

Whitewater-Rice Lakes Management District  
Audit of 2008 Financial Statements  
August 17, 2009

Conducted by: Brad Corson  
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**Audit Summation:**

Books and records are well organized and maintained. All revenues and expenses appear to be accurately presented and fairly stated in all material respects.

We recommend for purposes of simplifying the presentation and improving the ability to validate account balances, the balance sheet be modified to remove Fixed Assets and Equity. In support of this change and for its own merit, the Equipment Fund should be isolated from the Operating Cash Account and funded into its own bank account. This will allow a clear separation of Equipment Fund activity on both the balance sheet and income statement and improve accountability.

We recommend that J & T invoices include greater detailed support for billing in the form of actual time sheets.

Our recommendations are more specifically outlined below along with a list of the various audit processes that were completed.

**Recommendations/Findings:**

- Formalize the bank reconciliation, i.e., a roll forward Bank balance to cash Book balance should be prepared at least quarterly which includes a list of outstanding checks.
- There may be an understatement of reported expense in the amount of \$937.50 related to the lake survey as it appears the contribution from the DNR was recorded as a credit to expense that has not yet been paid. Further review should be completed.
- J&T should support billing invoices with copies of detailed time sheets.
- Remove Fixed Assets from the balance sheet along with associated Accumulated Depreciation, collapse to Equity Account, to simplify the balance sheet.
  - Eliminate the calculating and reporting of Depreciation expense. It does not get presented on the income statement and provides no benefit. Its elimination would also contribute to streamlining the accounting requirements.

- Equipment Listing would continue to be maintained to provide required maintenance inventory, asset verification controls and capital expense planning
  - Equity Account cannot be validated as currently presented and should be eliminated (collapsed) with the removal of Fixed Assets from the balance sheet.
  - The necessary accounting entries to adjust the balance sheet presentation would have to be made subsequent to this report and could be validated through a separate audit review.
- Establish a Funded Reserve for Capital Equipment
    - Current Equipment Fund exists only as a roll forward schedule, and is not supported by actual cash in bank.
    - By removing Fixed Assets from the Balance Sheet, the annual Equipment Fund reserve can be treated as a simple cash disbursement and associated expense on the income statement.
    - The Funded Reserve would be validated by the actual bank statement (that can't be done currently) and the Roll Forward reconciliation that would continue to be completed.
- Revise Cash Flow Statement to standard format used in prior years.
    - Simpler presentation would allow direct validation to the balance sheet.
- For purposes of presentation, establish a consistent income statement format for the various schedules.
    - Currently there are several income statement report presentations that reflect different totals for Net Income due to differences in what they include.
    - Consistent format would allow validation between income statement and balance sheet insuring all amounts are in balance

**Audit processes completed:**

- Bank reconciliation
  - validated bank statement balance to book balance on balance sheet
  - validated outstanding check list
  - validated all cash disbursements on bank statement to cash expenditures on Income Statement
  - validated all deposits in bank statement to either Income Statement or CD transaction log
- Tied tax receipts to deposits, tax levy certification memorandum and income statement.
- Prepared a Performa Cash Flow Statement and tied it to the balance sheet and income statement.

- AP Expenditure Review:
  - Reviewed all J&T expenditures, invoices and payments for reasonableness and confirmed the appropriate billing rates. No current support for time billed however.
  - Other misc expenditures reviewed against supporting documents for appropriateness and reasonableness.
  
- Fixed Asset Listing reviewed for reasonableness.