

GOODRICH INDEPENDENT SCHOOL DISTRICT
Goodrich, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2019

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INTRODUCTORY SECTION

GOODRICH INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD
August 31, 2019

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 (check one) ☒ approved ☐ disapproved for the year ended August 31, 2019, at a meeting of the Board of Trustees of such school district on the 14th day of November, 2019.

Bertha Baldwin
Signature of Board Secretary

Brenda Bennett
Signature of Board President

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Goodrich Independent School District
Goodrich, Texas

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 ("the District"), as of and for the year ended August 31, 2019, 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 risk 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 the District as of August 31, 2019, 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 general, debt service, and capital project funds schedules of revenues, expenditures, and changes in fund balance - budgetary comparison, pension schedules, and OPEB schedules 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 the District's basic financial statements. The introductory section, combining funds financial statements and other supplementary information, including the schedule of required responses to selected school first indicators, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also 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.

The introductory section 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 assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
November 14, 2019

GOODRICH INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Goodrich Independent School District (the "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, 2019.

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 \$2,407,149 (*net position*). Of this amount, \$848,288 (*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 \$314,187.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,673,023, a decrease of \$169,124 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,181,489, or 79 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$85,000 (3 percent) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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 changes 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 Instructional Staff Development, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Admission, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Interest on Long-term Debt, Issuance Costs and Fees, 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.

The District has the following kinds of 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 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other 8 governmental funds are combined into a single, aggregated presentation titled nonmajor governmental funds.

The District adopts an annual revenue and appropriated budget for its general fund, debt service fund, and national school breakfast and lunch program. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs.

The 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 \$2,407,149 at the close of the most recent fiscal year.

Goodrich Independent School District's Net Position

	GOVERNMENTAL ACTIVITIES			
	AUGUST 31,		AMOUNT	%
	2019	2018	OF CHANGE	CHANGE
Current and other assets	\$ 3 132 932	\$ 3 634 680	\$ (501 748)	(13.8)%
Capital and long-term assets	3 857 803	3 426 225	431 578	12.6%
TOTAL ASSETS	6 990 735	7 060 905	(70 170)	(1.0)%
Deferred outflows	308 492	86 192	222 300	257.9%
Long-term liabilities	4 224 899	4 141 594	83 305	2.0%
Other liabilities	259 802	470 080	(210 278)	(44.7)%
TOTAL LIABILITIES	4 484 701	4 611 674	(126 973)	(2.8)%
Deferred inflows	407 377	442 461	(35 084)	(7.9)%
Net Position:				
Invested in capital assets	1 067 327	1 274 290	(206 963)	(16.2)%
Restricted	491 534	121 430	370 104	304.8%
Unrestricted	848 288	697 242	151 046	21.7%
TOTAL NET POSITION	\$ 2 407 149	\$ 2 092 962	\$ 314 187	15.0%

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 44 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, debt service and capital projects totaled \$491,534 or 20 percent of net position. The unrestricted net position of \$848,288 (36 percent of total net position) may be used to meet the District's ongoing obligations to students and creditors.

Summary of Activities and Changes in Net Position

Governmental Activities

The District's net position increased by \$314,187 from current operations. Key elements of the changes are as follows:

	GOVERNMENTAL ACTIVITIES			
	AUGUST 31,		AMOUNT	%
	2019	2018	OF CHANGE	CHANGE
Revenues:				
Program Revenues:				
Charges for services	\$ 41 145	\$ 15 261	\$ 25 884	169.6%
Operating grants and contributions	578 119	96 763	481 356	497.5%
General Revenues:				
Property taxes, levied for general purposes	1 253 096	1 270 565	(17 469)	(1.4)%
Property taxes, levied for debt service	171 629	174 648	(3 019)	(1.7)%
Unrestricted grants and programs	1 795 993	1 492 838	303 155	20.3%
Investment earnings	40 354	34 752	5 602	16.1%
Other general revenues	28 021	45 806	(17 785)	(38.8)%
TOTAL REVENUES	3 908 357	3 130 633	777 724	24.8%
Expenses:				
Instruction	1 574 203	889 015	685 188	77.1%
Instructional resources and media services	19 704	1 854	17 850	962.8%
Curriculum and staff development	18 667	12 628	6 039	47.8%
School leadership	277 776	169 310	108 466	64.1%
Guidance, counseling and evaluation services	83 216	40 632	42 584	104.8%
Health services	36 343	20 065	16 278	81.1%
Student transportation	112 135	118 458	(6 323)	(5.3)%
Food service	204 341	136 624	67 717	49.6%
Co-curricular and extracurricular activities	110 743	85 435	25 308	29.6%
General administration	412 076	261 541	150 535	57.6%
Plant maintenance and operations	374 176	302 796	71 380	23.6%
Security and monitoring services	4 624	2 535	2 089	82.4%
Data processing services	102 914	82 492	20 422	24.8%
Interest on long-term debt	94 239	76 342	17 897	23.4%
Capital outlay	54 114	-	54 114	100.0%
Payments to shared services arrangements	85 569	105 155	(19 586)	(18.6)%
Other intergovernmental charges	29 330	31 742	(2 412)	(7.6)%
TOTAL EXPENSES	3 594 170	2 336 624	1 257 546	53.8%
CHANGE IN NET POSITION	314 187	794 009	(479 822)	(60.4)%
Prior period adjustment	-	2 815 959	(2 815 959)	(100.0)%
Net position - Beginning	2 092 962	(1 517 006)	3 609 968	237.9%
NET POSITION - ENDING	\$ 2 407 149	\$ 2 092 962	\$ 314 187	15.0%

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$2,374,112) represent 61 percent of total revenues and property taxes (\$1,424,725) represents 36 percent of total revenues. The remaining 3 percent is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is Instruction \$(1,574,203) which represents 44 percent of total expenses, as well as, General Administration and Plant Maintenance which represent 11 and 10 percent of the total expenses, respectively. The remaining functional categories of expenses are individually 35 percent or less of total expenditures. The most significant decrease in expenses was from the reduction of expenses from OPEB.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District uses funds 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 \$2,673,023, a decrease of \$169,124 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 \$2,181,489. 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 79 percent of total general fund expenditures. The revenues and expenditures remained consistent when compared to prior year.

The fund balance of the District's general fund increased by \$352,359 during the current fiscal year. The increase in fund balance was primarily due to increases in local and intermediate revenue, as well as state program revenue.

The debt service fund has a total fund balance of \$70,439, all of which is restricted for the payment of debt service. The increase in fund balance during the current year was due to property tax revenues related to the increase in tax revenue from an increase in tax rate.

The capital projects fund has a total fund balance of \$323,820, all of which is restricted for future construction projects. The net decrease in fund balance during the current year of \$555,569 was primarily due to construction expenses.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2019, amounts to \$3,857,803 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, buildings and improvements, furniture and equipment, and construction in progress. The total increase in the District's investment in capital assets for the current fiscal year was \$431,578.

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

- \$556,543 spent on capital projects to renovate the school, build bus canopies, and build a new playground.
- \$15,405 spent on a bus engine.
- \$11,851 spent on a floor scrubber and air conditioning equipment.

Summary of the District's Capital Assets

	GOVERNMENTAL ACTIVITIES		AMOUNT	%
	AUGUST 31,		OF	CHANGE
	2019	2018	CHANGE	CHANGE
Land	\$ 320 931	\$ 320 931	\$ -	- %
Construction in process	-	1 273 140	(1 273 140)	(100.0)%
Buildings and improvements	3 136 505	1 420 351	1 716 154	120.8%
Furniture and equipment	400 367	411 803	(11 436)	(2.8)%
NET CAPITAL ASSETS	\$ 3 857 803	\$ 3 426 225	\$ 431 578	12.6%

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		AMOUNT	%
	AUGUST 31,		OF	CHANGE
	2019	2018	CHANGE	CHANGE
General obligation bonds (net)	\$ 2 900 069	\$ 2 991 609	\$ (91 540)	(3.0)%
Notes payable	30 476	39 715	(9 239)	(23.3)%
Compensated absences	12 850	11 225	1 625	14.5%
Net pension liability	412 433	233 755	178 678	76.4%
Net OPEB liability	976 605	865 290	111 315	12.8%
NET CAPITAL ASSETS	\$ 4 332 433	\$ 4 141 594	\$ 190 839	4.6%

The District's bonded debt decreased by \$91,540 (3 percent) during the current fiscal year as a result of scheduled debt payments. Notes payable decreased by \$9,239 (23 percent) during the current fiscal year as a result of a note payment. The District's general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Guarantee Program.

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.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Current enrollment totals 259 students.
- District staff totals 52 employees, which includes 21 teachers and 13 teachers' aids and secretaries.
- Property values of the District are projected to remain stable in 2019-2020.
- A maintenance and operations tax rate of \$1.0684 and a debt service tax rate of \$0.1600, a total rate of \$1.2284, were adopted for 2019-2020. The preceding year rate was \$1.17 for maintenance and operations with a \$0.1601 debt service tax rate.

All of these factors were considered in preparing the District's budget for the 2020 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$2,181,489. The District plans to utilize unassigned fund balance to fund current expenditures prior to collecting the current year tax levy.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Goodrich Independent School District, P. O. Box 789, Goodrich, Texas, 77335.

BASIC FINANCIAL STATEMENTS

GOODRICH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2019

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 914 393
1120	Current investments	1 678 417
1225	Property taxes receivable, net	312 453
1240	Due from other governments	227 669
1510	Land and improvements	320 931
1520	Buildings and improvements, net	3 136 505
1530	Furniture and equipment, net	400 367
1000	TOTAL ASSETS	<u>6 990 735</u>
	DEFERRED OUTFLOWS	
1705	Deferred outflows - Pension	227 080
1706	Deferred outflows - OPEB	81 412
1700	TOTAL DEFERRED OUTFLOWS	<u>308 492</u>
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>7 299 227</u>
	LIABILITIES	
2110	Accounts payable	28 594
2140	Interest payable	4 812
2160	Accrued wages payable	118 862
2516	Premium on bond issue	140 069
2501	Due within one year	107 534
2502	Due in more than one year	2 695 792
2540	Net pension liability	412 433
2545	Net OPEB liability	976 605
2000	TOTAL LIABILITIES	<u>4 484 701</u>
	Deferred Inflows:	
2605	Deferred inflows - Pension	79 931
2606	Deferred inflows - OPEB	327 446
2600	TOTAL DEFERRED INFLOWS	<u>407 377</u>
	NET POSITION	
3200	Net investment in capital assets	1 067 327
3820	Restricted for grants	97 275
3850	Restricted for debt service	70 439
3860	Restricted for capital projects	323 820
3900	Unrestricted	848 288
3000	TOTAL NET POSITION	<u>\$ 2 407 149</u>

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1	3	4	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		EXPENSES	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES
			CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
	Governmental Activities:				
11	Instruction	\$ 1 574 203	\$ 26 418	\$ 287 594	\$ (1 260 191)
12	Instruction resources and media services	19 704	-	16 289	(3 415)
13	Curriculum and staff development	18 667	-	-	(18 667)
23	School leadership	277 776	-	20 389	(257 387)
31	Guidance, counseling, and evaluation services	83 216	-	8 395	(74 821)
33	Health services	36 343	-	-	(36 343)
34	Student transportation	112 135	-	4 473	(107 662)
35	Food services	204 341	11 964	197 158	4 781
36	Co-curricular/extracurricular activities	110 743	2 763	3 070	(104 910)
41	General administration	412 076	-	25 531	(386 545)
51	Plant maintenance and operations	374 176	-	11 183	(362 993)
52	Security and monitoring services	4 624	-	-	(4 624)
53	Data processing services	102 914	-	4 037	(98 877)
72	Interest on long-term debt	94 239	-	-	(94 239)
81	Capital outlay	54 114	-	-	(54 114)
93	Payments related to shared services arrangements	85 569	-	-	(85 569)
99	Other intergovernmental charges	29 330	-	-	(29 330)
TG	TOTAL GOVERNMENTAL ACTIVITIES	\$ 3 594 170	\$ 41 145	\$ 578 119	(2 974 906)
	General Revenues:				
MT	Property taxes, levied for general purposes				1 253 096
DT	Property taxes, levied for debt service				171 629
GC	Grants and contributions not restricted				1 795 993
IE	Investment earnings				40 354
MI	Miscellaneous				28 021
TR	TOTAL GENERAL REVENUES				3 289 093
CN	CHANGE IN NET POSITION				314 187
NB	Net position - Beginning				2 092 962
NE	NET POSITION - ENDING				\$ 2 407 149

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2019

DATA CONTROL CODES		10 GENERAL FUND	50 DEBT SERVICE FUND
	ASSETS		
1110	Cash and cash equivalents	\$ 425 329	\$ 70 439
1120	Current investments	1 678 417	-
1225	Taxes receivable, net	297 043	15 410
1240	Due from other governments	214 841	-
1000	TOTAL ASSETS	<u>\$ 2 615 630</u>	<u>\$ 85 849</u>
	LIABILITIES		
	Current Liabilities:		
2110	Accounts payable	\$ 23 440	\$ -
2160	Accrued wages payable	113 658	-
2000	TOTAL LIABILITIES	<u>137 098</u>	<u>-</u>
	Deferred Inflows:		
2600	Unavailable revenue	297 043	15 410
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>434 141</u>	<u>15 410</u>
	FUND BALANCES		
	Restricted Fund Balances:		
3450	Federal/state funds grant restrictions	-	-
3480	Retirement of long-term debt	-	70 439
	Committed Fund Balances:		
3510	Construction	-	-
3600	Unassigned	2 181 489	-
3000	TOTAL FUND BALANCE	<u>2 181 489</u>	<u>70 439</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 2 615 630</u>	<u>\$ 85 849</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
\$ 323 820	\$ 94 805	\$ 914 393
-	-	1 678 417
-	-	312 453
-	12 828	227 669
\$ <u>323 820</u>	\$ <u>107 633</u>	\$ <u>3 132 932</u>
\$ -	\$ 5 154	\$ 28 594
-	5 204	118 862
-	10 358	147 456
-	-	312 453
-	10 358	459 909
-	97 275	97 275
-	-	70 439
323 820	-	323 820
-	-	2 181 489
<u>323 820</u>	<u>97 275</u>	<u>2 673 023</u>
\$ <u>323 820</u>	\$ <u>107 633</u>	\$ <u>3 132 932</u>

GOODRICH INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
August 31, 2019

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$ 2 673 023
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Amounts Reported for Governmental Activities in the Statement of Net Position
("SNP") are Different Because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	3 857 803
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.	312 453
Long-term liabilities, including bonds payable, notes payable, compensated absences, and net pension and OPEB liability, are not due and payable in the current period, and, therefore, are not reported as liabilities in the funds.	(4 337 245)
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 (revenue) until that time.	227 080
Deferred inflows of resources 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 (expenses/expenditures) until then.	(79 931)
Deferred outflows of resources for OPEB 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.	81 412
Deferred inflows of resources for OPEB 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>(327 446)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	\$ <u>2 407 149</u>

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2019

DATA CONTROL CODES		10 GENERAL FUND	50 DEBT SERVICE FUND
	Revenues:		
5700	Local and intermediate revenue	\$ 1 329 182	\$ 171 904
5800	State program revenues	1 653 352	9 395
5900	Federal program revenues	<u>133 246</u>	<u>-</u>
5020	TOTAL REVENUES	<u>3 115 780</u>	<u>181 299</u>
	Expenditures:		
	Current:		
0011	Instruction	1 265 754	-
0012	Instructional resources and media services	2 312	-
0013	Curriculum and staff development	17 782	-
0023	School leadership	241 671	-
0031	Guidance, counseling, and evaluation services	69 801	-
0033	Health services	34 620	-
0034	Student transportation	116 580	-
0035	Food service	-	-
0036	Co-curricular/extracurricular activities	77 341	-
0041	General administration	363 743	-
0051	Plant maintenance and operations	343 826	-
0052	Security and monitoring services	4 405	-
0053	Data processing services	99 533	-
0071	Principal on long-term debt	9 239	85 000
0072	Interest on long-term debt	1 915	78 744
0073	Bond issuance costs and fees	-	1 000
0081	Capital outlay	-	-
0093	Payments to shared service arrangements	85 569	-
0099	Other governmental charges	<u>29 330</u>	<u>-</u>
6030	TOTAL EXPENDITURES	<u>2 763 421</u>	<u>164 744</u>
1200	NET CHANGE IN FUND BALANCES	352 359	16 555
0100	Fund balances - Beginning	<u>1 829 130</u>	<u>53 884</u>
3000	FUND BALANCES - ENDING	<u>\$ 2 181 489</u>	<u>\$ 70 439</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
\$ 10 079	\$ 38 428	\$ 1 549 593
-	22 285	1 685 032
-	378 821	512 067
<u>10 079</u>	<u>439 534</u>	<u>3 746 692</u>
-	193 091	1 458 845
-	14 971	17 283
-	-	17 782
-	473	242 144
-	-	69 801
-	-	34 620
-	1 023	117 603
-	187 756	187 756
-	24 689	102 030
-	-	363 743
-	-	343 826
-	-	4 405
-	-	99 533
-	-	94 239
-	-	80 659
-	-	1 000
565 648	-	565 648
-	-	85 569
-	-	29 330
<u>565 648</u>	<u>422 003</u>	<u>3 915 816</u>
(555 569)	17 531	(169 124)
<u>879 389</u>	<u>79 744</u>	<u>2 842 147</u>
\$ <u><u>323 820</u></u>	\$ <u><u>97 275</u></u>	\$ <u><u>2 673 023</u></u>

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, 2019

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (169 124)

Amounts Reported for Governmental Activities in the Statement of Activities
("SOA") 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.	431 578
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.	(15 348)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	101 851
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.	(536)
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.	(1 625)
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.	(23 585)
The net change in net OPEB 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.	<u>(9 024)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	\$ <u><u>314 187</u></u>

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2019

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUND
	ASSETS	
1110	Cash and cash equivalents	\$ 17 896
1000	TOTAL ASSETS	\$ <u>17 896</u>
	LIABILITIES	
2190	Due to other funds	\$ 17 896
2000	TOTAL LIABILITIES	<u>17 896</u>
	NET POSITION	
3000	TOTAL NET POSITION	\$ <u>-</u>

The accompanying notes are an integral part of this statement.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

A. Reporting Entity

The Goodrich Independent School District (the "District"), is governed by a seven-member board of trustees, (the "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.

B. Basis of Presentation - 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 (the 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.

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.

C. 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.

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 *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

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 *special revenue funds* are used to account for the proceeds of specific revenue sources (other than those identified as a major fund) that are restricted or committed to expenditures for specific purposes.

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 - CONTINUED
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - 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 activities 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.

D. 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 financial sources.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

E. 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 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 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 - CONTINUED
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - 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:

ASSET CLASS	ESTIMATED USEFUL LIVES
Buildings	15-30
Building improvements	15-30
Vehicles	5-10
Equipment	5-10

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to one or more future period and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent year.
- Property taxes are recognized in the period the amount becomes available.

5. 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.

6. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bonds 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.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Fund Balance Flow Assumption

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.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees (the 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.

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.

9. Pension

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Revenues and Expenditures/Expenses

Program Revenue

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.

Property Taxes

Property values are determined by the county appraisal district as of January 1 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.

G. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, require 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.

H. 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 TEA in order to ensure accuracy in building a statewide data base for policy development and funding plans.

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, National School Breakfast and Lunch Program special revenue fund and Debt Service 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 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.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

B. Encumbrances

Encumbrances 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. All encumbrances have expired at year end.

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.

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:

	AUGUST 31, 2019	PERCENT OF TOTAL INVESTMENTS	WEIGHTED AVERAGE MATURITY (DAYS)	CREDIT RISK
Investments Measured at Cost				
Certificates of deposit	\$ 369 692	22%	75	*
Investments measured at Fair Value, Not Subject to Level Reporting:				
Investment Pools:				
Lone Star Corporate Overnight Plus Fund	1 308 725	78%	41	AAAm
TOTAL	\$ 1 678 417	100%		

*Certificates are insured or collateralized

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Certificates of deposit are measured at amortized cost or net asset value, i.e., fair value. Such investment are not required to be reported in the fair value hierarchy.

The Lone Star Overnight Plus investment pool is an external investment pool measured at fair (NAV) value. Lone Stare 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 the fiscal year, 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, 2019, District's bank deposits and certificates of deposit were not exposed to custodial credit risk because they were 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 a custodial risk due to the investments are held by the District in the District's name.

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	\$ 25 830
Change in uncollectible debt service property taxes	1 340
TOTAL CHANGE IN UNCOLLECTIBLES OF CURRENT FISCAL YEAR	\$ <u>27 170</u>

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Approximately 8% of the outstanding balance of property taxes is not anticipated to be collected within the next year.

C. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2019 was as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCES	ADDITIONS	DECREASES	ENDING BALANCES
Capital Assets Not Being Depreciated:				
Land and improvements	\$ 320 931	\$ -	\$ -	\$ 320 931
Construction in process	1 273 140	556 543	(1 829 683)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	1 594 071	556 543	(1 829 683)	320 931
Capital Assets Being Depreciated:				
Buildings and improvements	7 179 269	1 829 683	-	9 008 952
Furniture and equipment	1 289 655	27 256	(156 707)	1 160 204
TOTAL CAPITAL ASSETS BEING DEPRECIATED	8 468 924	1 856 939	(156 707)	10 169 156
Less Accumulated Depreciation for:				
Buildings and improvements	(5 787 812)	(84 635)	-	(5 872 447)
Furniture and equipment	(848 958)	(67 586)	156 707	(759 837)
TOTAL ACCUMULATED DEPRECIATION	(6 636 770)	(152 221)	156 707	(6 632 284)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	1 832 154	1 704 718	-	3 536 872
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 3 426 225	\$ 2 261 261	\$ (1 829 683)	\$ 3 857 803

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

Governmental Activities:		
11	Instruction	\$ 72 586
12	Instructional resources and media services	860
13	Curriculum and instructional staff development	885
23	School leadership	12 048
31	Guidance, counseling and evaluation	3 473
33	Health service	1 723
34	Student transportation	5 851
35	Food service	9 342
36	Extracurricular activities	5 077
41	General administration	18 098
51	Plant maintenance and operations	17 107
52	Security and monitoring	219
53	Data processing services	4 952
	TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$ 152 221

D. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, note payable, and net pension and OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in Long-term Liabilities:

Long-term liability activity for the fiscal year ended August 31, 2019 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
General obligation bonds	\$ 2 845 000	\$ -	\$ (85 000)	\$ 2 760 000	\$ 85 000
Bond premiums	146 609	-	(6 540)	140 069	-
TOTAL GOVERNMENT ACTIVITIES	2 991 609	-	(91 540)	2 900 069	85 000
Notes payable	39 715	-	(9 239)	30 476	9 684
Compensated absences	11 225	1 625	-	12 850	12 850
Net pension liability	233 755	178 678	-	412 433	-
Net OPEB liability	865 290	111 315	-	976 605	-
GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	\$ 4 141 594	\$ 291 618	\$ (100 779)	\$ 4 332 433	\$ 107 534

General Obligation Bonds:

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds are paid from the Debt Service Fund and funded from future property tax revenues.

The following is a summary of changes in the general obligation bonds for the fiscal year:

DESCRIPTION	INTEREST RATES	ORIGINAL ISSUE	MATURITY	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE
2016 BLDG	2.0-3.25%	\$ 2 400 000	2041	\$ 2 400 000	\$ -	\$ -	\$ 2 400 000
2016 REF	1.0-2.75%	\$ 595 000	2023	445 000	-	(85 000)	360 000
TOTALS				\$ 2 845 000	\$ -	\$ (85 000)	\$ 2 760 000

Annual debt service requirements to maturity for general obligation bonds are as follows:

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2020	\$ 85 000	\$ 77 151	\$ 162 151
2021	90 000	75 288	165 288
2022	90 000	73 151	163 151
2023	95 000	70 719	165 719
2024	100 000	69 413	169 413
2025 - 2029	560 000	303 570	863 570
2030 - 2034	655 000	213 075	868 075
2035 - 2039	750 000	108 000	858 000
2040 - 2041	565 000	10 125	575 125
TOTALS	\$ 2 760 000	\$ 1 000 492	\$ 3 760 492

As of August 31, 2019, the District had \$5,000 authorized but unissued bonds from the May 7, 2016 bond election.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Notes Payable:

The District issues notes payable to provide funds for purchase of vehicles and equipment and the renovation 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 RATES</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITY</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>
2018 Suburban note	4.82%	\$ 39 715	2021	\$ 39 715	\$ -	\$ (9 239)	\$ 30 476

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>
2020	\$ 9 684	\$ 1 469	\$ 11 153
2021	10 151	1 002	11 153
2022	10 641	513	11 153
TOTALS	\$ 30 476	\$ 2 984	\$ 33 459

NOTE 4 - OTHER INFORMATION

A. Risk Management

Health Care Coverage:

During the fiscal year ended August 31, 2019, 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 care 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 wants 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 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 years or settlements exceeding insurance coverage for each of the past three fiscal years.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

B. Contingencies

The District participates in a number of federal and state financial assistance programs. These programs are subject to a 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

Teacher Retirement System

Plan Description:

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

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

Pension Plan Fiduciary Net Position:

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

Benefits Provided:

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of 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 in (A) above.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

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. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

	CONTRIBUTION RATES	
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions - 2019		\$ 24 344
Member Contributions - 2019		\$ 122 487
NECE On-behalf Contributions - 2018		\$ 80 596

- Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).
- As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:
 - On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
 - During a new member's first 90 days of employment.
 - When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
 - When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, 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.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

- 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate:

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

ASSET CLASS	TARGET ALLOCATION*	LONG-TERM EXPECTED ARITHMETIC REAL RATE OF RETURN	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS**
Global Equity			
U.S.	18%	5.70%	1.04%
Non-U.S. Developed	13%	6.90%	0.90%
Emerging Markets	9%	8.95%	0.80%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	- %	- %	- %
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	(0.30)%	- %
Real Return			
Global Inflation Linked Bonds	3%	0.70%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	- %	- %	- %
Risk Parity			
Risk Parity	5%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag**			(0.79)%
Total	<u>100%</u>		<u>7.25%</u>

* Target allocations are based on the FY2016 policy model.

** The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

For the fiscal year ended August 31, 2018, the annual money-weighted rate of return on pension plan investments was 7.25 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used 6.907% in measuring the Net Pension Liability.

	1% DECREASE IN DISCOUNT RATE (5.907%)	DISCOUNT RATE (6.907%)	1% INCREASE IN DISCOUNT RATE (7.907%)
District proportionate share of the net pension liability	\$ 622 460	\$ 412 433	\$ 242 403

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

At August 31, 2019, the District reported a liability of \$412,433 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 were as follows:

District's proportionate share of the collective net pension liability	\$ 412 433
State's proportionate share that is associated with the District	1 317 691
TOTAL	<u>\$ 1 730 124</u>

The net pension liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the District's proportion of the collective net pension liability was 0.0007311% which was a decrease of 0.00002% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation - The following changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.

The long term assumed rate of return changed from 8.0 percent to 7.25 percent.

The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

For the year ended August 31, 2019, the District recognized pension expense of \$130,416 and revenue of \$130,416 for support provided by the State.

At August 31, 2019, 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: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 2 571	\$ 10 119
Changes in actuarial assumptions	148 702	4 647
Difference between projected and actual investment earnings	21 434	29 259
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	30 029	35 906
Contributions paid to TRS subsequent to the measurement date	24 344	-
TOTAL	\$ 227 080	\$ 79 931

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDED AUGUST 31,	PENSION EXPENSE AMOUNT
2019	\$ 33 524
2020	\$ 17 053
2021	\$ 12 596
2022	\$ 19 007
2023	\$ 23 701
Thereafter	\$ 16 924

D. Defined Other Post-Employment Benefit Plans (OPEB)

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report 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, Texas 78701-2698; or by calling 512.542.6592.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees			
January 1, 2018 - December 31, 2018			
		Medicare	Non-Medicare
Retiree*	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree* and Children		468	408
Retiree and Family		1 020	999

* or surviving spouse

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Employer Contributions - 2019	\$	13 116
Member Contributions - 2019	\$	10 340
NECE On-behalf Contributions - 2018	\$	17 674

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the fiscal years 2018-19 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% as of August 31, 2018
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2017.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection, the ultimate improvement rates from the most recently published projection scale ("U-MP").
Healthcare Trend Rates	Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
Election Rates	Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years. Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rate of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2018. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the net OPEB Liability	\$ 1 162 495	\$ 976 605	\$ 829 554

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At August 31, 2019, the District reported a liability of \$976,605 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 976 605
State's proportionate share that is associated with the District	1 281 049
TOTAL	\$ 2 257 654

The Net OPEB Liability was measured as of August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018, the employer's proportion of the collective Net OPEB Liability was 0.00199% which was a decrease of (0.00001)% from August 31, 2017.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of the Net OPEB Liability	\$ 811 086	\$ 976 605	\$ 1 194 597

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

Changes Since the Prior Actuarial Valuation - The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

1. Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
2. The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
3. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
4. The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability.
5. Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section G. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended August 31, 2019, the District recognized OPEB expense of \$46,597 and revenue of \$46,597 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 51 825	\$ 15 412
Changes in actuarial assumptions	16 297	293 414
Difference between projected and actual investment earnings	171	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3	18 620
Contributions paid to TRS subsequent to the measurement date	13 116	-
TOTAL	\$ 81 412	\$ 327 446

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2019	\$ (40 753)
2020	\$ (40 753)
2021	\$ (40 753)
2022	\$ (40 786)
2023	\$ (40 805)
Thereafter	\$ (55 300)

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 4 - OTHER INFORMATION - CONTINUED

The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care received payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submissions by reporting entities for the month of May. For the fiscal years ended August 31, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$6,031, \$5,161 and \$4,963, respectively.

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 (changed to Corrigan-Camden ISD effective August 1, 2019). 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. 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.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board, but not considered a part of the basic financial statements.

GOODRICH INDEPENDENT SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGETARY COMPARISON
For the Year Ended August 31, 2019

EXHIBIT G-1

DATA CONTROL CODES		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 1 313 403	\$ 1 353 125	\$ 1 329 182	\$ (23 943)
5800	State program revenues	1 591 312	1 605 590	1 653 352	47 762
5900	Federal program revenues	-	-	133 246	133 246
5020	TOTAL REVENUES	<u>2 904 715</u>	<u>2 958 715</u>	<u>3 115 780</u>	<u>157 065</u>
	Expenditures:				
	Current:				
0011	Instruction	1 236 438	1 236 438	1 265 754	(29 316)
0012	Instructional resources and media services	4 375	4 375	2 312	2 063
0013	Curriculum and staff development	45 725	45 725	17 782	27 943
0023	School leadership	254 941	255 941	241 671	14 270
0031	Guidance, counseling, and evaluation services	70 186	70 686	69 801	885
0033	Health services	37 311	39 311	34 620	4 691
0034	Student transportation	126 579	131 079	116 580	14 499
0036	Co-curricular/extracurricular activities	102 726	110 726	77 341	33 385
0041	General administration	375 950	387 950	363 743	24 207
0051	Plant maintenance and operations	377 677	380 677	343 826	36 851
0052	Security and monitoring services	5 500	5 500	4 405	1 095
0053	Data processing services	95 998	118 998	99 533	19 465
0071	Principal on long-term debt	11 154	11 154	11 154	-
0093	Payments to shared service arrangements	116 351	116 351	85 569	30 782
0099	Other governmental charges	31 750	31 750	29 330	2 420
6030	TOTAL EXPENDITURES	<u>2 892 661</u>	<u>2 946 661</u>	<u>2 763 421</u>	<u>183 240</u>
1200	NET CHANGE IN FUND BALANCES	12 054	12 054	352 359	340 305
0100	Fund balances - Beginning	<u>1 829 130</u>	<u>1 829 130</u>	<u>1 829 130</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ 1 841 184</u>	<u>\$ 1 841 184</u>	<u>\$ 2 181 489</u>	<u>\$ 340 305</u>

See independent auditors' report.

GOODRICH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

Exhibit G-2

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.000749%	0.0007311%	0.0007798%	0.0009360%	0.0007157%
District's proportionate share of the net pension liability (asset)	\$ 412 443	\$ 233 755	\$ 294 660	\$ 330 864	\$ 191 174
State's proportionate share of the net pension liability (asset) associated with the District	<u>1 317 691</u>	<u>883 834</u>	<u>1 082 859</u>	<u>958 029</u>	<u>822 110</u>
TOTAL	\$ <u>1 730 134</u>	\$ <u>1 117 589</u>	\$ <u>1 377 519</u>	\$ <u>1 288 893</u>	\$ <u>1 013 284</u>
District's covered-employee payroll	\$ 1 565 348	\$ 1 649 488	\$ 1 649 581	\$ 1 458 336	\$ 1 400 097
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.35%	14.17%	17.86%	22.69%	13.65%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

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

GOODRICH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

Exhibit G-3

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 24 344	\$ 25 242	\$ 23 960	\$ 24 775	\$ 27 715
Contributions in relation to the contractually required contribution	<u>(24 344)</u>	<u>(25 242)</u>	<u>(23 960)</u>	<u>(24 775)</u>	<u>(27 715)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 1 590 736	\$ 1 565 348	\$ 1 649 488	\$ 1 649 581	\$ 1 458 336
Contributions as a percentage of covered-employee payroll	1.53%	1.61%	1.45%	1.50%	1.90%

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See independent auditors' report.

GOODRICH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

EXHIBIT G-4

District's Proportionate Share of Liability	2018	2017
District's proportion of the OPEBL	0.0019559%	0.0019898%
District's proportionate share of the OPEBL	\$ 976 605	\$ 865 290
State share of the OPEBL associated with the District	1 281 049	1 266 357
TOTAL	\$ <u>2 257 654</u>	\$ <u>2 131 647</u>
District's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 1 565 348	\$ 1 649 488
Proportionate share/covered payroll	62.39%	52.46%
Plan fiduciary net position/total OPEB liability	1.57%	0.91%

District Contributions	2019	2018
Contractually required contribution	\$ 13 116	\$ 13 493
Contributions to required contribution	(13 116)	(13 493)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>	\$ <u>-</u>
Current fiscal year TRS gross	\$ 1 590 736	\$ 1 557 858
Contributions to covered payroll	0.82%	0.87%

Information provided by the Teacher Retirement System of Texas.

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See independent auditors' report.

GOODRICH INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
August 31, 2019

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, Debt Service Fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared no 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. Excess of Expenditures Over Appropriations

Function 11 in the general fund exceeded budget by \$(29,316), due to a non cash transaction that resulted in an expense of \$129,294.

C. Pension Benefit and OPEB Plan notes

See the financial statement notes for the changes in the pension and OPEB plan assumptions and methods.

COMBINING STATEMENTS
AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

GOODRICH INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
August 31, 2019

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC PROGRAMS	240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	255 ESEA TITLE II TRAINING AND RECRUITING	287 HURRICANE RECOVERY GRANT
	ASSETS				
1110	Cash and cash equivalents	\$ -	\$ 70 545	\$ -	\$ -
1240	Due from other governments	-	12 828	-	-
1000	TOTAL ASSETS	<u>\$ -</u>	<u>\$ 83 373</u>	<u>\$ -</u>	<u>\$ -</u>
	LIABILITIES				
2110	Accounts payable	\$ -	\$ 5 154	\$ -	\$ -
2160	Accrued wages payable	-	5 204	-	-
2000	TOTAL LIABILITIES	<u>-</u>	<u>10 358</u>	<u>-</u>	<u>-</u>
	FUND BALANCES				
3450	Restricted for federal and state funds	-	73 015	-	-
3000	TOTAL FUND BALANCES	<u>-</u>	<u>73 015</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 83 373</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-1

288	289	410	499	
TITLE IV, PART A STUDENT SUPPORT AND ACADEMIC ENRICHMENT	SMALL RURAL SCHOOL ACHIEVEMENT PROGRAM	TEXTBOOK ALLOTMENT	BERGMAN SCHOLARSHIP FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ 3	\$ 503	\$ 23 754	\$ 94 805
-	-	-	-	12 828
<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 503</u>	<u>\$ 23 754</u>	<u>\$ 107 633</u>
\$ -	\$ -	\$ -	\$ -	\$ 5 154
-	-	-	-	5 204
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10 358</u>
-	3	503	23 754	97 275
<u>-</u>	<u>3</u>	<u>503</u>	<u>23 754</u>	<u>97 275</u>
\$ -	\$ 3	\$ 503	\$ 23 754	\$ 107 633

GOODRICH INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended August 31, 2019

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC PROGRAMS	240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	255 ESEA TITLE II TRAINING AND RECRUITING	287 HURRICANE RECOVERY GRANT
	Revenues:				
5700	Local and intermediate sources	\$ -	\$ 11 964	\$ -	\$ -
5800	State program revenues	-	4 807	-	-
5900	Federal program revenues	<u>148 047</u>	<u>186 235</u>	<u>13 895</u>	<u>5 184</u>
5020	TOTAL REVENUES	<u>148 047</u>	<u>203 006</u>	<u>13 895</u>	<u>5 184</u>
	Expenditures:				
	Current:				
0011	Instruction	132 053	-	13 422	5 184
0012	Instructional resources and media services	14 971	-	-	-
0023	School leadership	-	-	473	-
0034	Student transportation	1 023	-	-	-
0035	Food services	-	187 756	-	-
0036	Extracurricular activities	-	-	-	-
6030	TOTAL EXPENDITURES	<u>148 047</u>	<u>187 756</u>	<u>13 895</u>	<u>5 184</u>
1200	NET CHANGE IN FUND BALANCE	-	15 250	-	-
0100	Fund balances - Beginning	<u>-</u>	<u>57 765</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 73 015</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-2

288	289	410	499	
TITLE IV, PART A STUDENT SUPPORT AND ACADEMIC ENRICHMENT	SMALL RURAL SCHOOL ACHIEVEMENT PROGRAM	TEXTBOOK ALLOTMENT	BERGMAN SCHOLARSHIP FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ 26 464	\$ 38 428
-	-	17 478	-	22 285
<u>11 376</u>	<u>14 084</u>	<u>-</u>	<u>-</u>	<u>378 821</u>
<u>11 376</u>	<u>14 084</u>	<u>17 478</u>	<u>26 464</u>	<u>439 534</u>
11 376	14 081	16 975	-	193 091
-	-	-	-	14 971
-	-	-	-	473
-	-	-	-	1 023
-	-	-	-	187 756
-	-	-	24 689	24 689
<u>11 376</u>	<u>14 081</u>	<u>16 975</u>	<u>24 689</u>	<u>422 003</u>
-	3	503	1 775	17 531
-	-	-	21 979	79 744
<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 503</u>	<u>\$ 23 754</u>	<u>\$ 97 275</u>

OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

GOODRICH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2019

LAST 10 YEARS	(1)	(2)	(3)	
	TAX RATES		ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES	
	MAINTENANCE	DEBT SERVICE		
2010 and prior years	Various	Various		Various
2011	1.04	-	\$	110 064 519
2012	1.04	-	\$	112 930 192
2013	1.04	-	\$	120 272 981
2014	1.04	-	\$	118 257 179
2015	1.17	-	\$	112 560 940
2016	1.17	-	\$	106 972 735
2017	1.17	0.1600	\$	103 689 699
2018	1.17	0.1609	\$	108 000 150
2019 (School year under audit)	1.17	0.1601	\$	108 769 265
TOTALS				

See independent auditors' report.

EXHIBIT J-1

(10) BEGINNING BALANCE 09/01	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31
\$ 88 435	\$ -	\$ 3 162	\$ -	\$ (9 057)	\$ 76 216
18 829	-	320	-	-	18 509
17 759	-	253	-	(51)	17 455
21 016	-	342	-	(1 979)	18 695
26 685	-	1 016	-	(3 318)	22 351
27 366	-	303	-	(4 036)	23 027
29 040	-	679	-	(3 989)	24 372
44 019	-	7 964	1 089	(4 169)	30 797
71 952	-	27 432	3 772	(1 647)	39 101
-	1 446 740	1 197 980	163 929	(15 731)	69 100
<u>\$ 345 101</u>	<u>\$ 1 446 740</u>	<u>\$ 1 239 451</u>	<u>\$ 168 790</u>	<u>\$ (43 977)</u>	<u>\$ 339 623</u>

GOODRICH INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2019

EXHIBIT J-2

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 12 500	\$ 12 500	\$ 11 964	\$ (536)
5800	State program revenues	4 719	4 719	4 807	88
5900	Federal program revenues	<u>190 000</u>	<u>190 000</u>	<u>186 235</u>	<u>(3 765)</u>
5020	TOTAL REVENUES	<u>207 219</u>	<u>207 219</u>	<u>203 006</u>	<u>(4 213)</u>
	Expenditures:				
0035	Food service	<u>196 795</u>	<u>196 795</u>	<u>187 756</u>	<u>9 039</u>
6030	TOTAL EXPENDITURES	<u>196 795</u>	<u>196 795</u>	<u>187 756</u>	<u>9 039</u>
1200	NET CHANGE IN FUND BALANCE	10 424	10 424	15 250	4 826
0100	Fund balance - Beginning	<u>57 765</u>	<u>57 765</u>	<u>57 765</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 68 189</u>	<u>\$ 68 189</u>	<u>\$ 73 015</u>	<u>\$ 4 826</u>

See independent auditors' report.

GOODRICH INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2019

Exhibit J-3

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 157 957	\$ 157 957	\$ 171 904	\$ 13 947
5800	State program revenues	10 500	10 500	9 395	(1 105)
5020	TOTAL REVENUES	<u>168 457</u>	<u>168 457</u>	<u>181 299</u>	<u>12 842</u>
	Expenditures:				
0071	Principal on long-term debt	85 000	85 000	85 000	-
0072	Interest on long-term debt	78 913	78 913	78 744	169
0073	Issuance costs and fees	<u>4 544</u>	<u>4 544</u>	<u>1 000</u>	<u>3 544</u>
6030	TOTAL EXPENDITURES	<u>168 457</u>	<u>168 457</u>	<u>164 744</u>	<u>3 713</u>
1200	NET CHANGE IN FUND BALANCES	-	-	16 555	9 129
0100	Fund balance - Beginning	<u>53 884</u>	<u>53 884</u>	<u>53 884</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 53 884</u>	<u>\$ 53 884</u>	<u>\$ 70 439</u>	<u>\$ 9 129</u>

See independent auditors' report.

GOODRICH INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
For the Year Ended August 31, 2019

Exhibit J-4

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ -	\$ -	\$ 10 079	\$ 10 079
5020	TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>10 079</u>	<u>10 079</u>
	Expenditures:				
0081	Capital outlay	<u>680 000</u>	<u>998 278</u>	<u>565 648</u>	<u>432 630</u>
6030	TOTAL EXPENDITURES	<u>680 000</u>	<u>998 278</u>	<u>565 648</u>	<u>432 630</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(680 000)</u>	<u>(998 278)</u>	<u>(555 569)</u>	<u>442 709</u>
	Other Financing Sources (Uses):				
7900	Other financing sources	<u>1 170 528</u>	<u>1 170 528</u>	<u>-</u>	<u>(1 170 528)</u>
	TOTAL OTHER FINANCING SOURCES	<u>1 170 528</u>	<u>1 170 528</u>	<u>-</u>	<u>(1 170 528)</u>
1200	NET CHANGE IN FUND BALANCES	490 528	172 250	(555 569)	(727 819)
0100	Fund balance - Beginning	<u>879 389</u>	<u>879 389</u>	<u>879 389</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 1 369 917</u>	<u>\$ 1 051 639</u>	<u>\$ 323 820</u>	<u>\$ (727 819)</u>

See independent auditors' report.

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

Board of Trustees
Goodrich Independent School District
Goodrich, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goodrich Independent School District as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated November 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Goodrich Independent School 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 Goodrich Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Goodrich Independent School 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a significant deficiency as noted in finding 2019-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Goodrich Independent School 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*.

The District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lufkin, Texas
November 14, 2019


CERTIFIED PUBLIC ACCOUNTANTS

GOODRICH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2019

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiencies identified that are
not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

B. Financial Statement Findings

2019-01 Access controls within the payroll function.

Criteria

Access within the accounting software module should be restricted to assure adequate segregation of duties within the function.

Condition

All business office employees have access to set up and process vendor and payroll transactions.

Cause

The District was cross training employees due to the limited availability of staff due to District size.

Effect

Increased risk that material misstatements could occur in the financial statements, whether from fraud or error, and not be detected.

Recommendations

We suggest access be split and limited to assure adequate segregation based on functions.

GOODRICH INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2019

2018-001

Material Weakness in Internal Control over Financial Reporting - Inadequate Segregation of Duties

Condition

We noted that control over multiple key processes necessary for day-to-day operations are concentrated in two individuals in the business office. The Business Manager perform all accounting functions necessary for day-to-day operations, including preparing and posting all accounting journal entries, performing cash disbursement functions, and preparing financial reports. These individuals maintain unrestricted access to the general ledger and at times perform their respective functions without a secondary review and approval.

Corrective Actions

The District revised the processes within the business office to create a better segregation of duties over financial transactions.

Status

Resolved

GOODRICH INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2019

2019-01 Access controls within the payroll function

The District will review and restrict access within the payroll software to provide an adequate segregation of duties in the payroll function.

GOODRICH INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2019

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
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 412 433
SF13	Pension expense at fiscal year-end.	\$ -