

Lake Redstone Protection District

Financial Statements

Year Ended December 31, 2022

MBE CPAs, LLP
Certified Public Accountants

Lake Redstone Protection District

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of:
Lake Redstone Protection District (a special purpose unit of government)
LaValle, WI

We have reviewed the accompanying financial statements of the governmental activities of Lake Redstone Protection District, which comprise the balance sheet – governmental funds - modified cash basis as of December 31, 2022, and the related statement of revenues, expenditures, and change in fund balance – governmental funds – modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Lake Redstone Protection District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Supplementary Information

The supplementary information included in the budgetary comparison schedule - governmental funds - modified cash basis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on it.

MBE CPAs, LLP

Reedsburg, WI
July 31, 2023

Lake Redstone Protection District
Balance Sheet - Governmental Funds - Modified Cash Basis
December 31, 2022

	Governmental Funds		Total Governmental Funds
	General Fund	Capital Asset Fund	
Assets			
Current Assets			
Cash and cash equivalents	\$ 117,888	\$ -	\$ 117,888
Total Current Assets	<u>117,888</u>	<u>-</u>	<u>117,888</u>
Other Assets			
Oakdale patronage	185	-	185
Land	-	233,946	233,946
Total Other Assets	<u>185</u>	<u>233,946</u>	<u>234,131</u>
Total Assets	<u>\$ 118,073</u>	<u>\$ 233,946</u>	<u>\$ 352,019</u>
Liabilities and Fund Balance			
Current Liabilities			
Bank notes payable- current portion	\$ 336,329	\$ -	\$ 336,329
Total Current Liabilities	<u>336,329</u>	<u>-</u>	<u>336,329</u>
Long- Term Liabilities			
Bank notes payable, net of current portion	2,014,607	-	2,014,607
Total Long-Term Liabilities	<u>2,014,607</u>	<u>-</u>	<u>2,014,607</u>
Total Liabilities	2,350,936	-	2,350,936
Fund Balance			
Unassigned fund balance	(2,232,863)	233,946	(1,998,917)
Fund Balance			
Total Liabilities and Fund Balance	<u>\$ 118,073</u>	<u>\$ 233,946</u>	<u>\$ 352,019</u>

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

Lake Redstone Protection District
Statement of Revenues, Expenditures, and Change in Fund Balance -
Governmental Funds - Modified Cash Basis
For the year ended December 31, 2022

	General Fund
Operating Revenues	
Tax Levy	\$ 435,400
FEMA grant	16,329
DNR grants	27,142
County grants	24,750
Other income	3,800
Interest income	1,299
Total Operating Revenues	508,720
Operating Expenses	
Aquatic plant management	30,961
Insurance	1,565
Interest expense	37,219
Lake monitoring	36,400
Lake maintenance & erosion control	14,209
Newsletter	3,385
Office & administration	4,759
Professional Services	4,080
Pontoon & buoys	886
Salaries, wages, and payroll taxes	11,124
Watershed improvement	3,841
WI Lakes partnership- WAL	3,306
Total Operating Expenses	151,735
Increase (Decrease) in Fund Balance	356,985
Fund Balance - Beginning of Year	(2,589,848)
Fund Balance - End of Year	\$ (2,232,863)

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

Lake Redstone Protection District
Notes to the Financial Statements
December 31, 2022

Note A – Summary of Significant Accounting Policies

Reporting entity

Lake Redstone Protection District (the District) is a governmental unit responsible for the monitoring and maintenance of Lake Redstone, which is located in Wisconsin. All significant activities on which the District exercises oversight responsibility have been included in the statement of revenues, expenditures, and change in fund balance – governmental funds – modified cash basis for the year ended December 31, 2022. The District was created and operates under the laws of the State of Wisconsin and Chapter 33 of the Wisconsin Statutes.

Basis of accounting

Lake Redstone Protection District reports its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Consequently, the District has not recognized accounts receivable or accounts payable and their related effects on earnings in the accompanying financial statements.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The fund financial statements are reported using the current financial resources measurement focus and a prescribed basis of accounting that demonstrates compliance with the modified cash basis. Operating statements of these funds present increases (revenues collected) and decreases (expenditures paid) in cash. The modified cash basis recognizes assets, liabilities, fund balance, revenues and expenses when they result from cash transactions with a provision for real property in the capital fund financial statements.

Basis of presentation – fund financial statements

Fund financial statements are reported using the current financial resources measurement focus and a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Wisconsin. The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of each fund's cash, fund equity, receipts, and disbursements, as appropriate. The fund statements provide information about the District's funds. The District has only governmental funds.

The District reports the following governmental funds:

General fund – The general fund is used to account for all of the District's financial resources, except those required to be accounted for in the capital asset fund.

Capital asset fund – The capital asset fund is used to account for capital assets held by the District that are not to be consumed in the ordinary operation of the District.

Lake Redstone Protection District
Notes to the Financial Statements
December 31, 2022

Note A – Summary of Significant Accounting Policies (Continued)

Budgetary information

The District prepares an annual budget for its operations which is approved annually by District members. The budget is prepared on the modified cash basis of accounting as described above. All appropriations lapse at year-end.

Equity

In the governmental fund financial statements, equity is classified as fund balance. In accordance with professional standards, more clearly defined fund balance categories are presented to make the nature and extent of the constraints placed on a fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used.

Non-spendable - Amounts that are not in a spendable form or are required to be maintained intact. As of December 31, 2022, the District's fund balance did not consist of any non-spendable fund balances.

Restricted- Amounts constrained to specific purposes either 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation. As of December 31, 2022, the District's fund balance did not consist of any restricted fund balances.

Committed - Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint. As of December 31, 2022, the Districts had a total of \$98,429 committed fund balances. Of the committed balance, \$19,330 was committed to Dredging purposes and \$79,099 was committed to the watershed protection purposes.

Assigned - Amounts the District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. As of December 31, 2022, the District's fund balance did not consist of any assigned fund balances.

Unassigned – All remaining balances. Amounts are available for any purpose.

The District establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the District. Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital funds or for other purposes). When fund balance resources are available for a specific purpose in more than one classification, it is the District's policy to use the most restrictive funds first in the following order: restricted, committed, assigned.

Cash and cash equivalents

The District considers cash and cash equivalents to include cash on hand, demand deposits, non-negotiable certificates of deposit and short-term investments with original maturities of three months or less, from the date of acquisition.

**Lake Redstone Protection District
Notes to the Financial Statements
December 31, 2022**

Note A – Summary of Significant Accounting Policies (Continued)

Taxes and Assessments

District taxes are levied as part of the landowner's overall real estate taxes. The taxes are levied each year end by the District Board in conjunction with the adoption of the annual budget for the ensuing fiscal year. Levies are based on assessed property values for parcels within the District. Real estate taxes may be paid in two equal installments due January, 31 and July, 31. The District portion of the tax payments are not directly remitted to the District. The District receives their portion of real estate taxes passed through from the Town in two installments in January and February. The final installment is distributed by the county in August each year

Date of management's review

Management has evaluated subsequent events through July 31, 2023, the date on which the financial statements were available to be issued.

Note B – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; worker's compensation; and natural disasters. 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 C – Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from these estimates.

Note D – Uninsured Cash

The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. The District may, from time to time during the year, have balances in excess of the FDIC insured limits. At December 31, 2022, no cash balances at a single financial institution exceeded FDIC insured limits.

Note E – Commitments and Contingencies

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grants. Management believes such disallowances, if any, would be immaterial.

Note F – Real Estate

Capital assets are generally defined by the District as assets with an estimated useful life in excess of one year. Capital assets of the District are recorded at cost or the fair market value at the time of contribution to the District. Capital assets in service are depreciated using the straight-line method over the useful lives for the asset. Land assets are not depreciated.

The District owns 4 parcels within Sauk County around Lake Redstone. The land is owned by the District to aid in flood control and run-off control.

**Lake Redstone Protection District
Notes to the Financial Statements
December 31, 2022**

Note G – Bank Notes Payable

In 2020, The District obtained two bank notes to complete special improvement projects within their boundaries. A special assessment is levied annually over district parcels to cover the required principal and interest payments of the notes. For the year ended December 31, 2022, the District had total bank notes payable of \$2,350,936. Of the total balance, \$336,329 was considered current as of December 31, 2022. The notes accrue interest ranging from 1.39% to 1.75%. Maturity dates of the notes vary, ending in 2029 through 2030. The loans are secured by the full faith and credit and unlimited taxing powers of the District.

Scheduled principal payments of bank notes payable for the following years ending December 31 are as follows:

2023	\$ 336,329
2024	324,116
2025	328,637
2026	333,221
2027	337,868
Thereafter	690,765
	<hr/>
	\$ 2,350,936
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Supplementary Information

Lake Redstone Protection District
Budgetary Comparison Schedule - Governmental Funds - Modified Cash Basis
For the year ended December 31, 2022

	Actual	Budget	Variance - Favorable (Unfavorable)
Budgetary fund balance, January 1	\$ 71,251	\$ 71,251	\$ -
Resources (Inflows):			
Tax Levy	435,400	435,400	-
FEMA grant	16,329	11,664	4,665
DNR grants	27,142	33,750	(6,608)
County grants	24,750	2,000	22,750
Other income	3,800	14,000	(10,200)
Interest income	1,299	100	1,199
Amounts Available for Appropriation	<u>508,720</u>	<u>496,914</u>	<u>11,806</u>
Charges to Appropriations (Outflows):			
Aquatic plant management	30,961	39,000	8,039
Debt service:			
Principal	310,163	367,500	57,337
Interest	37,219	-	(37,219)
Insurance	1,565	2,000	435
Lake monitoring	36,400	15,500	(20,900)
Lake maintenance & erosion control	14,209	21,000	6,791
Newsletter	3,385	5,000	1,615
Office & administration	4,759	6,000	1,241
Professional Services	4,080	9,500	5,420
Pontoon & buoys	886	500	(386)
Salaries, wages, and payroll taxes	11,124	14,000	2,876
Watershed improvement	3,841	12,000	8,159
WI Lakes partnership- WAL	3,306	5,000	1,694
Total Charges to Appropriations	<u>461,898</u>	<u>497,000</u>	<u>35,102</u>
Increase (Decrease) in Fund Balance	<u>46,822</u>	<u>(86)</u>	<u>46,908</u>
Budgetary Fund Balance, December 31	<u>\$ 118,073</u>	<u>\$ 71,165</u>	

See independent accountant's review report.