



Erickson & Associates, S.C.

Certified Public Accountants and Financial Consultants

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 24, 2015

To the Commissioners of
Heart of the Valley Metropolitan Sewerage District
Kaukauna, Wisconsin

We have audited the financial statements of Heart of the Valley Metropolitan Sewerage District for the year ended December 31, 2014, and have issued our report dated June 24, 2015. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated November 3, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new policies were adopted during 2014. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected.

Among the most significant estimates is the estimated useful lives assigned to capital assets. During 2013, a review of capital assets indicated that nine items were transferred from one category to another, generally from buildings to equipment. The largest of these, biostyr beads, had a historical cost of \$925,237. This item was part of the 2007 plant upgrade. It was originally assigned a life 35 years, as were other portions of the buildings. The item is now considered to be equipment and was assigned a life of ten years, beginning January 1, 2014. This item alone increased the required annual equipment replacement provision by \$66,088.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, as per the attached schedule.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 24, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Compliance with Resolution #142

Resolution #142 limits the amount of deposits at any one public depository to the total of FDIC and state insurance coverage, which was \$650,000 in 2014, unless collateral is provided. The collateral requirement is waived if the depository meets a series of criteria and annually certifies that it meets the standards and provides a current annual report. The resolution further stipulates that if a bank does not meet all of the required standards that the standards may be waived if, after a meeting with an officer from the bank, it is determined that the sub-standard condition does not affect the viability of the bank. Confirmation by the Commission is required. Funds at one of the depositories exceeded the \$650,000 limit at December 31, 2014, by \$2,677 without providing evidence of meeting the standard. We recommend that consideration be given to expanding the monthly Commission reports to include a report that includes the monthly depository balance by institution.

Conclusion

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

Sincerely,

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Certified Public Accountants
Appleton, Wisconsin

YEAR END ADJUSTING ENTRIES
 December 31, 2014

Entry	Account / Description	Acct #	Debit	Credit	Inc Effect
	Income before adjustments.....				<u>2,217,474.39</u>
1	Accrued interest Interest expense to adjust accrued interest expense	22150.00 42700.00	8,460.00	8,460.00	8,460.00
2	Deferred revenue Clean water fund contribution to recognize annual portion of deferred revenue	22190.00 41110.00	153,719.00	153,719.00	153,719.00
3	Misc income A/R, Other to correct entries to A/R for land rental (entered twice, then recorded in misc in when paid)	41100.00 16148.00	49,800.00	49,800.00	(49,800.00)
4	Connection fees A/R, Other to adjust connection fees receivable	41120.00 16148.00	32,712.00	32,712.00	(32,712.00)
5	Interest income, equip replc Interest income, genrl checking to reclassify Dec LGIP replacement acct int, however, based on deposit that should have been in general & transferred in Jan	41950.00 41910.00	1.25	1.25	
6	Interest income, equip replc Acc'd int rec, equip replcmnt to adjust accrued interest receivable on CD	41950.00 19150.156	42.00	42.00	(42.00)
7	Acc'd add'tl life ins Acc'd suppl life ins Health insurance to adjust payroll w/h accruals	24120.00 24125.00 59100.00	58.14 58.14	116.28	116.28
	<u>Reverse in 2015</u>				
8	A/R, Other Exp by repl res, non-replc only to record 2014 Focus on Energy rebate, received 2/3/15	16148.00 50300.00	1,680.00	1,680.00	1,680.00
9	Provision for replacement Non-equipment depreciation Gain/loss on disposal of f/a Accum provision for depreciation to adjust to reports	43403.00 43404.00 41050.00 14892.00	725,922.45 1,290,030.84 90,163.68	2,106,116.97	(2,106,116.97)
10	Salary Wages, regular Salary Wages, regular Wages, summer help/intern Wages, regular Salary Acc'd payroll Sick leave & vacation pay res to adjust accrued vacation & sick pay and accrued wages	56010.00 56020.00 57010.00 57020.00 57021.00 58020.00 59010.00 24386.00 26200.00	4,193.93 306.10	882.77 6,311.72 307.75 685.92 11,692.81 5,479.76	20,860.70 (5,479.76)

		<u>new acct #</u>			
11	WIP - Interceptor/Manhole rehab	13415.00	505,674.77		
	Interceptor/manhole rehab	59960.00		505,674.77	505,674.77
	to reclassify interceptor/manhole rehab				
12	Misc income	41100.00	4,500.00		
	Interceptor sewer support	57709.00		4,500.00	
	to reclassify Little Chute portion of bridge rental				
13	Accum Amort, gov't grant	27150.00	411,035.00		
	Retained earnings, general fund	20216.00		411,035.00	
	to record annual amortization				
14	Retained earnings, general fund	20216.00	471,191.53		
	Retained earnings, debt fund	20217.00	573.47		
	Retained earnings, replacement	20220.00		471,765.00	
	to adjust various retained earnings accounts to calculations				
15	Provision for replacement	43403.00	66,088.36		(66,088.36)
	Accum provision for depreciation	14892.00		66,088.36	
	to record additional depreciation on #60-36-337073 beads, life from 35 to 10 years				
16	Retained earnings, general fund	20216.00	66,088.36		
	Retained earnings, replacement	20220.00		66,088.36	
	to record change in replacement reserve, due to entry #16 above				
Subtotal, numbered entries				<u>3,770,983.00</u>	<u>3,770,983.00</u>
					<u>-1,503,639.98</u>
<u>Reclass Entries (do not post):</u>					
A	Alloc pyrl taxes, benefits,wages	56xxx.xx	150,606.02		
	Alloc pyrl taxes, benefits,wages	57xxx.xx	135,650.17		
	Alloc pyrl taxes, benefits,wages	58xxx.xx	39,294.09		
	SS	48408.00		44,589.93	
	Medi care	48409.00		10,428.66	
	Unemployment assmt	59140.00		0.00	
	Alloc pyrl taxes, benefits,wages	59xxx.xx		270,531.69	
	to allocate pyrl taxes, benefits, wages				
B	Insurance	569xx.xx	58,311.20		
	Miscellaneous expense	59990.00	5,316.80		
	Ins - reclassifications	5949x.xx		63,628.00	
	to reclassify insurance expense				
C	Inflow reduction (consultants)	59950.00	25,753.92		
	Inflow reduction	59950.00		25,753.92	
	to reclassify inflow reduction to plant maint				
D	General fund, checking,sweep	16139.180	89,759.87		
	Connection, MM (1st Merit)	16136.000	5,865.00		
	A/R, Darboy	16141.000		89,359.87	
	A/R, Haulers, Van's Septic	16146.003		100.00	
	A/R, Other	16148.000		6,165.00	
	to record cash receipts #310578-310581 for 12/30 & 12/31 activity not recorded in ledger until 2015				
Total, all entries				<u>4,413,716.79</u>	<u>4,413,716.79</u>
					<u>(1,569,728.34)</u>

647,746.05

= WTB