

**DOMINICK FASHODA
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August 20, 2013

To the Board Members of
The Whitewater-Rice Lakes Management District:

I have been asked to review the books and records of the Whitewater-Rice Lakes Management District for the year ended December 31, 2012. Given the limited segregation of duties inherent in the management of the books and records of a volunteer organization, certain year-end audit procedures should be performed to provide reasonable assurance to the board that:

- cash assets are properly safeguarded against loss and theft
- disbursements and receipts are appropriate and authorized
- all financial transactions are accurately reported on the financial statements

As part of my review of the financial records, I have performed the following procedures:

- I have reviewed the opening balances as of 01/01/2012 as shown on the bank reconciliations and the accompanying beginning balances of the financial statements
- I have reviewed the 2012 Capital Reserve bank statements and verified the transfers in and out of the Capital Account. I have verified the excess balance in the Operating Account at the end of 2012 as \$1624 and its scheduled transfer to the Capital Reserve in Jan 2013.
- I have reviewed each Operating Account bank statement and verified that the payee as stated in the disbursement register agrees with the payee as shown on the bank statement check images. I have reviewed the cash receipts per the bank statements and verified them to copies of the deposit slips and any provided copies of checks that were deposited
- I reviewed a sampling of the supporting documentation, including invoices, statements or letter requests provided for disbursements. The sample included reviewing all disbursements during randomly tested months of February, May, July, August and December, as well as all disbursements during the year for any amounts over \$1000 regardless of the month issued
- I reviewed the collection of receipts to the operating account and capital account and verified the amounts of deposits made by the taxing jurisdictions of Richmond Township, Whitewater Township and Walworth County was equal to the amount approved by the Board and submitted to the jurisdictions for collection from the taxpayers, in the amount of \$168,890, which includes \$10,000 deposited into the Capital Account.
- I reviewed the minutes from the Board meetings for approval of the disbursements during the year. All disbursements for the year were approved by the Board and documented in the minutes
- I have reviewed the summary of the receipts and disbursements to the financial statements as presented to the Board
- I have reviewed the ending bank balances and reconciliations to the bank provided monthly and year-end statements
- Review of year-end asset statements were further reviewed by Frederick Cappetta III, licensed real-estate agent and a resident family of the Management District.

Other than my review of the documentation submitted by the vendors for payment and the monthly approval of the Board as documented by the Board minutes, it is not my role to verify the accuracy, appropriateness, authenticity, or reasonableness of any invoices submitted, or to question the approval by any individual Board committee chairman of any individual expenses. The approval of individual

expenses is the responsibility of the appropriate officers and members of the Board. As stated in the initial audit report for 2011, disbursements made to vendors should be reviewed by the Board to determine reasonableness in regards to labor and material rates, particularly in view of the fact that a significant portion of the annual budget expenditures made are to a concentration of vendors for labor incurred in servicing and maintenance of Whitewater and Rice Lakes. Procedures should be put into place to the satisfaction of the Board that invoiced labor hours are accurate.

The recommendation made in 2011 that duplicate approval of expenses and corresponding invoices in excess of an established threshold is again suggested. It is the understanding of this auditor that such a recommendation made in December 2012 was put into place after the 2011 report was submitted to the Board, effective in 2013. In addition, a consolidated presentation of financial statements representing the Balance Sheet and Income Statement of both the Operating Account and the Capital Account combined would be suggested, which may more clearly present the Management District's equity position.

Based on my review, I believe the financial statements as presented to the Board and the Whitewater-Rice Lakes Management District members accurately reflect the results of operations during the year 2012.

Dominick Fashoda
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