

GOODRICH INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2009

GOODRICH INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

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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, 2009 at a meeting of the Board of Trustees of such school district on the ____ day of _____, 2009.

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

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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
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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, 2009, 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, 2009, and the respective changes in financial position, thereof 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 November 17, 2009, 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.
November 17, 2009

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, 2009.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,769,746 (*net assets*). Of this amount, \$1,924,224 (*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 \$55,785.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,774,243, an increase of \$23,074 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$439,843, or 17 percent of total general fund expenditures.
- The District's bonds and notes payable decreased by \$92,502 (29 percent) during the current fiscal year.

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, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Service, Cocurricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations, Data Processing Services, Interest on Long-term Debt, Bond Issuance Cost and Fees, Payments Related to Shared Service Arrangements and Other Intergovernmental Charges.

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 19 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 Summer Youth Program special revenue fund both which are considered to be major funds. Data from the other 17 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 includes 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 \$3,769,746 at the close of the most recent fiscal year.

Goodrich Independent School District's Net Assets

	Governmental Activities	
	2009	2008
Current and Other Assets	\$ 2,251,234	\$ 2,128,860
Capital Assets	2,077,560	2,136,668
Total Assets	4,328,794	4,265,528
Noncurrent Liabilities	248,094	332,221
Other Liabilities	310,954	219,346
Total Liabilities	559,048	551,567
Net Assets:		
Invested in Capital Assets, net of Related Debt	1,845,522	1,809,475
Restricted	-	22,446
Unrestricted	1,924,224	1,882,040
Total Net Assets	\$ 3,769,746	\$ 3,713,961

Investment in capital assets (e.g., land, buildings and improvements, furniture and equipment), less any related debt used to acquire those assets that are still outstanding represent 49 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.

The remaining balance of *unrestricted net assets* (\$1,924,224) may be used to meet the District's ongoing obligations to students and creditors.

Governmental activities. Governmental activities increased the District's net assets by \$55,785. Key elements of this increase are as follows:

Goodrich Independent School District's Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenue:		
Program Revenues:		
Charges for Services	\$ 125,782	\$ 39,978
Operating Grants and Contributions	778,766	693,091
General Revenues:		
Property Taxes	1,020,411	894,425
Grants and Contributions Not Restricted to Specific Programs	1,338,399	1,557,770
Investment Earnings	24,463	80,807
Miscellaneous Revenues	22,809	75,598
Total Revenues	<u>3,310,630</u>	<u>3,341,669</u>
Expenses:		
Instruction	1,630,082	1,633,031
Instructional Resources and Media Services	36,329	39,495
Curriculum and Staff Development	6,565	3,604
Instructional Leadership	-	217
School Leadership	188,395	233,752
Guidance, Counseling, and Evaluation Services	64,404	68,057
Social Work Services	-	13
Health Services	41,977	36,620
Student Transportation	87,680	94,240
Food Service	163,776	165,350
Cocurricular/Extracurricular Activities	138,213	120,771
General Administration	293,597	292,510
Plant Maintenance and Operations	447,392	380,215
Security and Monitoring Services	-	36
Data Processing Services	-	61
Community Services	-	69
Interest on Long-term Debt	17,199	20,126
Bond Issuance Costs and Fees	4,240	4,315
Payments Related to Shared Service Agreements	107,944	131,791
Other Governmental Charges	27,052	28,251
Total Expenses	<u>3,254,845</u>	<u>3,252,524</u>
Change in Net Assets	55,785	89,145
Net Assets - Beginning	3,713,961	3,624,816
Net Assets - Ending	<u>\$ 3,769,746</u>	<u>\$ 3,713,961</u>

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$2,117,165) represent 64 percent of total revenues and property taxes (\$1,020,410) represent 31 percent of total revenues. The remaining 5 percent is generated from investment earnings, charges for services and miscellaneous revenues. The largest decrease in revenues \$219,371, was in grants and contributions not restricted to specific programs due to a decrease in state revenue.

The primary functional expense of the District is instruction (\$1,630,082) which represents 50 percent of total expenses. Plant maintenance and operations (\$447,392) represents 14 percent of total expenses. General administration (\$293,597) represents 9 percent of total expenses. The remaining functional categories of expenses are individually less than 6 percent of total expenditures. There was an overall increase in expenditures due to growth and inflation and the largest increase in expenses was in plant maintenance and operations due to Hurricane Ike.

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 \$1,774,243 an increase of \$23,074 in comparison with the prior year.

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 \$439,843, while total fund balance reached \$1,739,843. 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 17 percent of total general fund expenditures, while total fund balance represents 68 percent of that same amount. The fund balance of the District's general fund increased by \$11,120 during the current fiscal year. For the most part, the increase in fund balance was due to the decrease in state funds was less than the increase in functional expenditures, primarily plant maintenance and operations.

General Fund Budgetary Highlights

The District made several supplemental budgetary appropriations throughout the year. The net change in budgetary appropriations made in the general fund was an increase totaling \$75,000 which was primarily to increase appropriations for plant maintenance and operations.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental type activities as of August 31, 2009, amounts to \$2,077,560 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and furniture and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 3 percent.

Major capital asset event during the current fiscal year included a \$31,000 Walk In Cooler/Freezer Combination.

Goodrich Independent School District's Capital Assets

(Net of depreciation)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 275,903	\$ 275,903
Buildings and Improvements	1,400,487	1,444,447
Furniture and Equipment	401,170	416,318
Totals	<u>\$ 2,077,560</u>	<u>\$ 2,136,668</u>

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.

Noncurrent Liabilities. At the end of the current fiscal year, the District had total noncurrent liabilities outstanding of \$248,094, which consisted of bonds and notes payable and compensated absences.

Goodrich Independent School District's Noncurrent Liabilities

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Bonds and Note Payable	\$ 225,169	\$ 317,671
Compensated Absences	22,925	14,550
Totals	<u>\$ 248,094</u>	<u>\$ 332,221</u>

The District's bonds and notes payable decreased by \$92,502 (29 percent) during the current fiscal year.

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 264 students.
- District staff totals 47 employees, which consist of 23 teachers and 8 teachers' aides and secretaries.
- The District maintains 3 campuses for instruction.
- The unemployment rate for the County is currently 10.3 percent, which is an increase from a rate of 6.7 percent a year ago. This compares unfavorably to the state's average unemployment rate of 8.1 percent, which is an increase from a rate of 5.0 percent a year ago.
- Property values of the district are projected to decrease 3 percent from the prior year.
- A maintenance and operations tax rate of \$1.04 was adopted for 2009-2010. Preceding year rate was \$1.04.

All of these factors were considered in preparing the District's budget for the 2010 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$1,439,843. 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 Business Manager, Goodrich Independent School District, P.O. Box 789, Goodrich, Texas, 77335.

BASIC FINANCIAL STATEMENTS

GOODRICH INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET ASSETS****AUGUST 31, 2009****EXHIBIT A-1**

<u>Data Control Codes</u>		<u>Governmental Activities</u>
ASSETS:		
1110	Cash and Cash Equivalents	\$ 597,328
1120	Current Investments	1,339,604
1225	Property Taxes Receivable (Net)	172,906
1240	Due from Other Governments	139,968
1290	Other Receivables (Net)	1,428
Capital Assets:		
1510	Land	275,903
1520	Buildings and Improvements, Net	1,400,487
1530	Furniture and Equipment, Net	401,170
1000	Total Assets	<u>4,328,794</u>
LIABILITIES:		
2110	Accounts Payable	7,082
2140	Interest Payable	6,869
2165	Accrued Liabilities	64,437
2180	Due to Other Governments	232,566
Noncurrent Liabilities:		
2501	Due Within One Year	121,181
2502	Due in More Than One Year	126,913
2000	Total Liabilities	<u>559,048</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	1,845,522
3900	Unrestricted	1,924,224
3000	Total Net Assets	<u>\$ 3,769,746</u>

The accompanying notes are an integral part of this statement.

EXHIBIT B-1

11

GOODRICH INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2009

EXHIBIT C-1

Data Control Codes	10 General Fund	Summer Youth Program	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 576,985	\$ -	\$ 20,343	\$ 597,328
1120 Current Investments	1,339,604	-	-	1,339,604
1225 Taxes Receivable, Net	172,906	-	-	172,906
1240 Due from Other Governments	46,525	77,288	16,155	139,968
1260 Due from Other Funds	77,288	-	-	77,288
1290 Other Receivables	1,428	-	-	1,428
1000 Total Assets	<u>\$ 2,214,736</u>	<u>\$ 77,288</u>	<u>\$ 36,498</u>	<u>\$ 2,328,522</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 7,082	\$ -	\$ -	\$ 7,082
2160 Accrued Wages Payable	58,166	-	1,948	60,114
2170 Due to Other Funds	-	77,288	-	77,288
2180 Due to Other Governments	232,566	-	-	232,566
2200 Accrued Expenditures	4,173	-	150	4,323
2300 Unearned Revenue	172,906	-	-	172,906
2000 Total Liabilities	<u>474,893</u>	<u>77,288</u>	<u>2,098</u>	<u>554,279</u>
FUND BALANCES:				
Reserved Fund Balances:				
3450 Reserve for Food Service	-	-	1,368	1,368
3490 Other Reserves of Fund Balance	-	-	33,032	33,032
Designated Fund Balance:				
3510 Construction	1,300,000	-	-	1,300,000
3600 Unreserved	439,843	-	-	439,843
3000 Total Fund Balances	<u>1,739,843</u>	<u>-</u>	<u>34,400</u>	<u>1,774,243</u>
4000 Total Liabilities and Fund Balances	<u>\$ 2,214,736</u>	<u>\$ 77,288</u>	<u>\$ 36,498</u>	<u>\$ 2,328,522</u>

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-1R

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS****Total Fund Balances - Governmental Funds (Exhibit C-1)** **\$1,774,243**

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 governmental cost of the capital assets cost of \$7,821,870, exceeds the related accumulated depreciation of \$5,744,310. **2,077,560**

Property taxes receivables which will be collected subsequent to this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. **172,906**

Long-term liabilities, including bonds and notes payable and compensated absences, 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 and compensated absences consist of:

Notes Payable	(225,169)	
Accrued Interest on the Notes	(6,869)	
Compensated Absences	<u>(22,925)</u>	<u>(254,963)</u>

Total Net Assets - Governmental Activities (Exhibit A-1) **\$3,769,746**

GOODRICH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT C-2

Data Control Codes	10 General Fund	Summer Youth Program	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 1,162,175	\$ -	\$ 124,784	\$ 1,286,959
5800 <i>State Program Revenues</i>	1,426,037	-	189,897	1,615,934
5900 <i>Federal Program Revenues</i>	19,855	99,998	282,845	402,698
5020 <i>Total Revenues</i>	<u>2,608,067</u>	<u>99,998</u>	<u>597,526</u>	<u>3,305,591</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	1,286,552	7,213	300,957	1,594,722
0012 <i>Instructional Resources and Media Services</i>	17,632	3,975	12,527	34,134
0013 <i>Curriculum and Staff Development</i>	4,194	-	-	4,194
0023 <i>School Leadership</i>	173,771	-	6,668	180,439
0031 <i>Guidance, Counseling, & Evaluation Services</i>	27,704	-	36,571	64,275
0033 <i>Health Services</i>	36,164	-	5,658	41,822
0034 <i>Student Transportation</i>	62,230	1,653	2,621	66,504
0035 <i>Food Service</i>	-	-	188,855	188,855
0036 <i>Cocurricular/Extracurricular Activities</i>	72,932	37,754	26,655	137,341
0041 <i>General Administration</i>	288,804	-	1,623	290,427
0051 <i>Plant Maintenance and Operations</i>	343,648	49,403	35,163	428,214
0071 <i>Principal on Long-term Debt</i>	77,285	-	15,217	92,502
0072 <i>Interest on Long-term Debt</i>	17,651	-	2,201	19,852
0073 <i>Bond Issuance Costs and Fees</i>	4,240	-	-	4,240
0093 <i>Payments to Shared Service Arrangements</i>	107,944	-	-	107,944
0099 <i>Other Intergovernmental Charges</i>	27,052	-	-	27,052
6030 <i>Total Expenditures</i>	<u>2,547,803</u>	<u>99,998</u>	<u>634,716</u>	<u>3,282,517</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>60,264</u>	<u>-</u>	<u>(37,190)</u>	<u>23,074</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	-	-	49,144	49,144
8911 <i>Transfers Out</i>	(49,144)	-	-	(49,144)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>(49,144)</u>	<u>-</u>	<u>49,144</u>	<u>-</u>
1200 <i>Net Change in Fund Balances</i>	<u>11,120</u>	<u>-</u>	<u>11,954</u>	<u>23,074</u>
0100 <i>Fund Balances - Beginning</i>	<u>1,728,723</u>	<u>-</u>	<u>22,446</u>	<u>1,751,169</u>
3000 <i>Fund Balances - Ending</i>	<u>\$ 1,739,843</u>	<u>\$ -</u>	<u>\$ 34,400</u>	<u>\$ 1,774,243</u>

The accompanying notes 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)** **\$ 23,074**

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 \$31,000 was exceeded by depreciation expense of \$90,108 in the period. (59,108)

Repayment of notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets 92,502

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. 5,039

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 *decreased* 2,653

Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds are as follows:

Compensated Absences *increased* (8,375)

Change in Net Assets of Governmental Activities (Exhibit B-1) **\$ 55,785**

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, 2009

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES:				
5700 Local and Intermediate Sources	\$ 1,143,200	\$ 1,218,200	\$ 1,162,175	\$ (56,025)
5800 State Program Revenues	1,523,243	1,523,243	1,426,037	(97,206)
5900 Federal Program Revenues	12,000	12,000	19,855	7,855
5020 Total Revenues	2,678,443	2,753,443	2,608,067	(145,376)
EXPENDITURES:				
Current:				
Instruction & Instructional Related Services:				
0011 Instruction	1,378,418	1,358,116	1,286,552	71,564
0012 Instructional Resources and Media Services	18,937	18,937	17,632	1,305
0013 Curriculum and Staff Development	4,650	4,650	4,194	456
Total Instruction & Instr. Related Services	1,402,005	1,381,703	1,308,378	73,325
Instructional and School Leadership:				
0023 School Leadership	194,416	194,416	173,771	20,645
Total Instructional & School Leadership	194,416	194,416	173,771	20,645
Support Services - Student (Pupil):				
0031 Guidance, Counseling and Evaluation Services	35,939	35,939	27,704	8,235
0033 Health Services	37,082	37,082	36,164	918
0034 Student (Pupil) Transportation	67,514	67,514	62,230	5,284
0036 Cocurricular/Extracurricular Activities	71,229	81,229	72,932	8,297
Total Support Services - Student (Pupil)	211,764	221,764	199,030	22,734
Administrative Support Services:				
0041 General Administration	297,722	300,024	288,804	11,220
Total Administrative Support Services	297,722	300,024	288,804	11,220
Support Services - Nonstudent Based:				
0051 Plant Maintenance and Operations	307,006	382,006	343,648	38,358
Total Support Services - Nonstudent Based	307,006	382,006	343,648	38,358
Debt Service:				
0071 Principal on Long-Term Debt	92,790	92,790	77,285	15,505
0072 Interest on Long-Term Debt	2,170	20,170	17,651	2,519
0073 Bond Issuance Costs and Fees	5,000	5,000	4,240	760
Total Debt Service	99,960	117,960	99,176	18,784
Intergovernmental Charges:				
0093 Payments to Fiscal Agent/Member Dist.-SSA	154,000	144,000	107,944	36,056
0099 Other Intergovernmental Charges	33,500	33,500	27,052	6,448
Total Intergovernmental Charges	187,500	177,500	134,996	42,504
6030 Total Expenditures	2,700,373	2,775,373	2,547,803	227,570
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	(21,930)	(21,930)	60,264	82,194
Other Financing Sources (Uses):				
8911 Transfers Out	(16,913)	(16,913)	(49,144)	(32,231)
7080 Total Other Financing Sources and (Uses)	(16,913)	(16,913)	(49,144)	(32,231)
1200 Net Change in Fund Balance	(38,843)	(38,843)	11,120	49,963
0100 Fund Balance - Beginning	1,728,723	1,728,723	1,728,723	-
3000 Fund Balance - Ending	\$ 1,689,880	\$ 1,689,880	\$ 1,739,843	\$ 49,963

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES****FIDUCIARY FUNDS****AUGUST 31, 2009****EXHIBIT E-1**

		Agency Fund
Data Control Codes		Student Activity
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 20,162
1000	Total Assets	<u>\$ 20,162</u>
LIABILITIES:		
Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 20,162
2000	Total Liabilities	<u>\$ 20,162</u>

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

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. Depreciation expense has been allocated to all applicable functions in order to present the expenditures of the District more accurately in the Statement of Activities. *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 Summer Youth Program *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 provide activities that are related to providing services to victims of Hurricane Rita in the fields of social service, health care or mental health.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

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 or time 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 6 percent of outstanding property taxes at August 31, 2009. 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 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.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

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.

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.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

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 \$75,000.

B. Excess of Expenditures Over Appropriations

For the year ended August 31, 2009, 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>
None				

There were no excess expenditures.

III. Detailed Notes on All Funds

A. Deposits and Investments

As of August 31, 2009, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Lone Star - Liquidity	\$ 1,339,604	0.12
Total Fair Value	\$ 1,339,604	
Portfolio Weighted Average Maturity		0.12

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 not to exceed one year.

Credit risk. For fiscal year 2009, 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 (Corporate Overnight Fund) 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, 2009, District's bank balance 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.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

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>Summer Youth Program</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Property Taxes	\$ 183,943	\$ -	\$ -	\$ 183,943
Due From Other Governments	46,525	77,288	16,155	139,968
Other Receivables	1,428	-	-	1,428
Gross Receivables	<u>231,896</u>	<u>77,288</u>	<u>16,155</u>	<u>325,339</u>
Less: Allowance for Uncollectible	(11,037)	-	-	(11,037)
Net Total Receivables	<u>\$ 220,859</u>	<u>\$ 77,288</u>	<u>\$ 16,155</u>	<u>\$ 314,302</u>

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

Uncollectibles Related to General Fund Property Taxes	\$ 1,598
Total Uncollectibles of the Current Fiscal Year	<u>\$ 1,598</u>

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)	\$ 172,906	\$ -
Total Deferred/Unearned Revenue For Governmental Funds	<u>\$ 172,906</u>	<u>\$ -</u>

C. Capital Assets

Capital asset activity for the year ended August 31, 2009 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	769,332	31,000	-	800,332
Total Capital Assets, being Depreciated	<u>7,514,967</u>	<u>31,000</u>	<u>-</u>	<u>7,545,967</u>
Less Accumulated Depreciation for:				
Building and Improvements	(5,301,188)	(43,960)	-	(5,345,148)
Furniture and Equipment	(353,014)	(46,148)	-	(399,162)
Total Accumulated Depreciation	<u>(5,654,202)</u>	<u>(90,108)</u>	<u>-</u>	<u>(5,744,310)</u>
Total Capital Assets, being Depreciated, net	<u>1,860,765</u>	<u>(59,108)</u>	<u>-</u>	<u>1,801,657</u>
Governmental Activities Capital Assets, net	<u>\$ 2,136,668</u>	<u>\$ (59,108)</u>	<u>\$ -</u>	<u>\$ 2,077,560</u>

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

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

Governmental Activities:

Instruction	\$	29,947
Instructional Resources and Media Services		2,151
Curriculum and Staff Development		2,371
School Leadership		7,208
Student Transportation		21,028
Food Service		5,921
Cocurricular/Extracurricular Activities		748
General Administration		2,182
Plant Maintenance and Operations		18,552
Total Depreciation Expense-Governmental Activities	\$	90,108

D. Interfund Receivables and Payables and Transfers

The composition of interfund balances as of August 31, 2009, are as follows:

<u>Due From/To Other Funds:</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Receivable Fund</u>		
Summer Youth Program	General Fund	\$ 77,288

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.

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, 2009.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other Governmental Funds - Nonmajor	\$ 49,144

The transfers from the general fund were made as local supplements to the National School Breakfast and Lunch Program of \$43,476 and Technology Allotment of \$5,668 special revenue fund.

E. Long-term Liabilities

The District's long-term liabilities consist of lease revenue bonds, notes payable and compensated absences. The current requirements for lease revenue bonds, notes payable and compensated absences is accounted for in the general fund.

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2009, 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:					
Bonds and Notes Payable	\$ 317,671	\$ -	\$ 92,502	\$ 225,169	\$ 98,256
Compensated Absences	14,550	8,525	150	22,925	22,925
Governmental Activity					
Long-term Liabilities	\$ 332,221	\$ 8,525	\$ 92,652	\$ 248,094	\$ 121,181

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

Bonds and Notes Payable

The following is a summary of changes in lease revenue bonds and notes payable during the fiscal year:

<u>Description</u>	<u>Interest</u>	<u>Amounts</u>	<u>Maturity</u>	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>
	<u>Rate</u>	<u>Original</u>					
	<u>Payable</u>	<u>Issue</u>	<u>Date</u>	<u>Balance</u>			<u>Balance</u>
Bus	4.95%	\$ 85,310	2010	\$ 51,315	\$ -	\$ 16,285	\$ 35,030
1996 Lease Revenue Bonds	7.00%	665,000	2011	231,000	-	61,000	170,000
60 Dell Laptops- Dell Financial Services	6.22%	52,774	2011	35,356	-	15,217	20,139
Totals				<u>\$ 317,671</u>	<u>\$ -</u>	<u>\$ 92,502</u>	<u>\$ 225,169</u>

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

<u>Year Ending</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
<u>August 31</u>					<u>Requirements</u>
2010	\$	98,256	\$	13,767	\$ 112,023
2011		90,913		7,296	98,209
2012		36,000		1,260	37,260
Totals	<u>\$</u>	<u>225,169</u>	<u>\$</u>	<u>22,323</u>	<u>\$ 247,492</u>

F. Fund Balance

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

Nonmajor and Other Funds- Scholarship Funds	\$	33,032
Total Other Reserves of Fund Balance	<u>\$</u>	<u>33,032</u>

IV. Other Information

A. Risk Management

Health Care Coverage

During the year ended August 31, 2009, 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

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

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 2009 grant with thirty-seven (37) other districts, three charter schools, 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 2009 grant with twenty-nine (29) 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.

D. Defined Benefit Pension Plan

Pension Plan for Employees Participating in Teacher Retirement System

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. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. 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.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (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% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action(s), the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, (3) if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate 6.4% for the fiscal year 2009, 2008, and 2007 and a state contribution rate of 6.58% for fiscal years 2009 and 2008 and 6.0% for fiscal year 2007. In certain instances the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal years 2009 and 2008 and 6.00% for fiscal year 2007. State contributions to TRS made on behalf of the Goodrich Independent School District's employees for the years ended August 31, 2009, 2008, and 2007 were \$94,740, \$94,750, and \$78,309, respectively. The District paid additional state contributions for the years ended August 31, 2009, 2008, and 2007 in the amount of \$15,429, \$11,638, and \$6,966 respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

E. School District Retiree Health Plan

Plan Description. The Goodrich Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2009, 2008 and 2007. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2009, 2008, and 2007, the State's contributions to TRS-Care were \$16,216, \$14,231, and \$13,052, respectively, the active member contributions were \$10,541, \$10,163, and \$9,194, respectively, and the District's contributions were \$8,919, \$8,600, and \$7,779, respectively, which equaled the required contributions each year.

OTHER SUPPLEMENTARY INFORMATION

GOODRICH INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DELINQUENT TAXES RECEIVABLE****FOR THE YEAR ENDED AUGUST 31, 2009**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised	
	<u>Maintenance</u>		<u>Debt Service</u>		<u>Value For School</u> <u>Tax Purposes</u>	
2000 and Prior Years	\$	Various	\$	Various	\$	Various
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		1.37		-		82,133,942
2008		1.04		-		85,342,788
2009 (School Year Under Audit)		1.04		-		96,893,173

1000 Totals

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

10 Beginning Balance 9/1/08	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/09
\$ 32,251	\$ -	\$ 563	\$ -	\$ (7,654)	\$ 24,034
5,746	-	154	-	(776)	4,816
7,790	-	193	-	(1,415)	6,182
8,243	-	512	-	659	8,390
14,361	-	1,491	-	(2,836)	10,034
12,062	-	2,170	-	(292)	9,600
22,208	-	5,949	-	481	16,740
27,463	-	9,346	-	1,275	19,392
50,378	-	28,541	-	3,382	25,219
-	1,007,689	945,254	-	(2,899)	59,536
<u>\$ 180,502</u>	<u>\$ 1,007,689</u>	<u>\$ 994,173</u>	<u>\$ -</u>	<u>\$ (10,075)</u>	<u>\$ 183,943</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GOODRICH INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2010-2011 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2009

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	\$ -	\$ -	\$ 112,727	\$ 120,063	\$ -	\$ -	\$ 232,790
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	644	-	-	-	-	-	644
6212	Audit Services	-	-	-	10,250	-	-	10,250
6213	Tax Appraisal and Collection	-	-	-	-	-	-	-
621X	Other Prof. Services	2,723	-	425	257	-	-	3,405
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	500	-	-	-	4,688	2,500	7,688
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	2,858	-	2,858
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6310	Operational Supplies, Materials	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	45	-	-	-	45
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies, Materials	236	-	1,059	2,631	-	-	3,926
6410	Travel, Subsistence, Stipends	4,626	-	6,717	2,156	-	-	13,499
6420	Ins. and Bonding Costs	6,545	-	-	-	-	-	6,545
6430	Election Costs	1,511	-	-	-	-	-	1,511
6490	Miscellaneous Operating	3,671	-	1,497	2,098	-	-	7,266
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-

Total \$ 20,456 \$ - \$ 122,470 \$ 137,455 \$ 7,546 \$ 2,500 \$ 290,427

Total Expenditures for General and Special Revenue Funds (9) \$ 3,282,517

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 32,850
Total Debt & Lease (6500)	(11)	\$ 116,594
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 428,214
Food (Function 35, 6341 and 6499)	(13)	\$ 57,142
Stipends (6413)	(14)	\$ 4,983
Column 4 (above) - Total Indirect Cost		\$ 137,455

Subtotal

777,238

Net Allowed Direct Cost

\$ 2,505,279

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 6,745,635
Historical Cost of Buildings over 50 years old	(16)	4,265,872
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	800,332
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 and no Function 99 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, 2009**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2009 (Exhibit C-1 object 3000 for the General Fund only)	\$ 1,739,843
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)	1,300,000
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	232,566
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09 - 5/31/10)	231,684
6	Estimate of delayed payments from state sources (58XX) including August payment delays	11,082
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)	-
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)	1,775,332
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ (35,489)

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, 2009

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 30,000	\$ 30,000	\$ 30,219	\$ 219
5800	State Program Revenues	5,578	5,578	5,045	(533)
5900	Federal Program Revenues	115,800	150,800	109,763	(41,037)
5020	Total Revenues	151,378	186,378	145,027	(41,351)
EXPENDITURES:					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	159,093	194,093	187,677	6,416
	Total Support Services - Student (Pupil)	159,093	194,093	187,677	6,416
6030	Total Expenditures	159,093	194,093	187,677	6,416
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(7,715)	(7,715)	(42,650)	(34,935)
Other Financing Sources (Uses):					
7915	Transfers In	7,715	7,715	43,476	35,761
7080	Total Other Financing Sources and (Uses)	7,715	7,715	43,476	35,761
1200	Net Change in Fund Balance	-	-	826	826
0100	Fund Balance - Beginning	542	542	542	-
3000	Fund Balance - Ending	\$ 542	\$ 542	\$ 1,368	\$ 826

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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 17, 2009. 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 effectiveness of the District's 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*.

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.

November 17, 2009

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GOODRICH INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF FINDINGS AND RESPONSES****FOR THE YEAR ENDED AUGUST 31, 2009****SECTION I – SUMMARY OF AUDITORS' RESULTS****FINANCIAL STATEMENTS**

1. Type of auditors' report issued	Unqualified
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2. Internal Control over Financial Reporting:	
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a. Significant Deficiencies identified that are not considered to be material weaknesses	None
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b. Material Weaknesses identified	None
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3. Noncompliance material to the Financial Statements	None
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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, 2009

PRIOR YEAR FINDINGS

No items noted.

GOODRICH INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2009

CURRENT YEAR FINDINGS

No items noted.

