

CITY OF LAKE GENEVA, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2011

MANAGEMENT COMMUNICATIONS
CITY OF LAKE GENEVA, WISCONSIN
DECEMBER 31, 2011

CITY OF LAKE GENEVA, WISCONSIN
December 31, 2011

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

We have completed our audit of the basic financial statements of the City of Lake Geneva, Wisconsin (the "City") for the year ended December 31, 2011. The City's financial statements, including our report thereon dated May 7, 2012, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, noncompliance with the provisions of laws, regulations, contracts and grants or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters.

Significant Audit Findings

Consideration of Internal Control

In planning and performing our audit of the financial statements of the City as of and for the year ended December 31, 2011, 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 report on internal control over financial reporting and on compliance and other matters is presented on pages 54 - 55 of the annual report.

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.

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

Finding 2011-01	Segregation of Duties
Finding 2011-02	Year End Closing and Financial Reporting

These findings are described in detail in the schedule of findings and responses on pages 56 - 57 of the annual report.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note A to the financial statements. The City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. We noted no significant transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates included in the financial statements were:

Management's estimate of the other post employment benefits is based on an actuarial report. We evaluated the key factors and assumptions used to develop the other post employment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the incurred, but not reported (IBNR) insurance reserves are based on actuarial projections of the expected cost of the ultimate settlement and administration of claims. We evaluated the key factors and assumptions used to develop the reserves in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The financial statements reflect all accounting adjustments proposed during our audit. Copies of the audit adjustments are available from management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 7, 2012. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to conducting the audit. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to completing the services as your auditor.

In addition, during our audit, we noted certain other matters that are presented for your consideration. We will review the status of these comments during our next audit engagement. Our comments and recommendations are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these matters in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized in the comments and observations section of this report.

This communication, which does not affect our report dated May 7, 2012 on the financial statements of the City, is intended solely for the information and use of the Common Council, management, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Certified Public Accountants
Green Bay, Wisconsin
May 7, 2012

CITY OF LAKE GENEVA



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May 7, 2012

Schenck SC
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P.O. Box 23819
Green Bay, WI 54305-3819

We are providing this letter in connection with your audit of the financial statements of the City of Lake Geneva, Wisconsin as of December 31, 2011 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Geneva, Wisconsin and the respective changes in the financial position and where applicable, cash flows thereof, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of May 7, 2012, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government as required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
2. We have made available to you all-
 - a. Financial records and related data.
 - b. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial.

5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
8. We have a process to track the status of audit findings and recommendations.
9. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
10. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
11. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
12. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the City is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
 - d. Joint ventures, jointly governed organizations, and other related organizations.
 - e. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.
 - f. Participation in a public entity risk pool.
13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

14. There are no—
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
15. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
16. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
17. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
18. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
19. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
20. The financial statements properly classify all funds and activities.
21. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
22. Components of net assets (invested in capital assets, net of related debt, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
23. Provisions for uncollectible receivables have been properly identified and recorded.
24. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
25. Revenues are appropriately classified in the statement of activities within program revenues or general revenues.
26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
27. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.

28. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
29. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
30. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual fund statements, and supporting schedules, (the supplementary information) in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information
31. We agree with the findings of specialists in evaluating the other post-employment benefits, pension benefits, and incurred but not reported claims and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
32. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.
33. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
34. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.
35. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
36. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
37. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.
38. Expenditures of federal awards were below the \$500,000 threshold in the year ended December 31, 2011, and we were not required to have an audit in accordance with *OMB Circular A-133*.

39. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements

Signed: 
Peg Politt, City Comptroller

Signed: 
Dennis Jordan, City Administrator

City Governmental Fund Balances

Presented below is a summary of the various City governmental fund balances on December 31, 2011, including a comparison to the prior year. This information is provided for assisting management in assessing financial results for 2011 and for indicating financial resources available at the start of the 2012 budget year.

	2011	2010
General Fund		
Nonspendable		
Inventories and prepaid items	\$ 8,522	\$ -
Prepaid items	127,318	119,206
Assigned	211,804	161,460
Unassigned	2,245,317	2,105,588
Total General Fund	<u>2,592,961</u>	<u>2,386,254</u>
Special Revenue Funds		
Parking meters and lots		
Assigned	525,000	450,000
Lakefront operations		
Assigned	610,280	513,960
Public Library		
Restricted for library	313,977	297,113
Assigned		
Cemetery operations	81,466	72,211
Total Special Revenue Funds	<u>1,530,723</u>	<u>1,333,284</u>
Debt Service Funds		
Restricted for debt service	<u>102,504</u>	<u>(53,895)</u>
Capital Projects Funds		
Capital improvements		
Restricted for debt proceeds	1,254,728	-
Assigned for capital improvements	166,932	161,451
Total	<u>1,421,660</u>	<u>161,451</u>
Tax incremental financing district no. 4		
Restricted for district plan expenditures	<u>5,935,908</u>	<u>5,852,160</u>
Impact fees		
Restricted for impact fees	<u>249,688</u>	<u>223,209</u>
Total Capital Projects Funds	<u>7,607,256</u>	<u>6,236,820</u>
Permanent Fund		
Cemetery perpetual care		
Nonspendable	<u>392,545</u>	<u>383,741</u>
Totals	<u>\$ 12,225,989</u>	<u>\$ 10,286,204</u>

General Fund

Overall, the City's general fund increased \$206,707. The City's assigned and unassigned general fund balance represents approximately 30% of the total 2011 budgeted general fund expenditures. The increase in general fund balance is primarily due to unbudgeted proceeds from sale of assets of \$96,895 and transfers which exceeded budget by \$86,324.

COMMENTS AND OBSERVATIONS

1. Fund Balance Reporting

The City's 2011 financial statements were prepared with changes set forth in GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. In following the new statement, the City began using different fund balance terminology and classifications. The new fund balance classifications of restricted, committed, assigned and unassigned were used to report year end balances based on prior year Common Council actions and policies.

GASB Statement No. 54 requires governments to adopt a written policy regarding implementation of the standard. Although prior year Common Council action has provided some guidance to report fund balances, it has not addressed all items listed in the new standards or used the definitions described in the standard. Accordingly, we recommend the Common Council adopt a new fund balance policy that addresses the following items:

- Establishment of any committed fund balances, including the purpose and committed revenue sources for special revenue funds.
- Authority level required to assign fund balances.
- Specific order of spend-down of fund balances.
- Minimum target level of unassigned general fund to be retained for working capital and cash flow purposes.

We are available to assist you in developing a new fund balance policy.

2. Changes to Government Auditing Standards

The United States Government Accountability Office recently issued the 2011 revision to the Government Auditing Standards. This revision will be effective for your next audit and creates a framework we must follow to maintain our independence when we perform non-audit services for you.

During the current year audit, we have provided the following non-audit services to the City:

- Proposing GASB 34 conversion entries to convert your fund financial statements to government-wide financial statements;
- Preparing financial statements, including related notes, state financial reports and public service commission reports based on your adjusted trial balance.

In order for us to maintain our independence and to issue an unqualified opinion on your financial statements, you need to document steps that you take in order to accept responsibility for all non-audit services we provide to you. This includes:

- Understanding the services to be performed sufficiently to oversee them; ;
- Designating an individual who possess suitable skill, knowledge, or experience to oversee our services;
- Evaluating the adequacy and results of the services performed; and
- Accepting responsibility for the results of the services.

Currently, the City has a Comptroller who has been assigned the task of working with us in completing your audit. Accordingly, appropriate safeguards are currently in place to oversee our future services and the new standards, which are effective for your December 31, 2012 audit, should not have a significant impact on the City's future audits.

Schenck will be offering a free webinar in fall 2012 on *Understanding Your Financial Statements*. We encourage an City employee or Council member to attend this webinar.

3. Maximizing Segregation of Duties over Municipal Court Functions

Currently, the Municipal Court holds a separate checking account where virtually one employee has control over the receipt, disbursement and reconciling processes. This does not allow for a proper segregation of duties.

To strengthen internal controls over this separate bank account, we recommend the City have the Comptroller periodically reconcile the account or have the Comptroller review, sign and date the reconciliation when it is completed.

4. Receipt Processes in Police Department

As part of our audit we obtained an understanding of the receipting processes at the City and in its various departments. We have observed that controls over the receipt processes in the Police Department could be strengthened with some modification.

Currently, the Police Department collects cash at the dispatcher's office. Money is collected by the dispatcher for parking violations, traffic citations, bail, and restitution. In general, when the dispatchers take in collections, there are multiple ways to receipt a payment. For example, traffic citations are given a manual, pre-numbered receipt. Parking Violations are given a manual, casual receipt. Bonds and warrants are given a manual pre-numbered receipt. After a receipt is issued and funds were placed in the drawer, the amount collected is logged in a "green book." This book is used to reconcile the amount in the drawer when the funds are picked up by the court or the Treasurer. The risk of error increases with the usage of different types of receipts.

Therefore, we recommend that the City consider eliminating the usage of the manual receipts in the Police Department and instead have a cash receipting drawer which ties into the general ledger system where receipts would automatically be pre-numbered and could be easily balanced to the daily deposit.

5. Permit Issuance

As part of our audit, we obtained an understanding of the building permit issuance process at the City. Based on our review, we believe controls over the building permit processes could be strengthened with some modification.

Currently, no reconciliation of the permits issued to the fees collected occurs. We recommend that an employee outside of the permit issuance and revenue collection process monitor and reconcile the permits issued to the revenue collected.

6. Capital Asset Records

During implementation of GASB Statement No. 34, the City capitalized approximately \$77.2 million of infrastructure improvements; however, these improvements are not specifically identified so that the City can easily retire these assets when retired. The specific asset detail is maintained for subsequent year additions. In addition, the capital asset records are maintained on an excel spreadsheet which can result in potential calculation errors.

We recommend the City consider allocating the infrastructure assets of \$77.2 million or design a system to track asset retirements in the future. In addition, the City should consider computerizing these records. We would be able to assist the City in developing a methodology to allocate these costs in the future.

CITY OF LAKE GENEVA, WISCONSIN

December 31, 2011

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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

To the Mayor and City Council
City of Lake Geneva, 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, Wisconsin ("the City") as of and for the year ended December 31, 2011, 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, Wisconsin's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Water Utility and Sewer Utility enterprise funds, which represents 100 percent of the assets and revenues of the City's business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Water Utility and Sewer enterprise funds, is based on the report of the other auditors. We did not audit the financial statements of the Oak Hill Cemetery, which is reported as cemetery operations special revenue fund and cemetery perpetual care permanent fund in the City's financial statements. The Oak Hill Cemetery represents 2 percent of the assets and revenues of the City's governmental funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the cemetery operations special revenue fund and cemetery perpetual care permanent fund, is based on the report of the other auditors. We did not audit the financial statements of Downtown Lake Geneva Business Improvement District, which represents 2 percent of the assets and revenues of the City's governmental funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Downtown Lake Geneva Business Improvement District is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A.4.j, the City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011.



In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Certified Public Accountants
Green Bay, Wisconsin
May 7, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LAKE GENEVA



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www.cityoflakegeneva.com

Management's Discussion and Analysis Fiscal Year 2011

The management of the City of Lake Geneva, Wisconsin (the "City") offers readers of the City's financial statements this narrative and analysis of the financial activities of the City for the fiscal year ended December 31, 2011.

Financial Highlights

- As of the December 31, 2011, the assets of the City of Lake Geneva exceeded its liabilities by \$71,038,153. This represents a 1.86% decrease over the 2010 net asset balance of \$72,384,817.
- The general fund balance at the end of 2011 was \$2,592,961, an increase of \$206,707 from the prior year while the City's final budget projected an increase in fund balance of \$15,209.

Of the general fund balance, \$135,840 is nonspendable for prepaid items and delinquent taxes, \$211,804 has been assigned for various uses, and \$2,245,317 is currently unassigned.

- The outstanding general obligation debt as of December 31, 2011 is \$7,275,000. This compares to \$5,060,000 at the end of 2010. The City issued General Obligation Promissory Notes for \$2,980,000 in July of 2011 to finance a three-year capital projects plan.

Overview of the Financial Statements

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

Government-wide Financial Statements. The Government-wide Financial Statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. Financial information in the government-wide financial statements is reported as either governmental activities or business-type activities. Governmental activities are principally supported by taxes and intergovernmental revenues. Examples of governmental activities are: City Hall operations, police, public works, debt service, cemetery operations, lakefront operations, public library, tax incremental finance district no. 4, capital improvements, and impact fees.

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

The **Statement of Net Assets** presents information on all City of Lake Geneva, Wisconsin'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 decreasing. (See page 10 of this report).

The **Statement of Activities** presents information showing how the City's net assets changed during the 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., earned but unused vacation leave.) (See pages 11 - 12 of this report.)

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

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

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

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

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

The net change in fund balances for the year is \$1,939,785. The total fund balance for all Government Funds is \$12,225,989. (See pages 13 - 19)

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

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

The net change in assets for the Water Utility is a decrease of \$156,433 and the Sewer Utility had decrease of \$303,016. Water Utility net assets total \$13,146,993. Sewer Utility net assets total \$14,846,942, for a proprietary/enterprise fund total of \$27,993,935. (See pages 20 - 23)

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

Government-wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$71,038,153 at the close of 2011.

City of Lake Geneva, Wisconsin's Net Assets						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010 Restated	2011	2010	2011	2010
Current and other assets	\$ 21,770,108	\$ 19,386,708	\$ 4,675,950	\$ 4,434,351	\$ 26,446,058	\$ 23,821,059
Capital assets	39,624,306	40,034,464	24,663,650	25,352,674	64,287,956	65,387,138
Total Assets	61,394,414	59,421,172	29,339,600	29,787,025	90,734,014	89,208,197
Long-term liabilities outstanding	8,805,183	5,556,518	131,444	100,941	8,936,627	5,657,459
Other liabilities	9,545,013	9,933,221	1,214,221	1,232,700	10,759,234	11,165,921
Total Liabilities	18,350,196	15,489,739	1,345,665	1,333,641	19,695,861	16,823,380
Net Assets						
Invested in capital assets, net of related debt	33,581,614	34,955,173	24,663,650	25,352,674	58,245,264	60,307,847
Restricted	6,948,509	6,710,490	1,408,673	557,826	8,357,182	7,268,316
Unrestricted	2,514,095	2,265,770	1,921,612	2,542,884	4,435,707	4,808,654
Total Net Assets	\$ 43,044,218	\$ 43,931,433	\$ 27,993,935	\$ 28,453,384	\$ 71,038,153	\$ 72,384,817

The City implemented GASB Statement No. 54 during 2011. As a result, certain amounts were reclassified from unrestricted to restricted to conform to the City's 2011 net asset presentation.

By far the largest portion of the City's net assets (82%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$4,435,707 may be used to meet the City's ongoing obligations to citizens and creditors.

Change in net assets. Governmental activities decreased the City's net assets by \$887,215 and business-type activities decreased the City's net assets by \$459,449 during the current fiscal year. Key elements of these changes are as follows:

City of Lake Geneva, Wisconsin's Change in Net Assets						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for services	\$ 2,910,059	\$ 2,785,834	\$ 2,534,639	\$ 2,577,211	\$ 5,444,698	\$ 5,363,045
Operating grants and contributions	1,109,197	277,768	-	-	1,109,197	277,768
Capital grants and contributions	688,254	973,750	44,882	143,974	733,136	1,117,724
General Revenues						
Property taxes	6,053,000	5,575,691	-	-	6,053,000	5,575,691
Property tax increment	1,986,998	2,061,152	-	-	1,986,998	2,061,152
Other taxes	456,105	1,331,144	-	-	456,105	1,331,144
Grants and contributions not restricted to specific programs	177,181	-	-	-	177,181	-
Other	311,871	741,534	22,379	34,566	334,250	776,100
Total Revenues	13,692,665	13,746,873	2,601,900	2,755,751	16,294,565	16,502,624
Expenses						
General government	2,844,587	2,666,337	-	-	2,844,587	2,666,337
Public safety	3,992,980	4,151,769	-	-	3,992,980	4,151,769
Public works	5,950,223	6,137,411	-	-	5,950,223	6,137,411
Health and human services	225,752	390,282	-	-	225,752	390,282
Culture and recreation	1,479,297	1,533,728	-	-	1,479,297	1,533,728
Conservation and development	154,123	99,015	-	-	154,123	99,015
Interest and fiscal charges	210,562	203,571	-	-	210,562	203,571
Water utility	-	-	1,276,979	1,248,669	1,276,979	1,248,669
Sewer utility	-	-	1,506,726	1,497,713	1,506,726	1,497,713
Total Expenses	14,857,524	15,182,113	2,783,705	2,746,382	17,641,229	17,928,495
Increase in Net Assets						
Before Transfers	(1,164,859)	(1,435,240)	(181,805)	9,369	(1,346,664)	(1,425,871)
Transfers	277,644	-	(277,644)	(266,327)	-	(266,327)
Change in Net Assets	(887,215)	(1,435,240)	(459,449)	(256,958)	(1,346,664)	(1,692,198)
Net Assets - January 1	43,931,433	45,366,673	28,453,384	28,710,342	72,384,817	74,077,015
Net Assets - December 31	\$ 43,044,218	\$ 43,931,433	\$ 27,993,935	\$ 28,453,384	\$ 71,038,153	\$ 72,384,817

Financial Analysis of the City's Funds

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

Governmental Funds

General Fund Budget Comparison: Budgeted versus Actual Revenue and Transfers in/Expenditures and Transfers Out (See page 19 of this report)

General Fund Revenues and Transfers In	
Budget	\$ 7,900,613
Actual	8,310,209
Variance	\$ 409,596

The positive revenue variance was primarily due to the following:

- Room tax revenue increased 7.5% over budget.
- The City received winter Emergency FEMA aid in the amount of \$55,379.
- Grants awarded and received that were not budgeted totaled \$89,000.
- Sale of City equipment that was not budgeted increased revenues by \$97,000.

General Fund Expenditures and Transfers Out	
Budget	\$ 7,885,404
Actual	8,103,502
Variance	\$ (218,098)

The functions with significant budget variances are listed below:

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

General Fund Balance	
Beginning of year	\$ 2,386,254
End of the year	2,592,961
Change in Fund Balance	\$ 206,707

Proprietary funds. (See pages 20 - 23) The City's proprietary funds provide the same type of information found in the City's government-wide financial statements, but in more detail. Also, a separation of the financial activities of the sewer and water utilities can be found on these pages.

Net assets of the water utility fund at the end of the year amounted to \$13,146,993, a decrease of \$156,433 from the prior year. Operating income for the water utility fund totaled \$96,794.

Net assets of the sewer utility at the end of the year totaled \$14,846,942, a decrease of \$303,016 from the prior year. Operating loss for the sewer utility fund totaled \$345,860.

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

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2011 amounts to \$64,287,956 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles, infrastructure (streets and bridges), and construction in progress.

City of Lake Geneva, Wisconsin's Capital Assets						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,752,421	\$ 3,752,421	\$ 765,749	\$ 765,749	\$ 4,518,170	\$ 4,518,170
Property held for future	-	-	197,158	197,158	197,158	197,158
Construction in progress	929,567	-	-	-	929,567	-
Buildings	12,381,697	11,616,552	7,658,458	7,655,585	20,040,155	19,272,137
Land improvements	86,065	-	-	-	86,065	-
Machinery and equipment	10,377,064	9,285,999	8,082,719	8,013,644	18,459,783	17,299,643
Infrastructure	81,447,659	80,212,066	22,027,503	21,819,005	103,475,162	102,031,071
Accumulated depreciation	(69,350,167)	(64,832,574)	(14,067,937)	(13,197,467)	(83,418,104)	(78,030,041)
Total	\$ 39,624,306	\$ 40,034,464	\$ 24,663,650	\$ 25,253,674	\$ 64,287,956	\$ 65,288,138

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,297,420.

City of Lake Geneva, Wisconsin's Capital Assets General Obligation Debt and Alliant Energy Note						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General Obligation Debt						
Notes	\$ 7,275,000	\$ 5,060,000	-	-	\$ 7,275,000	\$ 5,060,000
Alliant Energy	22,420	19,291	-	-	22,420	19,291
Total General Obligation Debt	\$ 7,297,420	\$ 5,079,291	\$ -	\$ -	\$ 7,297,420	\$ 5,079,291

Debt Service - Government Activities: (Page 40) All general obligation notes are backed by the full faith and credit of the City. Notes in the government funds will be retired by future property tax levies. In accordance with Wisconsin Statutes, total general obligation debt of City may not exceed five percent (5%) of the equalized value of taxable property of the City. This debt limit as of December 31, 2011 was \$46,832,245. Total general obligation debt outstanding at year-end was \$7,275,000. The outstanding GO debt applicable to the debt limit represents 15% of the City's debt capacity.

Economic Factors and Next Year's Budget and Rates

- The economic condition and outlook of the City has remained quite stable.
- A zero percent increase in the 2011 property tax rate for the City portion of the tax bill was accomplished.
- The 2012 Budget is reflective of the City's commitment to maintaining sound fiscal policy with an emphasis on establishing fiscally sound reserve funds

Contacting the City's Financial Management

The administrative staff hopes the Management Discussion and Analysis is informative. We encourage you to read the 2011 audit in detail. If you would like additional information regarding the audit report, please contact City Administrator Dennis Jordan (262-248-3673) or City Comptroller Peg Pollitt (262-248-3673).

BASIC FINANCIAL STATEMENTS

CITY OF LAKE GENEVA, WISCONSIN

Statement of Net Assets

December 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 12,926,822	\$ 2,221,790	\$ 15,148,612	\$ 12,267
Receivables				
Taxes	8,121,534	-	8,121,534	149,000
Delinquent personal property taxes	8,522	-	8,522	-
Accounts	241,487	445,099	686,586	3,150
Other	-	26,524	26,524	-
Special assessments	18,838	564,248	583,086	-
Internal balances	285,180	(285,180)	-	-
Inventories	-	66,734	66,734	-
Prepaid items	127,318	2,302	129,620	5,000
Deferred charges	40,407	14,155	54,562	-
Restricted cash and investments	-	1,620,278	1,620,278	-
Capital assets not depreciated				
Land	3,752,421	765,749	4,518,170	-
Property held for future	-	197,158	197,158	-
Construction in progress	929,567	-	929,567	-
Capital assets, being depreciated				
Buildings	12,381,697	7,658,458	20,040,155	-
Land improvements	86,065	-	86,065	-
Machinery and equipment	10,377,064	8,082,719	18,459,783	-
Infrastructure	81,447,659	22,027,503	103,475,162	-
Accumulated depreciation	(69,350,167)	(14,067,937)	(83,418,104)	-
TOTAL ASSETS	61,394,414	29,339,600	90,734,014	169,417
LIABILITIES				
Accounts payable	967,624	30,778	998,402	\$ 19,875
Accrued liabilities	297,289	1,767	299,056	-
Accrued interest	89,858	-	89,858	-
Deposits	82,850	664,696	747,546	-
Unearned revenue	8,107,392	516,980	8,624,372	149,000
Noncurrent liabilities				
Due within one year	912,276	-	912,276	-
Due in more than one year	7,892,907	131,444	8,024,351	-
TOTAL LIABILITIES	18,350,196	1,345,665	19,695,861	168,875
NET ASSETS				
Invested in capital assets, net of related debt	33,581,614	24,663,650	58,245,264	-
Restricted				
Debt service	102,504	-	102,504	-
Library	313,977	-	313,977	-
Tax incremental district	5,935,908	-	5,935,908	-
Cemetery perpetual care funds	392,545	-	392,545	-
Impact fees	203,575	-	203,575	-
Plant replacement	-	1,408,673	1,408,673	-
Unrestricted	2,514,095	1,921,612	4,435,707	542
TOTAL NET ASSETS	\$ 43,044,218	\$ 27,993,935	\$ 71,038,153	\$ 542

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

CITY OF LAKE GENEVA, WISCONSIN

Statement of Activities

For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,844,587	\$ 254,349	\$ -	\$ -
Public safety	3,992,980	546,381	277,703	-
Public works	5,950,223	828,110	774,726	688,254
Health and human services	225,752	63,794	-	-
Culture and recreation	1,479,297	1,217,425	55,933	-
Conservation and development	154,123	-	835	-
Interest and fiscal charges	210,562	-	-	-
Total Governmental Activities	14,857,524	2,910,059	1,109,197	688,254
Business-type Activities				
Water	1,276,979	1,373,773	-	725
Sewer	1,506,726	1,160,866	-	44,157
Total Business-type Activities	2,783,705	2,534,639	-	44,882
Total Primary Government	\$ 17,641,229	\$ 5,444,698	\$ 1,109,197	\$ 733,136
Component Unit				
Business improvement district	\$ 225,511	\$ 58,119	\$ -	\$ -

General Revenues

Taxes, levied for general purposes

Taxes levied for debt service

Tax increment

Other taxes

Grants and contributions not restricted to specific programs

Investment income

Miscellaneous revenue

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - January 1

Net Assets - December 31

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

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (2,590,238)	\$ -	\$ (2,590,238)	\$ -
(3,168,896)	-	(3,168,896)	-
(3,659,133)	-	(3,659,133)	-
(161,958)	-	(161,958)	-
(205,939)	-	(205,939)	-
(153,288)	-	(153,288)	-
(210,562)	-	(210,562)	-
<u>(10,150,014)</u>	<u>-</u>	<u>(10,150,014)</u>	<u>-</u>
-	97,519	97,519	-
-	(301,703)	(301,703)	-
-	(204,184)	(204,184)	-
<u>(10,150,014)</u>	<u>(204,184)</u>	<u>(10,354,198)</u>	<u>-</u>
-	-	-	(167,392)
4,780,490	-	4,780,490	-
1,272,510	-	1,272,510	-
1,986,998	-	1,986,998	-
456,105	-	456,105	149,000
177,181	-	177,181	-
39,123	22,379	61,502	-
272,748	-	272,748	-
277,644	(277,644)	-	-
<u>9,262,799</u>	<u>(255,265)</u>	<u>9,007,534</u>	<u>149,000</u>
(887,215)	(459,449)	(1,346,664)	(18,392)
<u>43,931,433</u>	<u>28,453,384</u>	<u>72,384,817</u>	<u>18,934</u>
<u>\$ 43,044,218</u>	<u>\$ 27,993,935</u>	<u>\$ 71,038,153</u>	<u>\$ 542</u>

CITY OF LAKE GENEVA, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2011

	General	General Debt Service	Capital Improvements
ASSETS			
Cash and investments	\$ 2,943,160	\$ -	\$ 1,712,057
Receivables			
Taxes	4,628,692	1,049,040	90,000
Delinquent personal property taxes	8,522	-	-
Accounts	239,789	-	-
Special assessments	18,838	-	-
Due from other funds	1,421,528	102,504	320,119
Prepaid items	127,318	-	-
TOTAL ASSETS	\$ 9,387,847	\$ 1,151,544	\$ 2,122,176
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 211,695	\$ -	\$ 577,300
Accrued liabilities	275,832	-	-
Due to other funds	1,639,702	-	33,216
Deferred revenue	4,663,107	1,049,040	90,000
Deposits	4,550	-	-
Total Liabilities	6,794,886	1,049,040	700,516
Fund Balance			
Nonspendable			
Delinquent taxes	8,522	-	-
Prepaid items	127,318	-	-
Cemetery perpetual care	-	-	-
Restricted			
Debt service	-	102,504	-
Debt proceeds	-	-	1,254,728
Library	-	-	-
Impact fees	-	-	-
Tax incremental district	-	-	-
Assigned			
General fund	211,804	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	166,932
Unassigned			
General fund	2,245,317	-	-
Total Fund Balance	2,592,961	102,504	1,421,660
TOTAL LIABILITIES AND FUND BALANCE	\$ 9,387,847	\$ 1,151,544	\$ 2,122,176

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

TID No. 4 Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 7,097,669	\$ 1,173,936	\$ 12,926,822
1,775,802	578,000	8,121,534
-	-	8,522
599	1,099	241,487
-	-	18,838
27,559	1,252,411	3,124,121
-	-	127,318
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\$ 8,901,629	\$ 3,005,446	\$ 24,568,642

\$ 157,065	\$ 21,564	\$ 967,624
-	21,457	297,289
1,032,854	133,169	2,838,941
1,775,802	578,000	8,155,949
-	78,300	82,850
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2,965,721	832,490	12,342,653

-	-	8,522
-	-	127,318
-	392,545	392,545
-	-	102,504
-	-	1,254,728
-	313,977	313,977
-	203,575	203,575
5,935,908	-	5,935,908
-	-	211,804
-	1,216,746	1,216,746
-	46,113	213,045
-	-	2,245,317
<hr/>		
5,935,908	2,172,956	12,225,989
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\$ 8,901,629	\$ 3,005,446	\$ 24,568,642

CITY OF LAKE GENEVA, WISCONSIN
 Balance Sheet (Continued)
 Governmental Funds
 December 31, 2011

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown on previous page \$ 12,225,989

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 39,624,306

Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.

Special assessments	18,838
Other	29,719

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and notes payable	\$ (7,275,000)	
Alliant Energy notes payable	(22,420)	
Compensated absences	(165,913)	
Other post-employment benefit	(1,341,850)	
Deferred charges - bond issues	40,407	
Accrued interest on long-term obligations	(89,858)	(8,854,634)

Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 10)	<u>\$ 43,044,218</u>
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The notes to the basic financial statements are an integral part of this statement.

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CITY OF LAKE GENEVA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	General Debt Service	Capital Improvements
Revenues			
Taxes	\$ 4,923,609	\$ 1,112,510	\$ 56,000
Special assessments	10,212	-	-
Intergovernmental	1,198,376	-	20,394
Licenses and permits	264,275	-	-
Fines and forfeits	157,574	-	-
Public charges for services	264,762	-	-
Intergovernmental charges for services	193,955	-	-
Interest	10,291	2,236	1,318
Miscellaneous	36,834	-	13,585
Total Revenues	<u>7,059,888</u>	<u>1,114,746</u>	<u>91,297</u>
Expenditures			
Current			
General government	2,482,738	-	-
Public safety	3,761,302	-	-
Public works	1,378,499	-	-
Health and human services	-	-	-
Culture and recreation	166,840	-	-
Conservation and development	154,123	-	-
Capital outlay			
General government	-	-	16,430
Public safety	-	-	1,188,277
Public works	-	-	543,080
Culture and recreation	-	-	30,314
Debt service			
Principal retirement	-	774,569	-
Interest and fiscal charges	-	183,778	-
Debt issuance costs	-	-	43,226
Total Expenditures	<u>7,943,502</u>	<u>958,347</u>	<u>1,821,327</u>
Excess of Revenues Over (Under) Expenditures	<u>(883,614)</u>	<u>156,399</u>	<u>(1,730,030)</u>
Other Financing Sources (Uses)			
Long-term debt issued	5,278	-	2,980,000
Sale of capital assets	96,895	-	10,239
Transfers in	1,148,148	-	-
Transfers out	(160,000)	-	-
Total Other Financing Sources (Uses)	<u>1,090,321</u>	<u>-</u>	<u>2,990,239</u>
Net Change in Fund Balances	206,707	156,399	1,260,209
Fund Balances (Deficit) - January 1	<u>2,386,254</u>	<u>(53,895)</u>	<u>161,451</u>
Fund Balances - December 31	<u>\$ 2,592,961</u>	<u>\$ 102,504</u>	<u>\$ 1,421,660</u>

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

(Continued)

TID No. 4 Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 1,986,998	\$ 418,000	\$ 8,497,117
-	-	10,212
1,919	252,013	1,472,702
-	-	264,275
-	348,036	505,610
-	1,547,247	1,812,009
-	-	193,955
22,751	1,513	38,109
-	22,244	72,663
<u>2,011,668</u>	<u>2,589,053</u>	<u>12,866,652</u>
-	-	2,482,738
-	-	3,761,302
-	262,523	1,641,022
-	212,234	212,234
-	1,156,190	1,323,030
-	-	154,123
150	-	16,580
-	-	1,188,277
1,073,029	-	1,616,109
872,469	4,515	907,298
-	362	774,931
-	57	183,835
-	-	43,226
<u>1,945,648</u>	<u>1,635,881</u>	<u>14,304,705</u>
<u>66,020</u>	<u>953,172</u>	<u>(1,438,053)</u>
-	7,782	2,993,060
-	-	107,134
17,728	171,116	1,336,992
-	(899,348)	(1,059,348)
<u>17,728</u>	<u>(720,450)</u>	<u>3,377,838</u>
83,748	232,722	1,939,785
<u>5,852,160</u>	<u>1,940,234</u>	<u>10,286,204</u>
<u>\$ 5,935,908</u>	<u>\$ 2,172,956</u>	<u>\$ 12,225,989</u>

CITY OF LAKE GENEVA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2011

Reconciliation to the Statement of Activities

Net change in fund balances - total governmental funds \$ 1,939,785

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	3,451,944
Contributed assets	678,042
Depreciation is reported in the government-wide statements	(4,540,144)

Revenues not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

Special assessments	11,118
Other	29,719

Debt issued provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt issued	(2,993,060)
Principal repaid	774,931
Debt issuance costs	41,130

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Retiree sick leave	(255,299)
Compensated absences	(750)
Accrued interest on debt	(24,631)

Change in Net Assets of Governmental Activities as Reported on the Statement of Activities (see pages 11 - 12)	<u>\$ (887,215)</u>
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The notes to the basic financial statements are an integral part of this statement.

CITY OF LAKE GENEVA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		2011 Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 4,877,590	\$ 4,877,590	\$ 4,923,609	\$ 46,019
Special assessments	8,000	8,000	10,212	2,212
Intergovernmental	988,978	1,063,978	1,198,376	134,398
Licenses and permits	266,600	266,600	264,275	(2,325)
Public charges for services	213,072	213,072	264,762	51,690
Fines and forfeits	193,600	193,600	157,574	(36,026)
Intergovernmental charges for services	179,099	179,099	193,955	14,856
Interest	13,950	13,950	10,291	(3,659)
Miscellaneous	22,900	22,900	36,834	13,934
Total Revenues	6,763,789	6,838,789	7,059,888	221,099
Expenditures				
Current				
General government	2,369,084	2,314,701	2,482,738	(168,037)
Public safety	3,567,856	3,680,530	3,761,302	(80,772)
Public works	1,399,113	1,402,613	1,378,499	24,114
Culture and recreation	177,940	177,940	166,840	11,100
Conservation and development	151,620	149,620	154,123	(4,503)
Total Expenditures	7,665,613	7,725,404	7,943,502	(218,098)
Excess of Revenues Over (Under) Expenditures	(901,824)	(886,615)	(883,614)	3,001
Other Financing Sources (Uses)				
Long-term debt issued	-	-	5,278	5,278
Sale of capital assets	-	-	96,895	96,895
Transfers in	1,061,824	1,061,824	1,148,148	86,324
Transfers out	(160,000)	(160,000)	(160,000)	-
Total Other Financing Sources (Uses)	901,824	901,824	1,090,321	188,497
Net Change in Fund Balance	-	15,209	206,707	191,498
Fund Balance - January 1	2,386,254	2,386,254	2,386,254	-
Fund Balance - December 31	\$ 2,386,254	\$ 2,401,463	\$ 2,592,961	\$ 191,498

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

CITY OF LAKE GENEVA, WISCONSIN
Statement of Net Assets
Proprietary Funds
December 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Total
ASSETS			
Current assets			
Cash and investments	\$ 1,065,595	\$ 1,156,195	\$ 2,221,790
Receivables			
Accounts	200,836	244,263	445,099
Other	18,475	8,049	26,524
Due from other funds	5,098	-	5,098
Inventories and prepaid expenses	69,036	-	69,036
Total Current Assets	1,359,040	1,408,507	2,767,547
Noncurrent assets			
Receivables			
Special assessments	18,362	545,886	564,248
Restricted assets			
Cash and investments	450,587	1,169,691	1,620,278
Deferred charges	13,355	800	14,155
Capital assets not depreciated			
Land	131,241	634,508	765,749
Property held for future use	197,158	-	197,158
Capital assets, being depreciated			
Buildings	1,456,213	6,202,245	7,658,458
Land improvements	2,089,925	5,992,794	8,082,719
Machinery and equipment	14,174,325	7,853,178	22,027,503
Less: Accumulated depreciation	(6,145,591)	(7,922,346)	(14,067,937)
Total Capital Assets, Net of Accumulated Depreciation	11,903,271	12,760,379	24,663,650
Total Noncurrent Assets	12,385,575	14,476,756	26,862,331
TOTAL ASSETS	13,744,615	15,885,263	29,629,878
LIABILITIES			
Current Liabilities			
Accounts payable	12,122	18,656	30,778
Accrued and other current liabilities	155,754	510,709	666,463
Due to other funds	283,923	6,355	290,278
Deferred revenue	73,228	443,752	516,980
Total Current Liabilities	525,027	979,472	1,504,499
Noncurrent Liabilities			
Compensated absences	20,446	11,443	31,889
Other post employment benefits	52,149	47,406	99,555
Total Noncurrent Liabilities	72,595	58,849	131,444
TOTAL LIABILITIES	597,622	1,038,321	1,635,943
NET ASSETS			
Invested in capital assets, net of related debt	11,903,271	12,760,379	24,663,650
Restricted for			
Plant replacement	350,031	1,058,642	1,408,673
Unrestricted	893,691	1,027,921	1,921,612
TOTAL NET ASSETS	\$ 13,146,993	\$ 14,846,942	\$ 27,993,935

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

CITY OF LAKE GENEVA, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Total
Operating Revenues			
Charges for services	\$ 1,373,773	\$ 1,160,866	\$ 2,534,639
Operating Expenses			
Operation and maintenance	846,818	946,295	1,793,113
Taxes	28,163	24,381	52,544
Depreciation	401,998	536,050	938,048
Total Operating Expenses	<u>1,276,979</u>	<u>1,506,726</u>	<u>2,783,705</u>
Operating Income (Loss)	<u>96,794</u>	<u>(345,860)</u>	<u>(249,066)</u>
Nonoperating Revenues			
Interest income	<u>12,903</u>	<u>9,476</u>	<u>22,379</u>
Income (Loss) Before Contributions and Transfers	109,697	(336,384)	(226,687)
Capital contributions	725	44,157	44,882
Transfers out	<u>(266,855)</u>	<u>(10,789)</u>	<u>(277,644)</u>
Change in Net Assets	(156,433)	(303,016)	(459,449)
Net Assets - January 1	<u>13,303,426</u>	<u>15,149,958</u>	<u>28,453,384</u>
Net Assets - December 31	<u>\$ 13,146,993</u>	<u>\$ 14,846,942</u>	<u>\$ 27,993,935</u>

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

CITY OF LAKE GENEVA, WISCONSIN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Total
Cash Flows from Operating Activities			
Cash received from customers and municipality	\$ 1,503,169	\$ 1,182,708	2,685,877
Cash payments to suppliers and municipality	(477,536)	(739,606)	(1,217,142)
Cash payments to employees	(382,855)	(299,836)	(682,691)
Net Cash Provided by Operating Activities	<u>642,778</u>	<u>143,266</u>	<u>786,044</u>
Cash Flows from Noncapital and Related Financing Activities			
Transfer to other funds	(267,980)	-	(267,980)
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(138,279)	(133,976)	(272,255)
Contribution to city museum development	-	(5,998)	(5,998)
Contribution to other city departments	-	(4,791)	(4,791)
Salvage	23,231	-	23,231
Special assessment collections	-	28,741	28,741
Capital contributions received	725	-	725
Customer advances for construction	15,623	20,346	35,969
Net Cash Used by Capital and Related Financing Activities	<u>(98,700)</u>	<u>(95,678)</u>	<u>(194,378)</u>
Cash Flows from Investing Activities			
Interest income received	12,903	9,476	22,379
Purchase of long-term investments	(4,337)	(1,506)	(5,843)
Net Cash Provided by Investing Activities	<u>8,566</u>	<u>7,970</u>	<u>16,536</u>
Change in Cash and Cash Equivalents	284,664	55,558	340,222
Cash and Cash Equivalents - Beginning of Year	<u>463,756</u>	<u>1,757,341</u>	<u>2,221,097</u>
Cash and Cash Equivalents - End of Year	<u>\$ 748,420</u>	<u>\$ 1,812,899</u>	<u>\$ 2,561,319</u>
Reconciliation to Statement of Net Assets			
Cash and cash equivalents in current assets	\$ 1,065,595	\$ 1,156,195	\$ 2,221,790
Cash and cash equivalents in restricted assets	450,587	1,169,691	1,620,278
Less: Long-term investments	(767,762)	(512,987)	(1,280,749)
Total Cash and Cash Equivalents	<u>\$ 748,420</u>	<u>\$ 1,812,899</u>	<u>\$ 2,561,319</u>

(Continued)

CITY OF LAKE GENEVA, WISCONSIN
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2011

Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 96,794	\$ (345,860)	\$ (249,066)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	401,998	536,050	938,048
Depreciation charged to sewer department	24,656	(24,656)	-
Changes in assets and liabilities			
Accounts receivable	129,396	21,842	151,238
Inventories and prepaid expenses	(1,397)	-	(1,397)
Other deferred debits	2,052	(448)	1,604
Accounts payable	(29,816)	(60,616)	(90,432)
Accrued and other current liabilities	837	-	837
Compensated absences	(25)	1,085	1,060
Other post employment benefits	15,467	13,976	29,443
Other deferred credits	2,816	1,893	4,709
 Net Cash Provided by Operating Activities	 <u>\$ 642,778</u>	 <u>\$ 143,266</u>	 <u>\$ 786,044</u>

Noncash Investing, Capital and Financing Activities
None

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

CITY OF LAKE GENEVA, WISCONSIN
Statement of Net Assets
Fiduciary Funds
December 31, 2011

	Tax Collection Fund	Municipal Court Bond Fund	Total Agency Funds
ASSETS			
Cash and investments	\$ 7,051,854	\$ 47,332	\$ 7,099,186
Receivables			
Taxes	13,282,017	-	13,282,017
TOTAL ASSETS	<u>\$ 20,333,871</u>	<u>\$ 47,332</u>	<u>\$ 20,381,203</u>
LIABILITIES			
Due to other governments	\$ 20,333,871	-	\$ 20,333,871
Court bonds held	-	47,332	47,332
TOTAL LIABILITIES	<u>\$ 20,333,871</u>	<u>\$ 47,332</u>	<u>\$ 20,381,203</u>

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

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Lake Geneva, Wisconsin ("the City"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below:

1. Reporting Entity

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

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

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

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

Downtown Lake Geneva Business Improvement District

The Downtown Lake Geneva Business Improvement District ("BID"), created under the provisions of Wisconsin Statute Section 66.1109, is a discretely presented component unit with a separate eight-member board of directors. The BID nomination of the board of directors must be approved by the Common Council. The purpose of the BID is to allow businesses within the district boundaries to develop, manage, and promote the district and to establish an assessment method to finance these activities. The BID has its own independent budgetary authority and borrowing capabilities. However, the City can impose its will on the BID. The BID financial information is presented for the fiscal year ended December 31, 2011. Separate financial statements for the BID can be obtained from its office at 626 Geneva Street, Lake Geneva, Wisconsin 53147.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-wide and Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

GENERAL FUND

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

GENERAL DEBT SERVICE FUND

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

CAPITAL IMPROVEMENTS FUND

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

TID DISTRICT NO. 4 CAPITAL PROJECTS FUND

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

The City reports the following major proprietary funds:

WATER UTILITY ENTERPRISE FUND

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

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SEWER UTILITY ENTERPRISE FUND

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

The City reports the following nonmajor governmental funds:

Special Revenue Funds

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. The City reports the following special revenue funds, including the purpose and significant revenue source:

Funds	Purpose	Significant Revenue
Parking Meters and Lots	To account for funds used for parking meters and lots	Public charges for service
Lakefront Operations	To account for the day to day operations of the City owned lakefront facilities	Public charges for service
Public Library	To account for funds used in the operation of the City Library	State library aid and tax levy

Permanent funds account for and report resources that are restricted to the extent that only earnings and not principal may be used for purposes that support the Cemetery Operations fund. The Cemetery Perpetual Care Fund is a nonmajor permanent fund.

Capital Projects funds account for the acquisition or construction of major capital facilities other than those financed by proprietary fund types. The City's Impact Fees Fund is a nonmajor capital projects fund.

The City also reports the following fund type:

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

3. Measurement Focus and Basis of Accounting

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

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

4. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

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

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Receivables

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

Property tax calendar - 2011 tax roll

Levy date	December 2011
Real estate tax collection due dates:	January 31, 2012
Payment in full or first installment due	January 31, 2012
Second installment due	July 31, 2012
Personal property taxes in full	January 31, 2012
Tax sale - 2011 delinquent real estate taxes	September 2014

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

c. Interfund Receivables and Payables

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

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

d. Inventories

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

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

e. Prepaid Items

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

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

CITY OF LAKE GENEVA, WISCONSIN

Notes to Basic Financial Statements

December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of at least \$5,000 for property, plant and equipment and \$250,000 for infrastructure assets and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

g. Compensated Absences

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

h. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

i. Long-term Obligations

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

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

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

For the year ended December 31, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement provides more clearly defined fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which fund balance amounts can be spent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

The City has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

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

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

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

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

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2011.

2. Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the City's governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2011 as follows:

Fund	Function	Excess Expenditures
General Fund	General Government	\$ 168,037
General Fund	Public Safety	80,772
General Fund	Conservation and Development	4,503
Cemetery Operations	Health and human services	6,099
Business Improvement District	Conservation and Development	76,511
Parking Meters and Lots	Transfers out	55,819
Lakefront Operations	Transfers out	6,589
Impact fees	Culture, recreation and education	4,514

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

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

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

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

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the City's cash and investments totaled \$23,880,343 on December 31, 2011 as summarized below:

Petty cash and cash on hand	\$ 3,600
Deposits with financial institutions	6,536,132
Investments	17,340,611
	\$ 23,880,343

Reconciliation to the basic financial statements:

Statement of net assets	
Cash and investments	\$ 15,160,879
Restricted cash and investments	1,620,278
Fiduciary funds	7,099,186
	\$ 23,880,343

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

Custodial Credit Risk

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

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for interest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for all time accounts, savings accounts and interest-bearing demand deposit accounts per official custodian per depository institution. In addition, the City's non-interest bearing transaction accounts are fully insured through December 31, 2012. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

CITY OF LAKE GENEVA, WISCONSIN

Notes to Basic Financial Statements

December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

On December 31, 2011, \$1,002,511 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized.

Credit Risk

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

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Exchange Traded Funds	\$ 52,880	\$ -	\$ -	\$ -	\$ 52,880
Money Markets	5,078	-	-	-	5,078
Mutual Funds	624,894	-	-	-	624,894
Wisconsin Local Government Investment Pool	16,657,759	-	-	-	16,657,759
Totals	\$ 17,340,611	\$ -	\$ -	\$ -	\$ 17,340,611

Interest Rate Risk

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

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Exchange Traded Funds	\$ 52,880	\$ 52,880	\$ -	\$ -	\$ -
Money Markets	5,078	5,078	-	-	-
Mutual Funds	624,894	624,894	-	-	-
Wisconsin Local Government Investment Pool	16,657,759	16,657,759	-	-	-
Totals	\$ 17,340,611	\$ 17,340,611	\$ -	\$ -	\$ -

CITY OF LAKE GENEVA, WISCONSIN

Notes to Basic Financial Statements

December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Concentration of Credit Risk

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

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$16,657,759 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2011, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

2. Restricted Assets

Restricted assets on December 31, 2011 totaled \$1,620,278 and consisted of cash and investments held for the following purposes:

	Sewer Utility	Water Utility	Total
Restricted Cash and Investments			
Impact fees	\$ 100,556	\$ 111,049	\$ 211,605
Plant and equipment replacement fund	350,031	1,058,642	1,408,673
Total	\$ 450,587	\$ 1,169,691	\$ 1,620,278

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

Impact fees	Represents unexpended impact fees received by the City.
Plant and equipment replacement fund	Represents resources set aside to fund plant renewals and replacements or make up potential future deficiencies in the redemption account.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,752,421	\$ -	\$ -	\$ 3,752,421
Construction in progress	-	929,567	-	929,567
	<u>3,752,421</u>	<u>929,567</u>	<u>-</u>	<u>4,681,988</u>
Capital assets, being depreciated:				
Buildings	11,616,552	765,145	-	12,381,697
Land improvements	-	86,065	-	86,065
Machinery and equipment	9,285,999	1,113,616	22,551	10,377,064
Infrastructure	80,212,066	1,235,593	-	81,447,659
Subtotals	<u>101,114,617</u>	<u>3,200,419</u>	<u>22,551</u>	<u>104,292,485</u>
Less accumulated depreciation for:				
Buildings	7,088,603	277,937	-	7,366,540
Land improvements	-	2,584	-	2,584
Machinery and equipment	7,501,200	642,820	22,551	8,121,469
Infrastructure	50,242,771	3,616,803	-	53,859,574
Subtotals	<u>64,832,574</u>	<u>4,540,144</u>	<u>22,551</u>	<u>69,350,167</u>
Total capital assets, being depreciated, net	<u>36,282,043</u>	<u>(1,339,725)</u>	<u>-</u>	<u>34,942,318</u>
Governmental activities capital assets, net	<u>\$ 40,034,464</u>	<u>\$ (410,158)</u>	<u>\$ -</u>	<u>\$ 39,624,306</u>
Less related long-term debt outstanding, net of debt proceeds of \$1,254,728				<u>6,042,692</u>
Invested in capital assets, net of related debt				<u>\$ 33,581,614</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 765,749	\$ -	\$ -	\$ 765,749
Property held for future use	197,158	-	-	197,158
	<u>962,907</u>	<u>-</u>	<u>-</u>	<u>962,907</u>
Capital assets, being depreciated:				
Buildings	7,655,585	2,873	-	7,658,458
Machinery and equipment	8,013,644	104,363	35,288	8,082,719
Infrastructure	21,918,005	159,068	49,570	22,027,503
Subtotals	<u>37,587,234</u>	<u>266,304</u>	<u>84,858</u>	<u>37,768,680</u>
Less: accumulated depreciation	<u>13,197,467</u>	<u>938,048</u>	<u>67,578</u>	<u>14,067,937</u>
Total capital assets, being depreciated, net	<u>24,389,767</u>	<u>(671,744)</u>	<u>17,280</u>	<u>23,700,743</u>
Business-type activities capital assets, net	<u>\$ 25,352,674</u>	<u>\$ (671,744)</u>	<u>\$ 17,280</u>	<u>24,663,650</u>
Less related long-term debt outstanding				<u>-</u>
Invested in capital assets, net of related debt				<u>\$ 24,663,650</u>

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities	
General government	\$ 294,802
Public safety	397,123
Public works	3,729,190
Health and human services	13,518
Culture and recreation	105,511
Total depreciation expense - governmental activities	\$ 4,540,144
Business-type activities	
Water	\$ 432,605
Sewer	505,443
Total depreciation expense - business-type activities	\$ 938,048

4. Interfund Receivable/Payables, Advance and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2011 are detailed below:

	Interfund Receivables	Interfund Payables
Governmental Funds		
General Fund	\$ 1,421,528	\$ 1,639,702
General Debt Service Fund	102,504	-
Capital Improvements Fund	320,119	33,216
TID No. 4 Capital Projects	27,559	1,032,854
Parking Meters and Lots	529,090	122
Lakefront Operations	721,326	27,559
Public Library	1,995	82,626
Cemetery Operations	-	1,644
Impact Fees	-	21,218
Enterprise Funds		
Water Utility	5,098	283,923
Sewer Utility	-	6,355
Totals	\$ 3,129,219	\$ 3,129,219

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

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended December 31, 2011 were as follows:

	Transfer to:			Totals
	General Fund	TID No. 4 Capital Projects	Cemetery Operations	
Transfers from:				
General Fund	\$ -	\$ -	\$ 160,000	\$ 160,000
Parking Meters and Lots	457,856	17,728	-	475,584
Lakefront Operations	412,648	-	-	412,648
Cemetery Perpetual Care	-	-	11,116	11,116
Water Utility	266,855	-	-	266,855
Sewer Utility	10,789	-	-	10,789
Totals	<u>\$ 1,148,148</u>	<u>\$ 17,728</u>	<u>\$ 171,116</u>	<u>\$ 1,336,992</u>

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

5. Deferred Revenues

Governmental activities and governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for resources that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue were as follows:

	Unavailable	Unearned	Total
Subsequent year tax levy receivable	\$ -	\$ 8,107,392	\$ 8,107,392
Special assessments	18,838	-	18,838
Ambulance receivable	29,719	-	29,719
Total	<u>\$ 48,557</u>	<u>\$ 8,107,392</u>	<u>\$ 8,155,949</u>

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2011:

	Outstanding 1/1/11	Issued	Retired	Outstanding 12/31/11	Due Within One Year
Governmental activities:					
General Obligation Debt					
Notes	\$ 5,060,000	\$ 2,980,000	\$ 765,000	\$ 7,275,000	\$ 900,000
Alliant Energy notes	19,291	13,060	9,931	22,420	12,276
Compensated absences	165,163	750	-	165,913	-
Post-employment					
benefits payable	1,086,551	409,004	153,705	1,341,850	-
Governmental activities					
Long-term obligations	<u>\$ 6,331,005</u>	<u>\$ 3,402,814</u>	<u>\$ 928,636</u>	<u>\$ 8,805,183</u>	<u>\$ 912,276</u>
Business-type activities:					
Compensated absences	\$ 30,829	\$ 1,060	\$ -	\$ 31,889	\$ -
Post-employment					
benefits payable	70,112	29,443	-	99,555	-
Business-type activities					
Long-term obligations	<u>\$ 100,941</u>	<u>\$ 30,503</u>	<u>\$ -</u>	<u>\$ 131,444</u>	<u>\$ -</u>

Total interest paid during the year on long-term debt totaled \$183,316.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Notes

\$2,040,000 issued 12/15/03; \$305,000 to \$325,000 due annually through 2013; interest 3.50% to 3.60%	\$ 630,000
\$4,390,000 issued 12/15/06; \$470,000 to \$930,000 due annually through 2016; interest 4.00%	3,665,000
\$2,980,000 issued 07/01/11; \$25,000 to \$585,000 due annually through 2021; interest .80% to 2.70%	<u>2,980,000</u>

Total Outstanding General Obligation Debt \$ 7,275,000

CITY OF LAKE GENEVA, WISCONSIN

Notes to Basic Financial Statements

December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Alliant Energy Notes

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

Alliant Energy Notes

\$46,105 issued 05/31/07; \$828 principal and interest payment due monthly through 2012; interest 3.00%	\$ 9,805
\$7,782 issued 08/29/11; \$140 principal and interest payment due monthly through 2016; interest 3.00%	7,419
\$5,278 issued 08/29/11; \$95 principal and interest payment due monthly through 2016; interest 3.00%	<u>5,196</u>
Total Outstanding Alliant Energy Notes	<u>\$ 22,420</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$7,275,000 and Alliant Energy notes of \$22,420 on December 31, 2011 are as detailed below:

Year Ended December 31	Governmental Activities					
	General Obligation		Alliant Energy Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 900,000	\$ 237,249	\$ 12,276	\$ 505	\$ 912,276	\$ 237,754
2013	850,000	188,888	2,546	270	852,546	189,158
2014	880,000	155,563	2,624	192	882,624	155,755
2015	915,000	120,288	2,704	112	917,704	120,400
2016	955,000	83,513	2,270	31	957,270	83,544
2017-2021	2,775,000	177,983	-	-	2,775,000	177,983
	<u>\$ 7,275,000</u>	<u>\$ 963,484</u>	<u>\$ 22,420</u>	<u>\$ 1,110</u>	<u>\$ 7,297,420</u>	<u>\$ 964,594</u>

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

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2011 was \$39,659,749 as follows:

Equalized valuation of the City	\$ 936,644,900
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	46,832,245
Total outstanding general obligation debt applicable to debt limitation	\$ 7,275,000
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>102,504</u>
Net outstanding general obligation debt applicable to debt limitation	7,172,496
Legal Margin for New Debt	<u>\$ 39,659,749</u>

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

7. Tower Rental Income

The City of Lake Geneva rents space on its water towers to various lessees for the mounting of telecommunications equipment. Rental income for the year ended December 31, 2011 was \$184,099. The remaining future rental payments due on the leases are as follows:

Year Ended December 31	Amount
2012	\$ 193,198
2013	201,973
2014	211,161
2015	220,783
2016	225,857
	<u>\$ 1,052,972</u>

8. Fund Equity

Portions of the City's fund balance have been assigned on December 31, 2011 as follows:

Funds	Purpose	12/31/2011
General Fund		
Fire department	Donations	\$ 5,707
Fire department	CPR revenue	2,260
Police department	Uniform allowance	4,080
Police department	1033 program	244
Police department	Vest donations	2,810
Police department	Donations	9,487
Police department	State seizures	2,490
Ambulance	EMS Act 102 program	24,293
Historical preservation	Donations	2,892
Post-employment	Post-employment liability	157,541
		<u>211,804</u>
Special revenue funds		
Parking meters and lots	Operations	525,000
Lakefront operations	Operations	610,280
Cemetery	Operations	81,466
		<u>1,216,746</u>
Capital projects fund		
Capital improvements	Capital purchases	166,932
Impact fees		46,113
		<u>213,045</u>
Total Assigned Fund Balance		<u>\$ 1,641,595</u>

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE D - OTHER INFORMATION

1. Retirement Commitments

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All permanent employees hired before July 1, 2011 and expected to work over 600 hours a year (440 hours for teachers and educational support personnel) or hired on or after July 1, 2011 and expected to work over 1200 hours a year (880 hours for teachers and educational support personnel) are eligible to participate in the WRS. Covered employees in the General/Teacher/ Educational Support Personnel category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City employees covered by the WRS for the year ended December 31, 2011 was \$4,349,436; the employer's total payroll was \$4,854,648. The total required contribution for the year ended December 31, 2011 was \$559,576, which consisted of \$298,552 or 6.86% of payroll from the employer and \$261,024, or 6.00% of payroll from employees. Total contributions for the years ending December 31, 2010 and 2009 were \$546,949 and \$495,283 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 or after April 24, 1998 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility 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, P.O. Box 7931, Madison, WI 53707-7931.

2. Other Postemployment Benefits

Plan Description. The City operates a single-employer retiree benefit plan that provides postemployment health and dental benefits to eligible employees and their spouses. There are 73 active and 6 retired members in the plan as of December 31, 2010. 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.

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE D - OTHER INFORMATION (Continued)

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

Component	Amount
Annual required contribution	\$ 384,299
Interest on net OPEB	80,896
Adjustment to annual required contribution	<u>(26,749)</u>
Annual OPEB cost (expense)	438,446
Contributions made	<u>153,704</u>
Change in net OPEB obligation	284,742
OPEB obligation - beginning of year	<u>1,156,663</u>
OPEB obligation - end of year	<u><u>\$ 1,441,405</u></u>

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

Valuation Date	January 1, 2008
Actuarial cost method	Projected Unit Credit
Amortization method	30 year open level dollar
Remaining amortization period	27 years
Actuarial assumptions:	
Investment rate of return	5.50%
Healthcare cost trend rate	10.00% initial 5.00% ultimate
Projected salary increases	3.00%

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

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

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$ 438,446	35.06%	\$ 1,441,405
12/31/2010	384,299	26.00%	1,156,663
12/31/2009	384,299	0.00%	760,500

CITY OF LAKE GENEVA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2011

NOTE D - OTHER INFORMATION (Continued)

Funded Status and Funding Progress

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

Actuarial Valuation Date December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	\$ -	\$ 3,081,962	0%	\$ 3,081,962	\$ 4,854,648	63.48%

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

3. Risk Management

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

The City maintains self-insurance for medical insurance. The claims liability of \$123,519 reported in the general fund at December 31, 2011 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claim liability amount for 2010 and 2011 follow:

	Liability January 1	Current Year Claims and Changes in Estimates	Payments	Liability December 31
2010	\$ 146,300	\$ 1,408,070	\$ 1,408,070	\$ 146,300
2011	146,300	1,772,458	1,795,239	123,519

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

CITY OF LAKE GENEVA, WISCONSIN

Notes to Basic Financial Statements

December 31, 2011

NOTE D - OTHER INFORMATION (Continued)

4. Contingencies

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

5. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2011 budget year, the increase in the maximum allowable tax levy is limited to the greater of the percentage change in the City's January 1 equalized value as a result of net new construction or 3.0% per year. The actual limit for the City for the 2011 budget was 3.0%. For the 2012 budget year, Wisconsin statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2012 budget was .97%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

6. Tax Incremental Financing Districts

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

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

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

TID No. 4

Termination year

2023

7. Customer User Rates

Rates currently charged for water service as of December 31, 2011 were authorized by the Wisconsin Public Service Commission on November 26, 1991. Rates currently charged for sewer service as of December 31, 2011 were authorized by the City of Lake Geneva on March 16, 1999.

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SUPPLEMENTAL INFORMATION

CITY OF LAKE GENEVA, WISCONSIN

General Fund

Detailed Comparison of Revenues and Other Financing Sources - Budget and Actual
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes				
General property	\$ 4,466,490	\$ 4,466,490	\$ 4,466,490	\$ -
Omitted and other taxes	-	-	1,236	1,236
Mobile home	3,800	3,800	4,224	424
Room tax	407,000	407,000	437,521	30,521
Sales tax discount	200	200	332	132
Interest on taxes	100	100	13,806	13,706
Total Taxes	4,877,590	4,877,590	4,923,609	46,019
Special Assessments				
Curb and gutter	8,000	8,000	10,212	2,212
Intergovernmental				
Recycling	36,000	36,000	23,829	(12,171)
State shared revenues	126,835	126,835	126,129	(706)
Police department	5,000	80,000	153,669	73,669
Fire department	42,500	42,500	42,700	200
Emergency management	-	-	70,600	70,600
State aid for highways	729,643	729,643	729,378	(265)
Municipal services	4,000	4,000	3,576	(424)
Exempt computer	16,000	16,000	18,495	2,495
Aids in lieu of taxes	26,000	26,000	27,000	1,000
GLLEA accounting services	3,000	3,000	3,000	-
Total Intergovernmental	988,978	1,063,978	1,198,376	134,398
Licenses and Permits				
Licenses				
Liquor and malt beverage licenses	28,000	28,000	30,455	2,455
Operators	8,200	8,200	13,755	5,555
Cable TV franchise fees	86,000	86,000	105,793	19,793
Other business licenses	18,000	18,000	16,320	(1,680)
Dog and cat	400	400	660	260
Miscellaneous	5,000	5,000	6,885	1,885
Permits				
Building	70,000	70,000	38,948	(31,052)
Electrical	15,000	15,000	9,919	(5,081)
Plumbing	10,000	10,000	8,651	(1,349)
Zoning	13,000	13,000	14,550	1,550
Other miscellaneous	13,000	13,000	18,339	5,339
Total Licenses and Permits	266,600	266,600	264,275	(2,325)
Fines and Forfeits				
Court penalties and costs	174,100	174,100	142,914	(31,186)
Parking violations	19,500	19,500	14,500	(5,000)
Restitution	-	-	160	160
Total Fines and Forfeits	193,600	193,600	157,574	(36,026)

(Continued)

CITY OF LAKE GENEVA, WISCONSIN

General Fund

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Charges for Services				
General government fees	7,772	7,772	23,122	15,350
Police department	5,000	5,000	6,895	1,895
Fire department	190,100	190,100	214,905	24,805
Street department	2,100	2,100	6,116	4,016
Snow and ice	1,000	1,000	2,275	1,275
Tree and brush	-	-	4,612	4,612
Traffic control	3,500	3,500	2,810	(690)
Parks	3,500	3,500	3,395	(105)
Miscellaneous fees and charges	100	100	632	532
Total Public Charges for Services	<u>213,072</u>	<u>213,072</u>	<u>264,762</u>	<u>51,690</u>
Intergovernmental Charges for Services				
Police department	139,099	139,099	149,455	10,356
Fire department	20,000	20,000	44,500	24,500
TID reimbursement	20,000	20,000	-	(20,000)
Total Intergovernmental Charges for Services	<u>179,099</u>	<u>179,099</u>	<u>193,955</u>	<u>14,856</u>
Interest				
Interest income	13,950	13,950	9,325	(4,625)
Interest on special assessment	-	-	966	966
Total Interest	<u>13,950</u>	<u>13,950</u>	<u>10,291</u>	<u>(3,659)</u>
Miscellaneous				
Insurance recoveries	19,000	19,000	23,260	4,260
Rent of city property	300	300	351	51
Donation	2,500	2,500	11,889	9,389
Miscellaneous	1,100	1,100	1,334	234
Total Miscellaneous	<u>22,900</u>	<u>22,900</u>	<u>36,834</u>	<u>13,934</u>
Total Revenues	<u>6,763,789</u>	<u>6,838,789</u>	<u>7,059,888</u>	<u>221,099</u>
Other Financing Sources				
Long-term debt issued	-	-	5,278	5,278
Sale of capital assets	-	-	96,895	96,895
Transfers In				
Special Revenue Funds				
Lakefront	409,059	409,059	394,920	(14,139)
Parking fund	419,765	419,765	475,584	55,819
Enterprise Fund				
Payment in lieu of tax	233,000	233,000	277,644	44,644
Total Transfers In	<u>1,061,824</u>	<u>1,061,824</u>	<u>1,148,148</u>	<u>86,324</u>
Total Other Financing Sources	<u>1,061,824</u>	<u>1,061,824</u>	<u>1,250,321</u>	<u>188,497</u>
Total Revenues and Other Financing Sources	<u>\$ 7,825,613</u>	<u>\$ 7,900,613</u>	<u>\$ 8,310,209</u>	<u>\$ 409,596</u>

CITY OF LAKE GENEVA, WISCONSIN

General Fund

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Government				
General government expense	\$ 141,250	\$ 79,883	\$ 93,478	\$ (13,595)
Insurance	162,428	162,428	167,986	(5,558)
Health and other benefits	1,092,501	1,092,501	1,332,312	(239,811)
Common council	36,625	43,609	43,208	401
Municipal court	111,017	111,017	83,459	27,558
City attorney	79,168	79,168	76,290	2,878
Outside legal services	25,000	25,000	23,232	1,768
Mayor	7,060	7,060	6,813	247
City administrator	112,163	112,163	110,879	1,284
City clerk	131,487	131,487	124,994	6,493
Accounting and data processing	187,427	187,427	163,681	23,746
City treasurer	24,294	24,294	21,097	3,197
City assessor	68,926	68,926	57,038	11,888
City hall building	176,738	176,738	174,912	1,826
Sheridan springs property	13,000	13,000	3,359	9,641
Total General Government	2,369,084	2,314,701	2,482,738	(168,037)
Public Safety				
Police department	2,469,876	2,558,336	2,632,383	(74,047)
Fire department	696,055	720,269	714,709	5,560
Fire hydrant rental	227,950	227,950	228,332	(382)
Building and zoning	138,932	138,932	143,276	(4,344)
Emergency management	35,043	35,043	42,602	(7,559)
Total Public Safety	3,567,856	3,680,530	3,761,302	(80,772)
Public Works				
DPW and engineering	9,500	9,500	13,217	(3,717)
Street and highway	557,948	557,948	529,029	28,919
Snow and ice	127,203	127,203	129,371	(2,168)
Tree and brush	62,270	62,270	59,978	2,292
Compost operations	70,125	70,125	75,914	(5,789)
Storm sewer	18,950	18,950	7,627	11,323
Traffic control	130,040	133,540	137,433	(3,893)
Recycling and sanitation	423,077	423,077	425,930	(2,853)
Total Public Works	1,399,113	1,402,613	1,378,499	24,114

(Continued)

CITY OF LAKE GENEVA, WISCONSIN

General Fund

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

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Culture and Recreation				
Parks	110,825	110,825	103,410	7,415
Veteran's park	34,815	34,815	33,190	1,625
Leisure activities	32,300	32,300	30,240	2,060
Total Culture and Recreation	<u>177,940</u>	<u>177,940</u>	<u>166,840</u>	<u>11,100</u>
Conservation and development				
Plan commission	4,150	2,150	6,280	(4,130)
Conservation and development	147,470	147,470	147,843	(373)
Total Conservation and Development	<u>151,620</u>	<u>149,620</u>	<u>154,123</u>	<u>(4,503)</u>
Total Expenditures	<u>7,665,613</u>	<u>7,725,404</u>	<u>7,943,502</u>	<u>(218,098)</u>
Other Financing Uses				
Transfers out	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$ 7,825,613</u>	<u>\$ 7,885,404</u>	<u>\$ 8,103,502</u>	<u>\$ (218,098)</u>

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CITY OF LAKE GENEVA, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2011

	Special Revenue Funds		
	Parking Meters and Lots	Lakefront Operations	Public Library
ASSETS			
Cash and investments	\$ 1,125	\$ -	\$ 422,011
Receivables			
Taxes	-	-	418,000
Accounts	815	284	-
Due from other funds	529,090	721,326	1,995
TOTAL ASSETS	\$ 531,030	\$ 721,610	\$ 842,006
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 245	\$ 2,852	\$ 14,228
Accrued liabilities	5,663	2,619	13,175
Due to other funds	122	27,559	82,626
Deferred revenue			
Tax levy	-	-	418,000
Deposits held in trust	-	78,300	-
Total Liabilities	6,030	111,330	528,029
Fund Balance			
Nonspendable			
Cemetery perpetual care	-	-	-
Restricted			
Library	-	-	313,977
Impact fees	-	-	-
Assigned			
Special revenue funds	525,000	610,280	-
Capital projects fund	-	-	-
Total Fund Balance	525,000	610,280	313,977
TOTAL LIABILITIES AND FUND BALANCE	\$ 531,030	\$ 721,610	\$ 842,006

Cemetery Operations	Total	Permanent	Capital Projects	Total Other Governmental Funds
		Cemetery Perpetual Care	Impact Fees	
\$ 87,349	\$ 510,485	\$ 392,545	\$ 270,906	\$ 1,173,936
160,000	578,000	-	-	578,000
-	1,099	-	-	1,099
-	1,252,411	-	-	1,252,411
<u>\$ 247,349</u>	<u>\$ 2,341,995</u>	<u>\$ 392,545</u>	<u>\$ 270,906</u>	<u>\$ 3,005,446</u>

\$ 4,239	\$ 21,564	\$ -	\$ -	\$ 21,564
-	21,457	-	-	21,457
1,644	111,951	-	21,218	133,169
160,000	578,000	-	-	578,000
-	78,300	-	-	78,300
<u>165,883</u>	<u>811,272</u>	<u>-</u>	<u>21,218</u>	<u>832,490</u>

-	-	392,545	-	392,545
-	313,977	-	-	313,977
-	-	-	203,575	203,575
81,466	1,216,746	-	-	1,216,746
-	-	-	46,113	46,113
<u>81,466</u>	<u>1,530,723</u>	<u>392,545</u>	<u>249,688</u>	<u>2,172,956</u>
<u>\$ 247,349</u>	<u>\$ 2,341,995</u>	<u>\$ 392,545</u>	<u>\$ 270,906</u>	<u>\$ 3,005,446</u>

CITY OF LAKE GENEVA, WISCONSIN
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2011

	Special Revenue Funds		
	Parking Meters and Lots	Lakefront Operations	Public Library
Revenues			
Taxes	\$ -	\$ -	\$ 418,000
Intergovernmental	-	27,675	224,338
Fines and forfeits	348,036	-	-
Public charges for services	464,261	960,712	27,866
Interest	810	-	(6,176)
Miscellaneous	-	1,114	21,130
Total Revenues	<u>813,107</u>	<u>989,501</u>	<u>685,158</u>
Expenditures			
Current			
Public works	262,523	-	-
Health and human services	-	-	-
Culture and recreation	-	480,533	675,657
Capital outlay			
Culture and recreation	-	-	-
Debt service			
Principal retirement	-	-	362
Interest	-	-	57
Debt issuance costs	-	-	-
Total Expenditures	<u>262,523</u>	<u>480,533</u>	<u>676,076</u>
Excess of Revenues Over (Under)			
Expenditures	<u>550,584</u>	<u>508,968</u>	<u>9,082</u>
Other Financing Sources (Uses)			
Long-term debt issued	-	-	7,782
Transfers in	-	-	-
Transfers out	(475,584)	(412,648)	-
Total Other Financing Sources (Uses)	<u>(475,584)</u>	<u>(412,648)</u>	<u>7,782</u>
Net Change in Fund Balances	75,000	96,320	16,864
Fund Balances - January 1	<u>450,000</u>	<u>513,960</u>	<u>297,113</u>
Fund Balances - December 31	<u>\$ 525,000</u>	<u>\$ 610,280</u>	<u>\$ 313,977</u>

Cemetery Operations	Total	Permanent	Capital Projects	Total Other Governmental Funds
		Cemetery Perpetual Care	Impact Fees	
\$ -	\$ 418,000	\$ -	\$ -	\$ 418,000
-	252,013	-	-	252,013
-	348,036	-	-	348,036
50,294	1,503,133	13,500	30,614	1,547,247
44	(5,322)	6,455	380	1,513
-	22,244	-	-	22,244
<u>50,338</u>	<u>2,538,104</u>	<u>19,955</u>	<u>30,994</u>	<u>2,589,053</u>
-	262,523	-	-	262,523
212,199	212,199	35	-	212,234
-	1,156,190	-	-	1,156,190
-	-	-	4,515	4,515
-	362	-	-	362
-	57	-	-	57
-	-	-	-	-
<u>212,199</u>	<u>1,631,331</u>	<u>35</u>	<u>4,515</u>	<u>1,635,881</u>
(161,861)	906,773	19,920	26,479	953,172
-	7,782	-	-	7,782
171,116	171,116	-	-	171,116
-	(888,232)	(11,116)	-	(899,348)
<u>171,116</u>	<u>(709,334)</u>	<u>(11,116)</u>	<u>-</u>	<u>(720,450)</u>
9,255	197,439	8,804	26,479	232,722
<u>72,211</u>	<u>1,333,284</u>	<u>383,741</u>	<u>223,209</u>	<u>1,940,234</u>
<u>\$ 81,466</u>	<u>\$ 1,530,723</u>	<u>\$ 392,545</u>	<u>\$ 249,688</u>	<u>\$ 2,172,956</u>

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



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

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

We have audited 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, Wisconsin, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 7, 2012. Our report includes a reference to other auditors. Other auditors audited the financial statements of the City's Oak Hill Cemetery, Downtown Lake Geneva Business Improvement District, and Lake Geneva Utility Commission, as described in our report on the City's financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the City's Oak Hill Cemetery, Downtown Lake Geneva Business Improvement District, and Lake Geneva Utility Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the City of Lake Geneva, Wisconsin, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2011-01 and 2011-02 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Lake Geneva, Wisconsin in a separate letter dated May 7, 2012.

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



Certified Public Accountants
Green Bay, Wisconsin
May 7, 2012

CITY OF LAKE GENEVA, WISCONSIN
 Schedule of Findings and Responses
 For the Year Ended December 31, 2011

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
2011-01	Segregation of Duties
Condition:	A limited number of City employees perform the majority of the accounting functions for the City of Lake Geneva.
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Cause:	The lack of segregation of duties is due to the limited number of employees and the size of City's operations.
Effect:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction. Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Recommendation:	We recommend the City Council continue to monitor the transactions and the financial records of the City.
Management Response:	Management believes that the cost of segregating cash receipts and cash disbursement duties from the related recording functions outweigh the benefits to be received.

CITY OF LAKE GENEVA, WISCONSIN
 Schedule of Findings and Responses (Continued)
 For the Year Ended December 31, 2011

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2011-02	Year End Closing and Financial Reporting
Condition:	While the current staff of the City maintain financial records which accurately report revenues and expenditures throughout the year, preparing year end adjusting, closing and GASB 34 conversion entries necessary to prepare financial statements, including related notes and state financial reports require additional expertise that would entail additional training and staff time to develop. The City contracts with Schenck and their knowledge of current accounting principles and regulatory requirements of the Wisconsin Department of Revenue to prepare required journal entries and financial reports for the City in an efficient manner.
Criteria:	The review of financial statements by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential misstatement in the financial statements or notes.
Cause:	The additional costs associated with hiring staff experienced in preparing year end adjusting, closing, and GASB 34 conversion entries and financial reports, including additional training time outweigh the derived benefits.
Effect:	The City may not be able to prevent, detect and correct a potential misstatement in the financial statements or the notes to the financial statements.
Recommendation:	We recommend the City continue reviewing the adjusting, closing and GASB 34 conversion entries along with the financial reports prepared by Schenck. While it may not be cost beneficial to hire additional staff to prepare these items, a thorough review of this information by appropriate staff of the City is necessary to obtain an adequate understanding of the City's financial report.
Management Response:	Management believes the cost for additional staff time and training to prepare GASB 34 conversion entries outweigh the benefits to be received. Management will continue to review financial statements and other information prepared by Schenck.

Section II - Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under government auditing standards generally accepted in the United States of America for the year ended December 31, 2011.