CITY OF LAKE GENEVA, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2012

CITY OF LAKE GENEVA, WISCONSIN
December 31, 2012

Table of Contents

	Page No.
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	11 - 12
Statement of Activities	13 - 14
Fund Financial Statements	
Balance Sheet - Governmental Funds	15 - 17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18 - 20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24 - 25
Statement of Net Position - Fiduciary Funds	26
Notes to Basic Financial Statements	27 - 49
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress	50
Schedule of Employer Contributions	51
SUPPLEMENTARY INFORMATION	
Detailed Comparison of Revenues and Other Financing Sources - Budget and Actual - General Fund	52 - 53
Detailed Comparison of Expenditures and Other Financing Uses - Budget and Actual - General Fund	54 - 55
Combining Balance Sheet - Nonmajor Governmental Funds	56 - 57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	58 - 59
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	60 - 61
Schedule of Findings and Responses	62 - 63

Schenck SC
CPAs AND SO MUCH MORE.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Geneva, Wisconsin ("the City") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 100 percent of the assets and revenues of the City's discretely presented component unit. 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.

Appleton • Fond du Lac • Green Bay • Manitowoc • Milwaukee • Oshkosh • Sheboygan • Stevens Point • Wausau
800-236-2246 • schencksc.com

AGN INTERNATIONAL
Schenck sc

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2012, and the changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A.4.h, the City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Financial Information

We have previously audited the City's 2011 financial statements, and our report dated May 7, 2012, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
June 19, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
Fiscal Year 2012

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, 2012.

Financial Highlights

- As of the December 31, 2012, the assets of the City of Lake Geneva exceeded its liabilities and deferred inflows of resources by $70,623,021. This represents a 1.51% decrease over the 2011 net position balance of $71,702,849.

- The general fund balance at the end of 2012 was $3,469,158, an increase of $876,197 from the prior year while the City's final budget projected no change in fund balance.

  Of the general fund balance, $148,421 is nonspendable for prepaid items and delinquent taxes, $1,070,650 has been assigned for various uses, and $2,250,087 is currently unassigned.

- The outstanding general obligation debt as of December 31, 2012 is $6,375,000. This compares to $7,275,000 at the end of 2011.

Overview of the Financial Statements

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

Government-wide Financial Statements. The Government-wide Financial Statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. Financial information in the government-wide financial statements is reported as either governmental activities or business-type activities. Governmental activities are principally supported by taxes and intergovernmental revenues. Examples of governmental activities are: general government, public safety, public works, health and human services, culture and recreation, conservation and development and interest and fiscal charges.

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

The ***Statement of Net Position*** presents information on all City of Lake Geneva, Wisconsin's assets, liabilities and deferred outflows and inflows of resources with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or decreasing. (See pages 11 - 12 of this report).

The ***Statement of Activities*** presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., earned but unused vacation leave.) (See pages 13 - 14 of this report.)

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

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

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

The City has identified 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 Fund: accounts for financial sources to be used for the activity in the TIF District No. 4.

The net change in fund balances for the year is $565,728. The total fund balance for all governmental funds is $12,791,717. (See pages 13 - 21)

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

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

The net change in position for the Water Utility is a decrease of $97,274 and the Sewer Utility had decrease of $228,565. Water Utility net position total $13,203,706. Sewer Utility net position total $15,129,086, for a proprietary/enterprise fund total of $28,332,792. (See pages 22 - 25)

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

Government-wide Financial Analysis

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred inflows of resources by $70,623,021 at the close of 2012.

City of Lake Geneva, Wisconsin's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 22,057,092	$ 21,770,108	$ 4,730,789	$ 4,675,950	$ 26,787,881	$ 26,446,058
Capital assets	37,656,143	39,624,306	24,459,009	24,663,650	62,115,152	64,287,956
Total Assets	59,713,235	61,394,414	29,189,798	29,339,600	88,903,033	90,734,014
Long-term liabilities outstanding	8,154,190	8,805,183	164,579	131,444	8,318,769	8,936,627
Other liabilities	953,358	1,437,621	692,427	549,525	1,645,785	1,987,146
Total Liabilities	9,107,548	10,242,804	857,006	680,969	9,964,554	10,923,773
Deferred inflows of resources	8,315,458	8,107,392	-	-	8,315,458	8,107,392
Net Position						
Net investment in capital assets	31,270,999	33,581,614	24,459,009	24,663,650	55,730,008	58,245,264
Restricted	7,082,229	6,948,509	1,210,681	1,408,673	8,292,910	8,357,182
Unrestricted	3,937,001	2,514,095	2,663,102	2,586,308	6,600,103	5,100,403
Total Net Position	$ 42,290,229	$ 43,044,218	$ 28,332,792	$ 28,658,631	$ 70,623,021	$ 71,702,849

The City implemented GASB Statement Nos. 63 and 65 during 2012. As a result, certain amounts were reclassified from liabilities to deferred inflows of resources to conform to the City's 2012 presentation.

By far the largest portion of the City's net position (79%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure, etc.); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* $6,600,103 may be used to meet the City's ongoing obligations to citizens and creditors.

Change in net position. Governmental activities decreased the City's net position by $713,582 and business-type activities decreased the City's net position by $325,839 during the current fiscal year. Key elements of these changes are as follows:

City of Lake Geneva, Wisconsin's Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for services	$ 3,294,966	$ 2,910,059	$ 2,682,002	$ 2,534,639	$ 5,976,968	$ 5,444,698
Operating grants and contributions	923,811	1,109,197	-	-	923,811	1,109,197
Capital grants and contributions	17,663	688,254	114,376	80,851	132,039	769,105
General Revenues						
Property taxes	6,166,012	6,053,000	-	-	6,166,012	6,053,000
Property tax increment	1,775,802	1,986,998	-	-	1,775,802	1,986,998
Other taxes	497,702	456,105	-	-	497,702	456,105
Grants and contributions not restricted to specific programs	159,844	177,181	-	-	159,844	177,181
Other	392,112	311,871	18,167	22,379	410,279	334,250
Total Revenues	13,227,912	13,692,665	2,814,545	2,637,869	16,042,457	16,330,534
Expenses						
General government	2,501,801	2,844,587	-	-	2,501,801	2,844,587
Public safety	3,964,236	3,992,980	-	-	3,964,236	3,992,980
Public works	5,649,196	5,950,223	-	-	5,649,196	5,950,223
Health and human services	242,038	225,752	-	-	242,038	225,752
Culture and recreation	1,539,451	1,479,297	-	-	1,539,451	1,479,297
Conservation and development	145,406	154,123	-	-	145,406	154,123
Interest and fiscal charges	211,048	210,562	-	-	211,048	210,562
Water utility	-	-	1,306,077	1,276,979	1,306,077	1,276,979
Sewer utility	-	-	1,522,625	1,506,726	1,522,625	1,506,726
Total Expenses	14,253,176	14,857,524	2,828,702	2,783,705	17,081,878	17,641,229
Increase in Net Position Before Transfers	(1,025,264)	(1,164,859)	(14,157)	(145,836)	(1,039,421)	(1,310,695)
Transfers	311,682	277,644	(311,682)	(277,644)	-	-
Change in Net Position	(713,582)	(887,215)	(325,839)	(423,480)	(1,039,421)	(1,310,695)
Prior period adjustment	-	-	-	628,727	-	628,727
New accounting principle	(40,407)	-	-	-	(40,407)	-
Net Position - January 1	43,044,218	43,931,433	28,658,631	28,453,384	71,702,849	72,384,817
Net Position - December 31	$ 42,290,229	$ 43,044,218	$ 28,332,792	$ 28,658,631	$ 70,623,021	$ 71,702,849

Financial Analysis of the City's Funds

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

General Fund Budget Comparison: Budgeted versus Actual Revenue and Transfers In/Expenditures and Transfers Out (See page 21 of this report)

General Fund Revenues and Transfers In		
Budget	$	6,856,111
Actual		7,108,232
Variance	$	252,121

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	$	7,680,190
Actual		7,540,299
Variance	$	139,891

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	$	2,592,961
End of the year		3,469,158
Change in Fund Balance	$	876,197

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

Net position of the water utility fund at the end of the year amounted to $13,203,706, a decrease of $97,274 from the prior year. Operating income for the water utility fund totaled $156,344.

Net position of the sewer utility at the end of the year totaled $15,129,086, a decrease of $228,565 from the prior year. Operating loss for the sewer utility fund totaled $302,791.

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, 2012 amounts to $62,115,152 (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	
	2012	2011	2012	2011	2012	2010
Land	$ 3,602,766	$ 3,752,421	$ 765,749	$ 765,749	$ 4,368,515	$ 4,518,170
Property held for future	-	-	197,158	197,158	197,158	197,158
Construction in progress	13,017	929,567	36,493	-	49,510	929,567
Buildings	12,551,136	12,381,697	7,684,245	7,658,458	20,235,381	20,040,155
Land improvements	121,688	86,065	-	-	121,688	86,065
Machinery and equipment	10,585,773	10,377,064	8,189,427	8,082,719	18,775,200	18,459,783
Infrastructure	84,395,086	81,447,659	22,552,041	22,027,503	106,947,127	103,475,162
Accumulated depreciation	(73,613,323)	(69,350,167)	(14,966,104)	(14,067,937)	(88,579,427)	(83,418,104)
Total	$ 37,656,143	$ 39,624,306	$ 24,459,009	$ 24,663,650	$ 62,115,152	$ 64,287,956

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $6,375,000.

City of Lake Geneva, Wisconsin's Capital Assets
General Obligation Debt and Alliant Energy Note

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General Obligation Debt						
Notes	$ 6,375,000	$ 7,275,000	-	-	$ 6,375,000	$ 7,275,000
Alliant Energy	10,144	22,420	-	-	10,144	22,420
Total General Obligation Debt	$ 6,385,144	$ 7,297,420	$ -	$ -	$ 6,385,144	$ 7,297,420

Debt Service - Governmental Activities: (Page 41) 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, 2012 was $61,005,415. Total general obligation debt outstanding at year-end was $6,375,000. The outstanding GO debt applicable to the debt limit represents 10% of the City's debt capacity.

Economic Factors and Next Year's Budget and Rates

- The economic condition and outlook of the City has remained quite stable.
- The 2013 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 Position
December 31, 2012
(With summarized financial information as of December 31, 2011)

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	
			2012	2011
ASSETS				
Cash and investments	$ 12,935,439	$ 2,719,030	$ 15,654,469	$ 15,360,217
Receivables				
Taxes	8,352,667	-	8,352,667	8,121,534
Delinquent personal property taxes	7,712	-	7,712	8,522
Accounts	277,565	446,244	723,809	686,586
Other	-	28,287	28,287	24,541
Special assessments	24,061	542,285	566,346	583,086
Internal balances	318,939	(318,939)	-	-
Inventories	-	77,282	77,282	66,734
Prepaid items	140,709	15,232	155,941	131,603
Other assets	-	10,687	10,687	54,562
Restricted cash and investments	-	1,210,681	1,210,681	1,408,673
Capital assets, not being depreciated				
Land	3,602,766	765,749	4,368,515	4,518,170
Property held for future	-	197,158	197,158	197,158
Construction in progress	13,017	36,493	49,510	929,567
Capital assets, being depreciated				
Buildings	12,551,136	7,684,245	20,235,381	20,040,155
Land improvements	121,688	-	121,688	86,065
Machinery and equipment	10,585,773	8,189,427	18,775,200	18,459,783
Infrastructure	84,395,086	22,552,041	106,947,127	103,475,162
Accumulated depreciation	(73,613,323)	(14,966,104)	(88,579,427)	(83,418,104)
TOTAL ASSETS	59,713,235	29,189,798	88,903,033	90,734,014
LIABILITIES				
Accounts payable	492,715	168,443	661,158	998,402
Accrued liabilities	310,904	4,517	315,421	299,056
Accrued interest	62,789	-	62,789	89,858
Deposits	86,950	-	86,950	82,850
Unearned revenue	-	519,467	519,467	516,980
Noncurrent liabilities				
Due within one year	852,546	-	852,546	912,276
Due in more than one year	7,301,644	164,579	7,466,223	8,024,351
TOTAL LIABILITIES	9,107,548	857,006	9,964,554	10,923,773
DEFERRED INFLOWS OF RESOURCES				
Property taxes	8,315,458	-	8,315,458	8,107,392
NET POSITION				
Net investment in capital assets	31,270,999	24,459,009	55,730,008	58,245,264
Restricted				
Debt service	-	-	-	102,504
Library	387,785	-	387,785	313,977
Tax incremental district	6,065,896	-	6,065,896	5,935,908
Cemetery perpetual care funds	434,016	-	434,016	392,545
Impact fees	194,532	-	194,532	203,575
Plant replacement	-	1,210,681	1,210,681	1,408,673
Unrestricted	3,937,001	2,663,102	6,600,103	5,100,403
TOTAL NET POSITION	$ 42,290,229	$ 28,332,792	$ 70,623,021	$ 71,702,849

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

Component Unit	
2012	2011
$ 45,468	$ 12,267
178,300	149,000
-	-
-	3,150
-	-
-	-
-	-
-	-
-	5,000
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
223,768	169,417
$ 32,629	$ 19,875
-	-
-	-
-	-
-	-
-	-
-	-
32,629	19,875
178,300	149,000
-	-
-	-
-	-
-	-
-	-
-	-
-	-
12,839	542
$ 12,839	$ 542

CITY OF LAKE GENEVA, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2012
(With summarized financial information 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	$ 2,501,801	$ 249,025	$ -	$ -
Public safety	3,964,236	603,526	75,547	-
Public works	5,649,196	1,072,526	746,420	12,663
Health and human services	242,038	52,099	-	-
Culture and recreation	1,539,451	1,317,790	101,469	5,000
Conservation and development	145,406	-	375	-
Interest and fiscal charges	211,048	-	-	-
Total Governmental Activities	14,253,176	3,294,966	923,811	17,663
Business-type Activities				
Water	1,306,077	1,462,421	-	50,770
Sewer	1,522,625	1,219,581	-	63,606
Total Business-type Activities	2,828,702	2,682,002	-	114,376
Total Primary Government	$ 17,081,878	$ 5,976,968	$ 923,811	$ 132,039
Component Unit				
Business improvement district	$ 142,905	$ 6,060	$ -	$ -

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
Gain on sale of capital assets
Transfers
Total General Revenues and Transfers

Change in Net Position

Cumulative effect of change in accounting principle

Net Position - January 1 (restated)

Net Position - December 31

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

Net (Expense) Revenue and Changes in Net Position					
		Governmental Activities		Component Unit	
Governmental Activities	Business-type Activities	2012	2011	2012	2011
$ (2,252,776)	$ -	$ (2,252,776)	$ (2,590,238)	$ -	$ -
(3,285,163)	-	(3,285,163)	(3,168,896)	-	-
(3,817,587)	-	(3,817,587)	(3,659,133)	-	-
(189,939)	-	(189,939)	(161,958)	-	-
(115,192)	-	(115,192)	(205,939)	-	-
(145,031)	-	(145,031)	(153,288)	-	-
(211,048)	-	(211,048)	(210,562)	-	-
(10,016,736)	-	(10,016,736)	(10,150,014)	-	-
-	207,114	207,114	113,142	-	-
-	(239,438)	(239,438)	(281,357)	-	-
-	(32,324)	(32,324)	(168,215)	-	-
(10,016,736)	(32,324)	(10,049,060)	(10,318,229)	-	-
-	-	-	-	(136,845)	(167,392)
5,116,972	-	5,116,972	4,940,490	-	-
1,049,040	-	1,049,040	1,112,510	-	-
1,775,802	-	1,775,802	1,986,998	-	-
497,702	-	497,702	456,105	149,000	149,000
159,844	-	159,844	177,181	-	-
108,743	18,167	126,910	61,502	142	-
144,235	-	144,235	165,614	-	-
139,134	-	139,134	107,134	-	-
311,682	(311,682)	-	-	-	-
9,303,154	(293,515)	9,009,639	9,007,534	149,142	149,000
(713,582)	(325,839)	(1,039,421)	(1,310,695)	12,297	(18,392)
(40,407)	-	(40,407)	-	-	-
43,044,218	28,658,631	71,702,849	73,013,544	542	18,934
$ 42,290,229	$ 28,332,792	$ 70,623,021	$ 71,702,849	$ 12,839	$ 542

CITY OF LAKE GENEVA, WISCONSIN
Balance Sheet
Governmental Funds
December 31, 2012
(With summarized financial information as of December 31, 2011)

	General	General Debt Service	Capital Improvements
ASSETS			
Cash and investments	$ 4,589,618	$ -	$ 319,786
Receivables			
Taxes	4,646,210	1,040,389	90,000
Delinquent personal property taxes	7,712	-	-
Accounts	187,605	-	-
Special assessments	24,061	-	-
Due from other funds	986,947	2,829	710,882
Prepaid items	140,709	-	-
TOTAL ASSETS	$ 10,582,862	$ 1,043,218	$ 1,120,668
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 80,631	$ -	$ 177,240
Accrued liabilities	286,088	-	-
Due to other funds	2,074,486	-	33,216
Deposits	4,150	-	-
Total Liabilities	2,445,355	-	210,456
Deferred Inflows of Resources			
Property taxes	4,609,001	1,040,389	90,000
Special assessments	24,061	-	-
Ambulance receivable	35,287	-	-
Total Deferred Inflows of Resources	4,668,349	1,040,389	90,000
Fund Balance			
Nonspendable			
Delinquent taxes	7,712	-	-
Prepaid items	140,709	-	-
Cemetery perpetual care	-	-	-
Restricted			
Debt service	-	2,829	-
Library	-	-	-
Impact fees	-	-	-
Tax incremental district	-	-	-
Assigned			
General fund	1,070,650	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	820,212
Unassigned			
General fund	2,250,087	-	-
Total Fund Balance	3,469,158	2,829	820,212
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 10,582,862	$ 1,043,218	$ 1,120,668

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	
		2012	2011
$ 6,763,143	$ 1,262,892	$ 12,935,439	$ 12,926,822
1,991,180	584,888	8,352,667	8,121,534
-	-	7,712	8,522
14,907	75,053	277,565	241,487
-	-	24,061	18,838
40,336	1,395,986	3,136,980	3,124,121
-	-	140,709	127,318
$ 8,809,566	$ 3,318,819	$ 24,875,133	$ 24,568,642
$ 160,230	$ 74,614	$ 492,715	$ 967,624
-	24,816	310,904	297,289
592,260	118,079	2,818,041	2,838,941
-	82,800	86,950	82,850
752,490	300,309	3,708,610	4,186,704
1,991,180	584,888	8,315,458	8,107,392
-	-	24,061	18,838
-	-	35,287	29,719
1,991,180	584,888	8,374,806	8,155,949
-	-	7,712	8,522
-	-	140,709	127,318
-	434,016	434,016	392,545
-	-	2,829	102,504
-	387,785	387,785	313,977
-	194,532	194,532	203,575
6,065,896	-	6,065,896	5,935,908
-	-	1,070,650	-
-	1,371,176	1,371,176	1,216,746
-	46,113	866,325	1,467,773
-	-	2,250,087	2,457,121
6,065,896	2,433,622	12,791,717	12,225,989
$ 8,809,566	$ 3,318,819	$ 24,875,133	$ 24,568,642

CITY OF LAKE GENEVA, WISCONSIN
Balance Sheet (Continued)
Governmental Funds
December 31, 2012
(With summarized financial information as of December 31, 2011)

Reconciliation to the Statement of Net Position	2012	2011
Total Fund Balances as shown on previous page	$ 12,791,717	$ 12,225,989
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	37,656,143	39,624,306
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments	24,061	18,838
Other	35,287	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	(6,375,000)	(7,275,000)
Alliant Energy notes payable	(10,144)	(22,420)
Compensated absences	(153,807)	(165,913)
Other post-employment benefit	(1,615,239)	(1,341,850)
Deferred charges - bond issues	-	40,407
Accrued interest on long-term obligations	(62,789)	(89,858)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see pages 11 - 12)	$ 42,290,229	$ 43,044,218

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

CITY OF LAKE GENEVA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012
(With summarized financial information for the year ended December 31, 2011)

	General	General Debt Service	Capital Improvements
Revenues			
Taxes	$ 5,107,875	$ 1,049,040	$ 90,000
Special assessments	7,440	-	-
Intergovernmental	963,322	-	-
Licenses and permits	313,859	-	-
Fines and forfeits	152,501	-	-
Public charges for services	340,860	-	-
Intergovernmental charges for services	190,299	-	-
Interest	10,597	-	1,432
Miscellaneous	21,479	-	8,093
Total Revenues	7,108,232	1,049,040	99,525
Expenditures			
Current			
General government	2,194,360	-	-
Public safety	3,639,136	-	-
Public works	1,383,787	-	-
Health and human services	-	-	-
Culture and recreation	177,610	-	-
Conservation and development	145,406	-	-
Capital outlay			
General government	-	-	4,891
Public safety	-	-	231,483
Public works	-	-	580,270
Culture and recreation	-	-	1,950
Debt service			
Principal retirement	-	910,801	-
Interest and fiscal charges	-	237,914	-
Debt issuance costs	-	-	-
Total Expenditures	7,540,299	1,148,715	818,594
Excess of Revenues Over (Under) Expenditures	(432,067)	(99,675)	(719,069)
Other Financing Sources (Uses)			
Long-term debt issued	-	-	-
Sale of capital assets	323,173	-	11,323
Transfers in	1,251,389	-	106,298
Transfers out	(266,298)	-	-
Total Other Financing Sources (Uses)	1,308,264	-	117,621
Net Change in Fund Balances	876,197	(99,675)	(601,448)
Fund Balances - January 1	2,592,961	102,504	1,421,660
Fund Balances - December 31	$ 3,469,158	$ 2,829	$ 820,212

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 2012	Total Governmental Funds 2011
$ 1,775,802	$ 418,000	$ 8,440,717	$ 8,497,117
-	-	7,440	10,212
62,899	283,128	1,309,349	1,472,702
-	20,966	334,825	279,641
-	229,415	381,916	532,071
-	1,915,582	2,256,442	1,768,267
-	-	190,299	193,955
13,715	81,442	107,186	38,008
-	20,241	49,813	74,679
1,852,416	2,968,774	13,077,987	12,866,652
-	-	2,194,360	2,482,738
-	-	3,639,136	3,761,302
-	461,498	1,845,285	1,641,022
-	232,026	232,026	212,234
-	1,180,251	1,357,861	1,323,030
-	-	145,406	154,123
3,317	-	8,208	16,580
-	-	231,483	1,188,277
907,129	-	1,487,399	1,616,109
824,759	40,171	866,880	907,298
-	1,475	912,276	774,931
-	203	238,117	183,835
-	-	-	43,226
1,735,205	1,915,624	13,158,437	14,304,705
117,211	1,053,150	(80,450)	(1,438,053)
-	-	-	2,993,060
-	-	334,496	107,134
12,777	173,021	1,543,485	1,336,992
-	(965,505)	(1,231,803)	(1,059,348)
12,777	(792,484)	646,178	3,377,838
129,988	260,666	565,728	1,939,785
5,935,908	2,172,956	12,225,989	10,286,204
$ 6,065,896	$ 2,433,622	$ 12,791,717	$ 12,225,989

CITY OF LAKE GENEVA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2012
(With summarized financial information for the year ended December 31, 2011)

Reconciliation to the Statement of Activities	2012	2011
Net change in fund balances - total governmental funds	$ 565,728	$ 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	2,642,168	3,451,944
Contributed assets	-	678,042
Depreciation is reported in the government-wide statements	(4,414,969)	(4,540,144)
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.		
Proceeds from the disposition of capital assets as reported on the governmental funds operating statement	(334,496)	-
Gain on disposition reported on the statement of activities	139,134	-
Book value of capital assets disposed of	(195,362)	-
Revenues not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		
Special assessments	5,223	11,118
Other	5,568	29,719
Debt issued provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Debt issued	-	(2,993,060)
Principal retired	912,276	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	(273,389)	(255,299)
Compensated absences	12,106	(750)
Accrued interest on debt	27,069	(24,631)
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 13 - 14)	$ (713,582)	$ (887,215)

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, 2012
(With comparative financial information for the year ended December 31, 2011)

	Budgeted Amounts		2012 Actual Amounts	Variance Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
Revenues					
Taxes	$ 5,013,935	$ 5,125,344	$ 5,107,875	$ (17,469)	$ 4,923,609
Special assessments	1,200	1,200	7,440	6,240	10,212
Intergovernmental	900,631	900,631	963,322	62,691	1,198,376
Licenses and permits	249,790	249,790	313,859	64,069	264,275
Public charges for services	217,100	217,100	340,860	123,760	264,252
Fines and forfeits	131,500	131,500	152,501	21,001	157,574
Intergovernmental charges for services	199,996	199,996	190,299	(9,697)	193,955
Interest	7,650	7,650	10,597	2,947	10,291
Miscellaneous	22,900	22,900	21,479	(1,421)	37,344
Total Revenues	6,744,702	6,856,111	7,108,232	252,121	7,059,888
Expenditures					
Current					
General government	2,256,050	2,237,472	2,194,360	43,112	2,482,738
Public safety	3,651,565	3,665,254	3,639,136	26,118	3,761,302
Public works	1,439,083	1,449,083	1,383,787	65,296	1,378,499
Culture and recreation	179,361	179,361	177,610	1,751	166,840
Conservation and development	149,020	149,020	145,406	3,614	154,123
Total Expenditures	7,675,079	7,680,190	7,540,299	139,891	7,943,502
Excess of Revenues Over (Under) Expenditures	(930,377)	(824,079)	(432,067)	392,012	(883,614)
Other Financing Sources (Uses)					
Long-term debt issued	-	-	-	-	5,278
Sale of capital assets	3,000	3,000	323,173	320,173	96,895
Transfers in	1,087,377	1,087,377	1,251,389	164,012	1,148,148
Transfers out	(160,000)	(266,298)	(266,298)	-	(160,000)
Total Other Financing Sources (Uses)	930,377	824,079	1,308,264	484,185	1,090,321
Net Change in Fund Balance	-	-	876,197	876,197	206,707
Fund Balance - January 1	2,592,961	2,592,961	2,592,961	-	2,386,254
Fund Balance - December 31	$ 2,592,961	$ 2,592,961	$ 3,469,158	$ 876,197	$ 2,592,961

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, 2012
(With summarized financial information as of December 31, 2011)

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Totals 2012	Totals 2011
ASSETS				
Current assets				
Cash and investments	$ 1,350,241	$ 1,368,789	$ 2,719,030	$ 2,433,395
Receivables				
Accounts	203,272	242,972	446,244	445,099
Other	17,590	10,697	28,287	24,541
Due from other funds	170	5,423	5,593	5,098
Inventories and prepaid expenses	86,499	6,015	92,514	71,019
Total Current Assets	1,657,772	1,633,896	3,291,668	2,979,152
Noncurrent assets				
Receivables				
Special assessments	18,362	523,923	542,285	564,248
Restricted assets				
Cash and investments	350,589	860,092	1,210,681	1,408,673
Other assets- preliminary construction costs	-	10,687	10,687	14,155
Capital assets not being depreciated				
Land	131,241	634,508	765,749	765,749
Property held for future use	197,158	-	197,158	197,158
Construction in progress	13,600	22,893	36,493	-
Capital assets, being depreciated				
Buildings	1,472,986	6,211,259	7,684,245	7,658,458
Land improvements	2,107,775	6,081,652	8,189,427	8,082,719
Machinery and equipment	14,351,781	8,200,260	22,552,041	22,027,503
Less: Accumulated depreciation	(6,524,411)	(8,441,693)	(14,966,104)	(14,067,937)
Total Capital Assets, Net of Accumulated Depreciation	11,750,130	12,708,879	24,459,009	24,663,650
Total Noncurrent Assets	12,119,081	14,103,581	26,222,662	26,650,726
TOTAL ASSETS	13,776,853	15,737,477	29,514,330	29,629,878
LIABILITIES				
Current Liabilities				
Accounts payable	86,530	81,913	168,443	30,778
Accrued and other current liabilities	3,414	1,103	4,517	1,767
Due to other funds	318,874	5,658	324,532	290,278
Unearned revenue	75,715	443,752	519,467	516,980
Total Current Liabilities	484,533	532,426	1,016,959	839,803
Noncurrent Liabilities				
Compensated absences	18,952	12,393	31,345	31,889
Other post employment benefits	69,662	63,572	133,234	99,555
Total Noncurrent Liabilities	88,614	75,965	164,579	131,444
TOTAL LIABILITIES	573,147	608,391	1,181,538	971,247
NET POSITION				
Net investment in capital assets	11,750,130	12,708,879	24,459,009	24,663,650
Restricted for				
Plant replacement	350,589	860,092	1,210,681	1,408,673
Unrestricted	1,102,987	1,560,115	2,663,102	2,586,308
TOTAL NET POSITION	$ 13,203,706	$ 15,129,086	$ 28,332,792	$ 28,658,631

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

CITY OF LAKE GENEVA, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2012
(With summarized financial information for the year ended December 31, 2011)

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Totals	
			2012	2011
Operating Revenues				
Charges for services	$ 1,462,421	$ 1,219,581	$ 2,682,002	$ 2,534,639
Operating Expenses				
Operation and maintenance	881,849	938,253	1,820,102	1,793,113
Taxes	20,603	24,965	45,568	52,544
Depreciation	403,625	559,154	962,779	938,048
Total Operating Expenses	1,306,077	1,522,372	2,828,449	2,783,705
Operating Income (Loss)	156,344	(302,791)	(146,447)	(249,066)
Nonoperating Revenues (Expenses)				
Interest income	7,294	10,873	18,167	22,379
Contribution to city museum development	-	(253)	(253)	-
Total Nonoperating Revenues (Expenses)	7,294	10,620	17,914	22,379
Income (Loss) Before Contributions and Transfers	163,638	(292,171)	(128,533)	(226,687)
Capital contributions	50,770	63,606	114,376	80,851
Transfers out	(311,682)	-	(311,682)	(277,644)
Change in Net Position	(97,274)	(228,565)	(325,839)	(423,480)
Net Position - January 1 (restated)	13,300,980	15,357,651	28,658,631	29,082,111
Net Position- December 31	$ 13,203,706	$ 15,129,086	$ 28,332,792	$ 28,658,631

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, 2012
(With summarized financial information for the year ended December 31, 2011)

	Business-type Activities - Enterprise Funds			
			Totals	
	Water Utility	Sewer Utility	2012	2011
Cash Flows from Operating Activities				
Cash received from customers and municipality	$ 1,465,798	$ 1,212,801	2,678,599	2,685,877
Cash payments to suppliers and municipality	(373,645)	(611,505)	(985,150)	(1,217,142)
Cash payments to employees	(409,274)	(317,644)	(726,918)	(682,691)
Net Cash Provided by Operating Activities	682,879	283,652	966,531	786,044
Cash Flows from Noncapital and Related Financing Activities				
Transfer to other funds	(275,003)	-	(275,003)	(267,980)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(266,779)	(449,726)	(716,505)	(272,255)
Contribution to city museum development	-	(253)	(253)	(5,998)
Contribution to other city departments	-	-	-	(4,791)
Salvage	3,937	-	3,937	23,231
Special assessment collections	-	21,963	21,963	28,741
Capital contributions received	725	-	725	725
Customer advances for construction	31,595	36,486	68,081	35,969
Net Cash Used by Capital and Related Financing Activities	(230,522)	(391,530)	(622,052)	(194,378)
Cash Flows from Investing Activities				
Interest income received	7,294	10,873	18,167	22,379
Purchase of long-term investments	(106,014)	(404,970)	(510,984)	(5,843)
Redemption of long-term investments	255,439	262,133	517,572	-
Net Cash Provided (Used) by Investing Activities	156,719	(131,964)	24,755	16,536
Change in Cash and Cash Equivalents	334,073	(239,842)	94,231	340,222
Cash and Cash Equivalents - Beginning of Year	748,420	1,812,899	2,561,319	2,221,097
Cash and Cash Equivalents - End of Year	$ 1,082,493	$ 1,573,057	$ 2,655,550	$ 2,561,319
Reconciliation to Statement of Net Position				
Cash and cash equivalents in current assets	$ 1,350,241	$ 1,368,789	$ 2,719,030	$ 2,221,790
Cash and cash equivalents in restricted assets	350,589	860,092	1,210,681	1,620,278
Less: Long-term investments	(618,337)	(655,824)	(1,274,161)	(1,280,749)
Total Cash and Cash Equivalents	$ 1,082,493	$ 1,573,057	$ 2,655,550	$ 2,561,319

(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			
			Totals	
	Water Utility	Sewer Utility	2012	2011
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	$ 156,344	$ (302,791)	$ (146,447)	$ (249,066)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	403,625	559,154	962,779	938,048
Depreciation charged to sewer department	30,808	(30,808)	-	-
Changes in assets and liabilities				
Accounts receivable	1,975	(3,340)	(1,365)	28,481
Due from other funds	1,402	(5,423)	(4,021)	122,757
Inventories and prepaid expenses	(17,463)	(4,032)	(21,495)	(1,397)
Other assets	13,355	(9,887)	3,468	1,604
Accounts payable	74,408	63,257	137,665	(59,994)
Due to other funds	(1,728)	(697)	(2,425)	(30,438)
Accrued and other current liabilities	1,647	1,103	2,750	837
Compensated absences	(1,494)	950	(544)	1,060
Other post employment benefits	17,513	16,166	33,679	29,443
Unearned revenue	2,487	-	2,487	4,709
Net Cash Provided by Operating Activities	$ 682,879	$ 283,652	$ 966,531	$ 786,044

Noncash Investing, Capital and Financing Activities

During 2012, capital additions of $18,450 and $27,120 for the water and sewer utilities, respectively were contributed by developers.

During 2011, capital additions of $44,157 for the sewer were recorded through special assessment levies.

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

CITY OF LAKE GENEVA, WISCONSIN
Statement of Net Position
Fiduciary Funds
December 31, 2012
(With summarized financial information as of December 31, 2011)

	Tax Collection Fund	Municipal Court Bond	Totals	
			2012	2011
ASSETS				
Cash and investments	$ 7,230,419	$ 718	$ 7,231,137	$ 7,099,186
Receivables				
Taxes	14,198,940	-	14,198,940	13,282,017
TOTAL ASSETS	$ 21,429,359	$ 718	$ 21,430,077	$ 20,381,203
LIABILITIES				
Due to other governments	$ 21,429,359	$ -	$ 21,429,359	$ 20,333,871
Court bonds held	-	718	718	47,332
TOTAL LIABILITIES	$ 21,429,359	$ 718	$ 21,430,077	$ 20,381,203

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

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, 2012. Separate financial statements for the BID can be obtained from its office at 626 Geneva Street, Lake Geneva, Wisconsin 53147.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-wide and Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

GENERAL FUND

This is the City's primary operating fund. It accounts for all financial resources of the general government, except those 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.

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 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.

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. Deferred special assessments are reported as unearned until the condition creating the deferral is met. At that time, the assessment is due and the revenue is recognized by the City.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assets, Liabilities Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

a. Cash and Investments
Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the 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.

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

Property tax calendar - 2012 tax roll

Levy date	December 2012
Real estate tax collection due dates:	January 31, 2013
Payment in full or first installment due	January 31, 2013
Second installment due	July 31, 2013
Personal property taxes in full	January 31, 2013
Tax sale - 2012 delinquent real estate taxes	September 2015

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Prepaid Items

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

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

f. Capital Assets

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

	Governmental Activities	Business-type Activities
	Years	
Assets		
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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Deferred Outflows/Inflows of Resources

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2012. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied. The City also has additional type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, special assessments and ambulance receivables. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

i. Long-term Obligations

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

The City has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, 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 position - Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Summarized Comparative Information
The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

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

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, 2012.

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

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, 2012 as follows:

Fund	Function	Excess Expenditures
Cemetery Operations	Health and human services	$ 25,923
Parking Meters and Lots	Public works	10,281
Impact fees	Culture and recreation	35,171

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

NOTE C - DETAILED NOTES ON ALL FUNDS

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

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

> Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the cemetery perpetual care and library donation accounts may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "*Uniform Prudent Investor Act*".

The carrying amount of the City's cash and investments totaled $24,096,287 on December 31, 2012 as summarized below:

Petty cash and cash on hand	$ 2,875
Deposits with financial institutions	8,244,777
Investments	15,848,635
	$ 24,096,287

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	$ 15,654,469
Restricted cash and investments	1,210,681
Fiduciary Fund Statement of Net Position	
Agency funds	7,231,137
	$ 24,096,287

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.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Custodial Credit Risk

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

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of $250,000 for 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. As of January 1, 2013 the City's noninterest-bearing transaction accounts are combined with its interest bearing demand deposits for FDIC coverage. 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.

On December 31, 2012, none 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	$ 59,272	$ -	$ -	$ -	$ 59,272
Mutual Funds	691,347	-	-	-	691,347
Wisconsin Local Government Investment Pool	15,098,016	-	-	-	15,098,016
Totals	$ 15,848,635	$ -	$ -	$ -	$ 15,848,635

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interest Rate Risk

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

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

		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Exchange Traded Funds	$ 59,272	$ 59,272	$ -	$ -	$ -
Mutual Funds	691,347	691,347	-	-	-
Wisconsin Local Government Investment Pool	15,098,016	15,098,016	-	-	-
Totals	$ 15,848,635	$ 15,848,635	$ -	$ -	$ -

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 $15,098,016 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, 2012, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

2. Restricted Assets

Restricted assets on December 31, 2012 totaled $1,210,681 and consisted of cash and investments held for the following purposes:

	Water Utility	Sewer Utility	Total
Restricted Cash and Investments			
Plant and equipment replacement fund	$ 350,589	$ 860,092	$ 1,210,681

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

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.

3. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 3,752,421	$ -	$ 149,655	$ 3,602,766
Construction in progress	929,567	595,762	1,512,312	13,017
	4,681,988	595,762	1,661,967	3,615,783
Capital assets, being depreciated:				
Buildings	12,381,697	177,620	8,181	12,551,136
Land improvements	86,065	35,623	-	121,688
Machinery and equipment	10,377,064	398,048	189,339	10,585,773
Infrastructure	81,447,659	2,947,427	-	84,395,086
Subtotals	104,292,485	3,558,718	197,520	107,653,683
Less accumulated depreciation for:				
Buildings	7,366,540	296,540	1,023	7,662,057
Land improvements	2,584	5,762	-	8,346
Machinery and equipment	8,121,469	441,462	150,790	8,412,141
Infrastructure	53,859,574	3,671,205	-	57,530,779
Subtotals	69,350,167	4,414,969	151,813	73,613,323
Total capital assets, being depreciated, net	34,942,318	(856,251)	45,707	34,040,360
Governmental activities capital assets, net	$ 39,624,306	$ (260,489)	$ 1,707,674	$ 37,656,143
Less related long-term debt outstanding				6,385,144
Net investment in capital assets				$ 31,270,999

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 765,749	$ -	$ -	$ 765,749
Property held for future use	197,158	-	-	197,158
Construction in progress	-	36,493	-	36,493
	962,907	36,493	-	999,400
Capital assets, being depreciated:				
Buildings	7,658,458	26,787	1,000	7,684,245
Machinery and equipment	8,082,719	108,708	2,000	8,189,427
Infrastructure	22,027,503	590,088	65,550	22,552,041
Subtotals	37,768,680	725,583	68,550	38,425,713
Less: accumulated depreciation	14,067,937	962,779	64,612	14,966,104
Total capital assets, being depreciated, net	23,700,743	(237,196)	3,938	23,459,609
Business-type activities capital assets, net	$ 24,663,650	$ (200,703)	$ 3,938	24,459,009
Less related long-term debt outstanding				-
Net investment in capital assets				$ 24,459,009

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

Governmental activities	
General government	$ 253,062
Public safety	254,321
Public works	3,751,076
Health and human services	10,012
Culture and recreation	146,498
Total depreciation expense - governmental activities	$ 4,414,969
Business-type activities	
Water	$ 403,625
Sewer	559,154
Total depreciation expense - business-type activities	$ 962,779

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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, 2012 are detailed below:

	Interfund Receivables	Interfund Payables
Governmental Funds		
General Fund	$ 986,947	$ 2,074,486
General Debt Service Fund	2,829	-
Capital Improvements Fund	710,882	33,216
TID No. 4 Capital Projects	40,336	592,260
Parking Meters and Lots	612,345	-
Lakefront Operations	781,646	40,336
Public Library	1,995	44,615
Cemetery Operations	-	1,601
Impact Fees	-	31,527
Enterprise Funds		
Water Utility	170	318,874
Sewer Utility	5,423	5,658
Totals	$ 3,142,573	$ 3,142,573

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

Interfund transfers for the year ended December 31, 2012 were as follows:

	Transfer to:				
	General Fund	Capital Improvements	TID No. 4 Capital Projects	Cemetery Operations	Totals
Transfers from:					
General Fund	$ -	$ 106,298	$ -	$ 160,000	$ 266,298
Parking Meters and Lots	500,374	-	-	-	500,374
Lakefront Operations	439,333	-	12,777	-	452,110
Cemetery Perpetual Care	-	-	-	13,021	13,021
Water Utility	311,682	-	-	-	311,682
Totals	$ 1,251,389	$ 106,298	$ 12,777	$ 173,021	$ 1,543,485

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.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2012:

	Outstanding 1/1/12	Issued	Retired	Outstanding 12/31/12	Due Within One Year
Governmental activities:					
General Obligation Debt Notes	$ 7,275,000	$ -	$ 900,000	$ 6,375,000	$ 850,000
Alliant Energy notes	22,420	-	12,276	10,144	2,546
Compensated absences	165,913	-	12,106	153,807	-
Post-employment benefits payable	1,341,850	423,045	149,656	1,615,239	-
Governmental activities Long-term obligations	$ 8,805,183	$ 423,045	$ 1,074,038	$ 8,154,190	$ 852,546
Business-type activities:					
Compensated absences	$ 31,889	$ -	$ 544	$ 31,345	$ -
Post-employment benefits payable	99,555	33,679	-	133,234	-
Business-type activities Long-term obligations	$ 131,444	$ 33,679	$ 544	$ 164,579	$ -

Total interest paid during the year on long-term debt totaled $237,754.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Notes	
$2,040,000 issued 12/15/03; $325,000 due in 2013; interest 3.60%	$ 325,000
$4,390,000 issued 12/15/06; $500,000 to $930,000 due annually through 2016; interest 4.00%	3,175,000
$2,980,000 issued 07/01/11; $25,000 to $585,000 due annually through 2021; interest 1.50% to 2.70%	2,875,000
Total Outstanding General Obligation Debt	$ 6,375,000

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	
$7,782 issued 08/29/11; $140 principal and interest payment due monthly through 2016; interest 3.00%	$ 5,944
$5,278 issued 08/29/11; $95 principal and interest payment due monthly through 2016; interest 3.00%	4,200
Total Outstanding Alliant Energy Notes	$ 10,144

Annual principal and interest maturities of the outstanding general obligation debt of $6,375,000 and Alliant Energy notes of $10,144 on December 31, 2012 are as detailed below:

Year Ended December 31	Governmental Activities					
	General Obligation		Alliant Energy Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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	525,000	60,000	-	-	525,000	60,000
2018-2021	2,250,000	117,982	-	-	2,250,000	117,982
	$ 6,375,000	$ 726,234	$ 10,144	$ 605	$ 6,385,144	$ 726,839

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, 2012 was $54,627,586 as follows:

Equalized valuation of the CIty		$ 1,220,108,300
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		61,005,415
Total outstanding general obligation debt applicable to debt limitation	$ 6,375,000	
Less: Amounts available for financing general obligation debt		
Debt service fund	2,829	
Net outstanding general obligation debt applicable to debt limitation		6,377,829
Legal Margin for New Debt		$ 54,627,586

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

6. 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, 2012 was $191,106. The remaining future rental payments due on the leases are as follows:

Year Ended December 31	Amount
2013	$ 186,249
2014	194,651
2015	203,147
2016	212,655
2017	212,655
	$ 1,009,357

7. Fund Equity

Portions of the City's fund balance have been assigned on December 31, 2012 as follows:

Funds/Departments	Purpose	12/31/12
General Fund		
General Fund	Equipment replacement	$ 715,000
Fire department	Donations	1,627
Fire department	CPR revenue	2,445
Police department	Uniform allowance	7,103
Police department	1033 program	244
Police department	Vest donations	1,300
Police department	Donations	7,050
Police department	State seizures	5,739
Ambulance	EMS Act 102 program	19,709
Historical preservation	Donations	2,892
Post-employment	Post-employment liability	307,541
		1,070,650
Special revenue funds		
Parking meters and lots	Operations	600,000
Lakefront operations	Operations	706,600
Cemetery	Operations	64,576
		1,371,176
Capital projects funds		
Capital improvements	Fire vehicle	94,232
Capital improvements	Capital purchases	725,980
Impact fees	Park fees	46,113
		866,325
Total Assigned Fund Balance		$ 3,308,151

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Actual 2012 general fund expenditures	$	7,540,299
Minmum fund balance %		25%
Minmum fund balance amount	$	1,885,075

The City's unassigned fund balance of $2,250,087 meets the minimum fund balance amount.

8. Component Unit
This report contains Downtown Lake Geneva Business Improvement District ("BID"), which is included as a discretely presented component unit. Financial information is presented as a discrete column in the statement of net position and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements, which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus
BID follows the accrual basis of accounting wherein revenues and expenses are recorded in the period earned or incurred.

b. Deposits and Investments
At year-end, the carrying amount of BID deposits was $45,468 and the bank balance was $45,468. The entire bank balance was covered by federal depository insurance.

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 employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

NOTE D - OTHER INFORMATION (Continued)

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates are as follows:

	2012	
	Employee	Employer
General (including Teachers)	5.9%	5.9%
Executives & Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for City employees covered by the WRS for the year ended December 31, 2012 was $4,550,044; the employer's total payroll was $4,949,057. The total required contribution for the year ended December 31, 2012 was $594,826, which consisted of $325,413 or 7.15% of covered payroll from the employer, and $269,413, or 5.92% of covered payroll from employees. Total contributions for the years ended December 31, 2011 and 2010 were $559,576 and $546,949, 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. A 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 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

NOTE D - OTHER INFORMATION (Continued)

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 were 64 active and 9 retired members in the plan as of December 31, 2012. Benefits and eligibility for employees are established and amended through collective bargaining with the recognized bargaining agent for each group; and include postemployment health and dental coverage. Benefits and eligibility for administrators and general support staff are established and amended by the governing body.

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

Annual 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	79,277
Adjustment to annual required contribution	(6,852)
Annual OPEB cost (expense)	456,724
Contributions made	149,656
Change in net OPEB obligation	307,068
OPEB obligation - beginning of year	1,441,405
OPEB obligation - end of year	$ 1,748,473

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	30 years
Actuarial assumptions:	
Investment rate of return	5.50%
Healthcare cost trend rate	10.00% initial
	5.00% ultimate
Projected salary increases	3.00%

NOTE D - OTHER INFORMATION (Continued)

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
12/31/2012	$ 456,724	33%	$ 1,748,473
12/31/2011	438,446	35%	1,441,405
12/31/2010	384,299	26%	1,086,551

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	$ 4,098,954	75.19%

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.

NOTE D - OTHER INFORMATION (Continued)

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 $135,691 reported in the general fund at December 31, 2012 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 2011 and 2012 follow:

	Liability January 1	Current Year Claims and Changes in Estimates	Payments	Liability December 31
2011	$ 146,300	$ 1,772,458	$ 1,795,239	$ 123,519
2012	$ 123,519	$ 1,534,007	$ 1,521,835	$ 135,691

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.

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 2012 and 2013 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the City's January 1 equalized value as a result of net new construction. The actual limit for the Village for the 2012 budget was 0.97%. The actual limit for the City for the 2013 budget was 0%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

NOTE D - OTHER INFORMATION (Continued)

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 is still eligible to incur project costs.

Since creation of the above TID, the City has provided various financing sources to the 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 fund 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, 2012 were authorized by the Wisconsin Public Service Commission on November 26, 1991. Rates currently charged for sewer service as of December 31, 2012 were authorized by the City of Lake Geneva on March 16, 1999.

8. Cumulative Effect of Change in Accounting Principle
The City has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred, rather than recorded as assets and amortized over the life of the related debt issue. Financial statements for the year ended December 31, 2011 have not been restated. The cumulative effect of this change was to decrease the December 31, 2012 net position of the governmental activities by $40,407 and the net position of the business-type activities and proprietary funds did not change.

9. Restatement of Net Position
The January 1, 2011 net position balances of the water and sewer funds were restated to correct the reporting of impact fees that were determined to be applied to construction projects from a liability (customer advances for construction) to capital contributions (an increase in net position). The effect of the restatement follows.

	Water Utility	Sewer Utility	Total
Net position			
Amounts as previously reported on December 31, 2010	$ 13,303,426	$ 15,149,958	$ 28,453,384
Adjustment to net position to recognize retroactive use of impact fees	138,364	490,363	628,727
Net position - January 1, 2011 - as restated	$ 13,441,790	$ 15,640,321	$ 29,082,111

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE GENEVA, WISCONSIN
Schedule of Funding Progress
Other Post-Employment Benefit Plan
December 31, 2012

Actuarial Valuation Date December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Unit Credit	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	$ -	$ 3,081,962	0.00%	$ 3,081,962	$ 4,854,648	63.5%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008. Information for prior years is not available.

CITY OF LAKE GENEVA, WISCONSIN
Schedule of Employer Contributions
Other Post-Employment Benefit Plan
For the Year Ended December 31, 2012

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	$ 153,704	$ 384,299	40%
2012	149,656	384,299	39%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008.

SUPPLEMENTARY INFORMATION

CITY OF LAKE GENEVA, WISCONSIN
General Fund
Detailed Comparison of Revenues and Other Financing Sources - Budget and Actual
For the Year Ended December 31, 2012
(With comparative financial information for the year ended December 31, 2011)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2011 Actual
Taxes					
General property	$ 4,608,960	$ 4,720,369	$ 4,608,972	$ (111,397)	$ 4,466,490
Omitted and other taxes	-	-	-	-	1,236
Mobile home	3,800	3,800	4,338	538	4,224
Room tax	400,000	400,000	492,495	92,495	437,521
Sales tax discount	275	275	453	178	332
Interest on taxes	900	900	1,617	717	13,806
Total Taxes	5,013,935	5,125,344	5,107,875	(17,469)	4,923,609
Special Assessments					
Curb and gutter	1,200	1,200	7,440	6,240	10,212
Intergovernmental					
Recycling	24,000	24,000	23,852	(148)	23,829
State shared revenues	116,176	116,176	115,251	(925)	126,129
Police department	4,000	4,000	9,503	5,503	153,669
Fire department	41,500	41,500	46,267	4,767	42,700
Emergency management	4,000	4,000	-	(4,000)	70,600
State aid for highways	661,455	661,455	661,426	(29)	729,378
Municipal services	3,500	3,500	3,315	(185)	3,576
Exempt computer	16,000	16,000	18,976	2,976	18,495
Aids in lieu of taxes	27,000	27,000	28,000	1,000	27,000
GLLEA accounting services	3,000	3,000	3,000	-	3,000
Other state grants	-	-	53,732	53,732	-
Total Intergovernmental	900,631	900,631	963,322	62,691	1,198,376
Licenses and Permits					
Licenses					
Liquor and malt beverage licenses	29,000	29,000	32,280	3,280	30,455
Operators	12,000	12,000	14,500	2,500	13,755
Cable TV franchise fees	100,000	100,000	112,201	12,201	105,793
Other business licenses	16,000	16,000	21,970	5,970	16,320
Dog and cat	400	400	1,055	655	660
Miscellaneous	6,500	6,500	10,695	4,195	6,885
Permits					
Building	40,000	40,000	56,368	16,368	38,948
Electrical	10,000	10,000	14,842	4,842	9,919
Plumbing	10,000	10,000	11,814	1,814	8,651
Zoning	13,000	13,000	18,380	5,380	14,550
Other miscellaneous	12,890	12,890	19,754	6,864	18,339
Total Licenses and Permits	249,790	249,790	313,859	64,069	264,275
Fines and Forfeits					
Court penalties and costs	118,500	118,500	138,822	20,322	142,914
Parking violations	13,000	13,000	13,667	667	14,500
Restitution	-	-	12	12	160
Total Fines and Forfeits	131,500	131,500	152,501	21,001	157,574

(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, 2012
(With comparative financial information for the year ended December 31, 2011)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2011 Actual
Public Charges for Services					
General government fees	7,000	7,000	9,526	2,526	22,868
Police department	5,550	5,550	13,521	7,971	6,895
Fire department	190,500	190,500	274,615	84,115	214,905
Street department	3,250	3,250	25,768	22,518	6,116
Snow and ice	2,400	2,400	10,437	8,037	2,275
Tree and brush	1,000	1,000	-	(1,000)	4,612
Traffic control	3,500	3,500	1,656	(1,844)	2,810
Parks	3,500	3,500	4,800	1,300	3,395
Miscellaneous fees and charges	400	400	537	137	376
Total Public Charges for Services	217,100	217,100	340,860	123,760	264,252
Intergovernmental Charges for Services					
Police department	139,996	139,996	138,799	(1,197)	149,455
Fire department	40,000	40,000	51,500	11,500	44,500
TID reimbursement	20,000	20,000	-	(20,000)	-
Total Intergovernmental Charges for Services	199,996	199,996	190,299	(9,697)	193,955
Interest					
Interest income	7,000	7,000	10,900	3,900	9,325
Interest on special assessment	650	650	(303)	(953)	966
Total Interest	7,650	7,650	10,597	2,947	10,291
Miscellaneous					
Insurance recoveries	19,000	19,000	5,791	(13,209)	23,260
Rent of city property	300	300	476	176	351
Donation	2,500	2,500	13,690	11,190	12,399
Miscellaneous	1,100	1,100	1,522	422	1,334
Total Miscellaneous	22,900	22,900	21,479	(1,421)	37,344
Total Revenues	6,744,702	6,856,111	7,108,232	252,121	7,059,888
Other Financing Sources					
Long-term debt issued	-	-	-	-	5,278
Sale of capital assets	3,000	3,000	323,173	320,173	96,895
Transfers In					
Special Revenue Funds					
Lakefront	383,657	383,657	439,333	55,676	394,920
Parking fund	436,720	436,720	500,374	63,654	475,584
Enterprise Fund					
Payment in lieu of tax	267,000	267,000	311,682	44,682	277,644
Total Transfers In	1,087,377	1,087,377	1,251,389	164,012	1,148,148
Total Other Financing Sources	1,090,377	1,090,377	1,574,562	484,185	1,250,321
Total Revenues and Other Financing Sources	$ 7,835,079	$ 7,946,488	$ 8,682,794	$ 736,306	$ 8,310,209

CITY OF LAKE GENEVA, WISCONSIN
General Fund
Detailed Comparison of Expenditures and Other Financing Uses - Budget and Actual
For the Year Ended December 31, 2012
(With comparative financial information for the year ended December 31, 2011)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2011 Actual
General Government					
General government expense	$ 108,150	$ 84,461	$ 53,640	$ 30,821	$ 93,478
Insurance	185,000	185,000	179,838	5,162	167,986
Health and other benefits	1,066,800	1,066,800	1,077,715	(10,915)	1,332,312
Common council	37,035	37,035	35,687	1,348	43,208
Municipal court	90,355	90,355	80,452	9,903	83,459
City attorney	75,705	75,705	74,766	939	76,290
Outside legal services	25,000	25,000	29,165	(4,165)	23,232
Mayor	7,060	7,060	6,719	341	6,813
City administrator	107,980	107,980	108,623	(643)	110,879
City clerk	132,252	132,252	132,124	128	124,994
Accounting and data processing	176,855	176,855	165,396	11,459	163,681
City treasurer	25,178	25,178	23,658	1,520	21,097
City assessor	45,700	45,700	45,271	429	57,038
City hall building	172,980	172,980	175,591	(2,611)	174,912
Sheridan springs property	-	5,111	5,715	(604)	3,359
Total General Government	2,256,050	2,237,472	2,194,360	43,112	2,482,738
Public Safety					
Police department	2,539,501	2,553,190	2,527,618	25,572	2,632,383
Fire department	708,368	708,368	717,052	(8,684)	714,709
Fire hydrant rental	229,000	229,000	228,491	509	228,332
Building and zoning	137,178	137,178	136,450	728	143,276
Emergency management	37,518	37,518	29,525	7,993	42,602
Total Public Safety	3,651,565	3,665,254	3,639,136	26,118	3,761,302
Public Works					
DPW and engineering	9,500	9,500	5,848	3,652	13,217
Street and highway	565,063	565,063	559,141	5,922	529,029
Snow and ice	127,096	127,096	74,680	52,416	129,371
Tree and brush	75,930	85,930	94,181	(8,251)	59,978
Compost operations	70,225	70,225	67,000	3,225	75,914
Storm sewer	16,575	16,575	16,467	108	7,627
Traffic control	139,249	139,249	133,360	5,889	137,433
Recycling and sanitation	435,445	435,445	433,110	2,335	425,930
Total Public Works	1,439,083	1,449,083	1,383,787	65,296	1,378,499

(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, 2012
(With comparative financial information for the year ended December 31, 2011)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2011 Actual
Culture and Recreation					
Parks	111,125	111,125	111,244	(119)	103,410
Veteran's park	35,936	35,936	35,402	534	33,190
Leisure activities	32,300	32,300	30,964	1,336	30,240
Total Culture and Recreation	179,361	179,361	177,610	1,751	166,840
Conservation and development					
Plan commission	2,200	2,200	1,771	429	6,280
Conservation and development	146,820	146,820	143,635	3,185	147,843
Total Conservation and Development	149,020	149,020	145,406	3,614	154,123
Total Expenditures	7,675,079	7,680,190	7,540,299	139,891	7,943,502
Other Financing Uses					
Transfers out					
Special Revenue Fund					
Cemetery	160,000	160,000	160,000	-	160,000
Capital Projects Fund	-	106,298	106,298	-	-
Total Transfers Out	160,000	266,298	266,298	-	160,000
Total Expenditures and Other Financing Uses	$ 7,835,079	$ 7,946,488	$ 7,806,597	$ 139,891	$ 8,103,502

CITY OF LAKE GENEVA, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012
(With summarized financial information as of December 31, 2011)

	Special Revenue Funds				
	Parking Meters and Lots	Lakefront Operations	Public Library	Cemetery Operations	Total
ASSETS					
Cash and investments	$ 600	$ -	$ 464,055	$ 66,749	$ 531,404
Receivables					
Taxes	-	-	418,000	166,888	584,888
Accounts	815	74,238	-	-	75,053
Due from other funds	612,345	781,646	1,995	-	1,395,986
TOTAL ASSETS	$ 613,760	$ 855,884	$ 884,050	$ 233,637	$ 2,587,331
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	$ 7,877	$ 22,082	$ 18,783	$ 572	$ 49,314
Accrued liabilities	5,883	4,066	14,867	-	24,816
Due to other funds	-	40,336	44,615	1,601	86,552
Deposits held in trust	-	82,800	-	-	82,800
Total Liabilities	13,760	149,284	78,265	2,173	243,482
Deferred Inflows of Resources					
Property taxes	-	-	418,000	166,888	584,888
Fund Balance					
Nonspendable					
Cemetery perpetual care	-	-	-	-	-
Restricted					
Library	-	-	387,785	-	387,785
Impact fees	-	-	-	-	-
Assigned					
Special revenue funds	600,000	706,600	-	64,576	1,371,176
Capital projects fund	-	-	-	-	-
Total Fund Balance	600,000	706,600	387,785	64,576	1,758,961
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 613,760	$ 855,884	$ 884,050	$ 233,637	$ 2,587,331

Permanent Cemetery Perpetual Care	Capital Projects Impact Fees	Total Other Governmental Funds 2012	Total Other Governmental Funds 2011
$ 434,016	$ 297,472	$ 1,262,892	$ 1,173,936
-	-	584,888	578,000
-	-	75,053	1,099
-	-	1,395,986	1,252,411
$ 434,016	$ 297,472	$ 3,318,819	$ 3,005,446
$ -	$ 25,300	$ 74,614	$ 21,564
-	-	24,816	21,457
-	31,527	118,079	133,169
-	-	82,800	78,300
-	56,827	300,309	254,490
-	-	584,888	578,000
434,016	-	434,016	392,545
-	-	387,785	313,977
-	194,532	194,532	203,575
-	-	1,371,176	1,216,746
-	46,113	46,113	46,113
434,016	240,645	2,433,622	2,172,956
$ 434,016	$ 297,472	$ 3,318,819	$ 3,005,446

CITY OF LAKE GENEVA, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2012
(With summarized financial information for the year ended December 31, 2011)

	Special Revenue Funds				
	Parking Meters and Lots	Lakefront Operations	Public Library	Cemetery Operations	Total
Revenues					
Taxes	$ -	$ -	$ 418,000	$ -	$ 418,000
Intergovernmental	-	27,347	255,781	-	283,128
Licenses and permits	20,966	-	-	-	20,966
Fines and forfeits	203,154	-	26,261	-	229,415
Public charges for services	810,545	1,027,278	-	42,099	1,879,922
Interest	847	-	35,619	13	36,479
Miscellaneous	1,360	1,151	12,730	-	15,241
Total Revenues	1,036,872	1,055,776	748,391	42,112	2,883,151
Expenditures					
Current					
Public works	461,498	-	-	-	461,498
Health and human services	-	-	-	232,023	232,023
Culture and recreation	-	507,346	672,905	-	1,180,251
Capital outlay					
Culture and recreation	-	-	-	-	-
Debt service					
Principal retirement	-	-	1,475	-	1,475
Interest	-	-	203	-	203
Total Expenditures	461,498	507,346	674,583	232,023	1,875,450
Excess of Revenues Over (Under) Expenditures	575,374	548,430	73,808	(189,911)	1,007,701
Other Financing Sources (Uses)					
Long-term debt issued	-	-	-	-	-
Transfers in	-	-	-	173,021	173,021
Transfers out	(500,374)	(452,110)	-	-	(952,484)
Total Other Financing Sources (Uses)	(500,374)	(452,110)	-	173,021	(779,463)
Net Change in Fund Balances	75,000	96,320	73,808	(16,890)	228,238
Fund Balances - January 1	525,000	610,280	313,977	81,466	1,530,723
Fund Balances - December 31	$ 600,000	$ 706,600	$ 387,785	$ 64,576	$ 1,758,961

Permanent Cemetery Perpetual Care	Capital Projects Impact Fees	Total Other Governmental Funds 2012	Total Other Governmental Funds 2011
$ -	$ -	$ 418,000	$ 418,000
-	-	283,128	252,013
-	-	20,966	15,366
-	-	229,415	374,497
10,000	25,660	1,915,582	1,504,015
44,495	468	81,442	1,412
-	5,000	20,241	23,750
54,495	31,128	2,968,774	2,589,053
-	-	461,498	262,523
3	-	232,026	212,234
-	-	1,180,251	1,156,190
-	40,171	40,171	4,515
-	-	1,475	362
-	-	203	57
3	40,171	1,915,624	1,635,881
54,492	(9,043)	1,053,150	953,172
-	-	-	7,782
-	-	173,021	171,116
(13,021)	-	(965,505)	(899,348)
(13,021)	-	(792,484)	(720,450)
41,471	(9,043)	260,666	232,722
392,545	249,688	2,172,956	1,940,234
$ 434,016	$ 240,645	$ 2,433,622	$ 2,172,956

ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS

Schenck SC
CPAs AND SO MUCH MORE.

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*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Geneva, Wisconsin, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Lake Geneva's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 3 dated June 19, 2013. Our report includes a reference to other auditors. Other auditors audited the Lake Geneva Utility Commission, as described in our report on the City's financial statements. 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

In planning and performing our audit of the financial statements, we considered the City of Lake Geneva, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Geneva, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Geneva, Wisconsin's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2012-01 and 2012-02 that we consider to be significant deficiencies.

Appleton • Fond du Lac • Green Bay • Manitowoc • Milwaukee • Oshkosh • Sheboygan • Stevens Point • Wausau
800-236-2246 • schencksc.com

AGN INTERNATIONAL

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Geneva, Wisconsin'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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Lake Geneva, Wisconsin's Response to Findings

City of Lake Geneva, Wisconsin's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Lake Geneva, Wisconsin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of City of Lake Geneva, Wisconsin's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government *Auditing Standards* in considering the City of Lake Geneva, Wisconsin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
June 19, 2013

CITY OF LAKE GENEVA, WISCONSIN
Schedule of Findings and Responses
For the Year Ended December 31, 2012

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
2012-01	**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.

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2012-02	**Preparation of Annual Financial Report**
Condition:	Current City staff maintains accounting records which reflect the City's financial transactions; however, preparing the City's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The City contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to prepare the annual financial report in an efficient manner.
Criteria:	The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes.
Cause:	City management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without our involvement, the City may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the City continue reviewing the annual financial report prepared by Schenck. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the City is necessary to obtain a complete and adequate understanding of the City's annual financial report.
Management Response:	Management believes the cost for additional staff time and training to prepare GASB 34 conversion entries outweigh the benefits to be received. Management has reviewed and approved the financial statements and other information 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, 2012.