

LAUDERDALE LAKES  
LAKE MANAGEMENT  
DISTRICT

ELKHORN, WISCONSIN

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2008

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT  
ELKHORN, WISCONSIN

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# Chamberlain & Henningfield

Certified Public Accountants, LLP

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lauderdale Lakes Lake Management District  
Elkhorn, Wisconsin

We have audited the accompanying combined balance sheet – all fund types of Lauderdale Lakes Lake Management District of December 31, 2008 and the related statements of revenues, expenses and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lauderdale Lakes Lake Management District as of December 31, 2008 and the results of its operation and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information provided, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Chamberlain & Henningfield, CPAs, LLP*

CHAMBERLAIN & HENNINGFIELD, CPAs, LLP  
Elkhorn, Wisconsin

September 30, 2009

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT  
 COMBINED BALANCE SHEET - ALL FUND TYPES  
 December 31, 2008

ASSETS

	Proprietary Funds		Totals Memorandum Only
	Enterprise- Operations	Enterprise- Golf Course	
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 258,418	\$ 34,362	\$ 292,780
Accounts receivable	30,296	-	30,296
Inventory	-	3,583	3,583
<b>Total current assets</b>	<u>288,714</u>	<u>37,945</u>	<u>326,659</u>
<b>PROPERTY AND EQUIPMENT, net</b>	<u>415,734</u>	<u>1,157,750</u>	<u>1,573,484</u>
<b>TOTAL ASSETS</b>	<u>\$ 704,448</u>	<u>\$ 1,195,695</u>	<u>\$ 1,900,143</u>

LIABILITIES AND EQUITY

<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 697	\$ -	\$ 697
Current portion of long term debt	16,404	111,521	127,925
Accrued expenses	-	763	763
<b>Total current liabilities</b>	<u>17,101</u>	<u>112,284</u>	<u>129,385</u>
<b>LONG-TERM DEBT</b>	<u>131,342</u>	<u>650,073</u>	<u>781,415</u>
<b>Total liabilities</b>	<u>148,443</u>	<u>762,357</u>	<u>910,800</u>
<b>EQUITY</b>			
Contributed Capital	45,375	-	45,375
Retained earnings	510,630	433,338	943,968
<b>Total Equity</b>	<u>556,005</u>	<u>433,338</u>	<u>989,343</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 704,448</u>	<u>\$ 1,195,695</u>	<u>\$ 1,900,143</u>

See Notes to Financial Statements

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS  
 For the year ended December 31, 2008

	<u>Proprietary Funds</u>		Totals Memorandum Only
	<u>Enterprise- Operations</u>	<u>Enterprise- Golf Course</u>	
OPERATING REVENUES			
Septic Pumping	\$ 47,309	\$ -	\$ 47,309
Golf Course operations	<u>-</u>	<u>278,113</u>	<u>278,113</u>
TOTAL OPERATING REVENUES	47,309	278,113	325,422
OPERATING EXPENSES	<u>220,656</u>	<u>245,276</u>	<u>465,932</u>
OPERATING INCOME (LOSS)	<u>(173,347)</u>	<u>32,837</u>	<u>(140,510)</u>
OTHER INCOME (EXPENSE):			
Property tax levy	355,441	-	355,441
Interfund transfers	(85,000)	85,000	-
Rental income	12,000	5,750	17,750
Interest expense	(7,379)	(17,003)	(24,382)
Investment income	5,738	377	6,115
Miscellaneous income	<u>79,858</u>	<u>101</u>	<u>79,959</u>
NET OTHER INCOME	<u>360,658</u>	<u>74,225</u>	<u>434,883</u>
NET INCOME	187,311	107,062	294,373
RETAINED EARNINGS, BEGINNING OF YEAR	<u>323,319</u>	<u>326,276</u>	<u>649,595</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 510,630</u>	<u>\$ 433,338</u>	<u>\$ 943,968</u>

See Notes to Financial Statements

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT  
 COMBINED STATEMENT OF CASH FLOWS  
 For the year ended December 31, 2008

	<u>Proprietary Funds</u>		Totals
	<u>Enterprise- Operations</u>	<u>Enterprise- Golf Course</u>	<u>Memorandum Only</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income (Loss)	\$ (173,347)	\$ 32,837	\$ (140,510)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Depreciation and amortization	23,731	21,379	45,110
Miscellaneous non-operating income	79,857	101	79,958
Changes in assets and liabilities			
Accounts receivable	272	-	272
Inventory	-	3,105	3,105
Deposits	-	(1,048)	(1,048)
Accounts payable	-	-	-
Accrued expenses	-	(15,877)	(15,877)
	<u>(69,487)</u>	<u>40,497</u>	<u>(28,990)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	<u>5,738</u>	<u>377</u>	<u>6,115</u>
	<u>5,738</u>	<u>377</u>	<u>6,115</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Retirement of long term debt	(51,091)	(107,159)	(158,250)
Interest paid on long-term debt	(7,379)	(17,003)	(24,382)
Acquisition of capital assets	(16,624)	(16,458)	(33,082)
	<u>(75,094)</u>	<u>(140,620)</u>	<u>(215,714)</u>
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Property tax levy/transfers	270,441	85,000	355,441
Rental income	12,000	5,750	17,750
	<u>282,441</u>	<u>90,750</u>	<u>373,191</u>
<b>NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Net change in cash and cash equivalents	143,598	(8,996)	134,602
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>114,820</u>	<u>43,358</u>	<u>158,178</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 258,418</u>	<u>\$ 34,362</u>	<u>\$ 292,780</u>

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATIONS**

The District is a public inland lake protection and rehabilitation District formed in 1991 as defined by Wisconsin State Statute 33. The purpose of the District is to improve and protect the quality of public inland lakes, namely Lauderdale Lakes of Walworth County.

**REPORTING ENTITY**

This report includes all of the funds and account groups of the Lauderdale Lakes Lake Management District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (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. This report does not contain any component units.

**BASIS OF PRESENTATION – FUND ACCOUNTING**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenue, and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The following fund type is used by the District:

**Proprietary Fund Type**

Enterprise Fund – Operations – The operation fund of the District accounts for all revenues and expenditures of the District not encompassed with the other fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through the other fund are paid from the operations fund.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Enterprise Fund-Golf Course – The golf course funds account for the operation of a golf course purchased by the District in 1997.

**BASIS OF ACCOUNTING**

The District uses the accrual basis of accounting as applicable to governmental units. Under this basis of accounting, revenues are recognized when they are earned and expenses are recognized when they are incurred.

**CASH AND CASH EQUIVALENTS**

For purposes of the statements of cash flows, the District considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**ACCOUNTS RECEIVABLE**

Accounts receivable are carried at no cost. No allowance for doubtful accounts is considered necessary.

**INVENTORY**

Inventory is carried at the lower of cost (first-in first-out method) or fair market value.

**ADVERTISING**

The District expenses advertising costs as incurred.

**PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost. The cost and related accumulated depreciation of property and equipment retired or otherwise disposed of is removed from the related asset accounts, and any resulting gain or loss is reflected in other income or expense for the period in which the retirement occurred. The cost of recurring maintenance and repairs to property and equipment is charged to expense as incurred. Major expenditures for property and those which substantially increase useful lives are capitalized. The District has adopted a policy of capitalizing all expenses with a unit cost of greater than \$1,000 and a useful life of longer than one year.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**DEPRECIATION**

The District provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets over their estimated useful lives. The District uses the straight-line method of depreciation.

**INCOME TAXES**

The District is exempt from federal and state income taxes.

**ESTIMATES**

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reporting of revenues and expenses. Actual results could vary from the estimates that were used.

**TOTALS (MEMORANDUM ONLY)**

The column captioned Totals (Memorandum Only) in the basic financial statements is an aggregation of the columnar statements by fund type and account group. The total column is not comparable to a consolidation and does not present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America because the same basis of accounting is not used by all funds and interfund transactions and balances and account group balancing accounts have not been eliminated.

**NOTE 2 – CASH AND INVESTMENTS**

Investment of District funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, or by the University of Wisconsin Hospitals and Clinics Authority.

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2008

**NOTE 2 – CASH AND INVESTMENTS, continued**

3. Bonds or securities issued or guaranteed by the federal government.
4. The Local Government Investment Pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The District's deposits and investments are categorized to give an indication of the level of custodial credit risk assumed by the District at year-end. Category 1 includes items that are insured or registered or which are collateralized by or evidenced by securities held by the District or its agent in the District's name. Category 2 includes deposits collateralized with securities held by the pledging institutions trust department or agent in the District's name, or uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the District's name. Category 3 includes uncollateralized deposits and uninsured and uncollateralized investments.

	<u>1</u>	<u>Category</u>		<u>Total</u>	<u>Carrying</u> <u>Amount</u>
		<u>2</u>	<u>3</u>		
Local and area banks	\$51,256	\$ _____	\$ _____	\$51,256	\$43,744
Local Government Investment Pool					<u>249,036</u>
Total Deposits and Investments					<u>\$292,780</u>

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of District funds is allocated based on average investment balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for all interest bearing accounts and \$250,000 for all noninterest bearing accounts.

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2008

**NOTE 2 – CASH AND INVESTMENTS, continued**

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing the amounts in Category 1 above.

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 with one days' notice. At December 31, 2008, the fair value of the LGIP's assets was substantially equal to the District's share as reported above.

**NOTE 3 – PROPERTY AND EQUIPMENT**

The major categories of property and equipment at December 31 are summarized as follows:

	<u>Proprietary Funds</u>		Total
	Enterprise – <u>Operations</u>	Enterprise – <u>Golf Course</u>	Memorandum <u>Only</u>
Land	\$ 189,000	\$ 760,395	\$ 949,395
Buildings and dam	222,392	493,680	716,072
Equipment	-	230,131	230,131
Grounds improvements	3,150	174,570	177,720
Weed harvesting equipment	181,677	-	181,677
Water patrol equipment	81,431	-	81,431
Construction in progress	14,625	-	14,625
Total Property and Equipment	692,275	1,658,776	2,351,051
Accumulated depreciation	(276,541)	(501,026)	(777,567)
Net Property and Equipment	<u>\$415,734</u>	<u>\$1,157,750</u>	<u>\$1,573,484</u>

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2008

**NOTE 4 – LONG TERM DEBT**

General obligation promissory notes are secured by a pledge of the taxing authority of the District to impose taxes in accordance with the loan agreements and consist of the following:

Amount of Original Issue	Range of Final Maturity Dates	Range of Interest Rates	Balance Dec 31, 2007	Issued	Retired	Balance Dec 31, 2008
\$ 255,000	1997-2009	4.75%	\$163,470	\$ -	\$15,723	\$147,747
100,000	2001-2010	4.75%	35,368	-	35,368	-
85,000	2016	4.90%	77,112	-	7,124	69,988
1,068,000	2004-2014	3.92% to 4.60%	791,641	-	100,036	691,605
			<u>\$1,067,591</u>	<u>\$ -</u>	<u>\$158,251</u>	<u>\$909,340</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest on December 31, 2008 are as follows:

Year	Principal	Interest	Total
2009	\$127,925	34,508	162,433
2010	133,167	29,267	162,434
2011	138,623	23,811	162,434
2012	144,298	18,136	162,434
2013	150,219	12,214	162,433
2014-2018	215,108	8,494	223,602
Total	<u>\$909,340</u>	<u>\$126,430</u>	<u>\$1,035,770</u>

**NOTE 5 – PROPERTY TAXES**

The aggregate amount of property taxes to be levied is determined according to provision 33.33(3)(c) of the Wisconsin Statutes. Property taxes levied by the District are certified to local taxing Districts for collection. Property taxes attach an enforceable lien as of January 1. Taxes are payable in two installments. The first installment is due January 31 and the second installment is due July 31. Delinquent taxes as of January 31 are assumed by the county, which assumes full responsibility for future collection.

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

The District has entered into a construction contract in the amount of \$104,000 for the replacement of the culverts on the lake to be spent in 2009. Funds for this project were approved at the 2007 annual meeting and those funds are reflected in Current Assets under cash and cash equivalents line item. Through December 31, 2008, \$14,625 has been spent on this project over and above the contract amount.

**NOTE 7 – INSURANCE RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years.

**SUPPLEMENTAL INFORMATION**

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT  
 COMBINED SCHEDULE OF OPERATING EXPENSES - ALL FUND TYPES  
 For the year ended December 31, 2008

	<u>Proprietary Funds</u>		Totals Memorandum Only
	<u>Enterprise- Operations</u>	<u>Enterprise- Golf Course</u>	
Salaries and payroll taxes (excluding Water Patrol)	\$ 16,901	\$ 97,173	\$ 114,074
Weed harvesting	21,942	-	21,942
Septic pumping	39,409	-	39,409
Water Patrol	77,340	-	77,340
Fuel and oil (net)	-	10,029	10,029
Meetings/seminars	480	492	972
Advertising	-	2,050	2,050
Printing	1,216	95	1,311
Legal fees	11,003	-	11,003
Audit fees	2,490	-	2,490
Dam maintenance	392	-	392
Communications	921	-	921
Insurance	14,087	10,167	24,254
Depreciation and amortization	23,731	21,379	45,110
Miscellaneous expense	421	164	585
Office supplies/equipment	417	1,078	1,495
Outside services	63	5,259	5,322
Utilities	-	9,923	9,923
Postage and freight	937	222	1,159
Internet	144	-	144
Dues and subscriptions	521	1,981	2,502
Grounds and clubhouse supplies	-	6,063	6,063
Repairs and maintenance	1,015	4,137	5,152
Parts and small tools	-	5,868	5,868
Service charges	-	3,389	3,389
Rent	440	12,987	13,427
Licenses and permits	-	854	854
Fertilizer and chemicals	-	7,625	7,625
Travel, meals and mileage	527	508	1,035
Environmental projects	6,259	-	6,259
Golf course cost of sales	-	43,833	43,833
	<u>\$ 220,656</u>	<u>\$ 245,276</u>	<u>\$ 465,788</u>

See Notes to Financial Statements