

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT
OF

WATER AND WASTEWATER UTILITIES
CITY OF EVANSVILLE
VANDERBURGH COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
03/23/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director of Utilities	Allen Mounts	01-01-14 to 12-31-16
Chief Financial Officer of Utilities	Jenny Collins	01-01-14 to 12-31-16
President of the Department of Waterworks Board	Jeffrey M. Hatfield, Sr. W. Harold Calloway Robert Dillow	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16
Mayor	Lloyd Winnecke	01-01-12 to 12-31-19
President of the Common Council	John Friend Dr. H. Dan Adams Missy Mosby	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16
Controller	Russell G. Lloyd, Jr., CPA	01-01-14 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE EVANSVILLE WATER AND WASTEWATER UTILITIES,
CITY OF EVANSVILLE, VANDERBURGH COUNTY, INDIANA

This report is supplemental to our examination report of the Water and Wastewater Utilities (Utilities), departments of the City of Evansville, for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Utilities. It should be read in conjunction with our Financial Statements Examination Report of the Utilities, which provides our opinion on the Utilities' financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

February 1, 2016

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CHIEF FINANCIAL OFFICER OF UTILITIES
WATER AND WASTEWATER UTILITIES
CITY OF EVANSVILLE

CHIEF FINANCIAL OFFICER OF UTILITIES
WATER AND WASTEWATER UTILITIES
CITY OF EVANSVILLE
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Water and Wastewater cash and investment fund balances were not properly reconciled to bank balances for all 12 months of 2014. As a result of incomplete and inaccurate reconcilements and improper accounting for cash and investments, incorrect postings to records remained undiscovered. When aggregated, the errors and discrepancies noted on the bank reconcilements as of December 31, 2014, resulted in a cash short difference between the recorded cash and investment balances and the bank balances of \$239,962 for the Water Utility and \$282,549 for the Wastewater Utility.

Prior to 2012, most cash and investments of the Water and Wastewater Utilities were accounted for in the City's bank account. During 2012, separate bank accounts were established; however, the exact cash and investment balance of each Utility was not transferred to the new bank accounts at that time. Some of the cash and investment balances were transferred to the new bank accounts during 2013, but there still was an amount remaining to be transferred. Although, the City has transferred the appropriate amount of cash from the City bank account to the Utility bank accounts as of December 31, 2014, the reconciled bank accounts for the Water and Wastewater Utilities did not agree with the amounts reported on the ledger.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register did not reconcile with the customer deposit amount recorded on the general ledger. The difference from the detailed customer deposit register to the general ledger was \$130,596.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LLOYD WINNECKE
MAYOR



ALLEN R. MOUNTS
DIRECTOR

EVANSVILLE WATER & SEWER UTILITY

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2/8/16

Indiana State Board of Accounts
302 W. Washington St. Room E418
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OFFICIAL RESPONSE TO 2014 INDEPENDENT ACCOUNTANT'S REPORT

Reference: Official Response to 2014 State Board of Accounts Examination of the Financial Statements of the business-type activities of the Water and Wastewater Utilities, departments of the City of Evansville.

Dear State Board Member(s):

The City of Evansville Water and Wastewater Utilities ("Utilities") recognizes the efforts put forward by the Indiana State Board of Accounts ("the State") performing the 2014 examination of the financial statement of business-type activities. We submit below our responses to your findings. Our responses detail our understanding of the issues raised by the State and outline the Utilities' expected course of action to resolve these issues.

BANK ACCOUNT RECONCILIATIONS

The cash and investment funds were properly reconciled to bank balances for all 12 months of 2014. Also, there were no incomplete or inaccurate reconciliations or improper accounting transactions during 2014. There were known reconciling differences between the funds and the bank accounts from 2012 that stayed consistent throughout the year. We were aware of reconciling differences from when the City and Water and Sewer separated bank accounts in 2012 and those cash transfer amounts were completed in 2014. Although some incorrect postings were identified, and corrected we couldn't account for differences of \$239,692 for Water and \$282,549 for Sewer. Those differences remained consistent through 2014 and an adjusting entry was made in April of 2015 to balance the accounts. Water general fund residential fees revenue was lowered \$239,962 and Sewer residential fees revenue was lowered \$282,549.

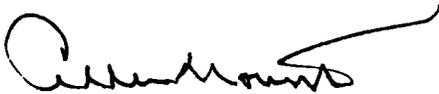
Management believes the 2014 Water and Wastewater Utilities financial statements are presented fairly, in all material respects, the respective financial position of the business-type activities, therefore management believes no further action is required by the Utility.

CUSTOMER DEPOSIT REGISTER

In February of 2013 the Evansville Water Utility and Wastewater Utility converted the obsolete billing system to the new Tyler Technology MUNIS billing system. Since the conversion the customer deposit subsidiary ledger has not matched the general ledger. We believe that during the conversion process not all of the detailed customer deposits were converted over correctly.

Management will monitor the ledgers for the next 30 days to verify that there are no posting issues with the system. If issues are identified we will work with MUNIS resolve those issues. If no posting errors are identified, we will make the necessary one-time reconciliation adjustments as needed.

Sincerely,


Allen Mounts
Director
Evansville Water & Sewer Utility


Jenny Collins
Chief Financial Officer
Evansville Water & Sewer Utility


Russell Lloyd, Jr. CPA
City Controller
City of Evansville

CHIEF FINANCIAL OFFICER OF UTILITIES
WATER AND WASTEWATER UTILITIES
CITY OF EVANSVILLE
EXIT CONFERENCE

The contents of this report were discussed on February 1, 2016, with Allen Mounts, Director of the Utilities; Jenny Collins, Chief Financial Officer of Utilities; Lloyd Winnecke, Mayor; Russell G. Lloyd, Jr., CPA, Controller; Elaine Smith, Utilities Senior Accountant; Robert Dillow, President of the Department of Waterworks Board; Steven Heidorn, Department of Waterworks Board member; Kenny Overton, Department of Waterworks Board member; Mike Weber, Department of Waterworks Board member; Dan McGinn, Common Council member; Anna Hargis, Common Council member; Dr. H. Dan Adams, Common Council member; Michelle Mercer, Common Council member; Jonathan Weaver, Common Council member; John Friend, former Common Council member; and Steve Schaefer, City Chief of Staff.