



Erickson & Associates, S.C.

Certified Public Accountants

1000 West College Avenue • Appleton, Wisconsin 54914 • (920) 733-4957 • FAX (920) 733-6221
255 South Main Street • Fond du Lac, Wisconsin 54935 • (920) 921-4189 • FAX (920) 923-1149
www.erickson-cpas.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

May 23, 2018

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 (District) for the year ended December 31, 2017, and have issued our report dated May 23, 2018. 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 June 7, 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. 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.

The financial statement disclosures are neutral, consistent, and clear.

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 May 23, 2018.

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 the 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.

Restriction on Use

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.

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,

Ericksen & Associates, S.C.

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

YEAR END ADJUSTING ENTRIES
 December 31, 2017

Entry	Account / Description	Acct #	Debit	Credit	Inc Effect
	Income before adjustments.....				<u>3,265,280.38</u>
1	Accrued interest	22150.00	10,652.00		
	Interest expense	42700.00		10,652.00	10,652.00
	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	Acc'd int rec, equip replcmnt	19150.156	77.00		77.00
	Interest income, equip replc	41950.00		5.00	
	Interest income, connection fee	41980.00		72.00	
	to adjust accrued interest receivable on CDs				
4	Connection fees	41120.00	16,706.00		
	A/R, Other	16148.00		16,706.00	(16,706.00)
	to adjust connection fees receivable				
5	A/R, Other	16148.00	241.00		
	Misc income	41100.00		241.00	241.00
	to move Van's final payment (for '15) into old year				
6	Provision for replacement	43403.00	770,479.90		
	Non-equipment depreciation	43404.00	1,212,702.87		
	Gain/loss on disposal of f/a	41050.00	101,271.09		
	Accum provision for depreciation	14892.00		2,084,453.86	(2,084,453.86)
	to adjust to reports				
7	Salary	56010.00	2,029.68		
	Wages, regular	56020.00	2,333.34		
	Salary	57010.00	1,868.70		
	Wages, regular	57020.00	1,452.16		
	Salary	58010.00	1,808.00		
	Salary	59010.00	4,210.83		
	Acc'd payroll	24386.00		1,302.06	(1,302.06)
	Sick leave & vacation pay res	26200.00		12,400.65	(12,400.65)
	to adjust accrued vacation & sick pay and accrued wages				
8	WI retirement fund	59120.00	55,253.81		
	Deferred pension assets	18200.00		55,253.81	(55,253.81)
	to record CY pension adjustment				
9	Retained earnings, general fund	20216.00	468,401.61		
	Retained earnings, debt fund	20217.00	615.39		
	Retained earnings, replacement	20220.00		469,017.00	
	to adjust various retained earnings accounts to calculations				
	Subtotal, numbered entries		2,803,822.38	2,803,822.38	-2,005,427.38

Entry	Account / Description	Acct #	Debit	Credit	Inc Effect
<u>Reclass Entries (do not post):</u>					
A	Alloc pyrl taxes, benefits,wages	56xxx.xx	161,537.74		
	Alloc pyrl taxes, benefits,wages	57xxx.xx	132,485.08		
	Alloc pyrl taxes, benefits,wages	58xxx.xx	37,227.74		
	SS	48408.00		42,783.50	
	Medi care	48409.00		10,006.01	
	Alloc pyrl taxes, benefits,wages	59xxx.xx		278,461.05	
	to allocate pyrl taxes, benefits, wages				
B	Deferred pension outflows	18200.00	350,014.12		
	Deferred pension assets	18200.00		139,864.40	
	Pension liability	26600.00		40,524.44	
	Deferred pension inflows	18200.00		169,625.28	
	to reclassify deferred pension inflows/outflows				
	Total, all entries		<u>3,485,087.06</u>	<u>3,485,087.06</u>	<u>(2,005,427.38)</u>
					<u>1,259,853.00</u>
					= WTB