

LAUDERDALE LAKES
LAKE MANAGEMENT
DISTRICT

ELKHORN, WISCONSIN

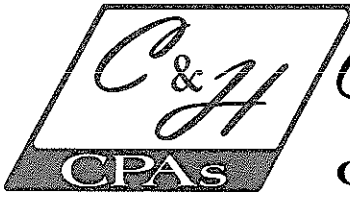
AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2010

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 financial statements of Lauderdale Lakes Lake Management District as of and for the year ended December 31, 2010 as listed in the table of contents. 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, 2010 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 financial statements taken as a whole. The supplemental information provided, as identified in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other recorded used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement themselves, and other additional procedures in accordance with audit standard generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

CHAMBERLAIN & HENNINGFIELD, CPAs, LLP
Elkhorn, Wisconsin

August 25, 2011

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT
 COMBINED BALANCE SHEET - ALL FUND TYPES
 December 31, 2010

ASSETS	Proprietary Funds		Totals Memorandum Only
	Enterprise- Operations	Enterprise- Golf Course	
CURRENT ASSETS			
Cash and cash equivalents	\$ 96,207	\$ 12,111	\$ 108,318
Accounts receivable	44,742	-	44,742
Insurance recoveries	13,025	5,321	18,346
Inventory	-	3,535	3,535
Total current assets	<u>153,974</u>	<u>20,967</u>	<u>174,941</u>
PROPERTY AND EQUIPMENT, net	<u>508,207</u>	<u>1,139,310</u>	<u>1,647,517</u>
TOTAL ASSETS	\$ <u>662,181</u>	\$ <u>1,160,277</u>	\$ <u>1,822,458</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ -	\$ 5,057	\$ 5,057
Current portion of long term debt	-	120,803	120,803
Accrued expenses	-	1,481	1,481
Total current liabilities	-	127,341	127,341
LONG-TERM DEBT	-	413,178	413,178
Total liabilities	-	<u>540,519</u>	<u>540,519</u>
EQUITY			
Contributed Capital	45,375	-	45,375
Retained earnings	<u>616,806</u>	<u>619,758</u>	<u>1,236,564</u>
Total Equity	<u>662,181</u>	<u>619,758</u>	<u>1,281,939</u>
TOTAL LIABILITIES AND EQUITY	\$ <u>662,181</u>	\$ <u>1,160,277</u>	\$ <u>1,822,458</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, 2010

	<u>Proprietary Funds</u>		Totals Memorandum Only
	<u>Enterprise- Operations</u>	<u>Enterprise- Golf Course</u>	
OPERATING REVENUES			
Septic Pumping	\$ 48,464	\$ -	\$ 48,464
Water Patrol income	67,191	-	67,191
Celan boats clean waters income	5,950	-	5,950
Golf Course operations	<u>-</u>	<u>277,484</u>	<u>277,484</u>
TOTAL OPERATING REVENUES	121,605	277,484	399,089
OPERATING EXPENSES (See page 12)	<u>231,157</u>	<u>250,495</u>	<u>481,652</u>
OPERATING INCOME (LOSS)	<u>(109,552)</u>	<u>26,989</u>	<u>(82,563)</u>
OTHER INCOME (EXPENSE):			
Property tax levy	268,900	-	268,900
Nonoperating expenses (See page 13)	(93,214)	-	(93,214)
Interfund transfers	(85,000)	85,000	-
Rental income	8,400	5,850	14,250
Interest expense	-	(23,871)	(23,871)
Investment income	529	71	600
Miscellaneous income	<u>45,624</u>	<u>-</u>	<u>45,624</u>
NET OTHER INCOME	<u>145,239</u>	<u>67,050</u>	<u>212,289</u>
NET INCOME	35,687	94,039	129,726
RETAINED EARNINGS, BEGINNING OF YEAR	<u>581,119</u>	<u>525,719</u>	<u>1,106,838</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 616,806</u>	<u>\$ 619,758</u>	<u>\$ 1,236,564</u>

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT
 COMBINED STATEMENT OF CASH FLOWS
 For the year ended December 31, 2010

	Proprietary Funds		Totals Memorandum Only
	Enterprise- Operations	Enterprise- Golf Course	
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (Loss)	\$ (109,552)	\$ 26,989	\$ (82,563)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Depreciation and amortization	22,879	16,472	39,351
Miscellaneous non-operating income	45,624	-	45,624
Nonoperating expenses	(93,214)	-	(93,214)
Changes in assets and liabilities			
Accounts receivable	(16,381)	-	(16,381)
Insurance recoveries	(13,025)	(5,321)	(18,346)
Inventory	-	2,557	2,557
Deposits	-	912	912
Accounts payable	-	5,057	5,057
Accrued expenses	-	162	162
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(163,669)</u>	<u>46,828</u>	<u>(116,841)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>529</u>	<u>71</u>	<u>600</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>529</u>	<u>71</u>	<u>600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Retirement of long term debt	-	(116,092)	(116,092)
Interest paid on long-term debt	-	(23,871)	(23,871)
Acquisition of capital assets	<u>(10,250)</u>	<u>(8,469)</u>	<u>(18,719)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(10,250)</u>	<u>(148,432)</u>	<u>(158,682)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Property tax levy/transfers	183,900	85,000	268,900
Rental income	<u>8,400</u>	<u>5,850</u>	<u>14,250</u>
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>192,300</u>	<u>90,850</u>	<u>283,150</u>
Net change in cash and cash equivalents	18,910	(10,683)	8,227
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>77,297</u>	<u>22,794</u>	<u>100,091</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 96,207</u>	<u>\$ 12,111</u>	<u>\$ 108,318</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 1996.

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 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 interfund transactions and balances 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, 2010

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.

Cash Deposits with Financial Institutions

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for demand deposits and \$250,000 for time deposits. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

At year-end, the carrying amount of the District's deposits was \$51,050 and the bank balance was \$61,817. The entire balance was insured. No amounts had been collateralized.

Investments

For investments, interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to greater risk. As a means of limiting exposure to fair value losses arising from rising interest rates, the investment portfolio is limited to maturities of less than one year. Further, investment maturities are structured to match cash flow requirements avoiding the need to sell securities on the open market prior to maturity.

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligation. Wisconsin Statute 66.04(2) and 67.11(2) restrict investment of temporarily idle cash reducing the District's exposure to such risk. The Board has adopted an investment policy pursuant to these statutes, which allows the District to invest in time deposits, securities guaranteed by the U. S. Government, securities of the Wisconsin Local Government Pooled Investment Fund and commercial paper if the security has the highest or second highest rating of a nationally recognized rating agency. The District minimized credit risk by limiting investments to the safest type of securities, consistent with state law and Board policy, and diversifying the investment portfolio.

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

NOTE 2 – CASH AND INVESTMENTS, continued

During the year and at year-end, the District had funds invested in the Local Government Investment Pool (LGIP). At year-end, the District had a carrying value of \$57,067, which approximates fair value.

Investments in the LGIP are covered under a surety bond issues by the Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the Pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund Insurance. The District is exposed to market risk through its investment in the LGIP.

NOTE 3 – PROPERTY AND EQUIPMENT

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

	<u>Proprietary Funds</u>		Total
	<u>Enterprise – Operations</u>	<u>Enterprise – Golf Course</u>	<u>Memorandum Only</u>
Land	\$ 189,000	\$ 760,395	\$ 949,395
Buildings and dam	211,536	504,536	716,072
Equipment	-	240,416	240,416
Grounds improvements	158,016	177,720	335,736
Weed harvesting equipment	181,677	-	181,677
Water patrol equipment	81,431	-	81,431
	<hr/>	<hr/>	<hr/>
Total Property and Equipment	821,660	1,683,067	2,504,727
Accumulated depreciation	<u>(313,453)</u>	<u>(543,757)</u>	<u>(857,210)</u>
Net Property and Equipment	<u>\$508,207</u>	<u>\$1,139,310</u>	<u>\$1,647,517</u>

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

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 <u>Issue</u>	Range of Final Maturity <u>Dates</u>	Range of Interest <u>Rates</u>	Balance Dec 31, <u>2009</u>	<u>Issued</u>	<u>Retired</u>	Balance Dec 31, <u>2010</u>
\$85,000	2016	4.90%	62,492	-	7,919	54,573
1,068,000	2004-2014	3.92% to 4.60%	587,581	-	108,173	479,408
			<u>\$650,073</u>	<u>\$ -</u>	<u>\$116,092</u>	<u>\$533,981</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest on December 31, 2010 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$120,803	\$19,301	\$140,104
2012	125,707	14,400	140,107
2013	130,810	9,286	140,096
2014	137,937	3,976	141,913
2015	10,112	717	10,829
2016-2020	8,612	202	8,814
Total	<u>\$533,981</u>	<u>\$47,882</u>	<u>\$581,863</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, 2010

NOTE 6 – 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; and workers' compensation. 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.

NOTE 7 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through August __, 2011, the date that the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT
 COMBINED SCHEDULE OF OPERATING EXPENSES - ALL FUND TYPES
 For the year ended December 31, 2010

	<u>Proprietary Funds</u>		Totals Memorandum Only
	<u>Enterprise- Operations</u>	<u>Enterprise- Golf Course</u>	
Salaries and payroll taxes (excluding Water Patrol)	\$ -	\$ 124,902	\$ 124,902
Water Patrol	114,052	-	114,052
Septic pumping	45,164	-	45,164
Golf course cost of sales	-	43,529	43,529
Weed harvesting	42,668	-	42,668
Environmental projects	28,920	-	28,920
Depreciation and amortization	-	16,472	16,472
Utilities	203.00	12,481	12,684
Insurance	-	11,776	11,776
Repairs and maintenance	-	4,299	4,299
Fuel and oil (net)	-	7,196	7,196
Grounds and clubhouse supplies	-	6,016	6,016
Outside services	-	5,948	5,948
Fertilizer and chemicals	-	5,028	5,028
Service charges	-	4,201	4,201
Parts and small tools	-	2,272	2,272
Dues and subscriptions	-	1,739	1,739
Meetings/seminars	-	1,216	1,216
Rent	-	933	933
Licenses and permits	-	869	869
Advertising	-	821	821
Travel, meals and mileage	-	447	447
Postage and freight	-	199	199
Office supplies\equipment	-	151	151
Dam maintenance	150	-	150
	<u>\$ 231,157</u>	<u>\$ 250,495</u>	<u>\$ 481,652</u>

LAUDERDALE LAKES LAKE MANAGEMENT DISTRICT
 COMBINED SCHEDULE OF NONOPERATING EXPENSES - ALL FUND TYPES
 For the year ended December 31, 2010

	<u>Proprietary Funds</u>		Totals Memorandum Only
	<u>Enterprise- Operations</u>	<u>Enterprise- Golf Course</u>	
Repairs and maintenance	\$ 31,137	\$ -	\$ 31,137
Depreciation and amortization	22,879	-	22,879
Legal fees	19,362	-	19,362
Insurance	11,482	-	11,482
Audit fees	2,900	-	2,900
Communications	2,859	-	2,859
Miscellaneous expense	1,017	-	1,017
Office supplies/equipment	458	-	458
Dues and subscriptions	430	-	430
Meetings/seminars	350	-	350
Postage and freight	232	-	232
Travel, meals and mileage	108	-	108
	<u>\$ 93,214</u>	<u>\$ -</u>	<u>\$ 93,214</u>

See Notes to Financial Statements