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March 16, 2012

To Stoughton Utilities Committee
600 South Fourth Street
Stoughton, WI 53589

Dear Committee Members:

We are presenting for your consideration our comments and recommendations that are intended to improve the system of internal control or promote other operating efficiencies. These matters came to our attention during our audit of the financial statements of Stoughton Utilities (utilities) for the year ended December 31, 2011 which we reported upon on March 16, 2012.

This letter, by its nature, focuses on improvements and does not comment on the many strong areas of the utilities' systems and procedures. The comments and suggestions in this letter are not intended to reflect in any way on the integrity or ability of the personnel responsible for the utilities' operations. They are made solely in the interest of establishing sound internal control practices and improving the utilities' operations.

ELECTRIC UTILITY OPERATING RESULTS

The electric utility's operating income increased in 2011 to \$1,007,000 compared to \$798,000 in 2010. Total kWh sold were up by about 1.4% in 2011. The primary reason for the increase in operating income is due to a rate increase effective January 3, 2011. The electric utility's rate of return was 6.2% in 2011 compared to a rate of return of 4.8% in 2010.

WATER UTILITY OPERATING RESULTS

The water utility's operating income increased in 2011 to \$604,000 compared to \$506,000 in 2010. Revenues were up as the result of an 8% increase in the volume sold, primarily to industrial usage.

The water utility's rate of return was 5.8% in 2011 compared to an authorized rate of return of 6.50%.

WASTEWATER UTILITY OPERATING RESULTS

The wastewater utility's operating income increased in 2011 to \$538,000 compared to \$519,000 in 2010. Revenues were constant from 2010 to 2011. Sewer rates have not changed since 2007. We understand that the sufficiency of revenues is reviewed as part of the annual budget process, but given the usage patterns that could have changed in the last five years we recommend management complete a detailed sewer rate review in the near future.

To the Stoughton Utilities Committee

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CURRENT YEAR COMMENTS

STRATEGIC PLANNING INCLUDES SUCCESSION PLANNING

Operating a successful utility requires technical skills, knowledge of regulatory requirements, financial planning, staff management and other skills. Many utilities experience relatively low turnover which allows staff to gain an in-depth understanding of the local community and build a vast knowledge of the systems and operations at that utility. Stoughton Utilities is not unlike other utilities in having several team members who have been with the utility for a number of years. Unfortunately, when a senior team member decides to retire it can leave a significant knowledge void within the organization. We recommend that management work to establish plans for cross training as well as the development of management skills in the future leaders of the utility in order to allow a smooth transition in these situations. We understand that roughly 20% of the Stoughton Utilities current workforce is eligible for retirement which results in an increased need for proactive planning.

Managements' Response:

Stoughton Utilities has been annually reviewing its succession plan over the last nine years. All employees are cross-trained and seven employees have been registered in the Municipal Electric Utilities of Wisconsin two-year Utility Management Program.

PRIOR YEAR COMMENTS

ACCOUNTABILITY FOR MATERIALS INVENTORY

As part of the annual audit process we complete a physical inspection of a sample of the materials and supplies inventory items. By verifying a sample of the items on the inventory report to the physical items on hand we can gain assurance that the inventory systems and process are operating correctly. During the 2010 physical inventory count we noted small variances between the physical count list and the financial records. Although the amount that was unaccounted for was insignificant it creates a concern over other variances that may exist. Given the current market value of copper and other metals we felt it important to make management and the committee aware of this. We recommend that management review the processes and procedures related to charging out inventory and the year end physical count to ensure that there are no gaps which would allow materials to be used or taken out of the storeroom without being properly documented and charged to the project.

Status 12/31/11: No significant variances were noted during the 2011 audit. We consider this point cleared.

INCORPORATING AN ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC) INTO THE PROJECT ACCOUNTING PROCESS

The utilities annually complete various capital projects, some of which take a significant amount of time and resources. Generally accepted accounting principles and regulatory accounting allow the utility to calculate the financing costs associated with such projects and include this as a portion of the project costs recoverable through rates. There are two methods for calculating the allowance for funds used during construction (AFUDC), one which applies when there is a specific tax exempt borrowing for that project and one which applies the weighted average interest rate on outstanding debt to the project costs during the construction period. The theory is that the utilities could choose to borrow funds to complete the project and use funds on hand to pay down existing debt, therefore there is always a financing cost to such projects.

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PRIOR YEAR COMMENTS (cont.)

INCORPORATING AN ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC) INTO THE PROJECT ACCOUNTING PROCESS (cont.)

We recommend that management develop criteria for the types of projects that will include AFUDC, possibly based on the cost of the project or the duration of the project, and then implement a process to calculate and apply the financing charge to the projects prior to closing. We would be happy to provide management with additional information on the two methods mentioned above.

Status 12/31/11: Management has developed a policy for capitalizing the cost of financing during construction which was followed during 2011. We consider this point cleared.

REVIEWING CUSTOMER ACCOUNTS

The utilities have complex revenue reporting based on customer type, location, meter type or size, usage patterns, etc. It is imperative for accurate financial reporting that each customer account is assigned to the appropriate billing rates as well as reporting categories. Management noted during the year end reconciliations that certain customers who had shifted between electric reporting categories had been updated to the proper billing rates but not the revenue classifications within the general ledger. Although the impact was not material, and it does not change revenues overall, it emphasizes the need for a second review on any new customer accounts or changes to existing accounts to ensure that all billing rates and revenue classifications are consistent and appropriate.

Status 12/31/11: Management has continued to review customer classifications during 2011. All customer accounts with demand meters are reviewed quarterly. This is done as accounts are identified through normal billing processes as well as by periodic analysis of certain classes of customers. We commend management for these efforts and encourage them to continue the ongoing reviews. We consider this point cleared.

MONITORING OF RESTRICTED ASSETS

The utilities maintain several special investment accounts as required by the bond resolutions and the Wisconsin Department of Natural Resources. During the 2010 audit we noted that the amounts maintained in individual investment accounts at the LGIP or with brokers do not always equate on a one to one basis with the restricted funds. As such it is necessary for management to reconcile where the investments are held with the purpose for which they are held. For the December 31, 2010 financial statements management did reclassify certain investments for reporting as DNR replacement funds based on their purpose, not where they are held. The water and electric reserve accounts were overfunded at year end, however we understand these resources are maintained in these investments to maximize returns. We note management calculates the required balances in each of the restricted accounts and that the utilities have sufficient funds on hand to meet all of their current required funding obligations. We recommend that management consider additional reclassifications in the future

Status 12/31/11: During 2011 management has reallocated funds as investments have matured and thus reduced the excess funding within the restricted accounts. We consider this point cleared.

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PRIOR YEAR COMMENTS (cont.)

TREATMENT OF EXCESS SEWER VOLUMES

An analysis of volumes billed for sewer treatment and the total volume treated at the plant revealed that for 2008 the infiltration/inflow (I/I) level was at 38%. Although this was an improvement over the 39% I/I for 2007 this is still a significant level. We realize that 2008 was a very unusual year with the record snowfalls and heavy rains, but we recommend management begin to monitor this on a regular basis to identify when the differences occur and work to eliminate any significant leaks in the system.

Status 12/31/11: The overall I/I level was reduced to 19% in 2011 as a result of ongoing monitoring and the sewer lining program. We commend management for these efforts and anticipate continued improvements in the future.

COMMITMENT TO COMMUNITY PROGRAM

The electric utility retains the commitment to community program funds at the local level for both the conservation and low income programs. We noted that the program spending during 2008 was slightly higher than collections, which indicates that customers are utilizing these programs. However we also noted that the accumulated balance of \$72,000 is still a significant amount of unspent program funds, primarily in energy conservation funds. We encourage management to investigate additional programs for using these funds or promote current programs in the community for increased participation.

Status 12/31/11: During 2011 management worked to utilize the existing funds on hand on several projects including upgrades to energy efficient lighting in several municipal buildings. We consider this point cleared.

TWO WAY COMMUNICATION REGARDING YOUR AUDIT

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 or material misstatements, 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 misstatements to 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 the federal and state awards 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 misstatements.
 - > Design tests of controls, when applicable, and other audit 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.

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TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)

- c. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for reporting material misstatements 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 entity's financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by error or fraud, is 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 utilities committee 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 or the federal or state awards?

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

- a. The utilities' 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 fall. Our final financial fieldwork is scheduled during January 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. We typically perform much of the single audit fieldwork during the financial audit. After single audit fieldwork, we wrap up our single audit procedures at our office and then issue drafts of our report for your review. Final copies of our Report on Federal Awards are issued after approval by your staff. This will be after both the utilities and the city audits are complete, but may vary depending upon 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.

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INTERNAL CONTROLS

In planning and performing our audit of the financial statements of the Stoughton Utilities as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of its 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

COMPLETE SEGREGATION OF DUTIES NOT FEASIBLE

Our review of internal control disclosed a control deficiency in that segregation of duties is not feasible due to the limited number of staff in the office. For example, many reconciliations are prepared by a person who is also involved in the day to day transactions. Although we do not feel this is a material weakness or significant deficiency we do believe it is important that the Committee is aware of this fact.

This situation necessitates an increased amount of management involvement in the day-to-day operation of the system. This is not unusual in utilities of your size, but management should continue to be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Procedures, designed to improve controls, have been established by management including:

- > Authorization of official depository.
- > Review and acceptance of the audit report and management letter.
- > Authorization of capital expenditures.
- > Approval of annual budgets.
- > Cross training of personnel and rotation of duties entailing custody of certain liquid assets.

These procedures are helpful in assuring that management is knowledgeable of and involved with the day-to-day system operations.

Although the above items are beneficial, you should be aware that the following additional controls have not been implemented:

- > Review of the year end accrued payroll
- > Reviews of the monthly receivable reconciliations
- > Review of the reconciliation of open work orders to the construction balance in the ledger
- > Review of the monthly or yearend financial statements.

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COMMUNICATIONS TO UTILITIES COMMITTEE

We have completed our audit of the financial statements of Stoughton Utilities for the year ended December 31, 2011 and have issued our report thereon dated March 16, 2012. This letter presents communications required by our professional standards.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND GOVERNMENT AUDITING STANDARDS

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 and *Government Auditing Standards*. 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 Utilities Committee 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.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Stoughton Utilities' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our city-wide letter about planning matters.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Accounting Policies

Management has the responsibility for 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 utilities are described in Note 1 to the financial statements. We noted no transactions entered into by the utilities 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.

To the Stoughton Utilities Committee

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COMMUNICATIONS TO UTILITIES COMMITTEE (cont.)

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES (cont.)

Accounting Estimates

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 most sensitive estimate affecting the financial statements were the accrual of compensated absences and fair value of the ATC investment. We have reviewed managements' assumptions and methodologies for these estimates.

Financial Statement Disclosures

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing our audit.

AUDIT ADJUSTMENTS

Professional standards require us to accumulate all known and likely misstatement identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the utilities' financial reporting process. Matters underlying adjustments proposed by the auditor could potentially cause future financial statements to be materially misstated. We did not have audit adjustments to the financial statements.

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 auditor's 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 governmental unit'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.

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COMMUNICATIONS TO UTILITIES COMMITTEE (cont.)

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter. This letter is attached.

INDEPENDENCE

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

Relating to our audit of the financial statements of for the year ended December 31, 2011, Baker Tilly Virchow Krause, LLP hereby confirms in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants, that we are, in our professional judgment, independent with respect to the Stoughton Utilities and provided no services to the utilities other than audit services provided in connection with the audit of the current year's financial statements.

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 Utilities' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Utilities Committee and management and is not intended to be, and should not be, used by anyone other than the 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.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

Baker Tilly Virchow Krause, LLP



Stoughton Utilities

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Serving Electric, Water & Wastewater Needs Since 1886

February 2, 2011

Baker Tilly Virchow Krause, LLP
Ten Terrace Court
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Madison, WI 53707

Dear Auditors:

We are providing this letter in connection with your audit of the financial statements of the Stoughton Municipal Utilities as of December 31, 2011 and 2010 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 respective financial position, results of operations, and cash flows of the Stoughton Municipal Utilities in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America.

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.

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

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all –
 - a. Financial records and related data.
 - b. Minutes of the meetings of our governing body and summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.



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4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. All yearend adjustments have been included in the financial statements. We believe the effects of the prior year uncorrected inventory variance was immaterial, both individually and in the aggregate, to the financial statements taken as a whole for the current year.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - 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.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities or fund equity.
10. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Joint ventures
 - b. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - c. Collateralization agreements with financial institutions.
 - d. Guarantees, whether written or oral, under which the utility is contingently liable.
 - e. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including debt contracts and debt covenants; and we have identified and disclosed to you all 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, including legal and contractual provisions for reporting specific activities in separate funds.
12. There are no –
 - a. Violations or possible violations of budget ordinances, provisions of contracts and grant agreements, laws or regulations 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.
 - b. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
 - c. Violations of restrictions placed on revenues as a result of a bond resolution covenants – such as revenue distribution, or debt service funding.

- d. Unasserted claims, assessments or pending lawsuits that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies.
 - e. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
13. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
 14. We have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral other than liens created by our revenue debt.
 15. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
 16. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) are properly classified.
 17. Provisions for uncollectible receivables have been properly identified and recorded.
 18. Interfund activity and balances have been appropriately classified and reported.
 19. Deposits and investment securities are properly classified in category of custodial credit risk.
 20. The investment in ATC is properly valued and all activity has been recorded.
 21. Capital assets are properly capitalized and depreciated. Any known impairments have been disclosed and recorded.
 22. 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.
 23. With regards to the Commitment to Community report, we are responsible for the preparation of the report including its accuracy, completeness and timely filing with the PSCW. We believe this report to be complete and accurate as prepared by WPPI.
 24. We understand that, as part of your audit, you prepared and acknowledge that we have reviewed and approved those entries and understand the impact on the financial statements.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to December 31, 2011 and through the date of this letter that would require adjustment to, or disclosure in, the aforementioned financial statements.

Baker Tilly Virchow Krause, LLP

February 2, 2012

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Signed: Paul P. Kelly

Title/Date: UTILITIES DIRECTOR 2/10/12

Signed: Kim M. J.

Title/Date: Finance Manager 2/2/12