

GOODRICH INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2016

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CERTIFICATE OF THE BOARD

GOODRICH INDEPENDENT SCHOOL DISTRICT

Name of School District

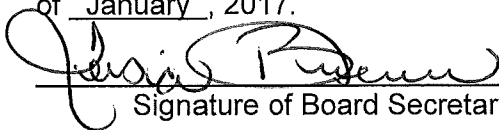
POLK

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 for the year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the 19th day of January, 2017.



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

INDEPENDENT AUDITOR'S 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, 2016, 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 auditor's 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, 2016, 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.

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.

Supplementary and 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 and Schedule of Required Responses to Selected School FIRST Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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.

The Schedule of Required Responses to Selected School FIRST Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Goodrich Independent School District
January 19, 2017

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2017 on our consideration of 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.

Yours truly,

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
January 19, 2017

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, 2016.

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 \$2,838,919 (*net position*). Of this amount, \$1,134,841 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net position increased by \$79,497 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,117,808, a decrease of \$13,288 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,178,071, or 47 percent of total general fund expenditures.
- The District's noncurrent liabilities increased by \$88,889 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 and other 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 Service, 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*.

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 and capital projects fund, which is considered to be a major fund. Data from the other 7 governmental funds are combined into a single, aggregated presentation titled nonmajor governmental funds.

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 and other information including schedules required by the Texas Education Agency. Such 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 \$2,838,919 at the close of the most recent fiscal year.

GOODRICH INDEPENDENT SCHOOL DISTRICT'S NET POSITION

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 1,684,241	43	\$ 1,491,316	40	\$ 192,925	13
Capital Assets, net of Depreciation	2,263,985	57	2,218,540	60	45,445	2
Total Assets	3,948,226	100	3,709,856	100	238,370	
Total Deferred Outflows of Resources	169,416	100	43,098	100	126,318	293
Long-Term Liabilities Outstanding	925,896	77	837,007	90	88,889	11
Other Liabilities	284,376	23	98,045	10	186,331	190
Total Liabilities	1,210,272	100	935,052	100	275,220	
Total Deferred Inflows of Resources	68,451	100	58,480	100	9,971	17
Net Position:						
Net Investment in Capital Assets	1,685,803	59	1,591,757	57	94,046	6
Restricted	18,275	1	17,591	1	684	4
Unrestricted	1,134,841	40	1,150,074	42	(15,233)	(1)
Total Net Position	\$ 2,838,919	100	\$ 2,759,422	100	\$ 79,497	

The increase 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 \$2,838,919 at August 31, 2016 results from several factors. The increases in net position results from the District's increasing operating grants and contributions.

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 59 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 \$18,275 or 1 percent of net position.

The remaining balance of *unrestricted net position* (\$1,685,803) 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 increased by \$79,497 from current operations. Key elements of the changes are as follows:

GOODRICH INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program Revenues:						
Charges for Services	\$ 17,362	1	\$ 12,799	1	\$ 4,563	36
Operating Grants and Contributions	513,710	16	474,616	16	39,094	8
General Revenues:						
Property Taxes, Levied for General Purposes	1,281,409	41	1,382,342	46	(100,933)	(7)
Grants and Contributions Not Restricted to Specific Programs	1,311,197	42	1,125,326	37	185,871	17
Investment Earnings	4,055	-	3,251	-	804	25
Miscellaneous	5,447	-	11,520	-	(6,073)	(53)
Total Revenues	3,133,180	100	3,009,854	100	123,326	
Expenses:						
Instruction	1,295,982	42	1,256,941	39	39,041	3
Instructional Resources and Media Services	18,605	1	26,585	1	(7,980)	(30)
Curriculum and Staff Development	14,980	-	16,303	1	(1,323)	(8)
School Leadership	260,930	9	248,550	8	12,380	5
Guidance, Counseling, and Evaluation Services	65,252	2	72,541	2	(7,289)	(10)
Health Services	48,010	2	43,455	1	4,555	10
Student Transportation	121,983	4	116,623	4	5,360	5
Food Service	206,745	7	180,456	6	26,289	15
Extracurricular Activities	102,285	3	98,066	3	4,219	4
General Administration	336,821	11	324,888	10	11,933	4
Plant Maintenance and Operations	312,149	10	303,746	10	8,403	3
Security and Monitoring Services	9,193	-	4,268	-	4,925	115
Data Processing Services	98,597	3	81,977	3	16,620	20
Interest on Long-term Debt	20,557	1	16,583	1	3,974	24
Issuance Costs and Fees	-	-	9,800	-	(9,800)	(100)
Facilities Repair and Maintenance	-	-	173,772	6	(173,772)	(100)
Payments Related to Shared Services Agreements	109,922	4	125,427	4	(15,505)	(12)
Other Intergovernmental Charges	31,672	1	31,276	1	396	1
Total Expenses	3,053,683	100	3,131,257	100	(77,574)	
Change in Net Position	79,497		(121,403)		200,900	
Net Position - Beginning	2,759,422		3,097,425		(338,003)	
Prior Period Adjustment - Implement GASB 68 and 71 for Pensions (a)	-		(216,600)		216,600	
Net Position - Beginning, as restated	2,759,422		2,880,825		(121,403)	
Net Position - Ending	\$ 2,838,919		\$ 2,759,422		\$ 79,497	

(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.

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$1,824,907) represent 58 percent of total revenues and property taxes (\$1,281,409 represents 41 percent of total revenues. The remaining 1 percent is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expenses of the District is Instruction (\$1,295,982) which represents 42 percent of total expenses and General Administration which represents 11 percent of total expenses. The remaining functional categories of expenses are individually 10 percent or less of total expenditures.

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 \$1,117,808 a decrease of \$13,288 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 fund balance of the general fund was \$1,178,071, while total fund balance reached \$1,263,877. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures. Unassigned fund balance represents 47 percent of total general fund expenditures, while total fund balance represents 50 percent of the same amount. The fund balance of the District's general fund increased by \$179,114 during the current fiscal year. The increase in fund balance was primarily due to an increase in Foundation Allotment state revenues which resulted from decreased property tax revenues.

General Fund Budgetary Highlights

The District amended the budget several times throughout the year. There were no significant variations between the original and final budget.

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, 2016, amounts to \$2,263,985 (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 2 percent.

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

- \$184,666 2 Passenger Buses

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

	Governmental Activities					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and Improvements	\$ 310,931	14	\$ 310,931	14	\$ -	-
Buildings and Improvements	1,550,340	68	1,615,334	73	(64,994)	(4)
Furniture and Equipment	402,714	18	292,275	13	110,439	38
Totals	\$ 2,263,985	100	\$ 2,218,540	100	\$ 45,445	

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					
	2016		2015		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Notes Payable	\$ 578,182	62	\$ 626,783	75	\$ (48,601)	(8)
Compensated Absences	16,850	2	19,050	2	(2,200)	(12)
Net Pension Liability	330,864	36	191,174	23	139,690	73
Totals	\$ 925,896	100	\$ 837,007	100	\$ 88,889	

The District's noncurrent liabilities increased by \$88,889 during the current fiscal year due to an increase in net pension liability.

State statutes do not limit the tax rate or amount for the support of school districts' bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Pension expense increased primarily due to 1) the actual earnings were less than projected, 2) changes in proportion and differences between District contributions and proportionate share of contributions, and 3) pension costs.

Additional information on the District's long-term debt can be found in the notes to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budgets and Rates

- Current enrollment totals 242 students.
- District staff totals 45 employees, which includes of 20 teachers and 10 teachers' aides and secretaries.
- The District maintains 3 campuses for instruction.
- The unemployment rate for the County is currently 6.9 percent, which is an increase from a rate of 6.2 percent a year ago. This compares unfavorably to the state's average unemployment rate of 4.9 percent, which is an increase from a rate of 4.1 percent a year ago.
- Property values of the District are projected to remain stable in 2016-2017.
- A maintenance and operations tax rate of \$1.17 and a debt service tax rate of \$.16, a total rate of \$1.33, were adopted for 2016-2017. Preceding year rate was \$1.17 for maintenance and operations with no debt service tax rate.

All of these factors were considered in preparing the District's budget for the 2017 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$1,178,071. The District plans to utilize unassigned 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.

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BASIC FINANCIAL STATEMENTS

**GOODRICH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016**

EXHIBIT A-1

		1
Data Control Codes		Primary Government Governmental Activities
ASSETS		
1110	<i>Cash and Cash Equivalents</i>	\$ 277,578
1120	<i>Current Investments</i>	717,781
1220	<i>Property Taxes Receivable</i>	312,365
1230	<i>Allowance for Uncollectible Taxes</i>	(15,500)
1240	<i>Due from Other Governments</i>	383,401
1290	<i>Other Receivables</i>	8,616
	Capital Assets:	
1510	<i>Land and Improvements</i>	310,931
1520	<i>Buildings and Improvements, Net</i>	1,550,340
1530	<i>Furniture and Equipment, Net</i>	402,714
1000	Total Assets	3,948,226
DEFERRED OUTFLOWS OF RESOURCES		
1705	<i>Deferred Outflows - Pension</i>	169,416
1700	Total Deferred Outflows of Resources	169,416
LIABILITIES		
2110	<i>Accounts Payable</i>	197,289
2140	<i>Interest Payable</i>	14,808
2160	<i>Accrued Wages Payable</i>	67,079
2300	<i>Unearned Revenue</i>	5,200
	Noncurrent Liabilities:	
2501	<i>Due Within One Year</i>	50,881
2502	<i>Due in More Than One Year</i>	544,151
2540	<i>Net Pension Liabilities</i>	330,864
2000	Total Liabilities	1,210,272
DEFERRED INFLOWS OF RESOURCES		
2605	<i>Deferred Inflows - Pension</i>	68,451
2600	Total Deferred Inflows of Resources	68,451
NET POSITION		
3200	<i>Net Investment in Capital Assets</i>	1,685,803
3820	<i>Restricted for Grants</i>	18,275
3900	<i>Unrestricted</i>	1,134,841
3000	Total Net Position	\$ 2,838,919

The accompanying notes to the financial statements are an integral part of this statement.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016**

EXHIBIT B-1

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Program Revenues			Governmental Activities
		Expenses	Charges for Services	Operating Grants and Contributions	
	Primary Government				
	Governmental Activities				
0011	Instruction	\$ 1,295,982	\$ -	\$ 226,153	\$ (1,069,829)
0012	Instructional Resources and Media Services	18,605	-	14,231	(4,374)
0013	Curriculum and Staff Development	14,980	-	28	(14,952)
0023	School Leadership	260,930	-	20,527	(240,403)
0031	Guidance, Counseling, and Evaluation Services	65,252	-	4,857	(60,395)
0033	Health Services	48,010	-	3,181	(44,829)
0034	Student Transportation	121,983	-	3,614	(118,369)
0035	Food Service	206,745	8,372	183,571	(14,802)
0036	Extracurricular Activities	102,285	8,990	22,280	(71,015)
0041	General Administration	336,821	-	20,306	(316,515)
0051	Plant Maintenance and Operations	312,149	-	10,936	(301,213)
0052	Security and Monitoring Services	9,193	-	-	(9,193)
0053	Data Processing Services	98,597	-	4,026	(94,571)
0072	Interest on Long-term Debt	20,557	-	-	(20,557)
0093	Payments Related to Shared Services Arrangement	109,922	-	-	(109,922)
0099	Other Intergovernmental Charges	31,672	-	-	(31,672)
TG	Total Governmental Activities	<u>3,053,683</u>	<u>17,362</u>	<u>513,710</u>	<u>(2,522,611)</u>
TP	Total Primary Government	\$ <u>3,053,683</u>	\$ <u>17,362</u>	\$ <u>513,710</u>	<u>(2,522,611)</u>
	General Revenues				
MT	Property Taxes, Levied for General Purposes				1,281,409
GC	Grants and Contributions Not Restricted to Specific Programs				1,311,197
IE	Investment Earnings				4,055
MI	Miscellaneous				5,447
TR	Total General Revenues				<u>2,602,108</u>
CN	Change in Net Position				79,497
NB	Net Position - Beginning				2,759,422
NE	Net Position - Ending				\$ <u>2,838,919</u>

The accompanying notes to the financial statements are an integral part of this statement.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2016**

EXHIBIT C-1

Data Control Codes	199 General Fund	699 Capital Projects Fund	Total Nonmajor Funds	98 Total Governmental Funds
ASSETS				
1110 <i>Cash and Cash Equivalents</i>	\$ 228,986	\$ -	\$ 48,592	\$ 277,578
1120 <i>Current Investments</i>	717,781	-	-	717,781
1220 <i>Property Taxes Receivable</i>	312,365	-	-	312,365
1230 <i>Allowance for Uncollectible Taxes</i>	(15,500)	-	-	(15,500)
1240 <i>Due from Other Governments</i>	363,395	-	20,006	383,401
1260 <i>Due from Other Funds</i>	12,659	-	-	12,659
1290 <i>Other Receivables</i>	8,616	-	-	8,616
1000 Total Assets	<u>1,628,302</u>	<u>-</u>	<u>68,598</u>	<u>1,696,900</u>
1000a Total Assets and Deferred Outflows of Resources	<u>\$ 1,628,302</u>	<u>\$ -</u>	<u>\$ 68,598</u>	<u>\$ 1,696,900</u>
LIABILITIES				
2110 <i>Accounts Payable</i>	\$ 5,433	\$ 184,666	\$ 7,190	\$ 197,289
2160 <i>Accrued Wages Payable</i>	62,127	-	4,952	67,079
2170 <i>Due to Other Funds</i>	-	-	12,659	12,659
2300 <i>Unearned Revenue</i>	-	-	5,200	5,200
2000 Total Liabilities	<u>67,560</u>	<u>184,666</u>	<u>30,001</u>	<u>282,227</u>
DEFERRED INFLOWS OF RESOURCES				
2600 <i>Unavailable Revenue - Property Taxes</i>	296,865	-	-	296,865
Total Deferred Inflows of Resources	<u>296,865</u>	<u>-</u>	<u>-</u>	<u>296,865</u>
FUND BALANCES				
3450 <i>Restricted - Grant Funds</i>	-	-	18,275	18,275
3470 <i>Restricted - Capital Acquisition and Contractual Obligations</i>	-	(184,666)	-	(184,666)
3545 <i>Committed - Other</i>	-	-	20,322	20,322
3590 <i>Assigned - Other</i>	85,806	-	-	85,806
3600 <i>Unassigned</i>	1,178,071	-	-	1,178,071
3000 Total Fund Balances	<u>1,263,877</u>	<u>(184,666)</u>	<u>38,597</u>	<u>1,117,808</u>
4000 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,628,302</u>	<u>\$ -</u>	<u>\$ 68,598</u>	<u>\$ 1,696,900</u>

The accompanying notes to the financial statements 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, 2016**

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1) **\$ 1,117,808**

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	\$ 8,678,015	
Accumulated Depreciation of Governmental Capital Assets	<u>(6,414,030)</u>	2,263,985

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.	296,865
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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	\$ (578,182)	
Accrued Interest on Notes Payable	(14,808)	
Compensated Absences	(16,850)	
Net Pension Liability	<u>(330,864)</u>	(940,704)

Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.	169,416
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Deferred inflows for pension 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.	<u>(68,451)</u>
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Total Net Position - Governmental Activities (Exhibit A-1) **\$ 2,838,919**

The accompanying notes to the financial statements 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, 2016**

EXHIBIT C-2

Data Control Codes	199 General Fund	699 Capital Projects Fund	Total Nonmajor Funds	98 Total Governmental Funds
REVENUES				
5700 <i>Local and Intermediate Revenue</i>	\$ 1,285,284	\$ -	\$ 28,284	\$ 1,313,568
5800 <i>State Program Revenues</i>	1,423,014	-	9,930	1,432,944
5900 <i>Federal Program Revenues</i>	-	-	328,582	328,582
5020 Total Revenues	<u>2,708,298</u>	<u>-</u>	<u>366,796</u>	<u>3,075,094</u>
EXPENDITURES				
Current				
0011 <i>Instruction</i>	1,083,262	-	140,723	1,223,985
0012 <i>Instructional Resources and Media Services</i>	2,578	-	13,300	15,878
0013 <i>Curriculum and Staff Development</i>	12,571	-	-	12,571
0023 <i>School Leadership</i>	243,820	-	1,975	245,795
0031 <i>Guidance, Counseling, and Evaluation Services</i>	63,069	-	-	63,069
0033 <i>Health Services</i>	46,473	-	-	46,473
0034 <i>Student Transportation</i>	83,557	184,666	-	268,223
0035 <i>Food Service</i>	-	-	190,202	190,202
0036 <i>Extracurricular Activities</i>	72,214	-	28,332	100,546
0041 <i>General Administration</i>	325,745	-	-	325,745
0051 <i>Plant Maintenance and Operations</i>	282,657	-	-	282,657
0052 <i>Security and Monitoring Services</i>	9,193	-	-	9,193
0053 <i>Data Processing Services</i>	91,820	-	-	91,820
Debt Service				
0071 <i>Principal on Long-term Debt</i>	48,601	-	-	48,601
0072 <i>Interest on Long-term Debt</i>	22,030	-	-	22,030
Intergovernmental				
0093 <i>Payments Related to Shared Service Arrangements</i>	109,922	-	-	109,922
0099 <i>Other Intergovernmental Charges</i>	31,672	-	-	31,672
6030 Total Expenditures	<u>2,529,184</u>	<u>184,666</u>	<u>374,532</u>	<u>3,088,382</u>
1200 Net Change in Fund Balances	179,114	(184,666)	(7,736)	(13,288)
0100 Fund Balances - Beginning	<u>1,084,763</u>	<u>-</u>	<u>46,333</u>	<u>1,131,096</u>
3000 Fund Balances - Ending	<u>\$ 1,263,877</u>	<u>\$ (184,666)</u>	<u>\$ 38,597</u>	<u>\$ 1,117,808</u>

The accompanying notes to the financial statements are an integral part of this statement.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
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, 2016**

EXHIBIT C-3

Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2) **\$ (13,288)**

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 capitalized and allocated over their estimated useful lives as depreciation expense.

Capital Assets <i>increased</i>	\$ 184,666	
Depreciation Expense	<u>(135,399)</u>	49,267

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is a increase (decrease) to net position. (3,822)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. 18,409

Repayment of notes payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 48,601

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>decreased</i>	1,473
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The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 2,200

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)	\$ 126,318	
Deferred Inflows (Increased) Decreased	(9,971)	
Net Pension Liability (Increased) Decreased	<u>(139,690)</u>	<u>(23,343)</u>

Change in Net Position - Governmental Activities (Exhibit B-1) **\$ 79,497**

The accompanying notes to the financial statements are an integral part of this statement.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
AUGUST 31, 2016**

EXHIBIT E-1

Data Control Codes		865 Agency Fund Student Activity
	ASSETS	
1110	<i>Cash and Cash Equivalents</i>	\$ 18,512
1000	Total Assets	\$ 18,512
	LIABILITIES	
2190	<i>Due to Student Groups</i>	\$ 18,512
2000	Total Liabilities	\$ 18,512

The accompanying notes to the financial statements are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. 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.

The capital projects fund accounts for the acquisition and construction of the District's major facilities.

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.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Basis of Presentation – Fund Financial Statements - Continued

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 in the governmental activities column.

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. 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 claims and judgments, are 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

**GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Measurement Focus and Basis of Accounting - Continued

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 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.

F. 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. Deposits and Investments

Investments for the District, except for certain investment pools and non-negotiable certificates of deposits, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or net asset value; i.e. fair value. Non-negotiable certificates of deposit are reported at cost.

3. 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 acquisition value at the date of donation.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

3. Capital Assets - Continued

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:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and Improvements	10-50
Furniture and Equipment	3-30

4. 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:

	<u>Statement of Net Position Governmental Activities</u>	<u>Balance Sheet Governmental Funds General Fund</u>
Deferred Outflows of Resources:		
Deferred Outflows from Pension Activities	\$ 144,641	\$ -
Deferred Contributions after the Measurement Date	24,775	-
Total Deferred Outflows of Resources	\$ 169,416	\$ -
Deferred Inflows of Resources:		
Deferred Inflows from Pension Activities	\$ 68,451	\$ -
Unavailable Property Taxes	-	296,865
Total Deferred Inflows of Resources	\$ 68,451	\$ 296,865

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.
- District contributions after the measurement date are recognized in the subsequent year.
- Property taxes are recognized in the period the amount becomes available.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

5. *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.

6. *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.

7. *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 (Board) 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.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continued

7. Fund Balance Policies - Continued

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 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 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.

8. Pension

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 4.C. and the Required Supplementary Information 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.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. 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.

3. *Compensated Absences*

It is the District's policy to permit employees to accumulate earned but 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 an 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 because 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 Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA 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.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. 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.

Significant encumbrances included in the governmental fund balances are as follows:

	Encumbrances Included in:
	Assigned Fund Balance
General Fund	\$ 85,806
Total Encumbrances	\$ 85,806

NOTE 3. 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**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments – Continued

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 statistical rating organization (NRSRO) 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 NRSRO; 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) Securities lending program as permitted by Government Code 2256.016.

The District's investment balances, weighted average maturity, and credit risk of such investments are as follows:

	<u>August 31, 2016</u>	<u>Percent of Total Investments</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>
<i>Investments Measured at Cost</i>				
Certificates of Deposit	\$ 362,025	50%	136	Not Rated*
<i>Investments Measured at Net Asset Value</i>				
<i>Investment Pools</i>				
Lone Star Overnight Plus	355,756	50%	41	AAA
Total Value	<u>\$ 717,781</u>	<u>100%</u>		
Portfolio Weighted Average Maturity			89	

*Certificates are insured or collateralized

Certificates of deposit that are non-negotiable are reported at cost.

Investment Pools are measured at amortized cost or net asset value, i.e. fair value. Such investments are not required to be reported in the fair value hierarchy.

GOODRICH INDEPENDENT SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

A. Deposits and Investments – Continued

The Lone Star Overnight Plus investment pool is an external investment pool measured at net asset value. Lone Star Overnight Plus' strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pool. Lone Star Overnight Plus has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

Credit risk. For fiscal year 2016, the District invested in Lone Star Overnight Plus Investment Pool. Lone Star Overnight Investment Plus 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 in the table above. The District's certificates of deposit are not exposed to credit risk and are FDIC insured or collateralized.

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 other individual investment not to exceed one year from the time of purchase, unless specifically authorized by the Board of Trustees.

Concentration of credit risk. The District's investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific 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, 2016, District's banks' balances of \$746,577 were not exposed to custodial credit risk because it was insured and/or 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 held by the District in the District's name.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Receivables

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

Change in Uncollectible General Fund Property Taxes	\$ (500)
Total Change in Uncollectible General Fund Property Taxes	\$ (500)

Approximately 84% 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, 2016, are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 12,659	\$ -
Other Governmental Funds	-	12,659
Total	\$ 12,659	\$ 12,659

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, 2016.

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

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Capital Assets

Capital asset activity for the year ended August 31, 2016 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	7,239,941	-	-	7,239,941
Furniture and Equipment	1,009,820	184,666	(67,343)	1,127,143
Total Capital Assets, being Depreciated	8,249,761	184,666	(67,343)	8,367,084
Less Accumulated Depreciation:				
Buildings and Improvements	(5,624,607)	(64,994)	-	(5,689,601)
Furniture and Equipment	(717,545)	(70,405)	63,521	(724,429)
Total Accumulated Depreciation	(6,342,152)	(135,399)	63,521	(6,414,030)
Total Capital Assets, being Depreciated, net	1,907,609	49,267	(3,822)	1,953,054
Governmental Activities Capital Assets, net	\$ 2,218,540	\$ 49,267	\$ (3,822)	\$ 2,263,985

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

Governmental Activities:	
11 Instruction	\$ 37,419
12 Instructional Resources and Media Services	2,151
13 Curriculum and Instructional Staff Development	2,371
23 School Leadership	7,208
34 Student Transportation	36,820
35 Food Services	17,055
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	\$ 135,399

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.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term Liabilities - Continued

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities:</i>					
Notes Payable	\$ 626,783	\$ -	\$ (48,601)	\$ 578,182	\$ 49,196
Compensated Absences	19,050	300	(2,500)	16,850	1,685
Net Pension Liability	191,174	191,992	(52,302)	330,864	-
<i>Governmental Activities Long-term Liabilities</i>	<u>\$ 837,007</u>	<u>\$ 192,292</u>	<u>\$ (103,403)</u>	<u>\$ 925,896</u>	<u>\$ 50,881</u>

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:

<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2012 Bus Note	3.14%	\$ 89,715	2017	\$ 55,603	\$ -	\$ (17,771)	\$ 37,832
Dell Server and Camera System	6.59%	19,384	2015	1,180	-	(1,180)	-
2014 Series Maintenance Tax Note	3.45%	570,000	2029	570,000	-	(29,650)	540,350
<i>Totals, Notes Payable, net</i>				<u>\$ 626,783</u>	<u>\$ -</u>	<u>\$ (48,601)</u>	<u>\$ 578,182</u>

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

<u>Year Ending August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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
<i>Totals</i>	<u>\$ 578,182</u>	<u>\$ 152,473</u>	<u>\$ 730,655</u>

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Nonmajor and Other Funds :

Scholarship Fund	\$ 20,322
Total Other Committed Fund Balance	\$ 20,322

G. Revenues from Local and Intermediate Sources

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

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Property Taxes	\$ 1,263,000	\$ -	\$ 1,263,000
Investment Income	4,025	30	4,055
Charges for Services	8,990	8,372	17,362
Other	9,269	19,882	29,151
Totals	\$ 1,285,284	\$ 28,284	\$ 1,313,568

NOTE 4. OTHER INFORMATION

A. Risk Management

Health Care Coverage

During the year ended August 31, 2016, 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 \$150 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.

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

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION - CONTINUED

A. Risk Management – Continued

Workers' Compensation - Continued

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. 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). It is a defined benefit pension plan 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

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan – Continued

Benefits Provided - Continued

sum of the member's age and years of service 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.

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. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal years 2014 and 2015. The 84th Texas Legislature General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal years 2016 and 2017.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Member	7.2%	6.7%	6.4%
Non-Employer Contributing Entity (State)	6.8%	6.8%	6.8%
Employers/District	6.8%	6.8%	6.8%

The contribution amounts for the District's fiscal year 2016 are as follows:

District Contributions	\$ 24,775
Member Contributions	118,770
NECE On-behalf Contributions (State)	90,266

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

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan – Continued

Contributions - Continued

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, there are two additional surcharges an employer is subject to.

- 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post-employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan- Continued

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, 2015 are summarized below:

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Hedge Funds (Stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation - Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	-	-	2.2%
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

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan- Continued

Discount Rate Sensitivity Analysis

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	\$ 518,401	\$ 330,864	\$ 174,657

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

At August 31, 2016, the District reported a liability of \$330,864 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	\$ 330,864
State's Proportionate Share of the Net Pension Liability Associated with the District	958,029
Total	\$ 1,288,893

The net pension liability was measured as of August 31, 2015 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, 2014 through August 31, 2015.

At August 31, 2015, the employer's proportion of the net pension liability was .000936%, which was an increase of .0002203% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

- Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2016, the District recognized pension expense of \$113,161 and revenue of \$136,504 for support provided by the state.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION - CONTINUED

C. Defined Benefit Pension Plan - Continued

At August 31, 2016, 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	\$ 2,460	\$ 12,715
Changes of Assumptions	10,333	11,804
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	81,484	43,824
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions (Cost-Sharing Plan)	50,364	108
District Contribution after Measurement Date	24,775	-
Totals	\$ 169,416	\$ 68,451

\$24,775 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	\$ 12,712
2017	12,712
2018	12,712
2019	27,320
2020	6,792
Thereafter	3,942
Totals	\$ 76,190

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.

GOODRICH INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION - CONTINUED

D. School District Retiree Health Plan - Continued

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 2016-2014.

Contribution Rates and Amounts

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 10,722	1.00%	\$ 15,248	0.55%	\$ 9,073
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

In addition, the State of Texas contributed \$6,356, \$4,342 and \$3,672 in 2016, 2015, and 2014, 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.

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 Shepherd ISD. 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. Deficit Fund Balance

The capital projects fund reports a deficit fund balance of \$184,666 at August 31, 2016 due to the District getting preauthorization to expend bond proceeds prior to the bonds being funded. The proceeds of the bonds were funded to the District October 12, 2016.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4. OTHER INFORMATION - CONTINUED

G. Subsequent Event

On October 12, 2016, the District issued \$2,400,000 in Unlimited Tax School Building Bonds which was authorized from the May 7, 2016 election approved by the board. The proceeds of the bonds are intended for the design, construction, renovation, improvement, acquisition and equipment of school facilities, to purchase security equipment and new school buses, and to pay cost incurred in the issuance of the Bond.

The District successfully issued \$595,000 in unlimited tax refunding bonds, Series 2016B to refund \$540,351 of the Maintenance Tax Note, Series 2014 on December 10, 2016.

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REQUIRED SUPPLEMENTARY INFORMATION

**GOODRICH INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2016**

EXHIBIT G-1

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts			Final Budget
		Original	Final	Actual	Positive (Negative)
REVENUES					
5700	Local and Intermediate Revenue	\$ 1,299,546	\$ 1,299,546	\$ 1,285,284	\$ (14,262)
5800	State Program Revenues	1,315,096	1,315,096	1,423,014	107,918
5020	Total Revenues	2,614,642	2,614,642	2,708,298	93,656
EXPENDITURES					
Current					
0011	Instruction	1,140,003	1,129,353	1,083,262	46,091
0012	Instructional Resources and Media Services	3,765	3,765	2,578	1,187
0013	Curriculum and Staff Development	16,015	16,015	12,571	3,444
0023	School Leadership	246,755	247,755	243,820	3,935
0031	Guidance, Counseling, and Evaluation Services	65,220	66,770	63,069	3,701
0033	Health Services	44,919	48,419	46,473	1,946
0034	Student Transportation	94,935	94,935	83,557	11,378
0036	Extracurricular Activities	79,508	79,508	72,214	7,294
0041	General Administration	331,536	331,536	325,745	5,791
0051	Plant Maintenance and Operations	315,551	310,551	282,657	27,894
0052	Security and Monitoring Services	5,200	10,200	9,193	1,007
0053	Data Processing Services	105,529	98,029	91,820	6,209
Debt Service					
0071	Principal on Long-term Debt	48,601	48,601	48,601	-
0072	Interest on Long-term Debt	22,041	22,041	22,030	11
Capital Outlay					
0081	Facilities Acquisition and Construction	-	2,100	-	2,100
Intergovernmental					
0093	Payments Related to Shared Service Arrangements	103,155	113,155	109,922	3,233
0099	Other Intergovernmental Charges	34,000	34,000	31,672	2,328
6030	Total Expenditures	2,656,733	2,656,733	2,529,184	127,549
1200	Net Change in Fund Balance	(42,091)	(42,091)	179,114	221,205
0100	Fund Balance - Beginning	1,084,763	1,084,763	1,084,763	-
3000	Fund Balance - Ending	\$ 1,042,672	\$ 1,042,672	\$ 1,263,877	\$ 221,205

The accompanying notes to the required supplementary information are an integral part of this statement.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
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 YEARS ENDED AUGUST 31, 2016 AND 2015***

EXHIBIT G-2

	2016	2015
District's Proportion of the Net Pension Liability	0.0009360%	0.0007157%
District's Proportionate Share of the Net Pension Liability	\$ 330,864	\$ 191,174
State's Proportionate Share of the Net Pension Liability Associated with the District	958,029	822,110
Total	\$ 1,288,893	\$ 1,013,284
District's Covered-Employee Payroll	\$ 1,458,336	\$ 1,400,097
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	22.69%	13.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

* The amounts presented for the fiscal years 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 to the required supplementary information are an integral part of this statement.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE TEACHER
RETIREMENT SYSTEM PENSION PLAN (TRS)
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015***

EXHIBIT G-3

	<u>2016</u>	<u>2015</u>
TRS		
Contractually Required Contributions	\$ 24,775	\$ 27,715
Contributions in Relation to the Contractually Required Contributions	<u>(24,775)</u>	<u>(27,715)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 District's Covered-Employee Payroll	 \$ 1,649,581	 \$ 1,458,336
 Contributions as a Percentage of Covered- Employee Payroll	 1.50%	 1.90%

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

The accompanying notes to the required supplementary information are an integral part of this statement.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1. 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 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 District's final general fund budget did not vary significantly from the original budget.

The District's final general fund budget did not vary significantly from the actual expenditures.

**GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1. BUDGET - CONTINUED

C. Excess of Expenditures Over Appropriations

For the year ended August 31, 2016, 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>
National School Breakfast and Lunch Program	35	\$ 188,484	\$ 190,202	\$ (1,718)

NOTE 2. PENSION

TRS - Actuarial Assumptions for Contribution Rate

Actuarial Assumptions – The information presented in the following table was used in the actuarial valuation for determining the actuarially determined contribution rate. The assumptions are as follows:

Valuation Date	August 31, 2015
Actuarial Cost Method	Ultimate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	33 Years
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Inflation	2.50%
Salary Increases	3.50% to 9.50% including Inflation
Investment Rate of Return	8.00%
Ad Hoc Post-employment Benefit Changes	None
Benefit Changes During the Year	None

SUPPLEMENTARY INFORMATION

**GOODRICH INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES FUNDS
AUGUST 31, 2016**

		211	240	244
Data Control		ESEA, Title I, Part A - Improving Basic Programs	National School Breakfast and Lunch Program	Career and Technical - Basic Grant
Codes				
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ 23,070	\$ -
1240	Due from Other Governments	11,555	7,347	-
1000	Total Assets	\$ 11,555	\$ 30,417	\$ -
LIABILITIES				
2110	Accounts Payable	\$ -	\$ 7,190	\$ -
2160	Accrued Wages Payable	-	4,952	-
2170	Due to Other Funds	11,555	-	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	11,555	12,142	-
FUND BALANCES				
3450	Restricted - Grant Funds	-	18,275	-
3545	Committed - Other	-	-	-
3000	Total Fund Balances	-	18,275	-
4000	Total Liabilities and Fund Balances	\$ 11,555	\$ 30,417	\$ -

255 ESEA, Title II, Part A: Teacher and Principal Training & Recruiting	289 Small Rural School Achievement Program	410 State Textbook Fund	499 Bergman Scholarship Fund	Total Nonmajor Funds (See Exhibit C-1)
\$ -	\$ 5,112	\$ 88	\$ 20,322	\$ 48,592
1,104	-	-	-	20,006
<u>\$ 1,104</u>	<u>\$ 5,112</u>	<u>\$ 88</u>	<u>\$ 20,322</u>	<u>\$ 68,598</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,190
-	-	-	-	4,952
1,104	-	-	-	12,659
-	5,112	88	-	5,200
<u>1,104</u>	<u>5,112</u>	<u>88</u>	<u>-</u>	<u>30,001</u>
-	-	-	-	18,275
-	-	-	20,322	20,322
-	-	-	<u>20,322</u>	<u>38,597</u>
<u>\$ 1,104</u>	<u>\$ 5,112</u>	<u>\$ 88</u>	<u>\$ 20,322</u>	<u>\$ 68,598</u>

**GOODRICH INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016**

Data Control Codes	211 ESEA, Title I, Part A - Improving Basic Programs	240 National School Breakfast and Lunch Program	244 Career and Technical - Basic Grant
REVENUES			
5700 <i>Local and Intermediate Revenue</i>	\$ -	\$ 8,372	\$ -
5800 <i>State Program Revenues</i>	-	4,794	-
5900 <i>Federal Program Revenues</i>	<u>121,072</u>	<u>177,720</u>	<u>2,550</u>
5020 <i>Total Revenues</i>	<u>121,072</u>	<u>190,886</u>	<u>2,550</u>
EXPENDITURES			
Current			
0011 <i>Instruction</i>	107,772	-	2,550
0012 <i>Instructional Resources and Media Services</i>	13,300	-	-
0023 <i>School Leadership</i>	-	-	-
0035 <i>Food Service</i>	-	190,202	-
0036 <i>Extracurricular Activities</i>	<u>-</u>	<u>-</u>	<u>-</u>
6030 <i>Total Expenditures</i>	<u>121,072</u>	<u>190,202</u>	<u>2,550</u>
1200 <i>Net Change in Fund Balances</i>	-	684	-
0100 <i>Fund Balances - Beginning</i>	-	17,591	-
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ 18,275</u>	<u>\$ -</u>

255 ESEA, Title II, Part A: Teacher and Principal Training & Recruiting	289 Small Rural School Achievement Program	410 State Textbook Fund	499 Bergman Scholarship Fund	Total Nonmajor Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ 19,912	\$ 28,284
-	-	5,136	-	9,930
20,352	6,888	-	-	328,582
<u>20,352</u>	<u>6,888</u>	<u>5,136</u>	<u>19,912</u>	<u>366,796</u>
18,377	6,888	5,136	-	140,723
-	-	-	-	13,300
1,975	-	-	-	1,975
-	-	-	-	190,202
-	-	-	28,332	28,332
<u>20,352</u>	<u>6,888</u>	<u>5,136</u>	<u>28,332</u>	<u>374,532</u>
-	-	-	(8,420)	(7,736)
-	-	-	28,742	46,333
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,322</u>	<u>\$ 38,597</u>

**GOODRICH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2016**

Year Ended August 31	1	2	3
	Tax Rates		Assessed/Appraised
	Maintenance	Debt Service	Value For School Tax Purposes
2007 and Prior Years	\$ Various	\$ Various	\$ Various
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	1.17	-	112,560,940
2016 (School Year Under Audit)	1.17	-	106,972,735
1000 Totals			

EXHIBIT J-1

10 Beginning Balance 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 58,542	\$ -	\$ 292	\$ -	\$ 1	\$ 58,251
13,730	-	207	-	-	13,523
21,495	-	406	-	-	21,089
18,726	-	352	-	-	18,374
21,131	-	559	-	-	20,572
21,583	-	1,748	-	-	19,835
25,452	-	1,052	-	(1,202)	23,198
39,596	-	8,994	-	1,458	32,060
73,201	-	32,937	-	(1,625)	38,639
-	1,251,581	1,184,757	-	-	66,824
\$ 293,456	\$ 1,251,581	\$ 1,231,304	\$ -	\$ (1,368)	\$ 312,365

**GOODRICH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2016**

EXHIBIT J-2

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts			Final Budget
		Original	Final	Actual	Positive (Negative)
REVENUES					
5700	Local and Intermediate Revenue	\$ 7,200	\$ 7,200	\$ 8,372	\$ 1,172
5800	State Program Revenues	4,784	4,784	4,794	10
5900	Federal Program Revenues	171,500	176,500	177,720	1,220
5020	Total Revenues	183,484	188,484	190,886	2,402
EXPENDITURES					
Current					
0035	Food Service	183,484	188,484	190,202	(1,718)
6030	Total Expenditures	183,484	188,484	190,202	(1,718)
1200	Net Change in Fund Balance	-	-	684	684
0100	Fund Balance - Beginning	17,591	17,591	17,591	-
3000	Fund Balance - Ending	\$ 17,591	\$ 17,591	\$ 18,275	\$ 684

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

**INDEPENDENT AUDITOR'S 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 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 as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated January 19, 2017.

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 a 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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.

Yours truly,

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
January 19, 2017

**GOODRICH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2016**

SECTION I – SUMMARY OF AUDITOR’S RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditor’s 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, 2016**

<i>PRIOR YEAR FINDINGS</i>
None reported

**GOODRICH INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016**

<i>CURRENT YEAR FINDINGS</i>
None reported

**GOODRICH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2016**

EXHIBIT L-1

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning 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.	\$ 330,864
SF13	Pension Expense (6147) at fiscal year-end, excluding On-Behalf Pension Expense (6144).	\$ 23,343