

GOODRICH INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2015

GOODRICH INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

FOR THE YEAR ENDED AUGUST 31, 2015

Exhibit Number		Page Number
	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 Position.....	12
B-1	Statement of Activities.....	13
	Fund Financial Statements:	
C-1	Balance Sheet - Governmental Funds	14
C-1R	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	16
C-3	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
E-1	Statement of Assets and Liabilities - Fiduciary Funds	18
	Notes to the Financial Statements	19
	Required Supplementary Information:	
G-1	Schedule of Revenues, Expenditures and Change in Fund Balance – Budget to Actual – General Fund.....	38
G-2	Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan (TRS).....	39
G-3	Schedule of the District's Contributions to the Teacher Retirement System Pension Plan (TRS).....	40
	Notes to the Required Supplementary Information	41
	Supplementary Information:	
	Combining Funds Financial Statements:	
H-1	Combining Balance Sheet - Nonmajor Special Revenue Funds	45
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	49
	Compliance Schedules:	
J-1	Schedule of Delinquent Taxes Receivable.....	52
J-2	Budgetary Comparison Schedule - National School Breakfast and Lunch Program.....	54
	Overall Compliance and Internal Control Section:	
	Independent Auditors' 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 Auditing Standards</i>	56
	Schedule of Findings and Responses.....	58
	Summary Schedule of Prior Audit Findings.....	59
	Corrective Action Plan.....	60
L-1	Schedule of Required Responses to Selected School First Indicators (Supplementary Information)....	61

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, 2015 at a meeting of the Board of Trustees of such school district on the 19th day of November, 2015.


SIGNATURE OF BOARD SECRETARY


SIGNATURE OF BOARD PRESIDENT

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

FINANCIAL SECTION



Hereford, Lynch, Sellars & Kirkham

Certified Public Accountants • A Professional Corporation

Conroe
1406 Wilson Rd., Suite 100
Conroe, Texas 77304
Tel 936-756-8127
Metro 936-441-1338
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

Cleveland
111 East Boothe
Cleveland, Texas 77327
Tel 281-592-6443
Fax 281-592-7706

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Goodrich Independent School District as of August 31, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I.E., in 2015 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Goodrich Independent School District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015 on our consideration of the Goodrich Independent School 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodrich Independent School District's internal control over financial reporting and compliance.

Respectfully,

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

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

Conroe, Texas
November 19, 2015

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, 2015.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,759,422 (*net position*). Of this amount, \$1,150,074 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net position decreased by \$121,403 from current operations, and decreased by \$216,600 from the implementation of GASB 68 and 71.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,131,096, an increase of \$143,682 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,084,763, or 35 percent of total general fund expenditures.
- The District's noncurrent liabilities increased by \$504,665 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 required supplementary information and 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 Position* (Exhibit A-1) presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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, Issuance Costs and Fees, Facilities Repair and Maintenance, Payments Related to Shared Services Arrangements, and Other Intergovernmental Charges*.

In fiscal year 2015, the District adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

- a. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- b. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- c. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the District's financial statements.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined by the state legislature for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2015 government-wide financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement. Net position as of September 1, 2014 was decreased by \$216,600 to reflect the cumulative effect of adoption. The net pension liability of \$237,746 and the deferred outflows of resources of \$18,146 at August 31, 2014 were reported as a prior period adjustment to the net position on September 1, 2014. Refer to Note IV.C for more information regarding the District's pension.

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 69.

Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 70.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the District's fiscal year-end, the effect from the District's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position are as follows:

TRS – The beginning deferred outflow includes contributions from September 1, 2013 through August 31, 2014, totaling \$18,146.

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 financial statements 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 9 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 8 governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule 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 presents required supplementary information and supplementary information including schedules required by the Texas Education Agency. The supplementary information can be found as noted in the table of contents of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,759,422 at the close of the most recent fiscal year.

GOODRICH INDEPENDENT SCHOOL DISTRICT'S NET POSITION

	Governmental Activities					
	2015		2014		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 1,491,316	40	\$ 1,389,708	42	\$ 101,608	7
Capital Assets, net of Depreciation	2,218,540	60	1,939,226	58	279,314	14
Total Assets	3,709,856	100	3,328,934	100	380,922	
Total Deferred Outflows of Resources	43,098	100	-	-	43,098	100
Long-Term Liabilities Outstanding	837,007	90	97,596	42	739,411	758
Other Liabilities	98,045	10	133,913	58	(35,868)	(27)
Total Liabilities	935,052	100	231,509	100	703,543	
Total Deferred Inflows of Resources	58,480	100	-	-	58,480	100
Net Position:						
Net Investment in Capital Assets	1,591,757	57	1,858,580	60	(266,823)	(14)
Restricted	17,591	1	-	-	17,591	100
Unrestricted	1,150,074	42	1,238,845	40	(88,771)	(7)
Total Net Position	\$ 2,759,422	100	\$ 3,097,425	100	\$ (338,003)	

The decrease in the excess of assets/deferred outflows of resources over liabilities/deferred inflows of resources reported on the government-wide *Statement of Net Position* of \$2,759,422 at August 31, 2015 results from several factors. The most significant item for the decrease was the implementation of the GASB statements for pensions which decreased beginning net position \$216,600.

Net investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment), less any related debt used to acquire those assets that are still outstanding represent 57 percent of the District's net position. 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.

Net position that is restricted for grants totals \$17,591 or 1 percent of net position. The remaining balance of *unrestricted net position* (\$1,150,074) may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District is able to report positive balances in all categories of net position.

Governmental activities. The District's net position decreased by \$121,403 from current operations and decreased by \$216,600 from the implementation of a new accounting standard as described in the notes to the financial statements. Key elements of the changes are as follows:

GOODRICH INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities					
	2015		2014		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program Revenues:						
Charges for Services	\$ 12,799	1	\$ 18,912	1	\$ (6,113)	(32)
Operating Grants and Contributions	474,616	16	432,528	16	42,088	10
General Revenues:						
Property Taxes, Levied for General Purposes	1,382,342	46	1,406,258	52	(23,916)	(2)
Grants and Contributions Not Restricted to Specific Programs	1,125,326	37	791,973	29	333,353	42
Investment Earnings	3,251	-	3,989	-	(738)	(19)
Miscellaneous	11,520	-	40,229	2	(28,709)	(71)
Total Revenues	3,009,854	100	2,693,889	100	315,965	
Expenses:						
Instruction	1,256,941	39	1,234,713	41	22,228	2
Instructional Resources and Media Services	26,585	1	28,092	1	(1,507)	(5)
Curriculum and Staff Development	16,303	1	14,841	-	1,462	10
School Leadership	248,550	8	246,442	8	2,108	1
Guidance, Counseling, and Evaluation Services	72,541	2	69,420	2	3,121	4
Health Services	43,455	1	39,900	1	3,555	9
Student Transportation	116,623	4	124,175	4	(7,552)	(6)
Food Services	180,456	6	194,772	7	(14,316)	(7)
Extracurricular Activities	98,066	3	100,320	3	(2,254)	(2)
General Administration	324,888	10	376,419	13	(51,531)	(14)
Plant Maintenance and Operations	303,746	10	315,633	11	(11,887)	(4)
Security and Monitoring Services	4,268	-	2,540	-	1,728	68
Data Processing Services	81,977	3	113,645	4	(31,668)	(28)
Interest on Long-term Debt	16,583	1	4,634	-	11,949	258
Issuance Costs and Fees	9,800	-	-	-	9,800	100
Facilities Repair and Maintenance	173,772	6	23,545	1	150,227	638
Payments Related to Shared Services Agreements	125,427	4	75,921	3	49,506	65
Other Intergovernmental Charges	31,276	1	31,209	1	67	-
Total Expenses	3,131,257	100	2,996,221	100	135,036	
Change in Net Position	(121,403)		(302,332)		180,929	
Net Position - Beginning	3,097,425		3,399,757		(302,332)	
Prior Period Adjustment - Implement GASB 68 and 71 for Pensions (a)	(216,600)		-		(216,600)	
Net Position - Beginning, as restated	2,880,825		3,399,757		(518,932)	
Net Position - Ending	\$ 2,759,422		\$ 3,097,425		\$ (338,003)	

(a) The restatement of the beginning net position in fiscal year 2015 is the result of the District implementing GASB Statement No. 68 and 71 in fiscal year 2015. The implementation is discussed above in MD&A and more information is available in Note IV.C.

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$1,599,942) represent 53 percent of total revenues and property taxes (\$1,382,342 represents 46 percent of total revenues. The remaining 1 percent is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is Instruction (\$1,256,941) which represents 39 percent of total expenses. The remaining functional categories of expenses are individually 10 percent or less of total expenditures.

Although state funding increased significantly, the increase in expenses, especially facilities repair and maintenance, resulted in a decrease in net position.

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 \$1,131,096 an increase of \$143,682 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 \$1,084,763. 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 35 percent of total general fund expenditures. The fund balance of the District's general fund increased by \$126,554 during the current fiscal year. The increase in fund balance was primarily due to an increase in Foundation Allotment state revenues, and proceeds from a maintenance tax note.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. The most significant amendments to the final budget of the general fund were to increase estimated state revenues due to an increase in projected allotment, to increase appropriations for additional capital outlay regarding an energy conservation project, and an increase in loan proceeds for such project.

There were no significant variations between the final budget and actual budget results. No variations are expected to have a significant effect of future services or liquidity.

Capital Assets and Long-term Liabilities

Capital assets. The District's investment in capital assets for its governmental type activities as of August 31, 2015, amounts to \$2,218,540 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, and furniture and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 14 percent.

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

- \$194,959 LED Lighting
- \$79,616 HVAC System
- \$65,831 Access Door Controls
- \$47,857 Drainage for Buildings

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

	Governmental Activities					
	2015		2014		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and Improvements	\$ 310,931	14	\$ 310,931	16	\$ -	-
Buildings and Improvements	1,615,334	73	1,180,690	61	434,644	37
Furniture and Equipment	292,275	13	447,605	23	(155,330)	(35)
Totals	\$ 2,218,540	100	\$ 1,939,226	100	\$ 279,314	

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

Long-term liabilities. At year-end, the District had the following long-term liabilities:

GOODRICH INDEPENDENT SCHOOL DISTRICT'S LONG-TERM LIABILITIES OUTSTANDING

	Governmental Activities					
	2015		2014		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Notes Payable	\$ 626,783	75	\$ 80,646	24	\$ 546,137	677
Compensated Absences	19,050	2	16,950	5	2,100	12
Net Pension Liability*	191,174	23	234,746	71	(43,572)	(19)
Totals	\$ 837,007	100	\$ 332,342	100	\$ 504,665	

*2014 Net Pension Liability was restated for implementation of GASB 68.

The District's noncurrent liabilities increased by \$504,665 during the current fiscal year due to the issuance of a maintenance tax note.

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.

The adoption of Statement No. 68 resulted in the District's reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for each of its qualified pension plans and the recognition of pension expense in accordance with the provisions of the Statement. The decrease in the District's net pension liability (NPL) to \$191,174 at August 31, 2015 from \$234,746 at August 31, 2014 was the result of a significant increase in net investment income in the TRS plan during 2014.

The following table provides the District's key pension statistics related to the TRS plan as of and for the fiscal year ended August 31, 2015:

GOODRICH INDEPENDENT SCHOOL DISTRICT'S KEY PENSION STATISTICS

Net Pension Liability (NPL)	\$ 191,174
Pension Expense	\$ 93,674

Additional information on the District's net pension liability 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 230 students.
- District staff totals 46 employees, which includes of 20 teachers and 11 teachers' aides and secretaries.
- The District maintains 3 campuses for instruction.
- The unemployment rate for the County is currently 6.2 percent, which is a decrease from a rate of 6.8 percent a year ago. This compares unfavorably to the state's average unemployment rate of 4.1 percent, which is a decrease from a rate of 5.3 percent a year ago.
- Property values of the District are projected to remain stable in 2015-2016.
- A maintenance and operations tax rate of \$1.17 was adopted for 2015-2016. Preceding year rate was \$1.17.

All of these factors were considered in preparing the District's budget for the 2016 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$1,084,763. 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 POSITION**

AUGUST 31, 2015

EXHIBIT A-1

1

Data Control Codes		Primary Government Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 528,411
1120	Current Investments	356,951
1220	Property Taxes Receivable	293,456
1230	Allowance for Uncollectible Taxes	(15,000)
1240	Due from Other Governments	322,438
1290	Other Receivables	5,060
	Capital Assets:	
1510	Land and Improvements	310,931
1520	Buildings and Improvements, Net	1,615,334
1530	Furniture and Equipment, Net	292,275
1000	Total Assets	<u>3,709,856</u>
1700	DEFERRED OUTFLOWS OF RESOURCES	<u>43,098</u>
LIABILITIES:		
2110	Accounts Payable	16,377
2140	Interest Payable	16,281
2160	Accrued Wages Payable	62,995
2300	Unearned Revenue	2,392
	Noncurrent Liabilities:	
2501	Due Within One Year	67,651
2502	Due in More Than One Year	769,356
2000	Total Liabilities	<u>935,052</u>
2600	DEFERRED INFLOWS OF RESOURCES	<u>58,480</u>
NET POSITION:		
3200	Net Investment in Capital Assets	1,591,757
3820	Restricted for Grants	17,591
3900	Unrestricted	1,150,074
3000	Total Net Position	<u><u>\$ 2,759,422</u></u>

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT B-1

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Primary Government:				
	Governmental Activities:				
0011	Instruction	\$ 1,256,941	\$ -	\$ 209,880	\$ (1,047,061)
0012	Instructional Resources and Media Services	26,585	-	22,211	(4,374)
0013	Curriculum and Staff Development	16,303	-	15	(16,288)
0023	School Leadership	248,550	-	10,753	(237,797)
0031	Guidance, Counseling, and Evaluation Services	72,541	-	2,843	(69,698)
0033	Health Services	43,455	-	1,560	(41,895)
0034	Student Transportation	116,623	-	1,705	(114,918)
0035	Food Services	180,456	9,476	183,970	12,990
0036	Extracurricular Activities	98,066	3,323	27,267	(67,476)
0041	General Administration	324,888	-	9,753	(315,135)
0051	Plant Maintenance and Operations	303,746	-	4,370	(299,376)
0052	Security and Monitoring Services	4,268	-	-	(4,268)
0053	Data Processing Services	81,977	-	289	(81,688)
0072	Interest on Long-term Debt	16,583	-	-	(16,583)
0073	Issuance Costs and Fees	9,800	-	-	(9,800)
0081	Facilities Repair and Maintenance	173,772	-	-	(173,772)
0093	Payments Related to Shared Services Arrangement	125,427	-	-	(125,427)
0099	Other Intergovernmental Charges	31,276	-	-	(31,276)
TG	Total Governmental Activities	3,131,257	12,799	474,616	(2,643,842)
TP	Total Primary Government	\$ 3,131,257	\$ 12,799	\$ 474,616	(2,643,842)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				1,382,342
GC	Grants and Contributions Not Restricted to Specific Programs				1,125,326
IE	Investment Earnings				3,251
MI	Miscellaneous				11,520
TR	Total General Revenues				2,522,439
CN	Change in Net Position				(121,403)
NB	Net Position - Beginning				3,097,425
PA	Prior Period Adjustment - Implement GASB 67 & 68 for Pensions				(216,600)
	Net Position - Beginning, as restated				2,880,825
NE	Net Position - Ending				\$ 2,759,422

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT
EXHIBIT C-1
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes		199		98
		General Fund	Total Nonmajor Funds	Total Governmental Funds
	ASSETS:			
1110	Cash and Cash Equivalents	\$ 478,443	\$ 49,968	\$ 528,411
1120	Current Investments	356,951	-	356,951
1220	Property Taxes Receivable	293,456	-	293,456
1230	Allowance for Uncollectible Taxes	(15,000)	-	(15,000)
1240	Due from Other Governments	308,610	13,828	322,438
1260	Due from Other Funds	8,147	-	8,147
1290	Other Receivables	5,060	-	5,060
1000	Total Assets	1,435,667	63,796	1,499,463
1000a	Total Assets and Deferred Outflows of Resources	\$ 1,435,667	\$ 63,796	\$ 1,499,463
	LIABILITIES:			
2110	Accounts Payable	\$ 11,968	\$ 4,409	\$ 16,377
2160	Accrued Wages Payable	60,480	2,515	62,995
2170	Due to Other Funds	-	8,147	8,147
2300	Unearned Revenue	-	2,392	2,392
2000	Total Liabilities	72,448	17,463	89,911
2600	DEFERRED INFLOWS OF RESOURCES	278,456	-	278,456
	FUND BALANCES:			
3450	Restricted - Grant Funds	-	17,591	17,591
3545	Committed - Other	-	28,742	28,742
3600	Unassigned	1,084,763	-	1,084,763
3000	Total Fund Balances	1,084,763	46,333	1,131,096
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,435,667	\$ 63,796	\$ 1,499,463

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 POSITION
AUGUST 31, 2015

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1) **\$ 1,131,096**

Amounts reported for governmental activities in the statement of net position 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	\$ 8,560,692	
Accumulated Depreciation of Governmental Capital Assets	<u>(6,342,152)</u>	2,218,540

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.	278,456
---	---------

Long-term liabilities, including notes payable, compensated absences, and net pension liability, 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 such items consist of:

Notes Payable	\$ (626,783)	
Accrued Interest on Notes Payable	(16,281)	
Compensated Absences	(19,050)	
Net Pension Liability	<u>(191,174)</u>	(853,288)

Deferred outflows for pension are included in the statement of net position and are not reported in the funds due to they are not current financial resources available to pay for current expenditures.	43,098
--	--------

Deferred inflows for pension are included in the statement of net position and are not reported in the funds due to they are not current financial resources available to pay for current expenditures.	<u>(58,480)</u>
---	-----------------

Total Net Position - Governmental Activities (Exhibit A-1) **\$ 2,759,422**

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, 2015

EXHIBIT C-2

Data Control Codes		199		98
		General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES:				
5700	Local and Intermediate Revenue	\$ 1,393,425	\$ 35,596	\$ 1,429,021
5800	State Program Revenues	1,224,837	52,878	1,277,715
5900	Federal Program Revenues	-	321,901	321,901
5020	Total Revenues	2,618,262	410,375	3,028,637
EXPENDITURES:				
Current:				
0011	Instruction	1,092,259	166,120	1,258,379
0012	Instructional Resources and Media Services	3,034	21,395	24,429
0013	Curriculum and Staff Development	13,989	-	13,989
0023	School Leadership	239,463	1,723	241,186
0031	Guidance, Counseling, and Evaluation Services	69,337	-	69,337
0033	Health Services	43,957	-	43,957
0034	Student Transportation	82,203	-	82,203
0035	Food Service	-	177,426	177,426
0036	Extracurricular Activities	71,260	26,583	97,843
0041	General Administration	327,578	-	327,578
0051	Plant Maintenance and Operations	281,472	-	281,472
0052	Security and Monitoring Services	4,268	-	4,268
0053	Data Processing Services	77,085	-	77,085
Debt Service:				
0071	Principal on Long-term Debt	23,863	-	23,863
0072	Interest on Long-term Debt	3,402	-	3,402
0073	Issuance Costs and Fees	9,800	-	9,800
Capital Outlay:				
0081	Facilities Acquisition and Construction	562,035	-	562,035
Intergovernmental:				
0093	Payments Related to Shared Service Arrangements	125,427	-	125,427
0099	Other Intergovernmental Charges	31,276	-	31,276
6030	Total Expenditures	3,061,708	393,247	3,454,955
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(443,446)	17,128	(426,318)
OTHER FINANCING SOURCES (USES):				
7914	Proceeds from Loans	570,000	-	570,000
7080	Total Other Financing Sources (Uses)	570,000	-	570,000
1200	Net Change in Fund Balances	126,554	17,128	143,682
0100	Fund Balances - Beginning	958,209	29,205	987,414
3000	Fund Balances - Ending	\$ 1,084,763	\$ 46,333	\$ 1,131,096

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, 2015**

Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2) **\$ 143,682**

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>	\$ 398,125	
Depreciation Expense	<u>(118,811)</u>	279,314

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. 6,975

Issuance of notes provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (570,000)

Repayment of notes payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 23,863

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 consists of the following:

Accrued Interest on Notes Payable <i>increased</i>	(13,181)
--	----------

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. (2,100)

The net change in net pension liability, deferred outflows, and deferred inflows 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. The net change consists of the following:

Deferred Outflows Increased (Decreased)	\$ 24,952	
Deferred Inflows (Increased) Decreased	(58,480)	
Net Pension Liability (Increased) Decreased	<u>43,572</u>	<u>10,044</u>

Change in Net Position - Governmental Activities (Exhibit B-1) **\$ (121,403)**

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AUGUST 31, 2015

EXHIBIT E-1

Data Control Codes		865 Agency Fund Student Activity
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 14,646
1000	Total Assets	\$ 14,646
	LIABILITIES:	
2190	<i>Due to Student Groups</i>	\$ 14,646
2000	Total Liabilities	\$ 14,646

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. 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. 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.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds are eliminated in governmental activities.

E. New Accounting Standards Adopted

In fiscal year 2015, the District adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

1. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
2. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
3. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the District's financial statements.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2015 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement. Net position as of September 1, 2014, was decreased by \$216,600 to reflect the cumulative effect of adoption. The net pension liability of \$234,746 and the deferred outflows of resources of \$18,146 at August 31, 2014 were reported as a prior period adjustment to the net position on September 1, 2014. Refer to Note IV.C for more information regarding the District's pensions.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 69.

Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 70.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the District's fiscal year-end, the effects from the District's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position are as follows:

- TRS – The beginning deferred outflow includes contributions from September 1, 2013 through August 31, 2014, totaling \$18,146.

F. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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 required under accrual accounting. However, debt service expenditures, as well as expenditures related to, and claims and judgments, are

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is all considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, and bank demand or time deposits with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in investment pools. In accordance with state law, the pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as a 2a7-like pool and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks 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 of more than \$5,000, and an estimated useful life in excess of two years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

Land and improvements are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and Improvements	10-50
Furniture and Equipment	3-30

5. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The components of the deferred outflows of resources and deferred inflows of resources in the government-wide and fund level financial statements are as follows:

	Statement of Net Position	Balance Sheet Governmental Funds
	Governmental Activities	General Fund
Deferred Outflows of Resources:		
Deferred Outflows from Pension Activities	\$ 43,098	\$ -
Total Deferred Outflows of Resources	\$ 43,098	\$ -
Deferred Inflows of Resources:		
Deferred Inflows from Pension Activities	\$ 58,480	\$ -
Unavailable Property Taxes	-	278,456
Total Deferred Inflows of Resources	\$ 58,480	\$ 278,456

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

6. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by board action or the resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of trustees (Board) has by policy authorized the superintendent or his designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

9. Pension

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.C. and the RSI section immediately following the Notes to the Financial Statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability for the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the respective pensions' fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

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

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

3. *Compensated Absences*

It is the District's policy to permit employees to accumulate earned by unused state leave benefits. Payment for unused state 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 state leave 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.

4. *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.

5. *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 ensure accuracy in building a statewide data base for policy development and funding plans.

II. Stewardship, Compliance, and Accountability

A. *Budgetary Information*

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

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

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a campus/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.

B. *Encumbrances*

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

III. Detailed Notes on All Funds

A. *Deposits and Investments*

Cash Deposits. 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 securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities 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 approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

Investments. The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm (NRIRF) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC; 3) Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRIRF; 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act, 8) Commercial paper is an authorized investment if it has a stated maturity of 270 days or fewer from the date of its issuance; and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit rating agencies; or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 9) Public funds investment pools as permitted by Government Code 2256.016.

As of August 31, 2015, the District had the following investments:

<u>Investment Type</u>	<u>Standard & Poor's Ratings</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>	<u>Weighted Average Maturity (Years)</u>
Lone Star - Corporate Overnight	AAAm	\$ 2,515	1%	0.10
Lone Star - Corporate Overnight Plus	AAA/s1+	354,436	99%	0.11
Total Fair Value		\$ 356,951	100%	
Portfolio Weighted Average Maturity				0.11

Credit risk. For fiscal year 2015, 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.

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 not to exceed one year from the date of purchase, unless approved by the Board of Trustees.

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, 2015, the District's bank balance of \$642,867 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, 2015

B. Receivables

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	\$ (712)
Total Uncollectibles of the Current Fiscal Year	\$ (712)

Approximately 77% of the outstanding balance of property taxes is not anticipated to be collected within the next year.

C. Interfund Receivables and Payables and Transfers

1. Receivables/Payables

The composition of interfund balances as of August 31, 2015, are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 8,147	\$ -
Other Governmental Funds	-	8,147
Total	\$ 8,147	\$ 8,147

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

2. Transfers

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the District's transfers for the year ended August 31, 2015.

Transfer Out	Transfer In	Amount
None		\$ -
Total		\$ -

D. Capital Assets

Capital asset activity for the year ended August 31, 2015 was as follows:

	Beginning Balance	Additions	Reclassifications/ Reductions	Ending Balance
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land and Improvements	\$ 310,931	\$ -	\$ -	\$ 310,931
Total Capital Assets, not being Depreciated	310,931	-	-	310,931
Capital Assets, being Depreciated:				
Buildings and Improvements	6,745,635	388,263	106,043	7,239,941
Furniture and Equipment	1,106,001	9,862	(106,043)	1,009,820
Total Capital Assets, being Depreciated	7,851,636	398,125	-	8,249,761
Less Accumulated Depreciation for:				
Buildings and Improvements	(5,564,945)	(50,274)	(9,388)	(5,624,607)
Furniture and Equipment	(658,396)	(68,537)	9,388	(717,545)
Total Accumulated Depreciation	(6,223,341)	(118,811)	-	(6,342,152)
Total Capital Assets, being Depreciated, net	1,628,295	279,314	-	1,907,609
Governmental Activities Capital Assets, net	\$ 1,939,226	\$ 279,314	\$ -	\$ 2,218,540

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

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

Governmental Activities:		
11 Instruction	\$	22,699
12 Instructional Resources and Media Services		2,151
13 Curriculum and Instructional Staff Development		2,371
23 School Leadership		7,208
34 Student Transportation		35,281
35 Food Services		16,726
36 Extracurricular Activities		748
41 General Administration		2,082
51 Plant Maintenance and Operations		24,492
53 Data Processing Services		5,053
Total Depreciation Expense-Governmental Activities	\$	118,811

E. Long-term Liabilities

The District's long-term liabilities consist of notes payables, compensated absences, and net pension liability. Other long-term liabilities are generally liquidated with resources of the general fund.

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2015 was as follows:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable	\$ 80,646	\$ 570,000	\$ (23,863)	\$ 626,783	\$ 48,601
Compensated Absences	16,950	2,100	-	19,050	19,050
Net Pension Liability*	234,746	131,206	(174,778)	191,174	-
Governmental Activity Long-term Liabilities	\$ 332,342	\$ 703,306	\$ (198,641)	\$ 837,007	\$ 67,651

*Per GASB 68, beginning balance for net pension liability includes the restatement of net pension liability at September 1, 2014.

Notes Payable

The District issues notes payable to provide funds for leasing and equipment of school facilities. The notes payable are secured by the vehicles and equipment purchased. The maintenance tax note is secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the District. The following is a summary of changes in notes payable during the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2012 Bus Note	3.14%	\$ 89,715	2017	\$ 72,651	\$ -	\$ (17,048)	\$ 55,603
Dell Server and Camera System	6.59%	19,384	2015	7,995	-	(6,815)	1,180
2014 Series Maintenance Tax Note	3.45%	570,000	2029	-	570,000	-	570,000
Totals, Notes Payable, net				\$ 80,646	\$ 570,000	\$ (23,863)	\$ 626,783

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

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

Year Ending August 31	Principal	Interest	Total Requirements
2016	\$ 48,601	\$ 22,029	\$ 70,630
2017	49,196	20,245	69,441
2018	51,039	18,401	69,440
2019	32,825	16,489	49,314
2020	33,958	15,357	49,315
2021	35,129	14,185	49,314
2022	36,341	12,973	49,314
2023	37,595	11,720	49,315
2024	38,892	10,422	49,314
2025	40,234	9,081	49,315
2026	41,622	7,693	49,315
2027	43,058	6,257	49,315
2028	44,543	4,771	49,314
2029	46,080	3,234	49,314
2030	47,670	1,645	49,315
Totals	\$ 626,783	\$ 174,502	\$ 801,285

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Nonmajor and Other Funds :

Scholarship Fund	\$ 28,742
Total Other Committed Fund Balance	\$ 28,742

G. Revenues from Local and Intermediate Sources

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

	General	Nonmajor Funds	Totals
Property Taxes	\$ 1,375,367	\$ -	\$ 1,375,367
Investment Income	3,215	36	3,251
Food Sales	-	9,476	9,476
Other	14,843	26,084	40,927
Totals	\$ 1,393,425	\$ 35,596	\$ 1,429,021

IV. Other Information

A. Risk Management

Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by TRS-Active Care (the Plan) a statewide health care coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$225 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Property/Liability Losses

The District participates in the Texas Association of Public Schools Property and Liability Fund ("Fund"). 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.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

Workers' Compensation

The District participates in the Texas Association of School Boards Risk Management Fund ("Fund") Workers' Compensation 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, 2015, 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. Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of services credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 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.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal years 2014 and 2015.

	2015	2014
Member	\$ 6.7%	\$ 6.4%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers/District	6.8%	6.8%

The contribution amounts for the District's fiscal year 2015 are as follows:

District Contributions	\$ 27,715
Member Contributions	97,708
NECE On-behalf Contributions (State)	79,782

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5 Year Market Value
Discount Rate	8.00%
Long-term Expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

*Includes Inflation of 3%

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18.0%	7.0%	1.4%
Non-U.S. Developed	13.0%	7.3%	1.1%
Emerging Markets	9.0%	8.1%	0.9%
Directional Hedge Funds	4.0%	5.4%	0.2%
Private Equity	13.0%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11.0%	2.9%	0.3%
Absolute Return	0.0%	4.0%	0.0%
Stable Value Hedge Funds	4.0%	5.2%	0.2%
Cash	1.0%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	3.1%	0.0%
Real Assets	16.0%	7.3%	1.5%
Energy and Natural Resources	3.0%	8.8%	0.3%
Commodities	0.0%	3.4%	0.0%
Risk Parity			
Risk Parity	5.0%	8.9%	0.4%
Alpha			1.0%
Totals	100.0%		8.7%

*The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 8.0%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
TRS	\$ 341,616	\$ 191,174	\$ 78,671

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2015, the District reported a liability of \$191,174 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's Proportionate Share of the Net Pension Liability	\$ 191,174
State's Proportionate Share of the Net Pension Liability Associated with the District	822,110
Total	\$ 1,013,284

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

At August 31, 2014, the employer's proportion of the net pension liability was .0007157%. The change in the employer's proportion of the net pension liability was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5 % contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$93,674 and revenue of \$76,003 for support provided by the state.

At August 31, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actuarial Experience	\$ 2,957	\$ -
Changes of Assumptions	12,426	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	58,430
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions (Cost-Sharing Plan)	-	50
District Contribution after Measurement Date	27,715	-
Totals	\$ 43,098	\$ 58,480

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

\$27,715 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending August 31:

2016	\$	(12,021)
2017		(12,021)
2018		(12,021)
2019		(12,021)
2020		2,587
Thereafter		2,400
Totals	\$	(43,097)

D. 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 website at 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 2015-2013.

Contribution Rates

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	\$ 9,479	1.00%	\$ 13,231	0.55%	\$ 8,021
2014	0.65%	\$ 9,101	1.00%	\$ 12,683	0.55%	\$ 7,701
2013	0.65%	\$ 9,073	0.50%	\$ 6,374	0.55%	\$ 7,677

In addition, the State of Texas contributed \$4,342, \$3,672 and \$5,222 in 2015, 2014, and 2013, 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.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

E. Joint Venture-Shared Service Arrangement

The District participates in the following shared service arrangement:

San Jacinto Shared Services – Special Needs Cooperative

The District participates in a shared service arrangement for special education funded under IDEA-B Formula and Preschool and State Supplemental Special Education Funds with other school districts. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The revenues and expenditures are disclosed in the financial statements of the fiscal agent, Shepherd 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.

F. Nonmonetary Transactions

During 2015, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$20,400. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$20,400 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

G. Prior Period Adjustment

Net position at September 1, 2014 was restated per the following table for the implementation of GASB 68 and 71:

	Governmental Activities
Beginning Net Position, as Previously Reported	\$ 3,097,425
Implementation of GASB 68 and 71 for Pensions	(216,600)
Beginning Net Position, Restated	\$ 2,880,825

(This page was intentionally left blank)

REQUIRED SUPPLEMENTARY INFORMATION

GOODRICH INDEPENDENT SCHOOL DISTRICT
EXHIBIT G-1
GENERAL FUND
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2015**

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts			Final Budget
		Original	Final	Actual	Positive (Negative)
REVENUES:					
5700	Local and Intermediate Revenue	\$ 1,367,100	\$ 1,367,100	\$ 1,393,425	\$ 26,325
5800	State Program Revenues	965,584	1,165,584	1,224,837	59,253
5900	Federal Program Revenues	30,000	30,000	-	(30,000)
5020	Total Revenues	2,362,684	2,562,684	2,618,262	55,578
EXPENDITURES:					
Current:					
0011	Instruction	1,091,930	1,104,630	1,092,259	12,371
0012	Instructional Resources and Media Services	2,290	3,340	3,034	306
0013	Curriculum and Staff Development	20,255	17,255	13,989	3,266
0023	School Leadership	241,503	242,503	239,463	3,040
0031	Guidance, Counseling, and Evaluation Services	72,314	72,014	69,337	2,677
0033	Health Services	41,518	44,878	43,957	921
0034	Student Transportation	101,343	81,143	82,203	(1,060)
0036	Extracurricular Activities	75,185	73,885	71,260	2,625
0041	General Administration	313,887	329,887	327,578	2,309
0051	Plant Maintenance and Operations	293,981	295,281	281,472	13,809
0052	Security and Monitoring Services	9,700	5,000	4,268	732
0053	Data Processing Services	94,400	79,400	77,085	2,315
Debt Service:					
0071	Principal on Long-term Debt	20,143	23,863	23,863	-
0072	Interest on Long-term Debt	-	3,402	3,402	-
0073	Issuance Costs and Fees	-	9,878	9,800	78
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	560,200	562,035	(1,835)
Intergovernmental:					
0093	Payments Related to Shared Service Arrangements	105,500	126,040	125,427	613
0099	Other Intergovernmental Charges	31,000	31,300	31,276	24
6030	Total Expenditures	2,514,949	3,103,899	3,061,708	42,191
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(152,265)	(541,215)	(443,446)	97,769
OTHER FINANCING SOURCES (USES):					
7914	Proceeds from Loans	-	570,000	570,000	-
8911	Transfers Out	(17,500)	(17,500)	-	17,500
7080	Total Other Financing Sources (Uses)	(17,500)	552,500	570,000	17,500
1200	Net Change in Fund Balance	(169,765)	11,285	126,554	115,269
0100	Fund Balance - Beginning	958,209	958,209	958,209	-
3000	Fund Balance - Ending	\$ 788,444	\$ 969,494	\$ 1,084,763	\$ 115,269

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT**EXHIBIT G-2****REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OF A COST-SHARING MULTIPLE-EMPLOYER PENSION PLAN
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)
FOR THE YEAR ENDED AUGUST 31, 2015***

	2015
District's Proportion of the Net Pension Liability	0.0007157%
District's Proportionate Share of the Net Pension Liability	\$ 191,174
State's Proportionate Share of the Net Pension Liability Associated with the District	822,110
Total	\$ 1,013,284
District's Covered-Employee Payroll	\$ 1,400,097
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	13.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

* The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, August 31 of the prior year.
Ten years of data is not available.

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT**EXHIBIT G-3***REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE TEACHER RETIREMENT SYSTEM PENSION PLAN (TRS)**FOR THE YEAR ENDED AUGUST 31, 2015**

	<u>2015</u>
TRS	
Contractually Required Contributions	\$ 27,715
Contributions in Relation to the Contractually Required Contributions	<u>(27,715)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
 District's Covered-Employee Payroll	 \$ 1,458,336
 Contributions as a Percentage of Covered- Employee Payroll	 1.90%

*The amounts presented for the fiscal year were determined as of the District's fiscal year end August 31.
Ten years of data is not available.

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2015

I. Budget

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

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 formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources 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 within a fund. All annual appropriations lapse at fiscal year end and will be appropriated and honored during the subsequent year.

B. Variances with Final Budget

The District's general fund budget differs from the original budget due to budget revisions that were made during the fiscal period:

- Amendments approved shortly after the beginning of the new fiscal year period for amounts restricted, committed, or assigned in the prior year,
- amendments in early and late spring to revise estimates for local and state revenues based on the latest information on student attendance numbers and tax collections, and
- amendments during the year for unexpected occurrences.

The net increase of \$200,000 to estimated revenues in the final amended budget was primarily due to an increase in projected state revenue.

The net increase of \$588,950 to appropriations in the final amended budget was primarily to increase appropriations for an energy conservation construction project in function 81 in the amount of \$562,035, and a loan for such project totaling \$570,000.

C. Excess of Expenditures Over Appropriations

For the year ended August 31, 2015, 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	34	\$ 81,143	\$ 82,203	\$ (1,060)
General Fund	81	560,200	562,035	(1,835)

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2015

II. Pension

TRS

Actuarial Assumptions – The information presented in the required supplementary schedules was used in the actuarial valuation for determining the actuarially determined contribution rate and the net pension liability in accordance with GASB 67. Actuarial methods and assumptions used for funding purposes can be found in the Actuarial Section. The GASB 67 assumptions are as follows:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5 Year Market Value
Actuarial Assumptions:	
Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	3.00%
Salary Increases	4.25% to 7.25% Including Inflation
Ad hoc Post-Employment Benefit Changes	None*

*The COLA for the period beginning September 1, 2013 was paid starting October 1, 2013 and was included in the 2013 actuarial valuation and thus is not considered an ad hoc post-employment benefit change assumption for fiscal year 2014.

Changes in Assumptions - There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Benefit Changes - There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

SUPPLEMENTARY INFORMATION

(This page was intentionally left blank)

GOODRICH INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2015

EXHIBIT H-1
Page 1 of 2

Data Control Codes		211 ESEA Title I Part A Improving Basic Programs	212 ESEA Title I Part C Migrant SSA
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ -	\$ -
1240	<i>Due from Other Governments</i>	1,861	-
1000	Total Assets	\$ 1,861	\$ -
	LIABILITIES:		
2110	<i>Accounts Payable</i>	\$ -	\$ -
2160	<i>Accrued Wages Payable</i>	-	-
2170	<i>Due to Other Funds</i>	1,861	-
2300	<i>Unearned Revenue</i>	-	-
2000	Total Liabilities	1,861	-
	FUND BALANCES:		
3450	<i>Restricted - Grant Funds</i>	-	-
3545	<i>Committed - Other</i>	-	-
3000	Total Fund Balances	-	-
4000	Total Liabilities and Fund Balances	\$ 1,861	\$ -

Continued

GOODRICH INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2015

	240	244
Data Control Codes	National School Breakfast/Lunch Program	Career and Technical Grant
ASSETS:		
1110 Cash and Cash Equivalents	\$ 18,834	\$ -
1240 Due from Other Governments	5,681	-
1000 Total Assets	\$ 24,515	\$ -
LIABILITIES:		
2110 Accounts Payable	\$ 4,409	\$ -
2160 Accrued Wages Payable	2,515	-
2170 Due to Other Funds	-	-
2300 Unearned Revenue	-	-
2000 Total Liabilities	6,924	-
FUND BALANCES:		
3450 Restricted - Grant Funds	17,591	-
3545 Committed - Other	-	-
3000 Total Fund Balances	17,591	-
4000 Total Liabilities and Fund Balances	\$ 24,515	\$ -

255	289	410	499	
ESEA Title II Training & Recruiting	Small Rural School Achievement Program	State Textbook Fund	Bergman Scholarship Fund	Total Nonmajor Funds (See Exhibit C-1)
\$ -	\$ 2,392	\$ -	\$ 28,742	\$ 49,968
6,286	-	-	-	13,828
<u>\$ 6,286</u>	<u>\$ 2,392</u>	<u>\$ -</u>	<u>\$ 28,742</u>	<u>\$ 63,796</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,409
-	-	-	-	2,515
6,286	-	-	-	8,147
-	2,392	-	-	2,392
<u>6,286</u>	<u>2,392</u>	<u>-</u>	<u>-</u>	<u>17,463</u>
-	-	-	-	17,591
-	-	-	28,742	28,742
-	-	-	28,742	46,333
<u>\$ 6,286</u>	<u>\$ 2,392</u>	<u>\$ -</u>	<u>\$ 28,742</u>	<u>\$ 63,796</u>

(This page was intentionally left blank)

GOODRICH INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT H-2
Page 1 of 2

Data Control Codes		211 ESEA Title I Part A Improving Basic Programs	212 ESEA Title I Part C Migrant SSA
	REVENUES:		
5700	<i>Local and Intermediate Revenue</i>	\$ -	\$ -
5800	<i>State Program Revenues</i>	-	-
5900	<i>Federal Program Revenues</i>	115,817	2,311
5020	Total Revenues	<u>115,817</u>	<u>2,311</u>
	EXPENDITURES:		
	Current:		
0011	<i>Instruction</i>	94,422	2,311
0012	<i>Instructional Resources and Media Services</i>	21,395	-
0023	<i>School Leadership</i>	-	-
0035	<i>Food Service</i>	-	-
0036	<i>Extracurricular Activities</i>	-	-
6030	Total Expenditures	<u>115,817</u>	<u>2,311</u>
1200	Net Change in Fund Balances	-	-
0100	Fund Balances - Beginning	-	-
3000	Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>

Continued

GOODRICH INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

		240	244
Data			
Control			
Codes			
	REVENUES:	National School	Career and
		Breakfast/Lunch	Technical
		Program	Grant
5700	<i>Local and Intermediate Revenue</i>	\$ 9,476	\$ -
5800	<i>State Program Revenues</i>	4,648	-
5900	<i>Federal Program Revenues</i>	180,893	1,883
5020	Total Revenues	195,017	1,883
	EXPENDITURES:		
	Current:		
0011	<i>Instruction</i>	-	1,883
0012	<i>Instructional Resources and Media Services</i>	-	-
0023	<i>School Leadership</i>	-	-
0035	<i>Food Service</i>	177,426	-
0036	<i>Extracurricular Activities</i>	-	-
6030	Total Expenditures	177,426	1,883
1200	Net Change in Fund Balances	17,591	-
0100	Fund Balances - Beginning	-	-
3000	Fund Balances - Ending	\$ 17,591	\$ -

255	289	410	499	
ESEA Title II Training & Recruiting	Small Rural School Achievement Program	State Textbook Fund	Bergman Scholarship Fund	Total Nonmajor Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ 26,120	\$ 35,596
-	-	48,230	-	52,878
16,711	4,286	-	-	321,901
<u>16,711</u>	<u>4,286</u>	<u>48,230</u>	<u>26,120</u>	<u>410,375</u>
14,988	4,286	48,230	-	166,120
-	-	-	-	21,395
1,723	-	-	-	1,723
-	-	-	-	177,426
-	-	-	26,583	26,583
<u>16,711</u>	<u>4,286</u>	<u>48,230</u>	<u>26,583</u>	<u>393,247</u>
-	-	-	(463)	17,128
-	-	-	29,205	29,205
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,742</u>	<u>\$ 46,333</u>

GOODRICH INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DELINQUENT TAXES RECEIVABLE****FOR THE YEAR ENDED AUGUST 31, 2015**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2006 and Prior Years	\$	Various	\$	Various	\$	Various
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		1.04		-		112,930,192
2013		1.04		-		120,272,981
2014		1.17		-		118,257,179
2015 (School Year Under Audit)		1.17		-		112,560,940

1000 Totals

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

10 Beginning Balance 9/1/14	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/15
\$ 52,023	\$ -	\$ 2,419	\$ -	\$ (822)	\$ 48,782
10,537	-	615	-	(162)	9,760
14,843	-	989	-	(124)	13,730
23,033	-	1,414	-	(124)	21,495
22,111	-	3,252	-	(133)	18,726
24,708	-	3,928	-	351	21,131
26,517	-	5,434	-	500	21,583
33,703	-	8,856	-	605	25,452
78,294	-	38,126	-	(572)	39,596
-	1,316,963	1,239,655	-	(4,107)	73,201
\$ 285,769	\$ 1,316,963	\$ 1,304,688	\$ -	\$ (4,588)	\$ 293,456
		\$ -	\$ -		

GOODRICH INDEPENDENT SCHOOL DISTRICT
EXHIBIT J-2
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and Intermediate Revenue	\$ 14,700	\$ 14,700	\$ 9,476	\$ (5,224)
5800	State Program Revenues	4,689	4,689	4,648	(41)
5900	Federal Program Revenues	141,000	150,527	180,893	30,366
5020	Total Revenues	160,389	169,916	195,017	25,101
EXPENDITURES:					
Current:					
0035	Food Service	177,889	187,416	177,426	9,990
6030	Total Expenditures	177,889	187,416	177,426	9,990
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(17,500)	(17,500)	17,591	35,091
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	17,500	17,500	-	(17,500)
7080	Total Other Financing Sources (Uses)	17,500	17,500	-	(17,500)
1200	Net Change in Fund Balance	-	-	17,591	17,591
0100	Fund Balance - Beginning	-	-	-	-
3000	Fund Balance - Ending	\$ -	\$ -	\$ 17,591	\$ 17,591

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION



Hereford, Lynch, Sellars & Kirkham

Certified Public Accountants • A Professional Corporation

Conroe
1406 Wilson Rd., Suite 100
Conroe, Texas 77304
Tel 936-756-8127
Metro 936-441-1338
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

Cleveland
111 East Boothe
Cleveland, Texas 77327
Tel 281-592-6443
Fax 281-592-7706

INDEPENDENT AUDITORS' 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

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

We have audited, in accordance with the 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, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully,

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

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

Conroe, Texas
November 19, 2015

GOODRICH INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF FINDINGS AND RESPONSES****FOR THE YEAR ENDED AUGUST 31, 2015**

SECTION I – SUMMARY OF AUDITORS’ RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditors’ report issued	Unmodified
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, 2015

PRIOR YEAR FINDINGS

2014-001 CHAPTER 2256 PUBLIC FUNDS INVESTMENT ACT (PFIA)

Significant Deficiency in Controls and Noncompliance

Criteria:

The Public Funds Investment Act (PFIA) requires:

- The investment officer shall attend a training session not less than once within the District's two fiscal years and within one year of being named the investment officer of the school.

Condition:

The investment officer of Goodrich ISD was not in compliance with the Public Funds Investment Act as it relates to training.

Questioned Cost:

None

Perspective Information:

The District did not maintain the required training.

Cause:

The District's hours of training were not within the last two fiscal years.

Effect:

Goodrich ISD was not in compliance with the Public Funds Investment Act.

Recommendation:

We recommend that Goodrich ISD perform the following tasks as required by the PFIA:

- Investment officer to obtain 10 hours of investment training as required by the PFIA.

Current Status:

The District addressed all of the recommendations noted above and was in compliance with the PFIA for the fiscal year ended August 31, 2015.

GOODRICH INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2015

CURRENT YEAR FINDINGS

None reported

GOODRICH INDEPENDENT SCHOOL DISTRICT**EXHIBIT L-1****SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2015**

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 191,174
SF13	Pension Expense (6147) at fiscal year-end, excluding On-Behalf Pension Expense (6144).	\$ 17,671