

City of Lake Geneva, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2018

City of Lake Geneva, Wisconsin

DECEMBER 31, 2018

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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, 2018, 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 units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and Parking Meters and Lots special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 3.H to the financial statements, the City adopted new accounting guidance, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the schedules relating to pensions and other postemployment benefits on pages 57 through 59 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.

Prior Year Summarized Financial information

The 2017 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated July 20, 2018 expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information from which the prior year summarized financial information was derived.

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.

Schenck SC previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Lake Geneva, Wisconsin's basic financial statements for the year ended December 31, 2017, which are not presented with the accompanying financial statements and expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake Geneva, Wisconsin's basic financial statements as a whole. The 2017 actual amounts in the general fund budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare used to prepare the 2017 basic financial statements. The report of Schenck SC stated that the information has been subjected to the auditing procedures applied in the audit of those 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 their opinion, the 2017 actual amounts in the general fund budgetary comparison information were fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2019, 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 solely 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 effectiveness of 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.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
August 23, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Lake Geneva, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

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, 2018.

Financial Highlights

- As of the December 31, 2018, the assets and deferred outflows of the City of Lake Geneva exceeded its liabilities and deferred inflows of resources by \$54,499,394. This represents a 0.2% decrease over the 2017 net position balance of \$54,594,708. The decrease is due primarily to the decrease in investment of capital assets.
- The general fund balance at the end of 2018 was \$4,984,657, an increase of \$345,491 from the prior year.
- Of the general fund balance \$281,166 is nonspendable for prepaid items and delinquent taxes, \$548,398 has been assigned for various uses, and \$4,155,093 is currently unassigned.
- The outstanding general obligation debt as of December 31, 2018 is \$4,365,000. This compares to \$4,760,000 at the end of 2017.

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 10 - 11 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 12 - 13 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, 2018

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

The City has identified four major government funds: General, Parking Meters and Lots, Equipment Replacement, and General Debt Service.

- 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 using 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.
- General Debt Service Fund: Accounts for financial resources and payments made on long-term general obligation debt.

The net change in fund balances for the year is an increase of \$1,292,423. The total fund balance for all governmental funds is \$12,136,543. (See pages 14 - 21.)

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

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

The net change in position for the Water Utility was an increase of \$843,877 and the Sewer Utility had an increase of \$666,420. The Water Utility and Sewer Utility increases were primarily due to capital contributions of \$698,514 and \$755,207, respectively. Water Utility net position totaled \$13,341,321. Sewer Utility net position totaled \$14,692,108, for a proprietary/enterprise fund total of \$28,033,429. (See pages 22 - 25.)

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is similar to proprietary funds. (See page 26.)

City of Lake Geneva, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

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 \$54,499,394 at the close of 2018.

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 21,675,503	\$ 19,084,138	\$ 4,251,560	\$ 3,094,935	\$ 25,927,063	\$ 22,179,073
Capital assets	20,714,011	23,535,245	24,541,265	23,916,584	45,255,276	47,451,829
Total Assets	42,389,514	42,619,383	28,792,825	27,011,519	71,182,339	69,630,902
Deferred outflow s of resources	1,928,564	2,147,693	256,105	305,403	2,184,669	2,453,096
Long-term liabilities outstanding	7,574,472	7,801,487	130,771	258,935	7,705,243	8,060,422
Other liabilities	953,254	775,648	614,245	500,753	1,567,499	1,276,401
Total Liabilities	8,527,726	8,577,135	745,016	759,688	9,272,742	9,336,823
Deferred inflow s of resources	9,324,387	8,029,734	270,485	122,733	9,594,872	8,152,467
Net Position						
Net investment in capital assets	16,296,836	18,698,518	24,541,265	23,916,584	40,838,101	42,615,102
Restricted	2,725,853	1,497,814	1,298,686	631,583	4,024,539	2,129,397
Unrestricted	7,443,276	7,963,875	2,193,478	1,886,334	9,636,754	9,850,209
Total Net Position	\$ 26,465,965	\$ 28,160,207	\$ 28,033,429	\$ 26,434,501	\$ 54,499,394	\$ 54,594,708

By far the largest portion of the City's net position (74.9%) 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 (7.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$9,636,754 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, 2018

Change in net position. Governmental activities decreased the City's net position by \$1,056,398 and business-type activities increased the City's net position by \$1,510,297 during the current fiscal year. Key elements of these changes are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for services	\$ 4,731,102	\$ 4,090,901	\$ 3,644,150	\$ 3,365,340	\$ 8,375,252	\$ 7,456,241
Operating grants and contributions	861,053	855,518	-	-	861,053	855,518
Capital grants and contributions	16,615	1,569	1,279,371	329,296	1,295,986	330,865
General Revenues						
Property taxes	7,166,824	7,096,005	-	-	7,166,824	7,096,005
Other taxes	714,677	682,489	-	-	714,677	682,489
Grants and contributions not restricted to specific programs	141,629	142,336	-	-	141,629	142,336
Other	915,561	557,436	32,924	27,540	948,485	584,976
Total Revenues	14,547,461	13,426,254	4,956,445	3,722,176	19,503,906	17,148,430
Expenses						
General government	2,829,044	3,062,763	-	-	2,829,044	3,062,763
Public safety	4,470,266	4,690,290	-	-	4,470,266	4,690,290
Public works	6,193,110	5,970,060	-	-	6,193,110	5,970,060
Health and human services	230,109	208,643	-	-	230,109	208,643
Culture and recreation	1,772,976	2,666,867	-	-	1,772,976	2,666,867
Conservation and development	301,500	239,676	-	-	301,500	239,676
Interest and fiscal charges	116,865	117,813	-	-	116,865	117,813
Water utility	-	-	1,296,932	2,100,477	1,296,932	2,100,477
Sewer utility	-	-	1,839,205	1,745,687	1,839,205	1,745,687
Total Expenses	15,913,870	16,956,112	3,136,137	3,846,164	19,050,007	20,802,276
Increase in Net Position						
Before Transfers	(1,366,409)	(3,529,858)	1,820,308	(123,988)	453,899	(3,653,846)
Transfers	310,011	322,167	(310,011)	(322,167)	-	-
Change in Net Position	(1,056,398)	(3,207,691)	1,510,297	(446,155)	453,899	(3,653,846)
Net Position - January 1, as originally stated	28,160,207	31,367,898	26,434,501	26,880,656	54,594,708	58,248,554
Cumulative Effect of Change in Accounting Principle						
	(637,844)	-	88,631	-	(549,213)	-
Net Position - January 1, as restated	27,522,363	31,367,898	26,523,132	26,880,656	54,045,495	58,248,554
Net Position - December 31	\$ 26,465,965	\$ 28,160,207	\$ 28,033,429	\$ 26,434,501	\$ 54,499,394	\$ 54,594,708

City of Lake Geneva, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

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 20 of this report.)

General Fund Revenues and Transfers In	
Budget	\$ 9,424,455
Actual	10,015,249
Variance	\$ 590,794

The positive revenue variance was primarily due to the following:

- Licenses and permits exceeded budget by \$265,098– related to increase in building related permits.
- Miscellaneous revenues exceeded budget by \$175,974 – mostly related to interest income.

General Fund Expenditures and Transfers Out	
Budget	\$ 9,441,358
Actual	9,669,758
Variance	\$ (228,400)

The functions with significant budget variances are listed below:

- General government fell short of budget by \$309,436 -- mostly related to health and other benefits.
- Public safety fell short of budget by \$206,496 – mostly related to the police department.
- Transfers out exceeded budget by \$800,000 – related to transfer to capital projects fund.

General Fund Balance	
Beginning of year	\$ 4,639,166
End of the year	4,984,657
Change in Fund Balance	\$ 345,491

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

Net position of the water utility fund at the end of the year amounted to \$13,341,321, an increase of \$869,722 from the prior year. Operating income for the water utility fund totaled \$444,491.

Net position of the sewer utility at the end of the year totaled \$14,691,889, an increase of \$729,206 from the prior year. Operating loss for the sewer utility fund totaled \$110,828.

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, 2018

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, 2018 amounts to \$45,255,276 (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	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,576,085	\$ 3,601,266	\$ 728,872	\$ 728,872	\$ 4,304,957	\$ 4,330,138
Property held for future	-	-	197,158	197,158	197,158	197,158
Construction in progress	99,714	108,684	84,094	21,075	183,808	129,759
Buildings	13,259,046	13,114,959	9,109,389	9,099,220	22,368,435	22,214,179
Land improvements	861,345	839,845	36,877	36,877	898,222	876,722
Machinery and equipment	12,620,928	12,319,320	10,768,708	10,685,595	23,389,636	23,004,915
Infrastructure	88,438,758	87,867,500	24,022,719	22,644,941	112,461,477	110,512,441
Accumulated depreciation	(98,141,865)	(94,316,329)	(20,406,552)	(19,497,154)	(118,548,417)	(113,813,483)
Total	\$ 20,714,011	\$ 23,535,245	\$ 24,541,265	\$ 23,916,584	\$ 45,255,276	\$ 47,451,829

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$4,365,000.

City of Lake Geneva, Wisconsin's Capital Assets						
General Obligation Debt						
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General Obligation Debt						
Notes	\$ 4,365,000	\$ 4,760,000	\$ -	\$ -	\$ 4,365,000	\$ 4,760,000

Debt Service - Governmental Activities: (Page 40) 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, 2018 was \$66,985,365. Total general obligation debt outstanding at year-end was \$4,365,000. The outstanding GO debt applicable to the debt limit represents 6.5% 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 2019 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 2018 audit in detail. If you would like additional information regarding the audit report, please contact City Administrator David Nord (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, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
ASSETS				
Cash and investments	\$ 11,663,630	\$ 2,033,311	\$ 13,696,941	\$ 11,870,715
Receivables				
Taxes and special charges	7,277,968	-	7,277,968	7,175,755
Delinquent taxes and special charges	18,071	-	18,071	20,232
Accounts, net	315,957	711,250	1,027,207	1,226,664
Special assessments	245,675	387,835	633,510	651,597
Other	-	48,290	48,290	40,636
Internal balances	310,011	(310,011)	-	-
Due from other governments	-	9,045	9,045	5,538
Inventories and prepaid items	448,973	73,154	522,127	129,303
Restricted assets				
Cash and investments	381,017	1,163,545	1,544,562	1,058,633
Net pension asset	1,014,201	135,141	1,149,342	-
Capital assets, nondepreciable	3,675,799	1,010,124	4,685,923	4,657,055
Capital assets, depreciable	17,038,212	23,531,141	40,569,353	42,794,774
Total assets	<u>42,389,514</u>	<u>28,792,825</u>	<u>71,182,339</u>	<u>69,630,902</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	1,899,815	252,274	2,152,089	2,453,096
Other postemployment related amounts	28,749	3,831	32,580	-
Total deferred outflows of resources	<u>1,928,564</u>	<u>256,105</u>	<u>2,184,669</u>	<u>2,453,096</u>
LIABILITIES				
Accounts payable	644,460	176,293	820,753	564,549
Accrued and other current liabilities	224,418	12,385	236,803	198,782
Due to other governments	11,859	-	11,859	-
Accrued interest payable	27,557	-	27,557	27,557
Special deposits	44,960	4,880	49,840	55,970
Unearned revenues	-	420,687	420,687	429,543
Long-term obligations				
Due within one year	922,276	-	922,276	907,276
Due in more than one year	3,613,235	53,659	3,666,894	4,042,680
Net pension liability	-	-	-	313,409
Other postemployment benefits	3,038,961	77,112	3,116,073	2,797,057
Total liabilities	<u>8,527,726</u>	<u>745,016</u>	<u>9,272,742</u>	<u>9,336,823</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	7,271,671	-	7,271,671	7,166,821
Other	22,793	-	22,793	-
Pension related amounts	1,999,355	266,412	2,265,767	985,646
Other postemployment related amounts	30,568	4,073	34,641	-
Total deferred inflows of resources	<u>9,324,387</u>	<u>270,485</u>	<u>9,594,872</u>	<u>8,152,467</u>
NET POSITION				
Net investment in capital assets	16,296,836	24,541,265	40,838,101	42,615,102
Restricted	2,725,853	1,298,686	4,024,539	2,129,397
Unrestricted	7,443,276	2,193,478	9,636,754	9,850,209
Total net position	<u>\$ 26,465,965</u>	<u>\$ 28,033,429</u>	<u>\$ 54,499,394</u>	<u>\$ 54,594,708</u>

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

City of Lake Geneva, Wisconsin

STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 2,829,044	\$ 384,682	\$ -	\$ -
Public safety	4,470,266	1,108,724	73,708	-
Public works	6,193,110	1,743,917	745,727	-
Health and human services	230,109	53,989	-	-
Culture and recreation	1,772,976	1,439,790	40,582	16,615
Conservation and development	301,500	-	1,036	-
Interest and fiscal charges	116,865	-	-	-
Total governmental activities	<u>15,913,870</u>	<u>4,731,102</u>	<u>861,053</u>	<u>16,615</u>
BUSINESS-TYPE ACTIVITIES				
Water utility	1,296,932	1,915,773	-	524,164
Sewer utility	1,839,205	1,728,377	-	755,207
Total business-type activities	<u>3,136,137</u>	<u>3,644,150</u>	<u>-</u>	<u>1,279,371</u>
Total primary government	<u>\$ 19,050,007</u>	<u>\$ 8,375,252</u>	<u>\$ 861,053</u>	<u>\$ 1,295,986</u>
COMPONENT UNIT				
Business improvement district	<u>\$ 286,162</u>	<u>\$ -</u>	<u>\$ 44,935</u>	<u>\$ -</u>

General revenues

Taxes

Property taxes, levied for general purposes

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, as originally stated

Cumulative effect of change in accounting principle

Net position - January 1, as restated

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	
		2018	2017	2018	2017
\$ (2,444,362)	\$ -	\$ (2,444,362)	\$ (2,792,031)	\$ -	\$ -
(3,287,834)	-	(3,287,834)	(3,709,950)	-	-
(3,703,466)	-	(3,703,466)	(3,675,768)	-	-
(176,120)	-	(176,120)	(165,403)	-	-
(275,989)	-	(275,989)	(1,307,882)	-	-
(300,464)	-	(300,464)	(239,277)	-	-
(116,865)	-	(116,865)	(117,813)	-	-
<u>(10,305,100)</u>	<u>-</u>	<u>(10,305,100)</u>	<u>(12,008,124)</u>	<u>-</u>	<u>-</u>
-	1,143,005	1,143,005	(28,826)	-	-
-	644,379	644,379	(122,702)	-	-
-	1,787,384	1,787,384	(151,528)	-	-
<u>(10,305,100)</u>	<u>1,787,384</u>	<u>(8,517,716)</u>	<u>(12,159,652)</u>	<u>-</u>	<u>-</u>
-	-	-	-	(241,227)	(238,685)
7,166,824	-	7,166,824	7,096,005	-	-
714,677	-	714,677	682,489	199,177	199,255
141,629	-	141,629	142,336	-	-
187,158	32,924	220,082	244,440	3,785	731
218,171	-	218,171	274,618	18,750	-
510,232	-	510,232	65,918	-	-
310,011	(310,011)	-	-	-	-
<u>9,248,702</u>	<u>(277,087)</u>	<u>8,971,615</u>	<u>8,505,806</u>	<u>221,712</u>	<u>199,986</u>
<u>(1,056,398)</u>	<u>1,510,297</u>	<u>453,899</u>	<u>(3,653,846)</u>	<u>(19,515)</u>	<u>(38,699)</u>
28,160,207	26,434,501	54,594,708	58,248,554	(20,136)	18,563
<u>(637,844)</u>	<u>88,631</u>	<u>(549,213)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>27,522,363</u>	<u>26,523,132</u>	<u>54,045,495</u>	<u>58,248,554</u>	<u>(20,136)</u>	<u>18,563</u>
<u>\$ 26,465,965</u>	<u>\$ 28,033,429</u>	<u>\$ 54,499,394</u>	<u>\$ 54,594,708</u>	<u>\$ (39,651)</u>	<u>\$ (20,136)</u>

City of Lake Geneva, Wisconsin

BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	General	Parking Meters and Lots	Equipment Replacement	General Debt Service
ASSETS				
Cash and investments	\$ 4,630,871	\$ 1,068,084	\$ 2,459,953	\$ 133,096
Restricted cash and investments	-	-	-	-
Receivables				
Taxes and special charges	5,069,463	-	677,990	908,859
Delinquent taxes	18,071	-	-	-
Accounts, net	311,117	-	-	-
Special assessments	245,675	-	-	-
Due from other funds	310,011	-	-	-
Prepaid items	263,095	-	185,878	-
Total assets	\$ 10,848,303	\$ 1,068,084	\$ 3,323,821	\$ 1,041,955
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 255,215	\$ 17,219	\$ 65,380	\$ 4,674
Accrued and other current liabilities	213,131	865	-	-
Due to other funds	-	-	-	-
Due to other governments	2,583	-	-	-
Special deposits	2,160	-	-	-
Total liabilities	473,089	18,084	65,380	4,674
Deferred inflows of resources				
Property taxes levied for subsequent year	5,063,166	-	677,990	908,859
Special charges assessed	81,716	-	-	-
Special assessments	245,675	-	-	-
Total deferred inflows of resources	5,390,557	-	677,990	908,859
Fund balances				
Nonspendable	281,166	-	-	-
Restricted	-	-	-	128,422
Assigned	548,398	1,050,000	2,580,451	-
Unassigned	4,155,093	-	-	-
Total fund balances	4,984,657	1,050,000	2,580,451	128,422
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,848,303	\$ 1,068,084	\$ 3,323,821	\$ 1,041,955

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

Other Governmental Funds	Totals	
	2018	2017
\$ 3,371,626	\$ 11,663,630	\$ 10,255,241
381,017	381,017	427,050
621,656	7,277,968	7,175,755
-	18,071	20,232
4,840	315,957	541,288
-	245,675	246,395
-	310,011	3,499,079
-	448,973	46,512
<u>\$ 4,379,139</u>	<u>\$ 20,661,302</u>	<u>\$ 22,211,552</u>
\$ 300,583	\$ 643,071	\$ 509,481
10,422	224,418	182,960
-	-	3,127,414
10,665	13,248	-
42,800	44,960	55,650
<u>364,470</u>	<u>925,697</u>	<u>3,875,505</u>
621,656	7,271,671	7,166,821
-	81,716	78,711
-	245,675	246,395
<u>621,656</u>	<u>7,599,062</u>	<u>7,491,927</u>
708,424	989,590	820,532
902,363	1,030,785	771,583
1,782,226	5,961,075	5,361,473
-	4,155,093	3,890,532
<u>3,393,013</u>	<u>12,136,543</u>	<u>10,844,120</u>
<u>\$ 4,379,139</u>	<u>\$ 20,661,302</u>	<u>\$ 22,211,552</u>

City of Lake Geneva, Wisconsin

BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 12,136,543	\$ 10,844,120
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.	20,714,011	23,535,245
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	304,598	325,106
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	1,899,815	2,147,693
Deferred inflows related to pensions	(1,999,355)	(862,913)
Deferred outflows related to other postemployment benefits	28,749	-
Deferred inflows related to other postemployment benefits	(30,568)	-
Long-term asset are not considered available; therefore, are not reported in the funds:		
Net pension asset	1,014,201	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(4,365,000)	(4,760,000)
Premium on debt	(52,175)	(64,451)
Compensated absences	(118,336)	(72,375)
Net pension liability (asset)	-	(274,383)
Other postemployment benefit	(3,038,961)	(2,630,278)
Accrued interest on long-term obligations	(27,557)	(27,557)
Net position of governmental activities as reported on the statement of net position (see pages 10 - 11)	<u>\$ 26,465,965</u>	<u>\$ 28,160,207</u>

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

City of Lake Geneva, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	<u>Parking Meters and Lots</u>	<u>Equipment Replacement</u>	<u>General Debt Service</u>
REVENUES				
Taxes	\$ 5,210,927	\$ -	\$ 677,990	\$ 1,070,706
Special assessments	720	-	-	-
Intergovernmental	953,404	-	-	-
Licenses and permits	704,858	32,914	-	-
Fines and forfeits	156,134	292,303	-	-
Public charges for services	581,493	1,406,718	-	-
Intergovernmental charges for services	186,278	-	-	-
Interdepartmental charges for services	58,330	-	-	-
Miscellaneous	249,065	4,324	42,605	-
Total revenues	<u>8,101,209</u>	<u>1,736,259</u>	<u>720,595</u>	<u>1,070,706</u>
EXPENDITURES				
Current				
General government	2,767,350	-	-	-
Public safety	4,189,542	-	-	-
Public works	1,555,992	591,264	-	-
Health and human services	-	-	-	-
Culture and recreation	267,668	-	-	-
Conservation and development	89,206	-	-	-
Debt service				
Principal	-	-	-	895,000
Interest and fiscal charges	-	-	-	117,914
Capital outlay	-	-	782,636	-
Total expenditures	<u>8,869,758</u>	<u>591,264</u>	<u>782,636</u>	<u>1,012,914</u>
Excess of revenues over (under) expenditures	<u>(768,549)</u>	<u>1,144,995</u>	<u>(62,041)</u>	<u>57,792</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Proceeds from sale of capital assets	-	-	13,052	-
Portfolio gains and losses	-	-	-	-
Transfers in	1,914,040	-	-	-
Transfers out	(800,000)	(1,069,995)	-	-
Total other financing sources (uses)	<u>1,114,040</u>	<u>(1,069,995)</u>	<u>13,052</u>	<u>-</u>
Net change in fund balances	345,491	75,000	(48,989)	57,792
Fund balances - January 1	<u>4,639,166</u>	<u>975,000</u>	<u>2,629,440</u>	<u>70,630</u>
Fund balances - December 31	<u>\$ 4,984,657</u>	<u>\$ 1,050,000</u>	<u>\$ 2,580,451</u>	<u>\$ 128,422</u>

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

Other Governmental Funds	Totals	
	2018	2017
\$ 924,580	\$ 7,884,203	\$ 7,779,454
-	720	2,289
267,516	1,220,920	1,230,253
-	737,772	582,609
17,466	465,903	428,600
1,233,525	3,221,736	2,729,499
-	186,278	149,214
-	58,330	53,206
88,564	384,558	395,091
<u>2,531,651</u>	<u>14,160,420</u>	<u>13,350,215</u>
-	2,767,350	2,799,158
-	4,189,542	3,967,572
-	2,147,256	2,096,876
204,137	204,137	173,642
1,302,816	1,570,484	1,530,115
212,294	301,500	239,676
-	895,000	875,000
-	117,914	135,076
<u>1,127,638</u>	<u>1,910,274</u>	<u>1,503,685</u>
<u>2,846,885</u>	<u>14,103,457</u>	<u>13,320,800</u>
<u>(315,234)</u>	<u>56,963</u>	<u>29,415</u>
500,000	500,000	300,000
522,361	535,413	65,553
(109,964)	(109,964)	-
816,451	2,730,491	1,608,040
<u>(550,485)</u>	<u>(2,420,480)</u>	<u>(1,285,873)</u>
<u>1,178,363</u>	<u>1,235,460</u>	<u>687,720</u>
863,129	1,292,423	717,135
<u>2,529,884</u>	<u>10,844,120</u>	<u>10,126,985</u>
<u>\$ 3,393,013</u>	<u>\$ 12,136,543</u>	<u>\$ 10,844,120</u>

City of Lake Geneva, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ 1,292,423	\$ 717,135
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	1,740,143	507,939
Depreciation expense reported in the statement of activities	(4,536,196)	(4,513,672)
Net book value of disposals	(25,181)	(969)
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.	(20,508)	11,455
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	(500,000)	(300,000)
Principal repaid	895,000	875,000
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
Amortization of premiums, discounts and loss on advance refunding	12,276	12,276
Compensated absences	(45,961)	73,516
Net pension asset	274,383	-
Net pension liability	1,014,201	271,304
Deferred outflows of resources related to pensions	(247,878)	(945,434)
Deferred inflows of resources related to pensions	(1,136,442)	285,476
Other postemployment benefits	229,161	(206,704)
Deferred outflows of resources related to other postemployment benefits	28,749	-
Deferred inflows of resources related to other postemployment benefits	(30,568)	-
Change in net position of governmental activities as reported in the statement of activities (see pages 12 - 13)	<u>\$ (1,056,398)</u>	<u>\$ (3,207,691)</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, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance	2017 Actual
	Original	Final		Final Budget - Positive (Negative)	
REVENUES					
Taxes	\$ 5,208,324	\$ 5,208,324	\$ 5,210,927	\$ 2,603	\$ 5,208,959
Special assessments	7,200	7,200	720	(6,480)	2,289
Intergovernmental	950,019	950,019	953,404	3,385	944,504
Licenses and permits	429,760	439,760	704,858	265,098	545,696
Fines and forfeits	116,050	116,050	156,134	40,084	113,386
Public charges for services	562,330	562,330	581,493	19,163	427,617
Intergovernmental charges for services	160,930	160,930	186,278	25,348	149,214
Interdepartmental charges for services	-	-	58,330	58,330	53,206
Miscellaneous	73,091	73,091	249,065	175,974	230,813
Total revenues	7,507,704	7,517,704	8,101,209	583,505	7,675,684
EXPENDITURES					
Current					
General government	3,140,486	3,076,786	2,767,350	309,436	2,799,158
Public safety	4,386,038	4,396,038	4,189,542	206,496	3,967,572
Public works	1,595,335	1,605,935	1,555,992	49,943	1,501,102
Culture and recreation	242,949	274,949	267,668	7,281	237,752
Conservation and development	66,550	87,650	89,206	(1,556)	85,221
Total expenditures	9,431,358	9,441,358	8,869,758	571,600	8,590,805
Excess of revenues under expenditures	(1,923,654)	(1,923,654)	(768,549)	1,155,105	(915,121)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	11,000	-	-	-	6,500
Transfers in	1,906,751	1,906,751	1,914,040	7,289	1,593,999
Transfers out	-	-	(800,000)	(800,000)	-
Total other financing sources (uses)	1,917,751	1,906,751	1,114,040	(792,711)	1,600,499
Net change in fund balance	(5,903)	(16,903)	345,491	362,394	685,378
Fund balance - January 1	4,639,166	4,639,166	4,639,166	-	3,953,788
Fund balance - December 31	\$ 4,633,263	\$ 4,622,263	\$ 4,984,657	\$ 362,394	\$ 4,639,166

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, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance	2017 Actual
	Original	Final		Final Budget - Positive (Negative)	
REVENUES					
Licenses and permits	\$ 24,500	\$ 24,500	\$ 32,914	\$ 8,414	\$ 36,913
Fines and forfeits	245,000	245,000	292,303	47,303	295,463
Public charges for services	1,314,663	1,314,663	1,406,718	92,055	1,217,710
Miscellaneous	53,700	53,700	4,324	(49,376)	4,422
Total revenues	<u>1,637,863</u>	<u>1,637,863</u>	<u>1,736,259</u>	<u>98,396</u>	<u>1,554,508</u>
EXPENDITURES					
Current					
Public works	<u>661,076</u>	<u>661,076</u>	<u>591,264</u>	<u>69,812</u>	<u>595,774</u>
Excess of revenues over expenditures	976,787	976,787	1,144,995	168,208	958,734
OTHER FINANCING USES					
Transfers out	<u>(901,787)</u>	<u>(901,787)</u>	<u>(1,069,995)</u>	<u>(168,208)</u>	<u>(883,734)</u>
Net change in fund balance	75,000	75,000	75,000	-	75,000
Fund balance - January 1	<u>975,000</u>	<u>975,000</u>	<u>975,000</u>	<u>-</u>	<u>900,000</u>
Fund balance - December 31	<u>\$ 1,050,000</u>	<u>\$ 1,050,000</u>	<u>\$ 1,050,000</u>	<u>\$ -</u>	<u>\$ 975,000</u>

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

City of Lake Geneva, Wisconsin

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017

	Water Utility	Sewer Utility	Totals	
			2018	2017
ASSETS				
Current assets				
Cash and investments	\$ 698,281	\$ 1,335,030	\$ 2,033,311	1,615,474
Receivables				
Accounts	362,622	348,628	711,250	685,376
Special assessments	13,606	374,229	387,835	405,202
Other	21,922	26,368	48,290	40,636
Due from other funds	-	-	-	15,453
Due from other governments	5,284	3,761	9,045	5,538
Inventories and prepaid items	65,839	7,315	73,154	82,791
Total current assets	<u>1,167,554</u>	<u>2,095,331</u>	<u>3,262,885</u>	<u>2,850,470</u>
Noncurrent assets				
Restricted assets				
Cash and investments	446,186	717,359	1,163,545	631,583
Other assets				
Net pension asset	91,264	43,877	135,141	-
Capital assets				
Nondepreciable	334,463	675,661	1,010,124	947,105
Depreciable	11,840,170	11,690,971	23,531,141	22,969,479
Total capital assets	<u>12,174,633</u>	<u>12,366,632</u>	<u>24,541,265</u>	<u>23,916,584</u>
Total assets	<u>13,879,637</u>	<u>15,223,199</u>	<u>29,102,836</u>	<u>27,398,637</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related amounts	172,885	79,389	252,274	305,403
Other postemployment related amounts	2,587	1,244	3,831	-
Total deferred outflows of resources	<u>175,472</u>	<u>80,633</u>	<u>256,105</u>	<u>305,403</u>
LIABILITIES				
Current liabilities				
Accounts payable	59,854	116,439	176,293	55,068
Accrued and other current liabilities	5,963	6,422	12,385	15,822
Due to other funds	310,011	-	310,011	387,118
Special deposits	4,880	-	4,880	320
Unearned revenue	52,598	368,089	420,687	429,543
Total current liabilities	<u>433,306</u>	<u>490,950</u>	<u>924,256</u>	<u>887,871</u>
Long-term obligations, less current portion				
Compensated absences	35,907	17,752	53,659	53,130
Net pension liability	-	-	-	39,026
Other postemployment benefits	61,910	15,202	77,112	166,779
Total long-term liabilities	<u>97,817</u>	<u>32,954</u>	<u>130,771</u>	<u>258,935</u>
Total liabilities	<u>531,123</u>	<u>523,904</u>	<u>1,055,027</u>	<u>1,146,806</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	179,914	86,498	266,412	122,733
Other postemployment related amounts	2,751	1,322	4,073	-
Total deferred inflows of resources	<u>182,665</u>	<u>87,820</u>	<u>270,485</u>	<u>122,733</u>
NET POSITION				
Investment in capital assets	12,174,633	12,366,632	24,541,265	23,916,584
Restricted	537,450	761,236	1,298,686	631,583
Unrestricted	629,238	1,564,240	2,193,478	1,886,334
Total net position	<u>\$ 13,341,321</u>	<u>\$ 14,692,108</u>	<u>\$ 28,033,429</u>	<u>\$ 26,434,501</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, 2018
 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Water Utility	Sewer Utility	Totals	
			2018	2017
OPERATING REVENUES				
Charges for services	\$ 1,659,858	\$ 1,719,284	\$ 3,379,142	\$ 3,045,882
Other	255,915	9,093	265,008	319,458
Total operating revenues	1,915,773	1,728,377	3,644,150	3,365,340
OPERATING EXPENSES				
Operation and maintenance	1,066,286	1,169,590	2,235,876	2,828,562
Depreciation	382,855	641,259	1,024,114	972,677
Taxes	22,141	28,356	50,497	44,925
Total operating expenses	1,471,282	1,839,205	3,310,487	3,846,164
Operating income (loss)	444,491	(110,828)	333,663	(480,824)
NONOPERATING REVENUES				
Interest income	10,883	22,041	32,924	26,206
Gain on disposal of capital assets	-	-	-	1,334
Total nonoperating revenues	10,883	22,041	32,924	27,540
Income (loss) before contributions and transfers	455,374	(88,787)	366,587	(453,284)
Capital contributions	698,514	755,207	1,453,721	329,296
Transfers out	(310,011)	-	(310,011)	(322,167)
Change in net position	843,877	666,420	1,510,297	(446,155)
Net position - January 1, as originally stated	12,471,599	13,962,902	26,434,501	26,880,656
Cumulative effect of change in accounting principle	25,845	62,786	88,631	-
Net position - January 1, as restated	12,497,444	14,025,688	26,523,132	26,880,656
Net position - December 31	\$ 13,341,321	\$ 14,692,108	\$ 28,033,429	\$ 26,434,501

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, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Water Utility	Sewer Utility	Totals	
			2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,959,759	\$ 1,657,714	\$ 3,617,473	\$ 3,202,340
Cash received (paid) for meter depreciation	38,657	(38,657)	-	-
Cash paid for employee wages and benefits	(392,850)	(597,083)	(989,933)	(947,456)
Cash paid to suppliers	(686,506)	(520,883)	(1,207,389)	(1,808,110)
Net cash provided by operating activities	919,060	501,091	1,420,151	446,774
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer out	(322,167)	-	(322,167)	(319,430)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(483,082)	(107,303)	(590,385)	(292,328)
Sale of capital assets	-	-	-	6,125
Special assessment collections	-	13,965	13,965	34,996
Capital contributions	195,914	199,397	395,311	322,546
Net cash provided (used) by capital and related financing activities	(287,168)	106,059	(181,109)	71,339
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	10,883	22,041	32,924	26,206
Interest retained in long-term investments	(1,078)	(794)	(1,872)	(2,074)
Redemption of long-term investments	-	153,832	153,832	-
Net cash provided by investing activities	9,805	175,079	184,884	24,132
Change in cash and cash equivalents	319,530	782,229	1,101,759	222,815
Cash and cash equivalents - January 1	554,966	1,008,799	1,563,765	1,340,950
Cash and cash equivalents - December 31	\$ 874,496	\$ 1,791,028	\$ 2,665,524	\$ 1,563,765

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, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Water Utility	Sewer Utility	Totals	
			2018	2017
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 444,491	\$ (110,828)	\$ 333,663	\$ (480,824)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	382,855	641,259	1,024,114	972,677
Depreciation charged to sewer utility	38,657	(38,657)	-	-
Write-off of uncollectible receivables	3,402	-	3,402	1,354
Change in liability and deferred outflows and inflows of resources				
Pension	13,520	9,121	22,641	46,540
Other postemployment benefits	(1,421)	627	(794)	(10,314)
Change in operating assets and liabilities				
Accounts receivables	27,882	(64,917)	(37,035)	(95,391)
Due from other funds	15,453	-	15,453	(12,913)
Inventories and prepaid items	16,952	(7,315)	9,637	1,310
Accounts payable	18,934	102,291	121,225	23,868
Accrued and other current liabilities	(2,626)	(811)	(3,437)	1,341
Due to other funds	(44,778)	(20,173)	(64,951)	53,224
Special deposits	4,560	-	4,560	(2,290)
Unearned revenue	651	(9,507)	(8,856)	(54,696)
Compensated absences	528	1	529	2,888
Net cash provided by operating activities	<u>\$ 919,060</u>	<u>\$ 501,091</u>	<u>\$ 1,420,151</u>	<u>\$ 446,774</u>
Reconciliation of cash and cash equivalents to the statement of net position				
Cash and cash equivalents in current assets	\$ 698,281	\$ 1,335,030	\$ 2,033,311	\$ 1,615,474
Cash and cash equivalents in restricted assets	446,186	717,359	1,163,545	631,583
Less: Long-term investments	<u>(269,971)</u>	<u>(261,361)</u>	<u>(531,332)</u>	<u>(683,292)</u>
Total cash and cash equivalents	<u>\$ 874,496</u>	<u>\$ 1,791,028</u>	<u>\$ 2,665,524</u>	<u>\$ 1,563,765</u>
Noncash capital and related financing activities				
Capital assets contributed by developers	<u>\$ 502,600</u>	<u>\$ 555,810</u>	<u>\$ 1,058,410</u>	<u>\$ 6,750</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, 2018

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Tax Collection	
	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and investments	\$ 9,359,292	\$ 11,377,559
Receivables		
Taxes	<u>12,319,518</u>	<u>10,008,452</u>
Total assets	<u>\$ 21,678,810</u>	<u>\$ 21,386,011</u>
LIABILITIES		
Current liabilities		
Due to other governments	<u>\$ 21,678,810</u>	<u>\$ 21,386,011</u>

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

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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 and the Tourism Commission managed by a six member committee, consisting of two aldermen and four citizens 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, 2018. 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, 2018

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 City operations.

Equipment Replacement Capital Projects Fund

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

General Debt Service

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt, except for general obligation debt of the TIF, library expansion, or enterprise funds.

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, 2018

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 2018 tax roll are recognized as revenue in 2019.) 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, 2018

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 cost 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, 2018

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. Other Postemployment Benefits Other Than Pensions (OPEB)

Defined Benefit Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Other Postemployment Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Local Retiree Life Insurance Fund

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

14. 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.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

- ▶ **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.

When both restricted and unrestricted funds are available for expenditure, restricted funds are spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds are spent first, assigned second and unassigned funds last.

Government-Wide and Proprietary Fund Statements

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

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

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, 2017, from which the summarized information was derived.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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.
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, 2018.

B. 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 2018 budget was 1.17%. The actual limit for the City for the 2019 budget was 1.67%. 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, 2018

The carrying amount of the City's cash and investments totaled \$24,600,795 on December 31, 2018 as summarized below:

Petty cash and cash on hand	\$ 2,385
Deposits with financial institutions	6,272,823
Investments	
Wisconsin local government investment pool	17,324,987
Money market mutual funds	903,226
Exchange traded funds	97,374
	<u>\$ 24,600,795</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 13,696,941
Restricted cash and investments	1,544,562
Fiduciary Fund statement of net position	
Agency fund	9,359,292
	<u>\$ 24,600,795</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, 2018:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Money market mutual funds	\$ 903,226	\$ -	\$ -
Exchange traded funds	97,374	-	-
	<u>\$ 1,000,600</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, 2018

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, 2018, \$1,573,840 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits. A line of credit is maintained by the financial institution to cover deposits in excess of federal and state depository insurance limits.

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	\$ 903,226	\$ -	\$ -	\$ -	\$ 903,226
Exchange traded funds	97,374	-	-	-	97,374
Wisconsin local government investment pool	17,324,987	-	-	-	17,324,987
Totals	<u>\$ 18,325,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,325,587</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, 2018, 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

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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	\$ 903,226	\$ 903,226	\$ -	\$ -	\$ -
Exchange traded funds	97,374	97,374	-	-	-
Wisconsin local government investment pool	17,324,987	17,324,987	-	-	-
Totals	\$ 18,325,587	\$18,325,587	\$ -	\$ -	\$ -

Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin Local Government Investment Pool of \$17,324,987 at year-end. The 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, 2018, 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	General Debt Service	Nonmajor Gov't Fund	Water Utility	Sewer Utility	Total
Receivables							
Taxes	\$5,069,463	\$ 677,990	\$ 908,859	\$ 621,656	\$ -	\$ -	\$7,277,968
Delinquent taxes	18,071	-	-	-	-	-	18,071
Accounts	715,672	-	-	4,840	362,622	348,628	1,431,762
Special assessments	245,675	-	-	-	13,606	374,229	633,510
Other	-	-	-	-	21,922	26,368	48,290
Gross receivables	6,048,881	677,990	908,859	626,496	398,150	749,225	9,409,601
Less: Allowance for uncollectibles	404,555	-	-	-	-	-	404,555
Net total receivables	<u>\$5,644,326</u>	<u>\$ 677,990</u>	<u>\$ 908,859</u>	<u>\$ 626,496</u>	<u>\$ 398,150</u>	<u>\$ 749,225</u>	<u>\$9,005,046</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

C. RESTRICTED ASSETS

Restricted assets on December 31, 2018 totaled \$1,544,562 and consisted of cash and investments held for the following purposes:

Funds	Amount	Purpose
Special Revenue Funds		
Public Library	\$ 125,607	Donations were fully restricted to be used for building fund.
Public Library	128,810	Donations were restricted for purpose of special projects.
Swanson Library Endowment	<u>126,600</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>381,017</u>	
Enterprise Funds		
Water Utility		
Plant and equipment replacement fund	2,456	To be used for the replacement of capital assets of the water distribution plant
Impact fees	443,730	To account for impact fees collected and held by the Utility Commission to finance system improvements
Total Water Utility	<u>446,186</u>	
Sewer Utility		
DNR replacement	220,768	To be used for the replacement of certain assets for the sewer utility
Impact fees	496,591	To account for impact fees collected and held by Utility Commission to finance system improvements
Total Sewer Utility	<u>717,359</u>	
Total Enterprise Funds	<u>1,163,545</u>	
Total	<u>\$ 1,544,562</u>	

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 3,601,266	\$ -	\$ 25,181	\$ 3,576,085
Construction in progress	108,684	37,786	46,756	99,714
Total capital assets, nondepreciable	<u>3,709,950</u>	<u>37,786</u>	<u>71,937</u>	<u>3,675,799</u>
Capital assets, depreciable:				
Land improvements	839,845	21,500	-	861,345
Buildings and improvements	13,114,959	144,087	-	13,259,046
Machinery and equipment	12,319,320	717,540	415,932	12,620,928
Infrastructure	87,867,500	865,986	294,728	88,438,758
Subtotals	<u>114,141,624</u>	<u>1,749,113</u>	<u>710,660</u>	<u>115,180,077</u>
Less accumulated depreciation for:				
Land improvements	85,975	31,320	-	117,295
Buildings and improvements	9,219,318	315,869	-	9,535,187
Machinery and equipment	9,752,994	529,912	415,932	9,866,974
Infrastructure	75,258,042	3,659,095	294,728	78,622,409
Subtotals	<u>94,316,329</u>	<u>4,536,196</u>	<u>710,660</u>	<u>98,141,865</u>
Total capital assets, depreciable, net	<u>19,825,295</u>	<u>(2,787,083)</u>	<u>-</u>	<u>17,038,212</u>
Governmental activities capital assets, net	<u>\$23,535,245</u>	<u>\$(2,749,297)</u>	<u>\$ 71,937</u>	20,714,011
Less: Capital related debt				4,365,000
Less: Debt premium				52,175
Net investment in capital assets				<u>\$16,296,836</u>
Business-type activities:				
Capital assets, nondepreciable:				
Land	\$ 728,872	\$ -	\$ -	\$ 728,872
Property held for future use	197,158	-	-	197,158
Construction in progress	21,075	479,395	416,376	84,094
Total capital assets, nondepreciable	<u>947,105</u>	<u>479,395</u>	<u>416,376</u>	<u>1,010,124</u>
Capital assets, depreciable:				
Land improvements	36,877	-	-	36,877
Buildings and improvements	9,099,220	14,669	4,500	9,109,389
Machinery and equipment	10,685,595	182,583	99,470	10,768,708
Infrastructure	22,644,941	1,388,524	10,746	24,022,719
Subtotals	<u>42,466,633</u>	<u>1,585,776</u>	<u>114,716</u>	<u>43,937,693</u>
Less accumulated depreciation	<u>19,497,154</u>	<u>1,024,114</u>	<u>114,716</u>	<u>20,406,552</u>
Total capital assets, depreciable, net	<u>22,969,479</u>	<u>561,662</u>	<u>-</u>	<u>23,531,141</u>
Business-type activities capital assets, net	<u>\$23,916,584</u>	<u>\$ 1,041,057</u>	<u>\$ 416,376</u>	<u>\$24,541,265</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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

Governmental activities	
General government	\$ 216,977
Public safety	259,359
Public works	3,829,467
Health and human services	15,667
Culture and recreation	214,726
Total depreciation expense - governmental activities	<u>\$ 4,536,196</u>
Business-type activities	
Water utility	\$ 382,855
Sewer utility	641,259
Total depreciation expense - business-type activities	<u>\$ 1,024,114</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, 2018 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Operating accounts between funds		
Governmental funds		
General	\$ 310,011	\$ -
Proprietary Funds		
Water Utility	-	310,011
Totals	<u>\$ 310,011</u>	<u>\$ 310,011</u>

Interfund transfers for the year ended December 31, 2018 were as follows:

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental		
General	\$ 1,914,040	\$ 800,000
Special Revenue		
Parking Meters and Lots	-	1,069,995
Lakefront Operations	-	534,034
Cemetery Operations	16,451	-
Permanent		
Cemetery Perpetual Care	-	16,451
Proprietary		
Water Utility	-	310,011
	<u>\$ 2,730,491</u>	<u>\$ 2,730,491</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Interfund transfers were made for the following purposes:

Tax equivalent payment made by Water Utility to General Fund	\$ 310,011
Excess funds from Parking Meters and Lots to General Fund	1,069,995
Excess funds from Lakefront Operations to General Fund	534,034
Appropriation for Cemetery Operations	16,451
Subtotal	<u>1,930,491</u>
Less: Interfund eliminations	<u>(1,620,480)</u>
Government-wide transfers	<u>\$ 310,011</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, 2018:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation debt					
Notes	\$4,760,000	\$ 500,000	\$ 895,000	\$ 4,365,000	\$ 910,000
Debt premium	64,451	-	12,276	52,175	12,276
Compensated absences	72,375	45,961	-	118,336	-
Governmental activities Long-term obligations	<u>\$4,896,826</u>	<u>\$ 545,961</u>	<u>\$ 907,276</u>	<u>\$4,535,511</u>	<u>\$ 922,276</u>
Business-type activities:					
Compensated absences	<u>\$ 53,130</u>	<u>\$ 53,659</u>	<u>\$ 53,130</u>	<u>\$ 53,659</u>	<u>\$ -</u>

Total interest paid during the year on long-term debt totaled \$112,765.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/18</u>
General obligation notes	07/01/11	04/01/21	0.80 - 2.70%	\$ 2,980,000	\$ 1,710,000
General obligation notes	08/15/14	04/01/23	2.00 - 3.00%	2,560,000	1,855,000
General obligation notes	05/15/17	04/01/27	2.34%	3,500,000	<u>800,000</u>
Total outstanding general obligation debt					<u>\$ 4,365,000</u>

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. During 2018, the City took additional draw of \$500,000.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Annual principal and interest maturities of the outstanding general obligation debt of \$4,365,000 on December 31, 2018 are detailed below:

Year Ended December 31,	Governmental Activities		
	Principal	Interest	Totals
2018	\$ 910,000	\$ 94,946	\$ 1,004,946
2019	935,000	70,127	1,005,127
2020	955,000	45,594	1,000,594
2021	500,000	29,489	529,489
2022	545,000	18,330	563,330
2023 - 2027	520,000	21,270	541,270
	<u>\$ 4,365,000</u>	<u>\$ 279,756</u>	<u>\$ 4,644,756</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, 2018 was \$62,748,787 as follows:

Equalized valuation of the Village		\$1,339,707,300
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		<u>66,985,365</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 4,365,000	
Less: Amounts available for financing general obligation debt		
Debt Service Fund	<u>128,422</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>4,236,578</u>
Legal margin for new debt		<u>\$ 62,748,787</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, 2018

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

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)
2017	2.0	4

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.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

During the year ending December 31, 2018, the WRS recognized \$435,184 in contributions from the City.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At December 31, 2018, the City reported an asset of \$1,149,342 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net pension asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.03870988%, which was an increase of 0.0006858% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018 the City recognized pension expense of \$512,425.

At December 31, 2018, 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	\$ 1,460,268	\$ 683,064
Net differences between projected and actual earnings on pension plan investments	-	1,579,664
Changes in assumptions	227,087	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,550	3,039
Employer contributions subsequent to the measurement date	435,184	-
Total	<u>\$ 2,152,089</u>	<u>\$ 2,265,767</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

\$435,184 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 (asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Expense
2019	\$ 138,226
2020	705
2021	(391,687)
2022	(298,857)
2023	2,751
Total	<u>\$ (548,862)</u>

5. Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2016
Measurement date of net pension liability (asset):	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Market 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, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Core Fund Asset Class	Current Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
Global equities	50%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8%	6.5%	3.6%
Private equity/debt	8%	9.4%	6.5%
Multi-asset	4%	6.5%	3.6%
Total Core Fund	110%	7.3%	4.4%
Variable Fund Asset Class			
U.S. equities	70%	7.5%	4.6%
International equities	30%	7.8%	4.9%
Total Variable Fund	100%	7.9%	5.0%

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

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

Single Discount Rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.31%. 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:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 2,973,740	\$ (1,149,342)	\$ (4,283,013)

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, 2018, the City did not report a payable for an outstanding amount of contributions to the pension plan for the year ended December 31, 2018.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

H. OTHER POSTEMPLOYMENT BENEFITS

The City has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. This statement revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended December 31, 2017 have not been restated.

The cumulative effect of this change was to decrease the December 31, 2017 net position by \$391,812 as follows:

Other postemployment liability			
OPEB liability balance previously reported	\$	2,797,057	
Actuarially determined balance		3,346,270	
Change in other postemployment liability			<u>\$ (549,213)</u>

The City reports OPEB related balances at December 31, 2018 as summarized below:

	<u>OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
Local Retiree Life Insurance Fund (LRLIF)	\$ 301,256	\$ 32,580	\$ 34,641	\$ 31,878
Single-employer defined OPEB plan	2,814,817	-	-	214,070
Total pension liability	<u>\$ 3,116,073</u>	<u>\$ 32,580</u>	<u>\$ 34,641</u>	<u>\$ 245,948</u>

1. Single-employer Defined Postemployment Benefit Plan

Plan Description

The plan is a single-employer defined benefit postemployment health plan that covers retired employees of the City. Eligible retired employees have access to group medical coverage through the City's group plan. City paid medical benefits are paid for as indicated below. All employees of the City are eligible for the plan if they meet the following age and service requirements below. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The City provides medical (including prescription drugs) for retired employees through the City's self-insured plans.

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Active employees	69
	<u>77</u>

Contributions

Certain retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of insurance premiums based on the employee group and their retirement date. The City paid medical and dental benefits are paid until the retiree or surviving spouse becomes eligible for Medicare.

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2018 and was determined by an actuarial valuation using the alternative measurement method as of January 1, 2018.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Actuarial Assumptions. The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	3.00%
Salary increases:	4.00%
Investment rate of return:	3.64%
Healthcare cost trend rates:	7.10% for 2018, and decreasing to an ultimate rate of 5.00% by 2028

Mortality rates are the same as those used in the December 2014 Wisconsin Retirement System's annual report.

The actuarial assumptions used in the January 1, 2018 valuation were based on the "Wisconsin Retirement System 2014 - 2014 Experience Study".

Discount Rate. The discount rate used to measure the total OPEB liability was 3.64%. The discount rate was based on the 20 year high grade rate index. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates.

Changes in the Total OPEB Liability

	<u>Increase (Decrease)</u>
	<u>Total OPEB</u>
	<u>Liability</u>
Balance at January 1, 2017	\$ 3,068,112
Changes for the year:	
Service cost	134,430
Interest	97,738
Difference between expected & actual	118,768
Changes of assumption and other inputs	(368,054)
Benefit payments	(301,133)
Other changes	64,956
Balance at December 31, 2018	<u>\$ 2,814,817</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	<u>1% Decrease to</u>	<u>Current</u>	<u>1% Increase to</u>
	<u>Discount Rate</u>	<u>Discount Rate</u>	<u>Discount Rate</u>
	<u>(2.64%)</u>	<u>(3.64%)</u>	<u>(4.64%)</u>
Total OPEB liability	\$ 3,055,334	\$ 2,814,817	\$ 2,599,703

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.10% decreasing to 6.10%) or 1-percentage-point higher (7.10% increasing to 8.10%) than the current healthcare cost trend rates:

	1% Decrease (6.10% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.10% decreasing to 4.50%)	1% Increase (8.10% decreasing to 5.50%)
Total OPEB liability	\$ 2,532,434	\$ 2,814,817	\$ 3,148,820

OPEB Expense

For the year ended December 31, 2018, the City recognized OPEB expense of \$214,070.

Plan Financial Report

The Plan does not prepare a separate standalone financial report.

2. Local Retiree Life Insurance Fund

Plan Description

The LRLIF is a cost-sharing, multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

OPEB Plan Fiduciary Net Position

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

Benefits Provided

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2018 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post-retirement coverage	40% of employee contribution
25% Post-retirement coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017 are listed below:

Life Insurance	
Employee Contribution Rates	
For the Year Ended December 31, 2017	
<u>Attained Age</u>	<u>Basic</u>
Under 30	\$0.05
30 - 34	0.06
35 - 39	0.07
40 - 44	0.08
45 - 49	0.12
50 - 54	0.22
55 - 59	0.39
60 - 64	0.49
65 - 69	0.57

During the reporting period, the LRLIF recognized \$1,999 in contributions from the employer.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the City reported a liability of \$301,256 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the City's proportion was 0.10013200%, which was a decrease of 0.014437% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the City recognized OPEB expense of \$31,878.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,245
Net differences between projected and actual earnings on OPEB plan investments	3,469	-
Changes in assumptions	29,111	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	30,396
Total	<u>\$ 32,580</u>	<u>\$ 34,641</u>

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Expense</u>
2019	\$ 20
2020	20
2021	20
2022	21
2023	(847)
Thereafter	(1,295)
Total	<u>\$ (2,061)</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Actuarial assumptions. The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	January 1, 2017
Measurement date of net OPEB liability (asset):	December 31, 2017
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	3.44%
Long-term expected rate of return:	5.00%
Discount rate:	3.63%
Salary increases:	
Inflation	3.20%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

Long-term expected return on plan assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return %</u>
U.S. Government Bonds	Barclays Government	1%	1.13%
U.S. Credit Bonds	Barclays Credit	65%	2.61%
U.S. Long Credit Bonds	Barclays Long Credit	3%	3.08%
U.S. Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-term expected rate of return			5.00%

Single discount rate. A single discount rate of 3.63% was used to measure the total OPEB liability. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

Sensitivity of the City's proportionate share of net OPEB liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 3.63%, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.63%) or 1-percentage-point higher (4.63%) than the current rate:

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
City's proportionate share of the net OPEB liability (asset)	\$ 425,788	\$ 301,256	\$ 205,689

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

Payable to the OPEB Plan

At December 31, 2018, the City reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2018.

I. 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, 2018, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Delinquent taxes	\$ 18,071
Prepaid items	263,095
Total General Fund nonspendable fund balance	<u>281,166</u>
Permanent Funds	
Nonspendable	
Cemetery perpetual care	595,444
Library endowment	112,980
Total Permanent Funds nonspendable fund balance	<u>708,424</u>
Total nonspendable fund balance	<u>\$ 989,590</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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, 2018, restricted fund balance was as follows:

Special Revenue Fund	
Restricted for	
Public Library	\$ 658,137
Tourism Commission	211,030
Total Special Revenue Fund Restricted Fund Balance	<u>869,167</u>
Debt Service Fund	
Restricted for	
Debt service	<u>128,422</u>
Capital Project Funds	
Restricted for	
Adaptive playground	15,000
Impact fees	4,576
Total Capital Project Fund restricted fund balance	<u>19,576</u>
Permanent Fund	
Restricted for	
Library	<u>13,620</u>
Total restricted fund balance	<u>\$ 1,030,785</u>

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2018, fund balance was assigned as follows:

General Fund	
Fire department	\$ 4,056
Police department	14,259
Parks	7,438
Ambulance	10,769
Historical preservation	3,892
Avian Committee	443
Postemployment	507,541
	<u>548,398</u>
Capital Projects Fund	
Equipment replacement	2,580,451
Capital improvements	603,114
	<u>3,183,565</u>
Special Revenue Funds	
Parking meters and lots	1,050,000
Lakefront operations	825,336
Lakefront operations - west pier replacement	234,520
Cemetery operations	119,256
	<u>2,229,112</u>
Total	<u>\$ 5,961,075</u>

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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 2018 General Fund expenditures	\$ 8,869,758
Minimum fund balance %	(x) 25%
Minimum fund balance amount	<u>\$ 2,217,440</u>

The City's unassigned General Fund balance of \$4,155,093 is above the minimum fund balance amount.

Net Position

The City reports restricted net position at December 31, 2018 as follows:

Governmental activities

Restricted for

Cemetery perpetual care funds	\$ 595,444
Debt service	100,865
Library	784,737
Tourism Commission	211,030
Impact fees	19,576
Pension	1,014,201
Total governmental activities restricted net position	<u>2,725,853</u>

Business-type activities

Restricted for

Plant and equipment replacement	223,224
Impact fees	940,321
Pension	135,141
Total business-type activities restricted net position	<u>1,298,686</u>

Total restricted net position	<u>\$ 4,024,539</u>
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J. 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, 2018 was \$213,885. The remaining future rental payments due on the leases are as follows:

Year Ended	Amount
<u>December 31,</u>	
2019	\$ 221,912

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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 \$2,499 and the bank balance was \$2,700. The entire bank balance was covered by federal depository insurance.

B. CUSTOMER USER RATES

Rates currently charged for water service as of December 31, 2018 were authorized by the Wisconsin Public Service Commission on December 4, 2018. Rates currently charged for sewer service as of December 31, 2018 were authorized by the City on December 4, 2018.

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 \$160,459 reported in the General Fund at December 31, 2018 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:

	Liability January 1	Claims and Changes in Estimates	Claims Payments	Liability December 31
2018	\$ 99,576	\$ 2,080,074	\$ 2,019,191	\$ 160,459
2017	72,233	2,001,894	1,974,551	99,576

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.

City of Lake Geneva, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2018

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. UPCOMING ACCOUNTING PRONOUNCEMENTS

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.

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

<u>Plan Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll (plan year)</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/14	0.03929365%	\$ (965,160)	\$ 4,508,233	21.41%	102.74%
12/31/15	0.03818226%	620,454	4,611,460	13.45%	98.20%
12/31/16	0.03802408%	313,409	4,754,696	6.59%	99.12%
12/31/17	0.03870988%	(1,149,342)	4,850,466	23.70%	102.93%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (fiscal year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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	401,833	401,833	-	4,850,466	8.28%
12/31/18	435,184	435,184	-	5,231,346	8.32%

See notes to required supplementary information.

City of Lake Geneva, Wisconsin

SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS *

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 134,430
Interest	97,738
Difference between expected and actual experience	118,768
Changes of assumptions and other inputs	(368,054)
Benefit payments	(301,133)
Other changes	64,956
Net change in total OPEB liability	<u>(253,295)</u>
Total OPEB liability - beginning	<u>3,068,112</u>
Total OPEB liability - ending	<u>\$ 2,814,817</u>
Covered-employee payroll	\$ 3,986,408
Village's total OPEB liability as a percentage of covered-employee payroll	70.61%

* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

See notes to required supplementary information.

City of Lake Geneva, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
 LOCAL RETIREE LIFE INSURANCE FUND
 LAST 10 FISCAL YEARS

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net OPEB Liability (Asset)</u>	<u>Proportionate Share of the Net OPEB Liability (Asset)</u>	<u>Covered-employee Payroll</u>	<u>Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)</u>
12/31/17	0.10013200%	\$ 301,255	\$ 4,210,837	7.15%	44.81%

SCHEDULE OF CONTRIBUTIONS
 LOCAL RETIREE LIFE INSURANCE FUND
 LAST 10 FISCAL YEARS

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-employee Payroll</u>	<u>Contributions as a Percentage of Covered-employee Payroll</u>
12/31/18	\$ 1,999	\$ 1,999	\$ -	\$ 5,179,934	0.04%

See notes to required supplementary information.

City of Lake Geneva, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2018

A. WISCONSIN RETIREMENT SYSTEM

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

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.

B. OTHER POSTEMPLOYMENT BENEFIT PLANS

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2018. 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.

Single-employer Defined Postemployment Benefit Plan

In addition to changes required by GASB Statement No. 75, the actuarial valuation updated mortality and termination assumptions, which resulted in the changes in assumptions in the current valuation. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Local Retiree Life Insurance Fund (LRLIF)

There were no changes of benefit terms or assumptions for any participating employer in LRLIF. The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

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, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance	2017 Actual
	Original	Final		Final Budget - Positive (Negative)	
Taxes					
General property	\$ 4,826,325	\$ 4,826,325	\$ 4,826,328	\$ 3	\$ 4,770,509
Omitted and other taxes	-	-	260	260	6,752
Mobile home	4,920	4,920	5,309	389	4,918
Room tax	375,679	375,679	375,679	-	424,700
Sales tax discount	400	400	636	236	568
Interest on taxes	1,000	1,000	2,715	1,715	1,512
Total taxes	5,208,324	5,208,324	5,210,927	2,603	5,208,959
Special assessments					
Curb and gutter	7,200	7,200	720	(6,480)	2,289
Intergovernmental					
Recycling	23,700	23,700	23,763	63	23,772
State shared revenues	110,080	110,080	109,213	(867)	109,411
Police department	10,120	10,120	8,214	(1,906)	8,358
Fire department	48,300	48,300	53,334	5,034	51,205
Emergency management	5,000	5,000	4,500	(500)	5,000
State aid for highways	721,084	721,084	720,551	(533)	711,430
Municipal services	3,565	3,565	3,492	(73)	3,676
Exempt computer	18,000	18,000	18,751	751	18,479
Aids in lieu of taxes	10,170	10,170	10,173	3	10,173
GLLEA accounting services	-	-	-	-	3,000
Other state grants	-	-	1,413	1,413	-
Total intergovernmental	950,019	950,019	953,404	3,385	944,504
Licenses and permits					
Licenses					
Liquor and malt beverage	32,000	32,000	33,168	1,168	32,451
Operators	17,500	17,500	23,675	6,175	20,315
Cable TV franchise fees	108,000	108,000	131,709	23,709	116,312
Other business licenses	18,800	18,800	16,200	(2,600)	17,379
Dog and cat	1,000	1,000	752	(248)	559
Miscellaneous	14,000	14,000	18,220	4,220	14,855
Permits					
Building	130,000	140,000	225,810	85,810	155,516
Electrical	28,000	28,000	94,108	66,108	53,606
Plumbing	22,000	22,000	49,197	27,197	35,030
Zoning	20,000	20,000	43,468	23,468	31,245
Other miscellaneous	38,460	38,460	68,551	30,091	68,428
Total licenses and permits	429,760	439,760	704,858	265,098	545,696
Fines and forfeits					
Court penalties and costs	110,050	110,050	141,797	31,747	104,293
Parking violations	6,000	6,000	14,337	8,337	9,093
Total fines and forfeits	116,050	116,050	156,134	40,084	113,386

City of Lake Geneva, Wisconsin

GENERAL FUND
 DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES AND OTHER FINANCING SOURCES
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance	2017 Actual
	Original	Final		Final Budget - Positive (Negative)	
Public charges for services					
General government fees	11,500	11,500	13,130	1,630	13,118
Police department	11,950	11,950	11,447	(503)	8,574
Fire department	525,180	525,180	538,866	13,686	387,186
Street department	2,500	2,500	2,680	180	3,850
Snow and ice	1,000	1,000	2,030	1,030	800
Tree and brush	500	500	-	(500)	513
Traffic control	1,900	1,900	2,873	973	2,272
Parks	7,650	7,650	15,457	7,807	10,187
Miscellaneous fees and charges	150	150	(4,990)	(5,140)	1,117
Total public charges for services	<u>562,330</u>	<u>562,330</u>	<u>581,493</u>	<u>19,163</u>	<u>427,617</u>
Intergovernmental charges for services					
Police department	105,930	105,930	101,006	(4,924)	98,453
Fire department	55,000	55,000	61,989	6,989	50,761
TID reimbursement	-	-	23,283	23,283	-
Total intergovernmental charges for services	<u>160,930</u>	<u>160,930</u>	<u>186,278</u>	<u>25,348</u>	<u>149,214</u>
Interdepartmental charges for services					
Water and sewer utility	-	-	58,330	58,330	53,206
Miscellaneous					
Interest income	21,000	21,000	170,077	149,077	66,652
Interest on special assessment	144	144	139	(5)	213
Insurance recoveries	40,000	40,000	61,588	21,588	140,081
Rent of city property	1	1	-	(1)	1
Donation	10,996	10,996	16,993	5,997	23,456
Miscellaneous	950	950	268	(682)	410
Total miscellaneous	<u>73,091</u>	<u>73,091</u>	<u>249,065</u>	<u>175,974</u>	<u>230,813</u>
Total revenues	<u>7,507,704</u>	<u>7,517,704</u>	<u>8,101,209</u>	<u>583,505</u>	<u>7,675,684</u>
Other financing sources					
Sale of capital assets	11,000	-	-	-	6,500
Transfers In					
Special Revenue Funds					
Lakefront	526,286	526,286	534,034	7,748	388,098
Parking	901,787	901,787	1,069,995	168,208	883,734
Enterprise Fund					
Payment in lieu of tax	324,000	324,000	310,011	(13,989)	322,167
Total transfers in	<u>1,752,073</u>	<u>1,752,073</u>	<u>1,914,040</u>	<u>161,967</u>	<u>1,593,999</u>
Total other financing sources	<u>1,763,073</u>	<u>1,752,073</u>	<u>1,914,040</u>	<u>161,967</u>	<u>1,600,499</u>
Total revenues and other financing sources	<u>\$ 9,270,777</u>	<u>\$ 9,269,777</u>	<u>\$ 10,015,249</u>	<u>\$ 745,472</u>	<u>\$ 9,276,183</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, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance	2017 Actual
	Original	Final		Final Budget - Positive (Negative)	
General government					
General government expense	\$ 229,429	\$ 148,403	\$ 66,659	\$ 81,744	\$ 174,964
Insurance	238,379	245,079	245,035	44	255,911
Health and other benefits	1,519,100	1,519,100	1,366,076	153,024	1,408,493
Common council	48,814	48,814	45,154	3,660	40,710
Municipal court	98,165	101,291	95,842	5,449	78,801
City attorney	81,078	81,078	78,796	2,282	77,035
Outside legal services	30,000	30,000	5,479	24,521	4,047
Mayor	8,283	8,283	8,421	(138)	7,482
City administrator	130,737	138,237	138,227	10	129,458
City clerk	177,903	177,903	173,518	4,385	151,325
Accounting and data processing	354,923	354,923	333,990	20,933	267,970
City assessor	42,050	42,050	42,069	(19)	41,951
City hall building	181,625	181,625	168,084	13,541	161,011
Total general government	3,140,486	3,076,786	2,767,350	309,436	2,799,158
Public safety					
Police department	2,959,980	2,959,980	2,838,467	121,513	2,891,134
Fire department	1,230,070	1,230,070	1,160,436	69,634	896,940
Building and zoning	171,388	181,388	181,262	126	165,126
Emergency management	24,600	24,600	9,377	15,223	14,372
Total public safety	4,386,038	4,396,038	4,189,542	206,496	3,967,572
Public works					
DPW and engineering	10,800	10,800	1,112	9,688	5,693
Street and highway	666,612	670,612	653,541	17,071	626,544
Snow and ice	128,512	128,512	137,849	(9,337)	76,655
Tree and brush	90,894	90,894	76,604	14,290	93,186
Compost operations	63,883	63,883	52,903	10,980	58,929
Storm sewer	15,672	15,672	8,585	7,087	31,943
Traffic control	145,262	145,262	145,248	14	143,523
Recycling and sanitation	473,700	480,300	480,150	150	464,629
Total public works	1,595,335	1,605,935	1,555,992	49,943	1,501,102
Culture and recreation					
Parks	157,513	179,513	172,562	6,951	148,201
Veteran's park	50,086	59,086	58,987	99	51,967
Leisure activities	35,350	36,350	36,119	231	37,584
Total culture and recreation	242,949	274,949	267,668	7,281	237,752

City of Lake Geneva, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES AND OTHER FINANCING USES
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget		Actual	Variance	2017 Actual
	Original	Final		Final Budget - Positive (Negative)	
Conservation and development					
Plan commission	9,000	29,000	28,123	877	19,780
Conservation and development	57,550	58,650	61,083	(2,433)	65,441
Total conservation and development	66,550	87,650	89,206	(1,556)	85,221
Total expenditures	9,431,358	9,441,358	8,869,758	571,600	8,590,805
Other financing uses					
Transfers out					
Capital Projects Fund					
Equipment replacement	-	-	800,000	(800,000)	-
Total expenditures and other financing uses	\$ 9,431,358	\$ 9,441,358	\$ 9,669,758	\$ (228,400)	\$ 8,590,805

City of Lake Geneva, Wisconsin

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special Revenue			
	Lakefront Operations	Public Library	Cemetery Operations	Tourism Commission
ASSETS				
Cash and investments	\$ 1,106,681	\$ 441,406	\$ 124,624	\$ 278,923
Restricted cash and investments	-	254,417	-	-
Receivables				
Taxes and special charges	-	471,656	150,000	-
Accounts, net	4,840	-	-	-
Total assets	\$ 1,111,521	\$ 1,167,479	\$ 274,624	\$ 278,923
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 6,624	\$ 34,364	\$ 509	\$ 67,893
Accrued and other current liabilities	2,241	3,322	4,859	-
Due to other governments	-	-	-	-
Special deposits	42,800	-	-	-
Total liabilities	51,665	37,686	5,368	67,893
Deferred inflows of resources				
Property taxes levied for subsequent year	-	471,656	150,000	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	-	658,137	-	211,030
Assigned	1,059,856	-	119,256	-
Total fund balances	1,059,856	658,137	119,256	211,030
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,111,521	\$ 1,167,479	\$ 274,624	\$ 278,923

Capital Projects			Permanent Funds		Total
Capital Improvements	Tax Incremental District No. 4	Impact Fees	Cemetery Perpetual Care	Swanson Library Endowment	
\$ 777,732	\$ 14,950	\$ 30,241	\$ 597,069	\$ -	\$ 3,371,626
-	-	-	-	126,600	381,017
-	-	-	-	-	621,656
-	-	-	-	-	4,840
<u>\$ 777,732</u>	<u>\$ 14,950</u>	<u>\$ 30,241</u>	<u>\$ 597,069</u>	<u>\$ 126,600</u>	<u>\$ 4,379,139</u>
\$ 174,618	\$ 14,950	\$ -	\$ 1,625	\$ -	\$ 300,583
-	-	-	-	-	10,422
-	-	10,665	-	-	10,665
-	-	-	-	-	42,800
<u>174,618</u>	<u>14,950</u>	<u>10,665</u>	<u>1,625</u>	<u>-</u>	<u>364,470</u>
-	-	-	-	-	621,656
-	-	-	595,444	112,980	708,424
-	-	19,576	-	13,620	902,363
<u>603,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,782,226</u>
<u>603,114</u>	<u>-</u>	<u>19,576</u>	<u>595,444</u>	<u>126,600</u>	<u>3,393,013</u>
<u>\$ 777,732</u>	<u>\$ 14,950</u>	<u>\$ 30,241</u>	<u>\$ 597,069</u>	<u>\$ 126,600</u>	<u>\$ 4,379,139</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, 2018

	Special Revenue			
	Lakefront Operations	Public Library	Cemetery Operations	Tourism Commission
REVENUES				
Taxes	\$ -	\$ 456,800	\$ 135,000	\$ 332,780
Intergovernmental	19,928	247,588	-	-
Fines and forfeits	-	17,466	-	-
Public charges for services	1,163,367	-	40,354	-
Miscellaneous	25	47,695	2,685	-
Total revenues	1,183,320	769,549	178,039	332,780
EXPENDITURES				
Current				
Health and human services	-	-	204,137	-
Culture and recreation	574,286	727,839	-	-
Conservation and development	-	-	-	212,294
Debt service	-	-	-	-
Capital outlay	-	-	3,397	-
Total expenditures	574,286	727,839	207,534	212,294
Excess of revenues over (under) expenditures	609,034	41,710	(29,495)	120,486
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Portfolio gains and losses	-	(41,817)	-	-
Transfers in	-	-	16,451	-
Transfers out	(534,034)	-	-	-
Total other financing sources (uses)	(534,034)	(41,817)	16,451	-
Net change in fund balances	75,000	(107)	(13,044)	120,486
Fund balances - January 1	984,856	658,244	132,300	90,544
Fund balances - December 31	\$ 1,059,856	\$ 658,137	\$ 119,256	\$ 211,030

Capital Projects		Permanent Funds		Total
Capital Improvements	Impact Fees	Cemetery Perpetual Care	Swanson Library Endowment	
\$ -	\$ -	\$ -	\$ -	\$ 924,580
-	-	-	-	267,516
-	-	-	-	17,466
-	20,654	9,150	-	1,233,525
1,354	1,783	35,022	-	88,564
1,354	22,437	44,172	-	2,531,651
-	-	-	-	204,137
-	-	-	691	1,302,816
-	-	-	-	212,294
1,088,044	36,197	-	-	1,127,638
1,088,044	36,197	-	691	2,846,885
(1,086,690)	(13,760)	44,172	(691)	(315,234)
500,000	-	-	-	500,000
522,361	-	-	-	522,361
-	-	(56,920)	(11,227)	(109,964)
800,000	-	-	-	816,451
-	-	(16,451)	-	(550,485)
1,822,361	-	(73,371)	(11,227)	1,178,363
735,671	(13,760)	(29,199)	(11,918)	863,129
(132,557)	33,336	624,643	138,518	2,529,884
<u>\$ 603,114</u>	<u>\$ 19,576</u>	<u>\$ 595,444</u>	<u>\$ 126,600</u>	<u>\$ 3,393,013</u>

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 23, 2019.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

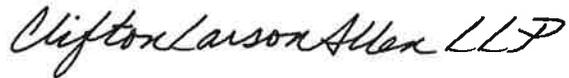
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 results 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Green Bay, Wisconsin

August 23, 2019

City of Lake Geneva, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

FINDING NO.	CONTROL DEFICIENCIES
2018-001	Segregation of Duties Repeat of Finding 2017-001
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:	

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, 2018.