

**GOODRICH
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2007

GOODRICH INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2007

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CERTIFICATE OF BOARD

GOODRICH INDEPENDENT SCHOOL DISTRICT

Name of School

POLK

County

187-903

Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and

☐ **APPROVED** — ☐ **DISAPPROVED**

(Check One)

for the year ended August 31, 2007 at a meeting of the Board of Trustees of such school district on the ____ day of _____, 2007.

SIGNATURE OF BOARD SECRETARY

SIGNATURE OF BOARD PRESIDENT

If the Board of Trustees disapproved the auditor's report, the reason(s) for disapproving it is/are (attach list as necessary):

FINANCIAL SECTION



Hereford, Lynch, Sellars & Kirkham

Certified Public Accountants • A Professional Corporation

111 E. Boothe
Cleveland, Texas 77327

Members of the
American Institute of Certified Public Accountants
Texas Society of Certified Public Accounts
Private Companies Practice Section
of the AICPA Division for Firms

(281) 592-6443
Fax (281) 592-7706

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Goodrich Independent School District
P.O. Box 789
Goodrich, Texas 77335

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Goodrich Independent School District (District), as of and for the year ended August 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2007, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2007, on our consideration of the District'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* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, excluding the Fund Balance and Cash Flow Calculation Worksheet (Exhibit J-3), has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Fund Balance and Cash Flow Calculation Worksheet (Exhibit J-3), as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Respectfully submitted,

Hereford, Lynch, Sellars & Kirkham, P.C.

Hereford, Lynch, Sellars & Kirkham, P.C.
December 11, 2007

Management's Discussion and Analysis

As management of the Goodrich Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2007.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,624,816 (*net assets*). Of this amount, \$1,722,183 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net assets increased by \$130,867.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,593,516, a decrease of \$11,615 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$252,927, or 9 percent of total general fund expenditures.
- The District's notes payable increased by \$13,832 (4 percent) during the current fiscal year. The key factor in this increase was an \$85,310 note to purchase a bus.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Service, Cocurricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Community Services, Interest on Long-term Debt, Bond Issuance Cost and Fees, Facilities Repair and Maintenance, Payments Related to Shared Service Arrangements and Payments to Juvenile Justice Alternative Education Programs.

The government-wide financial statements can be found as noted in the table of contents of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the Service Learning State Farm special revenue fund, both which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information which include schedules required by the Texas Education Agency. Other supplementary information can be found as noted in the table of contents of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$3,624,816 at the close of the most recent fiscal year.

The largest portion of the District's net assets are investment in capital assets, net of related debt. Investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that are still outstanding represent 52 percent of the District's net assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Goodrich Independent School District's Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 1,995,380	\$ 1,966,454
Capital Assets	2,227,612	2,073,056
Total Assets	\$ 4,222,992	\$ 4,039,510
Long-term Liabilities Outstanding	354,832	341,000
Other Liabilities	243,344	361,321
Total Liabilities	\$ 598,176	\$ 702,321
Net Assets:		
Invested in Capital Assets, net of Related Debt	\$ 1,872,780	\$ 1,732,058
Restricted	29,853	-
Unrestricted	1,722,183	1,605,131
Total Net Assets	\$ 3,624,816	\$ 3,337,189

Net assets (\$29,853) are restricted for state and federal programs and scholarships. The remaining balance of *unrestricted net assets* (\$1,722,183) may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets.

Governmental activities. Governmental activities increased the District's net assets by \$130,867. Key elements of this increase are as follows:

Goodrich Independent School District's Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Revenue:		
Program Revenues:		
Charges for Services	\$ 33,462	\$ 28,592
Operating Grants and Contributions	541,150	316,073
General Revenues:		
Property Taxes	1,178,678	1,112,162
Grants and Contributions Not Restricted to Specific Programs	1,270,117	1,448,038
Investment Earnings	62,111	29,732
Miscellaneous Revenues	29,721	43,132
Gain (Loss) on Disposal of Property	(1,393)	-
Total Revenues	\$ 3,113,846	\$ 2,977,729
Expenses:		
Instruction	\$ 1,512,427	\$ 1,136,555
Instructional Resources and Media Services	30,230	29,038
Curriculum and Staff Development	6,358	1,675
School Leadership	196,337	166,482
Guidance, Counseling, and Evaluation Services	78,365	60,290
Health Services	25,989	21,681
Student Transportation	58,815	79,015
Food Service	143,212	127,350
Cocurricular/Extracurricular Activities	110,455	52,737
General Administration	305,342	244,791
Plant Maintenance and Operations	346,135	237,322
Security and Monitoring Services	760	1,350
Community Services	-	23,000
Interest on Long-term Debt	34,994	31,013
Bond Issuance Costs and Fees	4,558	-
Facilities Repair and Maintenance	-	1,532
Payments Related to Shared Service Agreements	106,439	65,543
Payments to Juvenile Justice Alternative Education Programs	22,563	34,468
Total Expenses	\$ 2,982,979	\$ 2,313,842
Change in Net Assets	130,867	663,887
Net Assets - Beginning	3,337,189	2,673,302
Prior Period Adjustment	156,760	-
Net Assets - Ending	\$ 3,624,816	\$ 3,337,189

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$1,811,267) represent 58 percent of total revenues and property taxes (\$1,178,678) represent 38 percent of total revenues. The remaining 4 percent is generated from investment earnings, charges for services, miscellaneous revenues and a gain (loss) on disposal of property.

The primary functional expense of the District is instruction (\$1,512,427) which represents 51 percent of total expenses. Plant maintenance and operations (\$346,135) represents 12 percent of total expenses. General Administration (\$305,342) represents 10 percent of total expenses. The remaining functional categories of expenses are individually less than 7 percent of total expenditures.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,593,516 a decrease of \$11,615 in comparison with the prior year. The general fund decreased fund balance due to state funds were less than projected.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$252,927, while total fund balance reached \$1,563,663. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9 percent of total general fund expenditures, while total fund balance represents 58 percent of that same amount.

The fund balance of the District's general fund decreased by \$20,237 during the current fiscal year. For the most part, the increases in revenues is the result of increase property tax and grant funds and expenditures increased primarily in instruction.

General Fund Budgetary Highlights

The District made several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations made in the general fund totaled \$258,559. Significant differences between the original budget and the final amended budget of the general fund can be briefly summarized as follow:

- \$139,309 increase in Instruction.
- \$194,400 increase in Student (Pupil) Transportation.
- \$44,549 increase in General Administration.
- \$54,661 increase in Plant Maintenance and Operations.
- \$233,726 decrease in Capital Outlay.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental type activities as of August 31, 2007, amounts to \$2,227,612 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 7 percent.

Major capital asset events during the current fiscal year included the following:

- Purchase of stadium bleachers.
- Purchase of 2 buses and a suburban
- Purchase of 2 softwares.

Goodrich Independent School District's Capital Assets

(Net of depreciation)

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 275,903	\$ 275,903
Buildings and Improvements	1,488,406	1,532,365
Equipment	463,303	264,788
Totals	\$ 2,227,612	\$ 2,073,056

Additional information on the District's capital assets can be found in notes to the financial statements as noted in the table of contents of this report.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$354,832, which consisted solely of notes payable.

Goodrich Independent School District's Outstanding Debt

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Note Payable	\$ 354,832	\$ 341,000
Totals	\$ 354,832	\$ 341,000

The District's notes payable increased by \$13,832 (4 percent) during the current fiscal year. The key factor in this increase was an \$85,310 note to purchase a bus.

State statutes do not limit the rate or amount for the support of school district's bonded indebtedness.

Additional information on the District's long-term debt can be found in the notes to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budgets and Rates

- Current enrollment totals 250 students.
- District staff totals 49 employees, which consist of 23 teachers and 10 teachers' aides and secretaries.
- The District maintains 3 campuses for instruction.
- The unemployment rate for the County is currently 6.5 percent, which is an increase from a rate of 5.5 percent a year ago. This compares unfavorably to the state's average unemployment rate of 4.8 percent, which is a decrease from a rate of 6.4 percent a year ago.
- Property values of the district are projected to increase 8 percent from the prior year.
- A maintenance and operations tax rate of \$1.04 was adopted for 2007-2008. Preceding year rate was \$1.07.

All of these factors were considered in preparing the District's budget for the 2008 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$252,927. The District plans to utilize unreserved fund balance to fund current expenditures prior to collecting the current year tax levy.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Goodrich Independent School District, P.O. Box 789, Goodrich, Texas, 77335.

BASIC FINANCIAL STATEMENTS

GOODRICH INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

AUGUST 31, 2007

EXHIBIT A-1

Data Control Codes		1	Governmental Activities
ASSETS:			
1110	Cash and Cash Equivalents	\$	596,934
1120	Current Investments		1,162,783
1225	Property Taxes Receivable (Net)		170,207
1240	Due from Other Governments		54,389
1290	Other Receivables (Net)		11,067
Capital Assets:			
1510	Land		275,903
1520	Buildings and Improvements, Net		1,488,406
1530	Furniture and Equipment, Net		463,303
1000	Total Assets		<u>4,222,992</u>
LIABILITIES:			
2110	Accounts Payable		6,353
2140	Interest Payable		11,687
2165	Accrued Liabilities		59,303
2180	Due to Other Governments		104,501
2300	Unearned Revenue		61,500
Noncurrent Liabilities:			
2501	Due Within One Year		72,517
2502	Due in More Than One Year		282,315
2000	Total Liabilities		<u>598,176</u>
NET ASSETS			
3200	Invested in Capital Assets, Net of Related Debt		1,872,780
Restricted For:			
3820	Federal and State Programs		2,476
3880	Scholarships		27,377
3900	Unrestricted		1,722,183
3000	Total Net Assets	\$	<u>3,624,816</u>

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

GOODRICH INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2007

EXHIBIT B-1

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Government Activities:				
11	Instruction	\$ 1,512,427	\$ -	\$ 236,395	\$ (1,276,032)
12	Instructional Resources and Media Services	30,230	-	8,120	(22,110)
13	Curriculum and Staff Development	6,358	-	3,577	(2,781)
23	School Leadership	196,337	-	10,069	(186,268)
31	Guidance, Counseling, & Evaluation Services	78,365	-	59,660	(18,705)
33	Health Services	25,989	-	25,008	(981)
34	Student Transportation	58,815	-	8,724	(50,091)
35	Food Service	143,212	22,307	100,787	(20,118)
36	Cocurricular/Extracurricular Activities	110,455	11,155	45,544	(53,756)
41	General Administration	305,342	-	10,263	(295,079)
51	Plant Maintenance and Operations	346,135	-	25,247	(320,888)
52	Security and Monitoring Services	760	-	26	(734)
72	Interest on Long-term Debt	34,994	-	3,363	(31,631)
73	Bond Issuance Costs and Fees	4,558	-	-	(4,558)
93	Payments Related to Shared Services Arrangements	106,439	-	3,603	(102,836)
95	Payments to Juvenile Justice Alternative Ed. Programs	22,563	-	764	(21,799)
TG	Total Governmental Activities	<u>2,982,979</u>	<u>33,462</u>	<u>541,150</u>	<u>(2,408,367)</u>
TP	Total Primary Government	<u>\$ 2,982,979</u>	<u>\$ 33,462</u>	<u>\$ 541,150</u>	<u>(2,408,367)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				1,178,678
IE	Investment Earnings				62,111
GC	Grants and Contributions Not Restricted to Specific Programs				1,270,117
MI	Miscellaneous				29,721
	Gain (Loss) on Disposal of Property				(1,393)
TR	Total General Revenues				<u>2,539,234</u>
CN	Change in Net Assets				<u>130,867</u>
NB	Net Assets - Beginning				3,337,189
PA	Prior Period Adjustment				156,760
	Net Assets - Beginning, as Restated				<u>3,493,949</u>
NE	Net Assets - Ending				<u>\$ 3,624,816</u>

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

GOODRICH INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-1

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2007

Data Control Codes	10 General Fund	Service Learning State Farm	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 514,369	\$ 56,505	\$ 26,060	\$ 596,934
1120 Current Investments	1,162,783	-	-	1,162,783
1225 Taxes Receivable, Net	170,207	-	-	170,207
1240 Due from Other Governments	45,601	-	8,788	54,389
1290 Other Receivables	11,067	-	-	11,067
1000 Total Assets	<u>\$ 1,904,027</u>	<u>\$ 56,505</u>	<u>\$ 34,848</u>	<u>\$ 1,995,380</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 6,353	\$ -	\$ -	\$ 6,353
2160 Accrued Wages Payable	59,303	-	-	59,303
2180 Due to Other Governments	104,501	-	-	104,501
2300 Unearned Revenue	170,207	56,505	4,995	231,707
2000 Total Liabilities	<u>340,364</u>	<u>56,505</u>	<u>4,995</u>	<u>401,864</u>
FUND BALANCES:				
Reserved Fund Balances:				
3450 Reserve for Food Service	-	-	2,476	2,476
3490 Other Reserves of Fund Balance	-	-	27,377	27,377
Designated Fund Balance:				
3510 Construction	1,310,736	-	-	1,310,736
3600 Unreserved	252,927	-	-	252,927
3000 Total Fund Balances	<u>1,563,663</u>	<u>-</u>	<u>29,853</u>	<u>1,593,516</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,904,027</u>	<u>\$ 56,505</u>	<u>\$ 34,848</u>	<u>\$ 1,995,380</u>

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

GOODRICH INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1) **\$1,593,516**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$7,790,870, and the accumulated depreciation is \$5,563,258.	2,227,612
--	-----------

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	170,207
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Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Liabilities at year end related to notes payable consist of:

Notes Payable	(354,832)	
Accrued Interest on the Notes	(11,687)	(366,519)

Total Net Assets - Governmental Activities (Exhibit A-1) **\$3,624,816**

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

GOODRICH INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED AUGUST 31, 2007

		10			98
Data Control Codes		General Fund	Service Learning State Farm	Other Governmental Funds	Total Governmental Funds
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,273,744	\$ 35,770	\$ 106,536	\$ 1,416,050
5800	State Program Revenues	1,328,036	-	99,503	1,427,539
5900	Federal Program Revenues	7,602	-	256,377	263,979
5020	Total Revenues	2,609,382	35,770	462,416	3,107,568
EXPENDITURES:					
Current:					
0011	Instruction	1,292,495	35,770	183,554	1,511,819
0012	Instructional Resources and Media Services	20,658	-	7,421	28,079
0013	Curriculum and Staff Development	424	-	3,563	3,987
0023	School Leadership	185,334	-	3,795	189,129
0031	Guidance, Counseling, & Evaluation Services	19,360	-	59,005	78,365
0033	Health Services	1,015	-	24,974	25,989
0034	Student Transportation	245,597	-	410	246,007
0035	Food Service	-	-	137,463	137,463
0036	Cocurricular/Extracurricular Activities	90,432	-	34,983	125,415
0041	General Administration	303,160	-	-	303,160
0051	Plant Maintenance and Operations	311,265	-	14,710	325,975
0052	Security and Monitoring Services	760	-	-	760
0071	Principal on Long-term Debt	71,478	-	-	71,478
0072	Interest on Long-term Debt	23,307	-	-	23,307
0073	Bond Issuance Costs and Fees	4,558	-	-	4,558
0093	Payments to Shared Service Arrangements	106,439	-	-	106,439
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	22,563	-	-	22,563
6030	Total Expenditures	2,698,845	35,770	469,878	3,204,493
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(89,463)	-	(7,462)	(96,925)
Other Financing Sources and (Uses):					
7914	Non-Current Loan Proceeds	85,310	-	-	85,310
7915	Transfers In	-	-	16,084	16,084
8911	Transfers Out	(16,084)	-	-	(16,084)
7080	Total Other Financing Sources and (Uses)	69,226	-	16,084	85,310
1200	Net Change in Fund Balances	(20,237)	-	8,622	(11,615)
0100	Fund Balances - Beginning	1,583,900	-	21,231	1,605,131
3000	Fund Balances - Ending	\$ 1,563,663	\$ -	\$ 29,853	\$ 1,593,516

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

GOODRICH INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES****Total Net Change in Fund Balances - Governmental Funds (Exhibit C-2)** \$(11,615)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$240,793 exceeds depreciation expense \$79,070 in the period.

 161,723

Repayment of notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

 71,478

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.

 13,445

Issuance of notes \$83,710 provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

 (85,310)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities consist of the following:

Accrued Interest on the Bonds Payable *increased*

 (11,687)

In the statement of activities, only the *gain or loss* on the disposal of the assets are reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of the assets retired.

(7,167)**Change in Net Assets of Governmental Activities (Exhibit B-1)** **\$ 130,867**

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

GOODRICH INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-4

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED AUGUST 31, 2007

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts		Actual	Final Budget
		Original	Final		Positive (Negative)
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,121,393	\$ 1,121,393	\$ 1,273,744	\$ 152,351
5800	State Program Revenues	1,338,444	1,429,805	1,328,036	(101,769)
5900	Federal Program Revenues	-	-	7,602	7,602
5020	Total Revenues	<u>2,459,837</u>	<u>2,551,198</u>	<u>2,609,382</u>	<u>58,184</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	1,203,700	1,343,009	1,292,495	50,514
0012	Instructional Resources and Media Services	24,980	26,330	20,658	5,672
0013	Curriculum and Staff Development	200	500	424	76
	Total Instruction & Instr. Related Services	<u>1,228,880</u>	<u>1,369,839</u>	<u>1,313,577</u>	<u>56,262</u>
Instructional and School Leadership:					
0023	School Leadership	179,478	188,973	185,334	3,639
	Total Instructional & School Leadership	<u>179,478</u>	<u>188,973</u>	<u>185,334</u>	<u>3,639</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,780	17,842	19,360	(1,518)
0033	Health Services	350	1,110	1,015	95
0034	Student (Pupil) Transportation	64,900	259,300	245,597	13,703
0036	Cocurricular/Extracurricular Activities	68,396	82,846	80,432	(7,586)
	Total Support Services - Student (Pupil)	<u>135,426</u>	<u>361,098</u>	<u>356,404</u>	<u>4,694</u>
Administrative Support Services:					
0041	General Administration	263,979	308,528	303,160	5,368
	Total Administrative Support Services	<u>263,979</u>	<u>308,528</u>	<u>303,160</u>	<u>5,368</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	245,848	300,509	311,265	(10,756)
0052	Security and Monitoring Services	1,500	1,500	760	740
	Total Support Services - Nonstudent Based	<u>247,348</u>	<u>302,009</u>	<u>312,025</u>	<u>(10,016)</u>
Debt Service:					
0071	Principal on Long-Term Debt	76,000	71,480	71,478	2
0072	Interest on Long-Term Debt	-	23,350	23,307	43
0073	Bond Issuance Costs and Fees	-	4,558	4,558	-
	Total Debt Service	<u>76,000</u>	<u>99,388</u>	<u>99,343</u>	<u>45</u>
Capital Outlay:					
0081	Capital Outlay	233,726	-	-	-
	Total Capital Outlay	<u>233,726</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	75,000	75,000	106,439	(31,439)
0095	Payments to Juvenile Justice Alternative Ed. Programs	30,000	23,561	22,563	998
	Total Intergovernmental Charges	<u>105,000</u>	<u>98,561</u>	<u>129,002</u>	<u>(30,441)</u>
6030	Total Expenditures	<u>2,469,837</u>	<u>2,728,396</u>	<u>2,698,845</u>	<u>29,551</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(10,000)</u>	<u>(177,198)</u>	<u>(89,463)</u>	<u>87,735</u>
Other Financing Sources (Uses):					
7912	Sale of Real or Personal Property	10,000	10,000	-	(10,000)
7914	Non-Current Loan Proceeds	-	85,310	85,310	-
8911	Transfers Out	-	(16,656)	(16,084)	572
7080	Total Other Financing Sources and (Uses)	<u>10,000</u>	<u>78,654</u>	<u>69,226</u>	<u>(9,428)</u>
1200	Net Change in Fund Balance	<u>-</u>	<u>(98,544)</u>	<u>(20,237)</u>	<u>78,307</u>
0100	Fund Balance - Beginning	1,583,900	1,583,900	1,583,900	-
3000	Fund Balance - Ending	<u>\$ 1,583,900</u>	<u>\$ 1,485,356</u>	<u>\$ 1,563,663</u>	<u>\$ 78,307</u>

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

GOODRICH INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES****FIDUCIARY FUNDS****AUGUST 31, 2007****EXHIBIT E-1**

		Agency Fund
Data Control Codes		Student Activity
ASSETS:		
1110	Cash and Cash Equivalents	\$ 17,837
1000	Total Assets	\$ 17,837
LIABILITIES:		
Current Liabilities:		
2190	Due to Student Groups	\$ 17,837
2000	Total Liabilities	\$ 17,837

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

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2007

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Goodrich Independent School District (District) is governed by a seven-member board of trustees (Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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 are reported using the *current financial resources measurement 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Service Learning State Farm *special revenue fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. These funds account primarily for local grant from State Farm.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2007

Additionally, the District reports the following fund types:

The *agency fund* is used to account for assets held by the District as an agent for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operation.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Current investments include investment pools and short-term investments with original maturities of one year or less from the date of acquisition.

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges collateral, which complies with state law. The collateral is approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of collateral is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

State statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, or investment pools.

Investments for the District are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectible. The property tax receivable allowance is equal to 7 percent of outstanding property taxes at August 31, 2007. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements.

Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2007

receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

3. *Inventories and Deferred Expenses*

All inventories are valued at cost using the first-in first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as deferred expenses in both government-wide and fund financial statements.

4. *Capital Assets*

Capital assets, which include land, buildings and improvements, furniture and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. The District's infrastructure includes roads and parking lots associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost which equals or exceeds \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-50
Furniture and Equipment	3-30

5. *Compensated Absences*

It is the District's policy to permit employees to accumulate earned by unused sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. The District does not have a liability for unpaid vacation at year end due to the District's policy does not allow a carryover of vacation not taken at August 31.

6. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Bond proceeds are reported as another financing source net of the applicable premium or discount and issuance costs.

7. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2007

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and National School Breakfast and Lunch Program special revenue fund. All other governmental funds adopt project-length budgets. All annual appropriations lapse at fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. The District amended the general fund budget throughout the year between functions and total appropriations increased \$258,559.

B. Excess of Expenditures Over Appropriations

For the year ended August 31, 2007, expenditures exceeded appropriations in the function (the legal level of budgetary control) of the following fund:

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Guidance, Counseling and Evaluation Services	\$ 17,842	\$ 19,360	\$ (1,518)
General	Cocurricular/Extracurricular Activities	82,846	90,432	(7,586)
General	Plant Maintenance and Operations	300,509	311,265	(10,756)
General	Payments to Fiscal Agent/Member Dist. -SSA	75,000	106,439	(31,439)
Nonmajor Governmental Fund:				
National School Breakfast and Lunch Program	Food Service	136,346	137,463	(1,117)

These excess expenditures were funded by revenues and/or excess funds available in other functions.

III. Detailed Notes on All Funds

A. Deposits and Investments

As of August 31, 2007, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Lone Star - Liquidity	\$ 1,162,536	0.06
Lone Star - Liquidity Plus	247	0.11
Total Fair Value	<u>\$ 1,162,783</u>	
Portfolio Weighted Average Maturity		0.06

Interest rate risk. In accordance with its investing policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to investments with original maturities of one year or less from the date of acquisition.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2007

Credit risk. For fiscal year 2007, the District invested in Lone Star Investment Pool. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC. formerly the Texas Association of School Boards Financial Services. The District's investments in Lone Star Investment Pool were rated AAAm (Liquidity) AAAf/S1 (Liquidity Plus) by Standard & Poor's Investors Service.

Concentration of credit risk. The District's investment policy does not limit an investment in any one issuer.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2007, District's bank balance of \$753,958 was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent and in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk due to the investments are insured or registered in the District's name, or the investments are held by the District or its agent.

B. Receivables

Receivables as of year-end for the District's individual major and nonmajor funds and fiduciary fund in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Service Learning State Farm</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Property Taxes	\$ 183,018	\$ -	\$ -	\$ 183,018
Due From Other Governments	45,601	-	8,788	54,389
Other Receivables	11,067	-	-	11,067
Gross Receivables	239,686	-	8,788	248,474
Less: Allowance for Uncollectible	(12,811)	-	-	(12,811)
Net Total Receivables	\$ 226,875	\$ -	\$ 8,788	\$ 235,663

Tax revenues of the general fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period increased (decrease) revenues as follows:

Uncollectibles Related to General Fund Property Taxes	\$ 26,379
Total Uncollectibles of the Current Fiscal Year	\$ 26,379

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes Receivable (General Fund)	\$ 170,207	\$ -
Grant Drawdowns Prior To Meeting all Eligibility Requirements	-	61,500
Total Deferred/Unearned Revenue For Governmental Funds	\$ 170,207	\$ 61,500

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2007

C. Capital Assets

Capital asset activity for the year ended August 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 275,903	\$ -	\$ -	\$ 275,903
Total Capital Assets, not being Depreciated	<u>275,903</u>	<u>-</u>	<u>-</u>	<u>275,903</u>
Capital Assets, being Depreciated:				
Building and Improvements	6,745,635	-	-	6,745,635
Furniture and Equipment	644,734	240,793	(116,195)	769,332
Total Capital Assets, being Depreciated	<u>7,390,369</u>	<u>240,793</u>	<u>(116,195)</u>	<u>7,514,967</u>
Less Accumulated Depreciation for:				
Building and Improvements	(5,213,270)	(43,959)	-	(5,257,229)
Furniture and Equipment	(379,946)	(35,111)	109,028	(306,029)
Total Accumulated Depreciation	<u>(5,593,216)</u>	<u>(79,070)</u>	<u>109,028</u>	<u>(5,563,258)</u>
Total Capital Assets, being Depreciated, net	<u>1,797,153</u>	<u>161,723</u>	<u>(7,167)</u>	<u>1,951,709</u>
Governmental Activities Capital Assets, net	<u>\$ 2,073,056</u>	<u>\$ 161,723</u>	<u>\$ (7,167)</u>	<u>\$ 2,227,612</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
Instruction	\$ 27,629
Instructional Resources and Media Services	2,151
Curriculum and Staff Development	2,371
School Leadership	7,208
Student Transportation	11,620
Food Service	5,749
General Administration	2,182
Plant Maintenance and Operations	20,160
Total Depreciation Expense-Governmental Activities	<u>\$ 79,070</u>

D. Interfund Receivables and Payables and Transfers

The composition of interfund balances as of August 31, 2007, are as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
None		

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from charges that are paid by a fund and then charged back to the appropriate fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2007

Interfund Transfers

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." The following is a summary of the District's transfers for the year ended August 31, 2007.

<u>Transfer Out</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds - Nonmajor	\$ 15,241
General Fund	Other Governmental Funds - Nonmajor	843
Totals		\$ 16,084

The transfers from the general fund were made as local supplements to the National School Breakfast and Lunch Program \$15,241 and Technology Allotment \$843 special revenue funds.

E. Long-term Liabilities

The District's long-term liabilities consist of notes payable. The current requirements for notes payable is accounted for in the general fund.

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes Payable	\$ 341,000	\$ 85,310	\$ (71,478)	\$ 354,832	\$ 72,517
Governmental Activity					
Long-term Liabilities	\$ 341,000	\$ 85,310	\$ (71,478)	\$ 354,832	\$ 72,517

Notes Payable

The following is a summary of changes in notes payable during the fiscal year:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bus	4.95%	\$ 85,310	2010	\$ -	\$ 85,310	\$ (18,478)	\$ 66,832
1996 Lease Revenue Bond	7.00%	665,000	2011	341,000	-	(53,000)	288,000
Totals				\$ 341,000	\$ 85,310	\$ (71,478)	\$ 354,832

Annual debt service requirements to maturity for notes payable are as follows:

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2008	\$ 72,517	\$ 22,488	\$ 95,005
2009	77,285	17,660	94,945
2010	82,092	12,514	94,606
2011	86,938	7,048	93,986
2012	36,000	1,260	37,260
Totals	\$ 354,832	\$ 60,970	\$ 415,802

F. Fund Balance

Other reserves of fund balance includes the following reservations of funds:

Nonmajor and Other Funds - Scholarship Funds	\$ 27,377
Total Other Reserves of Fund Balance	\$ 27,377

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2007

IV. Other Information

A. Risk Management

Health Care Coverage

During the year ended August 31, 2007, the District contributed \$150 per month per employee towards the cost of health care for those who elected to participate in the TRS health care plan.

Workers' Compensation, Unemployment Compensation and Property/Casualty Losses

The District participates in the Texas Association of School Boards Risk Management Fund ("Fund") Workers' Compensation, Unemployment Compensation and Property/Casualty Program. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its coverages and transfers the risk to the Fund. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the pool. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

C. Joint Venture-Shared Service Arrangement

The District participates in the following shared service arrangement:

San Jacinto Shared Services – Special Needs Cooperative

The District participates in a shared service arrangement for special education funded under IDEA-B Formula and Preschool and State Supplemental Special Education Funds with other school districts. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The revenues and expenditures are disclosed in the financial statements of the fiscal agent, Shepherd I.S.D. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared service arrangement.

Title III, Part A, English Language Acquisition and Language Enhancement

The District participates in a shared service arrangement for the improvement of the education of limited English proficient children funded under ESEA Title III, Part A, English Language Acquisition and Language Enhancement. The District participated in the FY 2007 grant with thirty-six (36) other districts and the Education Service Center, Region VI. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center, Region VI, nor does the District have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement.

Title II, Basic Grant Career and Technology Education Program

The District participates in a shared service arrangement for the education of career and technology students, funded under Title II, Basic Grant Career and Technology Education program. The District participated in the FY 2007 grant with thirty (30) other districts and the Education Service Center, Region VI. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center, Region VI, nor does the District have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2007

D. Defined Benefit Pension Plan

Plan Description. The Goodrich Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of the employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading. State law provides for fiscal years 2005, 2006, and 2007 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to (6.0% for the 2005, 2006 and 2007 TRS matching retirement rate and 1.0% for the 2005, 2006 and 2007 matching TRS-Care rate) to TRS made on behalf of the District's employees for the years ended August 31, 2005, 2006, and 2007 were \$82,735, \$83,472 and \$91,361 respectively. The District paid additional state contributions for the years ended August 31, 2005, 2006 and 2007 in the amount of \$4,003, \$8,395 and \$2,707 respectively, on the portion of the employees' salaries that exceeded the statutory minimum and employees salaries from federal and private grants. The contributions made by the State on behalf of the District have been recorded in the financial statements of the District as both state revenue and payroll expenditures. These contributions are the legal responsibility of the State.

E. Prior Period Adjustment

A prior period adjustment was necessary to increase net assets \$156,760 in Governmental Activities due to property taxes were incorrectly reported as unearned revenue in the prior period.

OTHER SUPPLEMENTARY INFORMATION

GOODRICH INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2007

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised	
	Maintenance		Debt Service		Value For School	Tax Purposes
1998 and Prior Years	\$ Various		\$ Various		\$ Various	
1999	1.4961		-		58,997,174	
2000	1.4961		-		60,056,636	
2001	1.4961		-		61,984,293	
2002	1.4961		-		63,186,284	
2003	1.4961		-		63,245,405	
2004	1.4961		-		65,099,321	
2005	1.4961		-		65,961,567	
2006	1.50		-		67,142,933	
2007 (School Year Under Audit)	1.37		-		82,133,942	
1000 Totals						

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/06	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/07
\$ 26,319	\$ -	\$ 1,554	\$ -	\$ (3,084)	\$ 21,681
6,350	-	362	-	(768)	5,220
7,653	-	654	-	(1,382)	6,617
9,606	-	660	-	(1,677)	7,269
13,296	-	1,071	-	(3,110)	9,115
18,187	-	2,412	-	(3,203)	12,572
21,048	-	3,630	-	753	18,171
25,202	-	8,662	-	631	17,171
68,291	-	38,036	-	389	30,644
-	1,125,235	1,069,620	-	(57)	55,558
<u>\$ 195,952</u>	<u>\$ 1,125,235</u>	<u>\$ 1,126,661</u>	<u>\$ -</u>	<u>\$ (11,508)</u>	<u>\$ 183,018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GOODRICH INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2008-2009 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2007

FUNCTION 41 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ -	\$ -	\$ 105,672	\$ 104,016	\$ -	\$ -	\$ 209,688
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	-	-	-	-	-	-	-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	-	-	-	-	-	-	-
6211	Legal Services	3,292	-	230	-	-	-	3,522
6212	Audit Services	-	-	-	10,925	-	-	10,925
6213	Tax Appraisal and Collection	-	29,038	-	-	-	-	29,038
621X	Other Prof. Services	2,368	-	1,349	488	-	-	4,205
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	3,218	-	-	-	6,427	2,500	12,145
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	2,861	-	2,861
6290	Miscellaneous Contr.	600	-	-	-	-	-	600
6310	Operational Supplies, Materials	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	356	-	-	-	356
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies, Materials	547	-	947	3,182	-	-	4,676
6410	Travel, Subsistence, Stipends	3,666	-	4,041	836	-	-	8,543
6420	Ins. and Bonding Costs	3,900	-	-	-	-	-	3,900
6430	Election Costs	902	-	-	-	-	-	902
6490	Miscellaneous Operating	3,257	-	2,968	3,400	-	-	9,625
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	2,174	2,174

Total \$ 21,750 \$ 29,038 \$ 115,563 \$ 122,847 \$ 9,288 \$ 4,674 \$ 303,160

Total expenditures for General and Special Revenue Funds (9) \$ 3,179,493

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 266,057
Total Debt & Lease (6500)	(11)	\$ 99,343
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 314,173
Food (Function 35, 6341 and 6499)	(13)	\$ 45,997
Stipends (6413)	(14)	\$ 3,069
Column 4 (above) - Total Indirect Cost		\$ 122,847

Subtotal 851,486

Net Allowed Direct Cost \$ 2,328,007

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 6,745,635
Historical Cost of Buildings over 50 years old	(16)	-
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	769,332
Historical Cost of Furniture & Equipment over 16 years old	(19)	-
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) Note A - No Function 53 expenditures are included in this report on administrative costs.

GOODRICH INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2007

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2007 (Exhibit C-1 object 3000 for the General Fund only)	\$ 1,563,663
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	-
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	1,310,736
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	-
5	Estimate of one month's average cash disbursements during the regular school session (9/1/07 - 5/31/8)	249,286
6	Estimate of delayed payments from state sources (58XX) including August payment delays	-
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	-
8	Estimate of delayed payments from federal sources (59XX)	8,788
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	1,568,810
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ (5,147)

If Item 11 is a Positive Number

Explanation of need for and/or projected use of net positive

Undesignated Unreserved General Fund Fund Balance:

GOODRICH INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2007

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES:				
5700 Local and Intermediate Sources	\$ 23,090	\$ 23,090	\$ 22,307	\$ (783)
5800 State Program Revenues	1,400	1,400	1,118	(282)
5900 Federal Program Revenues	97,200	97,200	99,669	2,469
5020 Total Revenues	121,690	121,690	123,094	1,404
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035 Food Services	121,690	136,346	137,463	(1,117)
Total Support Services - Student (Pupil)	121,690	136,346	137,463	(1,117)
6030 Total Expenditures	121,690	136,346	137,463	(1,117)
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	-	(14,656)	(14,369)	287
Other Financing Sources (Uses):				
7915 Transfers In	-	14,656	15,241	585
7080 Total Other Financing Sources and (Uses)	-	14,656	15,241	585
1200 Net Change in Fund Balance	-	-	872	872
0100 Fund Balance - Beginning	1,604	1,604	1,604	-
3000 Fund Balance - Ending	\$ 1,604	\$ 1,604	\$ 2,476	\$ 872

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION



Hereford, Lynch, Sellars & Kirkham

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Goodrich Independent School District
P.O. Box 789
Goodrich, Texas 77335

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodrich Independent School District (District) as of and for the year ended August 31, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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*.

We noted certain matters that we reported to management of Goodrich Independent School District, in a separated letter dated December 11, 2007.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Hereford, Lynch, Sellars & Kirkham, P.C.

Hereford, Lynch, Sellars & Kirkham, P.C.
December 11, 2007

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GOODRICH INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF FINDINGS AND RESPONSES****FOR THE YEAR ENDED AUGUST 31, 2007**

SECTION I – SUMMARY OF AUDITORS’ RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditors' report issued	Unqualified
2. Internal Control over Financial Reporting:	
a. Significant Deficiencies identified that are not considered to be material weaknesses	None
b. Material Weaknesses identified	None
3. Noncompliance material to the Financial Statements	None
SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS	
1. FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING	
None	
2. FINDINGS RELATED TO COMPLIANCE WITH LAWS AND REGULATIONS	
None	

GOODRICH INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2007

PRIOR YEAR FINDINGS

No items noted.

GOODRICH INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2007

CURRENT YEAR FINDINGS

No items noted.