

GOODRICH INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2011

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, 2011 at a meeting of the Board of Trustees of such school district on the 15th day of December, 2011.


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):

GOODRICH INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED AUGUST 31, 2011

<u>Exhibit</u> <u>Number</u>		<u>Page</u> <u>Number</u>
	Certificate of Board	ii
	FINANCIAL SECTION	
	Independent Auditors' Report	2
	Management's Discussion and Analysis.....	4
	Basic Financial Statements:	
	Government-wide Financial Statements:	
A-1	Statement of Net Assets	10
B-1	Statement of Activities	11
	Fund Financial Statements:	
C-1	Balance Sheet - Governmental Funds	12
C-1R	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	13
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
C-3	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
C-4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual - General Fund	16
E-1	Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	17
	Notes to the Financial Statements.....	18
	Other Supplementary Information:	
J-1	Schedule of Delinquent Taxes Receivable.....	30
J-2	Budgetary Comparison Schedule - National School Breakfast and Lunch Program	32
	Overall Compliance and Internal Control Section:	
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	34
	Schedule of Findings and Responses	37
	Summary Schedule of Prior Audit Findings.....	38
	Corrective Action Plan	39

FINANCIAL SECTION



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

1406 Wilson Road
Conroe, Texas 77304
(936) 756-8127
Fax (936) 756-8132

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

111 E. Boothe
Cleveland, Texas 77327
(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, 2011, 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, 2011, 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 December 15, 2011, 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 other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information 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 is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

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

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
December 15, 2011

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, 2011.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,666,953 (*net assets*). Of this amount, \$1,721,668 (*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 \$98,847.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,525,830, a decrease of \$122,758 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,500,241, or 59 percent of total general fund expenditures.
- The District's noncurrent liabilities decreased by \$88,563 (59 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, Security and Monitoring Services, 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 15 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, which is considered to be a major fund. Data from the other 14 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 \$3,666,953 at the close of the most recent fiscal year.

GOODRICH INDEPENDENT SCHOOL DISTRICT'S NET ASSETS

	Governmental Activities					
	2011		2010		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 1,975,732	50	\$ 1,990,133	49	\$ (14,401)	(1)
Capital Assets, net of Depreciation	1,981,285	50	2,067,255	51	(85,970)	(4)
Total Assets	3,957,017	100	4,057,388	100	(100,371)	
Noncurrent Liabilities Outstanding	61,325	21	149,888	51	(88,563)	(59)
Other Liabilities	228,739	79	141,700	49	87,039	61
Total Liabilities	290,064	100	291,588	100	(1,524)	
Net Assets:						
Invested in Capital Assets, net of Related Debt	1,945,285	53	1,936,289	51	8,996	-
Unrestricted	1,721,668	47	1,829,511	49	(107,843)	(6)
Total Net Assets	\$ 3,666,953	100	\$ 3,765,800	100	\$ (98,847)	

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 53 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* (\$1,721,668) 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 \$98,847. Key elements of the changes are as follows:

GOODRICH INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	Governmental Activities					
	2011		2010		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program Revenues:						
Charges for Services	\$ 53,642	2	\$ 28,434	1	\$ 25,208	89
Operating Grants and Contributions	598,046	20	801,329	25	(203,283)	(25)
General Revenues:						
Property Taxes	1,224,893	41	1,034,190	32	190,703	18
Grants and Contributions Not Restricted to Specific Programs	1,112,452	37	1,303,522	40	(191,070)	(15)
Investment Earnings	6,830	-	10,208	-	(3,378)	(33)
Miscellaneous	5,032	-	45,130	2	(40,098)	(89)
Total Revenues	3,000,895	100	3,222,813	100	(221,918)	
Expenses:						
Instruction	1,521,100	52	1,613,982	50	(92,882)	(6)
Instructional Resources and Media Services	33,580	1	44,266	1	(10,686)	(24)
Curriculum and Staff Development	11,155	-	7,150	-	4,005	56
School Leadership	255,897	8	250,525	8	5,372	2
Guidance, Counseling, and Evaluation Services	70,488	2	68,009	2	2,479	4
Health Services	38,690	1	37,482	1	1,208	3
Student Transportation	107,661	3	95,066	3	12,595	13
Food Service	185,203	6	188,401	6	(3,198)	(2)
Cocurricular/Extracurricular Activities	89,536	3	114,047	4	(24,511)	(21)
General Administration	310,540	10	307,584	10	2,956	1
Plant Maintenance and Operations	295,005	10	362,507	11	(67,502)	(19)
Security and Monitoring Services	11,587	-	-	-	11,587	100
Data Processing Services	39,571	-	1,777	-	37,794	2,127
Interest on Long-term Debt	4,398	-	10,951	-	(6,553)	(60)
Current Debt Fees	4,240	-	4,558	-	(318)	(7)
Payments Related to Shared Services						
Agreements	93,810	3	94,753	3	(943)	(1)
Other Governmental Charges	27,281	1	25,701	1	1,580	6
Total Expenses	3,099,742	100	3,226,759	100	(127,017)	
Change in Net Assets	(98,847)		(3,946)		(94,901)	
Net Assets - Beginning	3,765,800		3,769,746		(3,946)	
Net Assets - Ending	\$ 3,666,953		\$ 3,765,800		\$ (98,847)	

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$1,710,498) represent 57 percent of total revenues and property taxes (\$1,224,893) represent 41 percent of total revenues. The remaining 2 percent is generated from investment earnings, charges for services, and miscellaneous revenues. The largest decreases in revenues, \$203,283 and \$191,070, were in grants and contributions (program and general revenues, respectively) due to reduction in American Recovery and Reinvestment Act (ARRA) funds and state funding.

The primary functional expense of the District is Instruction (\$1,521,100) which represents 52 percent of total expenses. General administration (\$310,540) represents 10 percent of total expenses. The remaining functional categories of expenses are individually 10 percent or less of total expenditures. Expenditure decreased slightly by \$127,017 which was due primarily to a reduction in instruction and plant maintenance and operations costs.

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, *unassigned 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 \$1,525,830 a decrease of \$122,758 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, unassigned and total fund balance of the general fund was \$1,500,241. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned and total fund balance represents 59 percent of total general fund expenditures. The fund balance of the District's general fund decreased by \$108,592 during the current fiscal year. For the most part, the decrease in fund balance was due to the increase in property tax revenue did not offset the decrease in state funds and increase in expenditures for guidance, counseling, and evaluation services, student transportation, security and monitoring services, and data processing services.

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 \$68,500 which was primarily due to increase appropriations for instruction, guidance, counseling, and evaluation services, and plant maintenance and operations.

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

- Actual Expenditures, when compared to the final budgeted amount, had a \$48,091 positive variance primarily due to unused appropriations in Instruction.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental type activities as of August 31, 2011, amounts to \$1,981,285 (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 4 percent.

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

- \$8,821 Scag Mower

GOODRICH INDEPENDENT SCHOOL DISTRICT'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities					
	2011		2010		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land	\$ 275,903	14	\$ 275,903	13	\$ -	-
Buildings and Improvements	1,312,569	66	1,356,528	66	(43,959)	(3)
Furniture and Equipment	392,813	20	434,824	21	(42,011)	(10)
Totals	\$ 1,981,285	100	\$ 2,067,255	100	\$ (85,970)	

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.

GOODRICH INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET ASSETS****AUGUST 31, 2011****EXHIBIT A-1**

Data Control Codes		1 Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 587,381
1120	Current Investments	1,095,201
1225	Property Taxes Receivable (Net)	222,320
1240	Due from Other Governments	65,966
1290	Other Receivables (Net)	4,864
Capital Assets:		
1510	Land	275,903
1520	Buildings and Improvements, Net	1,312,569
1530	Furniture and Equipment, Net	392,813
1000	Total Assets	<u>3,957,017</u>
LIABILITIES:		
2110	Accounts Payable	11,553
2140	Interest Payable	1,157
2165	Accrued Liabilities	66,222
2180	Due to Other Governments	149,807
Noncurrent Liabilities:		
2501	Due Within One Year	61,325
2000	Total Liabilities	<u>290,064</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	1,945,285
3900	Unrestricted	1,721,668
3000	Total Net Assets	<u>\$ 3,666,953</u>

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT B-1

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 1,521,100	\$ -	\$ 397,339	\$ (1,123,761)
12	Instructional Resources and Media Services	33,580	-	13,605	(19,975)
13	Curriculum and Staff Development	11,155	-	-	(11,155)
23	School Leadership	255,897	-	18,702	(237,195)
31	Guidance, Counseling, & Evaluation Services	70,488	-	8,044	(62,444)
33	Health Services	38,690	-	3,488	(35,202)
34	Student Transportation	107,661	-	3,131	(104,530)
35	Food Service	185,203	25,056	127,886	(32,261)
36	Cocurricular/Extracurricular Activities	89,536	28,586	1,559	(59,391)
41	General Administration	310,540	-	16,555	(293,985)
51	Plant Maintenance and Operations	295,005	-	6,383	(288,622)
52	Security and Monitoring Services	11,587	-	-	(11,587)
53	Data Processing Services	39,571	-	1,354	(38,217)
72	Interest on Long-term Debt	4,398	-	-	(4,398)
73	Current Debt Fees	4,240	-	-	(4,240)
93	Payments Related to Shared Service Arrangements	93,810	-	-	(93,810)
99	Other Intergovernmental Charges	27,281	-	-	(27,281)
TG	Total Governmental Activities	<u>3,099,742</u>	<u>53,642</u>	<u>598,046</u>	<u>(2,448,054)</u>
TP	Total Primary Government	<u>\$ 3,099,742</u>	<u>\$ 53,642</u>	<u>\$ 598,046</u>	<u>(2,448,054)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				1,224,893
IE	Investment Earnings				6,830
GC	Grants and Contributions Not Restricted to Specific Programs				1,112,452
MI	Miscellaneous				5,032
TR	Total General Revenues				<u>2,349,207</u>
CN	Change in Net Assets				<u>(98,847)</u>
NB	Net Assets - Beginning				3,765,800
NE	Net Assets - Ending				<u>\$ 3,666,953</u>

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT
EXHIBIT C-1
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes		199	Other	98
		General Fund	Governmental Funds	Total Governmental Funds
ASSETS:				
1110	Cash and Cash Equivalents	\$ 582,491	\$ 4,890	\$ 587,381
1120	Current Investments	1,095,201	-	1,095,201
1225	Taxes Receivable, Net	222,320	-	222,320
1240	Due from Other Governments	39,060	26,906	65,966
1290	Other Receivables	4,864	-	4,864
1000	Total Assets	\$ 1,943,936	\$ 31,796	\$ 1,975,732
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 7,135	\$ 4,418	\$ 11,553
2160	Accrued Wages Payable	64,433	1,789	66,222
2180	Due to Other Governments	149,807	-	149,807
2300	Deferred Revenue	222,320	-	222,320
2000	Total Liabilities	443,695	6,207	449,902
FUND BALANCES:				
3545	Other Committed Fund Balance	-	25,589	25,589
3600	Unassigned Fund Balance	1,500,241	-	1,500,241
3000	Total Fund Balances	1,500,241	25,589	1,525,830
4000	Total Liabilities and Fund Balances	\$ 1,943,936	\$ 31,796	\$ 1,975,732

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, 2011

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1) \$ 1,525,830

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 capital assets at year-end consist of:

Governmental Capital Assets Costs	\$ 7,892,559	
Accumulated Depreciation of Governmental Capital Assets	<u>(5,911,274)</u>	1,981,285

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.	222,320
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to bonds payable, consist of:

Lease Revenue Bonds Payable	\$ (36,000)	
Accrued Interest on the Lease Revenue Bonds	(1,157)	
Compensated Absences	<u>(25,325)</u>	<u>(62,482)</u>

Total Net Assets - Governmental Activities (Exhibit A-1) \$ 3,666,953

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, 2011

EXHIBIT C-2

Data Control Codes		199	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700	Local and Intermediate Revenue	\$ 1,225,389	\$ 50,333	\$ 1,275,722
5800	State Program Revenues	1,214,960	118,427	1,333,387
5900	Federal Program Revenues	4,972	372,139	377,111
5020	Total Revenues	<u>2,445,321</u>	<u>540,899</u>	<u>2,986,220</u>
EXPENDITURES:				
Current:				
0011	Instruction	1,170,256	328,534	1,498,790
0012	Instructional Resources and Media Services	18,478	12,937	31,415
0013	Curriculum and Staff Development	8,784	-	8,784
0023	School Leadership	241,821	6,571	248,392
0031	Guidance, Counseling, and Evaluation Services	62,359	8,044	70,403
0033	Health Services	37,316	1,330	38,646
0034	Student Transportation	86,647	631	87,278
0035	Food Service	-	169,135	169,135
0036	Cocurricular/Extracurricular Activities	65,503	23,250	88,753
0041	General Administration	303,993	4,062	308,055
0051	Plant Maintenance and Operations	284,268	390	284,658
0052	Security and Monitoring Services	11,587	-	11,587
0053	Data Processing Services	39,363	181	39,544
0071	Principal on Long-term Debt	90,913	-	90,913
0072	Interest on Long-term Debt	7,294	-	7,294
0073	Issuance Costs and Fees	4,240	-	4,240
0093	Payments to Shared Service Arrangements	93,810	-	93,810
0099	Other Intergovernmental Charges	27,281	-	27,281
6030	Total Expenditures	<u>2,553,913</u>	<u>555,065</u>	<u>3,108,978</u>
1200	Net Change in Fund Balances	(108,592)	(14,166)	(122,758)
0100	Fund Balances - Beginning	1,608,833	39,755	1,648,588
3000	Fund Balances - Ending	\$ 1,500,241	\$ 25,589	\$ 1,525,830

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, 2011****Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2)** \$ (122,758)

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.

Capital Assets increased	\$ 8,821	
Depreciation Expense	<u>(91,044)</u>	(82,223)

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is a increase (decrease) to net assets. (3,747)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. 18,422

Repayment of lease revenue bonds and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 90,913

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 (increase) decrease in interest reported in the statement of activities consist of the following:

Accrued Interest on Current Interest Bonds Payable decreased	2,896
--	-------

The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. (2,350)

Change in Net Assets for Governmental Activities (Exhibit B-1) \$ (98,847)

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 BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2011**

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES:					
5700	Local and Intermediate Revenue	\$ 1,168,423	\$ 1,218,423	\$ 1,225,389	\$ 6,966
5800	State Program Revenues	1,327,988	1,335,488	1,214,960	(120,528)
5900	Federal Program Revenues	10,000	10,000	4,972	(5,028)
5020	Total Revenues	2,506,411	2,563,911	2,445,321	(118,590)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	1,141,575	1,192,370	1,170,255	22,114
0012	Instructional Resources and Media Services	20,214	20,214	18,478	1,736
0013	Curriculum and Staff Development	7,300	8,800	8,784	16
	Total Instruction & Instr. Related Services	1,169,089	1,221,384	1,197,518	23,866
Instructional and School Leadership:					
0023	School Leadership	236,701	242,001	241,821	180
	Total Instructional & School Leadership	236,701	242,001	241,821	180
Support Services - Student (Pupil):					
0031	Guidance, Counseling, and Evaluation Services	47,108	62,368	62,359	9
0033	Health Services	38,714	37,954	37,316	638
0034	Student Transportation	86,853	86,958	86,647	311
0036	Cocurricular/Extracurricular Activities	79,791	76,691	85,503	11,188
	Total Support Services - Student (Pupil)	252,466	263,971	251,825	12,146
Administrative Support Services:					
0041	General Administration	308,375	308,075	303,993	4,082
	Total Administrative Support Services	308,375	308,075	303,993	4,082
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	275,339	287,339	284,268	3,071
0052	Security and Monitoring Services	7,000	11,700	11,587	113
0053	Data Processing Services	51,788	42,488	39,363	3,125
	Total Support Services - Nonstudent Based	334,127	341,527	335,218	6,309
Debt Service:					
0071	Principal on Long-term Debt	90,913	90,913	90,913	-
0072	Interest on Long-term Debt	7,294	7,294	7,294	-
0073	Issuance Costs and Fees	5,444	5,444	4,240	1,204
	Total Ancillary Services	103,651	103,651	102,447	1,204
Intergovernmental Charges:					
0093	Payments to Shares Service Arrangements	102,095	94,095	93,810	285
0099	Other Intergovernmental Charges	27,000	27,300	27,281	19
	Total Intergovernmental Charges	129,095	121,395	121,091	304
6030	Total Expenditures	2,533,504	2,602,004	2,553,913	48,091
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,093)	(38,093)	(108,592)	(70,499)
Other Financing Sources (Uses):					
8911	Transfers Out	(22,497)	(11,497)		11,497
7080	Total Other Financing Sources and (Uses)	(22,497)	(11,497)		11,497
1200	Net Change in Fund Balances	(49,590)	(49,590)	(108,592)	(59,002)
0100	Fund Balances - Beginning	1,608,833	1,608,833	1,608,833	-
3000	Fund Balances - Ending	\$ 1,559,243	\$ 1,559,243	\$ 1,500,241	\$ (59,002)

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AUGUST 31, 2011

EXHIBIT E-1

Data
Control
Codes

ASSETS:
1110 *Cash and Cash Equivalents*
1000 *Total Assets*

LIABILITIES:
Current Liabilities:
2190 *Due to Student Groups*
2000 *Total Liabilities*

	865
	Agency
	Fund
	Student
	Activity
\$	15,222
\$	15,222
\$	15,222
\$	15,222

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

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.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

The District reports the following major governmental fund:

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.

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 (committed, assigned, or unassigned) resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. The District considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classification could be used.

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.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

All property tax receivables are shown net of an allowance for uncollectible. The property tax receivable allowance is equal to 5 percent of outstanding property taxes at August 31, 2011. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements.

Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

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.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

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 other financing sources, net of the applicable premium or discount and issuance costs.

7. Fund Equity

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
- **Unassigned fund balance** - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the Districts governmental funds have been restated to reflect the above classifications.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Superintendent or her designee through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

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 \$68,500. The increase was primarily to Instruction, Guidance, Counseling, and Evaluation Services, and Plant Maintenance and Operations.

There were no supplemental budgetary amendments in the National School Breakfast and Lunch Program special revenue fund.

B. Excess of Expenditures Over Appropriations

For the year ended August 31, 2011, expenditures exceeded appropriations in the function (the legal level of budgetary control) of the following fund:

Fund	Function	Final Budget	Actual	Variance
None		\$ -	\$ -	\$ -

III. Detailed Notes on All Funds

A. Deposits and Investments

As of August 31, 2011, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Lone Star - Liquidity	\$ 1,095,201	0.14
Total Fair Value	\$ 1,095,201	
Portfolio Weighted Average Maturity		0.14

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 180 days, diversification, and by holding securities to maturity.

Credit risk. For fiscal year 2011, 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.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

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, 2011, District's bank balance of \$695,720 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	Nonmajor and Other Funds	Total
Receivables:			
Property Taxes	\$ 234,021	\$ -	\$ 234,021
Due From Other Governments	39,080	26,906	65,986
Other Receivables	4,864	-	4,864
Gross Receivables	277,945	26,906	304,851
Less: Allowance for Uncollectibles	(11,701)	-	(11,701)
Net Total Receivables	\$ 266,244	\$ 26,906	\$ 293,150

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	\$ (1,314)
Total Uncollectibles of the Current Fiscal Year	\$ (1,314)

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:

	Unavailable	Unearned
Delinquent Property Taxes Receivable (General Fund)	\$ 222,320	\$ -
Total Deferred/Unearned Revenue For Governmental Funds	\$ 222,320	\$ -

C. Interfund Receivables and Payables and Transfers

The composition of interfund balances as of August 31, 2011, are as follows:

Due From/To Other Funds:		
Receivable Fund	Payable Fund	Amount
None		\$ -

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

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

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, 2011.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
None		\$ -

D. Capital Assets

Capital asset activity for the year ended August 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 275,903	\$ -	\$ -	\$ 275,903
Total Capital Assets, not being Depreciated	<u>275,903</u>	<u>-</u>	<u>-</u>	<u>275,903</u>
Capital Assets, being Depreciated:				
Building and Improvements	6,745,635	-	-	6,745,635
Furniture and Equipment	882,860	8,821	(20,660)	871,021
Total Capital Assets, being Depreciated	<u>7,628,495</u>	<u>8,821</u>	<u>(20,660)</u>	<u>7,616,656</u>
Less Accumulated Depreciation for:				
Building and Improvements	(5,389,107)	(43,959)	-	(5,433,066)
Furniture and Equipment	(448,036)	(47,085)	16,913	(478,208)
Total Accumulated Depreciation	<u>(5,837,143)</u>	<u>(91,044)</u>	<u>16,913</u>	<u>(5,911,274)</u>
Total Capital Assets, being Depreciated, net	<u>1,791,352</u>	<u>(82,223)</u>	<u>(3,747)</u>	<u>1,705,382</u>
Governmental Activities Capital Assets, net	<u>\$ 2,067,255</u>	<u>\$ (82,223)</u>	<u>\$ (3,747)</u>	<u>\$ 1,981,285</u>

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

Governmental Activities:	
11 Instruction	\$ 20,940
12 Instructional Resources and Media Services	2,151
13 Curriculum and Instructional Staff Development	2,371
23 School Leadership	7,208
34 Student Transportation	20,328
35 Food Service	16,068
36 Cocurricular/Extracurricular Activities	748
41 General Administration	2,182
51 Plant Maintenance and Operations	19,048
Total Depreciation Expense-Governmental Activities	<u>\$ 91,044</u>

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.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Lease Revenue Bonds	\$ 105,000	\$ -	\$ (69,000)	\$ 36,000	\$ 36,000
Notes Payable	21,913	-	(21,913)	-	-
Compensated Absences	22,975	3,450	(1,100)	25,325	25,325
Governmental Activity					
Long-term Liabilities	<u>\$ 149,888</u>	<u>\$ 3,450</u>	<u>\$ (92,013)</u>	<u>\$ 61,325</u>	<u>\$ 61,325</u>

Lease Revenue 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:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
1996 Lease Revenue Bonds	7.00%	\$ 665,000	2011	\$ 105,000	\$ -	\$ (69,000)	\$ 36,000
Bus	4.95%	85,310	2010	17,938	-	(17,938)	-
60 Dell Laptops - Dell Financial Services	6.23%	52,774	2011	3,975	-	(3,975)	-
Totals				<u>\$ 126,913</u>	<u>\$ -</u>	<u>\$ (90,913)</u>	<u>\$ 36,000</u>

Annual debt service requirements to maturity for the lease revenue bonds are as follows:

Year Ending August 31	Principal Value	Interest	Total Requirements
2012	\$ 36,000	\$ 1,260	\$ 37,260
Totals	<u>\$ 36,000</u>	<u>\$ 1,260</u>	<u>\$ 37,260</u>

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Nonmajor and Other Funds :	
National School Breakfast and Lunch Program	\$ 1,463
Target Grant	24,126
Total Other Committed Fund Balance	<u>\$ 25,589</u>

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	\$ 1,206,472	\$ -	\$ 1,206,472
Investment Income	6,804	26	6,830
Food Sales	-	25,057	25,057
Other	12,113	25,250	37,363
Total	<u>\$ 1,225,389</u>	<u>\$ 50,333</u>	<u>\$ 1,275,722</u>

IV. Other Information

A. Risk Management

Health Care Coverage

During the year ended August 31, 2011, 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.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

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 new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement.

Title II, Basic Grant Career and Technology Education Program

The District participates in a shared service arrangement for the education of career and technology students, funded under Title II, Basic Grant Career and Technology Education program. The District 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-

EXHIBIT J-1

10 Beginning Balance 9/1/10	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/11
\$ 32,466	\$ -	\$ 1,116,795	\$ -	\$ (1,982)	\$ (1,086,311)
7,717	-	37,396	-	(184)	(29,863)
9,087	-	8,678	-	(220)	189
8,286	-	3,533	-	(395)	4,358
12,318	-	4,128	-	(898)	7,292
16,993	-	995	-	683	16,681
21,083	-	933	-	551	20,701
37,011	-	1,010	-	551	36,552
71,952	-	803	-	327	71,476
-	1,144,671	2,592	-	50,867	1,192,946
<u>\$ 216,913</u>	<u>\$ 1,144,671</u>	<u>\$ 1,176,863</u>	<u>\$ -</u>	<u>\$ 49,300</u>	<u>\$ 234,021</u>
		\$ -	\$ -		

GOODRICH INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT J-2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES:				
5700 Local and Intermediate Revenue	\$ 27,000	\$ 27,000	\$ 25,057	\$ (1,943)
5800 State Program Revenues	5,121	5,121	6,139	1,018
5900 Federal Program Revenues	128,000	128,000	121,747	(6,253)
5020 Total Revenues	160,121	160,121	152,943	(7,178)
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035 Food Service	177,887	177,887	169,135	8,752
Total Support Services - Student (Pupil)	177,887	177,887	169,135	8,752
6030 Total Expenditures	177,887	177,887	169,135	8,752
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	(17,766)	(17,766)	(16,192)	1,574
Other Financing Sources (Uses):				
7915 Transfers In	17,766	17,766		(17,766)
7080 Total Other Financing Sources and (Uses)	17,766	17,766		(17,766)
1200 Net Change in Fund Balances	-	-	(16,192)	(16,192)
0100 Fund Balances - Beginning	17,655	17,655	17,655	-
3000 Fund Balances - Ending	\$ 17,655	\$ 17,655	\$ 1,463	\$ (16,192)

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION



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

1406 Wilson Road
Conroe, Texas 77304
(936) 756-8127
Fax (936) 756-8132

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

111 E. Boothe
Cleveland, Texas 77327
(281) 592-6443
Fax (281) 592-7706

**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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2011. 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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of 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.
Certified Public Accountants

Conroe, Texas
December 15, 2011

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GOODRICH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2011

SECTION I – SUMMARY OF AUDITORS' RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditors' report issued	Unqualified
2. Internal Control over Financial Reporting:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3. Noncompliance material to Financial Statements noted?	No
SECTION II –FINDINGS RELATED TO FINANCIAL STATEMENTS	
1. FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING	
None reported	
2. FINDINGS RELATED TO COMPLIANCE WITH LAWS AND REGULATIONS	
None reported	

GOODRICH INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2011

PRIOR YEAR 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.

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, 2010

Current Status: Management implemented procedures to ensure that local, state, and federal purchasing requirements were corrected as of August 31, 2010.

GOODRICH INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

CURRENT YEAR FINDINGS

No items noted.

