



Erickson & Associates, S.C.

Certified Public Accountants and Financial Consultants

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 2, 2016

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, 2015, and have issued our report dated June 2, 2016. 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 April 20, 2015. 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. During 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective January 1, 2015. A prior period adjustment was required to account for this change in accounting principle. 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.

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 2, 2016.

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.

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, 2015

Entry	Account / Description	Acct #	Debit	Credit	Inc Effect
	Income before adjustments.....				<u>2,315,442.08</u>
1	Accrued interest	22150.00	7,093.00		
	Interest expense	42700.00		7,093.00	7,093.00
	to adjust accrued interest expense				
2	Deferred revenue	22190.00	153,719.00		
	Clean water fund contribution	41110.00		153,719.00	153,719.00
	to recognize annual portion of deferred revenue				
3	CWF, Combined Locks	16201.00	2,685.83		
	Interest income, clean water	41985.00		2,685.83	2,685.83
	to correct misposting				
4	Connection fees	41120.00	17,745.00		
	A/R, Other	16148.00		17,745.00	(17,745.00)
	to adjust connection fees receivable				
5	Acc'd int rec, equip replcmnt	19150.156	173.00		173.00
	Interest income, equip replc	41950.00	32.00		
	Interest income, connection fee	41980.00		205.00	
	to adjust accrued interest receivable on CDs				
6	Provision for replacement	43403.00	799,964.61		
	Non-equipment depreciation	43404.00	1,233,724.84		
	Gain/loss on disposal of f/a	41050.00	99,500.29		
	Accum provision for depreciation	14892.00		2,133,189.74	(2,133,189.74)
	to adjust to reports				
7	Salary	56010.00	362.94		
	Wages, regular	56020.00		3,135.34	
	Salary	57010.00	3,881.27		
	Wages, regular	57020.00	5,332.75		
	Wages, summer help/intern	57021.00		396.00	
	Salary	58010.00	1,344.48		
	Salary	59010.00	15,521.78		
	Acc'd payroll	24386.00		268.58	(268.58)
	Sick leave & vacation pay res	26200.00		22,643.30	(22,643.30)
	to adjust accrued vacation & sick pay and accrued wages				
	<u>Reverse in 2016</u>				
8	Prepaid insurance	16166.00	22,304.00		22,304.00
	Workers' compensation	59130.00		3,378.00	
	Ins - general,crime,equip floater	59440.00		472.00	
	Ins - prop,liab,boiler,mach	59450.00		14,730.00	
	Ins - liability	59455.00		936.00	
	Ins - vehicles	59460.00		406.00	
	Ins - umbrella	59470.00		1,057.00	
	Ins - public liab (w/admin misc)	59480.00		1,325.00	
	to record 12/29/15 payment as prepaid				
9	Deferred pension assets	18200.00	194,203.23		
	Retained earnings, general fund	20216.00		194,203.23	
	to record prior year adjustment for GASB 68				

10	Deferred pension assets	18200.00	49,565.87		
	WI retirement fund	59120.00		49,565.87	49,565.87
	to record CY pension adjustment				
11	Contributions, DNR / EPA	27100.00	14,392,608.55		
	Retained earnings, general fund	20216.00	669,006.45		
	Accum Amort, gov't grant	27150.00		15,061,615.00	
	to record annual amortization				
12	Retained earnings, general fund	20216.00	666,915.90		
	Retained earnings, debt fund	20217.00	587.10		
	Retained earnings, replacement	20220.00		667,503.00	
	to adjust various retained earnings accounts to calculations				
13	WI retirement fund	59120.00	44,311.88		(44,311.88)
	Retained earnings, general fund	20216.00		44,311.88	
	to adjust for GASB 71 restatement				
	Subtotal, numbered entries		<u>18,336,271.89</u>	<u>18,336,271.89</u>	<u>-1,938,305.92</u>
	<u>Reclass Entries (do not post):</u>				
A	Alloc pyrl taxes, benefits,wages	56xxx.xx	145,212.10		
	Alloc pyrl taxes, benefits,wages	57xxx.xx	103,052.06		
	Alloc pyrl taxes, benefits,wages	58xxx.xx	36,019.77		
	SS	48408.00		39,801.07	
	Medi care	48409.00		9,308.55	
	Unemployment assmt	59140.00		0.00	
	Alloc pyrl taxes, benefits,wages	59xxx.xx		235,174.31	
	to allocate pyrl taxes, benefits, wages				
B	Insurance	569xx.xx	67,692.20		
	Miscellaneous expense	59990.00	5,316.80		
	Ins - reclassifications	5949x.xx		73,009.00	
	to reclassify insurance expense				
C	Inflow reduction (consultants)	59950.00	44,465.10		
	Inflow reduction	59950.00		44,465.10	
	to reclassify inflow reduction to plant maint				
D	Deferred pension outflows	18200.00	122,922.31		
	Deferred pension assets	18200.00		118,835.41	
	Deferred pension inflows	18200.00		4,086.90	
	to reclassify deferred pension inflows/outflows				
	Total, all entries		<u>18,905,264.11</u>	<u>18,905,264.11</u>	<u>(1,982,617.80)</u>
					<u>332,824.28</u>
					= WTB