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July 16, 2016

Ms. Dawn Bartel
Office Manager
Heart of the Valley Metropolitan Sewerage District
801 Thilmany Road
Kaukauna, Wisconsin 54130

Dear Ms. Bartel:

Baker Tilly Virchow Krause, LLP (Baker Tilly) appreciates the opportunity to respond to the Heart of the Valley Metropolitan Sewerage District (District) regarding your Request for Proposal for professional audit services for the annual financial audit for the years ending December 31, 2016, 2017 and 2018.

Baker Tilly is a full-service accounting and advisory firm. Our firm was founded with one central objective: to use our industry specialization to help our clients improve their businesses. With 2,500 employees across the United States, Baker Tilly is ranked as one of the 12 largest professional services firms in the country. Baker Tilly is an independent member of Baker Tilly International, a worldwide network of independent accounting and business advisory firms in 137 countries, with 27,000 professionals. The combined worldwide revenue of independent member firms is \$3.4 billion.

As a public utility responsible for constructing, acquiring, expanding, operating, managing, and controlling a regional wastewater treatment system, the District has unique business needs. Baker Tilly has strong roots in the utility industry, and we understand the issues facing organizations like yours.

We are eager to demonstrate how Baker Tilly can help you address your auditing needs. Key factors that differentiate us are:

- > **Utility specialization.** Baker Tilly's Energy and Utilities team specializes in serving only utilities and has a substantial history of providing auditing, accounting, and consulting services to the utility industry. We have a long history working with both municipal and regional utilities in Wisconsin and are involved with organizations such as the Wisconsin Section of the American Water Works Association, Wisconsin Rural Water Association and the Municipal Electric Utilities of Wisconsin. In addition, we serve as an instructor for the American Public Power Association (APPA) advanced utility accounting course, so you know that we are at the forefront of current issues of importance to the industry, and we can provide insights to help you meet these challenges.
- > **Worry-free transition.** We understand the uncertainty that can exist when changing audit firms, and we actively take steps to ensure that new clients have a positive experience with no interruptions. In fact, we survey clients who switch to Baker Tilly, and the results are impressive. **Ninety-five percent of our clients express a high satisfaction with their transition to our firm.** In addition, Baker Tilly's fee quote does not include any hours for our work in the audit transition – we absorb those hours as part of our services to you. The decision to change firms will offer a fresh perspective.

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- > **Large firm resources with singular client service.** We are large enough to offer the professional capabilities you need, yet we have the focus of a smaller firm, ensuring that you receive responsive, personalized attention. Our service team will maintain close communication with you to address issues before they become problems, and we offer vast, firm-wide resources and a high level of involvement from our partners.
- > **Exceptional Client Service and continuity of talented staff.** Your Baker Tilly leadership and core services team is likely to remain the same over our period of service to you. This continuity of service from our team means we can focus on performing a quality audit and providing value. It also means your accounting and finance team will not need take time to retrain audit staff for the particular nuances of the District and the utility industry in general.
- > **We're not a local firm, but you will feel like we are.** If you choose us as the auditors for the District, you will feel like you are being served by a local firm. We schedule on-site fieldwork and meetings to meet your schedule, we provide same day responses to your questions, and your team knows from their experiences with us that they felt as if they were being served by a local firm.

Audit Proposal

Our fees for audit services assuming that the records are complete and ready for audit are as follows:

December 31, 2016	\$13,500
December 31, 2017	\$14,000
December 31, 2018	\$14,500

We will schedule our fieldwork to coincide with management's schedule and readiness and will establish a mutually agreeable schedule for the completion of the audit, preparation of draft reports and finalization and presentation of final reports. If the district requires additional accounting assistance outside the scope of an audit or routine consultations, such as assistance with reconciliations or detailed transaction analysis, we will discuss the anticipated additional effort required with management prior to completing any additional work.

Additional information is attached to this proposal which explains Baker Tilly's tailored approach to provide the services you seek, as well as information we believe will help you make your decision. If you have any questions or would like more information, don't hesitate to contact me at 608 240 2369 or via email at jodi.dobson@bakertilly.com. We look forward to having the opportunity to discuss our proposal and approach in detail.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP



Jodi L. Dobson, CPA, Partner

Firm overview

Baker Tilly was founded in 1931 with one central objective: use our industry specialization to help our clients improve their businesses. Originally a regional certified public accounting firm, we have grown steadily over the years, broadening our service offerings and expanding our geographic presence to meet the evolving needs of our clients. As an independent member of Baker Tilly International, we bring you access to market-specific knowledge in 137 countries.

Our commitment to the District extends across your entire organization. We are prepared to bring our full resources to bear on your behalf through offerings such as business and technology services; financial, tax, and estate planning services; litigation support and forensic accounting services; merger and acquisition services; risk advisory services; and valuation services.

We will assemble an integrated team to serve the District, blending our utilities-focused professionals with experienced specialists in the areas that are most important to you. This combination of financial, business, and industry-specific specialization ensures you will be working with knowledgeable professionals who understand your organization and the challenges you face—and can create innovative solutions to help you overcome them. And because the District will be working with a tailored engagement team, you can expect to receive consistent, efficient, and Exceptional Client Service.

For more than 80 years, Baker Tilly has understood that our business demands absolute integrity, a belief in the value of trusted relationships, and a willingness to collaborate with every client. We will strive to continue to deepen and enhance our relationship with the District as we seek to become your Valued Business Advisor.

Our values

Throughout our relationship with the District, we will be guided by our firm's core values—principles that guide our behaviors and choices and help us strive for excellence in everything we do.

Integrity

We do the right thing, for the right reason, every day. We have high expectations for our firm and its future—expectations that only can be realized by taking the high road. Honesty, trust, and the fulfillment of promises are paramount to our success.

Passion

Everything matters. We listen to our clients, display an enthusiastic attitude, experience genuine satisfaction from working together to serve clients, and take great pride from a job well done. We put forth our best effort every day for the betterment of our clients, our people, and our firm.

Stewardship

We invest for the future with the intention of leaving everything better. Our clients will be more successful, our people will be more fulfilled, our communities will be enriched, and our firm will leave a proud legacy.

Candor

Rest assured that there will be no surprises. Your engagement team will proceed in an open and collaborative manner. We routinely ask for and provide feedback that is smart and straight to the point.



Insight

With our mature and deep specialization by industry and service line, we mobilize resources to consistently bring new and innovative ideas to you.



Results

We do what we say we will do. We start with a team strategically put together based on experience and chemistry. We continually focus on quality, and we work with you to develop a tailored approach that is designed to help you meet your business goals.



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Overview of the peer review process

Firms that perform attest engagements are required to have a peer review every three years performed by an independent outside CPA firm. Firms that are registered with the Public Company Accounting Oversight Board (PCAOB) to audit SEC companies are required to have their peer review completed under the oversight of the American Institute of Certified Public Accountants' (AICPA's) National Peer Review Committee (NPRC). These reviews of a firm's system of quality control, including reviews of selected engagements, are system and compliance oriented with the objective of evaluating whether:

- > The reviewed firm's system of quality control for its accounting and auditing practice has been designed to meet the requirements of the Quality Control Standards established by the AICPA
- > The reviewed firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of complying with professional standards

The AICPA's Peer Review Board establishes and maintains review standards. At regular meetings and through report evaluation task forces, the NPRC considers each peer review under its jurisdiction, evaluates the reviewer's competence and performance, and examines every report, comments issued during the review and the firm's related responses, and summaries of the scope and results of the peer review prepared by the reviewer. After the NPRC accepts the peer review reports, they are maintained in a file that is available to the public on the AICPA's website. In some situations, the public file also includes a signed undertaking by the firm agreeing to specific follow-up action requested by the NPRC.

Independence. Integrity. Objectivity.

You can rely on our independence, integrity, objectivity, and adherence to professional standards and applicable laws and regulations. This includes a demonstrated commitment to maintain and improve the quality of our professional services and to withstand all pressures—competitive and other—to compromise on principles, standards, and quality.

Our goal in serving the District is to provide services that will meet our obligations to the public and conform to the high standards of our profession. To meet this goal, we adhere to policies and procedures that provide reasonable assurance that every audit, tax, accounting, and advisory services engagement will be completed in accordance with the high standards the public and our clients expect us to meet.

We are members of the Center for Public Company Audit Firms and the Private Companies Practice Section of the American Institute of Certified Public Accountants (AICPA). As members of these organizations, we have agreed to subject our auditing policies and procedures to an independent outside peer review, which is required every three years. Our most recent peer review, in which we earned the highest rating attainable under the peer review standards, was successfully completed in 2012.

In addition to the external peer review, we perform annual internal office inspections to monitor quality across our practice.

Baker Tilly's audit procedures and working papers are prepared to comply with the applicable federal and state guidelines. Because of the large volume of audits we perform every year, regulatory agencies regularly review our working papers and procedures.

In addition, Baker Tilly is registered with the Public Company Accounting Oversight Board (PCAOB), a private sector, not-for-profit corporation created by the Sarbanes-Oxley Act of 2002. The PCAOB oversees the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports. The PCAOB inspects all registered firms at least once in each three-year cycle. The PCAOB last inspected Baker Tilly in 2012.

Former Baker Tilly Chairman and CEO Tim Christen is the chair of the AICPA and served as chair of the organization's Major Firms Group. He is a former member of the AICPA National Council (governing body of the AICPA). Kim Tredinnick, partner, serves on the AICPA's Technical Standards Subcommittee and the Municipal Securities Task Force. In addition, Jeff Gendreau, partner, serves on the AICPA's National Peer Review Committee. Several other Baker Tilly partners have served in various positions with the AICPA and state boards of accountancy as well.

Energy and Utilities Experience

Baker Tilly provides energy and utility organizations with a range of accounting and advisory services they need to operate effectively in a complex regulatory environment. For more than 40 years, Baker Tilly has helped utility clients meet market expectations and reach critical financial targets. Our company is built on industry specialization and our dedicated Energy and Utilities Team that we are assigning to this project is one of the largest and most diverse dedicated to serving the industry.

The specialists on the Energy and Utilities Team currently provide accounting, audit, and consulting services for nearly 300 energy and utility organizations in 38 states, Canada, and Guam. This focus on industry specialization means Baker Tilly's Energy and Utilities Team brings a balance of technical skill, industry insight, and common sense to our work with you.

Baker Tilly is actively involved in state and national utility associations, keeping us on the forefront of what's happening in the industry. Our memberships in the following organizations and our involvement as authors, speakers, trainers, and promoters of the utility industry mean that we are at the forefront of industry issues and have the knowledge needed to assist our clients in meeting the challenges they face in providing utility services:

- > American Water Works Association (AWWA)
- > American Public Power Association (APPA)
- > Edison Electric Institute (EEI)
- > American Wind Energy Association (AWEA)
- > National Association of Manufacturers (NAM) – Joint energy committee
- > Nuclear Non-operating Owner's Group (NNOG)
- > Many state electric and water industry associations

Baker Tilly has strong involvement at the state and national industry level. Annually, we speak at numerous national and state industry conferences and present webinars on a variety of utility topics. Baker Tilly also authors industry specific whitepapers that focus on emerging and current issues of interest to the utility market and the impact and implementation of new accounting reporting standards. These publications reach a nationwide audience. More information can be found at <http://bakertilly.com/Energy-Utilities>. You can also connect with us on LinkedIn—to join our group query ***Energy and Utilities Consulting and Accounting Issues Group*** or go to:

http://www.linkedin.com/groups/Energy-Utilities-Finance-Accounting-Consulting-2546046?trk=myg_ugrp_ovr.

We now have nearly 750 group members from around the world.

With our depth of experience, industry-specific knowledge, and commitment to your success, you can count on our proven ability to deliver quality reporting and analysis that will meet or exceed your objectives.

Our basic audit approach

Baker Tilly understands that your audit process should be a year-round effort. To best serve you, we will use a team approach that puts our technical and industry specialists at the disposal of the people who know your organization best: you and your employees. Knowing the utility industry, we understand the critical details embedded in your financial statements and will focus considerable time and energy on these risk areas while paying additional attention to items most concerning to you. We employ a business integration approach that incorporates strategy, organization, processes, performance measures, incentives, people, and technology.

Our techniques include:

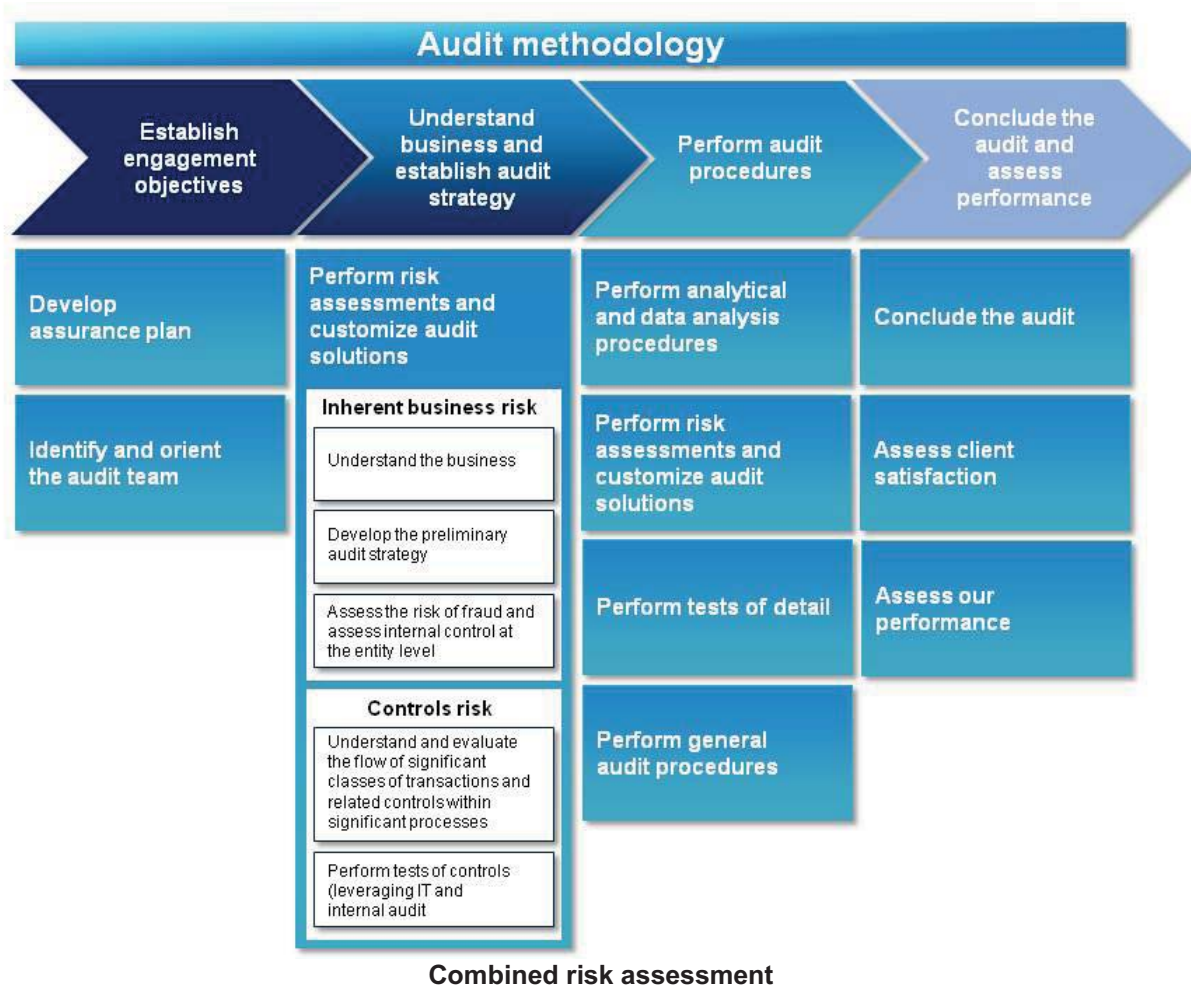
- > Identifying key risk areas, allowing us to properly concentrate our efforts
- > Designing predictive tests that define our financial expectations prior to starting fieldwork
- > Leveraging industry-specific knowledge to create tests for your operations
- > Deploying a dedicated team to maximize our knowledge of your company

The District can expect to receive a high-quality financial audit without unnecessary procedures or work papers. Before completing internal planning, we will discuss our approach with you and modify our plans, as appropriate. Our discussions with you will allow us to be better able to provide timely insight and advice, while at the same time building our file for your year-end compliance work.

Audit plan methodology

We strive to provide quality audit, accounting, and advisory services to our clients. Using integrity, objectivity, competence, and due care, our team will conduct your engagement professionally and on time.

The Baker Tilly financial audit approach is summarized by the following:



Our service teams use the latest in audit technology and software to test transactions and perform data analytics. **We utilize a paperless audit tool, so the home location of our staff will not have an impact on serving the District—you will feel like we are a local firm.** We also utilize audit data extraction tools to test data from your systems. This will reduce your staff's audit preparation time and lead to an in-depth review of transactions that are tailored to the audit criteria being tested.

What can the District expect from Baker Tilly's audit services?

- > Experienced audit teams with an energy and utilities focus
- > Open communication in all phases of audit from planning to wrap-up
- > Effective data analysis using efficient technology tools
- > Candid professional advice in addition to assurance on the basic financial statements
- > Pro-active response to issues that emerge; includes identifying solutions and formulating new pronouncements
- > Risk-based focus that includes process and control review

Staff continuity

Baker Tilly keeps turnover low—and engagement teams intact—by striving to be an employer of choice for talented, committed individuals. Our low turnover rate means we can offer a team that is likely to serve you for many years. Our clients appreciate the fact that they get to know the Baker Tilly employees they work with year after year and that they do not have to educate new personnel constantly. Our high level of continuity translates into people who really understand the intricacies of your organization, meaning they are in position to offer opinions, advice, and insight that are meaningful to the District.

If an employee on your engagement team leaves Baker Tilly for some reason, the size of our practice will allow us to quickly deploy a replacement with a comparable level of industry and service line experience, minimizing any disruption to your business. You will have the right to approve or reject replacements.

Continuing Professional Education

Staying informed is a standard of Baker Tilly's industry specialization. Continuing professional education and regular training are a priority. Individuals in the Energy and Utilities team are active members of industry organizations and routinely share the group's expertise through published commentary on current issues and in conference presentations. Individual partners provide instruction for industry association courses and lead professional workshops nationally on corporate compliance, ethics, and other topics.

Baker Tilly's capacity to provide top quality professional services to our clients goes even deeper than our commitment to the industry as a whole. We use what we know to develop a customized, personalized approach to meeting your needs. We ask. We listen.

Everyone involved with the Energy and Utilities team meets or exceeds the CPE requirements established by the Government Accountability Office for audits under Generally Accepted Government Auditing Standards—a more rigorous requirement than generally accepted auditing standards. Partners and staff members participate in these and other programs as part of the firm's continuing education commitment:

- > American Institute of Certified Public Accountants (AICPA) conferences and workshops
- > State Institute of Certified Public Accountants (WICPA) conferences and courses
- > Institute of Internal Audit
- > ISACA
- > Professional Ethics for CPAs
- > IRS Audits

Utility Clients

Baker Tilly is committed to serving governmental utilities throughout Wisconsin and around the nation. The following is a list of many of the utilities we work with in Wisconsin.

Algoma Sanitary Dist. 1	Marshall Water & Sewer Utility
Appleton Utilities	Mayville Water & Sewer Utility
Bangor Utilities	McFarland Water & Sewer Utilities
Baraboo Water and Sewer Utilities	Milwaukee Metropolitan Sewerage District
Beaver Dam Waterworks & Wastewater	Monona Water & Sewer Utility
Beloit Utilities	Muskego Water & Sewer Utilities
Big Cedar Lake Rehab District	Neenah Water, Sewer and Stormwater Utilities
Brownsville Water & Sewer Utilities	New Holstein Utilities
Cedarburg Water and Light Commission	North Fond du Lac Water & Sewer
Central Brown County Water Authority	North Shore Water Commission
Clyman Water & Sewer Commission	Oak Creek Water & Sewer Utilities
Columbus Sewer Utility	Outlying Sewer Group
Columbus Water and Light Utility	Pewaukee Water & Sewer Utility
Cottage Grove Water & Sewer	Pike Lake Utility District
Cumberland Municipal Utilities	Pleasant Prairie Utilities
Deerfield Water & Sewer Utilities	Port Washington Water & Wastewater Utility
DeForest Utilities	Redgranite Water & Sewer Utilities
Delafield-Hartland WPCC	Reedsburg Sewer Utility
Delavan Water & Sewer	Reedsburg Utility Commission
Fairwater Water & Sewer Utility	River Falls Utilities
Fort Atkinson Water & Wastewater	Schofield Water & Sewer
Fox Lake Water & Sewer Utility	Sextonville Waterworks Sanitary District
Fox Point Water Utility	Sheboygan Water Utility
Friendship Water & Sewer Utilities	Shorewood Hills Water & Sewer Utilities
Germantown Water & Wastewater	Silver Lake Sanitary District
Green Lake Sanitary District	Stratford Utilities
Hartford Sewer, City of	Stevens Point Water & Sewage
Hilldale Sanitary District	Stoughton Utilities
Holland Sanitary District	Sullivan Sewer Utility
Horicon Water & Wastewater	Sun Prairie Water Pollution Control Facility
Hustisford Utilities	Sun Prairie Utilities
Ixonia Utility District No. 1 & 2	Theresa Water & Sewer Utility
Jackson, Village of	Union Grove Utilities
Janesville Utilities	Verona Utilities
Jefferson Sewer Utility	Waterloo Utilities
Jefferson Water & Light Utility	Watertown Water & Wastewater
Kewaunee Water & Sewer Utility	Waukesha Water Utility
Lakeland Sanitary District 1	Waupun Utilities
Madison Metropolitan Sewerage District	Waunona Sanitary District No. 2
Madison Water, Sewer & Stormwater Utilities	West Bend Water & Sewer
Maple Bluff Water and Sewer Utility	