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February 1, 2018

Board of Control
Cooperative Educational Service Agency No. 9
Tomahawk, Wisconsin

Dear Board Members:

We have audited the financial statements of the Cooperative Educational Service Agency No. 9 (the "Agency") for the year ended June 30, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under Auditing Standards Generally Accepted in the United States, *Government Auditing Standards*, the Uniform Guidance, and *State Single Audit Guidelines*

As stated in our engagement letter dated September 1, 2017, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance and *State Single Audit Guidelines*.

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance and *State Single Audit Guidelines*, we examined, on a test basis, evidence about the Agency's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and *State Single Audit Guidelines* applicable to each of its major federal and state programs for the purpose of expressing an opinion on the Agency's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Agency's compliance with those requirements.

Required Supplementary Information Accompanying Audited Financial Statements

We applied certain limited procedures to the schedule of changes in total other post-employment (OPEB) benefit liability and related ratios, the schedule of employer contributions - OPEB, and the schedules of employer's proportionate share of the net pension liability (asset) and employer contributions - Wisconsin Retirement System which are required supplementary information (RSI) that supplements the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Supplementary Information Accompanying Audited Financial Statements

We were engaged to report on the schedules of expenditures of federal awards and state financial assistance, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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, 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.

Other Information in Documents Containing Audited Financial Statements

The auditor's responsibility for other information in documents containing audited financial statements does not extend beyond the financial information identified in our report and we have no obligation to perform any procedures to corroborate other information contained in a document. Our responsibility is to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements.

We are not aware of any documents or other information containing audited financial statements and, furthermore, management has not requested us to devote attention to any documents containing audited financial statements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to your representative, Dr. Karen Wendorf-Heldt, in our engagement letter dated September 1, 2017, which was accepted by Hilary Cordova.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency 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 the period under audit.

We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Qualitative Aspects of Accounting Practices (Continued)

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 management's expectations. The most sensitive estimates affecting the financial statements are:

- The information used for the net pension liability and deferred outflows and inflows of resources related to pensions for the Wisconsin Retirement System (WRS) were provided by WRS and audited by the plan auditor. We reviewed the independent auditor's report, evaluated the competence and independence of the plan auditor, and verified and recalculated the allocation percentage and the amounts allocated to the District for its proportional share of the WRS collective pension amounts.

- The adequacy of the estimated liability for other postemployment benefits is subjective and contingent upon the methods and assumptions used in the actuarial study. We evaluated key factors and assumptions used to develop the liability for other postemployment benefits in determining that it is reasonable in relation to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant 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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed no audit adjustments that could, in our judgment, either individually or in aggregate, have a significant effect on the Agency's financial reporting process.

Disagreements With Management

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

Management Representations

We have requested certain representations from management that are included in the representation letter dated February 1, 2018, a copy of which accompanies this letter.

Management Consultations With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine the consultant has all of the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors for the preceding year. However, these discussions occurred in the normal course of our professional relationship and our responses were not, in our judgment, a condition of our retention.

Internal Control Matters

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

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 deficiencies in the Agency's internal control to be significant deficiencies:

> **Financial Accounting and Reporting** - An organization's internal control over financial reporting does not end at the general ledger, but extends to the financial statements and notes. As part of our professional services for the year ended June 30, 2017, we were requested to draft the financial statements and accompanying notes to the financial statements. The circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.
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> The completeness of the financial statement disclosures and the accuracy of the overall financial presentation are negatively impacted as outside auditors do not have the same comprehensive understanding of the Agency as its internal financial staff. Because the Agency relies on Wipfli LLP to provide the necessary understanding of current accounting and disclosure principles in the preparation of the financial statements, a significant deficiency exists in the Agency's internal controls.

Internal Control Matters (Continued)

Segregation of Duties - The size of the office staff precludes a proper segregation of functions to assure adequate internal control. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. This is not unusual in an organization of your size, but the Board should continue to be aware of this condition and to realize the concentration of duties and responsibilities in a limited number of individuals is not desirable for an effective system of internal control. Without adequate segregation of duties, the likelihood that unauthorized or false transactions will be prevented or detected in a timely fashion is significantly diminished which may result in misstated financial statements. Under those conditions, the most effective controls lie in the Board's knowledge of matters relating to the Agency's operations; however, a significant deficiency exists in the Agency's internal controls. The specific segregation of duties are outlined below.

- Disbursements - One person has the ability to initiate purchases, distribute checks, and enter journal entries into the accounting system.
- Payroll - One person has the ability to change pay rates, process payroll, distribute checks, and make entries in the accounting system.
- Reconciliations - The person performing all balance sheet reconciliations also has access to cash and the general ledger.

We thank the employees and administration of the Cooperative Educational Service Agency No. 9 for the cooperation and assistance given us during our engagement. Should you require additional information on the above communications, we would welcome the opportunity to discuss it with you.

This communication is intended solely for the information and use of management, board of control, others within the Agency, and Wisconsin Department of Public Instruction and includes a description of the scope of our testing of internal control over financial reporting and the results of that testing. The communication related to considering the Agency's internal control over financial reporting is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Wipfli LLP

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