

Mr. Dave Casper, President
Heart of the Valley Metropolitan Sewerage District
Kaukauna, Wisconsin

Audit Engagement Information
December 31, 2015

Dear Mr. Casper,

Attached please find two agreements. The first is a four page agreement addressed to the Board of Commissioners and Glen Geurts, District Manager. This is very similar to last year's audit engagement agreement that was addressed to the Board of Commissioners and Mark Surwillo. Last year's agreement was dated November 3, 2014 and signed by Mark on 11/19/14 and by yourself on 12/9/14. Generally, the engagement agreement is addressed to both the Board and the chief executive officer and is signed by an authorized officer and the chief executive officer. Glen has already signed this.

The agreement, on page 3, includes a "not to exceed" fee of \$14,500. This fee is \$500 higher than last year. The audit fee was \$14,000 in each of the previous four years. The fee possibly could change based on "unexpected circumstances" but that has not occurred in my 30+ year career. It would only come into play if the key individuals were not available at the time of the audit and their replacements were unable to provide satisfactory audit evidence for certain items.

The second agreement is a two page agreement titled "letter of understanding relating to non-attest services." There are no fees associated with this. This agreement is required if the auditor provides any "non-attest" services such as recommending journal entries or especially, preparing the financial statements, accompanying footnotes and supplementary information. It is essentially a reminder that even if the auditor provides these services, the client is responsible to oversee them and accept responsibility for them.

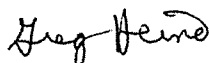
I have also attached a one page "fraud discussion questionnaire." As part of the audit engagement, we are required to conduct a fraud discussion with at least one "member of governance", the chief executive officer, the primary bookkeeper and other individuals with varying degrees of responsibility. This means a commissioner, Glen, Dawn and a couple of other employees. This has been an audit requirement for several years. Last year, Commission Kevin Coffey completed the questionnaire.

There is not a not a current multi-year agreement for services. I am not aware of there being any in the past, at least not since I have been conducting your audit. Past practice has been for Dawn to contact us when you have been preparing the annual budget. We have submitted an amount for what we project the audit cost to be. Later, an audit agreement has been prepared with that amount as a "not to exceed" amount. The 2016 budget includes \$14,500 for the audit cost.

The board controls the auditor selection process. We would certainly be in favor of providing a three year proposal, if that is what the board desires. We anticipate presenting the audit report at the July (or possibly June) commission meeting. We could discuss your options at that meeting or present a proposal. Typically, the proposal would be for a three year term, but annual agreements would still be signed because the wording changes some each year. The price could be fixed for the three years.

If you have any further questions, please let me know. I am expecting to be in my office tomorrow and back at HOV MSD at least one more day, probably Friday.

Sincerely,



Greg Heino, CPA



Erickson & Associates, S.C.

Certified Public Accountants and Financial Consultants

1000 West College Avenue • P.O. Box 1116 • Appleton, Wisconsin 54912
(920) 733-4957 • FAX (920) 733-6221 • www.erickson-cpas.com

April 20, 2016

To Board of Commissioners and Glen Geurts, District Manager

We are pleased to confirm our understanding of the services we are to provide Heart of the Valley Metropolitan Sewerage District for the year ended December 31, 2015. We will audit the financial statements of the business-type activities, including the related notes to the financial statements, which collectively comprise the basic financial statements of Heart of the Valley Metropolitan Sewerage District as of and for the year ended December 31, 2015. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Heart of the Valley Metropolitan Sewerage District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Heart of the Valley Metropolitan Sewerage District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis.

We have also been engaged to report on supplementary information other than RSI that accompanies Heart of the Valley Metropolitan Sewerage District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole:

- 1) Schedule of user fee revenue
- 2) Schedule of operating expenses

Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of Heart of the Valley Metropolitan Sewerage District's financial statements. Our report will be addressed to the Members of the Commission of Heart of the Valley Metropolitan Sewerage District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Heart of the Valley Metropolitan Sewerage District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will also prepare the financial statements of Heart of the Valley Metropolitan Sewerage District in conformity with U.S. generally accepted accounting principles based on information provided by you.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We expect to begin our audit in mid May, 2016 and to issue our reports no later than July 15, 2016. Blaine Priebusch is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses will not exceed \$14,500. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered periodically as work progresses and are payable within 30 days. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to Heart of the Valley Metropolitan Sewerage District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

Erickson + Associates, S.C. _{GH}

ERICKSON & ASSOCIATES, S.C.

RESPONSE:

This letter correctly sets forth the understanding of Heart of the Valley Metropolitan Sewerage District.

Management signature: *[Signature]*

Title: District Director

Date: April 20, 2016

Governance signature: *[Signature]*

Title: Commission President

Date: April 26, 2016



Erickson & Associates, S.C.

Certified Public Accountants and Financial Consultants

1000 West College Avenue • P.O. Box 1116 • Appleton, Wisconsin 54912
(920) 733-4957 • FAX (920) 733-6221 • www.erickson-cpas.com

LETTER OF UNDERSTANDING RELATING TO NON-ATTEST SERVICES

April 20, 2016

Heart of the Valley Metropolitan Sewerage District
801 Thilmany Road
Kaukauna, Wisconsin 54130

This letter documents the understanding of non-attest services to be performed as of the year ended December 31, 2015.

Non-Attest Services

We will provide the following services:

Propose adjusting entries or correcting entries to be reviewed and approved by Heart of the Valley Metropolitan Sewerage District.

Prepare the financial statements, accompanying footnotes, and supplementary information based on the trial balance of Heart of the Valley Metropolitan Sewerage District.

Erickson & Associates, S.C. will not perform management functions or make management decisions on behalf of Heart of the Valley Metropolitan Sewerage District. However, we will provide advice and recommendations to assist management of Heart of the Valley Metropolitan Sewerage District in performing its functions and making decisions.

Heart of the Valley Metropolitan Sewerage District's Responsibilities

Heart of the Valley Metropolitan Sewerage District agrees to perform the following functions in connection with Erickson & Associates, S.C.'s provision of the non-attest services:

Make all management decisions and perform all management functions, including:

Determining proper account codings and approving all journal entries

Assign Glen Geurts to oversee the above services and evaluate the adequacy and results of the services.

Accept responsibility for the results of the aforementioned non-attest services.

Establish and maintain internal controls over the aforementioned non-attest services.

Erickson & Associates, S.C.'s Responsibilities

Erickson & Associates, S.C. will perform the services in accordance with applicable professional standards.

This engagement is limited to the non-attest services outlined above. Erickson & Associates, S.C., in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or performing management functions.

Fees

All fees relating to the aforementioned non-attest services are included in the fee quoted in the engagement letter.

We would be pleased to discuss this letter with you at any time.

Sincerely,

Erickson + Associates, S.C. SH

ERICKSON & ASSOCIATES, S. C.

RESPONSE:

This letter correctly sets forth the understanding of Heart of the Valley Metropolitan Sewerage District.

By: David J. Raypen

Title: Commission President

Date: April 26, 2016

FRAUD DISCUSSION QUESTIONNAIRE - 2015

Plan Name: Heart of the Valley, MSD
 Balance Sheet Date: December 31, 2015

Professional standards require that we make inquiries regarding the risk of fraud as part of our audit of the financial statements of the Plan. For our purposes, fraud is defined as an intentional act that results in a material misstatement of financial statements that are the subject of an audit. There are two types of misstatements related to fraud:

- 1) Misstatements resulting from fraudulent financial reporting (i.e. cooking the books)
- 2) Misstatements resulting from misappropriation of assets (i.e. theft)

In responding to our inquiries, we would ask that you consider activities occurring at the Heart of the Valley, Metropolitan Sewerage District.

- 1) Are you aware of any allegations of fraud or suspected fraud that have occurred?

No I have no knowledge of any such allegations

- 2) Are you aware of anyone associated with the District that would have an incentive to commit a fraud? Examples of this would be gambling addiction and/or personal financial problems.

No, I am not aware of any such person associated with the District

- 3) What areas do you feel are most susceptible to fraud risks?

I am not aware of any areas of our operation that are susceptible to fraud in a financial sense. The various testing and reporting activities of plant operations to the Wisconsin WDNR are performed using certified test methods, are highly scrutinized and asubject to audits by the WDNR.

- 4) How has the need for ethical behavior and appropriate business practices been communicated?

The HOVMSD Employee Handbook contains discussion of ethical behavior and practices in several sections.

- 5) Do you believe the Heart of the Valley, MSD has sufficiently:

- a) Complied with laws and regulations?
- b) Established policies relative to the prevention of illegal acts?
- c) Used directives, such as a code of ethics, to comply with laws and regulations?

	Yes	No
a)	X	
b)	X	
c)	X	

If no, please explain in further detail:

To the best of my knowl are true and correct.

Signature: 

Printed Name: David J. Casper

Title: Commission President

Date: April 26, 2016