



To the Service Board  
Wisconsin Valley Library Service  
Wausau, Wisconsin

We have audited the financial statements of the governmental activities and the major fund of Wisconsin Valley Library Service (Service) as of and for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the *Wisconsin Public School District Audit Manual* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you as well as verbally during our meetings. Professional standards also require that we communicate to you the following information related to the audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Governmental Auditing Standards, issued by the Comptroller General of the United States and the Wisconsin Public School District Audit Manual**

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the schedules of employer's proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System, schedules of employer's proportionate share of the net OPEB liability and employer contributions – other post-employment benefits, and schedule of revenues, expenditures, and change in fund balance – budget and actual – general fund which supplement the basic financial statements, was to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures did not provide us with sufficient evidence to express an opinion or provide any assurance, we did not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the schedules of expenditures of federal and state awards as indicated in the financial statement's table of contents, which accompany the financial statements but are not RSI. Our responsibility for the supplementary information, as described by professional standards, was to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information was fairly stated, in all material respects, in relation to the financial statements as a whole.

In connection with our audit of the basic financial statements, our responsibility was to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we concluded that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Audit Scope, Significant Risks and Other**

Our audit included examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining 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.

Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Any internal control related matters that are required to be communicated under professional standards are included later in this letter.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Wisconsin Valley Library Service are described in Note 1 to the financial statements. As discussed in Note 1, the Service adopted the provisions of *Governmental Accounting Standards Board Statement No. 87 - Leases* as of and for the year ended December 31, 2022. We noted no transactions entered into by the Service during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of the capital assets is based on industry standards. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of the net pension asset, OPEB liability, and related deferred outflows and inflows are based on actuarially determined amounts. We evaluated the key factors and assumptions used to develop the net pension asset and OPEB liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued compensated absences liability is based upon the number of vested employee hours available and is calculated based on the current wage rates. We evaluated the key factors and assumptions used to calculate the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statement were:

The disclosure of the net pension asset, OPEB liability, related deferred outflows and inflows, and the related risk associated with them in Notes 5 and 6 to the financial statements, respectively. The footnotes were prepared based on the requirements of the Governmental Accounting Standards Board and are intended to inform readers as to the risk associated with the Service's net pension asset and OPEB liability.

The financial statement disclosures 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 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. The misstatements detected as a result of audit procedures and corrected by management were material, individually and in the aggregate, to each opinion unit's financial statements taken as a whole. A listing of these adjustments is attached.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter, dated May 16, 2023.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Service as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Service's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Service's internal control. Accordingly, we do not express an opinion on the effectiveness of the Service's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all material weaknesses or significant 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 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 deficiency in internal control to be a material weakness.

**Material Account Adjustments** – During the audit, we identified and proposed adjustments (which were approved and posted by management) that were material, either individually or in the aggregate, to the Service's financial statements. We recommend that management take steps to ensure all year-end adjustments are identified and posted for financial reporting purposes.

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 Wisconsin Valley Library Service's internal control to be significant deficiencies.

Segregation of Duties - The Service has a limited number of people who are responsible for and perform substantially all of the bookkeeping and accounting functions. Good internal control requires a complete separation of duties with respect to the handling and recording of transactions. In order to provide for an adequate segregation of duties, additional personnel may have to be involved in the performance of the accounting and bookkeeping functions. We recognize that this may not be practicable based on the size of the Service and limited resources. This is not unusual for entities your size, but we are required to inform you that this condition exists. Because some procedural controls do not exist, the board has compensating controls such as approval of invoices and review of receipts and revenues which allow it to rely heavily on its knowledge of the Service's operations in order to safeguard assets.

Financial Reporting - One of the components of internal control over financial reporting is that staff of the Service be sufficiently knowledgeable to record the entity's financial transactions in accordance with generally accepted accounting principles (GAAP) and to prepare the entity's financial statements including the footnotes in accordance with those principles. The Service's staff does not have the training in GAAP to prepare financial statements including the related notes in accordance with GAAP. The Service's management does review the financial statements and footnotes and accepts responsibility for them. This matter is common in most small organizations since they do not have the resources to devote to this area of internal control.

Preparation of the Schedule of Federal and State Awards - The schedule of federal and state awards should be completed and provided to the auditors. This schedule is necessary so that we can determine the appropriate scope of the audit and reporting requirements. The Service was unable to provide us with a schedule of federal and state awards with the appropriate allocation of funds by CFDA number and funding source. The Service's staff does not have the training to prepare the schedule of federal and state awards. This matter is common in small organizations since they do not have the resources to devote to this area of internal control.

### **Internal Control over Compliance**

As part of obtaining reasonable assurance about whether the Service's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Accordingly, we do not express an opinion on compliance. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Wisconsin Public School District Audit Manual*.

### **Other Matters**

In addition, we felt the other matter described in the following paragraph was important to the operations of the Service. This matter may involve internal controls, general operations, recommendations for the adoption of policies, and other such items that we feel will enhance the Service.

## **Prior Year Observations**

### **Formal Policies and Procedures (per 12/31/20 letter)**

During the audit, it was discussed with the executive director that the Service would like to improve on their segregation of duties by formalizing written procedures and duties of the financial employees. We recommend that the Service create job descriptions that include all duties of the financial employees to see where potential problems could occur, and then add additional layers of review. Also, the Service could break up the procedures between employees so one person does not have the ability to perform all functions of a transaction. This process will also be beneficial in the event of the Service hiring new employees to see where a new hire would or would not fit in the process or procedures.

#### **Status (12/31/22)**

The business manager and executive director are working on adding more policies and procedures in 2023. The business manager started by creating a segregation of duties chart in 2022. The executive director and Board also review, approve, and sign all bank reconciliations and adjusting journal entries for additional compensating controls.

### **Cash Concentration of Risk (per 12/31/21 letter)**

The Service should consider the large amounts of cash uninsured and the associated risk. Deposits are insured by a federal agency in the amount of \$250,000 for all time and savings accounts (including NOW accounts) and up to \$250,000 for the combined amount of all interest-bearing accounts per financial institution. Deposits at credit unions are insured up to \$250,000 no matter the type of deposit. We recommend that the Service look into collateral at Peoples State Bank to insure all deposits. In the past, the Service has always had collateral to cover the uninsured amounts.

#### **Status (12/31/22)**

This issue has been resolved.

## **Closing**

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestion with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We thank you for allowing us to be of service to the Wisconsin Valley Library Service. We received complete cooperation and appreciate your consideration of our comments and your implementation of suggestions.

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

*KerberRose SC*

**KerberRose SC**  
**Certified Public Accountants**  
**Oshkosh, Wisconsin**  
May 16, 2023

# Wisconsin Valley Library Service

Year End: December 31, 2022

Adjusting journal entries

Date: 1/1/2022 To 12/31/2022

Number	Date	Name	Account No	Debit	Credit
AJE01	12/31/2022	Abby Bank - CD	1-1000 WVLS	9,443.00	
AJE01	12/31/2022	CoVantage Credit Union - CD	1-1020 WVLS	15,320.00	
AJE01	12/31/2022	Incredible Bank - CD	1-1030 WVLS	14,791.00	
AJE01	12/31/2022	Grants Receivable	1-1250 WVLS	266,608.00	
AJE01	12/31/2022	Accounts Payable	1-2000 WVLS		-14,709.00
AJE01	12/31/2022	2-2220 State WH Tax Payable	1-2220 WVLS	4,366.00	
AJE01	12/31/2022	2-2251 WDC	1-2251 WVLS	1,800.00	
AJE01	12/31/2022	2-2264 AFLAC (pre-tax)	1-2264 WVLS	209.00	
AJE01	12/31/2022	2-2300 Retirement Payable	1-2300 WVLS	5,380.00	
AJE01	12/31/2022	24000 Payroll Liabilities	1-2400 WVLS	27,433.00	
AJE01	12/31/2022	Accrued Payroll	1-2675 WVLS		-9,275.00
AJE01	12/31/2022	Deferred Revenue	1-2800 WVLS		-787,919.00
AJE01	12/31/2022	30000 Opening Balance Equity	1-3000 WVLS	466,553.00	
to adjust fund balance to actual					
AJE02	12/31/2022	Grants Receivable	1-1250 WVLS		-266,608.00
AJE02	12/31/2022	3-2020-251 LSTA Tech Grant	3-2501 WVLS	266,608.00	
To reverse PY Grant receivable					
AJE03	12/31/2022	Deferred Revenue	1-2800 WVLS	787,919.00	
AJE03	12/31/2022	Deferred Revenue	1-2800 WVLS		-851,759.00
AJE03	12/31/2022	2-4100 State Aid	2-4100 WVLS		-787,919.00
AJE03	12/31/2022	2-4100 State Aid	2-4100 WVLS	851,759.00	
To reverse PY deferred revenue and record CY deferred revenue					
AJE04	12/31/2022	Abby Bank - CD	1-1000 WVLS	479.00	
AJE04	12/31/2022	CoVantage Credit Union - CD	1-1020 WVLS	1,791.00	
AJE04	12/31/2022	Incredible Bank - CD	1-1030 WVLS	172.00	
AJE04	12/31/2022	9-4150 Interest Income	9-4150 WVLS		-479.00
AJE04	12/31/2022	9-4150 Interest Income	9-4150 WVLS		-172.00
AJE04	12/31/2022	9-4150 Interest Income	9-4150 WVLS		-1,791.00
To record Abby, Covantage and Incredible Bank Interest on CD					
AJE05	12/31/2022	1200 - Accounts Receivable	1-1200 WVLS	17,940.00	
AJE05	12/31/2022	7-0007 E-Commerce P/T Income	7-0017 WVLS		-17,940.00
To record January - November and December 2022 paypal revenues not received until 2023.					
AJE06	12/31/2022	Grants Receivable	1-1250 WVLS	2,500.00	
AJE06	12/31/2022	Grants Receivable	1-1250 WVLS	10,680.00	
AJE06	12/31/2022	Grants Receivable	1-1250 WVLS	37,034.00	
AJE06	12/31/2022	ECF Grant Revenue	3-2022-260 WVLS		-37,034.00
AJE06	12/31/2022	LSTA System Aids	3-2023-251 WVLS		-13,180.00
To record grant receivables					

AJE07	12/31/2022	Accounts Payable	1-2000 WVLS	14,709.00	
AJE07	12/31/2022	2-6210 Communications	2-6210 WVLS		-33.00
AJE07	12/31/2022	2-6400 Contracts	2-6400 WVLS		-20.00
AJE07	12/31/2022	6-6210 Licensing and Services	6-6210 WVLS		-233.00
AJE07	12/31/2022	6-6650 Lifecycle Management	6-6650 WVLS		-1,361.00
AJE07	12/31/2022	6-0000 LEAN WI Expense:6-6800 Outlay	6-6800 WVLS		-5,970.00
AJE07	12/31/2022	6-0000 LEAN WI Expense:6-6800 Outlay	6-6800 WVLS		-6,965.00
AJE07	12/31/2022	9-6220 Supplies	9-6220 WVLS		-127.00

To remove PY AP

AJE08	12/31/2022	Accounts Payable	1-2000 WVLS		-37,034.00
AJE08	12/31/2022	5-6250 Travel/Cont Ed Expense	5-6250 WVLS		
AJE08	12/31/2022	LEAN WI Infrastructure Joint LWIN	6-6210-303 WVLS	37,034.00	

To record CY AP

AJE09	12/31/2022	Accrued Payroll	1-2675 WVLS	9,275.00	
AJE09	12/31/2022	Accrued Payroll	1-2675 WVLS		-10,019.00
AJE09	12/31/2022	2-6100 Salaries	2-6100 WVLS		-9,275.00
AJE09	12/31/2022	2-6100 Salaries	2-6100 WVLS	10,019.00	

To reverse PY accrued payroll and  
record CY

AJE10	12/31/2022	Prepaid Expenses	1-1300 WVLS	7,120.00	
AJE10	12/31/2022	Accounts Payable	1-2000 WVLS		-7,120.00

To move the debit in AP to Prepaid  
expenses

				<b>2,866,942.00</b>	<b>-2,866,942.00</b>
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**Net Income (Loss)**

5/11/2023

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