

**WOOD COUNTY
SPECIAL EDUCATION COOPERATIVE**

FINANCIAL STATEMENTS

AUGUST 31, 2018



ARNOLD, WALKER, ARNOLD, & Co., P.C.

Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A., P.F.S.
Lanny G. Walker, C.P.A., P.F.S.
Kris Arnold, C.P.A., P.F.S.
Andrew T. Arnold, C.P.A.
Melissa J. Godfrey, C.P.A.

MEMBER
American Institute Of
Certified Public Accountants

Texas State Society Of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Member Schools
Wood County Special Education Cooperative
Mineola, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each fund of the Cooperative funds of the Wood County Special Education Cooperative as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements.

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 of America; 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 of America 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 respective financial position of the governmental activities and the aggregate remaining fund information of the Cooperative, as of August 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

October 31, 2018

915 N. Jefferson Street • PO Box 1217 • Mt. Pleasant, Texas 75456-1217 • (903) 572-6606 • Fax (903) 572-3751
Email: firm@awacpa.com

GOVERNMENT WIDE STATEMENTS

Wood County Special Education Cooperative
STATEMENT OF NET POSITION
August 31, 2018

ASSETS	
Cash and Cash Equivalents	693,455
Capital Assets:	
Land	96,702
Buildings, Net	1,805,508
Vehicles, Furniture, and Equipment, Net	<u>300,891</u>
Total Assets	<u><u>2,896,556</u></u>
LIABILITIES	
Accrued Wages Payable	<u>55,897</u>
Total Liabilities	<u><u>55,897</u></u>
NET POSITION:	
Invested in Capital Assets	2,203,101
Restricted	<u>637,558</u>
Total Net Position	<u><u>2,840,659</u></u>

The notes to the financial statements are an integral part of this statement.

Wood County Special Education Cooperative
STATEMENT OF ACTIVITIES
For the year ended August 31, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Instruction	1,225,764	417,319	642,490	(165,955)
Curriculum and Staff Development	16,005	16,005	-	-
Instructional Leadership	71,193	71,193	-	-
Guidance, Counseling, and Evaluation Services	601,556	220,056	381,500	-
Health Services	98,429	53,892	44,537	-
Student (Pupil) Transportation	394,168	164,435	142,063	(87,670)
General Administration	99,364	84,252	-	(15,112)
Facilities Maintenance and Operations	97,041	97,041	-	-
Security & Monitoring Services	21,457	21,457	-	-
Data Processing Services	14,854	14,854	-	-
Facilities Acquisition and Construction	-	-	-	-
Community Services	5,000	5,000	-	-
Payments related to Shared Service Arrangements	74,500	74,500	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	<u>2,719,331</u>	<u>1,240,004</u>	<u>1,210,590</u>	<u>(268,737)</u>

General Revenues and Other Sources:

Investment Earnings and Other	13,075
Transfer from Mineola I.S.D.	99,489
Loss on sale of assets	(186,689)
Other income	18,841
	<u>18,841</u>

Total General Revenues and Other Sources (55,284)

Change in Net Position (324,021)

Net Position--Beginning 3,164,680

Net Position--Ending 2,840,659

The notes to the financial statements are an integral part of this statement.

**GOVERNMENTAL FUND FINANCIAL
STATEMENTS**

Wood County Special Education Cooperative
 Balance Sheet
 Cooperative Funds
 August 31, 2018

	313	314	315	434	437	Total
	SSA IDEA, Part B Formula	SSA IDEA, Part B Preschool	SSA IDEA, Part B Discretionary	SSA-SSVI Visually Impaired	SSA-Special Education	Cooperative Funds
ASSETS						
Cash and Cash Equivalents	-	-	-	-	693,455	693,455
Total Assets	-	-	-	-	693,455	693,455
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accrued Wages Payable	-	-	-	-	55,897	55,897
Total Liabilities	-	-	-	-	55,897	55,897
Fund Balance:						
Other Restricted Fund Balance	-	-	-	-	637,558	637,558
Total Fund Balance	-	-	-	-	637,558	637,558
Total Liabilities and Fund Balance	-	-	-	-	693,455	693,455

The notes to the financial statements are an integral part of this statement.

WOOD COUNTY SPECIAL EDUCATION COOPERATIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
August 31, 2018

Total Fund Balances- Governmental Funds	637,558
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including the beginning balances for capital assets is to increase (decrease) net position.	2,542,708
The book value of assets dispositions should be shown as a decrease in capital assets on the government-wide financial statements.	(199,500)
The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(140,107)
Net Position of Governmental Activities	<u><u>2,840,659</u></u>

The notes to the financial statements are an integral part of this statement.

Wood County Special Education Cooperative
Statement of Revenues, Expenditures, and Changes in Fund Balance
Cooperative Funds
For the year ended August 31, 2018

	313	314	315	434	437	Total
	SSA IDEA, Part B Formula	SSA IDEA, Part B Preschool	SSA IDEA, Part B Discretionary	SSA-SSVI Visually Impaired	SSA-Special Education	Cooperative Funds
REVENUES:						
Total Local and Intermediate Sources	-	-	-	-	1,271,920	1,271,920
State Program Revenues	-	-	-	1,125	-	1,125
Federal Program Revenues	996,799	30,719	181,947	-	-	1,209,465
Total Revenues	996,799	30,719	181,947	1,125	1,271,920	2,482,510
EXPENDITURES:						
Instruction	428,699	30,719	181,947	1,125	545,949	1,188,439
Curriculum and Instructional Staff Development	-	-	-	-	16,005	16,005
Instructional Leadership	-	-	-	-	71,193	71,193
Guidance, Counseling and Evaluation Services	381,500	-	-	-	220,056	601,556
Health Services	44,537	-	-	-	53,892	98,429
Student (Pupil) Transportation	142,063	-	-	-	164,435	306,498
General Administration	-	-	-	-	84,252	84,252
Facilities Maintenance and Operations	-	-	-	-	97,041	97,041
Security & Monitoring Services	-	-	-	-	21,457	21,457
Data Processing Services	-	-	-	-	14,854	14,854
Community Services	-	-	-	-	5,000	5,000
Facilities Acquisition and Construction	-	-	-	-	-	-
Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-	74,500	74,500
Total Expenditures	996,799	30,719	181,947	1,125	1,368,634	2,579,224
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	(96,714)	(96,714)
OTHER FINANCING SOURCES (USES):						
Transfers In from General Fund	-	-	-	-	99,489	99,489
Sale of Assets	-	-	-	-	12,811	12,811
Total Other Financing Sources (Uses)	-	-	-	-	112,300	112,300
Net Change in Fund Balance	-	-	-	-	15,586	15,586
Fund Balance - September 1 (Beginning)	-	-	-	-	621,972	621,972
Fund Balance - August 31 (Ending)	-	-	-	-	637,558	637,558

The notes to the financial statements are an integral part of this statement.

WOOD COUNTY SPECIAL EDUCATION COOPERATIVE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Total Net Change in Fund Balances- Governmental Funds	15,586
The book value of asset dispositions should be shown as a decrease in capital assets on the government wide financial statements.	(199,500)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(140,107)
Net Position of Governmental Activities	<u><u>(324,021)</u></u>

The notes to the financial statements are an integral part of this statement.

WOOD COUNTY SPECIAL EDUCATION COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wood County Special Education Cooperative (the "Cooperative") is a shared service arrangement for special education services in Wood County, Texas formed by school districts within the county. Member districts are Alba-Golden, Hawkins, Quitman, Yantis, and Mineola. Mineola I.S.D. serves as the fiscal agent. The Cooperative is governed by representatives from each of the member districts. The Cooperative prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the WOOD COUNTY SPECIAL EDUCATION COOPERATIVE activities. *Governmental activities* include programs supported primarily by State foundation funds, grants, and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the Cooperative operates have shared in the payment of the direct costs. Direct costs are those that are clearly identifiable with a specific function. Program revenues of the Cooperative include charges for services and operating grants and contributions. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the Cooperative. Examples include payments by members of the Cooperative. The "grants and contributions" column includes amounts paid by organizations outside the Cooperative to help meet the operational or capital requirements of a given function. Examples include grants under the IDEA Part B, Formula. If a revenue is not a program revenue, it is a general revenue used to support all of the Cooperative's functions.

The fund financial statements provide reports on the financial condition and results of operations for the governmental category.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The Cooperative considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of funding from member districts for each one's share of the budget. These are recorded as revenue when received.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the Cooperative to refund all or part of the unused amount.

C. FUND ACCOUNTING

The Cooperative's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues and expenditures.

The Cooperative reports the following fund type:

Special Revenue Funds – The Cooperative accounts for resources restricted to, or designated for, specific purposes by the Cooperative or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

II. OTHER NOTES

A. LOCAL REVENUE

Local Revenue contributed by the members of the cooperative during the year ended August 31, 2018 and recorded in Fund 437 was as follows:

Alba-Golden I.S.D.	231,439
Hawkins I.S.D.	191,596
Quitman I.S.D.	301,922
Yantis I.S.D.	94,069
Mineola I.S.D.	420,978
	<u>1,240,004</u>

B. COMMITMENTS AND CONTINGENCIES

The Cooperative has no significant commitments or contingencies at August 31, 2018.

C. LITIGATION

The Cooperative has no pending litigation at August 31, 2018.

D. SUBSEQUENT EVENTS

Administration has evaluated subsequent events through October 31, 2018, the financial statement issuance date.

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the Cooperative for the year ended August 31, 2018, was as follows:

	Primary Government			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Governmental Activities:				
Coop:				
Land	96,702	-	-	96,702
Buildings and Improvements	2,063,320	-	-	2,063,320
Furniture and Equipment	1,149,172	-	(399,000)	750,172
Totals at Historic Cost	<u>3,309,194</u>	<u>-</u>	<u>(399,000)</u>	<u>2,910,194</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(216,440)	(41,372)	-	(257,812)
Furniture and Equipment	(550,046)	(98,735)	199,500	(449,281)
Total Accumulated Depreciation	<u>(766,486)</u>	<u>(140,107)</u>	<u>199,500</u>	<u>(707,093)</u>
Governmental Activities Capital Assets, Net	<u>2,542,708</u>	<u>(140,107)</u>	<u>(199,500)</u>	<u>2,203,101</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	37,325
Student (Pupil) Transportation	87,670
General Administration	15,112
Total Depreciation Expense	<u>140,107</u>