

# **WATERLOO WATER AND LIGHT COMMISSION**

Waterloo, Wisconsin

COMMUNICATION TO THOSE CHARGED WITH  
GOVERNANCE AND MANAGEMENT

As of and for the Year Ended December 31, 2018 and 2017

# WATERLOO WATER AND LIGHT COMMISSION

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**REQUIRED COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS  
IDENTIFIED IN THE AUDIT TO THOSE CHARGED WITH GOVERNANCE**

To the Commissioners  
Waterloo Water and Light Commission  
Waterloo, Wisconsin

In planning and performing our audit of the financial statements of Waterloo Water and Light Commission (the "utility") as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the utility's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the utility's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the utility's internal control to be material weaknesses:

- Internal Control Environment and Specific Controls Resulting in a Material Weakness
- Internal Control Over Financial Reporting

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Organization's internal control to be a significant deficiency:

- Specific Controls Resulting in a Significant Deficiency

This communication is intended solely for the information and use of management, commissioners, and others within the utility, and is not intended to be and should not be used by anyone other than these specified parties.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
April 9, 2019

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## INTERNAL CONTROL ENVIRONMENT AND SPECIFIC CONTROLS

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Auditing standards require that we perform procedures to obtain an understanding of your government and its internal control environment as part of the annual audit. This includes an analysis of significant transaction cycles and an analysis of the utility's year-end financial reporting process and preparation of your financial statements. A properly designed system of internal control includes adequate staffing as well as policies and procedures to properly segregate duties. This includes systems that are designed to limit the access or control of any one individual to your government's assets or accounting records, and to achieve a higher likelihood that errors or irregularities in the utility's accounting processes would be discovered by your staff in a timely manner.

At this time, due to staffing and financial limitations, the utility does not have proper internal controls in place to achieve adequate segregation of duties. As a result, errors or irregularities could occur as part of the financial process that may not be discovered by the utility. Therefore, we are reporting a material weakness related to the utility's internal control environment.

There are also key controls, which are listed below, that are not currently in place at the utility related to significant transaction cycles. These key controls are important in reducing the risk of errors or irregularities in the utility's accounting processes.

- There is no segregation between the preparation of certain transactions such as payroll or billing/receipting and the reconciliation of the related registers and general ledger accounts. While this is a natural limitation for an entity with a small staff, we recommend management continue to look for opportunities to involve at least two individuals in each transaction cycle.
- There is no process to record or review retainages on construction projects. We recommend that any open construction contracts are reviewed at year end to determine if a retainage for work completed but not yet billed should be accrued.

In addition, we have identified the following controls which are not in place and result in a significant deficiency.

- New customer accounts or changes in metering are not formally reviewed. In order to minimize the likelihood of billing errors we recommend management provide a list of all new accounts including meter size and billing classifications to the superintendent monthly for review of proper set up. When new meters are installed, we recommend the first bill be recalculated and reviewed to ensure the meter is reading and billing properly.
- Currently there is not a formal process to track actual project costs to construction budgets. We recommend management determine a threshold for which this would be useful information and then actual costs be compared to the project budget on a monthly basis with any variances documented and discussed with the contractor or crew.

Since these key controls are not currently in place, errors or irregularities could occur as part of the financial process that may not be discovered by the utility. Therefore, the absence of these controls is considered to be a material weakness, or significant deficiency as noted above.

We recommend that a designated utility employee review the segregation of duties and these potential controls and determine whether additional controls should be implemented. This determination should take into consideration a cost / benefit analysis to the utility. It is very important that the governing body provide the appropriate level of financial oversight to the utility's day to day activities.

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## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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Auditing standards require that we perform procedures to obtain an understanding of your government and its internal control environment as part of the annual audit. This includes an analysis of significant transaction cycles and an analysis of the utility's year-end financial reporting process and preparation of your financial statements. Properly designed systems of internal control provides your organization with the ability to process and record monthly and year end transactions and prepare annual financial reports.

Our audit includes a review and evaluation of the utility's internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- > There is adequate staffing to prepare financial reports throughout and at the end of the year.
- > Material misstatements are identified and corrected during the normal course of duties.
- > Complete and accurate financial statements including footnotes are prepared.
- > Financial reports are independently reviewed for completeness and accuracy.

Our evaluation of the utility's internal controls relating to financial reporting has identified control deficiencies that are considered material weakness surrounding the preparation of financial statements and footnotes, adjusting journal entries identified by the auditors, and an independent review of financial reports.

Management has not prepared financial statements that are in conformity with generally accepted accounting principles. In addition, material misstatements in the general ledger were identified during the financial audit.

This level of internal control over financial reporting can be a difficult task for governments that operate with only enough staff to process monthly transactions and reports, and often rely on their auditors to prepare certain year-end audit entries and financial statements.

## **OTHER COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE**

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## TWO WAY COMMUNICATION REGARDING YOUR AUDIT

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As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
  - > Identify types of potential misstatements.
  - > Consider factors that affect the risks of material misstatement.
  - > Design tests of controls, when applicable, and substantive procedures.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs.

- c. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the utility commission has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- e. Have you had any significant communications with regulators or grantor agencies?
- f. Are there other matters that you believe are relevant to the audit of the financial statements?



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## **TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)**

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Also, is there anything that we need to know about the attitudes, awareness, and actions of the utility concerning:

- a. The utility's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of October-December, and sometimes early January. Our final financial fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

**COMMUNICATION OF OTHER CONTROL DEFICIENCIES, RECOMMENDATIONS  
AND INFORMATIONAL POINTS TO MANAGEMENT THAT ARE NOT  
MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES**

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## COMMENTS AND RECOMMENDATIONS

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### *IT RELATED ITEMS*

The following items were noted during the evaluation of the Information Technology environment.

A formal change management procedure should be in place for all program changes, system changes, and maintenance. Additionally, changes should be authorized and tested before putting them into production and all changes should be formally tracked.

A formal process should be followed to facilitate adding new employees, modifying existing employee access, and removing access for terminated employees. Normally, a form (physical or electronic) is used with approval granted by management before any changes occur, on which IT would record the completion of the process and who completed it.

Only a select few personnel should have access to the server room. A formal process for granting access to this room should be in place and the list of those with access reviewed at least annually.

Minimum password age should be set to at least one to prevent users from cycling through passwords quickly to circumvent expiration and re-use objective. If set to zero, the account lockout duration should be set to zero. This causes the account to be locked until an administrator specifically unlocks it manually.

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## UPDATE ON PRIOR YEAR COMMENTS AND RECOMMENDATIONS

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### *2012 BOND CONSTRUCTION ACCOUNT*

In November 2012, the utility issued revenue bonds to refinance a portion of the 2002 bonds as well as to provide funding for a new truck, water tower painting and distribution system improvements. The truck was purchased in 2012 and the water utility completed some replacement projects; however, the utility has \$801,000 on hand at December 31, 2012 to be used for the water tower painting in 2013 and future system improvements. We encourage management to monitor these funds along with capital plans to ensure that the funds are sufficiently (85%) spent down within the IRS three-year time limit.

#### *Status 12/31/18*

Management used the remainder of these funds in 2018.

### *INVESTMENT POLICY COMPLIANCE*

The City of Waterloo adopted a formal investment policy in March of 2007. The utility has elected to follow the same investment policy. That policy states that no more than 75% of the investments shall be held by a single financial institution.

#### *Status 12/31/18*

At December 31, 2018, investments have been diversified to Avestar Credit Union. 77% of assets are now held at Farmers & Merchants State Bank with 23% being held at Avestar. We commend management on diversifying the investments and recommend the utility consider diversifying more in the future to achieve compliance with its investment policy.

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**UPDATE ON PRIOR YEAR COMMENTS AND RECOMMENDATIONS (cont.)**

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***RESTRICTED ACCOUNT FUNDING***

The utility has established several segregated investment accounts to comply with the revenue bond resolutions and the Wisconsin Department of Natural Resources. At December 31, 2016, some of these accounts are not adequately funded.

***Status 12/31/18***

At December 31, 2018, some of the accounts continue as not adequately funded. The 2018 sewer rate study incorporated funding this account over a three-year period. The following resources can potentially be transferred from unrestricted accounts:

	<u>Over (Under) Funded</u>	
DNR Replacement Account	\$(137,183)	Waterloo is working to properly fund Account

***INFLOW AND INFILTRATION***

While performing the 2017 audit it was noted that the sewer utility has a high inflow and infiltration (I&I) rate as shown in the following table. We understand that the reason for the high I&I in 2017 was due to heavy rainfall entering the system due to the Hwy 19 project.

	<u>Gallons Treated At Plant (000's)</u>	<u>Gallons Billed To Customers (000's)</u>	<u>Difference</u>	<u>I&amp;I %</u>
2017	169,420	91,657	77,763	46%
2016	159,027	103,621	55,406	35%

The industry average I&I is 20-30%. Bringing down the current I&I rate closer to the industry average will allow the utility to reduce the level of excess water treated at the plant. This reduction will allow the utility to see a savings on energy costs, chemical costs, and maintenance needs. We recommended that the utility continue to monitor its I&I in order for it to stay within the industry average. We believe this is possible with the new vacuum truck purchased in 2016 and the current and planned repairs and replacements of the collection system.

***Status 12/31/18***

At December 31, 2018, the I&I percentage remains above the industry average at 44%. We recommend that the utility continue to monitor its I&I in order for it to stay within the industry average.

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## INFORMATIONAL POINTS

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### ***CYBER SECURITY MANAGEMENT***

The sources of cyber threats continue to grow in number and sophistication. We have seen social engineering, including email phishing, and ransomware attacks cause disruption and monetary losses in the government landscape. Cybersecurity controls are imperative and may be of several different types:

- > Preventative – activities that make attacks more difficult such as user access and password controls
- > Detective – activities conducted to discover security incidents such as automated or manual reviews of firewall and server logs
- > Responsive – activities performed once an incident has been identified such as a communication plan

Step one in determining which types of controls are best suited for your government is completing a data classification. This process includes identifying what types of data exist, determining data location, and measuring costs associated with the loss of data (i.e. – operational downtime, regulatory fines, or civil lawsuits). This information will help management and those charged with governance be able to evaluate the cost-benefit of control implementation. Even if your government has chosen to obtain cyber liability insurance to mitigate risk, the data classification remains an important exercise to help evaluate the policy coverage, pricing, and what, if any, exposure remains outside of your policy.

Data classification is only one piece of a sustainable cyber security management plan. We have professionals dedicated to cyber security and information technology risk to assist with your cyber security questions, assessments, and programs.

**REQUIRED COMMUNICATIONS BY THE AUDITOR TO THOSE CHARGED WITH GOVERNANCE**

To the Commissioners  
Waterloo Water and Light Commission  
Waterloo, Wisconsin

Thank you for using Baker Tilly Virchow Krause, LLP ("Baker Tilly") as your auditor. We have completed our audit of the financial statements of Waterloo Water and Light Commission (the "utility") for the year ended December 31, 2018, and have issued our report thereon dated April 9, 2019. This letter presents communications required by our professional standards.

*Our Responsibility under Auditing Standards Generally Accepted in the United States of America*

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or the commissioners of their responsibilities.

As part of the audit we obtained an understanding of the entity 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. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

*Planned Scope and Timing of the Audit*

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 4, 2018.

**Significant Audit Issues**

*Qualitative Aspect of Accounting Policies*

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 utility are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018.

We noted no transactions entered into by the utility during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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 disclosures in the financial statements are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our 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. In addition, a summary of financial statement misstatements (audit adjustments) has been provided to you.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the utility's financial statements, or a determination of the type of auditors' 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.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter. This letter has been provided to you.

### *Significant Issues*

Professional standards require us to communicate any significant issues that were discussed, or were the subject of correspondence with management. There were no additional communications or correspondence with management that have not been disclosed in this letter.

### *Independence*

We are not aware of any relationships between Baker Tilly and the utility that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of the utility for the year ended December 31, 2018, Baker Tilly hereby confirms that we are, in our professional judgment, independent with respect to the utility in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. During the year ended December 31, 2018, Baker Tilly provided the following services to the utility:

- Technical assistance with the preparation and assembly of the financial statements and notes thereto
- Proposal of general, adjusting or correcting journal entries
- Compilation of utility rate study

None of these nonaudit services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.



#### *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 utility'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 limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries 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 period, 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.

This information is intended solely for the information and use of management, commissioners, and others within the utility and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the information included in this letter and any other matters. Thank you for allowing us to serve you.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
April 9, 2019

## **ADJUSTING JOURNAL ENTRIES**

# Waterloo Water and Light Commission

Year End: December 31, 2018  
Normal adjusting journal entries  
Date: 1/1/2018 To 12/31/2018

310

Completed by JB16281 3/10/2019	Reviewed by	Reviewed by
Partner Review JD1877 3/13/2019	PI Review	

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
A01	12/31/2018	2016 Debt Discount	5230-181-00-1822-0 ELECTR	KK.200			2,395.00		
A01	12/31/2018	Bonds Series 2016A	5230-221-00-2240-0 ELECTR	KK.200			6,770.00		
A01	12/31/2018	Amortization of Debt Discount and Expense	5230-428-00-0000-0 ELECTR	KK.200			131.00		
A01	12/31/2018	2016 Debt Discount	5250-181-00-1822-0 WATER	KK.200		2,395.00			
A01	12/31/2018	Bond Series 2016A	5250-221-00-2240-0 WATER	KK.200		6,770.00			
A01	12/31/2018	Amortization of Debt Discount and Expense	5250-428-00-0000-0 WATER	KK.200		131.00			
Entry to split discount on 2016 debt between water and sewer and true up 2018 payments made.									
A02	12/31/2018	Checking Account #102613	5230-131-00-0000-0 ELECTR	U.205					
A02	12/31/2018	Vehicle Clearing Other	5230-933-00-0000-0 ELECTR	U.205			4,058.00		
A02	12/31/2018	Vehicle Clearing Other	5230-933-00-0000-0 ELECTR	U.205		385.00			
A02	12/31/2018	Acc Depr Contributed/Electric Pumping Eq-Lift	5260-005-56-3239-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Contributed/Structures & Improvemen	5260-005-56-3319-0 SEWER	U.205			13,248.00		
A02	12/31/2018	Acc Depr Contributed/Preliminary Treatment	5260-005-56-3329-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Contributed/Primary Treatment	5260-005-56-3339-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Contributed/Secondary Treatment	5260-005-56-3349-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Contributed/Chlorination Eqp	5260-005-56-3369-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Contributed/Sludge Treatment & Dispos	5260-005-56-3379-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Contributed/Plant Site Piping	5260-005-56-3389-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Contributed/Flow Metering & Monitorir	5260-005-56-3399-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Contributed/Other Treatment & Dispos	5260-005-56-3419-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Contributed/Station Eqp-Lift Stations	5260-005-56-3629-0 SEWER	U.205			2,066.00		
A02	12/31/2018	Acc Depr Contributed/Transportation Eqp	5260-005-56-3739-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Contributed/Other General Eqp	5260-005-56-3799-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Force Main-W. Madison St.	5260-015-00-0000-0 SEWER	U.205			295.00		
A02	12/31/2018	Acc Depr Structures & Improvements/Adjustmer	5260-021-55-0000-0 SEWER	U.205			3,296.00		
A02	12/31/2018	Acc Depr Electric Pump Eqp-Lift Stations/Capita	5260-023-52-3230-0 SEWER	U.205			848.00		
A02	12/31/2018	Acc Depr Structures & Improvements/Capital Re	5260-031-52-0000-0 SEWER	U.205			77,413.00		
A02	12/31/2018	Acc Depr Pre Treatment Eqp/Capital Retirement	5260-032-52-0000-0 SEWER	U.205			13,202.00		
A02	12/31/2018	Acc Depr Primary Treatment Eqp/Capital Retire	5260-033-52-0000-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Secondary Treatment Eqp/Capital Rel	5260-034-52-0000-0 SEWER	U.205			10,082.00		
A02	12/31/2018	Acc Depr Advanced Treatment Eqp/Capital Reti	5260-035-52-0000-0 SEWER	U.205			10,769.00		
A02	12/31/2018	Acc Depr Chlorination Eqp/Capital Retirements	5260-036-52-0000-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Sludge Treatment & Disposal Eqp/Caj	5260-037-52-0000-0 SEWER	U.205			49,548.00		
A02	12/31/2018	Acc Depr Plant Site Piping/Capital Retirements	5260-038-52-0000-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Flow Meter & Monitoring Eqp/Capital F	5260-039-52-0000-0 SEWER	U.205			1,279.00		
A02	12/31/2018	Acc Depr Other Treatment Eqp/Capital Retirement	5260-041-52-0000-0 SEWER	U.205			12,970.00		
A02	12/31/2018	Acc Depr Office & Garage Eqp/Capital Retirement	5260-071-52-3890-0 SEWER	U.205			14,432.00		
A02	12/31/2018	Acc Depr Office Furniture & Eqp/Capital Retire	5260-072-52-0000-0 SEWER	U.205			440.00		
A02	12/31/2018	Acc Depr Transportation/Capital Retirements	5260-073-52-0000-0 SEWER	U.205			1,288.00		
A02	12/31/2018	Acc Dp SCADA	5260-078-52-0000-0 SEWER	U.205			16,688.00		
A02	12/31/2018	Acc Depr Other General Eqp/Capital Retirement	5260-079-52-0000-0 SEWER	U.205					
A02	12/31/2018	Acc Depr Computer Eqp/Capital Retirements	5260-088-52-0000-0 SEWER	U.205			475.00		
A02	12/31/2018	Acc Depr of Utility Plant in Service	5260-111-00-0000-0 SEWER	U.205		239,673.00			
A02	12/31/2018	Checking Account #102613	5260-131-00-0000-0 SEWER	U.205					
A02	12/31/2018	Depr Exp Other	5260-403-00-0000-0 SEWER	U.205			6,985.00		
A02	12/31/2018	Other Income Deductions	5260-426-00-0000-0 SEWER	U.205			676.00		
To reallocate depreciation to sewer detailed accounts.								Recurring	
A03	12/31/2018	Checking Account #102613	5230-131-00-0000-0 ELECTR	U.206					
A03	12/31/2018	Vehicle Clearing Other	5230-933-00-0000-0 ELECTR	U.206					
A03	12/31/2018	Acc Depr Contributed Electric Pumping Eqp/	5250-005-56-3259-0 WATER	U.206			4,143.00		
A03	12/31/2018	Acc Depr Contributed/Reservoir & Standpipe	5250-005-56-3429-0 WATER	U.206			77.00		
A03	12/31/2018	Acc Depr Contributed/Mains	5250-005-56-3439-0 WATER	U.206			10,651.00		
A03	12/31/2018	Acc Depr Contributed/Services	5250-005-56-3459-0 WATER	U.206			8,741.00		
A03	12/31/2018	Acc Depr Contributed/Water Meters	5250-005-56-3469-0 WATER	U.206					
A03	12/31/2018	Acc Depr Contributed/Hydrants	5250-005-56-3489-0 WATER	U.206			2,609.00		
A03	12/31/2018	Acc Depr Contributed/Computer Eqp	5250-005-56-3889-0 WATER	U.206					
A03	12/31/2018	Acc Depr Cmpltd Cnstr Nt Class Other	5250-006-00-0000-0 WATER	U.206					
A03	12/31/2018	Acc Depr Wells/Capital Retirements	5250-014-52-3200-0 WATER	U.206			597.00		
A03	12/31/2018	Acc Depr Supply Main/Capital Retirements	5250-016-52-0000-0 WATER	U.206			924.00		
A03	12/31/2018	Acc Dp/Struct&Improv/Sturct/Retirements	5250-021-52-0000-0 WATER	U.206			21,493.00		
A03	12/31/2018	Acc Depr Electric Pumping Eqp/Capital Retirement	5250-025-52-0000-0 WATER	U.206			6,200.00		
A03	12/31/2018	Acc Depr Reservoir/Capital Retirements	5250-032-52-0000-0 WATER	U.206			1,684.00		
A03	12/31/2018	Acc Depr Reservoir & Standpipe/Capital Retiren	5250-042-52-0000-0 WATER	U.206			1,502.00		
A03	12/31/2018	Acc Depr Trans & Dist Mains/Capital Retirement	5250-043-52-0000-0 WATER	U.206			29,391.00		
A03	12/31/2018	Acc Depr Water Services/Capital Retirements	5250-045-52-0000-0 WATER	U.206			12,691.00		
A03	12/31/2018	Acc Depr Water Meters/Capital Retirements	5250-046-52-0000-0 WATER	U.206			21,741.00		
A03	12/31/2018	Acc Depr Hydrants/Capital Retirements	5250-048-52-0000-0 WATER	U.206			6,291.00		
A03	12/31/2018	Acc Depr Computer Eqp/Capital Retirements	5250-088-52-0000-0 WATER	U.206			59.00		
A03	12/31/2018	Acc Depr Structures & Improve-Office/Capital R	5250-090-52-3890-0 WATER	U.206			10,402.00		
A03	12/31/2018	Acc Depr Office Furniture & Eqp/Capital Retire	5250-091-52-0000-0 WATER	U.206			251.00		
A03	12/31/2018	Acc Depr Transportation/Capital Retirements	5250-092-52-0000-0 WATER	U.206			3,731.00		
A03	12/31/2018	Acc Depr Stores Eqp/Capital Retirements	5250-093-52-0000-0 WATER	U.206			431.00		

# Waterloo Water and Light Commission

Year End: December 31, 2018  
Normal adjusting journal entries  
Date: 1/1/2018 To 12/31/2018

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Completed by	Reviewed by	Reviewed by
JB16281 3/10/2019		
Partner Review	PI Review	
JD1877 3/13/2019		

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
A03	12/31/2018	Acc Depr Tools, Shop & Garage Eqp/Capital Re	5250-094-52-0000-0 WATER	U.206			1,631.00		
A03	12/31/2018	Acc Depr Tools, Shop & Garage Eqp/Adjustmer	5250-094-55-0000-0 WATER	U.206					
A03	12/31/2018	Acc Depr Lab Eqp/Capital Retirements	5250-095-52-0000-0 WATER	U.206			118.00		
A03	12/31/2018	Acc Depr Communication Eqp/Capital Retireme	5250-097-52-0000-0 WATER	U.206			143.00		
A03	12/31/2018	Acc Depr Communication Eqp-SCADA/Capital F	5250-097-52-1000-0 WATER	U.206			25,553.00		
A03	12/31/2018	Acc Depr Miscellaneous Eqp/Capital Retirement	5250-098-52-0000-0 WATER	U.206			65.00		
A03	12/31/2018	Acc Depr of Utility Plant in Service	5250-111-00-0000-0 WATER	U.206		158,232.00			
A03	12/31/2018	Checking Account #102613	5250-131-00-0000-0 WATER	U.206					
A03	12/31/2018	Depreciation Expense	5250-403-00-0000-0 WATER	U.206		12,899.00			
A03	12/31/2018	Other Income Deductions	5250-426-00-0000-0 WATER	U.206			12.00		
To reallocate depreciation to water detailed accounts.								Recurring	
A04	12/31/2018	Acc Depr Contributed/Station Eqp	5230-005-56-3629-0 ELECTR	U.204					
A04	12/31/2018	Acc Depr Contributed/Poles, Towers & Fixtures	5230-005-56-3649-0 ELECTR	U.204			812.00		
A04	12/31/2018	Acc Depr Contributed/OH Conduit & Devices	5230-005-56-3659-0 ELECTR	U.204			843.00		
A04	12/31/2018	Acc Depr Contributed/URD Conduit	5230-005-56-3669-0 ELECTR	U.204			111.00		
A04	12/31/2018	Acc Depr Contributed/URD Devices & Wire	5230-005-56-3679-0 ELECTR	U.204			13,549.00		
A04	12/31/2018	Acc Depr Contributed/Transformers	5230-005-56-3689-0 ELECTR	U.204			952.00		
A04	12/31/2018	Acc Depr Contributed/Services	5230-005-56-3699-0 ELECTR	U.204			6,105.00		
A04	12/31/2018	Acc Depr Contributed/Street Lights	5230-005-56-3739-0 ELECTR	U.204			2,593.00		
A04	12/31/2018	Acc Depr Contributed/Computer Eqp	5230-005-56-3889-0 ELECTR	U.204					
A04	12/31/2018	Acc Depr Cmpltd Cnstr Nt Class Other	5230-006-00-0000-0 ELECTR	U.204					
A04	12/31/2018	Acc Depr Struct & Improvements/Capital Retire	5230-061-52-0000-0 ELECTR	U.204			148.00		
A04	12/31/2018	Acc Depr Station Eqp/Capital Retirements	5230-062-52-0000-0 ELECTR	U.204			33,551.00		
A04	12/31/2018	Acc Depr Poles, Tower & Fixtures/Capital Retire	5230-064-52-0000-0 ELECTR	U.204			13,390.00		
A04	12/31/2018	Acc Depr OH Conduct & Devices/Capital Retire	5230-065-52-0000-0 ELECTR	U.204			12,881.00		
A04	12/31/2018	Acc Depr URD Conduit/Capital Retirements	5230-066-52-0000-0 ELECTR	U.204			245.00		
A04	12/31/2018	Acc Depr URD Conduct & Devices/Capital Retir	5230-067-52-0000-0 ELECTR	U.204			15,996.00		
A04	12/31/2018	Acc Depr Line Transformers/Capital Retirement	5230-068-52-0000-0 ELECTR	U.204			20,453.00		
A04	12/31/2018	Acc Depr Electric Services/Capital Retirements	5230-069-52-0000-0 ELECTR	U.204			12,997.00		
A04	12/31/2018	Acc Depr Electric Meters/Capital Retirements	5230-070-52-0000-0 ELECTR	U.204			7,977.00		
A04	12/31/2018	Acc Depr Street Light/Capital Retirements	5230-073-52-0000-0 ELECTR	U.204			4,088.00		
A04	12/31/2018	Acc Depr Computer Eqp/Capital Retirements	5230-088-52-0000-0 ELECTR	U.204			1,235.00		
A04	12/31/2018	Acc Depr Structures & Improve-Office/Capital R	5230-090-52-0000-0 ELECTR	U.204			46,208.00		
A04	12/31/2018	Acc Depr Office Furniture & Eqp/Capital Retire	5230-091-52-0000-0 ELECTR	U.204			711.00		
A04	12/31/2018	Acc Depr Transportation/Capital Retirements	5230-092-52-0000-0 ELECTR	U.204			31,504.00		
A04	12/31/2018	Acc Depr Stores Eqp/Capital Retirements	5230-093-52-0000-0 ELECTR	U.204			680.00		
A04	12/31/2018	Acc Depr Tools, Shop & Garage Eqp/Capital Re	5230-094-52-0000-0 ELECTR	U.204			1,278.00		
A04	12/31/2018	Acc Depr Lab Eqp/Capital Retirements	5230-095-52-0000-0 ELECTR	U.204			454.00		
A04	12/31/2018	Acc Depr Power Operated Eqp/Capital Retireme	5230-096-52-0000-0 ELECTR	U.204					
A04	12/31/2018	Acc Depr Communication Eqp/Capital Retireme	5230-097-52-0000-0 ELECTR	U.204			695.00		
A04	12/31/2018	Acc Depr Miscellaneous Eqp/Capital Retirement	5230-098-52-0000-0 ELECTR	U.204			175.00		
A04	12/31/2018	Acc Depr of Utility Plant in Service	5230-111-00-0000-0 ELECTR	U.204		217,476.00			
A04	12/31/2018	Depreciation Expense	5230-403-00-0000-0 ELECTR	U.204		13,658.00			
A04	12/31/2018	Other Income Deductions	5230-426-00-0000-0 ELECTR	U.204			274.00		
A04	12/31/2018	Other Income Deductions	5230-426-00-0000-0 ELECTR	U.204					
A04	12/31/2018	Vehicle Clearing Other	5230-933-00-0000-0 ELECTR	U.204			1,229.00		
To reallocate depreciation to electric detailed accounts.								Recurring	
A05	12/31/2018	Checking Account #102613	5250-131-00-0000-0 WATER	CC.203		21,525.00			
A05	12/31/2018	Depreciation Expense	5250-403-00-0000-0 WATER	CC.203			10,871.00		
A05	12/31/2018	Taxes Other	5250-408-00-0000-0 WATER	CC.203			3,670.00		
A05	12/31/2018	Other Water Revenue	5250-474-00-0000-0 WATER	CC.203			6,866.00		
A05	12/31/2018	Meter Exp Other	5250-663-00-0000-0 WATER	CC.203			459.00		
A05	12/31/2018	Meter Exp Labor	5250-663-10-0000-0 WATER	CC.203		342.00			
A05	12/31/2018	Checking Account #102613	5260-131-00-0000-0 SEWER	CC.203			21,525.00		
A05	12/31/2018	Depr Exp Other	5260-403-00-0000-0 SEWER	CC.203		10,871.00			
A05	12/31/2018	Taxes FICA	5260-408-00-2361-0 SEWER	CC.203		3,670.00			
A05	12/31/2018	Maint-General Plant Structures & Eqp Other	5260-834-00-0000-0 SEWER	CC.203		459.00			
A05	12/31/2018	Maint-General Plant Structures & Eqp Labor	5260-834-10-0000-0 SEWER	CC.203			342.00		
A05	12/31/2018	Miscellaneous General Exp Other	5260-856-00-0000-0 SEWER	CC.203		6,866.00			
To record joint metering allocation.								Recurring	
A06	12/31/2018	Interest Accrued	5230-237-00-0000-0 ELECTR	KK.200		187.00			
A06	12/31/2018	Interest on Long-Term Debt	5230-427-00-0000-0 ELECTR	KK.200			10,045.00		
A06	12/31/2018	Interest Accrued Other	5250-237-00-0000-0 WATER	KK.200		1,603.00			
A06	12/31/2018	Interest on Long-Term Debt	5250-427-00-0000-0 WATER	KK.200		9,280.00			
A06	12/31/2018	Interest Accrued	5260-237-00-0000-0 SEWER	KK.200			294.00		
A06	12/31/2018	Interest on Long-Term Debt	5260-427-00-0000-0 SEWER	KK.200			731.00		
To true up accrued interest and interest expense, including split of 2016 debt between water and electric.									

# Waterloo Water and Light Commission

Year End: December 31, 2018  
Normal adjusting journal entries  
Date: 1/1/2018 To 12/31/2018

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Completed by JB16281 3/10/2019	Reviewed by	Reviewed by
Partner Review JD1877 3/13/2019	PI Review	

Number	Date	Name	Account No	Reference Annotation	Debit	Credit	Recurrence	Misstatement
A07	12/31/2018	Bonds Series 2012B	5230-221-00-2220-0 ELECTR	KK.200	19,700.00			
A07	12/31/2018	Bonds Series 2012B	5250-221-00-2220-0 WATER	KK.200		42,450.00		
A07	12/31/2018	Bonds Series 2012B	5260-221-00-2220-0 SEWER	KK.200	22,750.00			
		To correct split of 2012 debt issue between water, sewer and electric.						
A08	12/31/2018	Accrued Vacation/Sick Leave	5230-263-00-2400-0 ELECTR	DD.200		9,725.00		
A08	12/31/2018	Employee Pensions and Benefits Other	5230-926-00-0000-0 ELECTR	DD.200	9,725.00			
A08	12/31/2018	Accrued Vacation/Sick Leave	5250-263-00-2400-0 WATER	DD.200		3,199.00		
A08	12/31/2018	Employee Pensions and Benefits Other	5250-926-00-0000-0 WATER	DD.200	3,199.00			
A08	12/31/2018	Accrued Vacation/Sick Leave	5260-263-00-2400-0 SEWER	DD.200		4,139.00		
A08	12/31/2018	Employees Pensions & Benefits	5260-854-00-0000-0 SEWER	DD.200	4,139.00			
		To adjust compensated absences liability.						
A09	12/31/2018	Other General Eqp/Capital Retirements	5260-379-52-0000-0 SEWER	U.205 & U.207		5,445.00		
A09	12/31/2018	Other General Eqp-SCADA/Capital Retirements	5260-379-52-1000-0 SEWER	U.205 & U.207	5,445.00			
		To recorded retirement of scissor lift from correct sewer plant account.						
A10	12/31/2018	Acc Depr Cmpltd Cnstr Nt Class Other	5230-006-00-0000-0 ELECTR	U.212	777.00			
A10	12/31/2018	Acc Depr Street Light/Adjustments	5230-073-55-0000-0 ELECTR	U.212		777.00		
A10	12/31/2018	Acc Depr Cmpltd Cnstr Nt Class Other	5250-006-00-0000-0 WATER	U.212	8,693.00			
A10	12/31/2018	Acc Depr Supply Main/Adjustments	5250-016-55-0000-0 WATER	U.212		4,614.00		
A10	12/31/2018	Acc Depr Water Services/Adjustments	5250-045-55-0000-0 WATER	U.212		3,410.00		
A10	12/31/2018	Acc Depr Hydrants/Adjustments	5250-048-55-0000-0 WATER	U.212		669.00		
		To allocate depreciation in CCNC accumulated depreciation account to correct plant accumulated depreciation accounts.						
A11	12/31/2018	Net pension Asset	5230-174-00-0000-0 ELECTR	EE.202	15.00			
A11	12/31/2018	Deferred Outflows - Pension	5230-186-00-0000-0 ELECTR	EE.202		1,827.00		
A11	12/31/2018	Deferred Inflows-Pension Other	5230-260-00-0000-0 ELECTR	EE.202	738.00			
A11	12/31/2018	WRS CONTRIBUTIONS FOR PSC	5230-926-00-0000-1 ELECTR	EE.202	1,074.00			
A11	12/31/2018	Net pension Asset	5250-174-00-0000-0 WATER	EE.202		8.00		
A11	12/31/2018	Deferred Outflows - Pension	5250-186-00-0000-0 WATER	EE.202		1,164.00		
A11	12/31/2018	Deferred Inflows-Pension Other	5250-260-00-0000-0 WATER	EE.202	469.00			
A11	12/31/2018	WRS CONTRIBUTIONS FOR PSC	5250-926-00-0000-1 WATER	EE.202	703.00			
A11	12/31/2018	Net pension Asset	5260-174-00-0000-0 SEWER	EE.202		7.00		
A11	12/31/2018	Deferred Outflows - Pension	5260-186-00-0000-0 SEWER	EE.202		1,182.00		
A11	12/31/2018	Deferred Inflows-Pension Other	5260-260-00-0000-0 SEWER	EE.202	479.00			
A11	12/31/2018	Employee Pensions and Benefits, Other	5260-926-00-0000-0 SEWER	EE.202	710.00			
		GASB 68 entry to true up prior year immaterial differences.						
A12	12/31/2018	Net pension Asset	5230-174-00-0000-0 ELECTR	EE.202	52,876.00			
A12	12/31/2018	Deferred Outflows - Pension	5230-186-00-0000-0 ELECTR	EE.202	25,045.00			
A12	12/31/2018	Deferred Inflows-Pension Other	5230-260-00-0000-0 ELECTR	EE.202		80,235.00		
A12	12/31/2018	WRS CONTRIBUTIONS FOR PSC	5230-926-00-0000-1 ELECTR	EE.202	2,314.00			
A12	12/31/2018	Net pension Asset	5250-174-00-0000-0 WATER	EE.202	32,510.00			
A12	12/31/2018	Deferred Outflows - Pension	5250-186-00-0000-0 WATER	EE.202	14,562.00			
A12	12/31/2018	Deferred Inflows-Pension Other	5250-260-00-0000-0 WATER	EE.202		48,852.00		
A12	12/31/2018	WRS CONTRIBUTIONS FOR PSC	5250-926-00-0000-1 WATER	EE.202	1,780.00			
A12	12/31/2018	Net pension Asset	5260-174-00-0000-0 SEWER	EE.202	34,411.00			
A12	12/31/2018	Deferred Outflows - Pension	5260-186-00-0000-0 SEWER	EE.202	15,031.00			
A12	12/31/2018	Deferred Inflows-Pension Other	5260-260-00-0000-0 SEWER	EE.202		52,237.00		
A12	12/31/2018	Employee Pensions and Benefits, Other	5260-926-00-0000-0 SEWER	EE.202	2,795.00			
		GASB 68 entry to record changes in deferred outflows and inflows, pension expense and adjust net pension asset or liability.						
A13	12/31/2018	City Capital Projects Fund	5260-233-00-2331-0 SEWER	MUNI	266,601.00			
A13	12/31/2018	Sewer Capital Contributions	5260-421-00-0000-0 SEWER	MUNI		10,011.00		
A13	12/31/2018	Misc Credits to Surplus	5260-434-00-0000-0 SEWER	MUNI		266,601.00		
A13	12/31/2018	Misc Debits to Surplus-Sewer Collection System	5260-435-00-0000-0 SEWER	MUNI	10,011.00			
		To record the \$10,011 sewer connection fee received by the city as contribution revenue and recognize this as transfer to city for collection system. Also to record transfer from city for any unspent collection system funds at year end (release liability) as the assets will transfer 1/1/19.						

**Waterloo Water and Light Commission**

Year End: December 31, 2018

Normal adjusting journal entries

Date: 1/1/2018 To 12/31/2018

310-3

Completed by	Reviewed by	Reviewed by
JB16281 3/10/2019		
Partner Review	PI Review	
JD1877 3/13/2019		

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
C01	12/31/2018	Poles, Towers & Fixtures/Capital Retirements	5230-364-52-0000-0	ELECTR	CLIENT, U.20-	4,827.45			
C01	12/31/2018	OH Conduct & Devices/Capital Retirements	5230-365-52-0000-0	ELECTR	CLIENT, U.20-		4,827.45		
Client recorded adjustment (9171 on 2/22/18) to retirements between two accounts after PY audit. Record adjustment to true up accounts on BT side.									
						1,247,801.45	1,247,801.45		
Net Income (Loss)			1,069,918.83						

## **MANAGEMENT REPRESENTATIONS**



April 9, 2019

Baker Tilly Virchow Krause, LLP  
575 Commercial Avenue  
Waterloo WI 53594-2400

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of the Waterloo Water and Light Commission as of December 31, 2018 and 2017 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Waterloo Water and Light Commission results of operations, and cash flows of its proprietary funds in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the utility required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, if any, are reasonable.



6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
8. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
9. All known audit and bookkeeping adjustments have been included in our financial statements, and we are in agreement with those adjustments.
10. There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.

*Information Provided*

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of Waterloo Water & Light Commission or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
15. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.

*Other*

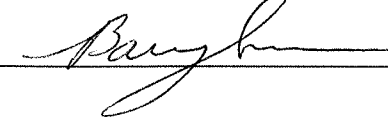
17. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
18. We have a process to track the status of audit findings and recommendations.
19. The Waterloo Water & Light Commission has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
20. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
21. There are no:
  - a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
  - c. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
  - d. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
22. In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
  - a. Financial statement preparation
  - b. Adjusting journal entries

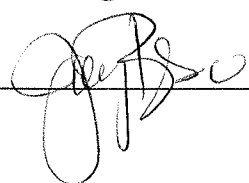
None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.
23. The Waterloo Water and Light Commission has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
24. The Waterloo Water and Light Commission has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
25. The financial statements properly classify all funds and activities.
26. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
27. The Waterloo Water and Light Commission has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

28. Provisions for uncollectible receivables, if any, have been properly identified and recorded.
29. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
30. Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
31. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
32. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
33. Tax-exempt bonds issued have retained their tax-exempt status.
34. We have appropriately disclosed the Waterloo Water and Light Commission's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.
35. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
36. With respect to the supplementary information, (SI):
  - a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b. If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
37. We assume responsibility for, and agree with, the information provided by the Wisconsin Retirement System as audited by the Legislative Audit Bureau relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.
38. With regards to the Commitment to Community program, we do not participate in the state program, however our local program reporting requirements are being met through joint reporting by WPPI Energy. As such no report needs to be prepared or filed by the utility.

Sincerely,

Waterloo Water and Light Commission

Signed: \_\_\_\_\_

Signed: \_\_\_\_\_