

CITY OF LAKE GENEVA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2009

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GEORGE J. CUCCIA
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CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Lake Geneva
Walworth County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the City of Lake Geneva as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lake Geneva's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of Oak Hill Cemetery, Downtown Lake Geneva Business Improvement District, or Lake Geneva Utility Commission. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Oak Hill Cemetery, Downtown Lake Geneva Business Improvement District, and Lake Geneva Utility Commission is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Geneva as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures including inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake Geneva, Wisconsin basic financial statement. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Deignan & Associates, S.C.

DEIGNAN & ASSOCIATES, S.C.
CERTIFIED PUBLIC ACCOUNTANTS

Lake Geneva, Wisconsin
June 10, 2010

**CITY OF LAKE GENEVA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

As management of the City of Lake Geneva, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City of Lake Geneva for the fiscal year ended December 31, 2009.

FINANCIAL HIGHLIGHTS

- Beginning cash and investments balance for the City of Lake Geneva was \$15,151,964. Ending cash and investments balance was \$15,617,625. Beginning cash and investments balance for Utility Commission was \$3,906,687. Ending cash and investments balance was \$4,095,501. Beginning cash and investments balance for the Business Improvement District was \$55,044. Ending cash and investments balance was \$53,223. Beginning cash and investments balance for the Cemetery (including Perpetual Care funds) was \$384,489. Ending cash and investments balance was \$430,220.
- Total General Fund debt payments (principal and interest) were in the amount of \$1,008,016, a decrease of \$1,834 from the prior year.
- The assets of the City of Lake Geneva (and its governmental blended component units) exceeded its liabilities at the close of 2009 by \$45,405,151 (*net assets*). Of this amount, \$8,781,652 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors. The assets of the Utility Commission exceeded its liabilities by \$28,710,342. Of this amount, \$952,485 is restricted to meet plant and equipment replacement requirements. The unrestricted amount is \$3,259,320.
- The City's total net assets decreased by \$1,443,799, due in large part by an increase in Accumulated Depreciation. Looking at this in another way, there was more depreciation expense than there were purchases of new assets. The Utility Commission's total net assets decreased by \$260,456 due to a decrease in capital contributions.
- The General Fund had \$6,916,663 in revenue, which consisted of \$4,754,043 in property tax revenues. Expenditures for General Fund operations were \$7,948,105. Inter-fund transfers from the Parking Lots & Meters and Lakefront Funds were \$432,603 and \$244,974 respectively. These inter-fund transfers represent the budgeted transfer for support of General Fund operations as well as an additional fiscal resolution passed at the end of the year. A one-time resolution provided that an additional \$75,000 would be added to the equity in both the Parking and Lakefront Funds and the balance would be transferred to the General Fund at year end. This small increase in equity each year is meant to continue into future years, which ensures solvency and makes funds available in case of an emergency in these two special revenue areas.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,856,169, an increase of \$99,767 from the prior year. Approximately 30.3% is available for spending at the government's discretion (*unreserved, undesignated fund balance*).
- The City purchased the WE Energies property at 120 Sheridan Springs Road for \$453,642. Part of the purchase was for the road right of way to complete the Edwards Boulevard extension to Interchange North. If the City were to sell the remaining property, the proceeds would go back into the unreserved fund balance.

- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$1,900,895, which is 24.2% of its annual budget. In 2008, unreserved, undesignated fund balance was \$2,406,618, which is 32.8% of its annual budget. The acceptable range of unreserved, undesignated fund balance is between 20% - 25%.
- Tax Increment Districts (TID) #3 & #4 revenues totaled \$2,913,241 and expenditures totaled \$2,155,125 in 2009. In May 2009, TID #3 was closed and the remaining fund balance of \$466,812 was paid back to the taxing jurisdictions.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government (administration, legal), public safety (Police, Fire and Emergency Government), streets and sanitation (DPW & Parks), economic development, and culture and recreation. The business-type activities of the City are in the component units, as discussed above, and include the Water Utility and the Wastewater Treatment Facility.

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 or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, 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 government'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 maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the Tax Increment Financing Districts #3 and #4 and the capital projects funds; all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all of its funds (component units are excluded here), complying with Wisconsin Statute 65.90. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City reports only one kind of proprietary fund. Enterprise funds are used to report the same functions present as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Water Utility and the Wastewater Treatment Facility operations and they both are considered to be major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City has two such funds, which are the Tax Collections and the Municipal Court Bond funds. 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 much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget to actual revenue and expenditure activity for the general fund and describes certain budgetary items as well.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lake Geneva, the net assets are \$45,405,151 as of December 31, 2009. This represents a decrease over year-end 2008 figures of \$1,443,799. This is related to a large decrease in the total cost of infrastructure assets relative to the large increase in accumulated depreciation.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are 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.

CITY OF LAKE GENEVA'S NET ASSETS

	GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2009	2008	2009	2008	2009	2008
Current & Other Assets	\$ 20,049,850	\$ 20,397,492	\$ 5,125,434	\$ 4,904,666	\$ 25,175,284	\$ 25,302,158
Capital Assets	41,413,830	43,181,705	24,894,374	25,362,611	66,308,204	68,544,316
Total Assets	\$ 61,463,680	\$ 63,579,197	\$ 30,019,808	\$ 30,267,277	\$ 91,483,488	\$ 93,846,474
Long-Term Liabilities	\$ 6,060,948	\$ 6,257,865	\$ 63,124	\$ 33,315	\$ 6,124,072	\$ 6,291,180
Other Liabilities	9,997,581	10,472,382	1,246,342	1,263,164	11,243,923	11,657,554
Total Liabilities	\$ 16,058,529	\$ 16,730,247	\$ 1,309,466	\$ 1,296,479	\$ 17,367,995	\$ 17,948,734
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	\$ 36,543,332	\$ 37,547,271	\$ 24,894,374	\$ 25,362,611	\$ 61,437,706	\$ 62,909,882
Restricted	80,167	82,542	556,648	952,485	636,815	1,035,027
Unrestricted	8,781,652	9,219,137	3,259,320	2,655,702	12,040,972	11,952,831
Total Net Assets	\$ 45,405,151	\$ 46,848,950	\$ 28,710,342	\$ 28,970,798	\$ 74,115,493	\$ 75,897,740

A small portion of the City's net assets (0.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$12,040,972) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a decrease of \$395,837 in restricted net assets reported in connection with the City's business-type activities due to purchases of plant and equipment. Bond ordinance and other requirements have restricted cash and investments of the sewer utility component unit for plant and equipment.

The government's total net assets decreased by \$1,704,255 during the current fiscal year. A large part of this decrease is attributable to the decrease in the book value of the infrastructure assets.

Governmental Activities. Governmental activities decreased the City's net assets by \$1,443,799. Key elements of this decrease are as follows:

**CITY OF LAKE GENEVA
CHANGES IN NET ASSETS**

	Government Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,370,682	\$ 2,431,283	\$ 2,499,261	\$ 2,520,296	\$ 4,869,943	\$ 4,951,579
Op Grants & Contributions	226,600	288,764	-	-	226,600	288,764
Capital Grants & Contributions	953,592	936,440	74,194	482,994	1,027,786	1,419,434
General Revenues:						
Property Taxes	7,866,397	7,371,847	-	-	7,866,397	7,371,847
Other Taxes	1,468,254	1,530,244	-	-	1,468,254	1,530,244
Other General Revenues	691,376	530,622	68,102	152,925	759,478	683,547
Total Revenues	\$ 13,576,901	\$ 13,089,200	\$ 2,641,557	\$ 3,156,215	\$ 16,218,458	\$ 16,245,415
Expenses:						
General Government	\$ 3,000,130	\$ 2,381,544	\$ -	\$ -	3,000,130	2,381,544
Public Safety	4,168,507	3,831,669	-	-	4,168,507	3,831,669
Public Works	5,469,940	5,910,161	-	-	5,469,940	5,910,161
Health & Human Services	394,667	371,961	-	-	394,667	371,961
Culture, Recreation & Education	1,533,323	1,627,667	-	-	1,533,323	1,627,667
Conservation & Development	217,718	189,534	-	-	217,718	189,534
Interest/Issuance Costs on	-	-	-	-	-	-
Long-Term Debt	236,415	268,969	-	-	236,415	268,969
Water	-	-	1,190,118	1,115,433	1,190,118	1,115,433
Sewer	-	-	1,520,081	1,476,062	1,520,081	1,476,062
Total Expenses	\$ 15,020,700	\$ 14,581,505	\$ 2,710,199	\$ 2,591,495	\$ 17,730,899	\$ 17,173,000
Increase (Decrease) in Net Assets						
Before Transfers	(1,443,799)	(1,492,305)	(68,642)	564,720	(1,512,441)	(927,585)
Transfers	-	-	(191,814)	(350,112)	-	(350,112)
Increase (Decrease) in Net Assets	(1,443,799)	(1,492,305)	(260,456)	214,608	(1,512,441)	(1,277,697)
Net Assets - 1/1/09	46,848,950	48,341,255	28,970,798	28,756,190	75,819,748	77,097,445
Net Assets - 12/31/09	\$ 45,405,151	\$ 46,848,950	\$ 28,710,342	\$ 28,970,798	\$ 74,307,307	\$ 75,819,748

The tax levy increased slightly. The mill rate (per \$1,000 of assessed value) increased from \$5.28 in 2008 to \$5.32 in 2009. Levy limits were again imposed by the state; the maximum increase allowed was the greater of 3% growth applied to the 2008 levy or net new construction percentage, which was 3.661%.

The TID tax increments also had an increase of \$193,205, due to the increase in equalized values of properties within the two districts.

Business-type activities. Business-type activities decreased the City's net assets by \$260,456. Key elements of this increase are as follows:

Capital grants & contributions decreased \$292,914. Contributions in the water utility decreased from \$161,468 to \$15,210, and contributions in the sanitary sewer fund went from \$321,526 to \$58,984.

Charges for services decreased by 0.9% or \$21,035. Revenues for the water utility went up by \$12,926 while revenues for the sanitary sewer fund went down \$33,961.

Operating expenses increased by \$108,460 or 4.2%. Expenses for the water utility increased by \$74,588 and expenses for the sanitary sewer went up by \$33,872.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Lake Geneva uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's government funds reported combined ending fund balances of \$10,856,169, an increase of \$99,767 in comparison with the prior year. Almost one third, or 30.3% of this total amount \$3,284,786 constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of prior period, \$7,131,631, 2) to generate income to pay for the perpetual care of the cemetery, \$359,585, or 3) for a variety of other restricted purposes, \$80,167.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$1,900,895, while total fund balance reached \$2,236,189. As a measure of the general fund's liquidity it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 33% of total general fund expenditures, while total fund balance represents 36.9% of that same amount.

The fund balance of the City's general fund decreased by \$353,865 during the current fiscal year. The key factor in this decrease is the general funds portion of the purchase of the WE Energies property for \$284,434.

Proprietary funds. The City of Lake Geneva's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Utility Commission at the end of the year amounted to \$3,259,320 or \$603,618 more than the prior year. The total net assets decreased by \$260,456, as stated previously. Other factors concerning the finances of the Utility Commission have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$498,873 increase in appropriations between the original and final amended budget. The following are the main components of the increase:

\$291,188 increase in appropriations in the Purchase of Real Estate budget due to two property purchases in 2009.

\$60,486 increase in appropriations in the Tax Refunds budget to cover the settlement of the Walgreens assessment lawsuit.

\$95,570 increase in appropriation to the Health & Other Benefits budgets to fund overages in health claims and disability premiums.

The increase was possible because of additional anticipated revenues of \$168,787 and the application of the contingency budget of \$93,255 with the remainder reducing undesignated fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2009 declined by \$2,236,112 (net of accumulated depreciation). Investments in capital assets includes land, buildings and system improvements (including water and sewer), machinery and equipment, park facilities and roads, highways and bridges, which are considered infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was \$1,767,875 or 4.1%. The Water Utility decreased their investment in capital assets by \$230,316 or 1.9%. The Wastewater Treatment Facility decreased their investment in capital assets by \$237,921 or 1.8%.

Major capital asset events during the current fiscal year included the following:

- Police squad cars and equipment purchased totaling \$164,583.
- Furnace replacement purchased for the Library costing \$24,195.
- MSI accounting software purchased for \$50,591.
- John Deere tractor/loader purchased for Cemetery for \$15,157.
- Street sweeper purchased for \$156,858.
- Stump cutter was purchased for \$47,250.
- Dunn field parking lot was finished at a cost of \$564,524.
- A variety of street resurfacing projects were also completed during 2009.
- Two one-ton dump trucks were purchased for \$57,126 each.
- Work continued on the Main Street bridge and Edwards Boulevard projects.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,823,498. This entire amount is considered debt backed by the full faith and credit of the government. At the end of 2008, the City had bonded debt outstanding of \$6,587,434.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total equalized valuation. The current debt limitation for the City of Lake Geneva is \$68,568,215, which is significantly in excess of the City's outstanding general obligation debt. The City has a policy which limits the amount to 4% of its total equalized valuation. That limitation is \$54,854,572 and still far exceeds the amount of outstanding general obligation debt of 5,823,498.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City of Lake Geneva's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, Dennis Jordan, at 262-248-3673 or by mail at 626 Geneva Street, Lake Geneva, WI 53147.

CITY OF LAKE GENEVA
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Primary Government		Total
	Governmental Activities	Business Type Activities	
<u>ASSETS</u>			
Cash and investments	\$ 11,027,009	\$ 2,904,804	\$ 13,931,813
Receivables	8,790,328	1,055,200	9,845,528
Internal balances	120,770	(120,770)	-
Inventories		72,622	72,622
Prepaid expenses	85,167	606	85,773
Due from other governments		701	701
Deferred charges	15,971	21,574	37,545
Bond issuance costs	10,605		10,605
Restricted assets:			
Cash and investments		1,190,697	1,190,697
Property held for future use		197,158	197,158
Capital assets not being depreciated	4,149,667	765,749	4,915,416
Capital assets being depreciated	37,264,163	23,931,467	61,195,630
Total Assets	<u>61,463,680</u>	<u>30,019,808</u>	<u>91,483,488</u>
<u>LIABILITIES</u>			
Accounts payable	654,021	77,739	731,760
Accrued payroll	124,026		124,026
Deposits	58,100		58,100
Unearned revenue	8,330,958	534,554	8,865,512
Accrued interest payable	74,820		74,820
Premium on bond issue	11,449		11,449
Liabilities payable from restricted assets		634,049	634,049
Noncurrent liabilities:			
Due within one year	744,207		744,207
Due in more than one year	5,079,291		5,079,291
Post employment benefits	760,500	35,056	795,556
Vested compensated absences	221,157	28,068	249,225
Total Liabilities	<u>16,058,529</u>	<u>1,309,466</u>	<u>17,367,995</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	36,543,332	24,894,374	61,437,706
Restricted	80,167	556,648	636,815
Unrestricted	8,781,652	3,259,320	12,040,972
Total net assets	<u>45,405,151</u>	<u>28,710,342</u>	<u>74,115,493</u>
Total liabilities and net assets	<u>\$ 61,463,680</u>	<u>\$ 30,019,808</u>	<u>\$ 91,483,488</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF LAKE GENEVA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business Type Activities	Totals
Program Activities						
Governmental Activities						
General government	\$ 3,000,130	\$ 21,210	\$ -	\$ (992,794)	\$	\$ (992,794)
Public safety	4,168,507	48,065	30,818	(3,844,499)		(3,844,499)
Public works	5,469,940	157,325	678,041	(4,538,296)		(4,538,296)
Health and human services	394,667		35,031	(359,636)		(359,636)
Culture, recreation and education	1,533,323		209,702	(1,295,278)		(1,295,278)
Conservation and development	217,718			(202,908)		(202,908)
Interest on long term debt	233,287			(233,287)		(233,287)
Amortization of bond issuance costs	3,129			(3,129)		(3,129)
Total governmental activities	<u>15,020,700</u>	<u>226,600</u>	<u>953,592</u>	<u>(11,469,826)</u>		<u>(11,469,826)</u>
Business-type activities						
Water Utility	1,190,118		15,210		157,784	157,784
Sanitary Sewer	1,520,081		58,984		(294,528)	(294,528)
Total Business-type activities	<u>2,710,199</u>	<u>-</u>	<u>74,194</u>	<u>-</u>	<u>(136,744)</u>	<u>(136,744)</u>
Total primary government	<u>17,730,899</u>	<u>226,600</u>	<u>1,027,786</u>	<u>(11,469,826)</u>	<u>(136,744)</u>	<u>(11,606,570)</u>
General revenues:						
Taxes						
Property taxes, levied for general purposes				3,965,789		3,965,789
Property taxes, levied for debt service				998,080		998,080
Property taxes, levied for TIF				2,772,528		2,772,528
Property taxes, levied for capital projects				130,000		130,000
Other taxes				1,468,254		1,468,254
Investment income				270,109	68,102	338,211
Special assessments				-		-
Loss on disposal of fixed assets				-		-
Miscellaneous				421,267	(191,814)	421,267
Transfers				-	(123,712)	(191,814)
Total General Revenue and Transfers				<u>10,026,027</u>	<u>(123,712)</u>	<u>9,772,315</u>
Change in Net Assets				(1,443,799)	(260,456)	(1,704,255)
Net Assets - Beginning of Year as restated				46,848,950	28,970,798	75,819,748
Net Assets - End of Year				<u>\$ 45,405,151</u>	<u>\$ 28,710,342</u>	<u>\$ 74,115,493</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF LAKE GENEVA
BALANCE SHEET-GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	ASSETS AND OTHER DEBITS						
	General Fund	Debt Service Fund	Capital Projects Tax Increment District 3	Capital Projects Tax Increment District 4	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 20,650	\$ -	\$ -	\$ 9,387,077	\$ 532,300	\$ 1,086,982	\$ 11,027,009
Taxes receivable	6,026,696			2,061,150		268,800	8,356,646
Accounts receivable	394,375					30,007	424,382
Delinquent personal property taxes	9,100						9,100
Special assessments	15,971						15,971
Advance to other funds				8,489		966,133	4,102,585
Due from other funds	3,127,963					5,000	85,167
Prepayments	80,167						
Total Assets and Other Debits	\$ 9,675,122	\$ -	\$ -	\$ 11,456,716	\$ 532,300	\$ 2,356,922	\$ 24,021,060
LIABILITIES							
Accounts payable	\$ 350,680			\$ 141,864	\$ 82,259	\$ 79,218	\$ 654,021
Accrued payroll	108,141					15,885	124,026
Advance from other funds							
Due to other funds	966,133	53,895		2,754,670	115,209	91,908	3,981,815
Deferred revenue	5,998,008			2,061,150		271,800	8,330,958
Deposits						58,100	58,100
Deferred special assessments	15,971						15,971
Total Liabilities	7,438,933	53,895	-	4,957,684	197,468	516,911	13,164,891
FUND EQUITY AND OTHER CREDITS							
Fund Balances:							
Reserved for:							
Debt service						359,585	359,585
Perpetual care							
Prepayments							
Unreserved	80,167						80,167
Designated	255,127					42,640	7,131,631
Undesignated	1,900,895	(53,895)		6,499,032	334,832	1,437,786	3,284,786
Total Fund Equity and Other Credits	2,236,189	(53,895)	-	6,499,032	334,832	1,840,011	10,856,169
Total Liabilities, Fund Equity and Other Credits	\$ 9,675,122	\$ -	\$ -	\$ 11,456,716	\$ 532,300	\$ 2,356,922	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.
Some liabilities, including long term debt, are not due and payable in the current period and therefore are not reported in the funds.
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds.
Amortization of bond issuance costs and premiums are not reported in governmental funds

Net Assets of Governmental Funds
\$ 45,405,151

See Accompanying Notes to Basic Financial Statements.

CITY OF LAKE GENEVA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Debt Service Fund	Capital Projects Tax Increment District 3	Capital Projects Tax Increment District 4	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 4,754,043	\$ 998,080	\$ 872,346	\$ 1,900,182	\$ 130,000	\$ 680,000	\$ 9,334,651
Special assessments	-						-
Intergovernmental	956,015		4,785	2,465		216,927	1,180,192
Licenses and permits	247,413					7,737	255,150
Fines and forfeitures	226,606					66,446	293,052
Charges for services	312,791					1,509,689	1,822,480
Commercial	419,795			133,463	5,644	39,084	597,986
Total Revenues	6,916,663	998,080	877,131	2,036,110	135,644	2,519,883	13,483,511
EXPENDITURES							
Current:							
General government	2,536,721						2,536,721
Public safety	3,543,144						3,543,144
Public works	1,284,771					228,214	1,512,985
Health and human services	156,200					221,153	377,353
Culture, recreation and education	209,551					1,241,184	1,450,735
Conservation and development	217,718						217,718
Capital outlay			410,319	1,744,806	658,542	16,795	2,830,462
Debt service:							
Principal retirement		763,935					763,935
Interest		244,081					244,081
Bond issue costs							-
Total Expenditures	7,948,105	1,008,016	410,319	1,744,806	658,542	1,707,346	13,477,134
Excess of Revenues Over (Under) Expenditures	(1,031,442)	(9,936)	466,812	291,304	(522,898)	812,537	6,377
OTHER FINANCING SOURCES (USES)							
Realized and unrealized investment losses and fees, net of investment income						93,390	93,390
Operating transfers in	677,577			8,489		12,199	698,265
Operating transfers out	-					(698,265)	(698,265)
Total Other Financing Sources (Uses)	677,577	-	-	8,489	-	(592,676)	93,390
Net change in Fund Balances	(353,865)	(9,936)	466,812	299,793	(522,898)	219,861	99,767
Fund Balances -							
January 1, 2009 as restated	2,590,054	(43,959)	(466,812)	6,199,239	857,730	1,620,150	10,756,402
Fund Balances - December 31, 2009	\$ 2,236,189	\$ (53,895)	\$ -	\$ 6,499,032	\$ 334,832	\$ 1,840,011	\$ 10,856,169

See Accompanying Notes to Basic Financial Statements.

CITY OF LAKE GENEVA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net change in fund balances - total governmental funds \$ 99,767

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$4,352,533) exceeded capital outlays (\$2,584,658) in the current period. (1,767,875)

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of the differences in the treatment of long-term debt. 763,935

Certain expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in the governmental funds

Accrued interest not reflected in Governmental funds	10,794
Compensated absences not reflected in Governmental funds	(33,023)
Post employment benefits	(514,268)
Amortization of bond issuance costs and bond premium	<u>(3,129)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (1,443,799)

CITY OF LAKE GENEVA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

ASSETS	Business-type Activities		
	Water Utility	Sanitary Sewer	Totals Enterprise Funds
CURRENT ASSETS			
Cash and cash equivalents	\$ 20,592	\$ 560,811	\$ 581,403
Temporary investments	1,350,851	972,550	2,323,401
Customer accounts receivable	204,205	236,569	440,774
Other accounts receivable	24,422	15,437	39,859
Prepaid expenses and deposits	606	-	606
Due from other funds	110,262	8,471	118,733
Due from other governments	701	-	701
Inventories	72,622	-	72,622
Other deferred debits	17,008	4,566	21,574
Total Current Assets	<u>1,801,269</u>	<u>1,798,404</u>	<u>3,599,673</u>
NONCURRENT ASSETS			
Restricted assets - cash and cash equivalents			
Impact fees	136,930	497,119	634,049
Plant and equipment replacement	-	556,648	556,648
Special assessments	18,362	556,205	574,567
Capital Assets			
Land	131,241	634,508	765,749
Utility plant	16,976,450	19,304,923	36,281,373
Property held for future use	197,158	-	197,158
Accumulated depreciation	(5,438,526)	(6,911,380)	(12,349,906)
Total capital assets, net	<u>11,866,323</u>	<u>13,028,051</u>	<u>24,894,374</u>
Total Assets	<u>13,822,884</u>	<u>16,436,427</u>	<u>30,259,311</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	22,500	52,827	75,327
Due to other funds	239,503	-	239,503
Liabilities payable from restricted assets			
Customer advances for construction	136,930	497,119	634,049
Other current liabilities	2,412	-	2,412
Total current liabilities	<u>401,345</u>	<u>549,946</u>	<u>951,291</u>
NONCURRENT LIABILITIES			
Vested compensated absences	17,120	10,948	28,068
Other post employment benefits	18,341	16,715	35,056
Other deferred credits	92,696	441,858	534,554
Total noncurrent liabilities	<u>128,157</u>	<u>469,521</u>	<u>597,678</u>
Total liabilities	<u>529,502</u>	<u>1,019,467</u>	<u>1,548,969</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,866,323	13,028,051	24,894,374
Restricted	-	556,648	556,648
Unrestricted	1,427,059	1,832,261	3,259,320
Total net assets	<u>13,293,382</u>	<u>15,416,960</u>	<u>28,710,342</u>
Total Liabilities and Net Assets	<u>\$ 13,822,884</u>	<u>\$ 16,436,427</u>	<u>30,259,311</u>

The accompanying notes are an integral part of the financial statements

CITY OF LAKE GENEVA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business Type Activities Enterprise Funds		
	Water Utility	Sanitary Sewer	Total Enterprise Funds
OPERATING REVENUES	\$ 1,332,692	\$ 1,166,569	\$ 2,499,261
OPERATING EXPENSES			
Operation and maintenance	784,039	963,361	1,747,400
Depreciation	383,005	516,634	899,639
Taxes	22,928	22,735	45,663
Total Operating Expenses	1,189,972	1,502,730	2,692,702
Net Operating Income (Loss)	142,720	(336,161)	(193,441)
NONOPERATING REVENUES (EXPENSES)			
Investment income (loss)	23,386	44,716	68,102
Interest on long-term debt	(146)		(146)
Contribution to city library		(1,255)	(1,255)
Contribution to city museum development		(16,096)	(16,096)
Total Nonoperating Revenues (Expenses)	23,240	27,365	50,605
Income (loss) before contributions and transfers	165,960	(308,796)	(142,836)
Capital contributions	15,210	58,984	74,194
Transfers from City	40,200		40,200
Transfers to City	(232,014)	-	(232,014)
Change in Net Assets	(10,644)	(249,812)	(260,456)
Net Assets - January 1, 2009	13,304,026	15,666,772	28,970,798
Net Assets - December 31, 2009	\$ 13,293,382	\$ 15,416,960	\$ 28,710,342

The accompanying notes are an integral part of the financial statements

CITY OF LAKE GENEVA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business Type Activities		Total Enterprise Funds
	Water Utility	Sanitary Sewer	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,331,827	\$ 1,182,900	\$ 2,514,727
Receipts from municipality	241,734	2,160	243,894
Payments to suppliers	(501,526)	(749,558)	(1,251,084)
Payments to employees	(319,014)	(294,266)	(613,280)
Payments to municipality	(110,963)	(169,714)	(280,677)
Net cash provided by operating activities	642,058	(28,478)	613,580
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Tax equivalent paid to City of Lake Geneva	(232,014)	-	(232,014)
Transfer from City	40,200	-	40,200
Net cash used for noncapital financing activities	(191,814)	-	(191,814)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(185,150)	(252,253)	(437,403)
Principal payments on long-term debt	(9,504)	-	(9,504)
Interest payments on long-term debt	(146)	-	(146)
Contribution to city museum development	-	(16,096)	(16,096)
Contribution to city library	-	(1,255)	(1,255)
Salvage	6,000	-	6,000
Special assessment collections	-	30,027	30,027
Capital contributions received	15,210	58,984	74,194
Customer advances for construction	16,715	36,413	53,128
Net cash used for capital and related financing activities	(156,875)	(144,180)	(301,055)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	23,386	44,716	68,102
Purchase of long-term investments	(1,000,000)	(180,659)	(1,180,659)
Redemption of long-term investments	187,308	-	187,308
Net Cash Provided by Investing Activities	(789,306)	(135,943)	(925,249)
Net Increase (Decrease) in Cash and Cash Equivalents	(495,937)	(308,601)	(804,538)
Cash at Beginning of Year	880,865	2,132,520	3,013,385
Cash at End of Year	\$ 384,928	\$ 1,823,919	\$ 2,208,847

The accompanying notes are an integral part of the financial statements

CITY OF LAKE GENEVA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business Type Activities Enterprise Funds		Total Enterprise Funds
	Water Utility	Sanitary Sewer	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 142,720	\$ (336,161)	\$ (193,441)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	383,005	516,634	899,639
Depreciation charged to sewer department	26,461	(26,461)	-
Changes in operating assets and liabilities			
Customer and other accounts receivable	(21,805)	16,331	(5,474)
Receivable from municipality	(44,484)	(6,311)	(50,795)
Due from other governments	(701)		(701)
Due from sewer utility	134,782	-	134,782
Materials and supplies	(2,589)	-	(2,589)
Prepaid expenses	2,223	163	2,386
Other deferred debits	(14,955)	(4,566)	(19,521)
Accounts payable	(16,307)	(11,877)	(28,184)
Due to water utility	-	(134,782)	(134,782)
Taxes accrued	14,713	-	14,713
Other current liabilities	(2,429)	-	(2,429)
Accrued compensated absences	2,143	186	2,329
Other post employment benefits	18,341	16,715	35,056
Other deferred credits	20,940	(58,349)	(37,409)
Net Cash Provided by Operating Activities	<u>642,058</u>	<u>(28,478)</u>	<u>613,580</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS			
Cash and working funds reported in current assets	\$ 20,592	\$ 560,811	\$ 581,403
Temporary cash investments reported in current assets	1,350,851	972,550	2,323,401
Cash and investments reported in restricted assets	136,930	1,053,767	1,190,697
Total cash and investments	<u>1,508,373</u>	<u>2,587,128</u>	<u>4,095,501</u>
Less: temporary cash investments reported in current assets but not categorized as cash equivalents	<u>(1,123,445)</u>	<u>(763,209)</u>	<u>(1,886,654)</u>
Cash and cash equivalents - end of year	<u>\$ 384,928</u>	<u>\$ 1,823,919</u>	<u>\$ 2,208,847</u>

Non-Cash Investing, Capital And Financing Activities

There were no contributions from developers during 2009.

The accompanying notes are an integral part of the financial statements

CITY OF LAKE GENEVA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009

	Tax Collection Fund	Court Bond Fund	Totals
ASSETS			
Cash and investments	\$ 5,020,940	\$ 53,119	\$ 5,074,059
Taxes receivable	18,927,349		18,927,349
Total Assets	<u>23,948,289</u>	<u>53,119</u>	<u>24,001,408</u>
LIABILITIES			
Due to other governments	23,948,289		23,948,289
Court bonds held		53,119	53,119
Total Liabilities	23,948,289	53,119	24,001,408
FUND BALANCES			
Reserved			
Total Liabilities and Fund Balances	<u>\$ 23,948,289</u>	<u>\$ 53,119</u>	<u>\$ 24,001,408</u>

See Accompanying Notes to Basic Financial Statements.

CITY OF LAKE GENEVA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Lake Geneva conform to generally accepted accounting principles applicable to governmental units

A. Reporting Entity

This report includes all of the funds of the City of Lake Geneva (the "City"). The reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organizations fiscally dependent of the primary government. Blended component units, although legally separate entities, are, in substance, part of the governments operations and are reported with similar funds of the primary government.

Blended Component Units

The Lake Geneva Utility Commission

The Lake Geneva Utility Commission provides water and sewer service to properties within and around the City of Lake Geneva and is managed by a commission appointed by the City of Lake Geneva. The City's Mayor and two aldermen serve on the Commission. Five council members constitute a voting majority on the city council. This is presented as a proprietary fund type. The Utility Commission's financial statements have been presented as a blended entity in the basic financial statements.

Oak Hill Cemetery

The Oak Hill Cemetery Commission is responsible for the day-to-day operations of the City Cemetery. Operations are financed primarily through general property taxes from the City of Lake Geneva. A three-member commission appointed by the City's Mayor and a City council liaison member operates the Cemetery. This is presented as a governmental fund type. The Oak Hill Cemetery Commission's financial statements have been presented as a blended entity in the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Downtown Lake Geneva Business Improvement District

The Downtown Lake Geneva Business Improvement District (“BID”) was established to maintain and promote the area within its designated boundaries. The District finances its operations through assessments on the City’s tax levies. The City advances funds to the District when costs are in excess of available funds. This is presented as a governmental fund type. The Downtown Lake Geneva Business Improvement District financial statements have been presented as a blended entity in the basic financial statements.

B. Government-wide Financial Statements

“Government-wide” financial statements are basic financial statements required for all governmental units. The statement of net assets and the statement of activities are the two required statements. Both statements are prepared on the full accrual basis. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds in the government-wide financial statements are reported as business-type activities or governmental activities. The definitions for these types of activities are discussed in other portions on Note 1.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the new standard concentrates on major funds versus nonmajor funds.

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expense to functions in the statement of activities. 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 or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements

Financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are identified as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

Major Governmental Funds

General Fund – Accounts for the City’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – Accounts for resources accumulated and payments made for principal and interest on long-term debt other than enterprise fund debt.

Capital Improvements Capital Projects Fund – Accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects.

Capital Projects Tax Increment District 3 & 4 Funds – Accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects within the City’s Tax Increment Districts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Major Enterprise Funds

Enterprise funds are used to account for operations a) that are financed and operated in a manner similar to private business enterprise – where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or b) where the governing body has decided that periodic determination of revenues earned, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following enterprise funds are included in these statements:

Water Utility – Accounts for Operations of the Water System
Sanitary Sewer – Accounts for Operations of the Sewer System

The City reports the following nonmajor governmental funds:

Non-Major Governmental Funds

Special Revenue Funds – Used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes:

Parking Meters/Lots
Lakefront Operations
Cemetery Operations
Public Library
Business Improvement District

Capital Projects Funds – Used to account for the proceeds of debt and other sources for the acquisition or construction of equipment and/or capital facilities or improvements.

Impact Fees

In addition, the City reports the following fund types:

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The City reports the Subsequent Years Tax Roll Collections and Municipal Court Funds as Agency Funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

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 wastewater utilities, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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 are recorded when the related fund liability is incurred, except for unmaturing interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available, are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments, and interest. Other general revenues such as fines such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The City reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The proprietary funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989. The 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 Water and Sanitary Sewer Utilities are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Cash, Cash Equivalents, and Investments

Cash and investments also include amounts in non-interest and interest bearing deposits and local government pooled investment funds. They are stated at cost, which approximates fair value.

For purposes of the statement of cash flows, cash equivalents are temporary cash investments with a maturity of three months or less at the date of purchase. Cash and cash equivalents on the statement of cash flows include cash, investments, and restricted cash and investments presented on the balance sheet. For the cemetery perpetual care fund, cash and cash equivalents consist only of cash in checking.

E. Receivables

Property taxes are levied prior to the end of the calendar year and are due and collectible in the following year. Property taxes are levied on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units in the accompanying agency fund balance sheet.

Property tax calendar – 2009 tax roll

Levy date	December 2009
Real estate tax collection due dates:	
Payment in full or	January 31, 2010
First installment due	January 31, 2010
Second installment due	July 31, 2010
Personal property taxes in full	January 31, 2010
Tax sale – 2009 delinquent real estate taxes	September, 2012

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

During the course of operations, numerous transactions occur between individual funds and/or between the primary government and component units for goods provided or services rendered. These receivables and payables are classified as due from/to other funds, component units, or primary government on the balance sheet as appropriate. See Note 10.

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve to demonstrate that portion of fund equity is not available for appropriation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Budgetary Information

The City's budget is adopted in accordance with Chapter 65 of the Wisconsin Statutes. The budgetary information included in the accompanying financial statements is comprised of the originally approved budget plus or minus approved revisions of budgeted revenues and expenditures. Changes to appropriations authorized in the original budget generally require a vote of two-thirds of the entire membership of the governing body. Management control of the budgetary process has been established at the departmental level of expenditure. A department can be a fund, cost center, program, or other activity for which control of expenditures is considered desirable.

G. Inventories

Inventory of the water and sewer utility is generally used in the operation and maintenance of the utility. The inventories are valued at cost (first-in, first-out method), which is not in excess of market value. In governmental funds, inventory items such as materials and supplies, are accounted for under the purchases method, which provides that expenditures are recognized when the inventory item is purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

Government Wide Statements – In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$700 and an estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed funds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Depreciation of all depreciable fixed assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20-50 Years
Land Improvements	10-50 Years
Machinery and Equipment	5-50 Years
Furniture and Fixtures	5-15 Years
Infrastructure	5-40 Years

Fund Financial Statements – In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

I. Equity Classifications

Government-wide Statements

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

Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, reduced by unexpended debt proceeds.

Restricted Net Assets – Consists of net assets with constraints placed on the use either 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 Assets – All other net assets that do not meet the definition of “restricted” of “invested in capital assets, net of related debt”.

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.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of the unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by external parties or City resolutions or ordinances. Current liabilities payable from these restricted assets are so classified.

K. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary type financial statements, debt issuance costs are deferred and amortized over the term of the debt.

L. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face-value of debts is reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

M. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were not significant claims or judgments at year end.

N. Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, rather it is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Bonds and notes payable	\$ 5,823,498
Amortization of bond issuance costs and premiums	844
Compensated absences	
Deferred special assessments	(15,971)
Post employment benefits	760,500
Accrued interest payable	<u>74,820</u>
Combined Adjustment for Long-term Liabilities	<u>\$ 6,643,691</u>

NOTE 2 - CASH AND INVESTMENTS

State statutes restrict investment of City funds. Permitted investments for the City include any of the following.

Interest bearing deposits maturing within three years in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to do business in Wisconsin.

Bonds or securities issued or guaranteed by the federal government and its agencies.

The Wisconsin Local Government Investment Pool.

Bonds or securities of any county, city, drainage district, technical college district, city, town, or school district of this state.

Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by a nationally recognized rating agency or if that security is senior to, or on parity with, a security of the same issuer which has such a rating.

Repurchase agreements with public depositories, if federal bonds or securities secure the agreement.

Securities of open-end management companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds or securities issued by the federal government or a commission, board or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds and securities.

Bonds issued by a local exposition district.

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Bonds issued by the University of Wisconsin Hospitals and Clinics Authority.

Bonds issued by a local professional baseball park district.

Bonds or securities issued under the authority of the municipality, whether the bonds or securities create a general municipal liability or a liability of the property owners of the municipality for special improvements, and may sell or hypothecate these bonds or securities.

Bonds issued by a local cultural arts district,

Securities of an open-end management investment company or investment trust, subject to various conditions and investment options,

Repurchase agreements with public depositories, with certain conditions.

The City's cash and investments are categorized to give an indication of the level of risk assumed by the City at year end.

For deposits, the bank balance is categorized as follows:

Category 1: Insured or collateralized with securities held by the City or its agent in the City's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty, or its' trust department or agent but not in the City's name.

DEPOSITS	Category		Bank Balance	Carrying Amount
	1	2		
Area Banks:				
Demand Deposits	\$ 97,171	\$ 23,800	\$ 120,971	\$ 113,408
Time and Saving Deposits	3,527,850	4,055,198	7,583,048	7,560,337
Total Deposits	<u>\$ 3,625,021</u>	<u>\$ 4,078,998</u>	<u>\$ 7,704,019</u>	7,673,745
Petty Cash				4,005
Subtotal				<u>7,677,750</u>
Local Governmental Investment Pool				7,673,054
Total Cash				<u>\$ 15,350,804</u>

The State and Local Government Investment Pool is not susceptible to being classified by risk category, and is not required to be classified by GASB Statement 3. The carrying value approximates fair value.

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

The Wisconsin Local Governmental Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2009, the fair value of the City's Share of LGIP assets was substantially equal to the amount reported above.

Investments in the LGIP were covered by a surety bond issued by the Financial Security Assurance, Inc. The bond insured against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provided unlimited coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund insurance and income on the investment during the calendar quarter a loss occurs. This coverage was terminated in February of 2009.

Investment of most trust funds, including cemetery perpetual care funds, is regulated by Section 881.01 of the Wisconsin Statutes. Investment of library trust funds is regulated by Section 112.10 of the Wisconsin Statutes. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures. Library investments identified in the investment schedule are protected by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including up to \$100,000 in cash in the event of the firm's liquidation.

Deposits in local and area banks are insured by the FDIC in the amount of \$250,000 per bank for demand deposits and \$250,000 per bank for time and saving deposits. Non-interest bearing accounts have unlimited coverage from the FDIC through December 31, 2010. The City also utilizes Certificate of Deposit Account Registry Service (CDARS) to minimize their exposure to credit risk. By investing in CDARS, the City is able to insure the monies invested in CDARS fully with FDIC Insurance. All City investments are insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses of the pool may not be significant to individual municipalities. This investment insurance coverage applies to the City's total investments, except for its legally separate component units, who are provided with their own FDIC insurance. Insured deposits in the above table include amounts covered by FDIC as well as the State Deposit Guarantee Fund.

Uninsured deposits at certain times during the year exceed the year-end uninsured balance due primarily to the collection and deposit of taxes prior to settlement with the overlying taxing districts. There were no investments made during the year of a type that were not owned by the City at year end.

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

	City Government	Lake Geneva Utility Commission	Business Improvement District	Oak Hill Cemetery	Total	Risk
Petty Cash	\$ 4,005	\$ 700	\$ -	\$ -	\$ 4,705	
Deposits						
Demand Deposits	113,408	2,890,540	53,223	73,004	3,130,175	A
Time and Saving Deposits	7,560,337	-	-	-	7,560,337	A
Total Deposits	<u>7,677,750</u>	<u>2,891,240</u>	<u>53,223</u>	<u>73,004</u>	<u>10,695,217</u>	
Investments						
Money Market	7,985	-	-	165,902	173,887	B
Stocks	65,607	-	-	-	65,607	B
Mutual Funds	193,229	-	-	191,314	384,543	B
Local Government Investment Pool	<u>7,673,054</u>	<u>1,204,261</u>	<u>-</u>	<u>-</u>	<u>8,877,315</u>	B
Total Investments	<u>7,939,875</u>	<u>1,204,261</u>	<u>-</u>	<u>357,216</u>	<u>9,501,352</u>	
Total Cash and Investments	<u>\$ 15,617,625</u>	<u>\$ 4,095,501</u>	<u>\$ 53,223</u>	<u>\$ 430,220</u>	<u>\$ 20,196,569</u>	

A = Custodial Risk

B = Interest Rate and Credit Risk

Cash and investments are reported in the financial statements as follows:

Unrestricted cash and investments	
Primary government	\$ 13,931,813
Restricted cash and investments	1,190,697
Fiduciary Funds	<u>5,074,059</u>
Total Cash and Investments	<u>\$ 20,196,569</u>

Custodial Risk – Deposits: Is the risk that, in the event of a financial institution failure, the City’s deposits may not be returned to the City.

Custodial Risk – Investments: Is the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk: Is the risk of fair value losses arising from rising interest rates.

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Credit Risk: Is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

As of December 31, 2009, the City's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Money Market Fund	\$ 7,985
Stocks	65,607
Mutual Funds	193,229
Local Government Investment Pool	<u>7,673,054</u>
Total Fair Value of Investments	
Subject to Interest Rate Risk	<u>\$ 7,939,875</u>

As of December 31, 2009 the City's investments were rated as follows:

<u>Investment Type</u>	<u>Investment</u>	<u>Morningstar Rating</u>
Library Mutual Funds	DFA Global 5 Year Fixed Income	3 Stars
	Vanguard Total Int; Stock Index	4 Stars
	Vanguard Short Term Bond Index	4 Stars
	DFA One Year Fixed Income	4 Stars
	DFA US Micro Cap I	3 Stars
	DFA US Small Cap Value I	3 Stars
	DFA Emerging Markets Core Equity I	4 Stars
	DFA US Large Cap Value I	3 Stars
Library Stocks	iShares S&P MidCap 400 Value Fund	Unavailable
	iShares S&P 500 Index	Unavailable
	iShares Barclays Tips Bond Fund	Unavailable
	Spdr Dow Jones Reit EFT	Unavailable

The City also had investments in the following external pool which is not rated: LGIP

In addition, the City's Library also held investments in U.S. securities that were not rated.

Concentration of Credit Risk

As of December 31, 2009, the City's investments had the following significant concentrations:

<u>Investment Type</u>	<u>Concentration %</u>
Local Government Investment Pool	96.64%

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Lake Geneva Utility Commission

	<u>Carrying Amount</u>	<u>Amounts Deposited</u>
Checking account	\$ 894,016	\$ 897,610
Saving accounts, interest-bearing checking accounts and CD's	<u>1,996,524</u>	<u>1,996,524</u>
Subtotal	2,890,540	<u><u>\$ 2,894,134</u></u>
State Local Government Investment Pool	1,204,261	
Petty Cash	700	
Totals	<u><u>\$ 4,095,501</u></u>	

Oak Hill Cemetery Commission

The cash balances of the Cemetery during the year ended December 31, 2009 consisted of deposits at a local banking institution. The balances in the Cemetery's checking accounts at December 31, 2009 were fully insured by the FDIC.

Summary information of the cemetery checking accounts follows:

	<u>Bank Balance</u>	<u>Carrying Value</u>
Cemetery Operations	\$ 73,504	\$ 70,635
Perpetual Care Fund	<u>2,369</u>	<u>2,369</u>
Total Cash in Checking Accounts	<u><u>\$ 75,873</u></u>	<u><u>\$ 73,004</u></u>

The Cemetery's investments at December 31, 2009 consisted of the following.

	<u>Cost Basis</u>	<u>Fair Value</u>
Mutual funds	207,300	191,314
Money market and flexible saving accounts	<u>165,902</u>	<u>165,902</u>
Total investments	<u><u>\$ 373,202</u></u>	<u><u>\$ 357,216</u></u>

NOTE 3 - RESTRICTED ASSETS

Bond ordinance and other requirements have restricted cash and investments of the utility commission component unit. Cash and investments have been restricted for the following purposes.

	Water Utility	Sewer Utility	Totals
Plant and equipment replacement	\$ -	\$ 556,648	\$ 556,648
Impact fees	136,930	497,119	634,049
Totals	<u>\$ 136,930</u>	<u>\$ 1,053,767</u>	<u>\$ 1,190,697</u>

NOTE 4 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows.

	Balance 1/1/09	Additions	Disposals	Balance 12/31/09
<u>Governmental Activities</u>				
Land and land improvements	\$ 3,316,134	\$ 436,287	\$ -	3,752,421
Construction in progress	397,246			397,246
Buildings	11,294,521	126,538		11,421,059
Machinery and equipment	7,613,090	781,903	(7,900)	8,387,093
Furniture and fixtures	433,647	20,401		454,048
Infrastructure	76,005,272	1,219,529		77,224,801
	<u>99,059,910</u>	<u>2,584,658</u>	<u>(7,900)</u>	<u>101,636,668</u>
Less: Accumulated Depr.	<u>(55,878,205)</u>	<u>(4,352,533)</u>	<u>7,900</u>	<u>(60,222,838)</u>
Governmental Activities Net Capital Assets	<u>\$ 43,181,705</u>			<u>\$ 41,413,830</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 326,586
Public Safety	351,717
Health and Human Services	17,314
Public Works, which includes the depreciation of infrastructure	3,574,328
Education and recreation	82,588
Total Governmental Activities Depreciation Expense	<u>\$ 4,352,533</u>

NOTE 5 - PROPRIETARY FUNDS – CAPITAL ASSETS

The following summarizes the capital assets and accumulated depreciation of the Utility Commission at December 31, 2009 and 2008.

Water Utility	Balance 12/31/08	Increases	Decreases	Balance 12/31/09
Capital assets, not being depreciated:				
Land and land rights	\$ 131,241	\$ -	\$ -	\$ 131,241
Capital assets, being depreciated:				
Source of supply plant	567,274	9,895	(1,500)	575,669
Pumping plant	1,238,001	5,794	(700)	1,243,095
Water treatment plant	759,037	4,202	(2,000)	761,239
Transmission and distribution plant	12,975,810	60,408	(9,215)	13,027,003
General plant	1,212,604	178,222	(21,382)	1,369,444
Total Capital Assets Being Depreciated	16,752,726	258,521	(34,797)	16,976,450
Less: accumulated depreciation	(5,057,857)	(409,466)	28,797	(5,438,526)
Total Capital Assets, Being Depreciated, Net	11,694,869	(150,945)	(6,000)	11,537,924
Net Water Utility Plant	<u>\$ 11,826,110</u>	<u>\$ (150,945)</u>	<u>\$ (6,000)</u>	<u>\$ 11,669,165</u>

Sewer Utility	Balance 12/31/08	Increases	Decreases	Balance 12/31/09
Capital assets, not being depreciated:				
Land and land rights	\$ 634,508	\$ -	\$ -	\$ 634,508
Capital assets, being depreciated:				
Buildings and structures	6,176,245	26,000		6,202,245
Collection system	7,484,976	11,379		7,496,355
Treatment and disposal plant	4,752,876	55,083		4,807,959
Transportation equipment	80,873	15,917	(9,382)	87,408
General plant	493,449	217,507		710,956
Total Capital Assets Being Depreciated	18,988,419	325,886	(9,382)	19,304,923
Less: accumulated depreciation	(6,430,589)	(490,173)	9,382	(6,911,380)
Total Capital Assets, Being Depreciated, Net	12,557,830	(164,287)	-	12,393,543
Net Sewer Utility Plant	<u>\$ 13,192,338</u>	<u>\$ (164,287)</u>	<u>\$ -</u>	<u>\$ 13,028,051</u>

NOTE 6 - EMPLOYEES' PENSIONS

All eligible city employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing, multiple-employer, defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees are required by statute to contribute 5.7 percent of their salary (2.8 percent for executives and elected officials, 4.9 percent for protective occupations with social security and 3.3 percent for protective occupations without social security) to the plan. The City pays these contributions to the plan as a benefit to the employees. Employers are required to contribute the remaining amounts necessary to fund the projected cost of future benefits.

The payroll for employees covered by the WRS for the year ended December 31, 2009 was \$4,326,821; the employer's total payroll was \$4,814,599. The total required contribution for the year ended December 31, 2009 was \$495,283, which consisted of \$255,478; or 5.9 percent of the payroll from the employer and \$239,805; or 5.5 percent of the payroll, from the employees. Total contributions for the years ending December 31, 2008 and 2007 were \$467,075 and \$434,737, respectively, equal to the required contributions for each year. These figures include the Cemetery, Library, and Water and Sewer Utilities.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. Retirement benefits are calculated as 1.6 percent (4.0 percent for executives, elected officials and protective occupations with social security, 2.4 percent for protective occupations without social security) of final average earnings for each year of creditable service. Final average earnings are the average of the three highest years of an employee's earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation after January 1, 1990, and no longer 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 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report, which may be obtained by writing to the Department of Employee Trust Funds, PO Box 7931, Madison, WI 53707-7931.

NOTE 7 - CURRENT AND CAPITAL OUTLAY EXPENDITURES

Substantially all capital outlay expenditures are recorded in the capital projects fund of the City. Amounts reported in the general fund are for current purposes.

NOTE 8 - LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities					
Bonds and notes payable					
General obligation debt					
Promissory notes and bonds	\$ 1,500,000	\$ -	\$ 285,000	\$ 1,215,000	\$ 290,000
Alliant Energy loan	37,434		8,936	28,498	9,207
Refunding bonds	5,050,000	-	470,000	4,580,000	445,000
Total general obligation debt	6,587,434		763,936	5,823,498	\$ 744,207
Other liabilities					
Compensated absences	188,134	33,023		221,157	
Post employment benefits	246,232	514,268		760,500	
Total other liabilities	434,366	547,291	-	981,657	
 Total governmental activities long-term liabilities	 \$ 7,021,800	 \$ 547,291	 \$ 763,936	 \$ 6,805,155	
 Business-type activities					
Notes payable	\$ 9,504	\$ -	\$ 9,504	\$ -	
Compensated activities	25,739	2,329	-	28,068	
Post employment benefits		35,056		35,056	
Total business-type activities long-term liabilities	\$ 35,243	\$ 37,385	\$ 9,504	\$ 63,124	\$ -

Outstanding general obligation debt of the governmental activities was comprised of the following issues at December 31, 2009.

Issue	Date of Issue	Interest Rate %	Maturity Date	Original Principal	Outstanding Principal 12/31/09
<u>General obligation debt</u>					
2006 refunding bonds	12/11/06	4.00	3/1/16	\$ 4,390,000	\$ 4,390,000
2006 refunding bonds	12/11/06	5.20	3/1/10	1,110,000	190,000
2003 promissory note	12/18/03	2.50 - 3.60	3/1/13	2,040,000	1,215,000
2008 Alliant Energy loan	1/1/08	3.00	12/31/12	46,105	28,498
Total general obligation debt					\$ 5,823,498

General obligation annual debt service requirements to maturity are as follows:

Year	Governmental Activities	
	Principal	Interest
2010	\$ 744,207	\$ 212,922
2011	774,487	183,765
2012	804,804	153,969
2013	825,000	122,850
2014	855,000	89,900
2015 - 2016	1,820,000	73,600
	<u>\$ 5,823,498</u>	<u>\$ 837,006</u>

NOTE 8 - LONG-TERM DEBT - CONTINUED

Proprietary Fund Debt

Outstanding long-term debt of the Commission was comprised of a general obligation note payable (shared savings contract) to Alliant Utilities. The note proceeds were used for the purchase of energy efficient equipment. The note is payable in installments of \$175 per month for 60 months at 2% interest. The note balance was paid in full during 2009.

Changes in long-term debt during 2009 are as follows:

	<u>2009</u>
Outstanding - Beginning of Year	\$ 9,504
Principal payments	<u>(9,504)</u>
Outstanding - End of Year	<u>\$ -</u>

Conduit Debt

There is one local company that has outstanding industrial revenue bonds issued in association with the City of Lake Geneva. The City's full faith and credit do not back these bonds and the City has no obligation for debt repayment. The total principal amount at December 31, 2009 was:

\$1,425,299

Margin of Indebtedness

Section 67.03 of the Wisconsin Statutes restricts the City's general obligation debt to 5% of the equalized value of all property in the City. This amount is compared below with the outstanding debt on December 31, 2009.

Equalized Value - 2009	<u>\$1,371,364,300</u>
Margin of Indebtedness:	
5% of Equalized Value	<u>68,568,215</u>
Outstanding General Obligation Debt - December 31, 2009	<u>5,823,498</u>
Margin of Indebtedness	<u>\$ 62,744,717</u>

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

The City implemented GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension for the fiscal year ended June 30, 2009. This implementation allows the City to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description. The City operates a single-employer retiree benefit plan that provides postemployment health and dental benefits to eligible employees and their spouses. There are 74 active and 10 retired members in the plan as of December 31, 2009. Benefits and eligibility for employees are established and amended through collective bargaining with the recognized bargaining agent for each group; and include postemployment health and dental coverage. Benefits and eligibility for administrators and general support staff are established and amended by the governing body.

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

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

	Government Activities
Annual required contribution	\$ 384,299
Interest on net OPEB	6,776
Annual OPEB cost (expense)	391,075
Adjustments	123,193
Contributions made	-
Change in net OPEB obligation	514,268
OPEB obligation - beginning of year	246,232
OPEB obligation - end of year	760,500

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the preceding two year's were:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	\$ 384,299	0.0%	\$ 760,500
12/31/2008	\$ 384,299	35.9%	\$ 246,232
12/31/2007	N/A	N/A	N/A

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, for the period January 1, 2008 through December 31, 2008 the City's unfunded actuarial accrued liability (UAAL) was \$3,081,962.

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effort of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009 actuarial valuation, the unprojected unit credit actuarial cost method was used. The actuarial assumptions included a rate of 5.5% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 10% for medical and 5.0% for dental, reduced by decrements to a rate of 5% for medical after 5 years. Mortality, disability and retirement rates are from the Wisconsin Retirement System 2000-2002 Experience Study for public schools. The UAAL is being amortized as a level percentage of projected payrolls. The remaining amortization period at December 31, 2009 was 29 years.

NOTE 10 - COMPENSATED ABSENCES

City employees earn vacation time in varying amounts and it must be used by year end. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Management has determined that no material amounts of accumulated vacation time at year end will be liquidated with expendable available resources. The amount of accumulated vacation time at December 31, 2009 that has been recorded as a general long-term obligation is \$1,391 due to special request for carryover.

City employees also earn sick leave in varying amounts. Under certain circumstances, employees may receive a partial reimbursement for sick leave or apply the amount to the cost of health insurance coverage. At December 31, 2009, estimated sick leave termination benefits of \$165,586 have been recorded as a general long-term obligation. City employees also earn comp time in varying amounts. At December 31, 2009, comp time benefits of \$54,180 have been recorded as a long-term liability.

Accumulated vacation and sick pay benefits for employees of the Utility Commission's funds are recorded as a liability directly in those funds as employees earn these benefits. The Utility commission recorded \$28,068 and \$25,739, respectively, for sewer and water accrued vacation and sick pay at December 31, 2009 and 2008.

Liabilities for compensated absences are determined based upon salary and wage levels in effect as of December 31, 2009. Included in these liabilities are the City's share of payroll taxes and retirement plan contributions.

NOTE 11 - TAX INCREMENTAL DISTRICTS

On September 11, 1995, the City established Tax Incremental District Nos. 3 and 4 pursuant to a law enacted to provide a process by which local units of government could finance public works or improvements in blighted areas from taxes levied by county, city, schools, and other local jurisdictions based on the increase in property values within a designated geographic area. When a tax incremental district is established, the state determines the aggregate value of taxable property located within the district (the base value). Taxes derived from levies by all local jurisdictions on property values exceeding the base value (tax increment) determined by the state are allocated to the city for financing improvements within the district. Tax increments generated will be allocated to the City's TIF funds until project costs for the district are recovered or until the legal termination date of the TIF Fund on September 11, 2025 for TIF #4. TIF #3 was closed during 2009. The recovery of the above costs is subject to sufficient increments being generated in the district before the end of the life of the district.

NOTE 12 – DUE FROM/TO OTHER FUNDS AND COMPONENT UNITS

DUE TO/DUE FROM OTHER FUNDS AND BLENDED COMPONENT UNITS

The following is a schedule of interfund receivables (due to) and payables (due from):

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Governmental Funds		
General Fund	Tax Increment District 4	2,754,670
General Fund	Capital Projects	115,209
Tax Agency Fund	General Fund	2,611
General Fund	Debt Service	53,895
Lakefront Operations	General Fund	510,105
Parking Meters	General Fund	393,275
General Fund	Impact Fee Fund	83,419
Library Fund	General Fund	62,753
		<u>3,975,937</u>
Enterprise Funds		
General Fund	Water Utility	120,770
		<u>120,770</u>
Total Interfund Receivables		<u>\$ 4,096,707</u>

The following is a schedule of interfund transfers:

<u>Transferred To</u>	<u>Transferred From</u>	<u>Amount</u>
General Fund	Lakefront Operations	\$ 244,974
General Fund	Parking Meters	432,603
Tax Increment District #4	Lakefront Operations	8,489
Cemetery	Cemetery Perpetual Care	12,199
Total Interfund Transfers		<u>698,265</u>

NOTE 13 - RISK MANAGEMENT

The City has purchased commercial insurance policies for various risks of loss related to litigation, theft, damage, or destruction of assets, errors or omissions, workers compensation, or acts of God. Payments of premiums for these policies are recorded as expenditures or expenses in the various funds of the City. There were no settlements that exceeded insurance coverage in any of the past three years. The City is self-insured for medical coverage for employees at December 31, 2009.

The City is also exposed to risks of loss related to medical expenses. In 2003 the City initiated a plan whereas the City pays the first \$30,000 of claims per employee/dependent in most cases, including retirees, and purchases a health insurance liability plan for any claims over this initial payout. An outside administrator administers both the insured and uninsured claims.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

The City has agreed to provide single coverage health benefits to employees who have been employed by the city for more 20 years. The coverage applies to those employees who retire after age 55 and ends 3 months after reaching the age of 62. The City finances the plan on a pay-as-you go basis. For the year ended December 31, 2009, there were 7 retirees receiving these benefits. Claims paid during 2009 amounted to \$5,261.

NOTE 15 - EXCESS EXPENDITURES OVER BUDGETS

The following departments or individual funds, as applicable, had expenditures in excess of their appropriations.

	<u>Amount of Overexpenditure</u>
General Fund-	
Council	\$ 1,645
Municipal court	10,464
City Attorney	4,563
Outside Legal	1,418
City Clerk	3,586
City Hall Maintenance	10,161
Hydrant Rental	2,185
Emergency Government	540
City Engineering	1,833
Tree and Bush	1,192
Traffic Control	1,442
Vet's Park	3,329
Plan Commission	1,688
Conservation/Development	368

NOTE 16 - DESIGNATED AND RESERVED FUND EQUITY

The fund balance of the general fund has been reserved at December 31, 2009 for the following:

Prepayments \$ 80,167

The fund balance of the debt service fund, if positive, is reserved for future debt service payments.

The fund balance of the general fund has been designated for the following purposes.

Parks	\$ 45,973
Emergency medical services - Act 102	32,419
Historic preservation	742
Fire donations	6,017
Subsequent years expenditures	12,347
Police donations	6,529
Police Vests	3,125
Post employment benefits	57,541
Fire CPR	1,591
Police uniform allowance	3,355
Police state seizures	1,810
Fire - 401A plan	82,534
Police - 1033 program	1,144
	<u>\$ 255,127</u>

The fund balance of the special revenue fund is designated for the following purposes.

Parking meters/lots fund	\$ 375,000
Lakefront operations	375,000
Lakefront - West Pier replacement	42,640
Business Improvement District	38,478
Cemetery operations	69,213
Library	345,180
	<u>\$ 1,245,511</u>

NOTE 16 - DESIGNATED AND RESERVED FUND EQUITY

The fund balance of the capital projects funds is designated for the following purposes.

Tax Incremental Financing District Projects	\$ 6,499,032
General Capital Projects	218,519
Impact Fees	234,915
Fire Truck	109,232
Library	5,632
Police Radios	1,449
	<hr/>
	\$ 7,068,779
	<hr/>

NOTE 18 - LITIGATION AND CONTINGENCIES

The City is involved in several litigation cases at December 31, 2009. The City's insurance policy would cover up to \$5 million per incident. It is unknown what the outcome of these cases will be. If the settlement, in the event of an unfavorable judgment, exceeds the insurance coverage it is unclear how the remaining judgment would be paid. As shown in Note 8, the City has a margin of indebtedness of \$62,744,717, which could be borrowed to pay the remaining judgment.

NOTE 19 - RESTATEMENT OF PRIOR YEAR ENDING FUND BALANCE

The beginning fund balance of the general fund was restated as of January 1, 2009 to correctly reflect accrual of health and dental claims paid of \$77,992 in 2009 for 2008. Therefore, the restated fund balance of the general fund as of January 1, 2009 should be \$2,590,054. The beginning governmental net assets were also restated as of January 1, 2009 to correctly reflect these changes. The restated government net assets as of January 1, 2009 are now \$46,848,950.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE GENEVA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund			Variance Positive (Negative)
	Original Budget	Amended Budget	Actual	
REVENUES				
General Property Taxes	\$ 3,955,015	\$ 3,955,015	\$ 3,965,789	\$ 10,774
Other General Revenue	2,026,335	2,086,831	2,086,831	-
Municipal Court	170,000	226,606	226,606	-
Police	137,790	181,024	181,024	-
Fire	338,700	347,151	345,214	(1,937)
Building Inspection and Zoning	125,000	125,000	99,167	(25,833)
Snow and Ice	100	100	5,430	5,330
Traffic Control	4,000	4,000	2,497	(1,503)
Parks	2,500	2,500	3,620	1,120
Public Services	400	400	485	85
Total Revenues	6,759,840	6,928,627	6,916,663	(11,964)
EXPENDITURES				
General Expense	144,230	405,895	359,502	46,393
General Insurance	173,115	173,115	156,838	16,277
Benefit Insurance	971,730	1,067,301	1,067,301	-
Council	37,910	39,213	40,858	(1,645)
Municipal Court	102,115	102,115	112,579	(10,464)
City Attorney	65,000	65,000	69,563	(4,563)
Outside Legal	2,000	27,530	28,948	(1,418)
Mayor	7,500	7,500	7,070	430
City Administrator	111,570	111,570	111,304	266
City Clerk	141,200	141,200	144,786	(3,586)
Accounting and IT	187,235	201,585	175,092	26,493
City Treasurer	29,620	30,620	26,364	4,256
City Assessor	76,440	76,440	74,005	2,435
City Hall Maintenance	152,350	152,350	162,511	(10,161)
Police	2,387,985	2,412,726	2,412,726	-
Fire	697,535	750,203	750,203	-
Hydrant Rental	225,460	225,460	227,645	(2,185)
Building Inspection and Zoning	143,115	143,115	139,377	3,738
Emergency Government	8,790	12,653	13,193	(540)
City Engineering	10,500	15,000	16,833	(1,833)
Streets	698,360	585,257	585,255	2
Snow and Ice	85,995	118,314	118,314	-
Tree and Brush	84,450	84,450	85,642	(1,192)

Cont'd

See Accompanying Notes to Basic Financial Statements.

CITY OF LAKE GENEVA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund			Variance Positive (Negative)
	Original Budget	Amended Budget	Actual	
EXPENDITURES - Continued				
Composting	14,515	61,139	61,139	-
Storm Sewer	18,560	16,326	16,326	-
Traffic Control	115,505	115,505	116,947	(1,442)
Sanitation and Recycling	370,575	370,575	369,957	618
Museum	33,340	33,340	31,166	2,174
Parks	63,235	103,311	103,311	-
Vet's Park	25,935	25,935	29,264	(3,329)
Plan Commission	18,110	18,110	19,798	(1,688)
Conservation/Development	303,920	313,920	314,288	(368)
Total Expenditures	<u>7,507,900</u>	<u>8,006,773</u>	<u>7,948,105</u>	<u>58,668</u>
Excess Revenues Over (Under) Expenditures	<u>(748,060)</u>	<u>(1,078,146)</u>	<u>(1,031,442)</u>	<u>46,704</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	748,060	751,060	677,577	(73,483)
Operating transfers out	-	(22,989)		22,989
Total Other Financing Sources (Uses)	<u>748,060</u>	<u>728,071</u>	<u>677,577</u>	<u>(50,494)</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>-</u>	<u>(350,075)</u>	<u>(353,865)</u>	<u>(3,790)</u>
Fund Balances - January 1 as restated			<u>2,590,054</u>	
Fund Balances - December 31			<u>\$ 2,236,189</u>	

See Accompanying Notes to Basic Financial Statements.

**CITY OF LAKE GENEVA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2009**

NOTE 1 – BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in the notes to the financial statements.

A budget has been adopted for all funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. The City may authorize transfers of budgeted amounts within departments. Certain transfers between departments and changes to the overall budget must be approved by a two-thirds council action. Budgets are adopted at the cost center/program level for all funds.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF LAKE GENEVA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Special Revenue Funds							Permanent	Capital Projects	
	Parking Meters/Lots	Lakefront Operations	Public Library	Business Improvement District	Cemetery Operations	Total	Cemetery Perpetual Care			Impact Fees
ASSETS										
Cash and investments	\$ 2,300	\$ 100	\$ 306,812	\$ 53,223	\$ 70,635	\$ 433,070	\$ 359,585	\$ 294,327		
Taxes receivable				108,800	160,000	268,800				
Accounts receivable-other				6,000		6,000		24,007		
Due from other funds	393,275	510,105	62,753			966,133				
Prepayments				5,000		5,000				
TOTAL ASSETS	\$ 395,575	\$ 510,205	\$ 369,565	\$ 173,023	\$ 230,635	\$ 1,679,003	\$ 359,585	\$ 318,334		
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 16,742	\$ 23,891	\$ 14,418	\$ 22,745	\$ 1,422	\$ 79,218	\$ -	\$ -		
Accrued payroll	3,833	2,085	9,967			15,885				
Due to other funds		8,489				8,489		83,419		
Deferred revenue				111,800	160,000	271,800				
Deposits		58,100				58,100				
Total liabilities	20,575	92,565	24,385	134,545	161,422	433,492	-	83,419		
FUND BALANCES										
Reserved for :										
Cemetery Perpetual Care							359,585			
Designated for west pier		42,640				42,640				
Unreserved, reported in										
Special revenue funds	375,000	375,000	345,180	38,478	69,213	1,202,871				
Capital projects funds								234,915		
Total fund balances	375,000	417,640	345,180	38,478	69,213	1,245,511	359,585	234,915		
TOTAL LIABILITIES AND FUND BALANCES	\$ 395,575	\$ 510,205	\$ 369,565	\$ 173,023	\$ 230,635	\$ 1,679,003	\$ 359,585	\$ 318,334		
								\$ 2,356,922		

CITY OF LAKE GENEVA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Special Revenue Funds							Capital Projects	
	Parking Meters/Lots	Lakefront Operations	Public Library	Business Improvement District	Cemetery Operations	Total	Cemetery Perpetual Care		Impact Fees
REVENUES									
Taxes	\$ -	\$ 30,818	\$ 415,000	\$ 108,800	\$ 156,200	\$ 680,000	\$ -	\$ -	\$ 680,000
Intergovernmental revenues			186,109			216,927			216,927
Licenses and permits	7,737					7,737			7,737
Penalties and forfeitures	41,263		25,183			66,446			66,446
Public charges for services	703,612	753,088			36,405	1,493,105		16,584	1,509,689
Commercial revenues		1,448	13,205	3,693	15,302	33,648	4,025	1,411	39,084
Total Revenues	752,612	785,354	639,497	112,493	207,907	2,497,863	4,025	17,995	2,519,883
EXPENDITURES									
Culture, recreation and education				111,215		1,206,405		34,779	1,241,184
Public works	228,214	435,571	659,619			228,214			228,214
Health and human services					221,153	221,153			221,153
Capital outlay	16,795					16,795			16,795
Total Expenditures	245,009	435,571	659,619	111,215	221,153	1,672,567	-	34,779	1,707,346
Excess Expenditures Over Revenues	507,603	349,783	(20,122)	1,278	(13,246)	825,296	4,025	(16,784)	812,537
OTHER FINANCING SOURCES(USES)									
Realized and unrealized investment losses and fees, net of investment income			34,019		12,199	34,019	59,371		93,390
Operating transfers in	(432,603)	(253,463)				(686,066)	(12,199)		(698,265)
Operating transfers out									
Net change in fund balances	75,000	96,320	13,897	1,278	(1,047)	185,448	51,197	(16,784)	219,861
Fund Balances - January 1, 2009	300,000	321,320	331,283	37,200	70,260	1,060,063	308,388	251,699	1,620,150
Fund Balances - December 31, 2009	\$ 375,000	\$ 417,640	\$ 345,180	\$ 38,478	\$ 69,213	\$ 1,245,511	\$ 359,585	\$ 234,915	\$ 1,840,011

Deignan & Associates, P.C.

326 CENTER STREET • LAKE GENEVA, WI 53147 • PHONE: 262/248-6281 • FACSIMILE: 262/248-6088

J. WERNER DEIGNAN (1921-1989)
GEORGE J. CUCCIA
ARTHUR C. TILLMAN

CERTIFIED PUBLIC
ACCOUNTANTS

June 10, 2010

To the City Council
City of Lake Geneva
Walworth County, Wisconsin

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Geneva (City) as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Management responses to the significant deficiencies identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on their response.

SEGREGATION OF DUTIES

Under ideal conditions, there are many procedures and controls designed to limit the access of any one individual to all phases of a transaction. Many entities the size of the City of Lake Geneva do not have a large enough administrative staff to adequately segregate the various procedures from any one individual. Management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Because the overlapping responsibilities exist, you need to rely on your direct knowledge of the City operations and trust in and have contact with employees to control and safeguard assets. This may continue to be an acceptable method for you to use for years to come.

Management Response

PREPARATION OF FINANCIAL STATEMENTS

The City Council and management share the ultimate responsibility for the City's internal control. It is acceptable to outsource various accounting functions; however, the responsibility for internal control cannot be outsourced. The City engages Deignan & Associates, S.C. to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Deignan & Associates cannot be considered part of the City's internal control. The City should design and implement a review procedure to ensure that the financial statements and disclosures are complete and accurate. These review procedures should be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Management Response

This communication is intended solely for the information and use of management, the City Council of the City of Lake Geneva, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Deignan & Associates, S.C.
Certified Public Accountants



Arthur C. Tillman
Certified Public Accountant

Lake Geneva, Wisconsin
June 10, 2010

Deignan & Associates, P.C.

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CERTIFIED PUBLIC
ACCOUNTANTS

June 10, 2010

To the City Council
City of Lake Geneva
Walworth County, Wisconsin

In addition to the significant deficiencies noted in our previous correspondence to the City of Lake Geneva, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This communication does not affect our report dated June 10, 2010, on the financial statements of the City.

We will review the status of these comments during our next audit engagement. We would be pleased to discuss our comments and suggestions in further detail with management at their convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

BUDGETARY PROCEDURES

It was noted during the course of our audit that some of the governmental fund type expenditure accounts had overdrawn their appropriations. Section 66.042(7) of the Wisconsin Statutes and City Ordinance Sec. 2-341 state that no order may be issued in excess of the funds appropriated for the purpose of which the order is drawn.

We recommend the City carefully monitor the available appropriations in its accounts throughout the course of the year and make efforts to prevent overdrawing budgeted appropriations. If the overdrafting of an account's appropriation becomes necessary, the City Council should pass a resolution to re-appropriate funds, either from an account that will be underutilized or from available fund balance to the affected accounts.

Management Response

Staff has been submitting budget amendment resolutions to fund overdrawn accounts. Additional efforts are made at year end to ensure that all cost centers have a positive balance prior to the audit. Management believes that the City has complied to the extent possible with the Wisconsin Statute and the City's Ordinance.

PARKING METER COLLECTIONS

Parking meters generate a substantial amount of revenue. We believe good internal control practices dictate that two persons be responsible for collection of meters. Some possible practices include, two signatures required on deposit tickets, one way collection bags that require two keys to open and purchase of an automated coin counter allowing both collectors to verify amounts deposited into the bank. The city should also consider the possible use of multi-space meter kiosks which would allow use of not only cash but also credit/debit cards, providing a cash control but also an enforcement mechanism for drivers to follow parking regulations.

Management Response

Meters are collected on a weekly basis by two meter department personnel. They go block by block in sight of each other and empty the coins from the meters into shoulder bags that are emptied into buckets in the meter truck. When a bucket is full, it is emptied into a sealable cloth bag to be taken to the bank. The bank personnel then open the bags, count the coins, and give the receipt to the meter personnel, who then give the receipt to the City Hall personnel for entry into the Cash Receipting program.

PARKING VIOLATIONS

Currently the City does not have a formal collections policy in place for parking violations. We suggest the City develop, approve and institute a formal collection policy as soon as possible.

Management Response

The City has invested in handheld ticket writers and software to track parking violations and maintain a record of the transaction. The City has purchased a Parking Meter Ticket Accounting package that integrates to our General Ledger to record parking meter ticket data. A written formal collection policy is scheduled to be created as part of the revision of the City's policy manual.

BEACH REVENUES

The collection process at the beach uses wrist bands as a method of control. These wrist bands are used for daily passes. While use of the wrist bands constitute an element of internal control to ensure that all beachgoer's have either a season pass or a wristband, controls are lacking with regards to cash collected from the sale of the wristbands. Beach revenue can total almost \$10,000 on a hot day so cash controls are especially important. We suggest the City consider utilizing cash registers to track daily sales as well as providing a layer of protection from a cash security standpoint.

Management Response

The wristbands will be kept in a locked area at the beach and will be allocated to beach personnel on a daily basis. Daily reconciliation sheets will track the numbered bands sold. A lock box is being installed to hold cash until transferred to bank.

COMBINING DEPARTMENTS

We believe the City comptroller is under staffed and therefore we believe efficiencies could be achieved by combining all financial personnel under one department. This would include the tax collecting, municipal court and water and sewer collection and billing. Duties could be reallocated among all financial employees creating greater segregation and efficiencies.

Management Response

Management agrees that combining departments would be more efficient, but we must deal with reality. The Treasurer is an elected position and is an entity onto itself. The Municipal Court is under the jurisdiction of the Municipal Judge. It is not in management's power to reallocate the positions mentioned in the auditor's letter.

IMPROVE SEGREGATION OF DUTIES

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. Although the size of the City's accounting staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency.

- Signed checks should be mailed without allowing them to be returned to the employee responsible for accounts payable.
- Journal entries should be approved by an employee other than the one who prepared the entry.
- Parking violation edit listing should be generated and reviewed by someone other than the person posting payments and adjustments.

Management Response

A reorganization of duties has recently been started at City Hall. This allocation of duties by certain personnel has eliminated or reduced many of the internal control concerns.

- Mail is now being opened by an employee not responsible for accounting, i.e., the Deputy Clerk.
- Bank statements, canceled checks and appropriate advices will be received by the Treasurer and after review will be forwarded to the Comptroller for reconciliation to the General Ledger cash accounts.
- A/R payments are receipted by a different person than who created the invoices. Journal entries will be approved by an employee other than the one who prepared the entry.
- The Parking Ticket program is being researched to see if an edit listing can be generated and if so, will be reviewed by someone other than the person posting payments and adjustments.

Implementation of GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions

In February of 2009, the Government Accounting Standards Board issued this statement to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund balance definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented.

This Statement will not effect your 2010 financial statements. We just felt it important that you become aware that the terminology and presentation of your financial statements will be changing for periods after 2010.

Management Response

Staff will follow GASB No. 54 when it becomes effective.

Funding of Other Post Employment Obligations

We note that actual costs paid in 2009 for other post employment benefits as defined in Note 14 of the financial statements totaled only \$5,261. However, most years, the amount the City must pay will likely be substantially higher than it was in 2009. We suggest that the City create a reserve fund to ensure that in years when the City's OPEB contribution is multiple times higher than it was in 2009, the City has reserves ready and available to fund the obligations without having to potentially cut other City services or programs.

Management Response

GASB requires an update to the actuarial study every 3 years which for the City will be for 2011. Management feels the current study is overly aggressive and expects the amortization level to go down following the 2011 study. Funding will be reconsidered at that time.

Local Governmental Investment Pool

At December 31, 2009, the City had nearly \$7.7 million dollars invested with the Wisconsin Government Investment Pool (LGIP). Commercial paper and negotiable certificates of deposit are no longer insured against credit loss. The commercial paper and negotiable certificates of deposit comprise only 0.36% of the LGIP's investment portfolio as of December 31, 2009, however we believe it would be prudent to consider alternative investments. Deposits in local and area banks are insured by the FDIC in the amount of \$250,000 per bank for demand deposits and \$250,000 per bank for time and saving deposits. Non-interest bearing accounts and NOW accounts earning less than .25% have unlimited coverage through December 31, 2010 provided the bank they are held at is participating in the FDIC's Transaction Account Guarantee Program.

Management Response

FDIC insurance combined with State Guarantee Fund of \$400,000 aggregates \$650,000 which is our goal for individual bank maximums.

Utilization of Municipal Official Training

We feel it is important to address the need for municipal official training. Knowledge of State Statutes, being able to recognize and avoid conflicts of interest, having a comprehensive knowledge of the organization and powers of a municipality are keys factors in overseeing an efficient effective City Council as well as a tool to mitigate potential future litigation.

Management Response

The League of Wisconsin Municipalities Mutual Insurance Company made a video presentation to the Common Council on how public officials should conduct themselves in office. The video addressed conflicts of interest, parliamentary procedures and ethical behavior. The League will make another presentation to the newly elected council.

Review and Elimination of Unnecessary Petty Cash Accounts

We feel it is in the City's best interest to make a thorough review of all department petty cash accounts to determine which accounts are vital to the city's operation. Once necessary petty cash accounts have been identified, the City Council should strongly consider eliminating all other petty cash accounts. The petty cash accounts that are retained should have well defined rules and procedures to ensure proper usage.

Management Response

Currently, two petty cash funds have been eliminated. The City's petty cash policy will be integrated into the new City policy manual being revised at this time.

Finance, License and Regulation Committee Review of Bank Statements

At present, monthly bank statements are delivered directly to the City. We suggest that bank statements be sent to a designated Finance Committee member or the City Treasurer. This is another internal control that creates checks and balances. Considering the size of the City, it will be difficult to have a suitable segregation of duties, however small procedures can mitigate fraud risks.

Management Response

See segregation of duties response above.

This report is intended for the use of City of Lake Geneva and should not be used for any other purposes.

Thank you for the opportunity to serve you. We appreciate the cooperation and assistance extended to us by everyone involved. If you should have any questions regarding our comments, we would be pleased to discuss them with you at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "Deignan & Associates S.C.".

DEIGNAN & ASSOCIATES, S.C.
CERTIFIED PUBLIC ACCOUNTANTS

Lake Geneva, Wisconsin
June 10, 2010