

**Cooperative Educational Service
Agency No. 9**

Tomahawk, Wisconsin

Financial Statements and Supplementary Information

Year Ended June 30, 2015

Cooperative Educational Service Agency No. 9

Financial Statements and Supplementary Information

Year Ended June 30, 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of Cooperative Educational Service Agency No. 9 (the "Agency") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate remaining fund information of Cooperative Educational Service Agency No. 9 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the Agency adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the schedules of funding progress and employer contributions - other post-employment benefit plan and schedules of proportionate share of the employer's net pension asset and employer contributions - Wisconsin Retirement System on pages 31 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, and are also not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

December 29, 2015

Rhineland, Wisconsin

Basic Financial Statements

Cooperative Educational Service Agency No. 9

Statement of Net Position

June 30, 2015

<i>Assets and Deferred Outflows of Resources</i>	
Current assets:	
Cash and investments	\$1,200,616
Due from other governments	641,284
Restricted cash and investments	66,730
Total current assets	1,908,630
Noncurrent assets:	
Capital assets not being depreciated	36,519
Capital assets being depreciated	1,310,259
Less - Accumulated depreciation	(521,418)
Total capital assets, net of accumulated depreciation	825,360
Due from other governments	41,276
Net other post-employment benefit asset	54,501
Net pension asset	327,131
Total noncurrent assets	1,248,268
Deferred outflows related to pension	292,588
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$3,449,486
<i>Liabilities and Net Position</i>	
Current liabilities:	
Accounts payable	\$311,403
Accrued and other liabilities:	
Payroll, payroll taxes, and insurance	126,273
Interest	2,297
Due to other governments	224,889
Unearned revenue	439,385
Current portion of long-term obligations	131,367
Total current liabilities	1,235,614
Noncurrent liabilities:	
Notes payable	100,588
Capital lease payable	70,621
Compensated absences	254,403
Total noncurrent liabilities	425,612
Total liabilities	1,661,226
Net position:	
Net investment in capital assets	733,268
Restricted - Retirement benefit	327,131
Unrestricted	727,861
Total net position	1,788,260
TOTAL LIABILITIES AND NET POSITION	\$3,449,486

See accompanying notes to financial statements.

Cooperative Educational Service Agency No. 9

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2015

Operating revenues:	
Charges for services	\$4,583,383
Operating grants and contributions	4,557,727
<u> Total operating revenues</u>	<u>9,141,110</u>
Operating expenses:	
Instruction:	
Vocational	103,982
Special education	2,808,541
<u> Total instruction</u>	<u>2,912,523</u>
Support services:	
Pupil services	426,803
Instructional staff services	3,902,916
General administration services	411,320
Business services	880,457
Operations and maintenance	73,902
Central services	36,504
Insurance	40,535
Agency operations - Unallocated	287,544
Depreciation - Unallocated	33,575
<u> Total support services</u>	<u>6,093,556</u>
<u> Total operating expenses</u>	<u>9,006,079</u>
<u>Operating income</u>	<u>135,031</u>
Nonoperating income (expense):	
Interest and investment earnings	1,449
Interest expense	(9,634)
Assessment for capital debt retirement	19,303
<u> Total nonoperating income (expense)</u>	<u>11,118</u>
Change in net position	146,149
Net position - Beginning of year - As restated	1,642,111
<u>Net position - End of year</u>	<u>\$1,788,260</u>

Cooperative Educational Service Agency No. 9

Statement of Cash Flows

Year Ended June 30, 2015

Increase (decrease) in cash and investments:	
Cash flows from operating activities:	
Cash received for services	\$4,839,733
Operating grants received	4,596,851
Cash paid to suppliers	(5,483,093)
Cash paid to employees for services	(3,347,294)
Net cash provided by operating activities	606,197
Cash flows from noncapital financing activities:	
Principal paid on noncapital debt	(12,463)
Interest paid on noncapital debt	(5,460)
Net cash used in noncapital financing activities	(17,923)
Cash flows from capital and related financing activities:	
Principal paid on capital lease	(12,747)
Interest paid on capital lease	(4,506)
Collection of assessment due from other governments	37,908
Net cash provided by capital and related financing activities	20,655
Cash flows from investing activities - Interest and investment earnings	1,449
Net increase in cash and investments	610,378
Cash and investments at beginning of year	656,968
Cash and investments at end of year	\$1,267,346
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$135,031
Adjustments to reconcile operating income to net cash provided by operating activities:	
Provision for depreciation	33,575
Changes in operating assets and liabilities:	
Due from other governments	60,020
Net pension asset	(9,488)
Net other post-employment benefit asset	8,069
Accounts payable	159,295
Accrued salaries and related items	(39,953)
Due to other governments	93,535
Unearned revenue	141,919
Compensated absences	24,194
Total adjustments	471,166
Net cash provided by operating activities	\$606,197

See accompanying notes to financial statements.

Cooperative Educational Service Agency No. 9

Statement of Plan Net Position

June 30, 2015

	Employee Benefit Trust
	Other Post-Employment Benefits
Assets:	
Cash and investments	\$377,524
Internal balances	50,616
TOTAL ASSETS	\$428,140
Liabilities - Accounts payable	\$42,495
Net position - Restricted for OPEB	385,645
TOTAL LIABILITIES AND NET POSITION	\$428,140

Cooperative Educational Service Agency No. 9

Statement of Changes in Plan Net Position

Year Ended June 30, 2015

	<u>Employee Benefit Trust</u> <u>Other</u> <u>Post-Employment Benefits</u>
Additions:	
Employer contributions	\$48,097
Employee contributions	24
Investment earnings	7,399
<hr/> Total additions	<hr/> 55,520
<hr/> Deductions - Post-employment benefits	<hr/> 50,592
Change in plan net position	4,928
Plan net position - Beginning of year	380,717
<hr/> Plan net position - End of year	<hr/> <hr/> \$385,645

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Introduction

The financial statements of Cooperative Educational Service Agency No. 9 (the "Agency") have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Agency are described below.

Reporting Entity

The Agency is an agency formed under Chapter 116 of the Wisconsin Statutes. Cooperative educational service agencies are designed to serve educational needs in all areas of Wisconsin by serving as a link both between school districts and between school districts and the State. Cooperative educational service agencies may provide leadership and coordination services for school districts, including such programs as curriculum development assistance, school district management development, coordination of vocational education and exceptional education, research, special student classes, human growth and development, data collection, processing and dissemination, and in-service programs. The Agency is governed by a Board of Control composed of 11 school board members who are elected from the districts within the Agency's boundaries.

This report includes all of the funds of the Agency. The reporting entity for the Agency consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Reporting Entity (Continued)

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

New Accounting Pronouncements

Management adopted the provisions of the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. The statement establishes new requirements for the Agency to report a net pension liability (asset) for the unfunded (overfunded) portion of its pension plans and deferred outflows of resources and deferred inflows of resources related to pension plans. See Note 11 for the restatement of the beginning net position.

The Agency has not evaluated the potential impact of these changes.

Basis of Presentation

The statement of net position and the statements of activities and cash flows present financial information about the Agency's business-type activities. These statements include the financial activities of the overall Agency in its entirety. Eliminations have been made to minimize the double counting of internal transactions.

Assets legally held in trust for the Agency's post-employment benefits are accounted for in an employee benefit trust fund.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the Agency may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Deposits and Investments

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less and shares in the local government investment pool. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

State Statutes permit the Agency to invest available cash balances, other than debt service funds, in time deposits (maturing in not more than three years) of authorized depositories, U.S. Treasury obligations, U.S. agency issues, municipal obligations within Wisconsin, high-grade commercial paper, and the local government pooled investment fund administered by the state investment board.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Deposits and Investments (Continued)

Funds held in the Employee Benefit Trust Fund to provide for post-employment health care benefits and other post-employment benefits may be invested in any kind of property or type of investment consistent with the prudent investor rule set forth in WI Stat. 881.01. This rule requires the trustee of an Employee Benefit Trust Fund to exercise reasonable care, skill, and caution when investing and managing the assets of the trust.

All investments are stated at fair market value. Determination of fair value for investment in the local government investment pool is based on information provided by the State of Wisconsin Investment Board.

Receivables

All accounts receivable are shown at gross amounts, and, where appropriate, are reduced by an allowance for uncollectible amounts. No allowance for uncollectible accounts has been provided since such allowance would not be material.

Capital Assets

Capital assets are recorded at historical cost, or estimated historical cost for assets for which actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Agency maintains a threshold level of \$5,000 or more for capitalizing capital assets. The system for accumulation of capital assets cost data does not provide the means for determining the percentage of assets valued at actual cost and those valued at estimated cost.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared no longer needed by the Agency, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 50 years for buildings and three to seven years for equipment and vehicles. Depreciation expense that can be specifically identified by function is included in direct expenses of each function.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Capital Assets (Continued)

Capital assets not being depreciated include land.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

The Agency does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots, which would be classified as infrastructure. Such items are considered to be part of the cost of buildings or other improvable property.

Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, the Agency has two items that qualify for reporting in this category. The Agency reports deferred outflows of resources related to pensions and Agency contributions to pension plans subsequent to the measurement date of the collective net pension asset.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the Agency has no items that qualify for reporting in this category.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Vacation - Employees are granted vacation in varying amounts. Administrative staff are allowed to accumulate up to 15 days of vacation, which will be paid upon termination or resignation. Otherwise, the Agency does not allow unused vacation to accumulate and vest.

Retirement Plans - Agency employees participate in the Wisconsin Retirement System. All contributions made by the Agency on behalf of its employees are reported as expenditures when paid.

Accumulated Sick Pay - Depending on the contract, sick leave may be accumulated up to a maximum of 102 to 110 days. Accumulated sick leave does not vest.

Other Post-Employment Benefits - As provided in applicable negotiated contracts, Agency employees meeting a minimum age and length of service requirements may utilize accumulated sick leave to participate in the Agency's group health insurance program upon retirement until they reach age 65.

Agency Pension Plan

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt. Net position is reported as restricted in the financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use externally restricted resources first.

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services to participating school districts. The principal operating revenues are federal and state grants and charges for services. Operating expenses include the direct costs of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Subsequent Events

Subsequent events have been evaluated through December 29, 2015, which is the date the financial statements were available to be issued.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 2 **Stewardship and Accountability**

Budgetary Accounting

Operating budgets are adopted each fiscal year in accordance with Section 65.90 of the Wisconsin Statutes. The legally adopted budget and budgetary expenditure control is exercised at the function level for all cost centers. Budget amounts may be amended by Board of Control resolution. There were no supplemental appropriations during the year. Appropriations lapse at year-end unless specifically carried over.

The Agency follows these procedures in establishing the annual budget:

- Upon approval by the Professional Advisory Committee (PAC) executive committee, full PAC, and Board of Control, funding formulas are established for developing annual service budgets.
- Based on requests from CESA 9 school districts and agency staff, agency administration prepares and recommends budget proposals to the Board of Control.
- The Board of Control reviews and approves the proposed budgets, including expenditures and the means of financing them (revenue) for the July 1 through June 30 fiscal year.
- Appropriations lapse at year-end unless authorized as a carryover by the Board of Control.

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$2,903 of the Agency's bank balance of \$1,029,658 was exposed to custodial credit risk.

Investments

Interest Rate Risk - The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State Statutes limit the maturity of commercial paper and corporate bonds to not more than seven years.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 3 Cash and Investments

Investments (Continued)

Credit Risk - State Statutes limit investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ratings are not required, or available, for mutual funds or the Wisconsin Local Government Investment Pool (LGIP). The Agency has no investment policy that would further limit its investment choices.

The Agency's cash and investment balances at June 30, 2015, were as follows:

	<u>Fair Value</u>
Local Government Investment Pool (less than 30 day weighted average maturity)	\$8,813
Cash deposits with financial institutions carrying amount	1,191,703
Petty cash	100
<u>Cash and investments reported on statement of net position</u>	<u>\$1,200,616</u>

The Agency has invested funds in the LGIP. The LGIP is an investment pool managed by the State of Wisconsin Investment Board, which allows governments within the state to pool their funds for investment purposes. The LGIP is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2(a)7 of the Investment Company Act of 1940. Investments in the LGIP are valued at fair value.

Other Post-Employment Benefit Trust Investments

At June 30, 2015, the other post-employment benefit trust held the following types of investments:

	<u>Fair Value</u>
<u>Mutual funds - Fixed income</u>	<u>\$379,437</u>

Restricted Cash

Restricted cash of \$66,730 at June 30, 2015, represents amounts that have been assessed and collected in advance for future debt service payments.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 4 Short-Term Notes Payable

The Agency issued a line of credit for \$500,000 with interest at 5.25% in advance of the receipt of federal and state aids to allow the Agency to pay its operating expenditures. There was no activity on this line for the year ended June 30, 2015.

Note 5 Capital Assets

Capital asset balances and activity for the year ended June 30, 2015, were as follows:

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
Capital assets not being depreciated -				
Land	\$36,519	\$0	\$0	\$36,519
Capital assets being depreciated:				
Buildings and building improvements	1,181,533			1,181,533
Vehicles	17,770			17,770
Furniture and equipment	121,241		10,285	110,956
Total capital assets being depreciated	1,320,544		10,285	1,310,259
Less accumulated depreciation for:				
Buildings and building improvements	372,184	23,631		395,815
Vehicles	17,771			17,771
Furniture and equipment	108,173	9,944	10,285	107,832
Total accumulated depreciation	498,128	33,575	10,285	521,418
Total capital assets being depreciated, net of accumulated depreciation	822,416	(33,575)		788,841
Capital assets - Net	\$858,935	(\$33,575)	\$0	\$825,360

Depreciation expense was charged as follows:

Unallocated	\$33,575
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Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 6 Long-Term Obligations

Long-term obligations of the Agency at June 30, 2015, were as follows:

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts Due Within One Year
Notes payable	\$126,000	\$0	\$12,463	\$113,537	\$12,949
Capital leases	87,770		12,747	75,023	4,402
Compensated absences	344,225	114,016	89,822	368,419	114,016
Totals	\$557,995	\$114,016	\$115,032	\$556,979	\$131,367

All long-term debt is being collected through charges to participating school districts within the Agency's district either by payments made up front or as a percentage of wages paid for services. This particular debt is a refinancing of the Wisconsin Retirement System's unfunded liability. Long-term debt at June 30, 2015, is composed of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Balance 6/30/2015
Notes payable	1/27/2003	4.5%	1/27/2023	\$113,537

Aggregate cash flow requirements for the retirement of long-term principal and interest, based on an interest rate of 4.5% on June 30, 2015, follows:

Year Ended June 30	Principal	Interest	Total
2016	\$12,949	\$4,975	\$17,924
2017	13,542	4,382	17,924
2018	14,162	3,762	17,924
2019	14,810	3,114	17,924
2020	15,488	2,436	17,924
2021-2023	42,586	2,947	45,533
Totals	\$113,537	\$21,616	\$135,153

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 7 **Capital Leases, as Lessee**

The Agency leases its building from the City of Tomahawk. Capital assets include the following amounts for leases that have been capitalized:

Building	\$1,181,533
Less - Accumulated amortization	395,813
<hr/>	
Net	\$785,720
<hr/>	

Lease amortization is included in depreciation expense.

Future minimum payments, by year and in the aggregate, assuming no prepayment, consist of the following as of June 30, 2015:

2016	\$5,749
2017	11,498
2018	11,498
2019	11,498
2020	11,498
2021-2023	34,499
<hr/>	
Total minimum lease payments	86,240
Amount representing interest	11,217
<hr/>	
Present value of net minimum lease payments	75,023
Less - Current portion	4,402
<hr/>	
Long-term obligations under capital lease	\$70,621
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This lease is being charged to the school districts within the Agency's territory per an agreement established between the Agency and the districts. Districts are billed semi-annually. As of June 30, 2015, \$5,859 has been received from districts for future lease payments.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 8 Employee Retirement Plans- Wisconsin Retirement System (WRS)

Plan Description - The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Vesting - For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits Provided - Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings are the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 8 **Employee Retirement Plans - Wisconsin Retirement System (WRS)** (Continued)

Post-Retirement Adjustments - The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2005	2.6%	7%
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1%)	(42%)
2010	(1.3%)	22%
2011	(1.2%)	11%
2012	(7.0%)	(7%)
2013	(9.6%)	9%
2014	4.7%	25%

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 8 Employee Retirement Plans - Wisconsin Retirement System (WRS) (Continued)

Contributions - Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, executives, and elected officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$132,726 in contributions from the employer.

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives and Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions - At June 30, 2015, the Agency reported an asset of \$327,131. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 30, 2013, rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Agency's proportion of the net pension asset was based on the Agency's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the Agency's proportion was .01331819%, which was a decrease of .00029783% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the Agency recognized pension expense of \$134,682.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 8 Employee Retirement Plans - Wisconsin Retirement System (WRS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) - At June 30, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$47,424	\$0
Net differences between projected and actual earnings on pension plan investments	158,413	
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,677	
Employer contributions subsequent to the measurement date	75,074	
Total	\$292,588	\$0

\$75,074 reported as deferred outflows related to pension resulting from the Agency's contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$53,078	\$0
2017	53,078	
2018	53,078	
2019	53,078	
2020	5,202	

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 8 Employee Retirement Plans - Wisconsin Retirement System (WRS) (Continued)

Actuarial Assumptions - The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the investment:

Actuarial Valuation Date	December 31, 2013
Measurement Date of Net Pension Liability (Asset)	December 31, 2014
Actuarial Cost Method	Entry Age
Asset Valuation Method	Fair Market Value
Long-Term Expected Rate of Return	7.2%
Discount Rate	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

**No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2014, is based upon a roll-forward of the liability calculated from the December 31, 2013, actuarial valuation.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 8 Employee Retirement Plans - Wisconsin Retirement System (WRS) (Continued)

Actuarial Assumptions (Continued) - Long-term Expected Return on Plan Assets: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	(20%)

Single Discount Rate: A single discount rate of 7.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 8 Employee Retirement Plans - Wisconsin Retirement System (WRS) (Continued)

Actuarial Assumptions (Continued) - Sensitivity of the Agency's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate: The following presents the Agency's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, as well as what the Agency's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage point higher (8.20%) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$922,893	(\$327,131)	(\$1,314,350)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

Note 9 Other Post-Employment Benefits

The Agency administers a single-employer defined benefit health care plan. The plan provides medical insurance benefits to eligible retirees and their spouses through the Agency's group medical insurance plan, which covers both active and retired members. Benefit provisions are established through Board policy. The eligibility requirements are based on the retiree's position, years of service, and age at retirement. The plan does not issue a stand-alone report.

The contribution requirements of plan members are based on Board policy in effect on the date of retirement. The Agency's contribution is established annually based on an amount to pay current premiums and an additional amount to prefund benefits. For fiscal year 2015, the Agency contributed \$20,593 to the plan for current premiums (approximately 55% of total premiums). Plan members receiving benefits contributed \$16,865 (approximately 45% of total premiums).

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 9 Other Post-Employment Benefits (Continued)

The Agency's annual other post-employment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) over a period not to exceed 30 years. The following table shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Agency's net OPEB asset:

Annual required contribution	\$49,622
Interest on net OPEB obligation	(3,129)
Adjustment to annual required contribution	4,071
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Annual OPEB cost	50,564
Contributions made	42,495
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Decrease in net OPEB asset	8,069
Net OPEB asset - Beginning of year	(62,570)
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Net OPEB asset - End of year	(\$54,501)
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The Agency's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the current and preceding two fiscal years ended June 30, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
<hr/>			
6/30/2015	\$50,564	84.0%	(\$54,501)
6/30/2014	\$50,628	91.6%	(\$62,570)
6/30/2013	\$50,172	160.4%	(\$66,818)

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 9 Other Post-Employment Benefits (Continued)

The funded status as of July 1, 2012, the most recent actuarial valuation date, was 61% funded. The actuarial accrued liability for benefits was \$545,937 and the actuarial value of assets was \$334,288, resulting in an unfunded actuarial accrued liability (UAAL) of \$211,649. The covered payroll (annual payroll of active employees covered by the plan) was \$1,967,220 and the ratio of the UAAL to the covered payroll was 10.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care costs trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress and employer contributions - other post-employment benefit plan, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits, for financial reporting purposes, are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5% rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio, and an annual health care cost trend rate of 10% initially, reduced by decrements to a rate of 5% after five years. Both rates include a 4% inflation assumption. The actuarial value of the plan assets was equal to the market value as of the date of the actuarial valuation. The plan's unfunded actuarial liability is being amortized using the level dollar amortization method on an open basis. The remaining amortization period at July 1, 2012, was 30 years.

Cooperative Educational Service Agency No. 9

Notes to Financial Statements

Note 10 Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency insures through commercial insurance companies for identified risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There was no significant reduction in the Agency's insurance coverage in fiscal 2015.

Note 11 Prior Year Restatement

As a result of the implementation of GASB Statement No. 68, the governmental activities' beginning net position was restated as follows:

Balance at July 1, 2014	\$1,031,880
Add beginning net pension asset for WRS	536,811
Add deferred outflows of resources - Contributions after measurement date	73,420
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Balance at July 1, 2014, as restated	\$1,642,111
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Note 12 Subsequent Events

In August 2015, the Agency borrowed \$500,000 on their open line of credit with an interest rate of 5.25%. The Agency also committed to starting a \$1,850,000 software project.

Required Supplementary Information

Cooperative Educational Service Agency No. 9

Schedules of Funding Progress and Employer Contributions - Other Post-Employment Benefit Plan

Year Ended June 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2012	\$334,288	\$545,937	\$211,649	61.2%	\$1,967,220	10.8%
7/1/2009	\$242,215	\$411,430	\$169,215	58.9%	\$2,128,876	7.9%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2015	\$49,622	85.6%
2014	\$49,622	93.5%
2013	\$49,622	162.2%
2012	\$32,179	118.7%
2011	\$33,205	145.7%
2010	\$33,205	147.8%

Note: Data in the schedule of funding progress was taken from the report issued by the actuary hired by the Agency.

Cooperative Educational Service Agency No. 9

Schedules of Employer's Proportionate Share of the Net Pension Asset and Employer Contributions - Wisconsin Retirement System (WRS)

Year Ended June 30, 2015

2015

Schedule of Employer's Proportionate Share of the Net Pension Asset

Agency's proportion of the net pension asset	0.0133%
Agency's proportionate share of the net pension asset	\$327,131
Agency's covered-employee payroll during the measurement period	1,896,084
Agency's proportionate share of the net pension asset as a percentage of its covered-employee payroll	17.25%
Plan fiduciary net position as a percentage of the total pension asset	102.74%

Schedule of Employer Contributions

Contractually required contribution for the fiscal period	\$134,682
Contributions in relation to the contractually required contribution	134,682

Contribution excess \$0

Agency's covered employee payroll for the fiscal period	\$1,951,261
Contributions as a percentage of covered-employee payroll	6.90%

Notes to the Schedules

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions.

Supplementary Information

Cooperative Educational Service Agency No. 9

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Awarding Agency Pass-Through Agency Award Description	Program Period	Federal Catalog Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<u>Title I Cluster</u>			
<u>Wisconsin Department of Public Instruction</u>			
Title I Network	July 1, 2014 - June 30, 2015	84.010	\$80,000
<u>Special Education Cluster</u>			
<u>Wisconsin Department of Public Instruction</u>			
IDEA Discretionary - UDL	July 1, 2012 - June 30, 2013	84.027	7,273
IDEA Discretionary - RSN/CSPD	July 1, 2014 - June 30, 2015	84.027	259,265
<u>CESA #5</u>			
Positive Behavior Intervention Strategies - External Coach Subsidy	July 1, 2014 - June 30, 2015	84.027	6,027
Positive Behavior Intervention Strategies	July 1, 2014 - June 30, 2015	84.027	104,251
<u>CESA #6</u>			
DTAN Summit Conference	July 1, 2014 - June 30, 2015	84.027	117,331
<u>CESA #12</u>			
Parent Educators	July 1, 2014 - June 30, 2015	84.027	1,804
Total CFDA #84.027			495,951
<u>Wisconsin Department of Public Instruction</u>			
Early Childhood Collaborating Partners	September 1, 2013 - August 31, 2014	84.173	4,251
	September 1, 2014 - August 31, 2015		11,086
IDEA Preschool - Community Planning	July 1, 2014 - June 30, 2015	84.173	100,500
<u>CESA 4</u>			
IDEA Preschool - Early Childhood	July 1, 2014 - June 30, 2015	84.173	3,750
Early Childhood Curricular and Assessment	July 1, 2014 - June 30, 2015	84.173	1,500
Total CFDA #84.173			121,087
Total Special Education Cluster			617,038
Vocational Education Act - Carl Perkins	July 1, 2014 - June 30, 2015	84.048	130,639
<u>CESA 7</u>			
Gear Up Grant	July 1, 2014 - June 30, 2015	84.334	12,157
<u>Wisconsin Department of Public Instruction</u>			
ESEA Title III-A English Language Acquisition	July 1, 2014 - June 30, 2015	84.365	20,357
TOTAL FEDERAL AWARDS			\$860,191

See Independent Auditor's Report.

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

Cooperative Educational Service Agency No. 9

Schedule of Expenditures of State Financial Assistance

Year Ended June 30, 2015

Awarding Agency Pass-Through Agency Award Description	State I.D. Number	Accrued (Unearned Revenue) July 1, 2014	Grantor Reimbursement	Grantor Expenditures	Accrued (Unearned Revenue) June 30, 2015
<u>Cost Reimbursement Programs</u>					
<u>Wisconsin Department of Public Instruction</u>					
Educator Effectiveness	255.301				
October 4, 2013 - June 30, 2014		\$11,563	\$11,563	\$0	\$0
July 1, 2014 - June 30, 2015			37	68,580	68,543
May 14, 2014 - June 30, 2014		36,827	36,827		
<u>CESA #11</u>					
Peer Review and Mentoring	255.301				
July 1, 2013 - June 30, 2014		25,000	25,000		
July 1, 2014 - June 30, 2015			19,613	25,000	5,387
WISH AODA Supplemental	255.306				
January 1, 2014 - June 30, 2015			4,754	8,000	3,246
WISH					
July 1, 2013 - June 30, 2014		3,201	3,201		
July 1, 2014 - June 30, 2015			52,146	56,050	3,904
Youth Suicide Prevention					
July 1, 2013 - September 30, 2013			6,797	8,150	1,353
<u>Wisconsin Department of Public Instruction</u>					
Financial Literacy Innovation	255.350				
June 1 2014 - June 30, 2015		16,717	30,000	13,283	
<u>Department of Workforce Development</u>					
Youth Apprenticeship	455.107				
July 1, 2013 - December 31, 2014		22,932	26,408	3,476	
July 1, 2014 - June 30, 2015			3,220	25,428	22,208
Total Cost Reimbursement Programs		\$116,240	219,566	\$207,967	\$104,641
<u>Entitlement Programs</u>					
<u>Wisconsin Department of Public Instruction</u>					
CESA Administration	255.001				
July 1, 2014 - June 30, 2015			21,717		
Special Education and School Age Parents	255.101				
July 1, 2014 - June 30, 2015			249,409		
<u>CESA #5</u>					
Special Education and School Age Parents	255.101				
July 1, 2014 - June 30, 2015			5,237		
<u>CESA #8</u>					
Special Education and School Age Parents	255.101				
July 1, 2014 - June 30, 2015			2,295		
Total Entitlement Programs			278,658		
TOTAL STATE FINANCIAL ASSISTANCE			\$498,224		

See Independent Auditor's Report.

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

Cooperative Educational Service Agency No. 9

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance

Note 1 **Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance (the "Schedules") include the federal and state grant activity of the Agency under programs of the federal and state government for the year ended June 30, 2015. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, *State Single Audit Guidelines*, and Wisconsin Department of Public Instruction. Because the schedules present only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Agency.

Note 2 **Summary of Significant Accounting Policies**

Expenditures reported on the schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Other Reports



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate remaining fund information of Cooperative Educational Service Agency No. 9 (the "Agency") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting ("internal control") to determine the audit 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 Agency's internal control.

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 Agency's financial statements will not be prevented or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2015-001 and 2015-002.

Compliance and Other Matters

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 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, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Responses to Findings

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

December 29, 2015
Rhineland, Wisconsin



Independent Auditor's Report on Compliance For Each Major Federal and State Program and on Internal Control Over Compliance

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

Report on Compliance for Each Major Federal and State Program

We have audited Cooperative Educational Service Agency No. 9's (the "Agency") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2015. The Agency's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its major federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the Agency's compliance.

Opinion on Each Major Federal and State Program

In our opinion, Cooperative Educational Service Agency No. 9 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency in internal control over compliance, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

December 29, 2015
Rhineland, Wisconsin

Cooperative Educational Service Agency No. 9

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Section I - Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Noncompliance material to the financial statements? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)? No

Identification of major federal program:

CFDA Number

84.027 and 84.173

Name of Federal Program or Cluster

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000

Auditee qualified as a low-risk auditee? Yes

Cooperative Educational Service Agency No. 9

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2015

Section I - Summary of Audit Results (Continued)

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with *State Single Audit Guidelines*? No

Identification of major state programs:

State I.D. Number

Name of State Program

255.101

Special Education and School Age Parents

Section II - Financial Statement Findings

2015-001 Financial Accounting and Reporting

Condition - The Agency'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, 2015, we were requested to draft the financial statements and accompanying notes to the financial statements. 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. 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.

Criteria - *Government Auditing Standards* considers the inability to report financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP) to be a significant deficiency in internal controls.

Cooperative Educational Service Agency No. 9

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2015

Section II - Financial Statement Findings (Continued)

2015-001 Financial Accounting and Reporting (Continued)

Effect - 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.

Recommendation - We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response - We have chosen to accept the degree of risk associated with this condition at this time because of cost and training time factors. It will be addressed at a point and time when necessary.

2015-002 Segregation of Duties

Criteria - The lack of proper segregation of duties is considered a significant deficiency in internal controls.

Condition - 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. The Board should continue to be aware of this condition and to realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable for an effective system of internal control. 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.

Effect - 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.

Recommendation - We recommend management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response - We are aware of this situation and continue to monitor it on a regular basis. With the limited staff on hand, the Agency has attempted to segregate a reasonable amount of responsibilities to others outside the business office in an effort to maintain proper internal control. The Agency accepts the degree of risk associated with this condition because of cost or other considerations.

Cooperative Educational Service Agency No. 9

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2015

Section III - Federal and State Findings and Questioned Costs

None

Section IV- Other Issues

Does the auditor's report or notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e. material non-compliance, nonmaterial noncompliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenues, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with *State Single Audit Guidelines*:

Department of Public Instruction No

Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

Name and signature of partner



Randall H. Beard, CPA

Date of Report

December 29, 2015

Cooperative Educational Service Agency No. 9

Schedule of Prior Audit Findings

Year Ended June 30, 2015

2014-001 Financial Accounting and Reporting

This is a repeat finding for 2015. Current Year Finding 2015-001.

2014-002 Segregation of Duties

This is a repeat finding for 2015. Current Year Finding 2015-002.