

LAKE REGION LAKES MANAGEMENT DISTRICT

**FINANCIAL STATEMENTS
TOGETHER WITH REPORTS OF
INDEPENDENT AUDITOR**

**YEAR ENDED
SEPTEMBER 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

The District Commissioners
Lake Region Lakes Management District
Winter Haven, Florida

We have audited the accompanying basic financial statements of the Lake Region Lakes Management District (the "District"), Florida, as of and for the fiscal year ended September 30, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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 our audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2009, and the results of its operations for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government*

Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the District taken as a whole. The Management's Discussion and Analysis and the required supplementary information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Asley Brown & Co.

December 14, 2009

LAKE REGION LAKES MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2009

This report is a financial discussion about the Lake Region Lakes Management District (the "District"), an independent special district. The report is from the perspective of the financial office and is based on last year's audit, this current year's audit, and personal knowledge of the District's financial wellbeing. The discussion will be in reference to the current year's audit with a comparison to last year's audit.

Overview of the Financial Statements

This annual report consists of two parts-management's discussion and analysis (this section), and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.
 - The governmental fund statements tell how general government services were financed in the short term as well as what remains for future spending.

The Lake Region Lakes Management District is a small agency and is not broken up into components. For this reason, the discussions will be solely about the primary government.

In general terms, the overall financial condition of the Lake Region Lakes Management District is quite good. Every effort is made to keep taxes low and not raise them. This is reflected in the tax revenues or incomes remaining very similar from year to year.

Since the goals of the agency are somewhat determined by its charter, and since it takes an act of the state legislature to change the charter, the budgeted items remain similar from year to year. From time to time, unexpected issues may occur, which are beyond the control of the District, and may result in the delay of a planned project. When this happens, there may be a variation between what was budgeted and what was spent.

Using the numbers from last year’s audit and this year’s audit, a more specific analysis will be presented.

Assets

The District’s assets consist of the following:

	<u>2009</u>	<u>2008</u>
Current assets	\$ 741,449	\$ 731,849
Capital assets (net of depreciation)	<u>1,095,569</u>	<u>925,863</u>
Total assets	<u>\$ 1,837,018</u>	<u>\$1,657,712</u>

Capital Assets

As of September 30, 2009, the district had invested \$1,095,569 (net of depreciation) in a broad range of capital assets. This amount represents a net increase of \$169,706 over last year.

Major Capital Assets at September 30, 2009 include:

Land	\$525,960
Buildings	278,949
Computer Equipment	9,060
Equipment	625,146
Seawalls & Lock Systems	258,235
Construction in Progress	134,744

Liabilities

The District's liabilities consist of the following:

	<u>2009</u>	<u>2008</u>
Current liabilities	\$ 33,243	\$ 40,723
Noncurrent liabilities	<u>11,240</u>	<u>13,965</u>
Total liabilities	<u>\$ 44,483</u>	<u>\$ 54,688</u>

Current Liabilities

The District's current liabilities consist primarily of accrued monthly bills that have not been paid.

Net Assets

Net assets consist of the following:

	<u>2009</u>	<u>2008</u>
Invested in capital assets	\$1,095,569	\$ 925,863
Unrestricted	<u>696,966</u>	<u>677,161</u>
	\$1,792,535	\$1,603,024

Net assets increased by \$189,511.

Revenues

	<u>2009</u>	<u>2008</u>
Revenues:		
Ad Valorem Taxes	\$ 993,847	\$ 971,611
Intergovernmental Income	40,371	41,651
Investment Earnings	20,530	43,952
Miscellaneous Income	<u>3,652</u>	<u>5,635</u>
	<u>\$1,058,400</u>	<u>\$1,062,849</u>

The primary source of revenue for the District comes from ad valorem taxes. This year's tax income of \$993,847 is \$22,236 higher than last year's income of \$971,611. This is primarily due to an increase in property values.

The intergovernmental income consists of contract work that the District performs for other agencies.

Investment Earnings had a decrease of \$23,422 for the 2009 fiscal year. This decrease is mostly attributable to the declining interest rates. The District's investment strategy remained the same as last year.

Budgeted Expenditures vs. Actual Expenditures

	<u>2009</u>	<u>2008</u>
Total Expenditures:		
Actual Expenditures	\$1,038,595	\$1,225,065
Total Expenditures:	<u>2009</u>	<u>2008</u>
Budgeted Expenditures	\$1,234,600	\$1,374,600

The predominant reason for the difference between the actual and budgeted expenses in 2009 is that two of the District's major projects were not completed as planned. One of these projects involves the construction of a lock system that will connect two chains of lakes. The second project is the installation of a boat ramp facility on Lake Otis.

Summary

Overall, the Lake Region Lakes Management District's financial position is excellent. The District has sufficient income to make needed repairs and planned improvements. The District's infrastructure of buildings, equipment, canals, water control structures, and boat launching parks are all in good condition.

LAKE REGION LAKES MANAGEMENT DISTRICT
STATEMENT OF NET ASSETS
September 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 516,146
Investments	200,000
Inventory	<u>25,303</u>
Total current assets	<u>741,449</u>
Noncurrent assets:	
Capital assets:	
Land	525,960
Construction in progress	134,741
Depreciable buildings, equipment, office equipment and vehicles (net of \$736,522 accumulated depreciation)	<u>434,868</u>
Total noncurrent assets	<u>1,095,569</u>
 TOTAL ASSETS	 <u>1,837,018</u>
LIABILITIES	
Current liabilities:	
Accounts payable	22,346
Accrued expenses	10,897
Compensated absences	<u>11,240</u>
Total current liabilities	44,483
 TOTAL LIABILITIES	 <u>44,483</u>
NET ASSETS	
Investment in capital assets, net of related debt	1,095,569
Unrestricted	<u>696,966</u>
 TOTAL NET ASSETS	 <u>\$ 1,792,535</u>

The accompanying notes are an integral part of this statement.

LAKE REGION LAKES MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended September 30, 2009

	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Net (Expense) Revenue & Changes in Net Assets</u>
Functions/Programs			
Primary government:			
Governmental activities:			
General Government	\$ 868,889	\$ 40,371	\$ (828,518)
General revenues:			
Taxes:			
Property taxes			993,847
Investment earnings			20,530
Miscellaneous			<u>3,652</u>
Total general revenues			1,018,029
Change in net assets			189,511
Net assets, beginning of year			<u>1,603,024</u>
Net assets, end of year			<u>\$ 1,792,535</u>

The accompanying notes are an integral part of this statement

**LAKE REGION LAKES MANAGEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2009**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 516,146
Investments	200,000
Inventory	<u>25,303</u>
 TOTAL ASSETS	 <u>\$ 741,449</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 22,346
Accrued expenses	10,897
Compensated absences	<u>11,240</u>
 TOTAL LIABILITIES	 <u>44,483</u>
 FUND BALANCE	
Undesignated	<u>696,966</u>
 TOTAL FUND BALANCE	 <u>696,966</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 741,449</u>

The accompanying notes are an integral part of this statement.

**LAKE REGION LAKES MANAGEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
September 30, 2009**

	<u>Amount</u>
Total fund balances for governmental funds	\$ 696,966
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets not being depreciated:	
Land	\$ 525,960
Construction in progress	<u>134,741</u>
	660,701
Governmental capital assets being depreciated:	
Building, Equipment and Vehicles	1,171,390
Less accumulated depreciation	<u>(736,522)</u>
	<u>434,868</u>
Total net assets of governmental activities	<u>\$ 1,792,535</u>

The accompanying notes are an integral part of this statement.

**LAKE REGION LAKES MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2009**

REVENUES

Taxes	\$ 993,847
Intergovernmental	40,371
Investment earnings	20,530
Miscellaneous	<u>3,652</u>
TOTAL REVENUES	<u>1,058,400</u>

EXPENDITURES

Current	
General Government	
Liability & property insurance	55,152
Health insurance	57,862
Consultants & contractors	3,858
Labor, salaries & wages	389,781
Licenses & taxes	21
Utilities	5,934
Office supplies	3,555
Operational supplies	6,419
Engineering	24,724
Equipment purchases - Major	104,956
Equipment purchases - Minor	3,421
Repairs & maintenance	58,482
Telephone	3,453
General projects	27,832
Accounting & legal	30,364
Fuel	16,417
Advertising	1,401
Weed control & county aid	4,329
Commissioner's expense	12,000
Tax Collector commission	32,882
Materials	102,555
Miscellaneous	7,464
Radio expense	2,515
Landscaping	1,248
Equipment rental	1,415
Payroll taxes	28,435
Retirement contribution	52,020
Land acquisition & improvement	<u>100</u>
TOTAL EXPENDITURES	<u>1,038,595</u>
EXCESS OF REVENUES	
OVER (UNDER) EXPENDITURES	19,805
FUND BALANCES - Beginning of the year	<u>677,161</u>
FUND BALANCES - End of the year	<u>\$ 696,966</u>

The accompanying notes are an integral part of this statement.

**LAKE REGION LAKES MANAGEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES**

Year Ended September 30, 2009

	<u>Amount</u>
Net change (expenditures in excess of revenues and other financing sources) in fund balances - total governmental funds	\$ 19,805
Loss on disposal of capital assets, not reported as expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance. This amount is included as a program expense on the Statement of Activities	(365)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Expenditures for capital assets	\$ 196,697
Less current year depreciation	<u>(26,627)</u>
Loss on disposal of capital assets	<u>170,070</u>
Decrease in net assets of governmental activities	<u>\$ 189,511</u>

The accompanying notes are an integral part of this statement.

LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

Organization

The accounting policies of Lake Region Lakes Management District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to government units. The accompanying summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be reviewed as an integral part of the accompanying financial statement.

Reporting Entity

The Lake Region Lakes Management District, located in Winter Haven, Florida, is a special taxing district of Polk County, Florida, created by act of the Florida Legislature Chapter 8378 of 1919, as amended, whose purpose is to:

- 1) improve, protect and maintain the water quality of the lakes within the District,
- 2) build and maintain a system of canals connecting the lakes within the District,
- 3) conserve water within the District,
- 4) promote and improve public access to the lakes and canals within the District.

The District is governed by an elected Board of Commissioners.

Government-wide and Fund Financial Statements

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. Program revenues include 1) charges to customers or applicants who purchase, use of directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

**LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Government-wide Financial Statements- (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The District does not have any proprietary funds.

Fund Accounting

The Lake Region Lakes Management District organizes its accounts on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues, and expenditures or expenses, as appropriate. The District has the following fund:

- Governmental Fund Types

Governmental fund types are those funds through which most governmental functions are typically financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The District's only fund (major or non-major) is the General Fund.

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are allocated by law or contractual agreement to some other fund are accounted for in this fund.

Measurement Focus and Basis of Accounting

The District adopted GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, during the fiscal year ended September 30, 2004. The adoption of this Statement is meant to present the information in a format more closely resembling that of the private sector and to provide the user with more managerial analysis regarding the financial results and the District's financial outlook.

LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Measurement Focus and Basis of Accounting- (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue 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 District 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.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the District; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Charges for services and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Assets, Liabilities and Net Assets or Equity- (Continued)

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.

-Cash

Cash includes amounts in demand deposits and money market funds and certificates of deposits with terms of ninety days or less. The District's deposits at September 30, 2009 were entirely covered by federal depository insurance or guaranteed by qualified public depositories in Florida pursuant to Chapter 280.07, Florida Statutes.

-Investments

The District complies with the requirements of the Governmental Accounting Standards Board Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Investments, which are comprised of certificates of deposits, with initial maturities in excess of 90 days, are recorded at face value which approximates fair value.

-Inventories and Prepaid Items

Inventories are stated at cost on the basis of the "first-in, first-out" (FIFO) method of accounting. Inventories of materials are reported using the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The District, currently, does not have any prepaids.

-Capital Assets

Capital assets, including land, buildings, improvements, infrastructure, and equipment assets, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an initial life in excess of two years.

LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Assets, Liabilities and Net Assets or Equity- (Continued)

Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Due to the District's small size, it is not required to capitalize canal structures and other infrastructure costs occurring prior to October 1, 2003, and it has not done so. Beginning on October 1, 2003, however, Governmental Accounting Standards Board (GASB) Statement No. 34 requires infrastructure additions after that date to be capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized.

Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of depreciable assets as follows:

Assets	Years
Buildings	30-50
Infrastructure systems	30-50
Improvements other than buildings	10-33
Equipment	3-10

-Accumulated Unused Compensated Absences

The District records the "vested" portion of accumulated unused compensated absences at each year-end based on each employee's accumulated unused hours and rate of pay. Maximum accrual is 120 hours of annual leave and 96 hours of sick leave. The employee will be required to forward at least 8 hours of their accrued sick time to the new fiscal year. Because the amount carried over will be liquidated in the following year, it is reported as an expenditure and liability of the general fund.

LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Assets, Liabilities and Net Assets or Equity- (Continued)

-Long-term Obligations

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities' statement of net assets. In the fund financial statements, governmental fund types report the loan proceeds as other financing sources.

-Fund Equity

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

-Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

-Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector.

**LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009**

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Assets, Liabilities and Net Assets or Equity- (Continued)

-Property Taxes- (Continued)

The laws of the State regulating tax assessment are designed to assure a consistent property valuation method statewide.

The tax levy of the District is established by the District Commission prior to October 1 of each year, and the Polk County Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, independent districts, and County School Board tax requirements.

All property is reassessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the roll meets all of the appropriate requirements of State Statutes.

All taxes are due and payable on November 1 (levy date) of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without a discount.

Delinquent taxes on real property bear interest of up to 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years, Unsold certificates are held by the County. Delinquent taxes on personal property bear interest of up to 18% per year until the tax satisfied either by seizure and sale of the property or by the five-year statute of limitations.

LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

Assets, Liabilities and Net Assets or Equity- (Continued)

-Income Taxes

The District is a non-taxable entity; therefore no provision for income taxes is included in the financial statements.

-Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America, as applicable to government entities, requires management to make use of estimates that affect the reported amounts in the basic financial statements. Actual results could differ from estimates.

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of assets

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets- governmental activities as reported in the government-wide statement of net assets. The difference results primarily from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet. Some of the elements of the reconciliation are as follows:

-Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those assets among the assets of the District as a whole.

Cost of capital assets	\$1,832,094
Accumulated depreciation	<u>(\$736,522)</u>
Total capital assets added	<u>\$1,095,572</u>

LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, CONTINUED

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The differences are illustrated as follows:

-Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$196,697
Depreciation expense	<u>(\$26,627)</u>
Net adjustment	<u>\$170,070</u>

-Long-term debt transactions

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current resources of governmental funds. Neither transaction, however, has any effect on net assets.

LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE C - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

I. Budgets and Budgetary Accounting

- 1 The District Manager submits to the District Commission a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed expenditures and the sources of revenues to finance those expenditures. The budget is prepared using the modified accrual basis of accounting with encumbrances included as budgetary basis expenditures.
- 2 Public hearings are conducted to obtain taxpayer comments.
- 3 The budget is approved by the Commission and becomes the basis for the millage levied by the Commission.
- 4 The District Commission must approve all budget transfers.
- 5 The District adopts an annual budget for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America at the fund level.
- 6 Budget amounts are as originally adopted, and as amended. The District Commission may legally amend the budget throughout the year providing it complies with the budget hearing requirements set forth in Florida statutes. Appropriations not expended at the end of each fiscal year lapse and become subject to future appropriations.
- 7 It is unlawful to expand or contract for the expenditure, in any fiscal year, of more than the amount appropriated by the District Commission. The Commission appropriates monies for expenditures on a fund basis.

**LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009**

NOTE C - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

Budgets and Budgetary Accounting-(Continued)

There was one supplemental budget appropriation made during the year to the General Fund.

NOTE D - DETAILED NOTES ON ALL FUNDS

Cash and Investments

-Custodial Credit Risk

Custodial Credit risk is defined as the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its securities that are in the possessions of an outside party.

As of September 30, 2009 the District's book balance of cash was \$515,946 and the bank balance was \$537,184. The District's bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for each banking relationship. The remaining balances are collateralized pursuant to Chapter 280, Florida Statutes. The District's investment policy requires that deposits be entirely covered by federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, Florida Statutes. Under this Chapter, in the event of default, participating institutions are obligated to reimburse the governmental entity for the loss.

-Interest Rate Risk

The District does not have formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

-Credit Risk

Florida Statutes allow the District Commission to invest its surplus public funds in its control or possession in:

- The local Government Surplus Funds Trust
- Obligations of, or unconditionally guaranteed by, the United States Government.

LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE D - DETAILED NOTES ON ALL FUNDS, CONTINUED

Cash and Investments-(Continued)

- Interest-bearing time deposits of banks and savings and loan associations organized under the laws of Florida or the United States situated in Florida, provided such deposit is secured by collateral.
- Obligations of the Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, or Federal Home Loan Bank or obligations guaranteed by the Government National Mortgage Association.
- Securities of any management type investment company or investment trust provided the portfolio of such investment company or investment State Government obligations and repurchase agreements collateralized by such United States government obligations.

As of September 30, 2009 the fair value of the District's investments was \$200,000. 100% of the District's investments were in certificates of deposit held at BB&T Bank.

-Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

NOTE D - DETAILED NOTES ON ALL FUNDS, CONTINUED

The following is a summary of changes in capital assets activity for the year ended September 30, 2009.

	Balance October 1 2008	Increases/ Additions	Decreases/ Deletions	Balance September 30 2009
Capital Assets Not Being Depreciated:				
Land	\$ 525,960	\$ -	\$ -	\$ 525,960
Construction in Progress	42,072	101,698	(9,029)	134,741
Total Capital Assets Not Being Depreciated	<u>568,032</u>	<u>101,698</u>	<u>(9,029)</u>	<u>660,701</u>
Capital Assets Being Depreciated:				
Buildings and improvements	278,949	-	-	278,949
Seawall and lock systems	249,208	9,027	-	258,235
Machinery & Equipment	541,930	95,000	(2,724)	634,206
Total Capital Assets Being Depreciated	<u>1,070,087</u>	<u>104,027</u>	<u>(2,724)</u>	<u>1,171,390</u>
Less Accumulated Depreciation:				
Buildings and improvements	(167,084)	(4,089)	-	(171,173)
Seawall and lock systems	(17,351)	(7,326)	-	(24,677)
Machinery & Equipment	(527,821)	(15,212)	2,361	(540,672)
Total Accumulated Depreciation	<u>(712,256)</u>	<u>(26,627)</u>	<u>2,361</u>	<u>(736,522)</u>
Total Capital Assets Being Depreciated, Net	<u>357,831</u>	<u>77,400</u>	<u>(363)</u>	<u>434,868</u>
Capital Assets, Net	<u>\$ 925,863</u>	<u>\$ 179,098</u>	<u>\$ (9,392)</u>	<u>\$ 1,095,569</u>

**LAKE REGION LAKES MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009**

NOTE D - DETAILED NOTES ON ALL FUNDS, CONTINUED

Defined Contribution Plan

- Plan Description

The Lake Region Lakes Management District Profit Sharing Plan and Trust is a defined contribution pension plan established by Lake Region Lakes Management District in 1998 to provide benefits at retirement to substantially all employees of the District. Employees become eligible for participation in the plan after completing one year of service. Plan benefits vest at a rate of 20% per year and become fully vested after six years of service. At September 30, 2009 there were ten plan participants.

The Lake Region Lakes Management District's total payroll in the fiscal years 2009 and 2008 was \$389,781 and \$399,434 respectively.

The covered payroll was \$346,800 for 2009, and \$330,258 for 2008

Employer contributions are discretionary and determined annually by the Commission. The plan does not allow employee contributions. For the years ended September 30, 2009 and 2008, employer contributions totaled \$52,020 and \$40,068 respectively.

**REQUIRED SUPPLEMENTARY
INFORMATION
OTHER THAN MD&A**

**LAKE REGION LAKES MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND -
SUMMARY STATEMENT
Year Ended September 30, 2009**

	General Fund			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES				
Taxes	\$ 977,720	\$ 977,720	\$ 993,847	\$ 16,127
Intergovernmental	30,000	30,000	40,371	10,371
Investment earnings	25,000	25,000	20,530	(4,470)
Other income	-	-	3,652	3,652
TOTAL REVENUES	<u>1,032,720</u>	<u>1,032,720</u>	<u>1,058,400</u>	<u>25,680</u>
EXPENDITURES				
Current				
General Government				
Liability & property insurance	65,000	65,000	55,152	9,848
Health insurance	65,000	65,000	57,862	7,138
Consultants & contractors	2,000	2,000	3,858	(1,858)
Labor, salaries & wages	410,000	410,000	389,781	20,219
Licenses & taxes	500	500	21	479
Utilities	6,500	6,500	5,934	566
Office supplies	4,500	4,500	3,555	945
Operational supplies	6,500	6,500	6,419	81
Engineering	18,000	18,000	24,724	(6,724)
Equipment purchases - Major	20,000	115,000	104,956	10,044
Equipment purchases - Minor	5,000	5,000	3,421	1,579
Repairs & maintenance	55,000	55,000	58,482	(3,482)
Telephone	3,500	3,500	3,453	47
Payment to other government units	3,000	3,000	-	3,000
General projects	90,000	90,000	27,832	62,168
Accounting & legal	50,000	50,000	30,364	19,636
Fuel	35,000	35,000	16,417	18,583
Advertising	3,000	3,000	1,401	1,599
Weed control & county aid	5,000	5,000	4,329	671
Commissioner's expense	12,000	12,000	12,000	-
Tax Collector commission	35,000	35,000	32,882	2,118
Materials	140,000	140,000	102,555	37,445
Miscellaneous	10,000	10,000	7,464	2,536
Radio expense	4,000	4,000	2,515	1,485
Landscaping	5,000	5,000	1,248	3,752
Equipment rental	2,000	2,000	1,415	585
Payroll taxes	32,000	32,000	28,435	3,565
Retirement contribution	52,000	52,000	52,020	(20)
Land Acquisition & improvement	100	100	100	-
TOTAL EXPENDITURES	<u>1,139,600</u>	<u>1,234,600</u>	<u>1,038,595</u>	<u>196,005</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(106,880)	(201,880)	19,805	\$ <u>221,685</u>
FUND BALANCE - Beginning	<u>106,880</u>	<u>201,880</u>	<u>677,161</u>	
FUND BALANCE - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 696,966</u>	



366 East Olympia Avenue
Punta Gorda, Florida 33950
Phone: 941.639.6600
Fax: 941.639.6115

Independent Auditor’s 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*

The District Commissioners
Lake Region Lakes Management District
Winter Haven, Florida

We have audited the basic financial statements of Lake Region Lakes Management District (the “District”) as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated December 14, 2009. We conducted our audit in accordance 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the District’s financial statements that is more than inconsequential will not be prevented or detected by the District’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, 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. We noted other matters that we reported to management in a separate letter dated December 14, 2009.

This report is intended solely for the information and use of management, the commission and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Osley Brown & Co.

December 14, 2009

366 East Olympia Avenue
Punta Gorda, Florida 33950
Phone: 941.639.6600
Fax: 941.639.6115

Management Letter

Honorable District Commissioners
Lake Region Lakes Management District
Winter Haven, Florida

We have audited the basic financial statements of the Lake Region Lakes Management District (the "District"), as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated December 14, 2009.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated December 14, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The District has taken corrective actions in regards to the prior year comment.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material, but, more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Such information is disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Ashley Brown & Co.

December 14, 2009

SINCE 1919

**804 Avenue X, South West
Winter Haven, Florida 33880-4342**



CANAL COMMISSION

**(863) 293-1441
FAX (863) 293-0729**

December 15, 2009

Mr. David W. Martin, CPA
Florida Auditor General
Local Government Section/452
Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

RE: Audit of the Lake Region Lakes Management District for the
2008/2009 fiscal year.

Dear Mr. Martin:

This letter is in regards to Section 10.558(1) of the "Rules of the Auditor General" that require us to address audit deficiencies noted in the management letter. For the 2008/2009 fiscal year audit, there were no findings or recommendations in the report or on the management letter.

Should you require any additional information, please contact me at the telephone number printed above, or via email at cwhitehead@lakesmgmtdist.com.

Sincerely,

Roger D. Griffiths
Executive Director

cw