

**WOOD COUNTY  
SPECIAL EDUCATION COOPERATIVE**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2013**



**ARNOLD, WALKER, ARNOLD, & CO., P.C.**  
*Certified Public Accountants and Consultants*

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MEMBER  
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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, 2013, 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, 2013, 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.

November 14, 2013

# **GOVERNMENT WIDE STATEMENTS**

Wood County Special Education Cooperative  
STATEMENT OF NET POSITION  
August 31, 2013

ASSETS

Cash and Cash Equivalents	726,759
Capital Assets:	
Land	104,202
Buildings, Net	2,006,050
Vehicles, Furniture, and Equipment, Net	<u>1,122,310</u>
Total Assets	<u><u>3,959,321</u></u>

LIABILITIES

Accrued Wages Payable	<u>59,937</u>
Total Liabilities	<u><u>59,937</u></u>

NET POSITION:

Invested in Capital Assets	3,232,562
Restricted	<u>666,822</u>
Total Net Position	<u><u>3,899,384</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, 2013

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
	Expenses	Charges for Services	Operating Grants and Contributions	<u>Primary Gov.</u>
				Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
Instruction	1,708,451	817,295	852,715	(38,441)
Curriculum and Staff Development	3,733	3,733	-	-
Instructional Leadership	62,652	62,652	-	-
Guidance, Counseling, and Evaluation Services	565,192	-	565,192	-
Health Services	60,027	60,027	-	-
Student (Pupil) Transportation	437,407	180,707	332,836	76,136
General Administration	77,860	63,002	-	(14,858)
Facilities Maintenance and Operations	118,681	118,681	-	-
Data Processing Services	35,038	35,038	-	-
Facilities Acquisition and Construction	36,851	36,851	-	-
Community Services	2,500	2,500	-	-
Payments related to Shared Service Arrangements	86,710	30,087	56,623	-
[TP] TOTAL PRIMARY GOVERNMENT:	<u>3,195,102</u>	<u>1,410,573</u>	<u>1,807,366</u>	<u>22,837</u>

General Revenues:

Investment Earnings	2,076
Transfer from Mineola I.S.D.	<u>177,539</u>
Total General Revenues	<u>179,615</u>
Change in Net Position	202,452
Net Position--Beginning	<u>3,696,932</u>
Net Position--Ending	<u><u>3,899,384</u></u>

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

**GOVERNMENTAL FUND FIANCIAL  
STATEMENTS**

Wood County Special Education Cooperative  
 Balance Sheet  
 Cooperative Funds  
 August 31, 2013

	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
<b>ASSETS</b>						
Cash and Cash Equivalents	-	-	-	-	726,759	726,759
Total Assets	-	-	-	-	726,759	726,759
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities:						
Accrued Wages Payable	-	-	-	-	59,937	59,937
Total Liabilities	-	-	-	-	59,937	59,937
Fund Balance:						
Other Restricted Fund Balance	-	-	-	-	666,822	666,822
Total Fund Balance	-	-	-	-	666,822	666,822
Total Liabilities and Fund Balance	-	-	-	-	726,759	726,759

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, 2013

<b>Total Fund Balances- Governmental Funds</b>	666,822
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.	3,210,234
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2013 capital outlays is to increase (decrease) net position.	182,704
The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(160,376)
<b>Net Position of Governmental Activities</b>	<u><u>3,899,384</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, 2013

	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
<b>REVENUES:</b>						
Total Local and Intermediate Sources	-	-	-	-	1,412,649	1,412,649
State Program Revenues	-	-	-	4,700	-	4,700
Federal Program Revenues	1,226,850	33,912	282,526	-	259,378	1,802,666
<b>Total Revenues</b>	<b>1,226,850</b>	<b>33,912</b>	<b>282,526</b>	<b>4,700</b>	<b>1,672,027</b>	<b>3,220,015</b>
<b>EXPENDITURES:</b>						
Instruction	531,577	33,912	282,526	4,700	816,036	1,668,751
Curriculum and Instructional Staff Development	-	-	-	-	3,733	3,733
Instructional Leadership	-	-	-	-	62,652	62,652
Guidance, Counseling and Evaluation Services	361,687	-	-	-	203,505	565,192
Health Services	-	-	-	-	60,027	60,027
Student (Pupil) Transportation	333,586	-	-	-	180,707	514,293
General Administration	-	-	-	-	63,002	63,002
Facilities Maintenance and Operations	-	-	-	-	118,681	118,681
Security & Monitoring Services	-	-	-	-	35,038	35,038
Data Processing Services	-	-	-	-	36,851	36,851
Community Services	-	-	-	-	2,500	2,500
Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-	86,710	86,710
<b>Total Expenditures</b>	<b>1,226,850</b>	<b>33,912</b>	<b>282,526</b>	<b>4,700</b>	<b>1,669,442</b>	<b>3,217,430</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,585</b>	<b>2,585</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In from Mineola I.S.D.	-	-	-	-	177,539	177,539
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>177,539</b>	<b>177,539</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>180,124</b>	<b>180,124</b>
Fund Balance - September 1 (Beginning)	-	-	-	-	486,698	486,698
<b>Fund Balance - August 31 (Ending)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>666,822</b>	<b>666,822</b>

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, 2013

<b>Total Fund Balances- Governmental Funds</b>	180,124
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2013 capital outlays is to increase (decrease) net position.	182,704
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.	(160,376)
<b>Net Position of Governmental Activities</b>	<u><u>202,452</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, 2013

**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, Winnsboro, 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, 2013 and recorded in Fund 437 was as follows:

Alba-Golden I.S.D.	194,794
Hawkins I.S.D.	170,974
Quitman I.S.D.	261,051
Winnsboro I.S.D.	336,686
Yantis I.S.D.	78,897
Mineola I.S.D.	366,911
	<u>1,409,313</u>

### **B. COMMITMENTS AND CONTINGENCIES**

The Cooperative has no significant commitments or contingencies at August 31, 2013.

### **C. LITIGATION**

The Cooperative has no pending litigation at August 31, 2013.

#### D. SUBSEQUENT EVENTS

Administration has evaluated subsequent events through November 14, 2013, the financial statement issuance date.

#### E. CAPITAL ASSET ACTIVITY

Capital asset activity for the Cooperative for the year ended August 31, 2013, 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:				
District:				
Land	104,202	-	-	104,202
Buildings and Improvements	2,089,635	-	-	2,089,635
Furniture and Equipment	1,185,840	182,704	-	1,368,544
Totals at Historic Cost	<u>3,379,677</u>	<u>182,704</u>	<u>-</u>	<u>3,562,381</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(41,793)	(41,792)	-	(83,585)
Furniture and Equipment	(127,650)	(118,584)	-	(246,234)
Total Accumulated Depreciation	<u>(169,443)</u>	<u>(160,376)</u>	<u>-</u>	<u>(329,819)</u>
Governmental Activities Capital Assets, Net	<u>3,210,234</u>	<u>22,328</u>	<u>-</u>	<u>3,232,562</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	39,700
Student (Pupil) Transportation	105,818
General Administration	14,858
Total Depreciation Expense	<u>160,376</u>