



**Johnson ▲ Block**  
**AND COMPANY, INC.**

**Certified Public Accountants**

49 Kessel Court, Suite 210 ▲ Madison, Wisconsin 53711 ▲ TEL 608-274-2002 ▲ FAX 608-274-4320

July 9, 2012  
City of Whitewater  
Whitewater, Wisconsin

In planning and performing our audit of the financial statements of the City of Whitewater, Wisconsin for the year ended December 31, 2011, we considered the City's internal control as basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

Our comments are summarized on the following page. This letter does not affect our report dated July 9, 2012, on the financial statements of City of Whitewater, Wisconsin.

We will be pleased to discuss these comments in further detail at your convenience. We thank the City staff for help during the audit and we welcome any questions you have concerning the audit or other financial matters.

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
Certified Public Accountants  
Madison, Wisconsin

## **CURRENT YEAR COMMENTS**

### **EMS Payroll Verification**

The EMS department has a policy that requires the City to pay its responders \$8 if they respond to a call whether the responders go out on a call or not. There have been instances where it was questionable whether EMT employees who were credited for responding to calls actually showed up.

We recommend that the City review the approval process to ensure there is a system of checks and balances. Specifically, an independent reconciliation and verification of the calls should be made to ensure that those getting paid for responses are showing up. Our understanding is that Fire and EMS management has implemented a policy in 2012.

## **PRIOR YEAR COMMENTS**

### **TIF 4 Advance from the CDA**

The City's TIF 4 received an advance of \$750,000 from the CDA. The proceeds of the advance were used to finance the innovation center. The assets of the innovation center were transferred over to the CDA. We recommend that the City and CDA formalize the terms of the advance including interest. Given the level of debt service with the City's TIF District, any payments on the advance would most likely need to be deferred.

### **Fund Balance Policy (GASB 54)**

We previously commented on a new accounting standard. The Governmental Accounting Standards Board recently issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. With regard to this, we recommend the city implement a fund balance policy that will include the following items:

- In order to report fund balance as committed, the government's highest level of decision making authority must act to establish committed fund balances, including stabilization arrangements.
- Decide which person(s) have direct or delegated authority to assign fund balance.
- Review any formal minimum fund balance policy and possible changes required as it relates to this new standard.
- Establish a policy on the order in which unrestricted resources are to be used when any of these amounts are available for expenditure. If no policy exists, the default assumes committed funds are used first, followed by assigned and then unassigned amounts.

## **Utility Rates**

### **Sewer**

We previously recommended that the City review and monitor its sewer rates to a level sufficient to meet coverage ratios. Rates were updated on an annual basis. The debt coverage requirement was met in 2011. The Sewer Utility's cash flow appeared adequate in 2011. However, the sewer will have additional debt service with the completion of its treatment plant. Accordingly, rates should be monitored annually.

**Internal Accounting Controls**  
**Departmental Controls**

The size of your organization sometimes precludes complete separation of duties. The City has implemented a number of compensating controls such as requiring approval of invoices from department heads, the Finance Director and Council and the Finance Director reviewing bank reconciliations and journal entries. However, we noted the following item:

- We did note at times the same personnel performed billing and receipting functions. To the extent possible, these should be segregated.
- We recommend that authorized check signers not be involved in the financial accounting. We recommend that either the city manager, clerk and/or Council president be authorized signers.