u>7,675,684</u>	<u>1,554,508</u>	<u>698,131</u>	<u>3,421,892</u>
EXPENDITURES				
Current				
General government	2,799,158	-	-	-
Public safety	3,967,572	-	-	-
Public works	1,501,102	595,774	-	-
Health and human services	-	-	-	173,642
Culture and recreation	237,752	-	-	1,292,363
Conservation and development	85,221	-	-	154,455
Debt service				
Principal	-	-	-	875,000
Interest and fiscal charges	-	-	-	135,076
Capital outlay	-	-	627,588	876,097
Total expenditures	<u>8,590,805</u>	<u>595,774</u>	<u>627,588</u>	<u>3,506,633</u>
Excess of revenues over (under) expenditures	<u>(915,121)</u>	<u>958,734</u>	<u>70,543</u>	<u>(84,741)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	300,000
Proceeds from sale of capital assets	6,500	-	59,053	-
Transfers in	1,593,999	-	-	14,041
Transfers out	-	(883,734)	-	(402,139)
Total other financing sources (uses)	<u>1,600,499</u>	<u>(883,734)</u>	<u>59,053</u>	<u>(88,098)</u>
Net change in fund balances	685,378	75,000	129,596	(172,839)
Fund balances - January 1	<u>3,953,788</u>	<u>900,000</u>	<u>2,499,844</u>	<u>2,773,353</u>
Fund balances - December 31	<u>\$ 4,639,166</u>	<u>\$ 975,000</u>	<u>\$ 2,629,440</u>	<u>\$ 2,600,514</u>

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

Totals	
2017	2016
\$ 7,779,454	\$ 8,792,521
2,289	1,268
1,230,253	1,366,018
582,609	460,719
428,600	461,735
2,729,499	2,702,044
149,214	162,456
53,206	-
395,091	215,694
<u>13,350,215</u>	<u>14,162,455</u>
2,799,158	2,503,509
3,967,572	3,830,328
2,096,876	2,688,758
173,642	173,883
1,530,115	1,529,602
239,676	6,744,320
875,000	957,270
135,076	149,325
1,503,685	4,021,939
<u>13,320,800</u>	<u>22,598,934</u>
<u>29,415</u>	<u>(8,436,479)</u>
300,000	-
65,553	9,265
1,608,040	5,442,927
(1,285,873)	(5,123,497)
<u>687,720</u>	<u>328,695</u>
717,135	(8,107,784)
<u>10,126,985</u>	<u>18,234,769</u>
<u>\$ 10,844,120</u>	<u>\$ 10,126,985</u>

City of Lake Geneva, Wisconsin

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ 717,135	\$ (8,107,784)
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 those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay in governmental fund statements	507,939	3,838,373
Depreciation expense reported in the statement of activities	(4,513,672)	(4,471,853)
Net book value of disposals	(969)	(15,882)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	11,455	2,478
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Long-term debt issued	(300,000)	-
Premium on debt issued	-	12,276
Principal repaid	875,000	957,270
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 the governmental funds:		
Accrued interest on long-term debt	4,987	12,494
Amortization of premiums, discounts and loss on advance refunding	12,276	-
Compensated absences	73,516	11,991
Net pension asset	-	(833,818)
Net pension liability	271,304	(545,687)
Deferred outflows of resources related to pensions	(945,434)	2,226,045
Deferred inflows of resources related to pensions	285,476	(1,148,389)
Other postemployment benefits	(206,704)	(163,432)
Change in net position of governmental activities as reported in the statement of activities (see pages 11 - 12)	<u>\$ (3,207,691)</u>	<u>\$ (8,225,918)</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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget		Actual	Variance Final Budget - Positive (Negative)	2016 Actual
	Original	Final			
REVENUES					
Taxes	\$ 5,321,860	\$ 5,198,110	\$ 5,208,959	\$ 10,849	\$ 5,276,555
Special assessments	720	720	2,289	1,569	1,268
Intergovernmental	934,497	934,497	944,504	10,007	1,055,634
Licenses and permits	380,000	380,000	545,696	165,696	435,751
Fines and forfeits	131,400	131,400	113,386	(18,014)	134,657
Public charges for services	407,050	407,050	427,617	20,567	459,068
Intergovernmental charges for services	158,175	158,175	149,214	(8,961)	162,456
Interdepartmental charges for services	85,563	85,563	53,206	(32,357)	-
Miscellaneous	46,220	46,220	230,813	184,593	99,261
Total revenues	7,465,485	7,341,735	7,675,684	333,949	7,624,650
EXPENDITURES					
Current					
General government	2,848,018	2,776,075	2,799,158	(23,083)	2,503,509
Public safety	3,941,658	4,013,601	3,967,572	46,029	3,830,328
Public works	1,562,294	1,562,294	1,501,102	61,192	1,510,828
Culture and recreation	239,267	239,267	237,752	1,515	244,148
Conservation and development	191,250	67,500	85,221	(17,721)	211,759
Total expenditures	8,782,487	8,658,737	8,590,805	67,932	8,300,572
Excess of revenues under expenditures	(1,317,002)	(1,317,002)	(915,121)	401,881	(675,922)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	6,500	6,500	1,618
Transfers in	1,317,002	1,317,002	1,593,999	276,997	3,402,981
Transfers out	-	-	-	-	(2,026,762)
Total other financing sources (uses)	1,317,002	1,317,002	1,600,499	283,497	1,377,837
Net change in fund balance	-	-	685,378	685,378	701,915
Fund balance - January 1	3,953,788	3,953,788	3,953,788	-	3,251,873
Fund balance - December 31	\$ 3,953,788	\$ 3,953,788	\$ 4,639,166	\$ 685,378	\$ 3,953,788

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 - PARKING METERS AND LOTS SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget		Actual	Variance Final Budget - Positive (Negative)	2016 Actual
	Original	Final			
REVENUES					
Licenses and permits	\$ 11,300	\$ 11,300	\$ 36,913	\$ 25,613	\$ 24,968
Fines and forfeits	255,095	255,095	295,463	40,368	305,012
Public charges for services	952,000	952,000	1,217,710	265,710	1,105,050
Miscellaneous	2,800	2,800	4,422	1,622	3,946
Total revenues	1,221,195	1,221,195	1,554,508	333,313	1,438,976
EXPENDITURES					
Current					
Public works	631,181	631,181	595,774	35,407	726,490
Excess of revenues over expenditures	590,014	590,014	958,734	368,720	712,486
OTHER FINANCING USES					
Transfers out	(565,014)	(565,014)	(883,734)	(318,720)	(637,485)
Net change in fund balance	25,000	25,000	75,000	50,000	75,001
Fund balance - January 1	900,000	900,000	900,000	-	824,999
Fund balance - December 31	\$ 925,000	\$ 925,000	\$ 975,000	\$ 50,000	\$ 900,000

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, 2017
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016**

	Water Utility	Sewer Utility	Totals	
			2017	2016
ASSETS				
Current assets				
Cash and investments	\$ 557,405	\$ 1,058,069	\$ 1,615,474	1,955,764
Receivables				
Accounts	383,091	302,285	685,376	592,032
Special assessments	17,008	388,194	405,202	441,552
Other	29,081	11,555	40,636	44,127
Due from other funds	15,453	-	15,453	2,540
Due from other governments	5,538	-	5,538	-
Inventories and prepaid items	82,791	-	82,791	84,101
Total current assets	<u>1,090,367</u>	<u>1,760,103</u>	<u>2,850,470</u>	<u>3,120,116</u>
Noncurrent assets				
Restricted assets				
Cash and investments	266,454	365,129	631,583	66,404
Capital assets				
Nondepreciable	348,017	599,088	947,105	954,470
Depreciable	11,262,446	11,707,033	22,969,479	23,640,504
Total capital assets	<u>11,610,463</u>	<u>12,306,121</u>	<u>23,916,584</u>	<u>24,594,974</u>
Total assets	<u>12,967,284</u>	<u>14,431,353</u>	<u>27,398,637</u>	<u>27,781,494</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	<u>218,682</u>	<u>86,721</u>	<u>305,403</u>	<u>422,298</u>
LIABILITIES				
Current liabilities				
Accounts payable	40,920	14,148	55,068	31,200
Accrued and other current liabilities	8,589	7,233	15,822	14,481
Due to other funds	366,945	20,173	387,118	331,157
Special deposits	320	-	320	2,610
Unearned revenue	51,947	377,596	429,543	484,239
Total current liabilities	<u>468,721</u>	<u>419,150</u>	<u>887,871</u>	<u>863,687</u>
Long-term obligations, less current portion				
Compensated absences	35,379	17,751	53,130	50,242
Net pension liability	29,175	9,851	39,026	74,767
Other postemployment benefits	89,340	77,439	166,779	177,093
Total long-term liabilities	<u>153,894</u>	<u>105,041</u>	<u>258,935</u>	<u>302,102</u>
Total liabilities	<u>622,615</u>	<u>524,191</u>	<u>1,146,806</u>	<u>1,165,789</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	<u>91,752</u>	<u>30,981</u>	<u>122,733</u>	<u>157,347</u>
NET POSITION				
Investment in capital assets	11,610,463	12,306,121	23,916,584	24,594,974
Restricted	266,454	365,129	631,583	66,404
Unrestricted	594,682	1,291,652	1,886,334	2,219,278
Total net position	<u>\$ 12,471,599</u>	<u>\$ 13,962,902</u>	<u>\$ 26,434,501</u>	<u>\$ 26,880,656</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, 2017
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	Water Utility	Sewer Utility	Totals	
			2017	2016
OPERATING REVENUES				
Charges for services	\$ 1,665,504	\$ 1,380,378	\$ 3,045,882	\$ 2,763,712
Other	259,465	59,993	319,458	334,168
Total operating revenues	<u>1,924,969</u>	<u>1,440,371</u>	<u>3,365,340</u>	<u>3,097,880</u>
OPERATING EXPENSES				
Operation and maintenance	1,682,250	1,146,312	2,828,562	2,059,374
Depreciation	397,583	575,094	972,677	984,326
Taxes	20,644	24,281	44,925	43,538
Total operating expenses	<u>2,100,477</u>	<u>1,745,687</u>	<u>3,846,164</u>	<u>3,087,238</u>
Operating income (loss)	<u>(175,508)</u>	<u>(305,316)</u>	<u>(480,824)</u>	<u>10,642</u>
NONOPERATING REVENUES				
Interest income	4,679	21,527	26,206	25,408
Gain on disposal of capital assets	-	1,334	1,334	-
Total nonoperating revenues	<u>4,679</u>	<u>22,861</u>	<u>27,540</u>	<u>25,408</u>
Income (loss) before contributions and transfers	(170,829)	(282,455)	(453,284)	36,050
Capital contributions	146,682	182,614	329,296	210,679
Transfers out	<u>(322,167)</u>	<u>-</u>	<u>(322,167)</u>	<u>(319,430)</u>
Change in net position	(346,314)	(99,841)	(446,155)	(72,701)
Net position - January 1	<u>12,817,913</u>	<u>14,062,743</u>	<u>26,880,656</u>	<u>26,953,357</u>
Net position - December 31	<u>\$ 12,471,599</u>	<u>\$ 13,962,902</u>	<u>\$ 26,434,501</u>	<u>\$ 26,880,656</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, 2017

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

	Water Utility	Sewer Utility	Totals	
			2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,841,896	\$ 1,360,444	\$ 3,202,340	\$ 2,938,558
Cash received (paid) for meter depreciation	37,797	(37,797)	-	-
Cash paid for employee wages and benefits	(396,346)	(551,110)	(947,456)	(977,311)
Cash paid to suppliers	(1,200,281)	(607,829)	(1,808,110)	(1,258,355)
Net cash provided by operating activities	<u>283,066</u>	<u>163,708</u>	<u>446,774</u>	<u>702,892</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer out	(319,430)	-	(319,430)	(324,039)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(163,393)	(128,935)	(292,328)	(1,842,161)
Sale of capital assets	4,791	1,334	6,125	-
Special assessment collections	-	34,996	34,996	45,169
Capital contributions	139,932	182,614	322,546	191,599
Net cash provided (used) by capital and related financing activities	<u>(18,670)</u>	<u>90,009</u>	<u>71,339</u>	<u>(1,605,393)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	4,679	21,527	26,206	25,408
Interest retained in long-term investments	(1,019)	(1,055)	(2,074)	-
Redemption of long-term investments	-	-	-	607,556
Net cash provided by investing activities	<u>3,660</u>	<u>20,472</u>	<u>24,132</u>	<u>632,964</u>
Change in cash and cash equivalents	(51,374)	274,189	222,815	(593,576)
Cash and cash equivalents - January 1	<u>606,340</u>	<u>734,610</u>	<u>1,340,950</u>	<u>1,934,526</u>
Cash and cash equivalents - December 31	<u>\$ 554,966</u>	<u>\$ 1,008,799</u>	<u>\$ 1,563,765</u>	<u>\$ 1,340,950</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, 2017

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

	Water Utility	Sewer Utility	Totals	
			2017	2016
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (175,508)	\$ (305,316)	\$ (480,824)	\$ 10,642
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	397,583	575,094	972,677	984,326
Depreciation charged to sewer utility	37,797	(37,797)	-	-
Write-off of uncollectible receivables	1,354	-	1,354	-
Change in liability and deferred outflows and inflows of resources				
Pension	44,155	2,385	46,540	71,970
Other postemployment benefits	(5,801)	(4,513)	(10,314)	(2,352)
Change in operating assets and liabilities				
Accounts receivables	(36,196)	(59,195)	(95,391)	(136,669)
Due from other funds	(12,913)	-	(12,913)	-
Inventories and prepaid items	898	412	1,310	4,016
Accounts payable	32,538	(8,670)	23,868	(182,657)
Accrued and other current liabilities	923	418	1,341	2,689
Due to other funds	36,426	16,798	53,224	-
Special deposits	(2,290)	-	(2,290)	-
Unearned revenue	(33,964)	(20,732)	(54,696)	(21,600)
Compensated absences	(1,936)	4,824	2,888	(27,473)
Net cash provided by operating activities	<u>\$ 283,066</u>	<u>\$ 163,708</u>	<u>\$ 446,774</u>	<u>\$ 702,892</u>
Reconciliation of cash and cash equivalents to the statement of net position				
Cash and cash equivalents in current assets	\$ 557,405	\$ 1,058,069	\$ 1,615,474	\$ 1,955,764
Cash and cash equivalents in restricted assets	266,454	365,129	631,583	66,404
Less: Long-term investments	<u>(268,893)</u>	<u>(414,399)</u>	<u>(683,292)</u>	<u>(681,218)</u>
Total cash and cash equivalents	<u>\$ 554,966</u>	<u>\$ 1,008,799</u>	<u>\$ 1,563,765</u>	<u>\$ 1,340,950</u>
Noncash capital and related financing activities				
Capital assets contributed by developers	<u>\$ 6,750</u>	<u>\$ -</u>	<u>\$ 6,750</u>	<u>\$ 14,000</u>

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

City of Lake Geneva, Wisconsin

STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUND

DECEMBER 31, 2017

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Tax Collection	
	2017	2016
ASSETS		
Current assets		
Cash and investments	\$ 11,377,559	\$ 8,740,386
Receivables		
Taxes	10,008,452	12,248,208
Total assets	<u>\$ 21,386,011</u>	<u>\$ 20,988,594</u>
LIABILITIES		
Current liabilities		
Due to other governments	<u>\$ 21,386,011</u>	<u>\$ 20,988,594</u>

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

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City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 1: 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:

A. REPORTING ENTITY

The City 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 is the City's Oak Hill Cemetery operations managed by a three member cemetery commission committee appointed by the mayor.

In accordance with GAAP, the basic financial statements are required to include the City (the primary government) and any separate component units that have a significant operational or financial relationship with the City. The City has identified the following component unit that is required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

Downtown Lake Geneva Business Improvement District

The Downtown Lake Geneva Business Improvement District (the "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, 2017. Separate financial statements for the BID can be obtained from its office at 626 Geneva Street, Lake Geneva, Wisconsin 53147.

B. 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 are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental funds include general, special revenue, debt service, capital projects and permanent funds. Proprietary funds include enterprise funds. The City has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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.

Equipment Replacement Capital Projects Fund

This fund accounts for the acquisition of major equipment other than those financed by proprietary fund types.

The City reports the following major enterprise funds:

Water Utility Fund

This fund accounts for the operations of the City's water utility.

Sewer Utility Fund

This fund accounts for the operations of the City's sewer utility.

Additionally, the City reports the following fund type:

- ▶ The City accounts for property taxes collected on behalf of other governments in an *agency fund*.

C. 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 and fiduciary 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 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, and fees and fines, 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.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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 proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs 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.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. 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 from date of acquisition are considered to be cash equivalents.

2. Property Taxes and Special Charges/Receivable

Property taxes and special charges consist of taxes on real estate and personal property and user charges assessed against City properties. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes and special charges are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the City. Special charges not paid by January 31 are held in trust by the County and remitted to the City, including interest, when collected by the County.

In addition to its levy, the City also levies and collects taxes for the United High School District of Lake Geneva - Genoa City Union High, School District of Lake Geneva J1, School District of Linn J4, Walworth County, Gateway Technical College District, and the State of Wisconsin.

3. Accounts Receivable

Accounts receivable have been shown net of allowance for uncollectable accounts.

4. Special Assessments

Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. Special assessments are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls. (Installments placed on the 2017 tax roll are recognized as revenue in 2018.) Special assessments are subject to collection procedures.

5. 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 and business-type activities.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

6. 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.

7. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

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

8. 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 costs of \$5,000 or higher and an estimated useful life in excess of a 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:

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

9. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. 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 and retirements.

10. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Governmental funds may report deferred inflows of resources for unavailable revenues. The City reports unavailable revenues for special assessments and ambulance receivables. These inflows are recognized as revenues in the government-wide financial statements.

11. Long-term Obligations

In the government-wide financial statements, and proprietary funds 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 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 as incurred.

In the fund financial statements, governmental funds 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.

12. 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.

13. Fund Equity

Governmental Fund Financial Statements

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

- ▶ **Nonspendable fund balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- ▶ **Restricted fund balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- ▶ **Committed fund balance.** Amounts that are constrained for specific purposes by action of 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.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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.

E. SALES TAX

The City collects sales tax from certain customers and remits the entire amount to the appropriate governmental entities. The City's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

F. 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.

G. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the City's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

H. 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.

NOTE 2: STEWARDSHIP AND COMPLIANCE

A. BUDGETS AND BUDGETARY ACCOUNTING

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

1. 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.
2. 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.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

3. During the year, formal budgetary integration is employed as a management control device for the governmental funds adopting a budget.
4. 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.
5. 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, 2017.

B. DEFICIT FUND EQUITY

The following fund had deficit fund balance as of December 31, 2017:

Fund	Deficit Fund Balance
Capital Project	
Capital Improvements	\$ 132,557

The City anticipates funding the above deficit from future revenues of the fund.

C. 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 2017 and 2018 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2017 budget was 0.80%. The actual limit for the City for the 2018 budget was 1.17 %. 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.

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. 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 on 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.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

The carrying amount of the City's cash and investments totaled \$24,306,907 on December 31, 2017 as summarized below:

Petty cash and cash on hand	\$ 2,275
Deposits with financial institutions	6,316,200
Investments	
Wisconsin local government investment pool	16,936,011
Money market mutual funds	952,314
Exchange traded funds	100,107
	<u>\$ 24,306,907</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 11,870,715
Restricted cash and investments	1,058,633
Fiduciary Fund statement of net position	
Agency fund	11,377,559
	<u>\$ 24,306,907</u>

Fair Value Measurements

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, 2017:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Money market mutual funds	\$ 952,314	\$ -	\$ -
Exchange traded funds	100,107	-	-
	<u>\$ 1,052,421</u>	<u>\$ -</u>	<u>\$ -</u>

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

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 does not have an additional custodial credit policy.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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. This coverage has been considered in determining custodial credit risk.

As of December 31, 2017, \$2,251,181 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 investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
Mutual funds	\$ 952,314	\$ -	\$ -	\$ -	\$ 952,314
Exchange traded funds	100,107	-	-	-	100,107
Wisconsin local government investment pool	16,936,011	-	-	-	16,936,011
Totals	<u>\$ 17,988,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,988,432</u>

Concentration of Credit Risk

With the exceptions 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. At December 31, 2017, the City had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the City investments.

Interest Rate Risk

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

City of Lake Geneva, Wisconsin

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DECEMBER 31, 2017

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	\$ 952,314	\$ 952,314	\$ -	\$ -	\$ -
Exchange traded funds	100,107	100,107	-	-	-
Wisconsin local government investment pool	16,936,011	16,936,011	-	-	-
Totals	<u>\$17,988,432</u>	<u>\$17,988,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$16,936,011 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, 2017, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

B. RECEIVABLES

Receivables as of year-end for the City's individual major funds and aggregate nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Equipment Replacement	Nonmajor Gov't Fund	Water Utility	Sewer Utility	Total
Receivables						
Taxes	\$ 4,835,259	\$ 677,990	\$ 1,662,506	\$ -	\$ -	\$ 7,175,755
Delinquent taxes	20,232	-	-	-	-	20,232
Accounts	816,264	-	6,904	383,091	302,285	1,508,544
Special assessments	246,395	-	-	17,008	388,194	651,597
Other	-	-	-	29,081	11,555	40,636
Gross receivables	<u>5,918,150</u>	<u>677,990</u>	<u>1,669,410</u>	<u>429,180</u>	<u>702,034</u>	<u>9,396,764</u>
Less: Allowance for uncollectibles	281,880	-	-	-	-	281,880
Net total receivables	<u>\$ 5,636,270</u>	<u>\$ 677,990</u>	<u>\$ 1,669,410</u>	<u>\$ 429,180</u>	<u>\$ 702,034</u>	<u>\$ 9,114,884</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

C. RESTRICTED ASSETS

Restricted assets on December 31, 2017 totaled \$1,058,633 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Special Revenue Funds		
Public Library	\$ 150,157	Donations were fully restricted to be used for building ft
Public Library	138,375	Donations were restricted for purpose of special projects
Swanson Library Endowment	<u>138,518</u>	A donor established an endowment with the Library which requires the original gifts plus appreciation to be held in perpetuity. Income is to be spent by the Library.
Total Special Revenue Funds	<u>427,050</u>	
Enterprise Funds		
Water Utility		
Plant and equipment replacement fund	2,410	To be used for the replacement of capital assets of the water distribution plant
Impact fees	264,044	To account for impact fees collected and held by the Utility Commission to finance system improvements
Total Water Utility	<u>266,454</u>	
Sewer Utility		
DNR replacement	64,556	To be used for the replacement of certain assets for the sewer utility
Impact fees	300,573	To account for impact fees collected and held by Utility Commission to finance system improvements
Total Sewer Utility	<u>365,129</u>	
Total Enterprise Funds	<u>631,583</u>	
Total	<u>\$ 1,058,633</u>	

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 3,601,266	\$ -	\$ -	\$ 3,601,266
Construction in progress	2,063,132	747,439	2,701,887	108,684
Total capital assets, nondepreciable	<u>5,664,398</u>	<u>747,439</u>	<u>2,701,887</u>	<u>3,709,950</u>
Capital assets, depreciable:				
Land improvements	821,245	18,600	-	839,845
Buildings and improvements	13,114,959	-	-	13,114,959
Machinery and equipment	11,881,122	695,076	256,878	12,319,320
Infrastructure	86,353,329	1,748,711	234,540	87,867,500
Subtotals	<u>112,170,655</u>	<u>2,462,387</u>	<u>491,418</u>	<u>114,141,624</u>
Less accumulated depreciation for:				
Land improvements	55,836	30,139	-	85,975
Buildings and improvements	8,906,331	312,987	-	9,219,318
Machinery and equipment	9,537,613	471,290	255,909	9,752,994
Infrastructure	71,793,326	3,699,256	234,540	75,258,042
Subtotals	<u>90,293,106</u>	<u>4,513,672</u>	<u>490,449</u>	<u>94,316,329</u>
Total capital assets, depreciable, net	<u>21,877,549</u>	<u>(2,051,285)</u>	<u>969</u>	<u>19,825,295</u>
Governmental activities capital assets, net	<u>\$ 27,541,947</u>	<u>\$ (1,303,846)</u>	<u>\$ 2,702,856</u>	<u>23,535,245</u>
Less: Capital related debt				4,760,000
Less: Debt premium				<u>76,727</u>
Net investment in capital assets				<u>\$ 18,698,518</u>
Business-type activities:				
Capital assets, nondepreciable:				
Land	\$ 728,872	\$ -	\$ -	\$ 728,872
Property held for future use	197,158	-	-	197,158
Construction in progress	28,440	422,055	429,420	21,075
Total capital assets, nondepreciable	<u>954,470</u>	<u>422,055</u>	<u>429,420</u>	<u>947,105</u>
Capital assets, depreciable:				
Land improvements	36,877	-	-	36,877
Buildings and improvements	9,082,934	16,286	-	9,099,220
Machinery and equipment	10,627,771	134,014	76,190	10,685,595
Infrastructure	22,490,767	156,143	1,969	22,644,941
Subtotals	<u>42,238,349</u>	<u>306,443</u>	<u>78,159</u>	<u>42,466,633</u>
Less accumulated depreciation	18,597,845	972,677	73,368	19,497,154
Total capital assets, depreciable, net	<u>23,640,504</u>	<u>(666,234)</u>	<u>4,791</u>	<u>22,969,479</u>
Business-type activities capital assets, net	<u>\$ 24,594,974</u>	<u>\$ (244,179)</u>	<u>\$ 434,211</u>	<u>\$ 23,916,584</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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

Governmental activities	
General government	\$ 218,783
Public safety	231,654
Public works	3,852,794
Health and human services	20,603
Culture and recreation	189,838
Total depreciation expense - governmental activities	<u>\$ 4,513,672</u>
Business-type activities	
Water utility	\$ 397,583
Sewer utility	575,094
Total depreciation expense - business-type activities	<u>\$ 972,677</u>

E. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2017 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Cash held by general fund for other funds and] operating accounts between funds		
Governmental funds		
General	\$ 1,025,687	\$ 2,064,268
Special Revenue Funds		
Parking Meters and Lots	992,126	-
Lakefront Operations	1,037,777	-
Public Library	-	195,822
Tourism Commission	144,999	-
Cemetery Operations	564	-
Capital Projects Funds		
Capital Improvements	274,308	681,741
Impact Fees	-	117,280
Equipment Replacement	-	68,303
Tax Incremental District No. 4	19,768	-
Permanent Fund		
Cemetery Perpetual Care	3,850	-
Proprietary Funds		
Water Utility	15,453	366,945
Sewer Utility	-	20,173
Totals	<u>\$ 3,514,532</u>	<u>\$ 3,514,532</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Interfund transfers for the year ended December 31, 2017 were as follows:

Funds	Transfer In	Transfer Out
Governmental		
General	\$ 1,593,999	\$ -
Special Revenue		
Parking Meters and Lots	-	883,734
Lakefront Operations	-	388,098
Cemetery Operations	14,041	-
Permanent		
Cemetery Perpetual Care	-	14,041
Proprietary		
Water Utility	-	322,167
	<u>\$ 1,608,040</u>	<u>\$ 1,608,040</u>

Interfund transfers were made for the following purposes:

Tax equivalent payment made by Water Utility to General Fund	\$ 322,167
Excess funds from Parking Meters and Lots to General Fund	883,734
Excess funds from Lakefront Operations to General Fund	388,098
Appropriation for Cemetery Operations	14,041
Subtotal	<u>1,608,040</u>
Less: Interfund eliminations	(1,285,873)
Government-wide transfers	<u>\$ 322,167</u>

F. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2017:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt					
Notes	\$ 5,335,000	\$ 300,000	\$ 875,000	\$ 4,760,000	\$ 895,000
Debt premium	76,727	-	12,276	64,451	12,276
Compensated absences	145,891	62,912	136,428	72,375	-
Governmental activities Long-term obligations	<u>\$ 5,557,618</u>	<u>\$ 362,912</u>	<u>\$ 1,023,704</u>	<u>\$ 4,896,826</u>	<u>\$ 907,276</u>
Business-type activities:					
Compensated absences	<u>\$ 50,242</u>	<u>\$ 53,130</u>	<u>\$ 50,242</u>	<u>\$ 53,130</u>	<u>\$ -</u>

Total interest paid during the year on long-term debt totaled \$135,076.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/17
General obligation notes	07/01/11	04/01/21	0.80 - 2.70%	\$ 2,980,000	\$ 2,250,000
General obligation notes	08/15/14	04/01/23	2.00 - 3.00%	2,560,000	2,210,000
General obligation notes	05/15/17	04/01/27	2.34%	3,500,000	300,000
Total outstanding general obligation debt					<u>\$ 4,760,000</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

The May 15, 2017 note is a multi-draw general obligation note to fund road improvements and capital expenditures in 2017, 2018 and 2019. Draws may be made up to the full amount of the note during the first three years of the note. Subsequent to year end, the City took additional draw of \$500,000.

Annual principal and interest maturities of the outstanding general obligation debt of \$4,760,000 on December 31, 2017 are detailed below:

Year Ended December 31,	Governmental Activities		
	Principal	Interest	Totals
2018	\$ 895,000	\$ 106,241	\$ 1,001,241
2019	910,000	83,261	993,261
2020	935,000	58,410	993,410
2021	955,000	33,909	988,909
2022	425,000	18,246	443,246
2023 - 2027	640,000	17,256	657,256
	<u>\$ 4,760,000</u>	<u>\$ 317,323</u>	<u>\$ 5,077,323</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, 2017 was \$58,177,945 as follows:

Equalized valuation of the Village		\$1,257,346,300
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		<u>62,867,315</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 4,760,000	
Less: Amounts available for financing general obligation debt		
Debt Service Fund	<u>70,630</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>4,689,370</u>
Legal margin for new debt		<u>\$ 58,177,945</u>

G. PENSION PLAN

1. 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.

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

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.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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.

2. Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3%	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
2016	0.5	(5)

3. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period ending December 31, 2016, the WRS recognized \$369,360 in contributions from the City.

City of Lake Geneva, Wisconsin

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Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2017, the City reported a liability of \$313,409 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The 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, 2016, the City's proportion was 0.03802408%, which was a decrease of 0.00015818% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$821,092.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 119,502	\$ 985,646
Net differences between projected and actual earnings on pension plan investments	1,560,052	-
Changes in assumptions	327,681	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	44,196	-
Employer contributions subsequent to the measurement date	401,665	-
Total	<u>\$ 2,453,096</u>	<u>\$ 985,646</u>

\$430,947 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2017	\$ 430,250
2018	430,250
2019	295,111
2020	(90,477)
2021	651
Total	<u>\$ 1,065,785</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

5. Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2015
Measurement date of net pension liability (asset):	December 31, 2016
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 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 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:

	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>				
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5%	37%	4.2%	1.4%
Inflation Sensitive Assets	15.5%	20%	4.3%	1.5%
Real Estate	8%	7%	6.5%	3.6%
Private Equity/Debt	8%	7%	9.4%	6.5%
Multi-asset	4%	4%	6.6%	3.7%
Total Core Fund	110%	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%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

City of Lake Geneva, Wisconsin

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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 3.78%. 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 members 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 7.2 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:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
City's proportionate share of the net pension liability (asset)	\$ 4,123,099	\$ 313,409	\$ (2,620,225)

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>.

6. Payables to the Pension Plan

At December 31, 2017, the City did not reported a payable for an outstanding amount of contributions to the pension plan for the year ended December 31, 2017.

H. 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, 2017. 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 use for funding of all pension/retirement benefits. The employer makes all contributions.

Annual OPEB Cost and Net OPEB Obligation. The City's other postemployment 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.

City of Lake Geneva, Wisconsin

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Component	Amount
Annual required contribution	\$ 281,954
Interest on net OPEB	109,781
Adjustment to annual required contribution	(152,784)
Annual OPEB cost (expense)	238,951
Contributions made	42,561
Change in net OPEB obligation	196,390
OPEB obligation - beginning of year	2,600,667
OPEB obligation - end of year	\$ 2,797,057

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 exhibit 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 for 2015 - 2017 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/17	\$ 238,951	17.81%	\$ 2,797,057
12/31/16	236,982	32.00%	2,600,667
12/31/15	419,855	41.00%	2,439,587

Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation dates are as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
1/1/2016	\$ -	\$ 2,612,337	\$ 2,612,337	0.00%	\$ 2,952,660	88.47%
1/1/2012	-	3,132,602	3,132,602	0.00%	3,778,432	82.91%
1/1/2008	-	3,081,962	3,081,962	0.00%	4,098,954	75.19%

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

Actuarial methods and Assumptions. 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. 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 the long-term perspective of the calculations.

J. FUND EQUITY

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2017, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Delinquent taxes	\$ 20,232
Prepaid items	46,512
Total General Fund nonspendable fund balance	<u>66,744</u>
Permanent Funds	
Nonspendable	
Cemetery perpetual care	624,643
Library endowment	129,145
Total Permanent Funds nonspendable fund balance	<u>753,788</u>
Total nonspendable fund balance	<u>\$ 820,532</u>

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2017, restricted fund balance was as follows:

Special Revenue Fund	
Restricted for	
Public Library	\$ 658,244
Debt Service Fund	
Restricted for	
Debt service	<u>70,630</u>
Capital Project Funds	
Restricted for	
Adaptive playground	15,000
Park	12,967
Impact fees	5,369
Total Capital Project Fund restricted fund balance	<u>33,336</u>
Permanent Fund	
Restricted for	
Library	<u>9,373</u>
Total restricted fund balance	<u>\$ 771,583</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2017, fund balance was assigned as follows:

General Fund	
Fire department	\$ 12,327
Police department	17,192
Ambulance	9,294
Historical preservation	2,979
Postemployment	507,541
	<u>549,333</u>
Capital Projects Fund	
Equipment replacement	<u>2,629,440</u>
Special Revenue Funds	
Parking meters and lots	975,000
Lakefront operations	771,656
Lakefront operations - west pier replacement	213,200
Cemetery operations	132,300
Tourism Commission	90,544
	<u>2,182,700</u>
Total	<u>\$ 5,361,473</u>

Minimum General Fund Balance Policy

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

Actual 2017 General Fund expenditures	\$ 8,590,804
Minimum fund balance %	(x) 25%
Minimum fund balance amount	<u>\$ 2,147,701</u>

The City's unassigned General Fund balance of \$4,023,089 is above the minimum fund balance amount.

Net Position

The City reports restricted net position at December 31, 2017 as follows:

Governmental activities	
Restricted for	
Cemetery perpetual care funds	\$ 624,643
Debt service	43,073
Library	796,762
Impact fees	33,336
Total governmental activities restricted net position	<u>1,497,814</u>
Business-type activities	
Restricted for	
Plant and equipment replacement	66,966
Impact fees	564,617
Total business-type activities restricted net position	<u>631,583</u>
Total restricted net position	<u>\$ 2,129,397</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

K. TOWER RENTAL INCOME

The City of Lake Geneva rents space on its water towers to various leases for the mounting of telecommunications equipment. Rental income for the year ended December 31, 2017 was \$208,715. The remaining future rental payments due on the leases are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	\$ 212,154
2019	221,912
Total	<u>\$ 434,066</u>

NOTE 4: OTHER INFORMATION

A. COMPONENT UNIT

This report contains Downtown Lake Geneva Business Improvement District (the "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 statement and the preceding notes to financial statements, which apply, the following additional disclosures are considered necessary for a fair presentation.

1. Basis of Accounting/Measurement Focus

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

2. Deposits and Investments

At year-end, the carrying amount of BID deposits was \$30,697 and the bank balance was \$33,434. The entire bank balance was covered by federal depository insurance.

B. CUSTOMER USER RATES

Rates currently charged for water service as of December 31, 2017 were authorized by the Wisconsin Public Service Commission on March 16, 2016. Rates currently charged for sewer service as of December 31, 2017 were authorized by the City on March 1, 2017.

C. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. 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 County's risk management programs is presented below:

Health Self-Insurance Fund

The City maintains self-insurance for medical insurance. The claims liability of \$99,576 reported in the General Fund at December 31, 2017 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 claims liability amount are as follows:

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

	Liability January 1	Claims and Changes in Estimates	Claims Payments	Liability December 31
2017	\$ 72,233	\$ 2,001,894	1,974,551	\$ 99,576
2016	81,130	1,772,988	1,781,885	72,233

Property and Other Liability Insurance

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.

D. CONTINGENCIES

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 the City Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

E. 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 the projects and remaining funds held in escrow as of December 31, 2017 follows:

Project	Description	Escrow
Underground electric bury	Overage contingency	\$ 20,000
Main street widening	Parkway lawn restoration	31
Main street widening	Irrigation system repairs	15,102
Dunn field sidewalks	Sidewalk in 4 areas	299
Traver hotel redevelopment	Development agreement	8,922
Theatre redevelopment grant	Elevator contingency	27,500
Riviera grounds	Irrigation	7,215
Total		\$ 79,069

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

F. UPCOMING ACCOUNTING PRONOUNCEMENTS

In July 2015, the GASB issued a new standard addressing accounting and financial reporting for postemployment benefits other than pensions (OPEB). GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment 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 July 15, 2017. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after July 15, 2018. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

In July 2017, the GASB issued Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

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REQUIRED SUPPLEMENTARY INFORMATION



City of Lake Geneva, Wisconsin

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017**

Actual Valuation Date January 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(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	88.47%
2012	-	3,132,602	0.00%	3,132,602	3,778,432	82.91%
2008	-	3,081,962	0.00%	3,081,962	4,098,954	75.19%

See notes to required supplementary information.

City of Lake Geneva, Wisconsin

SCHEDULE OF EMPLOYER CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Year Ended December 31,</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2015	\$ 172,836	\$ 443,262	38.99%
2016	75,902	270,521	28.06%
2017	42,561	281,954	15.10%

See notes to required supplementary information.

City of Lake Geneva, Wisconsin

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-Employee Payroll (plan year)	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%
12/31/17	0.03802408%	313,409	4,754,696	6.59%	99.12%

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-Employee Payroll (fiscal year)	Contributions as a Percentage of Covered-Employee Payroll
12/31/15	\$ 363,003	\$ 363,003	\$ -	\$ 4,611,460	7.87%
12/31/16	369,360	369,360	-	4,754,696	7.77%
12/31/17	401,665	401,665	-	4,850,466	8.28%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the prior fiscal year. The City 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.

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SUPPLEMENTARY INFORMATION

City of Lake Geneva, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES AND OTHER FINANCING SOURCES

FOR THE YEAR ENDED DECEMBER 31, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance Final Budget - Positive (Negative)	2016 Actual
	Original	Final			
Taxes					
General property	\$ 4,770,510	\$ 4,770,510	\$ 4,770,509	\$ (1)	\$ 4,605,001
Omitted and other taxes	-	-	6,752	6,752	6,767
Mobile home	4,950	4,950	4,918	(32)	4,985
Room tax	545,000	421,250	424,700	3,450	657,612
Sales tax discount	400	400	568	168	550
Interest on taxes	1,000	1,000	1,512	512	1,640
Total taxes	<u>5,321,860</u>	<u>5,198,110</u>	<u>5,208,959</u>	<u>10,849</u>	<u>5,276,555</u>
Special assessments					
Curb and gutter	720	720	2,289	1,569	1,268
Intergovernmental					
Recycling	22,500	22,500	23,772	1,272	22,570
State shared revenues	109,192	109,192	109,411	219	171,060
Police department	10,120	10,120	8,358	(1,762)	9,758
Fire department	45,500	45,500	51,205	5,705	49,004
Emergency management	-	-	5,000	5,000	10,000
State aid for highways	712,865	712,865	711,430	(1,435)	754,677
Municipal services	2,400	2,400	3,676	1,276	2,430
Exempt computer	17,750	17,750	18,479	729	20,352
Aids in lieu of taxes	10,170	10,170	10,173	3	10,173
GLLEA accounting services	4,000	4,000	3,000	(1,000)	4,000
Other state grants	-	-	-	-	1,610
Total intergovernmental	<u>934,497</u>	<u>934,497</u>	<u>944,504</u>	<u>10,007</u>	<u>1,055,634</u>
Licenses and permits					
Licenses					
Liquor and malt beverage	31,000	31,000	32,451	1,451	31,231
Operators	16,000	16,000	20,315	4,315	17,535
Cable TV franchise fees	107,000	107,000	116,312	9,312	114,932
Other business licenses	18,800	18,800	17,379	(1,421)	18,300
Dog and cat	600	600	559	(41)	1,006
Miscellaneous	13,000	13,000	14,855	1,855	13,040
Permits					
Building	100,000	100,000	155,516	55,516	115,882
Electrical	25,000	25,000	53,606	28,606	33,288
Plumbing	20,000	20,000	35,030	15,030	24,501
Zoning	15,000	15,000	31,245	16,245	20,451
Other miscellaneous	33,600	33,600	68,428	34,828	45,585
Total licenses and permits	<u>380,000</u>	<u>380,000</u>	<u>545,696</u>	<u>165,696</u>	<u>435,751</u>
Fines and forfeits					
Court penalties and costs	120,400	120,400	104,293	(16,107)	124,952
Parking violations	11,000	11,000	9,093	(1,907)	8,860
Restitution	-	-	-	-	845
Total fines and forfeits	<u>131,400</u>	<u>131,400</u>	<u>113,386</u>	<u>(18,014)</u>	<u>134,657</u>

City of Lake Geneva, Wisconsin

**GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget		Actual	Variance Final Budget - Positive (Negative)	2016 Actual
	Original	Final			
Public charges for services					
General government fees	11,500	11,500	13,118	1,618	13,476
Police department	11,050	11,050	8,574	(2,476)	12,676
Fire department	368,700	368,700	387,186	18,486	410,144
Street department	4,000	4,000	3,850	(150)	8,702
Snow and ice	2,000	2,000	800	(1,200)	-
Tree and brush	500	500	513	13	980
Traffic control	1,900	1,900	2,272	372	3,920
Parks	7,150	7,150	10,187	3,037	8,390
Miscellaneous fees and charges	250	250	1,117	867	780
Total public charges for services	<u>407,050</u>	<u>407,050</u>	<u>427,617</u>	<u>20,567</u>	<u>459,068</u>
Intergovernmental charges for services					
Police department	103,175	103,175	98,453	(4,722)	110,081
Fire department	<u>55,000</u>	<u>55,000</u>	<u>50,761</u>	<u>(4,239)</u>	<u>52,375</u>
Total intergovernmental charges for services	<u>158,175</u>	<u>158,175</u>	<u>149,214</u>	<u>(8,961)</u>	<u>162,456</u>
Interdepartmental charges for services					
Water and sewer utility	<u>85,563</u>	<u>85,563</u>	<u>53,206</u>	<u>(32,357)</u>	<u>-</u>
Miscellaneous					
Interest income	20,500	20,500	66,652	46,152	36,527
Interest on special assessment	144	144	213	69	201
Insurance recoveries	18,000	18,000	140,081	122,081	51,986
Rent of city property	1	1	1	-	26
Donation	6,625	6,625	23,456	16,831	9,161
Miscellaneous	<u>950</u>	<u>950</u>	<u>410</u>	<u>(540)</u>	<u>1,360</u>
Total miscellaneous	<u>46,220</u>	<u>46,220</u>	<u>230,813</u>	<u>184,593</u>	<u>99,261</u>
Total revenues	<u>7,465,485</u>	<u>7,341,735</u>	<u>7,675,684</u>	<u>333,949</u>	<u>7,624,650</u>
Other financing sources					
Sale of capital assets	<u>-</u>	<u>-</u>	<u>6,500</u>	<u>6,500</u>	<u>1,618</u>
Transfers In					
Capital Projects Fund					
Tax Incremental District No. 2	-	-	-	-	2,026,762
Special Revenue Funds					
Lakefront	427,988	427,988	388,098	(39,890)	419,304
Parking	565,014	565,014	883,734	318,720	637,485
Enterprise Fund					
Payment in lieu of tax	<u>324,000</u>	<u>324,000</u>	<u>322,167</u>	<u>(1,833)</u>	<u>319,430</u>
Total transfers in	<u>1,317,002</u>	<u>1,317,002</u>	<u>1,593,999</u>	<u>276,997</u>	<u>3,402,981</u>
Total other financing sources	<u>1,317,002</u>	<u>1,317,002</u>	<u>1,600,499</u>	<u>283,497</u>	<u>3,404,599</u>
Total revenues and other financing sources	<u>\$ 8,782,487</u>	<u>\$ 8,658,737</u>	<u>\$ 9,276,183</u>	<u>\$ 617,446</u>	<u>\$ 11,029,249</u>

City of Lake Geneva, Wisconsin

**GENERAL FUND
 DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES AND OTHER FINANCING USES
 FOR THE YEAR ENDED DECEMBER 31, 2017
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget		Actual	Variance	2016 Actual
	Original	Final		Final Budget - Positive (Negative)	
General government					
General government expense	\$ 161,210	\$ 62,649	\$ 174,964	\$ (112,315)	\$ 165,810
Insurance	242,770	242,770	255,911	(13,141)	213,662
Health and other benefits	1,439,100	1,439,100	1,408,493	30,607	1,133,991
Common council	41,864	41,864	40,710	1,154	41,280
Municipal court	78,249	78,249	78,801	(552)	74,697
City attorney	79,357	79,357	77,035	2,322	77,043
Outside legal services	25,000	25,000	4,047	20,953	47,758
Mayor	8,283	8,283	7,482	801	8,022
City administrator	128,545	128,545	129,458	(913)	125,554
City clerk	160,782	160,782	151,325	9,457	158,744
Accounting and data processing	260,793	287,411	267,970	19,441	245,053
City assessor	42,050	42,050	41,951	99	40,285
City hall building	180,015	180,015	161,011	19,004	163,230
Sheridan springs property	-	-	-	-	8,380
Total general government	<u>2,848,018</u>	<u>2,776,075</u>	<u>2,799,158</u>	<u>(23,083)</u>	<u>2,503,509</u>
Public safety					
Police department	2,805,735	2,882,330	2,891,134	(8,804)	2,775,343
Fire department	950,882	950,882	896,940	53,942	834,614
Fire hydrant rental	-	-	-	-	57,339
Building and zoning	148,940	148,940	165,126	(16,186)	124,382
Emergency management	36,101	31,449	14,372	17,077	38,650
Total public safety	<u>3,941,658</u>	<u>4,013,601</u>	<u>3,967,572</u>	<u>46,029</u>	<u>3,830,328</u>
Public works					
DPW and engineering	10,800	10,800	5,693	5,107	3,108
Street and highway	640,549	640,549	626,544	14,005	617,523
Snow and ice	131,758	131,758	76,655	55,103	126,612
Tree and brush	89,804	89,804	93,186	(3,382)	100,475
Compost operations	62,920	62,920	58,929	3,991	46,549
Storm sewer	19,421	19,421	31,943	(12,522)	17,532
Traffic control	140,242	140,242	143,523	(3,281)	138,294
Recycling and sanitation	466,800	466,800	464,629	2,171	460,735
Total public works	<u>1,562,294</u>	<u>1,562,294</u>	<u>1,501,102</u>	<u>61,192</u>	<u>1,510,828</u>
Culture and recreation					
Parks	155,127	155,127	148,201	6,926	159,689
Veteran's park	48,490	48,490	51,967	(3,477)	48,338
Leisure activities	35,650	35,650	37,584	(1,934)	36,121
Total culture and recreation	<u>239,267</u>	<u>239,267</u>	<u>237,752</u>	<u>1,515</u>	<u>244,148</u>

City of Lake Geneva, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES AND OTHER FINANCING USES

FOR THE YEAR ENDED DECEMBER 31, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance Final Budget - Positive (Negative)	2016 Actual
	Original	Final			
Conservation and development					
Plan commission	7,000	7,000	19,780	(12,780)	4,465
Conservation and development	184,250	60,500	65,441	(4,941)	207,294
Total conservation and development	191,250	67,500	85,221	(17,721)	211,759
Total expenditures	8,782,487	8,658,737	8,590,805	67,932	8,300,572
Other financing uses					
Transfers out					
Capital Projects Fund					
Equipment replacement	-	-	-	-	2,026,762
Total expenditures and other financing uses	\$ 8,782,487	\$ 8,658,737	\$ 8,590,805	\$ 67,932	\$ 10,327,334

City of Lake Geneva, Wisconsin

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	<u>Special Revenue</u>			
	<u>Lakefront Operations</u>	<u>Public Library</u>	<u>Cemetery Operations</u>	<u>Tourism Commission</u>
ASSETS				
Cash and investments	\$ 100	\$ 602,832	\$ 135,000	\$ -
Restricted cash and investments	-	288,532	-	-
Receivables				
Taxes and special charges	-	456,800	135,000	-
Accounts, net	6,719	-	185	-
Due from other funds	<u>1,037,777</u>	<u>-</u>	<u>564</u>	<u>144,999</u>
Total assets	<u>\$ 1,044,596</u>	<u>\$ 1,348,164</u>	<u>\$ 270,749</u>	<u>\$ 144,999</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 5,866	\$ 30,346	\$ 1,077	\$ 54,455
Accrued and other current liabilities	1,074	6,952	2,372	-
Due to other funds	-	195,822	-	-
Special deposits	<u>52,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>59,740</u>	<u>233,120</u>	<u>3,449</u>	<u>54,455</u>
Deferred inflows of resources				
Property taxes levied for subsequent year	<u>-</u>	<u>456,800</u>	<u>135,000</u>	<u>-</u>
Fund balances				
Nonspendable	-	-	-	-
Restricted	-	658,244	-	-
Assigned	984,856	-	132,300	90,544
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>984,856</u>	<u>658,244</u>	<u>132,300</u>	<u>90,544</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,044,596</u>	<u>\$ 1,348,164</u>	<u>\$ 270,749</u>	<u>\$ 144,999</u>

Debt Service General Debt Service	Capital Projects			Permanent Funds		Total
	Capital Improvements	Tax Incremental District No. 4	Impact Fees	Cemetery Perpetual Care	Swanson Library Endowment	
\$ 72,383	\$ 301,869	\$ -	\$ 231,099	\$ 624,643	\$ -	\$ 1,967,926
-	-	-	-	-	138,518	427,050
1,070,706	-	-	-	-	-	1,662,506
-	-	-	-	-	-	6,904
-	274,308	19,768	-	3,850	-	1,481,266
<u>\$ 1,143,089</u>	<u>\$ 576,177</u>	<u>\$ 19,768</u>	<u>\$ 231,099</u>	<u>\$ 628,493</u>	<u>\$ 138,518</u>	<u>\$ 5,545,652</u>
\$ 1,753	\$ 26,993	\$ -	\$ 80,483	\$ -	\$ -	\$ 200,973
-	-	19,768	-	3,850	-	34,016
-	681,741	-	117,280	-	-	994,843
-	-	-	-	-	-	52,800
1,753	708,734	19,768	197,763	3,850	-	1,282,632
1,070,706	-	-	-	-	-	1,662,506
-	-	-	-	624,643	129,145	753,788
70,630	-	-	33,336	-	9,373	771,583
-	-	-	-	-	-	1,207,700
-	(132,557)	-	-	-	-	(132,557)
70,630	(132,557)	-	33,336	624,643	138,518	2,600,514
<u>\$ 1,143,089</u>	<u>\$ 576,177</u>	<u>\$ 19,768</u>	<u>\$ 231,099</u>	<u>\$ 628,493</u>	<u>\$ 138,518</u>	<u>\$ 5,545,652</u>

City of Lake Geneva, Wisconsin

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Special Revenue			
	Lakefront Operations	Public Library	Cemetery Operations	Tourism Commission
REVENUES				
Taxes	\$ -	\$ 441,800	\$ 135,000	\$ 244,999
Intergovernmental	21,370	264,379	-	-
Fines and forfeits	-	19,751	-	-
Public charges for services	1,020,646	-	37,640	-
Miscellaneous	1,311	43,133	2,665	-
Total revenues	<u>1,043,327</u>	<u>769,063</u>	<u>175,305</u>	<u>244,999</u>
EXPENDITURES				
Current				
Health and human services	-	-	173,642	-
Culture and recreation	580,229	711,504	-	-
Conservation and development	-	-	-	154,455
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	6,683	-
Total expenditures	<u>580,229</u>	<u>711,504</u>	<u>180,325</u>	<u>154,455</u>
Excess of revenues over (under) expenditures	<u>463,098</u>	<u>57,559</u>	<u>(5,020)</u>	<u>90,544</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Transfers in	-	-	14,041	-
Transfers out	(388,098)	-	-	-
Total other financing sources (uses)	<u>(388,098)</u>	<u>-</u>	<u>14,041</u>	<u>-</u>
Net change in fund balances	75,000	57,559	9,021	90,544
Fund balances - January 1	<u>909,856</u>	<u>600,685</u>	<u>123,279</u>	<u>-</u>
Fund balances - December 31	<u>\$ 984,856</u>	<u>\$ 658,244</u>	<u>\$ 132,300</u>	<u>\$ 90,544</u>

Debt Service General Debt Service	Capital Projects			Permanent Funds		Total
	Capital Improvements	Tax Incremental District No. 4	Impact Fees	Cemetery Perpetual Care	Swanson Library Endowment	
\$ 1,070,706	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,892,505
-	-	-	-	-	-	285,749
-	-	-	-	-	-	19,751
-	-	-	20,286	5,600	-	1,084,172
-	1,868	-	1,912	68,508	20,318	139,715
<u>1,070,706</u>	<u>1,868</u>	<u>-</u>	<u>22,198</u>	<u>74,108</u>	<u>20,318</u>	<u>3,421,892</u>
-	-	-	-	-	-	173,642
-	-	-	-	-	630	1,292,363
-	-	-	-	-	-	154,455
875,000	-	-	-	-	-	875,000
125,076	10,000	-	-	-	-	135,076
-	698,734	-	170,680	-	-	876,097
<u>1,000,076</u>	<u>708,734</u>	<u>-</u>	<u>170,680</u>	<u>-</u>	<u>630</u>	<u>3,506,633</u>
<u>70,630</u>	<u>(706,866)</u>	<u>-</u>	<u>(148,482)</u>	<u>74,108</u>	<u>19,688</u>	<u>(84,741)</u>
-	300,000	-	-	-	-	300,000
-	-	-	-	-	-	14,041
-	-	-	-	(14,041)	-	(402,139)
-	300,000	-	-	(14,041)	-	(88,098)
70,630	(406,866)	-	(148,482)	60,067	19,688	(172,839)
-	274,309	-	181,818	564,576	118,830	2,773,353
<u>\$ 70,630</u>	<u>\$ (132,557)</u>	<u>\$ -</u>	<u>\$ 33,336</u>	<u>\$ 624,643</u>	<u>\$ 138,518</u>	<u>\$ 2,600,514</u>

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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 (the "City") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 20, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 2017-001 and 2017-002 that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City'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'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City'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 the City'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Green Bay, Wisconsin
July 20, 2018

City of Lake Geneva, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

<u>FINDING NO.</u>	<u>CONTROL DEFICIENCIES</u>
2017-001	Segregation of Duties Repeat of Finding 2016-001
Condition:	A limited number of City employees perform the majority of the accounting functions for the City.
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Cause:	The lack of segregation of duties is due to the limited number of employees and the size of the City's operations. In addition, the City has not completed a risk assessment and review of internal controls to identify additional mitigating and compensating controls which could be implemented to reduce the risk of errors or intentional fraud.
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 transactions. Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Recommendation:	We recommend the City perform a risk assessment of its operations and current procedures to identify and implement mitigating controls to reduce the risk of errors and intentional fraud. The City should review its processes to ensure that there is adequate segregation of duties in regards to initiating, authorizing, and approving transactions. As part of this risk assessment, the City should review its processes to identify tasks that could be reassigned to other City personnel.
Management Response:	The City will be restructuring positions within the general City and Utilities operations which will allow the City to have additional cross-training and segregation of duties.

SECTION II. COMPLIANCE AND OTHER MATTERS

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2017.

