

**COVINGTON INDEPENDENT SCHOOL DISTRICT
HILL COUNTY SPECIAL EDUCATION COOPERATIVE**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

**COVINGTON INDEPENDENT SCHOOL DISTRICT
HILL COUNTY SPECIAL EDUCATION COOPERATIVE**
*ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018*

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Independent Auditor's Report

Board of Trustees
Covington Independent School District
501 N. Main Street
Covington, Texas 76636

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental fund activities for Covington Independent School District (the "District") related to the Hill County Special Education Cooperative (the "Co-op") as of and for the year ended August 31, 2018, and the related notes to the 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 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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. 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental fund activities of Covington Independent School District related to the Hill County Special Education Cooperative as of August 31, 2018, and the results of its operations for the year then ended in accordance with account principles generally accepted in the United States of America.

Other Matters

Other Information

As discussed in Note I, the financial statements present only the special revenue funds related to the Hill County Special Education Cooperative and are not intended to present fairly the financial position and results of operations of Covington Independent School District, in conformity with accounting principles generally accepted in the United States of America.

Cameron L. Gulley
Certified Public Accountant

January 14, 2019

COVINGTON INDEPENDENT SCHOOL DISTRICT
HILL COUNTY SPECIAL EDUCATION COOPERATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	313 IDEA Part B Formula	314 IDEA Part B Preschool	437 Special Education	459 SHARS Reimbursement	Total Governmental Funds
ASSETS					
1110 Cash and Cash Equivalents	\$ 3,228	\$ -	\$ 428,058	\$ -	\$ 431,286
1240 Receivables from Other Governments	<u>-</u>	<u>-</u>	<u>10,007</u>	<u>-</u>	<u>10,007</u>
1000 Total Assets	<u><u>3,228</u></u>	<u><u>-</u></u>	<u><u>438,065</u></u>	<u><u>-</u></u>	<u><u>441,293</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110 Accounts Payable	\$ -	\$ -	\$ 55,448	\$ -	\$ 55,448
2180 Due to Other Governments	<u>3,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,228</u>
2000 Total Liabilities	<u><u>3,228</u></u>	<u><u>-</u></u>	<u><u>55,448</u></u>	<u><u>-</u></u>	<u><u>58,676</u></u>
Fund Balances:					
3490 Other Restricted Fund Balance	<u>-</u>	<u>-</u>	<u>382,617</u>	<u>-</u>	<u>382,617</u>
3000 Total Fund Balances	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>382,617</u></u>	<u><u>-</u></u>	<u><u>382,617</u></u>
4000 Total Liabilities and Fund Balance	<u><u>\$ 3,228</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 438,065</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 441,293</u></u>

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

COVINGTON INDEPENDENT SCHOOL DISTRICT
HILL COUNTY SPECIAL EDUCATION COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	313 IDEA Part B Formula	314 IDEA Part B Preschool	437 Special Education	459 SHARS Reimbursement	Total Governmental Funds
REVENUES:					
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 2,216,494	\$ -	\$ 2,216,494
5800 State Program Revenues	-	-	-	-	-
5900 Federal Program Revenues	1,003,298	9,301	-	-	1,012,599
5020 Total Revenues	<u>1,003,298</u>	<u>9,301</u>	<u>2,216,494</u>	<u>-</u>	<u>3,229,093</u>
EXPENDITURES:					
Current:					
0011 Instruction	379,088	-	1,129,651	-	1,508,739
0013 Curriculum and Instructional Staff Development	10,099	-	10,389	-	20,488
0021 Instructional Leadership	-	-	355	-	355
0031 Guidance, Counseling and Evaluation Services	566,726	-	118,190	-	684,916
0041 General Administration	-	-	547,160	-	547,160
0051 Facilities Maintenance and Operations	-	-	70,647	-	70,647
0093 Payments to Fiscal Agent/Member Districts of SSA	47,385	9,301	267,327	-	324,013
6030 Total Expenditures	<u>1,003,298</u>	<u>9,301</u>	<u>2,143,719</u>	<u>-</u>	<u>3,156,318</u>
1200 Net Change in Fund Balance	-	-	72,775	-	72,775
0100 Fund Balance - September 1 (Beginning)	-	-	116,189	160,930	277,119
1300 Increase (Decrease) in Fund Balance	-	-	193,653	(160,930)	32,723
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,617</u>	<u>\$ -</u>	<u>\$ 382,617</u>

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

**COVINGTON INDEPENDENT SCHOOL DISTRICT
HILL COUNTY SPECIAL EDUCATION COOPERATIVE**
*NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2018*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Covington Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in Statement of Auditing Standards No. 69 of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of the Texas Education Agency (TEA) Financial Accountability System Resource Guide (the “Resource Guide” of FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

These financial statements contain only the assets, liabilities, fund equity and related revenues of expenditures of Covington Independent School District’s special revenue funds related to the Hill County Special Education Cooperative. This is not intended to present fairly the financial position and results of operations of Covington Independent School District as of and for the year ended August 31, 2018.

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of Hill County Special Education Cooperative are reported using the current financial resources measurement of focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Coop considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

II. PRIOR PERIOD ADJUSTMENTS

The following beginning balance adjustments were necessary to properly restate prior year ending balances:

Transaction Description	Amount
Correct prior year cash balances for old outstanding checks never voided	\$ 721
Void erroneous “due to state” carried since the 2012-13 fiscal year	32,002
Re-characterize restricted fund balance from 2012-13 SHARS funds to special revenue fund balance	160,930
Re-characterize restricted fund balance from 2012-13 SHARS funds to special revenue fund balance	(160,930)
Total beginning balance adjustments	<u>\$ 32,723</u>