

# **GOODRICH INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED**

**AUGUST 31, 2012**



# 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

**[X] APPROVED --- [ ] DISAPPROVED**

(Check One)

for the year ended August 31, 2012 at a meeting of the Board of Trustees of such school district on the 17<sup>th</sup> day of January, 2013.

  
\_\_\_\_\_  
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**

# HLSK

*Hereford, Lynch, Sellars & Kirkham*

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## INDEPENDENT AUDITOR'S REPORT

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

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodrich Independent School District (District), as of and for the year ended August 31, 2012, 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, 2012, 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 January 17, 2013, 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 Government 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 accompanying other supplementary information, including the schedule of required responses to selected school first indicators, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information, including the schedule of required responses to selected school first indicators, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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**  
**January 17, 2013**

## 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, 2012.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,536,239 (*net assets*). Of this amount, \$1,561,269 (*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 \$130,714.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,355,746, a decrease of \$170,084 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,328,855, or 56 percent of total general fund expenditures.
- The District's noncurrent liabilities decreased by \$41,075 (67 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 Services, 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 11 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 10 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 \$3,536,239 at the close of the most recent fiscal year.

### GOODRICH INDEPENDENT SCHOOL DISTRICT'S NET ASSETS

	Governmental Activities					
	2012		2011		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 1,793,918	48	\$ 1,975,732	50	\$ (181,814)	(9)
Capital Assets, net of Depreciation	1,974,970	52	1,981,285	50	(6,315)	-
<b>Total Assets</b>	<b>3,768,888</b>	<b>100</b>	<b>3,957,017</b>	<b>100</b>	<b>(188,129)</b>	
Noncurrent Liabilities Outstanding	20,250	9	61,325	21	(41,075)	(67)
Other Liabilities	212,399	91	228,739	79	(16,340)	(7)
<b>Total Liabilities</b>	<b>232,649</b>	<b>100</b>	<b>290,064</b>	<b>100</b>	<b>(57,415)</b>	
<b>Net Assets:</b>						
Invested in Capital Assets, net of Related Debt	1,974,970	56	1,945,285	53	29,685	2
Unrestricted	1,561,269	44	1,721,668	47	(160,399)	(9)
<b>Total Net Assets</b>	<b>\$ 3,536,239</b>	<b>100</b>	<b>\$ 3,666,953</b>	<b>100</b>	<b>\$ (130,714)</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 56 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* (\$1,561,269) 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 \$130,714. Key elements of the changes are as follows:

**GOODRICH INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET ASSETS**

	Governmental Activities					
	2012		2011		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
<b>Revenue:</b>						
Program Revenues:						
Charges for Services	\$ 56,756	2	\$ 53,642	2	\$ 3,114	6
Operating Grants and Contributions	572,791	21	598,046	20	(25,255)	(4)
General Revenues:						
Property Taxes, Levied for General Purposes	1,193,255	43	1,224,893	41	(31,638)	(3)
Grants and Contributions Not Restricted to Specific Programs	952,730	34	1,112,452	37	(159,722)	(14)
Investment Earnings	5,801	-	6,830	-	(1,029)	(15)
Miscellaneous	10,730	-	5,032	-	5,698	113
<b>Total Revenues</b>	<b>2,792,063</b>	<b>100</b>	<b>3,000,895</b>	<b>100</b>	<b>(208,832)</b>	
<b>Expenses:</b>						
Instruction	1,307,357	48	1,521,100	52	(213,743)	(14)
Instructional Resources and Media Services	33,342	1	33,580	1	(238)	(1)
Curriculum and Staff Development	24,055	1	11,155	-	12,900	116
School Leadership	247,852	8	255,897	8	(8,045)	(3)
Guidance, Counseling, and Evaluation Services	69,389	2	70,488	2	(1,099)	(2)
Health Services	37,511	1	38,690	1	(1,179)	(3)
Student Transportation	108,104	4	107,661	3	443	-
Food Services	188,219	6	185,203	6	3,016	2
Extracurricular Activities	94,405	3	89,536	3	4,869	5
General Administration	315,755	11	310,540	10	5,215	2
Plant Maintenance and Operations	291,619	10	295,005	10	(3,386)	(1)
Security and Monitoring Services	2,595	-	11,587	-	(8,992)	(78)
Data Processing Services	59,436	-	39,571	-	19,865	50
Interest on Long-term Debt	103	-	4,398	-	(4,295)	(98)
Current Debt Fees	-	-	4,240	-	(4,240)	(100)
Payments Related to Shared Services Agreements	106,929	4	93,810	3	13,119	14
Other Intergovernmental Charges	36,106	1	27,281	1	8,825	32
<b>Total Expenses</b>	<b>2,922,777</b>	<b>100</b>	<b>3,099,742</b>	<b>100</b>	<b>(176,965)</b>	
Change in Net Assets	(130,714)		(98,847)		(31,867)	
Net Assets - Beginning	3,666,953		3,765,800		(98,847)	
<b>Net Assets - Ending</b>	<b>\$ 3,536,239</b>		<b>\$ 3,666,953</b>		<b>\$ (130,714)</b>	

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$1,525,521) represent 55 percent of total revenues and property taxes (\$1,193,255) represent 43 percent of total revenues. The remaining 2 percent is generated from investment earnings, charges for services, and miscellaneous revenues. The largest decreases in revenue, \$159,722, was in grants and contributions (general revenues) due to reduction in state funding.

The primary functional expense of the District is Instruction (\$1,307,357) which represents 48 percent of total expenses. General administration (\$315,755) represents 11 percent of total expenses. The remaining functional categories of expenses are individually 10 percent or less of total expenditures. The largest decrease in expenditures, \$213,743, was a planned reduction in instruction 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 \$1,355,746 a decrease of \$170,084 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 \$1,328,855. 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 56 percent of total general fund expenditures. The fund balance of the District's general fund decreased by \$171,386 during the current fiscal year. For the most part, the decrease in fund balance was primarily due to the decrease in state funds.

## 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 a decrease totaling \$20,552 which was primarily due to decrease appropriations for instruction expenditures.

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 \$112,209 positive variance primarily due to unused appropriations in Instruction.
- Actual Revenues, when compared to the final budgeted amount, had a \$122,675 negative variance primarily due to state program revenues were less than expected.

## Capital Asset and Debt Administration

**Capital assets.** The District's investment in capital assets for its governmental type activities as of August 31, 2012, amounts to \$1,974,970 (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 less than 1 percent.

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

- \$79,486 HVAC Air Conditioner Units
- \$5,880 Security Camera

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

	Governmental Activities					
	2012		2011		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land	\$ 275,903	14	\$ 275,903	14	\$ -	-
Buildings and Improvements	1,268,609	64	1,312,569	66	(43,960)	(3)
Furniture and Equipment	430,458	22	392,813	20	37,645	10
<b>Totals</b>	<b>\$ 1,974,970</b>	<b>100</b>	<b>\$ 1,981,285</b>	<b>100</b>	<b>\$ (6,315)</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.

**Commitments.** At the end of the current fiscal year, the District's commitments with construction contractors totaled \$26,620.

**Noncurrent Liabilities.** At the end of the current fiscal year, the District had total noncurrent liabilities outstanding of \$20,250, which consisted of compensated absences.

#### GOODRICH INDEPENDENT SCHOOL DISTRICT'S OUTSTANDING NONCURRENT LIABILITIES

	Governmental Activities					
	2012		2011		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Lease Revenue Bonds	\$ -	-	\$ 36,000	59	\$ (36,000)	(100)
Compensated Absences	20,250	100	25,325	41	(5,075)	(20)
<b>Totals</b>	<b>\$ 20,250</b>	<b>100</b>	<b>\$ 61,325</b>	<b>100</b>	<b>\$ (41,075)</b>	

The District's noncurrent decreased by \$41,075 (67 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 231 students.
- District staff totals 45 employees, which consist of 20 teachers and 10 teachers' aides and secretaries.
- The District maintains 3 campuses for instruction.
- The unemployment rate for the County is currently 8.6 percent, which is a decrease from a rate of 10.2 percent a year ago. This compares unfavorably to the state's average unemployment rate of 7.1 percent, which is a decrease from a rate of 8.4 percent a year ago.
- Property values of the District are projected to increase 7 percent from the prior year.
- A maintenance and operations tax rate of \$1.04 was adopted for 2012-2013. Preceding year rate was \$1.04.

All of these factors were considered in preparing the District's budget for the 2013 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$1,328,855. 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, 2012**

EXHIBIT A-1

1

Data  
Control  
Codes

Governmental  
Activities

**ASSETS:**

1110	Cash and Cash Equivalents	\$	461,337
1120	Current Investments		1,000,742
1225	Property Taxes Receivable (Net)		225,773
1240	Due from Other Governments		104,509
1290	Other Receivables (Net)		1,557
Capital Assets:			
1510	Land		275,903
1520	Buildings and Improvements, Net		1,268,609
1530	Furniture and Equipment, Net		430,458
1000	Total Assets		<u>3,768,888</u>

**LIABILITIES:**

2110	Accounts Payable		59,566
2165	Accrued Liabilities		53,796
2180	Due to Other Governments		99,037
Noncurrent Liabilities:			
2501	Due Within One Year		20,250
2000	Total Liabilities		<u>232,649</u>

**NET ASSETS**

3200	Invested in Capital Assets, Net of Related Debt		1,974,970
3900	Unrestricted		1,561,269
3000	Total Net Assets	\$	<u>3,536,239</u>

The accompanying notes are an integral part of this statement.

# GOODRICH INDEPENDENT SCHOOL DISTRICT

EXHIBIT B-1

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2012

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:				
0011	Instruction	\$ 1,307,357	\$ -	\$ 317,155	\$ (990,202)
0012	Instructional Resource and Media Services	33,342	-	11,475	(21,867)
0013	Curriculum and Staff Development	24,055	-	-	(24,055)
0023	School Leadership	247,852	-	9,379	(238,473)
0031	Guidance, Counseling, and Evaluation Services	69,389	-	-	(69,389)
0033	Health Services	37,511	-	2,069	(35,442)
0034	Student Transportation	108,104	-	1,658	(106,446)
0035	Food Services	188,219	16,645	125,086	(46,488)
0036	Extracurricular Activities	94,405	40,111	1,310	(52,984)
0041	General Administration	315,755	-	19,196	(296,559)
0051	Plant Maintenance and Operations	291,619	-	83,703	(207,916)
0052	Security and Monitoring Services	2,595	-	-	(2,595)
0053	Data Processing Services	59,436	-	1,760	(57,676)
0072	Interest on Long-term Debt	103	-	-	(103)
0093	Payments Related to Shared Services Arrangement	106,929	-	-	(106,929)
0099	Other Intergovernmental Charges	36,106	-	-	(36,106)
TG	Total Governmental Activities	<u>2,922,777</u>	<u>56,756</u>	<u>572,791</u>	<u>(2,293,230)</u>
TP	Total Primary Government	<u>\$ 2,922,777</u>	<u>\$ 56,756</u>	<u>\$ 572,791</u>	<u>(2,293,230)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				1,193,255
GC	Grants and Contributions Not Restricted to Specific Programs				952,730
IE	Investment Earnings				5,801
MI	Miscellaneous				10,730
TR	Total General Revenues				<u>2,162,516</u>
CN	Change in Net Assets				(130,714)
NB	Net Assets - Beginning				<u>3,666,953</u>
NE	Net Assets - Ending				<u>\$ 3,536,239</u>

The accompanying notes are an integral part of this statement.

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2012

EXHIBIT C-1

Data Control Codes		199		98
		General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
1110	Cash and Cash Equivalents	\$ 434,446	\$ 26,891	\$ 461,337
1120	Current Investments	1,000,742	-	1,000,742
1225	Taxes Receivable, Net	225,773	-	225,773
1240	Due from Other Governments	22,008	82,501	104,509
1260	Due from Other Funds	39,743	4,452	44,195
1290	Other Receivables	1,557	-	1,557
1000	Total Assets	<u>\$ 1,724,269</u>	<u>\$ 113,844</u>	<u>\$ 1,838,113</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 14,408	\$ 45,158	\$ 59,566
2160	Accrued Wages Payable	51,744	2,052	53,796
2170	Due to Other Funds	4,452	39,743	44,195
2180	Due to Other Governments	99,037	-	99,037
2300	Deferred Revenue	225,773	-	225,773
2000	Total Liabilities	<u>395,414</u>	<u>86,953</u>	<u>482,367</u>
FUND BALANCES:				
3545	Other Committed Fund Balance	-	26,891	26,891
3600	Unassigned Fund Balance	1,328,855	-	1,328,855
3000	Total Fund Balances	<u>1,328,855</u>	<u>26,891</u>	<u>1,355,746</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,724,269</u>	<u>\$ 113,844</u>	<u>\$ 1,838,113</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, 2012**

**EXHIBIT C-1R**

**Total Fund Balances - Governmental Funds (Exhibit C-1)** **\$ 1,355,746**

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	\$ 7,977,925	
Accumulated Depreciation of Governmental Capital Assets	<u>(6,002,955)</u>	1,974,970

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.	225,773
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Compensated Absences	<u>(20,250)</u>
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**Total Net Assets - Governmental Activities (Exhibit A-1)** **\$ 3,536,239**

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, 2012**

EXHIBIT C-2

Data Control Codes		199	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700	Local and Intermediate Revenue	\$ 1,212,347	\$ 52,242	\$ 1,264,589
5800	State Program Revenues	992,851	90,898	1,083,749
5900	Federal Program Revenues	44,767	395,505	440,272
5020	Total Revenues	<u>2,249,965</u>	<u>538,645</u>	<u>2,788,610</u>
EXPENDITURES:				
Current:				
0011	Instruction	1,025,723	263,475	1,289,198
0012	Instructional Resources and Media Services	20,377	10,845	31,222
0013	Curriculum and Staff Development	21,684	-	21,684
0023	School Leadership	240,050	1,307	241,357
0031	Guidance, Counseling, and Evaluation Services	69,609	-	69,609
0033	Health Services	37,618	-	37,618
0034	Student Transportation	87,883	-	87,883
0035	Food Service	-	172,150	172,150
0036	Extracurricular Activities	60,913	32,832	93,745
0041	General Administration	308,178	6,205	314,383
0051	Plant Maintenance and Operations	273,243	79,485	352,728
0052	Security and Monitoring Services	2,595	-	2,595
0053	Data Processing Services	64,227	-	64,227
Debt Service:				
0071	Principal on Long-term Debt	36,000	-	36,000
0072	Interest on Long-term Debt	1,260	-	1,260
Intergovernmental:				
0093	Payments Related to Shared Service Arrangements	106,929	-	106,929
0099	Other Intergovernmental Charges	36,106	-	36,106
6030	Total Expenditures	<u>2,392,395</u>	<u>566,299</u>	<u>2,958,694</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(142,430)</u>	<u>(27,654)</u>	<u>(170,084)</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	28,956	28,956
8911	Transfers Out	<u>(28,956)</u>	<u>-</u>	<u>(28,956)</u>
7080	Total Other Financing Sources (Uses)	<u>(28,956)</u>	<u>28,956</u>	<u>-</u>
1200	Net Change in Fund Balances	(171,386)	1,302	(170,084)
0100	Fund Balances - Beginning	1,500,241	25,589	1,525,830
3000	Fund Balances - Ending	<u>\$ 1,328,855</u>	<u>\$ 26,891</u>	<u>\$ 1,355,746</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, 2012**

**Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2)** **\$ (170,084)**

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 <i>increased</i>	\$ 85,366	
Depreciation Expense	<u>(91,681)</u>	(6,315)

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. 3,453

Repayment of lease revenue bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 36,000

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 <i>decreased</i>	1,157
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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. 5,075

**Change in Net Assets for Governmental Activities (Exhibit B-1)** **\$ (130,714)**

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, 2012**

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES:				
5700 Local and Intermediate Revenue	\$ 1,233,493	\$ 1,233,493	\$ 1,212,347	\$ (21,146)
5800 State Program Revenues	1,101,887	1,101,887	992,851	(109,036)
5900 Federal Program Revenues	37,260	37,260	44,767	7,507
5020 Total Revenues	2,372,640	2,372,640	2,249,965	(122,675)
EXPENDITURES:				
Current:				
Instruction & Instructional Related Services:				
0011 Instruction	1,103,949	1,077,397	1,025,723	51,674
0012 Instructional Resources and Media Services	19,474	21,974	20,377	1,597
0013 Curriculum and Staff Development	31,100	31,100	21,684	9,416
Total Instruction & Instructional Related Services	1,154,523	1,130,471	1,067,784	62,687
Instructional and School Leadership:				
0023 School Leadership	245,500	245,500	240,050	5,450
Total Instructional & School Leadership	245,500	245,500	240,050	5,450
Support Services - Student (Pupil):				
0031 Guidance, Counseling, and Evaluation Services	70,987	70,987	69,609	1,378
0033 Health Services	40,229	40,229	37,618	2,611
0034 Student Transportation	89,970	94,970	87,883	7,087
0035 Food Service	-	-	-	-
0036 Extracurricular Activities	72,894	72,894	60,913	11,981
Total Support Services - Student (Pupil)	274,080	279,080	256,023	23,057
Administrative Support Services:				
0041 General Administration	310,976	314,476	308,178	6,298
Total Administrative Support Services	310,976	314,476	308,178	6,298
Support Services - Nonstudent Based:				
0051 Plant Maintenance and Operations	288,938	280,738	273,243	7,495
0052 Security and Monitoring Services	3,000	4,200	2,595	1,605
0053 Data Processing Services	69,879	71,879	64,227	7,652
Total Support Services - Nonstudent Based	361,817	356,817	340,065	16,752
Debt Service:				
0071 Principal on Long-term Debt	36,000	36,000	36,000	-
0072 Interest on Long-term Debt	1,260	1,260	1,260	-
Total Debt Services	37,260	37,260	37,260	-
Intergovernmental Charges:				
0093 Payments Related to Shared Service Arrangements	109,000	109,000	106,929	2,071
0099 Other Intergovernmental Charges	32,000	32,000	36,106	(4,106)
Total Intergovernmental Charges	141,000	141,000	143,035	(2,035)
6030 Total Expenditures	2,525,156	2,504,604	2,392,395	112,209
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(152,516)	(131,964)	(142,430)	(10,466)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	13,400	13,400	-	(13,400)
8911 Transfers Out	(17,352)	(37,904)	(28,956)	8,948
7080 Total Other Financing Sources (Uses)	(3,952)	(24,504)	(28,956)	(4,452)
1200 Net Change in Fund Balances	(156,468)	(156,468)	(171,386)	(14,918)
0100 Fund Balances - Beginning	1,500,241	1,500,241	1,500,241	-
3000 Fund Balances - Ending	\$ 1,343,773	\$ 1,343,773	\$ 1,328,855	\$ (14,918)

The accompanying notes are an integral part of this statement.

**GOODRICH INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**AUGUST 31, 2012**

EXHIBIT E-1

Data Control Codes		865 Agency Fund Student Activity
	<b>ASSETS:</b>	
1110	<i>Cash and Cash Equivalents</i>	\$ 11,736
1000	Total Assets	\$ <u>11,736</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 11,736
2000	Total Liabilities	\$ <u>11,736</u>

The accompanying notes are an integral part of this statement.

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### 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.

The 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 and compensated absences have 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 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.

## GOODRICH INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

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.

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, 2012. 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, 2012

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



# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### 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 - the residual amount in the general fund.

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.

## 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.

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

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 decreases made in the General Fund totaled \$20,552. The decrease was primarily to Instruction.

There were no significant 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, 2012, expenditures exceeded appropriations in the function (the legal level of budgetary control) of the following fund:

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	99	\$ 32,000	\$ 36,106	\$ (4,106)

### III. Detailed Notes on All Funds

#### A. Deposits and Investments

As of August 31, 2012, the District had the following investments:

<u>Investment Type</u>	<u>Standard &amp; Poor's Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Lone Star - Corporate Overnight	AAAm	\$ 1,000,742	0.15
<b>Total Fair Value</b>		<b>\$ 1,000,742</b>	
<b>Portfolio Weighted Average Maturity</b>			<b>0.15</b>

*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 any internally created pool to no more than 180 days, and any individual investments to one year from the date of purchase, unless approved by the Board of Trustees.

*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 credit ratings of such investments are noted above.

*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, 2012, District's bank balance of \$658,754 was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent and in the District's name.

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

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### 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
<b>Receivables:</b>			
Property Taxes	\$ 240,184	\$ -	\$ 240,184
Due From Other Governments	22,008	82,501	104,509
Other Receivables	1,557	-	1,557
Gross Receivables	263,749	82,501	346,250
Less: Allowance for Uncollectibles	(14,411)	-	(14,411)
<b>Net Total Receivables</b>	<b>\$ 249,338</b>	<b>\$ 82,501</b>	<b>\$ 331,839</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	\$ (2,710)
<b>Total Uncollectibles of the Current Fiscal Year</b>	<b>\$ (2,710)</b>

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)	\$ 225,773	\$ -
<b>Total Unavailable/Unearned Revenue For Governmental Funds</b>	<b>\$ 225,773</b>	<b>\$ -</b>

### C. Interfund Receivables and Payables and Transfers

The composition of interfund balances as of August 31, 2012, are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 39,743	\$ 4,452
Other Governmental Funds - Nonmajor	4,452	39,743
<b>Total</b>	<b>\$ 44,195</b>	<b>\$ 44,195</b>

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, 2012.

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds - Nonmajor	\$ 28,956
<b>Total</b>		<b>\$ 28,956</b>

The purpose of the transfer was to provide funds to the National School Breakfast and Lunch Program for food costs and services.

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### D. Capital Assets

Capital asset activity for the year ended August 31, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<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>				
Buildings and Improvements	6,745,635	-	-	6,745,635
Furniture and Equipment	871,021	85,366	-	956,387
<b>Total Capital Assets, being Depreciated</b>	<b>7,616,656</b>	<b>85,366</b>	<b>-</b>	<b>7,702,022</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(5,433,066)	(43,960)	-	(5,477,026)
Furniture and Equipment	(478,208)	(47,721)	-	(525,929)
<b>Total Accumulated Depreciation</b>	<b>(5,911,274)</b>	<b>(91,681)</b>	<b>-</b>	<b>(6,002,955)</b>
<b>Total Capital Assets, being Depreciated, net</b>	<b>1,705,382</b>	<b>(6,315)</b>	<b>-</b>	<b>1,699,067</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 1,981,285</b>	<b>\$ (6,315)</b>	<b>\$ -</b>	<b>\$ 1,974,970</b>

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

<b>Governmental Activities:</b>	
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 Services	16,069
36 Extracurricular Activities	748
41 General Administration	2,082
51 Plant Maintenance and Operations	18,608
53 Data Processing Services	1,176
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$ 91,681</b>

### Construction Commitments

The District had active construction projects as of August 31, 2012. The projects include the construction and equipment of school facilities. At year end, the District's commitments with contractors are as follows:

Project	Remaining Commitment
HVAC for Gymnasium	\$ 26,620
<b>Totals</b>	<b>\$ 26,620</b>

The commitment for construction and equipment of school facilities is being financed by federal grant revenues.

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### E. Long-term Liabilities

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

### Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Lease Revenue Bonds	\$ 36,000	\$ -	\$ (36,000)	\$ -	\$ -
Compensated Absences	25,325	-	(5,075)	20,250	20,250
<b>Governmental Activity Long-term Liabilities</b>	<b>\$ 61,325</b>	<b>\$ -</b>	<b>\$ (41,075)</b>	<b>\$ 20,250</b>	<b>\$ 20,250</b>

### Lease Revenue Bonds

The District issues lease revenue bonds to provide funds for leasing and equipment of school facilities. The lease revenue bonds are secured by the high school building. The lease revenue bonds are issued as a 5 year current interest note. The following is a summary of changes in lease revenue bonds 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	\$ 36,000	\$ -	\$ (36,000)	\$ -
<b>Totals</b>				<b>\$ 36,000</b>	<b>\$ -</b>	<b>\$ (36,000)</b>	<b>\$ -</b>

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

Year Ending August 31	Principal Value	Interest	Total Requirements
None	\$ -	\$ -	\$ -
<b>Totals</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### F. Fund Balance

Other committed fund balance includes the following commitments of funds:

<b>Nonmajor and Other Funds :</b>	
Scholarship Fund	\$ 26,891
<b>Total Other Committed Fund Balance</b>	<b>\$ 26,891</b>

### 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	\$ 1,189,802	\$ -	\$ 1,189,802
Investment Income	5,787	14	5,801
Food Sales	-	16,645	16,645
Other	16,758	35,583	52,341
<b>Total</b>	<b>\$ 1,212,347</b>	<b>\$ 52,242</b>	<b>\$ 1,264,589</b>

## **GOODRICH INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2012**

#### **IV. Other Information**

##### **A. Risk Management**

###### **Health Care Coverage**

During the year ended August 31, 2012, 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. Contingencies**

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2012, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

##### **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 ISD. 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. *Region VI is reporting \$1,396 as expenditures incurred on behalf of Goodrich ISD.*

###### **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. *Region VI is reporting \$4,953 as expenditures incurred on behalf of Goodrich ISD.*

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### Polk County Special Service Cooperative

The District participates in a shared service arrangement for special education funded under IDEA-B Formula and Preschool and for the education of students with a visual impairment funded under State Supplemental Visually Impaired 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, Livingston ISD. 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 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 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 downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

*Contributions.* Contribution rates and contributions for fiscal years 2012-2010 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts

Year	Member		State		School District Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
2012	6.4%	\$ 90,693	6.000%	\$ 69,292	\$ 7,394
2011	6.4%	\$ 103,536	6.644%	\$ 90,757	\$ 9,909
2010	6.4%	\$ 103,527	6.644%	\$ 91,212	\$ 9,904

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

# GOODRICH INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

### 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 Teacher Retirement System of Texas 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 calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

*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. Funding for free basic coverage is provided by the program based upon public school district payroll. 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. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2012-2010.

Contribution Rates

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2012	0.65%	\$ 9,211	1.00%	\$ 12,781	0.55%	\$ 7,794
2011	0.65%	\$ 10,515	1.00%	\$ 15,133	0.55%	\$ 8,898
2010	0.65%	\$ 10,514	1.00%	\$ 15,242	0.55%	\$ 8,897

In addition, the State of Texas contributed \$7,096, \$4,289 and \$3,926 in 2012, 2011, and 2010, respectively, for on-behalf payments for Medicare Part D and Early Retiree Reinsurance Program.

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

### F. Nonmonetary Transactions

During 2012, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$6,383. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$6,383 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.



## OTHER SUPPLEMENTARY INFORMATION

**GOODRICH INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2012**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2003 and Prior Years	\$	Various	\$	Various	\$	Various
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		1.04		-		99,135,385
2011		1.04		-		110,064,519
2012 (School Year Under Audit)		1.04		-		112,930,192
1000 Totals						

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

10 Beginning Balance 9/1/11	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/12
\$ 34,622	\$ -	\$ 1,832	\$ -	\$ (133)	\$ 32,657
7,857	-	394	-	(66)	7,397
6,958	-	936	-	(66)	5,956
10,425	-	456	-	(257)	9,712
13,548	-	762	-	(742)	12,044
18,101	-	1,569	-	(201)	16,331
28,884	-	2,854	-	(210)	25,820
34,883	-	8,585	-	(210)	26,088
78,743	-	43,422	-	94	35,415
-	1,174,474	1,103,165	-	(2,545)	68,764
<u>\$ 234,021</u>	<u>\$ 1,174,474</u>	<u>\$ 1,163,975</u>	<u>\$ -</u>	<u>\$ (4,336)</u>	<u>\$ 240,184</u>
		\$ -	\$ -		

# GOODRICH INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

## SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2013-2014 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2012

### FUNCTION 41 AND RELATED FUNCTION 53 - 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	\$ -	\$ -	\$ 117,273	\$ 126,970	\$ 5,555	\$ -	\$ 249,798
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	-	-	-	438	-	-	438
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	-	-	-	-	-	-	-
6211	Legal Services	11,920	-	-	-	-	-	11,920
6212	Audit Services	-	-	-	15,000	-	-	15,000
6213	Tax Appraisal and Collection	-	36,106	-	-	-	-	36,106
621X	Other Prof. Services	1,235	-	200	1,992	-	-	3,427
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	485	-	-	-	600	-	1,085
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	4,043	-	4,043
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6310	Operational Supplies, Materials	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	28	-	-	-	28
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies, Materials	894	-	258	2,592	-	-	3,744
6410	Travel, Subsistence, Stipends	5,492	-	2,727	1,368	-	-	9,587
6420	Ins. and Bonding Costs	4,700	-	-	-	-	-	4,700
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	6,056	-	1,978	2,579	-	-	10,613
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-

Total \$ 30,782 \$ 36,106 \$ 122,464 \$ 150,939 \$ 10,198 \$ - \$ 350,489

Total Expenditures for General and Special Revenue Funds (9) \$ 2,958,694

#### LESS: Deductions of Unallowable Costs

#### FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 93,815
Total Debt & Lease (6500)	(11)	\$ 37,260
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 249,881
Food (Function 35, 6341 and 6499)	(13)	\$ 55,581
Stipends (6413)	(14)	\$ -
Column 4 (above) - Total Indirect Cost		\$ 150,939

Subtotal 587,476

Net Allowed Direct Cost \$ 2,371,218

#### CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 6,745,635
Historical Cost of Buildings over 50 years old	(16)	4,386,969
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	956,387
Historical Cost of Furniture & Equipment over 16 years old	(19)	198,981
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	-

(8) Note A - \$0 in Function 53 expenditures and \$36,106 in Function 99 expenditures are included in this report on administrative costs.

**GOODRICH INDEPENDENT SCHOOL DISTRICT**
**EXHIBIT J-3**
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Revenue</i>	\$ 31,625	\$ 31,625	\$ 16,645	\$ (14,980)
5800 <i>State Program Revenues</i>	6,323	6,323	5,281	(1,042)
5900 <i>Federal Program Revenues</i>	128,000	131,000	119,805	(11,195)
5020 <i>Total Revenues</i>	165,948	168,948	141,731	(27,217)
<b>EXPENDITURES:</b>				
Current:				
Support Services - Student (Pupil):				
0035 <i>Food Service</i>	172,900	172,900	172,150	750
Total Support Services - Student (Pupil)	172,900	172,900	172,150	750
6030 <i>Total Expenditures</i>	172,900	172,900	172,150	750
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	(6,952)	(3,952)	(30,419)	(26,467)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 <i>Transfers In</i>	3,952	3,952	28,956	25,004
7080 <i>Total Other Financing Sources (Uses)</i>	3,952	3,952	28,956	25,004
1200 <i>Net Change in Fund Balances</i>	(3,000)	-	(1,463)	(1,463)
0100 <i>Fund Balances - Beginning</i>	1,463	1,463	1,463	-
3000 <i>Fund Balances - Ending</i>	\$ (1,537)	\$ 1,463	\$ -	\$ (1,463)

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## **OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION**

# HLSK

*Hereford, Lynch, Sellars & Kirkham*

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

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

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodrich Independent School District (District), as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2013. 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

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

*A 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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



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

Respectfully submitted,

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

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

**Conroe, Texas**  
**January 17, 2013**

**GOODRICH INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF FINDINGS AND RESPONSES****FOR THE YEAR ENDED AUGUST 31, 2012**

<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?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3. Noncompliance material to Financial Statements noted?	No
<b>SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS</b>	
<b>1. FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING</b>	
None reported	
<b>2. FINDINGS RELATED TO COMPLIANCE WITH LAWS AND REGULATIONS</b>	
None reported	

**GOODRICH INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2012*

<b><i>PRIOR YEAR FINDINGS</i></b>
No items noted.

**GOODRICH INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2012**

**CURRENT YEAR FINDINGS**

No items noted.

**GOODRICH INDEPENDENT SCHOOL DISTRICT**

EXHIBIT L-1

**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2012**

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ -