

**TO:** Board of Directors  
Forest Lakes Mutual Water Company [FLMWC]

**RE:** Report of review of FLMWC financial records for FY 2023

**DATE:** May 27, 2024

FLMWC conducts annual internal reviews to ensure adherence to policies and procedures related to financial matters; to minimize exposure to risk of fraud and other losses; and to assure the accuracy of financial reports provided to shareholders. In accordance with this policy, a review of FY 2023 records was conducted on May 24, 2024 by Directors W. Baer, P. Gonda, L. Dennis and C. Kelly with the assistance of General Manager D. Cortez. The review, based on the attached procedural guidelines, was conducted to determine if FLMWC financial records are complete, accurate, and meet our understanding of generally accepted accounting principles. This report is submitted to support the Board in fulfilling its duties of financial oversight and accountability.

The records reviewed and the reviewers' notes were compiled and filed in the office file cabinet.

What was reviewed:

- A random sample of deposits recorded in QuickBooks was inspected and compared to entries recorded to assure accuracy, timeliness, and agreement with bank records. If the Committee found that a copy of check had been removed from one deposit summary, a cross-check was made to verify that it was included on another deposit. *No defects or discrepancies were noted.*
- A random sample of income distribution in the receipts journal was inspected for accuracy of account fund designation of all 2023 income by revenue type. *No deviations found.*
- The QuickBooks Transfer Detail report and documentation of transfers between accounts were examined, including verification of the transfer by the Treasurer. *No deviations were found.*
- Check accounting was reviewed.
  - Hard copy receipts of reimbursement payments to staff, directors and shareholders were examined to review types of expenses. Receipts were present for all reimbursements and were determined to be for verifiable business expenses.

- All reimbursement records in QuickBooks properly showed the date, check number, name of payee, amount of check and the account distribution for each check written.
- Authority for approval of signing checks to pay items such as payroll and invoices for receipt of tangible goods was verified. A random sample study of payments for contract agreements showed that payments were in agreement with estimates, actions of the Board as reported in meeting minutes, and the signed contracts. *Recommendation: To assist reviewers, it would be useful to note amount of a contract on the General Session Summary document. In all cases reviewed, the exact amount was confirmed by reviewing the minutes of the meeting, but it would be helpful to note that data on the annual resolutions' summary document.*
- Examination of a random sample of canceled checks and bank statements verified that disbursements were paid to the proper parties.
- The detail report of pre-printed checks was checked to assure that all voided or missing checks were accounted for. *Recommendation: It would be helpful to the reviewers if more information was noted on voided checks, such as the reason why the check was voided and if a replacement check was issued, the new check number. Absent that information on the page, confirmation must be verified by reviewing additional Quickbooks documents.*
- The year-end QuickBooks Profit and Loss report was compared to the Board-adopted budget for the year. Overages were noted and their causes addressed.
- Expenditures were analyzed with attention to proper capitalization of major improvements; refurbishing; new equipment; and the proper designation of employees vs. independent contractors.
- Debit card charges were studied for unusual expenses. All statements for 2023 were closely reviewed and were checked against bank reconciliation.
- Credit card statements and charge invoices were examined. Charges were selected at random and posting to specific QB accounts was verified. It was noted that two receipts for a gasoline purchase was missing; other than that, no deficiencies were found.
- ACH payment invoices were matched to reports and bank statements, and all were in order.
- Bank account reconciliation: Review of these functions is performed monthly by the Treasurer and General Manager.
- Stockholder records were examined, including
  - Payment history with accounts receivable in QB
  - Payment account records for Directors in the year under review
  - No bad debt was reported

- Review of April and October assessment receivables for aging showed that assessments are being paid. Outstanding balances were flagged and their current status noted, e.g. account now current or shareholder has established a payment plan.
- Insurance policies [General Liability, Excess Liability, Directors and Officers, Property, Commercial Auto, and Workers' Compensation] were examined for their effective and expiration dates; kind and classification of coverage, maximum amounts of coverage, premium amounts and terms; and comparison of coverage with insurance appraisal or other supporting cost data. No deficiencies noted.
- QuickBooks General Journal entries were inspected. The current balance sheet was reviewed to verify that liabilities are positive and assets balance with liabilities as of 4/28/2023, as did those of 12/31/2022.
- Payroll: As a complete payroll review was completed in 2023 and will be due again in 2025.
- Treasury Direct investments: The records of Treasury Direct investments were inspected to assure that what was recorded was invested at the interest rate specified. Everything was found to be in order.

Review Committee Comments:

The reviewers detected and corrected minor deficiencies with the record presentation, but found no major issues. A complete payroll review is recommended for 2025.

The Committee commends General Manager Cortez for her excellent organization and meticulous, transparent record keeping. Her painstaking work in preparing and organizing the many required documents made the review process both effective and efficient for the review team.

Respectfully submitted,

Louise West  
Board Secretary