

# DRAFT

**CITY OF WHITEWATER  
WHITEWATER, WISCONSIN**

**REQUIRED AUDIT COMMUNICATIONS  
TO THE CITY COUNCIL**

**Year Ended December 31, 2024**

**Johnson Block & Company, Inc.  
Certified Public Accountants  
9701 Brader Way, Suite 202  
Middleton, Wisconsin 53562  
(608) 274-2002**

**CITY OF WHITEWATER  
WHITEWATER, WISCONSIN**

**Year Ended December 31, 2024**

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Adjusting Journal Entries

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Signed Management Representation Letter

## **AUDIT MATTERS REQUIRING COMMUNICATION TO THE GOVERNING BODY**

To the City Council  
City of Whitewater  
Whitewater, Wisconsin

We have audited the financial statements of the City of Whitewater as of and for the year ended December 31, 2024, and have issued our report thereon dated **DATE XX**, 2025. Professional standards also require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated November 5, 2024, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the City of Whitewater solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and a material weakness, and other matters noted during our audit in a separate letter to you dated **DATE XX**, 2025.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City of Whitewater is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City changed accounting policies by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 100, Accounting Changes and Error Corrections, and GASB Statement No. 101, Compensated Absences during the year ended December 31, 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimates of the depreciable lives of property and equipment are based on the expected use of the respective assets and management's experience with similar assets used by the City of Whitewater.
- Management's estimate of the WRS pension liability and deferred outflows and inflows of resources are based on various factors. These estimates are computed by the pension plan administrator.
- Management's estimates of the other postemployment benefits are based on various factors. The estimated liabilities were computed by an actuarial study.
- Management's estimate of leased receivable, deferred lease inflows and lease revenue are based on applicable lease terms, projected future payments, and a discount rate.
- Management's estimate of the liability for compensated absences is based on various factors including pay rates, salary-related liability percentages, and vacation and sick hours for use and pay out.

We evaluated the factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule in the appendix summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, misstatements detected as a result of audit procedures that were brought to the attention of and corrected by management are attached: See appendix.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City of Whitewater's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated **DATE XX**, 2025.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City of Whitewater, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City of Whitewater's auditors.

This report is intended solely for the information and use of the City Council and management of the City of Whitewater and is not intended to be and should not be used by anyone other than those specified parties.

## COMMUNICATION OF MATERIAL WEAKNESSES

To the City Council  
City of Whitewater  
Whitewater, Wisconsin

In planning and performing our audit of the basic financial statements of the City of Whitewater, Wisconsin as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered City of Whitewater, Wisconsin's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Whitewater, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Whitewater, Wisconsin's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses or and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiency in the City of Whitewater, Wisconsin's internal control to be a material weakness:

2024-1                      Material Audit Adjustments

*Condition:* The City does not have management personnel with the necessary expertise to prepare the financial statements and related notes in accordance with generally accepted accounting principles. Due to limited resources, management has decided to accept certain risks relevant to financial reporting and relies on the auditor to assist with the preparation of the City's financial statements, including the recording of material audit adjustments. During their audit procedures, the auditors proposed various audit adjustments that, if not made, would have resulted in the financial statements being materially misstated.

*Criteria:* Proper financial closing and yearend reconciliation procedures should be in place to identify and adjust the financial records to ensure the financial statements are fairly stated.

*Effect:* Since management relies on the auditor to assist with recording certain yearend accruals and properly accounting for other current year activity, the City's system of internal control may not prevent, detect, or correct misstatements in the financial statements.

*Recommendation:* The auditor will continue to work with the City, providing information and training where needed, to make the City's personnel more knowledgeable about its responsibility for the financial statements. The auditor recommends that the City review the various yearend processes and transactions necessary to close the financial records.

*Management's Response:* Due to the technical nature of preparing the financial statements and recording certain current year transactions and accruals, the City has requested the assistance of the auditor to record these transactions, which may result in material audit adjustments. The City accepts responsibility for the financial statements.

This communication is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Johnson Block & Company, Inc.  
DATE XX, 2025

## MANAGEMENT LETTER

To the City Council  
City of Whitewater  
Whitewater, Wisconsin

In planning and performing our audit of the financial statements of the City of Whitewater for the year ended December 31, 2024, we considered the City of Whitewater's internal control in order to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of other matters that are opportunities for strengthening internal controls and operating efficiency. The following pages that accompany this letter summarize our comments and suggestions regarding those matters. This letter does not affect our report dated **DATE XX**, 2025, on the financial statements of the City of Whitewater.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the City of Whitewater's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Johnson Block & Company, Inc.  
**DATE XX**, 2025



**CITY OF WHITEWATER  
WHITEWATER, WISCONSIN  
Year Ended December 31, 2024**

DRAFT

**ADJUSTING JOURNAL ENTRIES**

As your auditor, our role is to substantiate year-end financial balances and information presented by your accounting personnel, and compare it to supporting information and outside confirmations. When information in your records does not agree with audit evidence, an adjusting entry is necessary to correct your records. Sometimes these entries are identified by your staff as they get ready for the audit. Other adjustments are prepared by us as we discover that your general ledger balances need to be changed to reflect the correct balances.

The proposed entries were accepted by the City of Whitewater's management. All of these changes are reflected properly in your audited financial statements. A copy of the adjusting entries has been provided to your staff and they have been posted to your 2024 general ledger.

Due to the technical nature of financial reporting and complying with financial reporting standards, most clients have their CPA firm prepare the year-end financial statements and note disclosures. We have provided these services to your City.

We are communicating this information to you to give you a better understanding of what we do and how the year-end process works. Our job as auditors is to bring in an outside perspective and provide a level of comfort that your financial reporting system is materially correct and accurately reflects the financial activity for the year.

We hope that by providing this information on what we do, you will have a better understanding of our role, and the various ways that we work with your staff.

**PASSED JOURNAL ENTRIES**

Passed journal entries may occur due to transaction timing, industry practices or lack of overall significance. There were multiple passed journal entries in 2024. See listing in appendix.

**ADDITIONAL COMMENTS**

*Aquatic Center Revenue Projections*

While formulating the budget for the Aquatic Center, we recommend that the City of Whitewater address the operating deficit in the Aquatic Center.

Current Year comment – The City has worked on getting projections in its budget process. Although the Aquatic Center had an even fund balance as of December 31, 2024, this was the result of the general fund increasing its subsidies in 2024. Prior to the general fund's transfers, the Aquatic Center's expenditures exceeded its revenues by \$327,446. The City is in the process of negotiations with the School District and formalizing a plan for long-term stability.

*Uninsured Cash Balances*

As of December 31, 2024, the City had uninsured/uncollateralized deposits totaling \$4,942,024. We recommend that the City obtain additional collateral to cover uninsured deposits.

**CONCLUDING REMARKS**

We would like to thank you for allowing us to serve you. We are committed to assisting you in the long-term financial success of the City of Whitewater and our comments are intended to draw to your attention issues which need to be addressed by the City to meet its goals and responsibilities.

The comments and suggestions in this communication are not intended to reflect in any way on the integrity or ability of the personnel of the City of Whitewater. They are made solely in the interest of establishing sound internal control practices required by changing professional standards. The City of Whitewater's staff is deeply committed to maintaining the financial reporting system so that informed decisions can be made. They were receptive to our comments and suggestions.

We will review the status of these comments during each audit engagement.

If you have any questions or comments regarding this communication or the financial statements, do not hesitate to contact us.

Client: **WHITEWATER - City of Whitewater**  
 Engagement: **2024 AUDIT - Whitewater**  
 Period Ending: **12/31/2024**  
 Trial Balance: **TB**  
 Workpaper: **3700.01 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1001</b>				
To record December construction services and retainage for library project (client already made in accounting system)				
450-58000-830	LIBRARY BUILDING IMPVTS		346,232.04	
450-58000-830	LIBRARY BUILDING IMPVTS		164,167.48	
450-21100	ACCOUNTS PAYABLE			510,399.52
<b>Total</b>			<b>510,399.52</b>	<b>510,399.52</b>
<b>Adjusting Journal Entries JE # 1002</b>				
To void accounts payable invoice in correct year to eliminate double-bookkeeping (client already made in accounting system)				
246-21100	ACCOUNTS PAYABLE		5,135.71	
246-55110-350	FIELD & BUILDING MAINT/REPAIRS			5,135.71
<b>Total</b>			<b>5,135.71</b>	<b>5,135.71</b>
<b>Adjusting Journal Entries JE # 1003</b>				
To adjust GASB 68 WRS activity				
		<b>5220.10</b>		
610-19000	GASB 68-WRS NET PENSION ASSETS		77,645.00	
610-29011	GASB 68-WRS DIR		56,339.00	
620-19000	GASB 68-WRS NET PENSION ASSETS		95,146.00	
620-29011	GASB 68-WRS DIR		77,601.00	
630-19000	GASB 68-WRS NET PENSION ASSETS		30,623.00	
630-29011	GASB 68-WRS DIR		24,002.00	
900-19021	GASB 68-WRS DOR		43,654.00	
920-19021	GASB 68-WRS DOR		7,109.00	
610-19021	GASB 68-WRS DOR			120,572.00
610-19999	GASB 68-PENSION CLEARING ACCT			13,412.00
620-19021	GASB 68-WRS DOR			161,799.00
620-19999	GASB 68-PENSION CLEARING ACCT			10,948.00
630-19021	GASB 68-WRS DOR			50,477.00
630-19999	GASB 68-PENSION CLEARING ACCT			4,148.00
900-19000	GASB 68-WRS NET PENSION ASSETS			1,223.00
900-19999	GASB 68-PENSION CLEARING ACCT			16,092.00
900-29011	GASB 68-WRS DIR			26,339.00
920-19000	GASB 68-WRS NET PENSION ASSETS			779.00
920-19999	GASB 68-PENSION CLEARING ACCT			2,169.00
920-29011	GASB 68-WRS DIR			4,161.00
<b>Total</b>			<b>412,119.00</b>	<b>412,119.00</b>
<b>Adjusting Journal Entries JE # 1004</b>				
To adjust utility accrued interest to actual (client already made entry in accounting system)				
610-61950-620	INTEREST ON DEBT		8,486.22	
620-62810-620	INTEREST ON DEBT		675.83	
630-63300-610	DEBT SERVICE-PRINCIPAL/INT		7,411.53	
610-23700	ACCRUED INTEREST PAYABLE			8,486.22
620-21010	ACCRUED INTEREST PAYABLE			675.83
630-23700	ACCRUED INTEREST PAYABLE			7,411.53
<b>Total</b>			<b>16,573.58</b>	<b>16,573.58</b>
<b>Adjusting Journal Entries JE # 1005</b>				
To reverse 2020 retainage that was missed (client already made in accounting system)				
450-21100	ACCOUNTS PAYABLE		5,810.00	
450-54000-828	STREET LIGHT REPLACEMENT			5,810.00
<b>Total</b>			<b>5,810.00</b>	<b>5,810.00</b>
<b>Adjusting Journal Entries JE # 1006</b>				
To adjust GASB 87 lessor in water utility				
610-17100	INTEREST RECEIVABLE		245.67	
610-19250	LONG TERM LEASE RECEIVABLE		21,948.51	
610-47460-61	OTR REV/TOWER/SERVICE		15,346.77	
610-19200	SHORT TERM LEASE RECEIVABLE			1,794.48
610-29500	DEF INFLOW OF RESOURCES LEASES			18,016.36
610-47420-61	Interest Revenue - Leases			572.43
610-47483-61	LEASE REVENUE			17,157.68
<b>Total</b>			<b>37,540.95</b>	<b>37,540.95</b>

Adjusting Journal Entries JE # 1007

To adjust GASB 87 lessor in general fund

100-13300	Interest Receivable - Leases	468.31	
100-13310	ST Lease Receivable	8,756.55	
100-13350	LT Lease Receivable	75,193.89	
100-48200-00	LONG TERM RENTALS	4,500.00	
100-26500	DEF INFLOW OF RESOURCES LEASES		60,150.92
100-48110-00	Interest Revenue - Leases		1,569.97
100-48900-00	Lease Revenue		27,197.86
Total		88,918.75	88,918.75

Adjusting Journal Entries JE # 1008

To adjust lessor GASB 87 in CDA

920-29500	DEF INFLOW OF RESOURCES LEASES	95,563.61	
920-48631-56	RENT-CESA #2	88,113.69	
920-48632-56	RENT-JEDI	11,756.34	
920-48636-56	RENT-I-BUTTON	44,700.00	
920-48640-56	RENT-REIMER SYSTEMS	2,100.00	
920-48680-56	RENT-NYLEN & PARTNERS	1,575.00	
920-48683-56	RENT-PAQUETTE CENTER	33,480.00	
920-48684-56	RENT-US FORESTRY SVC	9,230.04	
920-48687-56	RENT-REGENCY RARE COINS	8,063.00	
920-17100	INTEREST RECEIVABLE		315.50
920-19200	SHORT TERM LEASE RECEIVABLE		6,190.85
920-19250	LONG TERM LEASE RECEIVABLE		80,341.12
920-48490-56	Interest Revenue - Leases		28,476.21
920-48900-56	Lease Revenue		179,258.00
Total		294,581.68	294,581.68

Adjusting Journal Entries JE # 1009

To recognize Water special assessments as revenue

610-25250	DEFERRED REVENUE	59,699.90	
610-47421-61	DEVELOPER CONTRIBUTION		59,699.90
Total		59,699.90	59,699.90

Client: **WHITEWATER - City of Whitewater**  
Engagement: **2024 AUDIT - Whitewater**  
Period Ending: **12/31/2024**  
Trial Balance: **TB**  
Workpaper: **3700.20 - Proposed Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Proposed Journal Entries</b>				
<b>Proposed Journal Entries JE # 4001</b>				
To record GASB 96 activity for cybersecurity software subscription				
GASB 15100	GASB 96 SBITA		41,650.00	
GASB 59110	Depreciation Expense - General Government		14,280.00	
GASB 15910	GASB 96 Accumulated Amortization			16,660.00
GASB 38000	Unrestricted fund balance			39,270.00
Total			<u>55,930.00</u>	<u>55,930.00</u>
<b>Proposed Journal Entries JE # 4002</b>				
To record government wide GASB 87 copier lease				
GASB 15200	GASB 87 - LEASE ASSET		62,897.56	
GASB 59110	Depreciation Expense - General Government		12,090.31	
GASB 15210	GASB 87 - ACCUMULATED DEPR			12,090.31
GASB 21600	GASB 87 - LEASE LIABILITY			51,298.49
GASB GG	General Government			11,599.07
Total			<u>74,987.87</u>	<u>74,987.87</u>
<b>Proposed Journal Entries JE # 4003</b>				
To adjust sewer accrued interest				
620-62810-620	INTEREST ON DEBT	5300.20	4,151.30	
620-21010	ACCRUED INTEREST PAYABLE			4,151.30
Total			<u>4,151.30</u>	<u>4,151.30</u>
<b>Proposed Journal Entries JE # 4004</b>				
To allocate GASB 75 Health Insurance to Water/Sewer				
610-19300	GASB 75-HEALTH DOR		595.29	
610-39160	UNAPPROP EARNED SURPLUS		27,083.52	
610-61926-150	EMPLOYEE FRINGE BENEFITS		4,096.84	
620-19300	GASB 75-HEALTH DOR		595.29	
620-34300	SURPLUS/FUND BALANCE		27,083.52	
620-62820-120	EMPLOYEE BENEFITS		4,096.84	
GASB 19000 HI	Net OPEB Asset (Liability) HI		20,809.18	
GASB 23000 HI	Deferred Inflows HI		42,742.12	
610-29040	GASB 75-HEALTH LIABILITY			10,404.59
610-29050	GASB 75-HEALTH DIR			21,371.06
620-29040	GASB 75-HEALTH LIABILITY			10,404.59
620-29050	GASB 75-HEALTH DIR			21,371.06
GASB 18600 HI	Deferred Outflows HI			1,190.59
GASB 38000	Unrestricted fund balance			54,167.04
GASB 58130	Expenditures - Public Works			8,193.67
Total			<u>127,102.60</u>	<u>127,102.60</u>
<b>Total Proposed Journal Entries</b>			<u>262,171.77</u>	<u>262,171.77</u>
<b>Total All Journal Entries</b>			<u>262,171.77</u>	<u>262,171.77</u>

DO NOT RECORD THESE ENTRIES IN CIVIC.