

# **GOODRICH INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED**

**AUGUST 31, 2010**



# 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, 2010 at a meeting of the Board of Trustees of such school district on the 18<sup>th</sup> day of November, 2010.

  
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, 2010, 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, 2010, 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 12, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information, excluding the Fund Balance and Cash Flow Calculation Worksheet (Exhibit J-3), is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

Respectfully submitted,

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

**Hereford, Lynch, Sellars & Kirkham, P.C.**  
November 12, 2010

## 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, 2010.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,765,800 (*net assets*). Of this amount, \$1,829,511 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net assets decreased by \$3,946.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,648,588, a decrease of \$125,655 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$500,449, or 19 percent of total general fund expenditures.
- The District's bonds and notes payable decreased by \$98,206 (44 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, 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, Current Debt 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/DETCOG special revenue fund, which are both 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 \$3,765,800 at the close of the most recent fiscal year.

#### Goodrich Independent School District's Net Assets

	Governmental Activities					
	2010		2009		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 1,990,133	49	\$ 2,251,234	52	\$ (261,101)	(12)
Capital Assets	2,067,255	51	2,077,560	48	(10,305)	0
<b>Total Assets</b>	<b>4,057,388</b>	<b>100</b>	<b>4,328,794</b>	<b>100</b>	<b>(271,406)</b>	
Noncurrent Liabilities	149,888	51	248,094	44	(98,206)	(40)
Other Liabilities	141,700	49	310,954	56	(169,254)	(54)
<b>Total Liabilities</b>	<b>291,588</b>	<b>100</b>	<b>559,048</b>	<b>100</b>	<b>(267,460)</b>	
<b>Net Assets:</b>						
Invested in Capital Assets, net of Related Debt	1,936,289	51	1,845,522	49	90,767	5
Unrestricted	1,829,511	49	1,924,224	51	(94,713)	(5)
<b>Total Net Assets</b>	<b>\$ 3,765,800</b>	<b>100</b>	<b>\$ 3,769,746</b>	<b>100</b>	<b>\$ (3,946)</b>	

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 51 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* (\$1,829,511) may be used to meet the District's ongoing obligations to students and creditors.

**Governmental activities.** Governmental activities decreased the District's net assets by \$3,946. Key elements of the changes are as follows:

**Goodrich Independent School District's Changes in Net Assets**

	Governmental Activities					
	2010		2009		Increase(Decrease)	
	Amount	%	Amount	%	Amount	%
<b>Revenue:</b>						
Program Revenues:						
Charges for Services	\$ 28,434	1	\$ 125,782	4	\$ (97,348)	(77)
Operating Grants and Contributions	801,329	25	778,766	23	22,563	3
General Revenues:						
Property Taxes	1,034,190	32	1,020,411	31	13,779	1
Grants and Contributions Not Restricted to Specific Programs	1,303,522	40	1,338,399	40	(34,877)	(3)
Investment Earnings	10,208	-	24,463	1	(14,255)	(58)
Miscellaneous Revenues	45,130	2	22,809	1	22,321	98
<b>Total Revenues</b>	<b>\$ 3,222,813</b>	<b>100</b>	<b>\$ 3,310,630</b>	<b>100</b>	<b>\$ (87,817)</b>	
<b>Expenses:</b>						
Instruction	1,613,982	50	1,630,082	50	(16,100)	(1)
Instructional Resources and Media Services	44,266	1	36,329	1	7,937	22
Curriculum and Staff Development	7,150	-	6,565	-	585	9
School Leadership	250,525	8	188,395	6	62,130	33
Guidance, Counseling, and Evaluation Services	68,009	2	64,404	2	3,605	6
Health Services	37,482	1	41,977	1	(4,495)	(11)
Student Transportation	95,066	3	87,680	3	7,386	8
Food Service	188,401	6	163,776	5	24,625	15
Cocurricular/Extracurricular Activities	114,047	4	138,213	4	(24,166)	(17)
General Administration	307,584	10	293,597	9	13,987	5
Plant Maintenance and Operations	362,507	11	447,392	14	(84,885)	(19)
Data Processing Services	1,777	-	-	-	1,777	100
Interest on Long-term Debt	10,951	-	17,199	1	(6,248)	(36)
Current Debt Fees	4,558	-	4,240	-	318	8
Payments Related to Shared Service Agreements	94,753	3	107,944	3	(13,191)	(12)
Other Governmental Charges	25,701	1	27,052	1	(1,351)	100
<b>Total Expenses</b>	<b>\$ 3,226,759</b>	<b>100</b>	<b>\$ 3,254,845</b>	<b>100</b>	<b>\$ (28,086)</b>	
Change in Net Assets	(3,946)		55,785		(59,731)	(107)
Net Assets - Beginning	3,769,746		3,713,961		55,785	
<b>Net Assets - Ending</b>	<b>\$ 3,765,800</b>		<b>\$ 3,769,746</b>		<b>\$ (3,946)</b>	

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$2,104,851) represent 65 percent of total revenues and property taxes (\$1,034,190) represent 32 percent of total revenues. The remaining 3 percent is generated from investment earnings, charges for services and miscellaneous revenues. The largest decrease in revenues, \$97,348, was in charges for services due to prior year revenues included insurance recoveries.

The primary functional expense of the District is instruction (\$1,613,982) which represents 50 percent of total expenses. Plant maintenance and operations (\$362,507) represents 11 percent of total expenses. General administration (\$307,584) represents 10 percent of total expenses. The remaining functional categories of expenses are individually less than 10 percent of total expenditures. Expenditure decreased slightly by \$28,086, which was due primarily to a decrease in plant maintenance and operations.

**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 \$1,648,588 a decrease of \$125,655 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 \$500,449, while total fund balance reached \$1,608,833. 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 19 percent of total general fund expenditures, while total fund balance represents 62 percent of that same amount. The fund balance of the District's general fund decreased by \$131,010 during the current fiscal year. For the most part, the decrease in fund balance was due to the decrease in state funds and the increase in functional expenditures, primarily school leadership.

The Summer Youth Program/DETCOG fund did not have a fund balance at year-end because program expenditures are reimbursed per the grant contract.

### 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 \$17,450 which was primarily to increase appropriations for school leadership, cocurricular/extracurricular activities, and general administration.

Significant differences between the final amended budget and actual amount can be briefly summarized as follows:

- Actual Revenues, when compared to the final budgeted amount, had a \$80,639 negative variance primarily due to a decrease in Local and Intermediate Sources.
- Actual Expenditures, when compared to the final budgeted amount, had a \$28,723 positive variance primarily due to unused appropriations in Student Transportation and 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, 2010, amounts to \$2,067,255 (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 1 percent.

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

- \$82,528 Food Service Equipment

### Goodrich Independent School District's Capital Assets

(Net of depreciation)

	Governmental Activities					
	2010		2009		Increase(Decrease)	
	Amount	%	Amount	%	Amount	%
Land	\$ 275,903	13	\$ 275,903	14	\$ -	-
Buildings and Improvements	1,356,528	66	1,400,487	67	(43,959)	(3)
Furniture and Equipment	434,824	21	401,170	19	33,654	8
<b>Totals</b>	<b>\$ 2,067,255</b>	<b>100</b>	<b>\$ 2,077,560</b>	<b>100</b>	<b>\$ (10,305)</b>	

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 \$149,888, which consisted of bonds and notes payable and compensated absences.

### Goodrich Independent School District's Outstanding Noncurrent Liabilities

	Governmental Activities					
	2010		2009		Increase(Decrease)	
	Amount	%	Amount	%	Amount	%
Bonds and Note Payable	\$ 126,913	85	\$ 225,169	91	\$ (98,256)	(44)
Compensated Absences	22,975	15	22,925	9	50	-
<b>Totals</b>	<b>\$ 149,888</b>	<b>100</b>	<b>\$ 248,094</b>	<b>100</b>	<b>\$ (98,206)</b>	

The District's bonds and notes payable decreased by \$98,206 (44 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 242 students.
- District staff totals 47 employees, which consist of 22 teachers and 11 teachers' aides and secretaries.
- The District maintains 3 campuses for instruction.
- The unemployment rate for the County is currently 10.0 percent, which is a decrease from a rate of 10.3 percent a year ago. This compares unfavorably to the state's average unemployment rate of 8.3 percent, which is an increase from a rate of 8.1 percent a year ago.
- Property values of the district are projected to increase 6 percent from the prior year.
- A maintenance and operations tax rate of \$1.04 was adopted for 2010-2011. Preceding year rate was \$1.04.

All of these factors were considered in preparing the District's budget for the 2011 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$500,449. 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, 2010

EXHIBIT A-1

Data  
Control  
Codes

1

Governmental  
Activities

### ASSETS:

1110	Cash and Cash Equivalents	\$	573,133
1120	Current Investments		1,092,842
1225	Property Taxes Receivable (Net)		203,898
1240	Due from Other Governments		110,772
1290	Other Receivables (Net)		1,104
1300	Inventories		8,384
	Capital Assets:		
1510	Land		275,903
1520	Buildings and Improvements, Net		1,356,528
1530	Furniture and Equipment, Net		434,824
1000	Total Assets		<u>4,057,388</u>

### LIABILITIES:

2110	Accounts Payable		15,967
2140	Interest Payable		4,053
2165	Accrued Liabilities		64,009
2180	Due to Other Governments		57,671
	Noncurrent Liabilities:		
2501	Due Within One Year		113,888
2502	Due in More Than One Year		36,000
2000	Total Liabilities		<u>291,588</u>

### NET ASSETS

3200	Invested in Capital Assets, Net of Related Debt		1,936,289
3900	Unrestricted		1,829,511
3000	Total Net Assets	\$	<u>3,765,800</u>

The accompanying notes are an integral part of this statement.

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT B-1

Data Control Codes	Functions/Programs	1  Expenses	3  Charges for Services	4  Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets  Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 1,613,982	\$ -	\$ 378,717	\$ (1,235,265)
12	Instructional Resources and Media Services	44,266	-	22,310	(21,956)
13	Curriculum and Staff Development	7,150	-	-	(7,150)
23	School Leadership	250,525	-	18,954	(231,571)
31	Guidance, Counseling, & Evaluation Services	68,009	-	30,533	(37,476)
33	Health Services	37,482	-	2,915	(34,567)
34	Student Transportation	95,066	-	5,089	(89,977)
35	Food Service	188,401	24,910	246,238	82,747
36	Cocurricular/Extracurricular Activities	114,047	3,524	27,734	(82,789)
41	General Administration	307,584	-	15,967	(291,617)
51	Plant Maintenance and Operations	362,507	-	52,872	(309,635)
53	Data Processing Services	1,777	-	-	(1,777)
72	Interest on Long-term Debt	10,951	-	-	(10,951)
73	Current Debt Fees	4,558	-	-	(4,558)
93	Payments Related to Shared Services Arrangements	94,753	-	-	(94,753)
99	Other Intergovernmental Charges	25,701	-	-	(25,701)
TG	Total Governmental Activities	<u>3,226,759</u>	<u>28,434</u>	<u>801,329</u>	<u>(2,396,996)</u>
TP	Total Primary Government	<u>\$ 3,226,759</u>	<u>\$ 28,434</u>	<u>\$ 801,329</u>	<u>(2,396,996)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				1,034,190
IE	Investment Earnings				10,208
GC	Grants and Contributions Not Restricted to Specific Programs				1,303,522
MI	Miscellaneous				45,130
TR	Total General Revenues				<u>2,393,050</u>
CN	Change in Net Assets				<u>(3,946)</u>
NB	Net Assets - Beginning				3,769,746
NE	Net Assets - Ending				<u>\$ 3,765,800</u>

The accompanying notes are an integral part of this statement.

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2010

EXHIBIT C-1

Data Control Codes	10 General Fund	Summer Youth Program/ DETCOG	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ 536,019	\$ -	\$ 37,114	\$ 573,133
1120 Current Investments	1,092,842	-	-	1,092,842
1225 Taxes Receivable, Net	203,898	-	-	203,898
1240 Due from Other Governments	50,564	50,089	10,119	110,772
1260 Due from Other Funds	55,955	-	-	55,955
1290 Other Receivables	1,104	-	-	1,104
1300 Inventories	8,384	-	-	8,384
1000 Total Assets	<u>\$ 1,948,766</u>	<u>\$ 50,089</u>	<u>\$ 47,233</u>	<u>\$ 2,046,088</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 15,967	\$ -	\$ -	\$ 15,967
2160 Accrued Wages Payable	62,397	-	1,612	64,009
2170 Due to Other Funds	-	50,089	5,866	55,955
2180 Due to Other Governments	57,671	-	-	57,671
2300 Unearned Revenue	203,898	-	-	203,898
2000 Total Liabilities	<u>339,933</u>	<u>50,089</u>	<u>7,478</u>	<u>397,500</u>
<b>FUND BALANCES:</b>				
Reserved Fund Balances:				
3410 Investments in Inventory	8,384	-	-	8,384
3450 Reserve for Food Service	-	-	17,655	17,655
3490 Other Reserves of Fund Balance	-	-	22,100	22,100
Designated Fund Balance:				
3510 Construction	1,100,000	-	-	1,100,000
3600 Unreserved	500,449	-	-	500,449
3000 Total Fund Balances	<u>1,608,833</u>	<u>-</u>	<u>39,755</u>	<u>1,648,588</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,948,766</u>	<u>\$ 50,089</u>	<u>\$ 47,233</u>	<u>\$ 2,046,088</u>

The accompanying notes are an integral part of this statement.



**GOODRICH INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**AUGUST 31, 2010**

**EXHIBIT C-1R**

**Total Fund Balances - Governmental Funds (Exhibit C-1)** **\$ 1,648,588**

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 \$7,904,398, exceeds the related accumulated depreciation of \$5,837,143. 2,067,255

Property taxes receivable 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. 203,898

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:

Bonds and Notes Payable	\$ (126,913)	
Accrued Interest on the Notes	(4,053)	
Compensated Absences	(22,975)	(153,941)

**Total Net Assets - Governmental Activities (Exhibit A-1)** **\$ 3,765,800**

The accompanying notes are an integral part of this statement.

**GOODRICH INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

EXHIBIT C-2

Data Control Codes		10 General Fund	Summer Youth Program/ DETCOG	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 1,061,992	\$ -	\$ 43,394	\$ 1,105,386
5800	State Program Revenues	1,401,468	-	72,626	1,474,094
5900	Federal Program Revenues	8,191	88,983	515,167	612,341
5020	Total Revenues	<u>2,471,651</u>	<u>88,983</u>	<u>631,187</u>	<u>3,191,821</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	1,276,246	27,525	286,922	1,590,693
0012	Instructional Resources and Media Services	20,550	5,816	15,749	42,115
0013	Curriculum and Staff Development	4,779	-	-	4,779
0023	School Leadership	238,616	-	4,695	243,311
0031	Guidance, Counseling, & Evaluation Services	37,475	-	30,533	68,008
0033	Health Services	36,368	-	1,113	37,481
0034	Student Transportation	71,719	2,062	897	74,678
0035	Food Service	-	-	254,861	254,861
0036	Cocurricular/Extracurricular Activities	76,454	7,428	29,416	113,298
0041	General Administration	303,901	-	1,495	305,396
0051	Plant Maintenance and Operations	297,741	46,152	151	344,044
0053	Data Processing Services	1,777	-	-	1,777
0071	Principal on Long-term Debt	98,256	-	-	98,256
0072	Interest on Long-term Debt	13,767	-	-	13,767
0073	Bond Issuance Costs and Fees	4,558	-	-	4,558
0093	Payments to Shared Service Arrangements	94,753	-	-	94,753
0099	Other Intergovernmental Charges	25,701	-	-	25,701
6030	Total Expenditures	<u>2,602,661</u>	<u>88,983</u>	<u>625,832</u>	<u>3,317,476</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(131,010)	-	5,355	(125,655)
1200	Net Change in Fund Balances	<u>(131,010)</u>	<u>-</u>	<u>5,355</u>	<u>(125,655)</u>
0100	Fund Balances - Beginning	1,739,843	-	34,400	1,774,243
3000	Fund Balances - Ending	<u>\$ 1,608,833</u>	<u>\$ -</u>	<u>\$ 39,755</u>	<u>\$ 1,648,588</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  
FOR THE YEAR ENDED AUGUST 31, 2010**

**Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2)** \$ (125,655)

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 \$82,528 was exceeded by depreciation expense of \$92,833 in the period. (10,305)

Repayment of bonds and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 98,256

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. 30,992

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 interest change reported in the statement of activities consist of the following:

Accrued Interest on Bonds and Notes Payable *decreased* 2,816

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

Compensated Absences *increased* (50)

**Change in Net Assets for Governmental Activities (Exhibit B-1)** \$ (3,946)

The accompanying notes 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, 2010

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
<b>REVENUES:</b>					
5700 Local and Intermediate Sources	\$ 1,131,230	\$ 1,137,230	\$	1,061,992	\$ (75,238)
5800 State Program Revenues	1,393,160	1,400,060		1,401,468	1,408
5900 Federal Program Revenues	15,000	15,000		8,191	(6,809)
5020 Total Revenues	<u>2,539,390</u>	<u>2,552,290</u>		<u>2,471,651</u>	<u>(80,639)</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011 Instruction	1,224,631	1,222,206		1,276,246	(54,040)
0012 Instructional Resources and Media Services	18,861	21,136		20,550	586
0013 Curriculum and Staff Development	5,150	5,650		4,779	871
Total Instruction & Instr. Related Services	<u>1,248,642</u>	<u>1,248,992</u>		<u>1,301,575</u>	<u>(52,583)</u>
Instructional and School Leadership:					
0023 School Leadership	232,182	238,882		238,616	266
Total Instructional & School Leadership	<u>232,182</u>	<u>238,882</u>		<u>238,616</u>	<u>266</u>
Support Services - Student (Pupil):					
0031 Guidance, Counseling and Evaluation Services	41,709	41,709		37,475	4,234
0033 Health Services	36,319	37,319		36,368	951
0034 Student (Pupil) Transportation	94,226	94,226		71,719	22,507
0036 Cocurricular/Extracurricular Activities	87,041	91,141		76,454	14,687
Total Support Services - Student (Pupil)	<u>259,295</u>	<u>264,395</u>		<u>222,016</u>	<u>42,379</u>
Administrative Support Services:					
0041 General Administration	311,593	315,093		303,901	11,192
Total Administrative Support Services	<u>311,593</u>	<u>315,093</u>		<u>303,901</u>	<u>11,192</u>
Support Services - Nonstudent Based:					
0051 Plant Maintenance and Operations	320,869	320,869		297,741	23,128
0053 Data Processing Services	-	1,800		1,777	23
Total Support Services - Nonstudent Based	<u>320,869</u>	<u>322,669</u>		<u>299,518</u>	<u>23,151</u>
Debt Service:					
0071 Principal on Long-Term Debt	98,300	98,300		98,256	44
0072 Interest on Long-Term Debt	13,800	13,800		13,767	33
0073 Bond Issuance Costs and Fees	4,646	4,646		4,558	88
Total Debt Service	<u>116,746</u>	<u>116,746</u>		<u>116,581</u>	<u>165</u>
Intergovernmental Charges:					
0093 Payments to Fiscal Agent/Member Dist.-SSA	98,607	98,607		94,753	3,854
0099 Other Intergovernmental Charges	26,000	26,000		25,701	299
Total Intergovernmental Charges	<u>124,607</u>	<u>124,607</u>		<u>120,454</u>	<u>4,153</u>
6030 Total Expenditures	<u>2,613,934</u>	<u>2,631,384</u>		<u>2,602,661</u>	<u>28,723</u>
1100 Excess (Deficiency) of Revenues Over (Under)					
1100 Expenditures	<u>(74,544)</u>	<u>(79,094)</u>		<u>(131,010)</u>	<u>(51,916)</u>
Other Financing Sources (Uses):					
8911 Transfers Out	<u>(22,007)</u>	<u>(57,915)</u>		-	57,915
7080 Total Other Financing Sources and (Uses)	<u>(22,007)</u>	<u>(57,915)</u>		-	57,915
1200 Net Change in Fund Balance	<u>(96,551)</u>	<u>(137,009)</u>		<u>(131,010)</u>	<u>5,999</u>
0100 Fund Balance - Beginning	1,739,843	1,739,843		1,739,843	-
3000 Fund Balance - Ending	<u>\$ 1,643,292</u>	<u>\$ 1,602,834</u>	<u>\$</u>	<u>1,608,833</u>	<u>\$ 5,999</u>

The accompanying notes are an integral part of this statement.

**GOODRICH INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**AUGUST 31, 2010**

**EXHIBIT E-1**

Data Control Codes		Agency Fund	Student Activity
	<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 19,585	
1000	Total Assets	\$ 19,585	
	<b>LIABILITIES:</b>		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 19,585	
2000	Total Liabilities	\$ 19,585	

The accompanying notes are an integral part of this statement.

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

### 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. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

#### 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 other funds.

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

The Summer Youth Program/DETCOG *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 for at risk and older Americans.

Additionally, the District reports the following fund type:

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, 2010. 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.

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

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.

### 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 leave benefits. Payment for unused sick leave days accumulated locally will be made upon retirement (in accordance with guidelines established by the Teacher Retirement System of Texas) for professional personnel. All sick pay is accrued when incurred (employee is eligible for retirement) in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, the result of employee terminations.

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 an other financing source net of the applicable premium or discount and issuance costs.



# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

### 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.

### 8. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### 9. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.

## 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 made several supplemental budgetary appropriations throughout the year. The supplemental budgetary increases made in the General Fund totaled \$17,450. The increases were primarily to school leadership, cocurricular/extracurricular activities and general administration.

The supplemental budgetary increases made in the National School Breakfast and Lunch Program totaled \$6,000. The supplemental budgetary appropriations made in the National School Breakfast/Lunch Program special revenue fund were to appropriate funds for the purchase of additional food supplies.

### B. Excess of Expenditures Over Appropriations

For the year ended August 31, 2010, expenditures exceeded appropriations in the function (the legal level of budgetary control) of the following fund:

Fund	Function	Final Budget	Actual	Variance
General Fund	Instruction	\$ 1,222,206	\$ 1,276,246	\$ (54,040)

These excess expenditures were funded by excess funds available in other functions.

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

### III. Detailed Notes on All Funds

#### A. Deposits and Investments

As of August 31, 2010, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Lone Star - Liquidity	\$ 1,092,842	0.15
<b>Total Fair Value</b>	<b>\$ 1,092,842</b>	
<b>Portfolio Weighted Average Maturity</b>		<b>0.15</b>

*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 2010, 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, 2010, 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.

#### B. Receivables

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

	General	Summer Youth Program/ DETCOG	Other Governmental Funds	Total
<b>Receivables:</b>				
Property Taxes	\$ 216,913	\$ -	\$ -	\$ 216,913
Due From Other Governments	50,564	50,089	10,119	110,772
Other Receivables	1,104	-	-	1,104
Gross Receivables	268,581	50,089	10,119	328,789
Less: Allowance for Uncollectible	(13,015)	-	-	(13,015)
<b>Net Total Receivables</b>	<b>\$ 255,566</b>	<b>\$ 50,089</b>	<b>\$ 10,119</b>	<b>\$ 315,774</b>

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	\$ (1,978)
<b>Total Uncollectibles of the Current Fiscal Year</b>	<b>\$ (1,978)</b>

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

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)	\$ 203,898	\$ -
<b>Total Deferred/Unearned Revenue For Governmental Funds</b>	<b>\$ 203,898</b>	<b>\$ -</b>

### C. Interfund Receivables and Payables and Transfers

The composition of interfund balances as of August 31, 2010, are as follows:

#### Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Summer Youth Program/DETCOG	55,955

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, 2010.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
None		

### D. Capital Assets

Capital asset activity for the year ended August 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital Assets, not being Depreciated:</b>				
Land	\$ 275,903	\$ -	\$ -	\$ 275,903
<b>Total Capital Assets, not being Depreciated</b>	<b>275,903</b>	<b>-</b>	<b>-</b>	<b>275,903</b>
<b>Capital Assets, being Depreciated:</b>				
Building and Improvements	6,745,635	-	-	6,745,635
Furniture and Equipment	800,332	82,528	-	882,860
<b>Total Capital Assets, being Depreciated</b>	<b>7,545,967</b>	<b>82,528</b>	<b>-</b>	<b>7,628,495</b>
<b>Less Accumulated Depreciation for:</b>				
Building and Improvements	(5,345,148)	(43,959)	-	(5,389,107)
Furniture and Equipment	(399,162)	(48,874)	-	(448,036)
<b>Total Accumulated Depreciation</b>	<b>(5,744,310)</b>	<b>(92,833)</b>	<b>-</b>	<b>(5,837,143)</b>
<b>Total Capital Assets, being Depreciated, net</b>	<b>1,801,657</b>	<b>(10,305)</b>	<b>-</b>	<b>1,791,352</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 2,077,560</b>	<b>\$ (10,305)</b>	<b>\$ -</b>	<b>\$ 2,067,255</b>

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

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

<b>Governmental Activities:</b>	
11 Instruction	\$ 23,258
12 Instructional Resources and Media Services	2,151
13 Curriculum and Staff Development	2,371
23 School Leadership	7,208
34 Student Transportation	20,387
35 Food Service	16,068
36 Cocurricular/Extracurricular Activities	748
41 General Administration	2,182
51 Plant Maintenance and Operations	18,460
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$ 92,833</b>

### 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, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds and Notes Payable	\$ 225,169	\$ -	\$ (98,256)	\$ 126,913	\$ 90,913
Compensated Absences	22,925	2,225	(2,175)	22,975	22,975
<b>Governmental Activity</b>					
<b>Long-term Liabilities</b>	<b>\$ 248,094</b>	<b>\$ 2,225</b>	<b>\$ (100,431)</b>	<b>\$ 149,888</b>	<b>\$ 113,888</b>

### Bonds and Notes Payable

The District issues lease revenue bonds and notes payable to provide funds for leasing and equipment of school facilities. The lease revenue bonds are secured by the high school building. The notes payable are secured by the equipment purchased. The lease revenue bonds and notes payable are issued as 5-6 year current interest notes. The following is a summary of changes in lease revenue bonds and 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	\$ 35,030	\$ -	\$ (17,092)	\$ 17,938
1996 Lease Revenue Bonds	7.00%	665,000	2011	170,000	-	(65,000)	105,000
60 Dell Laptops- Dell Financial Services	6.23%	52,774	2011	20,139	-	(16,164)	3,975
<b>Totals</b>				<b>\$ 225,169</b>	<b>\$ -</b>	<b>\$ (98,256)</b>	<b>\$ 126,913</b>

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

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 90,913	\$ 7,296	\$ 98,209
2012	36,000	1,260	37,260
<b>Totals</b>	<b>\$ 126,913</b>	<b>\$ 8,556</b>	<b>\$ 135,469</b>

### F. Fund Balance

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

Nonmajor and Other Funds- Scholarship Funds	\$ 22,100
<b>Total Other Reserves of Fund Balance</b>	<b>\$ 22,100</b>

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

### G. Revenues from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	General	Other Governmental Funds	Totals
Property Taxes	\$ 1,003,198	\$ -	\$ 1,003,198
Investment Income	10,140	68	10,208
Food Sales	-	24,910	24,910
Other	48,654	18,416	67,070
<b>Total</b>	<b>\$ 1,061,992</b>	<b>\$ 43,394</b>	<b>\$ 1,105,386</b>

### IV. Other Information

#### A. Risk Management

##### Health Care Coverage

During the year ended August 31, 2010, 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/Liability Losses

The District participates in the Texas Association of School Boards Risk Management Fund ("Fund") Workers' Compensation, Unemployment Compensation and Property/Liability 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 arrangements:

##### 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 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 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 is responsible for part of the financial activities of the shared services arrangement.

# **GOODRICH INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2010**

### **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 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, Chapter 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](http://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 of 6.4% for fiscal year 2010, 2009, and 2008 and a state contribution rate of 6.644% for the period January through August 2010, 6.4% for the period September through December 2009, and 6.58% for fiscal year 2009 and 2008. State contributions to TRS made on behalf of the Goodrich Independent School District's employees for the years ended August 31, 2010, 2009, and 2008 were \$91,212, \$94,740, and \$94,750, respectively. The District paid additional state contributions for the years ended August 31, 2010, 2009, and 2008 in the amount of \$15,932, \$15,429, and \$11,638, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

### **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 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](http://www.trs.state.tx.us) under the TRS Publications heading, 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

# **GOODRICH INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2010**

contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2009 and 2008. 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, 2010, 2009, and 2008, the States contributions to TRS-Care were \$15,242, \$16,216, and \$14,231, respectively, the active member contributions were \$10,514, \$10,541, and \$10,163, respectively, and the District's contributions were \$8,897, \$8,919, and \$8,600, respectively, which equaled the required contributions each year. In addition, the State of Texas contributed \$3,926, \$3,466, and \$3,402 in 2010, 2009 and 2008, respectively, for on-behalf payments for Medicare Part D.

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## **OTHER SUPPLEMENTARY INFORMATION**

**GOODRICH INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2010*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2001 and Prior Years	\$	Various	\$	Various	\$	Various
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		1.04				96,893,173
2010 (School Year Under Audit)		1.04				99,135,385

1000 Totals

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

10 Beginning Balance 9/1/09	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/10
\$ 28,850	\$ -	\$ 740	\$ -	\$ (1,378)	\$ 26,732
6,182	-	308	-	(140)	5,734
8,390	-	526	-	(147)	7,717
10,034	-	775	-	(172)	9,087
9,600	-	1,137	-	(177)	8,286
16,740	-	2,358	-	(2,064)	12,316
19,392	-	2,450	-	51	16,993
25,219	-	4,030	-	(106)	21,083
59,536	-	23,257	-	732	37,011
-	1,031,008	955,667	-	(3,389)	71,952
<u>\$ 183,943</u>	<u>\$ 1,031,008</u>	<u>\$ 991,248</u>	<u>\$ -</u>	<u>\$ (6,790)</u>	<u>\$ 216,913</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**GOODRICH INDEPENDENT SCHOOL DISTRICT**

EXHIBIT J-2

**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2011-2012  
GENERAL AND SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2010**
**FUNCTION 41 - GENERAL ADMINISTRATION AND FUNCTION 99 - APPRAISAL DISTRICT COST**

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	\$ -	\$ -	\$ 114,776	\$ 122,710	\$ -	\$ -	\$ 237,486
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	4,443	-	-	-	-	-	4,443
6212	Audit Services	-	-	-	13,500	-	-	13,500
6213	Tax Appraisal and Collection	-	25,701	-	-	-	-	25,701
621X	Other Prof. Services	1,791	-	950	229	-	-	2,970
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	1,045	-	-	-	4,672	2,500	8,217
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	3,842	-	3,842
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6310	Operational Supplies, Materials	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	227	-	-	-	227
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies, Materials	519	-	557	2,860	-	-	3,936
6410	Travel, Subsistence, Stipends	5,908	-	6,584	1,132	-	-	13,624
6420	Ins. and Bonding Costs	5,657	-	-	-	-	-	5,657
6430	Election Costs	3,298	-	-	-	-	-	3,298
6490	Miscellaneous Operating	4,356	-	883	2,957	-	-	8,196
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-

Total \$ 27,017 \$ 25,701 \$ 123,977 \$ 143,388 \$ 8,514 \$ 2,500 \$ 331,097

Total Expenditures for General and Special Revenue Funds (9) \$ 3,317,476

LESS: Deductions of Unallowable Costs

**FISCAL YEAR**

Total Capital Outlay (6600)	(10)	\$ 89,892
Total Debt & Lease (6500)	(11)	\$ 116,581
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 338,644
Food (Function 35, 6341 and 6499)	(13)	\$ 60,833
Stipends (6413)	(14)	\$ 99
Column 4 (above) - Total Indirect Cost		\$ 143,388

Subtotal

749,437

Net Allowed Direct Cost \$ 2,568,039

**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)	882,860
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 \$25,701 in 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, 2010**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2010 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>1,608,833</u>
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	<u>8,384</u>
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	<u>1,100,000</u>
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>250,000</u>
5	Estimate of one month's average cash disbursements during the regular school session (9/1/1 - 5/31/11)	<u>225,000</u>
6	Estimate of delayed payments from state sources (58XX) including August payment delays	<u>5,000</u>
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	<u>-</u>
8	Estimate of delayed payments from federal sources (59XX)	<u>36,000</u>
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)	<u>-</u>
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	<u>1,624,384</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ <u>(15,551)</u>

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**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

EXHIBIT J-4

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES:				
5700 Local and Intermediate Sources	\$ 30,000	\$ 30,000	\$ 24,910	\$ (5,090)
5800 State Program Revenues	88,135	88,135	5,781	(82,354)
5900 Federal Program Revenues	117,500	123,500	240,457	116,957
5020 Total Revenues	235,635	241,635	271,148	29,513
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035 Food Services	251,727	257,727	254,861	2,866
Total Support Services - Student (Pupil)	251,727	257,727	254,861	2,866
6030 Total Expenditures	251,727	257,727	254,861	2,866
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	(16,092)	(16,092)	16,287	32,379
Other Financing Sources (Uses):				
7915 Transfers In	16,092	16,092	-	(16,092)
7080 Total Other Financing Sources and (Uses)	16,092	16,092	-	(16,092)
1200 Net Change in Fund Balance	-	-	16,287	16,287
0100 Fund Balance - Beginning	1,368	1,368	1,368	-
3000 Fund Balance - Ending	\$ 1,368	\$ 1,368	\$ 17,655	\$ 16,287

**OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION**



**Hereford, Lynch, Sellars & Kirkham**  
Certified Public Accountants • A Professional Corporation

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Cleveland, Texas 77327

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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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, 2010-1, described in the accompanying schedule of findings and questioned costs to be a material weakness.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.



The District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, 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 12, 2010



**Hereford, Lynch, Sellars & Kirkham**  
Certified Public Accountants • A Professional Corporation

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Members of the Board of Trustees:

Compliance

We have audited Goodrich Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, 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.

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

**Hereford, Lynch, Sellars & Kirkham, P.C.**  
November 12, 2010

**GOODRICH INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

<b>SECTION I – SUMMARY OF AUDITORS’ RESULTS</b>	
<b>FINANCIAL STATEMENTS</b>	
1. Type of auditors’ report issued	Unqualified
2. Internal Control over Financial Reporting:	
a. Material Weakness(es) identified?	Yes
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3. Noncompliance material to Financial Statements noted?	Yes
<b>FEDERAL AWARDS</b>	
4. Internal control over major programs:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
5. Type of auditors’ report issued on compliance with major programs	Unqualified
6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	No
7. Identification of Major Programs	Child Nutrition Cluster 10.579 ARRA of 2009 Child Nutrition 84.394A ARRA of 2009 Title XIV SFSF
8. Dollar Threshold used to distinguish Between Type A and Type B Federal Programs	\$300,000
9. Auditee Qualified as a Low-Risk Auditee?	No

**GOODRICH INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2010*

**SECTION II –FINANCIAL STATEMENT FINDINGS**

**2010-1 Competitive Bidding**

**Criteria or Specific Requirement:** In accordance with Texas Education Agency requirements for competitive bidding, all contracts valued at \$50,000 or more must be procured utilizing competitive bidding, except contracts for the purchase of produce or vehicle fuel.

**Condition:** The District failed to comply with state competitive bidding requirements for the purchase of food service equipment.

**Context:** The District had one vendor which exceeded the state threshold, \$50,000, which required competitive bidding. In performing our tests of bidding, we noted that the District did not obtain competitive bids as required by State law.

**Effect:** Failure to properly procure goods and services can result in the purchase of goods and services for more than necessary or market prices.

**Cause:** The District failed to identify vendors that would provide the most advantageous prices for the equipment.

**Recommendation:** Develop and implement controls to ensure that purchasing and budget managers comply with all state and federal requirements. Documentation should be maintained to support that these procedures were performed.

**Views of responsible officials and planned corrective actions:** See corrective action plan.

**SECTION III –FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported

**GOODRICH INDEPENDENT SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED AUGUST 31, 2010**

***PRIOR YEAR FINDINGS***

None reported

# **GOODRICH INDEPENDENT SCHOOL DISTRICT**

## **CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2010**

### **CURRENT YEAR FINDINGS**

Responsible Party: Sherry Mitchell

Corrective Action: Management will work with purchasing and budget managers to review all state and federal purchasing requirements and to establish procedures to ensure compliance with all such requirements.

Expected Completion Date: August 31, 2011

**GOODRICH INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

EXHIBIT K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>			
<b>Direct Program:</b>			
<i>Rural Education Achievement Program</i>	84.358A	S358A090644	\$ 10,228
<b>Passed Through State Department of Education:</b>			
<b>Title I, Part A Cluster:</b>			
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	10610101187903	120,351
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs</i>	84.389A	10551001187903	21,604
<b>Total Title I, Part A Cluster</b>			<b>141,955</b>
<i>ESEA Title IV Part A-Safe &amp; Drug-Free Schools &amp; Communities Act</i>	84.186A	10691001187903	1,460
<b>Education Technology State Grants Cluster:</b>			
<i>Title II Part D Enhancing Education Through Technology</i>	84.318X	10630001187903	1,937
<i>ARRA - Title II Part D Subpart 1-Enhancing Education Through Technology</i>	84.386A	10553001187903	1,329
<b>Total Education Technology State Grants Cluster</b>			<b>3,266</b>
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367A	10694501187903	25,844
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund</i>	84.394A	10557001187903	91,957
<i>SSBG Summer Program</i>	93.667	Note A	88,983
<b>Total Passed Through State Department of Education</b>			<b>353,465</b>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>			<b>363,693</b>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Program:</b>			
<i>ARRA - Child Nutrition Recovery Act</i>	10.579	6TX340332	113,528
<b>Passed Through State Department of Education:</b>			
<b>Child Nutrition Cluster:</b>			
<i>School Breakfast Program</i>	10.553	71401001	22,141
<i>National School Lunch Program (Non-cash)</i>	10.555	187002A	7,578
<i>National School Lunch Program</i>	10.555	71301001	97,210
<b>Total Passed Through State Department of Education - Child Nutrition Cluster</b>			<b>126,929</b>
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>			<b>240,457</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 604,150</b>

Note A: No contact number available per Deep East Texas Council of Governments.

The accompanying notes are an integral part of this schedule.



# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2010

### Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Goodrich Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Presented below is a reconciliation of federal revenues:

<i>Total Expenditures of Federal Awards per Exhibit K-1</i>	\$	604,150
<i>Erate</i>		8,191
<i>Total Federal Revenues per Exhibit C-2</i>	\$	<u>612,341</u>

