



**Erickson & Associates, S.C.**  
*Certified Public Accountants*

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**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

June 5, 2017

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, 2016, and have issued our report dated June 5, 2017. 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 10, 2017. 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. The District has implemented GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions. 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. The majority of the entries were made to adjust your budget-basis financials to accrual-basis financials.

### **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 5, 2017.

### **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 Findings or 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.

### **Other Matters**

We applied certain limited procedures to the management's discussion and analysis and the pension related required supplementary information (RSI) from WRS - schedule of District's proportionate share of the net pension asset (liability), schedule of the District's contributions and notes to required WRS schedules. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedules of user fees revenue, schedules of operating expenses, budget comparison and reconciliation of the statement of revenue, expenses, and changes in fund net position to the budget, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquires of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior year, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Conclusion**

This information is intended 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, 2016

Entry	Account / Description	Acct #	Debit	Credit	Inc Effect
	Income before adjustments.....				<u>2,682,002.35</u>
1	Accrued interest	22150.00	7,575.00		
	Interest expense	42700.00		7,575.00	7,575.00
	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, Darboy	16202.00	28,302.49		
	CWF, Combined Locks	16201.00		28,302.49	
	to correct misposting of Comb Lock pymt, 4/1				
4	Acc'd int rec, equip replcmnt	19150.156	174.00		174.00
	Interest income, equip replc	41950.00		163.00	
	Interest income, connection fee	41980.00		11.00	
	to adjust accrued interest receivable on CDs				
5	Connection fees	41120.00	2,333.00		
	A/R, Other	16148.00		2,333.00	(2,333.00)
	to adjust connection fees receivable				
6	Acc'd spouse/dep life ins	24115.00	3.50		
	Acc'd add'tl life ins	24120.00	23.79		
	Life insurance	59110.00		27.29	27.29
	to adjust accruals to Jan payments				
7	Misc income	41100.00	20,625.00		
	Gain/loss on disposal of f/a	41050.00		2,380.07	
	Land, Go Promissory note	11305.00		18,244.93	(18,244.93)
	to record sale of 1.711 acres to Cnty				
8	Provision for replacement	43403.00	783,579.86		
	Non-equipment depreciation	43404.00	1,217,989.79		
	Gain/loss on disposal of f/a	41050.00	104,123.70		
	Accum provision for depreciation	14892.00		2,105,693.35	(2,105,693.35)
	to adjust to reports				
9	Salary	56010.00	3,429.29		
	Wages, regular	56020.00		24,997.44	
	Salary	57010.00	3,271.95		
	Wages, regular	57020.00		2,260.76	
	Salary	58010.00	12,648.09		
	Salary	59010.00	5,082.76		
	Acc'd payroll	24386.00		8,393.46	(8,393.46)
	Sick leave & vacation pay res	26200.00	11,219.57		11,219.57
	to adjust accrued vacation & sick pay and accrued wages				

10	WI retirement fund	59120.00	48,650.89		
	Deferred pension assets	18200.00		48,650.89	(48,650.89)
	to record CY pension adjustment				
11	Retained earnings, general fund	20216.00	569,012.93		
	Retained earnings, debt fund	20217.00	601.07		
	Retained earnings, replacement	20220.00		569,614.00	
	to adjust various retained earnings				
	accounts to calculations				
	Subtotal, numbered entries		<u>2,972,365.68</u>	<u>2,972,365.68</u>	<u>-2,010,600.77</u>

Reclass Entries (do not post):

A	Alloc pyrl taxes, benefits,wages	56xxx.xx	182,430.76		
	Alloc pyrl taxes, benefits,wages	57xxx.xx	131,392.97		
	Alloc pyrl taxes, benefits,wages	58xxx.xx	39,750.10		
	SS	48408.00		43,615.22	
	Medi care	48409.00		10,200.72	
	Alloc pyrl taxes, benefits,wages	59xxx.xx		299,757.89	
	to allocate pyrl taxes, benefits, wages				
B	Insurance	569xx.xx	68,518.60		
	Miscellaneous expense	59990.00	5,300.40		
	Ins - reclassifications	5949x.xx		73,819.00	
	to reclassify insurance expense				
C	Inflow reduction (consultants)	59950.00	20,901.96		
	Inflow reduction	59950.00		20,901.96	
	to reclassify inflow reduction to plant maint				
D	Deferred pension outflows	18200.00	447,935.74		
	Deferred pension assets	18200.00		195,118.21	
	Pension liability	26600.00		80,419.96	
	Deferred pension inflows	18200.00		172,397.57	
	to reclassify deferred pension inflows/outflows				
	Total, all entries		<u>3,868,596.21</u>	<u>3,868,596.21</u>	<u>(2,010,600.77)</u>

671,401.58

= WTB