

**SWEENY
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2014**

**KENNEMER, MASTERS & LUNSFORD, LLC
CERTIFIED PUBLIC ACCOUNTANTS
8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566**

THIS PAGE LEFT BLANK INTENTIONALLY.

SWEENEY INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2014*

Table of Contents

<u>Exhibit Number</u>		<u>Page Number</u>
Introductory Section		
	Certificate of Board	7
Financial Section		
	Independent Auditor's Report	11-13
	Management's Discussion and Analysis	15-24
	Basic Financial Statements:	
A-1	Statement of Net Position	26
B-1	Statement of Activities	27
	Government Fund Financial Statements:	
C-1	Balance Sheet	28-29
C-1R	Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Position	30
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balances	32-33
C-2R	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Governmental Activities Statement of Activities	34
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	35
E-2	Statement of Changes in Fiduciary Net Position	36
	Notes to the Financial Statements	37-68
Required Supplementary Information		
G-1	Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	70
Other Supplementary Information		
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	72-74
H-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	76-78
	Required Texas Education Agency Schedules:	
J-1	Schedule of Delinquent Taxes Receivable	80-81
J-3	Fund Balance and Cash Flow Calculation Worksheet	82
J-4	Budgetary Comparison Schedule – Nonmajor Fund – Food Service Special Revenue Fund	83
J-5	Budgetary Comparison Schedule – Debt Service Fund	84

SWEENEY INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2014*

Table of Contents - Continued

<u>Exhibit Number</u>	Federal Awards Section	<u>Page Number</u>
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	87-88
	Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	89-90
	Schedule of Findings and Questioned Costs.....	91-92
	Schedule of Status of Prior Findings	93
	Corrective Action Plan	94
K-1	Schedule of Expenditures of Federal Awards.....	95-96
	Notes on Accounting Policies for Federal Awards.....	97

The Following Exhibits Were Not Applicable to the Sweeny Independent School District:

	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position	
D-2	Statement of Revenues, Expenses and Changes in Fund Net Position.....	
D-3	Statement of Cash Flows.....	
	Combining Statement for Major Component Units:	
F-1	Combining Statement of Net Position	
F-2	Combining Statement of Activities	
	Internal Service Funds:	
H-3	Combining Statement of Net Position	
H-4	Combining Statement of Revenues, Expenses and Changes in Fund Net Position	
H-5	Combining Statement of Cash Flows	
	Required Texas Education Agency Schedules:	
J-2	Schedule of Expenditures for Computation of Indirect Cost.....	

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

CERTIFICATE OF BOARD


Sweeny Independent School District
Name of School District

Brazoria
County

020-906
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, 2014, at a meeting of the board of trustees of such school district on the 13th day of January, 2015.


Signature of Board Secretary


Signature of Board President

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

THIS PAGE LEFT BLANK INTENTIONALLY.

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
979-297-4075

El Campo Office:
201 W. Webb
El Campo, Texas 77437
979-543-6836

Houston Office:
10850 Richmond Ave., Suite 210
Houston, Texas 77042
281-974-3416

Independent Auditor's Report

To the Board of Trustees
Sweeny Independent School District
Sweeny, Texas 77480

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 the Sweeny Independent School District (the "District") as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

www.kmandl.com – Email: kmkw@kmandl.com

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 Sweeny Independent School District, as of August 31, 2014, 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 budgetary comparison information on pages 15 - 24 and 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and the required Texas Education Agency schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, 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 combining and individual nonmajor fund financial statements, the required Texas Education Agency schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Trustees
Sweeny Independent School District
Sweeny, Texas 77480
Page 3

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 any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, 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.

Kennemer, Masters & Hunford, LLC

Lake Jackson, Texas
December 18, 2014

THIS PAGE LEFT BLANK INTENTIONALLY.

SWEENY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014

As management of the Sweeny 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 year ended August 31, 2014. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

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 period by \$ 33,874,439 (*net position*). Of this amount, \$ 7,070,598 (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 24,067,112. Approximately 11 percent of this total amount, \$ 2,663,076, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 2,663,076, or 16 percent of the total general fund expenditures.
- During the year, the District had expenses that were \$ 853,589 less than the \$ 22,364,384 generated in tax and other revenues for governmental programs. This compares to last year when expenses were less than revenues by \$ 574,654.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being 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* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities*. The government-wide financial statements can be found on pages 26 through 27 of this report.

SWEENY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014

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 requirements. The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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 eighteen governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Sweeny Independent School District Educational Foundation (blended component unit), debt service fund, and 2014 bond construction fund, all of which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, food service special revenue fund, and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 28 through 34 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position that can be found on pages 35 and 36. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 through 68 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 70 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 72 through 78 of this report.

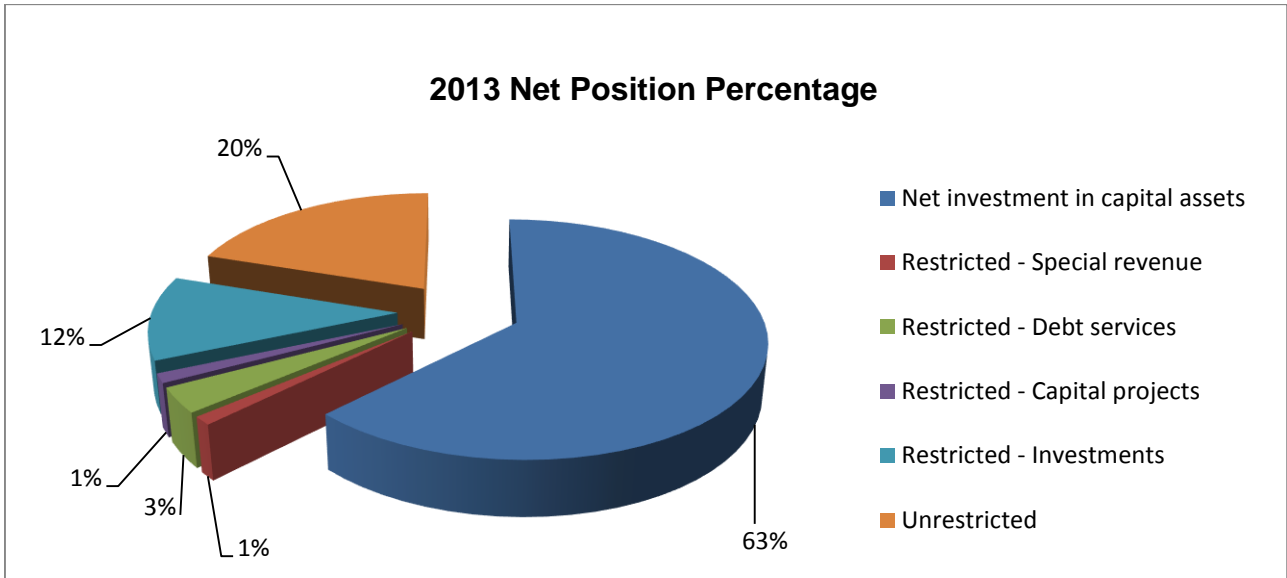
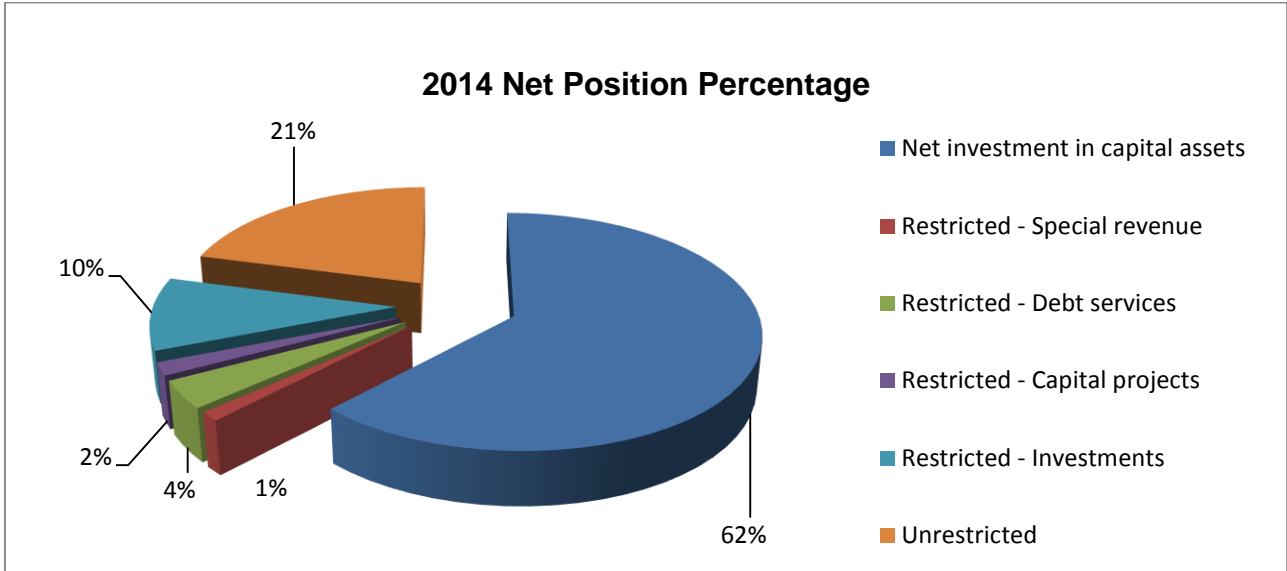
Government-wide Financial Analysis

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 33,874,439 as of August 31, 2014. Net position of the District's governmental activities increased from \$ 33,020,850 to \$ 33,874,439.

The District's Net Position

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 26,272,118	\$ 13,951,881
Capital assets	<u>38,264,207</u>	<u>39,098,353</u>
Total assets	<u>64,536,325</u>	<u>53,050,234</u>
Deferred outflows of resources	<u>864,098</u>	<u>936,575</u>
Long-term liabilities outstanding	29,416,661	19,341,389
Other liabilities	<u>2,109,323</u>	<u>1,624,570</u>
Total liabilities	<u>31,525,984</u>	<u>20,965,959</u>
Deferred inflows of resources	<u>-0-</u>	<u>-0-</u>
Net Position:		
Net investment in capital assets	21,082,860	20,693,539
Restricted	5,720,981	5,756,111
Unrestricted	<u>7,070,598</u>	<u>6,571,200</u>
Total net position	<u>\$ 33,874,439</u>	<u>\$ 33,020,850</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014



Investment in capital assets (e.g., land and land improvements, buildings and building improvements, furniture, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding is \$ 21,082,860. 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. An additional portion of the District's net position (approximately 17 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$ 7,070,598 may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

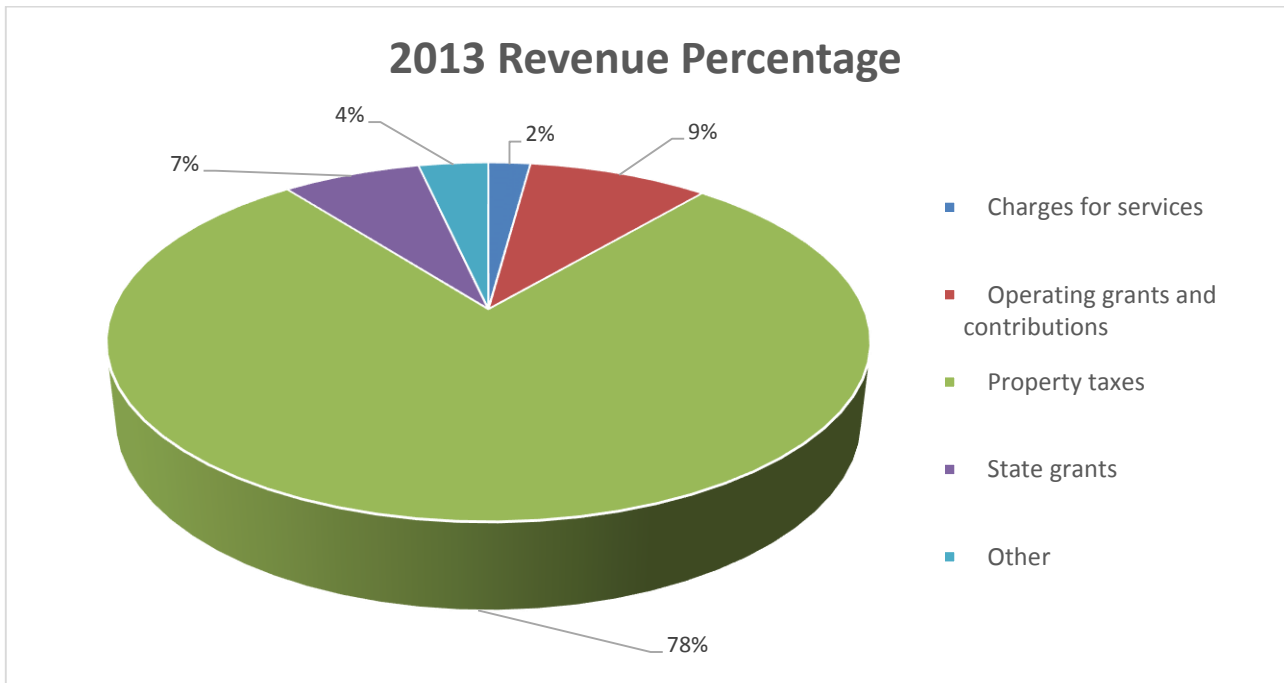
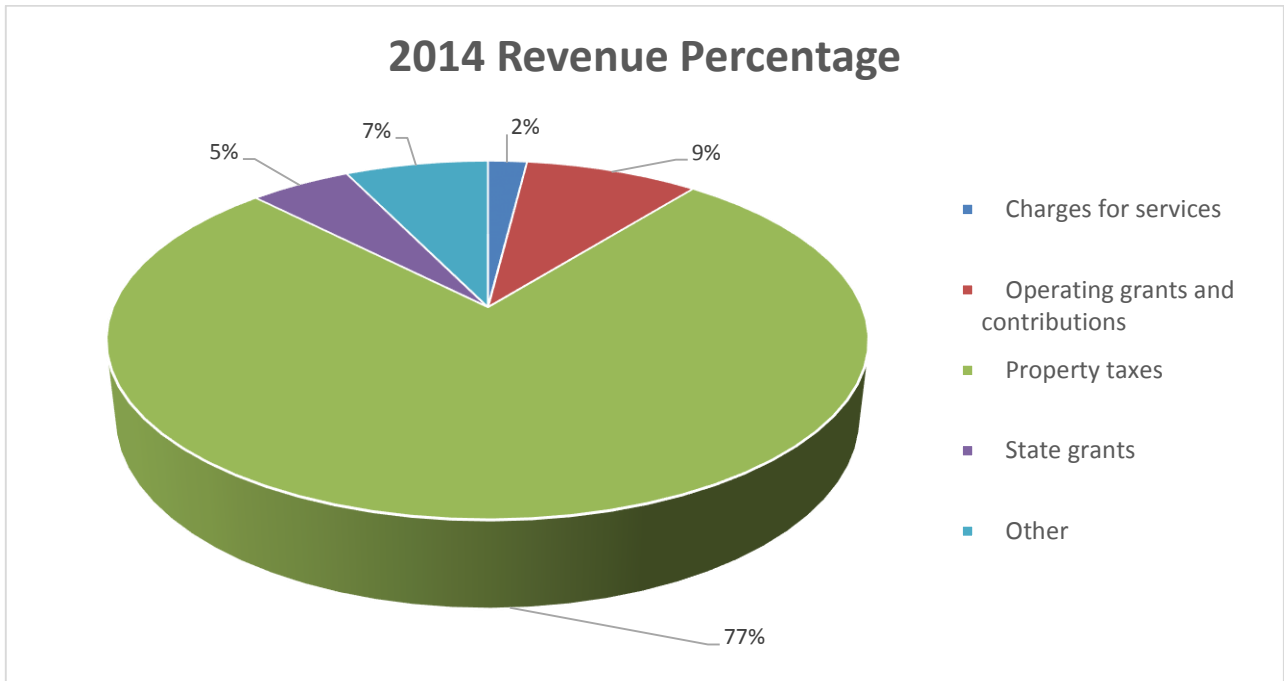
SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014

Governmental activities. The District's total net position increased by \$ 853,589. The District's total revenue increased by 8%. The District's total cost of all programs and services increased 6%. The total cost of all *governmental activities* this year was \$ 21,510,795. The amount that our taxpayers paid for these activities through property taxes was \$ 17,200,811 or 80%. The amount of costs that were paid by those who directly benefited from the programs was \$ 440,055 or 2%. The costs that were paid by other governments and organizations that subsidized certain programs with grants and contributions or by some state equalization funding was \$ 1,961,388 or 9% and \$ 1,144,850 or 5%, respectively.

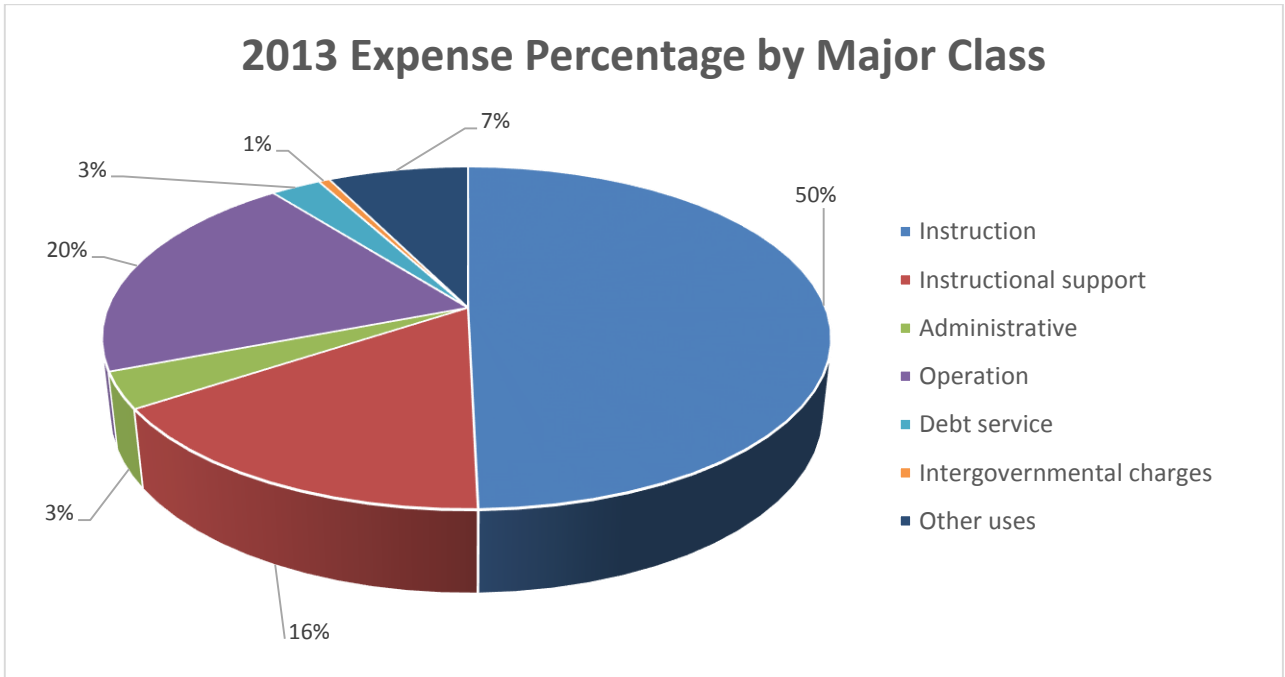
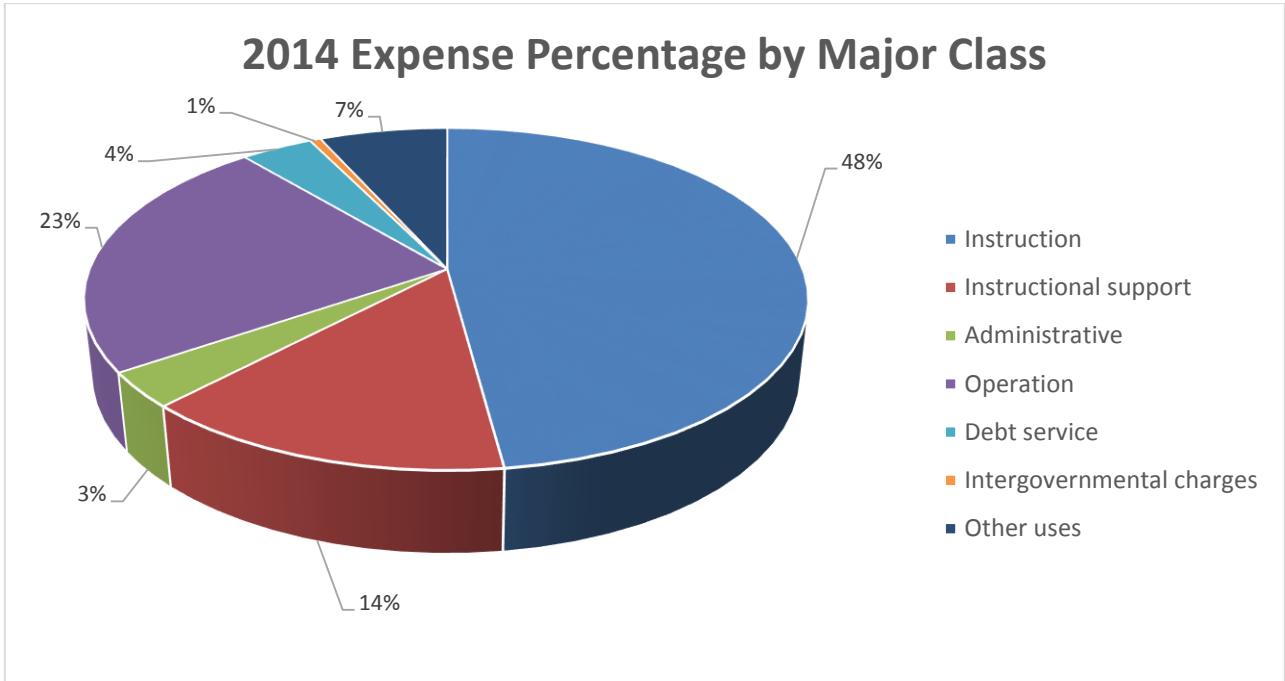
Changes in the District's Net Position

	<u>2014</u>	<u>2013</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 440,055	\$ 440,679
Operating grants & contributions	1,961,388	1,896,325
General revenues:		
Property taxes	17,200,811	16,282,579
State grants	1,144,850	1,452,034
Other	<u>1,617,280</u>	<u>732,216</u>
Total revenues	<u>22,364,384</u>	<u>20,803,833</u>
Expenses:		
Instruction	9,986,413	9,762,970
Instructional resources & media services	253,944	252,018
Curriculum & staff development	62,444	25,141
Instructional leadership	626,925	614,809
School leadership	1,034,385	1,011,141
Guidance, counseling & evaluation services	616,170	578,564
Health services	229,479	221,945
Student (pupil) transportation	940,545	940,960
Food services	1,091,262	1,049,641
Co-curricular/extracurricular activities	561,220	826,644
General administration	714,382	690,916
Plant maintenance and operations	2,654,190	1,801,108
Security and monitoring services	62,771	90,879
Data processing services	285,583	223,110
Community services	9,259	9,260
Debt service-interest and fees on long-term debt	816,769	532,741
Facilities acquisition and construction	6,825	9,523
Contracted instructional services	941,652	1,035,270
Payments related to shared services arrangements	492,705	434,130
Other intergovernmental charges	<u>123,872</u>	<u>118,409</u>
Total expenses	<u>21,510,795</u>	<u>20,229,179</u>
Increase in net position	853,589	574,654
Beginning net position	<u>33,020,850</u>	<u>32,446,196</u>
Ending net position	<u>\$ 33,874,439</u>	<u>\$ 33,020,850</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014



SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014



SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

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 the District's net resources available for spending at the end of a fiscal

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 24,067,112, an increase of \$ 11,843,343. Approximately 11 percent of this total amount (\$ 2,663,076) constitutes *unassigned fund balance*. The remainder of fund balance is non-spendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been classified 1) for inventory \$ 109,132, 2) for prepaid items \$ 157,820, 3) for grant funds \$ 344,743, 4) to pay debt service \$ 1,292,526, 5) for construction \$ 11,972,160, 6) for long-term investments \$ 3,411,736, 7) for claims and judgments \$ 250,000, 8) for capital expenditures for equipment \$ 350,000, 9) for other miscellaneous commitments \$ 1,615,919, and 10) for other assignment \$ 1,900,000.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 2,663,076, while the total fund balance was \$ 5,358,996. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 16 percent of the total general fund expenditures, while total fund balance represents 33 percent of that same amount.

The fund balance of the District's general fund decreased \$ 162,006 or 3% during the current fiscal year compared to last year's total general fund balance of \$ 5,521,002. Revenues increased from prior year approximately \$ 459,167 or 3%. Expenditures increased approximately 4% from prior year from \$ 15,891,109 to \$ 16,475,136. Key factors related to this change were as follows:

- Instruction cost increased \$ 254,142 from the prior year.
- Guidance counseling and evaluation services cost increased \$ 60,340 from prior year.
- Plant maintenance and operations cost increased \$ 120,264 from prior year.

The Sweeny Education Foundation fund has a total fund balance of \$ 5,027,655, of which \$ 3,411,736 is restricted for long-term investment and \$ 1,615,919 is committed for other purposes. The net increase in fund balance during the period in the Sweeny Education Foundation fund was \$ 267,161. The increase in fund balance was due to the contributions of \$ 495,150 received from Conoco Phillips Company.

The debt service fund has a total fund balance of \$ 1,292,526 all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$ 155,593. The increase in fund balance was mainly due to the District collecting more taxes to pay for the District's debt obligations during the fiscal year.

The 2014 bond construction fund balance increased by \$ 9,750,688 due to the issuance of long-term debt.

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved revisions to budgeted revenue and appropriations. These amendments were made during the year for unexpected occurrences.

After appropriations were amended as described above, actual revenues exceeded appropriations by \$ 132,558 mainly due to increase in state program revenue. Actual expenditures were \$ 850,989 below final budget amounts. The major portion of this positive variance was due to the decreases in expenditures in instruction, general administration, and plant maintenance and operations.

Capital Asset and Debt Administration

Capital assets. The District's investments in capital assets for its governmental activities as of August 31, 2014 amounts to \$ 38,264,207 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, furniture, equipment and vehicles, and construction in progress.

**District's Capital Assets
(net of depreciation)**

	<u>2014</u>	<u>2013</u>
Land and land improvements	\$ 1,876,078	\$ 1,927,249
Buildings and improvements	35,186,130	35,908,556
Furniture, equipment and vehicles	<u>1,201,999</u>	<u>1,262,548</u>
Total at historical cost	<u>\$ 38,264,207</u>	<u>\$ 39,098,353</u>

Additional information on the District's capital assets can be found in Note 5 on page 58 through 59 of this report.

Long-term debt. At August 31, 2014, the District had total long-term debt outstanding of \$ 29,416,661, an increase of \$ 10,075,272 from the previous year. Long-term debt is made of the following:

District's Long-Term Debt

	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 28,486,650	\$ 18,688,740
Components of Long-Term Debt:		
Premium on general obligation bonds	867,712	622,156
Accrued interest payable	<u>62,299</u>	<u>30,493</u>
Total long-term debt	<u>\$ 29,416,661</u>	<u>\$ 19,341,389</u>

Additional information on the District's long-term debt can be found in Note 6 on pages 59 through 62 of this report.

SWEENY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014

Economic Factors and Next Year's Budgets and Rates

- Appraised Maintenance and Operations (M&O) values used for the 2014-15 budget increased \$ 39,589,159 or 2.80% from 2013-14 values.
- Appraised Interest and Sinking Fund (I&S) State Value Limitation, Chapter 313 Agreement values used for the 2014-15 budget increased \$ 28,169,909 or 1.88% from 2013 values.
- The District's 2014-2015 refined average daily attendance is expected to be 1,827.
- The District's attendance rate is estimated to be 97%.
- The total Maintenance and Operations revenue budget is \$ 16,957,065. The revenue breakdown is \$ 15,140,899 from local funds, \$ 1,815,966 from state funds and \$ 200 from federal funds.
- The District has adopted a deficit budget of \$ 1,060,463. The District has appropriated General Fund revenues of \$ 16,957,065 and expenditures of \$ 18,017,528 which includes recapture expenditures of \$ 1,112,365.
- The 2014-15 District tax rate will remain the same as 2013-14 tax rate at \$ 1.2117 (\$ 1.04 for Maintenance and Operations and \$ 0.1717 for Interest and Sinking).
- For 2014-15, the District has made the one year supplemental pay increase of 3% of the mid point salary.
- The 2014 employment salaries amount to 77.0% of the General Fund budget.
- The District funds per month \$ 264 per employee for health insurance, \$ 31.96 for dental insurance, \$ 2.10 for \$ 20,000 life insurance. Also the District is continuing to fund the \$ 500 health supplement benefit for all non-administrator employees; the District funds \$ 1,000 in health supplemental benefits for Administrators.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Business Services, Sweeny Independent School District, 1310 North Elm, Sweeny, Texas, 77480.

THIS PAGE LEFT BLANK INTENTIONALLY.

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
YEAR ENDED AUGUST 31, 2014

Exhibit A-1
Page 1 of 1

Data Control Codes		Governmental Activities
	ASSETS:	
1110	Cash and cash equivalents	\$ 21,897,806
1120	Current investments	337,997
1220	Taxes receivables - delinquent	559,533
1230	Allowance for uncollectible taxes (credit)	(424,198)
1240	Due from other governments	198,847
1250	Accrued interest	10,319
1290	Other receivables (net)	13,126
1300	Inventories	109,132
1410	Prepaid items	157,820
	Capital Assets:	
1510	Land and land improvements	1,876,078
1520	Buildings and improvements, net	35,186,130
1530	Furniture, equipment and vehicles, net	1,201,999
1910	Investments	<u>3,411,736</u>
1000	Total assets	<u>64,536,325</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1700	Deferred outflows – bond refunding costs	<u>864,098</u>
	Total deferred outflows of resources	<u>864,098</u>
	LIABILITIES:	
2110	Accounts payable	861,042
2140	Interest payable	3,350
2160	Accrued wages payable	582,406
2180	Payable to other governments	602,785
2300	Unearned revenue	59,740
	Noncurrent Liabilities:	
2501	Due within one year	2,076,428
2502	Due in more than one year	<u>27,340,233</u>
2000	Total liabilities	<u>31,525,984</u>
	DEFERRED INFLOWS OF RESOURCES	
2600	Deferred inflows	<u> </u>
	Total deferred inflows of resources	<u>-0-</u>
	NET POSITION:	
3200	Net invested in capital assets	21,082,860
	Restricted For:	
3820	Federal and state programs	415,775
3850	Debt service	1,292,526
3860	Capital projects	600,944
3890	Long-term investments	3,411,736
3900	Unrestricted	<u>7,070,598</u>
3000	Total net position	<u>\$ 33,874,439</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

Exhibit B-1
Page 1 of 1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 9,986,413	\$	\$ 979,337	\$(9,007,076)
12	Instructional resources and media services	253,944		9,646	(244,298)
13	Curriculum and staff development	62,444		37,144	(25,300)
21	Instructional leadership	626,925		71,704	(555,221)
23	School leadership	1,034,385		52,434	(981,951)
31	Guidance, counseling, and evaluation services	616,170		37,663	(578,507)
32	Social work services			11,409	11,409
33	Health services	229,479			(229,479)
34	Student (pupil) transportation	940,545		26,691	(913,854)
35	Food services	1,091,262	369,958	621,905	(99,399)
36	Co-curricular/extracurricular activities	561,220	70,097	22,539	(468,584)
41	General administration	714,382		23,269	(691,113)
51	Plant maintenance and operations	2,654,190		47,672	(2,606,518)
52	Security and monitoring services	62,771		2,536	(60,235)
53	Data processing services	285,583		9,793	(275,790)
61	Community services	9,259			(9,259)
72	Interest on long-term debt	612,000			(612,000)
73	Bond issuance costs and fees	204,769			(204,769)
81	Facilities acquisition and construction	6,825			(6,825)
91	Contracted instructional services	941,652			(941,652)
93	Payments related to shared services arrangements	492,705		7,646	(485,059)
99	Other intergovernmental charges	123,872			(123,872)
TG	Total governmental activities	\$ 21,510,795	\$ 440,055	\$ 1,961,388	\$(19,109,352)
General Revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				\$ 14,635,413
DT	Property taxes, levied for debt service				2,565,398
SF	State aid-formula grants				1,144,850
GC	Grants and contributions not restricted to specific programs				1,493,184
IE	Investment earnings				106,921
MI	Miscellaneous				17,175
TG	Total general revenues, special items, and other uses				19,962,941
CN	Change in net position				853,589
NB	Net position – beginning				33,020,850
NE	Net position – ending				\$ 33,874,439

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	Functions/Programs	10 General Fund	40 Sweeny Education Foundation	50 Debt Service Fund	60 2014 Bond Construction Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
Assets:					
1110	Cash and cash equivalents	\$ 6,477,059	\$ 1,605,600	\$ 952,785	\$ 9,750,686
1120	Current investments			337,997	
1220	Taxes receivable - delinquent	490,736		68,797	
1230	Allowance for uncollectible taxes (credit)	(375,242)		(48,956)	
1240	Receivables from other governments	82,813			
1250	Accrued interest receivable		10,319		
1260	Due from other funds	81,351		1,368	
1290	Other receivables	247			
1300	Inventories	41,480			
1410	Prepaid items	154,440			
1910	Investments		3,411,736		
1000	Total assets	<u>6,952,884</u>	<u>5,027,655</u>	<u>1,311,991</u>	<u>9,750,686</u>
Deferred Outflows of Resources					
1700	Deferred outflows				
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 6,952,884</u>	<u>\$ 5,027,655</u>	<u>\$ 1,311,991</u>	<u>\$ 9,750,686</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
2110	Accounts payable	\$ 245,686	\$	\$	\$
2140	Interest payable			3,350	
2160	Accrued wages payable	541,528			
2170	Due to other funds	122,571		1,750	
2180	Payable to other governments	602,785			
2300	Unearned revenue				
2000	Total liabilities	<u>1,512,570</u>	<u>-0-</u>	<u>5,100</u>	<u>-0-</u>
Deferred Inflows of Resources:					
2600	Deferred inflows – property taxes	<u>81,318</u>		<u>14,365</u>	
	Total deferred inflows of resources	<u>81,318</u>	<u>-0-</u>	<u>14,365</u>	<u>-0-</u>
Fund Balances:					
3410	Non-spendable - Inventories	41,480			
3430	Non-spendable - prepaid items	154,440			
3450	Restricted - grant funds				
3470	Restricted - capital acquisitions and contractual obligations				9,750,686
3480	Restricted - debt service			1,292,526	
3490	Restricted - long-term investments		3,411,736		
3520	Committed - claims and judgments	250,000			
3530	Committed - capital expenditures for equipment	350,000			
3545	Committed - other purposes		1,615,919		
3590	Assigned - other	1,900,000			
3600	Unassigned	<u>2,663,076</u>			
3000	Total fund balances	<u>5,358,996</u>	<u>5,027,655</u>	<u>1,292,526</u>	<u>9,750,686</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,952,884</u>	<u>\$ 5,027,655</u>	<u>\$ 1,311,991</u>	<u>\$ 9,750,686</u>

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

<u>Other Governmental Funds</u>	<u>98 Total Governmental Funds</u>
\$ 3,111,676	\$ 21,897,806
	337,997
	559,533
	(424,198)
116,034	198,847
	10,319
126,386	209,105
7,675	7,922
67,652	109,132
3,380	157,820
	<u>3,411,736</u>
<u>3,432,803</u>	<u>26,476,019</u>
	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>
\$ <u>3,432,803</u>	\$ <u>26,476,019</u>

\$ 615,356	\$ 861,042
	3,350
40,878	582,406
79,580	203,901
	602,785
<u>59,740</u>	<u>59,740</u>
<u>795,554</u>	<u>2,313,224</u>

	<u>95,683</u>
<u>-0-</u>	<u>95,683</u>

67,652	109,132
3,380	157,820
344,743	344,743
2,221,474	11,972,160
	1,292,526
	3,411,736
	250,000
	350,000
	1,615,919
	1,900,000
	<u>2,663,076</u>
<u>2,637,249</u>	<u>24,067,112</u>
\$ <u>3,432,803</u>	\$ <u>26,476,019</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
YEAR ENDED AUGUST 31, 2014**

Exhibit C-1R
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1)	\$ 24,067,112
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 75,950,230 in assets less \$ 37,686,023 in accumulated depreciation.	38,264,207
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 81,318 and \$ 14,365, respectively.	95,683
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. This is the bond refunding costs which is amortized over the life of the refunding bond, or the refunded bonds, whichever is shorter. The bond refunding costs were \$ 984,893 less accumulated amortization costs of \$ 120,795.	864,098
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds increase long-term liabilities in the governmental activities statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$ 867,712 (premium on sale of bonds of \$ 1,380,365 less amortization cost of \$ 512,653).	(867,712)
Payables for bond principal are not reported in the funds.	(28,486,650)
Payables for bond interest are not reported in the funds.	(<u>62,299</u>)
Net position of governmental activities – statement of net position (see A-1)	\$ <u><u>33,874,439</u></u>

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

THIS PAGE LEFT BLANK INTENTIONALLY.

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2014

Data Control Codes	Functions/Programs	10 General Fund	40 Sweeny Education Foundation	50 Debt Service Fund	60 2014 Bond Construction Fund
REVENUES:					
5700	Local and intermediate sources	\$ 14,734,200	\$ 587,161	\$ 2,574,612	\$ 686
5800	State program revenues	1,500,793			
5900	Federal program revenues	<u>36,841</u>			
5020	Total revenues	<u>16,271,834</u>	<u>587,161</u>	<u>2,574,612</u>	<u>686</u>
EXPENDITURES:					
Current:					
0011	Instruction	8,142,378			
0012	Instructional resources and media services	214,959			
0013	Curriculum and staff development	26,429			
0021	Instructional leadership	550,137			
0023	School leadership	990,020			
0031	Guidance, counseling, and evaluation services	592,308			
0033	Health services	208,098			
0034	Student (pupil) transportation	746,151			
0035	Food Services				
0036	Co-curricular/extracurricular activities	702,511			
0041	General administration	692,729			
0051	Plant maintenance and operations	1,791,252			
0052	Security and monitoring services	54,895			
0053	Data processing services	212,686			
0071	Principal on long-term debt			1,900,000	
0072	Interest on long-term debt			560,745	
0073	Bond issuance costs and fees			204,769	
0091	Contracted instructional services	941,652			
0093	Payments related to shared services arrangements	485,059			
0099	Other intergovernmental charges	<u>123,872</u>			
6030	Total expenditures	<u>16,475,136</u>	<u>-0-</u>	<u>2,665,514</u>	<u>-0-</u>
1100	Excess (deficiency) of revenues over expenditures	(203,302)	587,161	(90,902)	686
OTHER FINANCING SOURCES (USES):					
7911	Issuance of bonds				9,685,000
7912	Sale of property	21,296			
7915	Transfers in	20,000			
7916	Premium on issuance of bonds			246,495	65,000
8911	Transfers out		(320,000)		
	Total other financing sources and (uses)	<u>41,296</u>	<u>(320,000)</u>	<u>246,495</u>	<u>9,750,000</u>
1200	Net change in fund balances	(162,006)	267,161	155,593	9,750,686
0100	Fund balances – beginning	<u>5,521,002</u>	<u>4,760,494</u>	<u>1,136,933</u>	
3000	Fund balances – ending	<u>\$ 5,358,996</u>	<u>\$ 5,027,655</u>	<u>\$ 1,292,526</u>	<u>\$ 9,750,686</u>

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

Other Governmental Funds	98 Total Governmental Funds
\$ 1,332,504	\$ 19,229,163
290,882	1,791,675
<u>1,314,563</u>	<u>1,351,404</u>
<u>2,937,949</u>	<u>22,372,242</u>
1,416,869	9,559,247
	214,959
36,015	62,444
52,316	602,453
1,264	991,284
8,347	600,655
	208,098
31,819	777,970
1,016,013	1,016,013
4,000	706,511
	692,729
811,634	2,602,886
6,347	61,242
13,770	226,456
	1,900,000
	560,745
	204,769
	941,652
7,646	492,705
	<u>123,872</u>
<u>3,406,040</u>	<u>22,546,690</u>
(468,091)	(174,448)
2,000,000	11,685,000
	21,296
300,000	320,000
	311,495
	(320,000)
<u>2,300,000</u>	<u>12,017,791</u>
1,831,909	11,843,343
<u>805,340</u>	<u>12,223,769</u>
<u>\$ 2,637,249</u>	<u>\$ 24,067,112</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014**Exhibit C-2R
Page 1 of 1

Net change in fund balances – total governmental funds (from C-2)	\$ 11,843,343
Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay \$ 969,855 was less than depreciation \$ 1,780,645 in the current period.	(810,790)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 6,868 and \$ 991, respectively.	(7,859)
Accretion of capital appreciation bonds increases debt service interest expense in the governmental activities statement of activities but is not reported in the governmental funds.	(12,910)
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Current period premium on sale of bonds was \$ 311,494 and amortization of bond premium was \$ 65,938.	(245,556)
Deferred refunding cost is another use in the governmental funds, but the costs increase deferred outflows in the statement of net position. This amount is amortized over the life of the refunding bonds or the refunded bonds, whichever is shorter. Current year amortized amount was \$ 72,477.	(72,477)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. Long-term proceeds in the governmental fund were \$ 11,685,000.	(11,685,000)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. This amount was for general obligation bonded debt \$ 1,900,000.	1,900,000
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of accrued interest on long-term debt of \$ 31,806.	(31,806)
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The cost of assets disposed was \$ 23,356 (cost of \$ 251,534 less accumulated depreciation of \$ 228,178).	<u>23,356</u>
Change in net position of governmental activities (see B-1)	<u>\$ 853,589</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

Exhibit E-1
Page 1 of 1

	<u>Family Crisis Trust</u>	<u>Agency Funds</u>
ASSETS:		
Cash and cash equivalents	\$ <u>19,842</u>	\$ <u>250,138</u>
Total assets	<u>19,842</u>	<u>\$ 250,138</u>
LIABILITIES:		
Amounts due to student groups and others		\$ 244,934
Due to other funds		<u>5,204</u>
Total liabilities	<u>-0-</u>	<u>\$ 250,138</u>
NET POSITION:		
Held in trust for family crisis	<u>19,842</u>	
Total net position	<u>\$ 19,842</u>	

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2014

	<u>Family Crisis Trust</u>
ADDITIONS:	
Total additions	\$ <u>-0-</u>
DEDUCTIONS:	
Total deductions	<u>-0-</u>
Change in net position	-0-
NET POSITION:	
Net position - beginning of year	<u>19,842</u>
Net position - end of year	<u>\$ 19,842</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

INDEX

Note		Page
1.	Summary of Significant Accounting Policies	38
2.	Deposits, Investments and Derivatives	50
3.	Receivables, Uncollectible Accounts, Deferred Inflows of Resources and Unearned Revenues	55
4.	Interfund Receivables, Payables and Transfers.....	57
5.	Capital Assets.....	58
6.	Long-Term Debt	59
7.	Leases.....	63
8.	Pension Plan Obligations	63
9.	General Fund Federal Source Revenues.....	64
10.	Local and Intermediate Revenues.....	65
11.	Risk Management	65
12.	Risk Pool Participation.....	65
13.	Litigation and Contingencies	66
14.	Joint Ventured-Shared Service Arrangements.....	66
15.	Interlocal Agreement	67
16.	Evaluation of Subsequent Events.....	67
17.	Excess of Expenditures Over Appropriations	68

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sweeny Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees that are elected by registered voters of the District.

The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources; and it complies with the requirements of the appropriate version of Texas Education Agency's (the "TEA") *Financial Accountability System Resource Guide* (the "Resource Guide" or "FASRG") and the requirements of contracts and grants of agencies from which it receives funds.

The District's Financial Statements are in accordance with GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38 "Certain Financial Statement Disclosures" which changes the note disclosure requirements in the financial statements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The GASB Statement No. 34 reporting model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the most significant accounting policies.

Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. Based on these considerations, the District's basic financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14. and No. 34". A blended component unit, although a legally separate entity, is, in substance, part of the District's operations.

- Blended component unit. The Sweeny Independent School District Educational Foundation was established under Internal Revenue Service regulations as a conduit for tax-deductible donations to the District. The Foundation's board is approved by the Superintendent. The Foundation is a supporting organization to the District. The Foundation is presented as a special revenue fund of the District.

The District receives support from various PTO and booster clubs. None of these organizations meet the criteria specified by GASB 61 to be included in the District's financial statements

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The *governmental activities* are supported by tax revenues, state foundation funds, grants, and intergovernmental revenues. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Interfund activities between governmental funds appear as due to/due from on the Governmental Funds Balance Sheet and as other resources and other uses on the Governmental Funds Statement of Revenues, Expenditure and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation (Continued)

investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as needed.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal and state government, food service, debt service, and capital projects.

The *Sweeny Educational Foundation* accounts for contributions that are tax-deductible. The foundation was established as a conduit for tax-deductible donations to the District.

The *debt service* fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the general fund after all of the related debt obligations have been met. Major revenue sources include local property taxes, and interest earnings. Expenditures include all costs associated with related debt service.

The *2014 bond construction* fund accounts for the proceeds of 2014 Unlimited Tax School Building Bonds for financing to build new security vestibules, new baseball/softball complex, new Junior High gym, and new cold food storage building.

Additionally, the District reports the following fiduciary funds:

The *private-purpose trust funds* are used to account for donations and other specified donor purposes for family crisis. The District uses the fund to pay for medical care needed by disadvantaged students who cannot afford such care.

The *agency fund* accounts for resources held in a custodial capacity by the District, and consists of funds that are the property of students or others.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

The District considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The District had no advances between funds. See Note 5 for additional discussion of interfund receivables and payables.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the district in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the District is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years.

Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value of the property tax roll on August 1, 2013, upon which the levy for the 2013-14 fiscal year was based, was \$ 1,385,441,281. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2014, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 1.04 and \$.1717 per \$ 100 valuation, respectively, for a total of \$ 1.2117 per \$ 100 valuation.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

Current tax collections for the year ended August 31, 2014 were 99.21% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2014, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 115,494 and \$ 19,841 for the general and debt service funds, respectively.

Inventories

The consumption method is used to account for inventories (food products, school supplies and athletic equipment) of governmental funds. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. Governmental fund inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their market value is recorded as inventory and unearned revenue when received in the governmental funds. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Capital Assets and Depreciation

Capital assets, which include land and land improvements, buildings and improvements, and furniture, equipment and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Land improvements, buildings and improvements, and furniture, equipment, and vehicles of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	20-40
Furniture and equipment	5-20
Vehicles	10-15

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Compensated Absences

Compensated absences are absences for which employees will be paid. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in long-term liabilities on the statement of net position.

Vacations are to be taken within the twelve month period that they are earned. Any unused vacation days will be forfeited with the exception of five carry over days per year. A maximum of twenty total days can be accumulated and paid when an employee retires without prior approval. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, no liability for unused sick leave has been accrued in the accompanying basic financial statements.

The following is a summary of changes in the accumulated unused vacation liability:

	<u>2014</u>
Balance, September 1	\$ 55,359
Additions – net unused	10,910
Deductions – payments	<u>(8,218)</u>
Balance, August 31	\$ <u>58,051</u>

The amounts attributable to the current and non-current portions on the liability resulting from this policy can only be estimated. As such, the entire amount of the liability is accounted for in the general fund.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditure or expenses in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Budgetary Data

Formal budgetary accounting is employed for all required governmental funds, as outlined in TEA's FASRG, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required governmental funds prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund and the food service (special revenue fund). The remaining special revenue funds and the capital projects fund (if utilized) adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

The Official Budget was prepared for adoption for the general fund, food service (special revenue fund) and debt service fund prior to August 30, 2013. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within fund groups at the function code level and revenue object code level.

SWEENY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data (Continued)

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System. Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year the budget was properly amended in accordance with the above procedures. The Board of Trustees approved the final budget amendment on August 25, 2014.

Encumbrance Accounting

The District utilizes encumbrance accounting, in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executor contracts), and are used to control expenditures for the period and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the school district likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the school district allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate.

The District canceled all the open purchase orders at the end of fiscal year. Therefore, the District had no outstanding encumbrances as of August 31, 2014.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

The District's Board of Trustees meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's Unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees. Fund Balance of the District may be committed for a specific source by formal action of the District's Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action by the District's Board of Trustees. When it is appropriate for fund balance to be assigned, the Board of Trustees, delegates authority to the Superintendent or the Executive Director of Business Services. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

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

Non-spendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions of enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

As of August 31, 2014, non-spendable fund balances include \$ 41,480 for inventories and \$ 154,440 for prepaid items in the general fund, and \$ 67,652 for inventories and \$ 3,380 for prepaid items in food service fund. Restricted fund balances include \$ 3,411,736 for Sweeny education foundation fund long-term investments, \$ 1,292,526 for debt service fund, \$ 9,750,686 for 2014 bond construction fund, \$ 344,743 for special revenue funds, and \$ 2,221,474 for capital acquisition and contractual obligation. Committed fund balances include \$ 250,000 for claims and judgments and \$ 350,000 for capital expenditures for equipment in the general fund, and \$ 1,615,919 for other purpose in Sweeny Education Foundation fund. Assigned fund balance includes \$ 1,900,000 in the general fund for other purposes. Unassigned fund balance includes \$ 2,663,076 in the general fund.

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amounts of assets and deferred outflows of resources, and, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", was issued November 2010. The statement was implemented and did not have an impact on the District's financial statements. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34", was issued November 2010. The statement was implemented and did not have an impact on the District's financial statements. This statement is effective for periods beginning after June 15, 2012.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", was issued December 2010. The statement was implemented and did not have an impact on the District's financial statements. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", was issued June 2011. The statement was implemented and did not have an impact on the District's financial statements, although it has reclassified items previously recorded as assets and liabilities within the District's financial statements as deferred outflows and inflows of resources. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-and amendment of GASB Statements No. 53", was issued June 2011. The statement was implemented and did not have an impact on the District's financial statements.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", was issued March 2012. The statement was implemented and did have an impact on the District's financial statements. This statement is effective for periods beginning after December 15, 2012 and was adopted in the prior fiscal year.

GASB Statement No. 66, "Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62", was issued March 2012. The statement was implemented and did not have an impact on the District's financial statements. This statement is effective for periods beginning after December 15, 2012.

GASB Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25", was issued June 2012. The statement was implemented and did not have an impact on the District's financial statements. This statement is effective for periods beginning after June 15, 2013.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", was issued June 2012. The management of the District believes that the implementation of this statement may have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2014.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", was issued January 2013. The management of the District does not believe that the implementation of this statement will have a material effect on the financial statements of the District. This statement is effective for periods beginning after December 15, 2013.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", was issued April 2013. The statement was implemented and did not have an impact on the District's financial statements. This statement is effective for periods beginning after June 15, 2013.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68", was issued November 2013. The management of the District believes that the implementation of this statement will have a material effect on the financial statements of the District. This statement is effective for periods beginning after June 15, 2014.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2014***NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES**

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more.

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net position at August 31, 2014 are as follows:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 137	\$	\$ 137
Financial Institution Deposits:			
Demand deposits	1,829,430	269,980	2,099,410
Texpool	6,522,950		6,522,950
MBIA Texas Class	13,540,745		13,540,745
Lonestar	<u>4,544</u>		<u>4,544</u>
Total cash and cash equivalents	<u>21,897,806</u>	<u>269,980</u>	<u>22,167,786</u>
Current Investments:			
Other investment	<u>337,997</u>		<u>337,997</u>
Total current investments	<u>337,997</u>	<u>-0-</u>	<u>337,997</u>
Non-current Investments:			
Certificates of deposit	1,190,850		1,190,850
Other investments	<u>2,220,886</u>		<u>2,220,886</u>
Non-current investments	<u>3,411,736</u>	<u>-0-</u>	<u>3,411,736</u>
Totals	<u>\$ 25,647,539</u>	<u>\$ 269,980</u>	<u>\$ 25,917,519</u>

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District’s deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Deposits (Continued)

At August 31, 2014, in addition to petty cash of \$ 137, the carrying amount of the District's cash, savings, and time deposits was \$ 3,290,260 and the financial institutions balances were \$ 3,600,522. Deposit balances of \$ 1,440,850 were covered by federal depository insurance, \$ 692,276 was covered by the Securities Investor Protection Corporation Insurance, and \$ 1,467,396 was covered by collateral pledged in the District's name. The collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent. These amounts include those of the Sweeny Education Foundation.

In addition the following is disclosed regarding coverage of combined balances on the date of highest deposit:

Depository:

- a. Name of bank: First State Bank of Louise, Sweeny, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 1,187,824.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 6,311,831 and occurred on January 13, 2014.
- d. Total amount of FDIC coverage and SIPC insurance coverage at the time of the largest combined balance was \$ 2,383,146.

On January 13, 2014, the District was under pledged in the amount of \$ 2,740,861.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The District's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Trustees. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes and "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the District will deposit funds is addressed. The District's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes it complied with the requirements of the PFIA and the District's investment policy except the District's deposits with its depository were under pledged on January 13, 2014.

The District's Investment Officer submits an investment report each quarter to the Board of Trustees. The report details the investment positions of the District and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker's acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
7. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
8. Public funds investment pools as permitted by Government Code 2256.016.

The District participates in a forward delivery agreement for the purpose of investing funds to pay matured bonds. This agreement governs the investment of bond payments at a fixed rate between the District and the depository on scheduled dates. This agreement is not considered a deposit and is not insured by federal deposit insurance or any other insurance. These investments have a custodial risk as uninsured and unregistered, with securities held by the financial institutions trust department or agent in the District's name.

The District entered into this agreement for the purpose of repaying bonds. This agreement shall not be terminable upon demand. The District will participate in this agreement until completion of term with an interest rate of 2.95% on the investments. The District will then repay bonds with this investment. During the year ended August 31, 2014 the District made its 8th payment of \$ 37,307. At August 31, 2014 the value of cash and investments were \$ 338,691. See Note 6 on page 61 for additional information regarding the bonds and mandatory sinking fund requirements.

The District participates in three Local Government Investment Pools (LGIPs): Texpool, Lonestar and MBIA Texas Class. The State Comptroller oversees Texpool and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Advisory boards consisting of participants or their designees, maintains oversight responsibility for MBIA Texas Class and Lonestar.

The District invests in Texpool, Lonestar and MBIA Texas Class to provide its liquidity needs. Texpool, Lonestar and MBIA Texas Class are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool, Lonestar and MBIA Texas Class are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texpool, Lonestar and MBIA Texas Class are rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2014***NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)****Investments (Continued)**

At August 31, 2014 Texpool, Lonestar and MBIA Texas Class had a weighted average maturity of 53 days, 49 days and 50 days, respectively. Although Texpool, Lonestar and MBIA Texas Class portfolios had a weighted average maturity of 53 days, 49 days and 50 days, respectively, the District considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The District's investments in LGIPs are insured, registered, or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial risk.

The following table includes the portfolio balances of all investment types of the District at August 31, 2014.

	<u>Maturity Date</u>	<u>Coupon Rate (%)</u>	<u>Weighted Average Maturity (Days)</u>	<u>Market Value</u>
Local Government Investment Pools:				
Texpool	N/A	Varies daily	53	\$ 6,522,950
MBIA Texas Class	N/A	Varies daily	49	13,540,745
Lonestar	N/A	Varies daily	57	<u>4,544</u>
Total local government investment pools			50	<u>20,068,239</u>
Certificates of Deposit:				
Certificate of deposit	03/30/15	0.45%	211	130,082
Certificate of deposit	08/31/15	1.15%	365	130,767
Certificate of deposit	09/14/15	0.80%	379	181,037
Certificate of deposit	12/21/15	0.45%	477	245,277
Certificate of deposit	04/19/16	1.15%	597	105,835
Certificate of deposit	07/18/16	1.30%	687	222,585
Certificate of deposit	01/14/20	1.30%	1,962	<u>175,267</u>
Total Certificates of Deposit			689	<u>1,190,850</u>
U.S. Government Bonds				
US Treasurer bills	09/18/14	0.00%	18	337,997
Municipal Bonds	06/01/16	3.00%	640	366,467
Municipal Bonds	10/01/17	1.41%	1,127	122,388
Municipal Bonds	07/01/18	1.73%	1,400	904,285
Municipal Bonds	08/15/18	3.81%	1,445	<u>102,761</u>
Total U. S. Government Bonds			977	<u>1,833,898</u>

(continued)

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

	<u>Maturity Date</u>	<u>Coupon Rate (%)</u>	<u>Weighted Average Maturity (Days)</u>	<u>Market Value</u>
Asset Backed Securities:				
FNMA gtd remit pas thru tr	08/25/16	5.10%	725	\$ 61,814
Fhlmc multiclass mtg prtn cfs gtd	09/15/16	6.00%	746	32,148
Fhlmc multiclass mtg prtn cfs gtd	06/15/17	5.50%	1,019	10,593
FNMA gtd remit pass thru tr	12/25/17	1.51%	1,212	170,581
Fhlmc multiclass mtg prtn cfs gtd	09/15/18	2.00%	1,476	126,635
Fhlmc multiclass mtg prtn cfs gtd	11/15/18	2.50%	1,537	144,729
GNMA II gtd pass thru	12/20/19	4.50%	1,937	103,733
Fhlmc multiclass mtg prtn cfs gtd	05/15/20	2.25%	2,084	<u>74,752</u>
Total Asset backed securities			1,452	<u>724,985</u>
Totals			153	<u>\$ 23,817,972</u>

Credit Risk – As of August 31, 2014, the LGIPs (which represent approximately 84% of the portfolio) are rated AAAM by Standard and Poor’s or AAA by Finch. Certificates of deposit (which represent approximately 5% of the portfolio) are fully insured by the Securities Investor Protection Corporation Insurance and by federal depository insurance through CDARS programs. The U.S. government bond (which represent approximately 8% of the portfolio) are rated AAA by Standard and Poor’s. The asset backed securities (which represent approximately 3% of the portfolio) are not rated.

Interest Rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the District’s cash flow requirements.

At August 31, 2014, 97% of the investment portfolio was invested in AAAM or AAA rated LGIPs (2(a)7 like pools), U.S. Government Securities, and certificates of deposit. 3% of the investment portfolio was invested in not rated asset backed securities. The dollar weighted average maturity for all investments was 153 days, which was less than the threshold of 365 days.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2014***NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)****Derivatives**

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its values from another security, currency, commodity, or index, regardless of the source of funds used. The District made no direct investments in derivatives during the year ended August 31, 2014, and holds no direct investments in derivatives at August 31, 2014.

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUES**Receivables and Allowances**

Receivables as of August 31, 2014, for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Sweeny Education Foundation</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 490,736	\$	\$ 68,797	\$	\$ 559,533
Receivables from other governments	82,813			116,034	198,847
Interest		10,319			10,319
Other	<u>247</u>			<u>7,675</u>	<u>7,922</u>
Gross receivables	573,796	10,319	68,797	123,709	776,621
Less: Allowance for uncollectibles	<u>375,242</u>		<u>48,956</u>		<u>424,198</u>
Net total receivables	<u>\$ 198,554</u>	<u>\$ 10,319</u>	<u>\$ 19,841</u>	<u>\$ 123,709</u>	<u>\$ 352,423</u>

Receivables/Payables from/to Other Governments

The District participates in a variety of federal and state programs from which it receives grants to, partially or fully, finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. All federal grants shown below are passed through the TEA or other state agency and are reported on the combined financial statements as either Receivable from or to Other Governments, as applicable.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUES (Continued)

Amounts due from federal, state, and local governments as of August 31, 2014 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Governmental Funds:				
General	\$ 33,552	\$	\$ 49,261	\$ 82,813
Other funds	<u> </u>	<u>116,034</u>	<u> </u>	<u>116,034</u>
Totals	<u>\$ 33,552</u>	<u>\$ 116,034</u>	<u>\$ 49,261</u>	<u>\$ 198,847</u>

Amounts due to federal, state, and local governments as of August 31, 2014 are summarized below:

<u>Fund</u>	<u>State Entitlements</u>
Major Governmental Funds:	
General	\$ <u>602,785</u>
Totals	\$ <u>602,785</u>

Deferred Inflows of Resources/Unearned Revenue

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of August 31, 2014, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred Inflows of Resources (Unavailable)</u>	<u>Unearned Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 81,318	\$
Delinquent property taxes receivable (debt service fund)	14,365	
Federal food commodities		36,805
Advance Funding:		
State and local grants	<u> </u>	<u>22,935</u>
Totals	<u>\$ 95,683</u>	<u>\$ 59,740</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2014***NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS****Interfund Receivables and Payables**

Interfund balances at August 31, 2014 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 79,580	\$ 765
Debt Service Fund	1,750	1,368
Capital Project Fund		120,438
Fiduciary Funds	<u>21</u>	<u> </u>
	<u>81,351</u>	<u>122,571</u>
Special Revenue Funds:		
General Fund:		
ESEA Title I Part A Improving Basic Programs		22,248
IDEA Part B, Formula	568	25,899
IDEA, Part B, Preschool		1,020
Title II, Part A		25,968
English Language Acquisition and Language Enhancement	197	3,061
Summer School LEP		1,115
AP/IB Incentive Program		138
Instructional Materials		131
Fiduciary Funds	<u>5,183</u>	<u> </u>
	<u>5,948</u>	<u>79,580</u>
Debt Service:		
General Fund	<u>1,368</u>	<u>1,750</u>
	1,368	1,750
Capital Projects:		
General Fund	<u>120,438</u>	<u> </u>
	<u>120,438</u>	<u>-0-</u>
Fiduciary Funds:		
General Fund		21
Special Revenue Fund		5,183
	<u>-0-</u>	<u>5,204</u>
	<u>\$ 209,105</u>	<u>\$ 209,105</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2014***NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)****Interfund Transfers**

Interfund transfers for the year ended August 31, 2014 consisted of the following individual fund transfer in and transfer out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
Sweeny Education Foundation	General Fund	\$ 20,000
Sweeny Education Foundation	Technology Grant Fund	<u>300,000</u>
		<u>\$ 320,000</u>

The Board of Trustees approved this transfer, as transfers of operational funds to cover planned expenditures.

NOTE 5. CAPITAL ASSETS**Changes in Capital Assets and Accumulated Depreciation**

The following provides a summary of changes in capital assets and accumulated depreciation for the year ended August 31, 2014:

	<u>Balance September 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance August 31, 2014</u>
Non-Depreciated Capital Assets:				
Land	\$ 1,406,238	\$ _____	\$ _____	\$ 1,406,238
Total non-depreciated	<u>1,406,238</u>	<u>-0-</u>	<u>-0-</u>	<u>1,406,238</u>
Depreciated Capital Assets:				
Land improvements	1,101,878			1,101,878
Buildings and improvements	69,386,468	693,058		70,079,526
Furniture, equipment & vehicles	<u>3,337,325</u>	<u>276,797</u>	<u>251,534</u>	<u>3,362,588</u>
Total depreciated	<u>73,825,671</u>	<u>969,855</u>	<u>251,534</u>	<u>74,543,992</u>
Total additions/retirements	<u>\$ 75,231,909</u>	<u>\$ 969,855</u>	<u>\$ 251,534</u>	<u>\$ 75,950,230</u>
Accumulated Depreciated:				
Land and land improvements	\$ 580,867	\$ 51,171	\$	\$ 632,038
Buildings and improvements	33,477,912	1,415,484		34,893,396
Furniture, equipment & vehicles	<u>2,074,777</u>	<u>313,990</u>	<u>228,178</u>	<u>2,160,589</u>
Total	<u>36,133,556</u>	<u>\$ 1,780,645</u>	<u>\$ 228,178</u>	<u>37,686,023</u>
Net depreciated capital assets	<u>37,692,115</u>			<u>36,857,969</u>
Net capital assets	<u>\$ 39,098,353</u>			<u>\$ 38,264,207</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 5. CAPITAL ASSETS (Continued)

Depreciation Expense

In accordance with requirements of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, depreciation expense of the governmental activities was charged to functions as follows:

<u>Data Control Codes</u>	<u>Function</u>	<u>Amount</u>
0011	Instruction	\$ 978,829
0012	Instructional resources and media services	38,985
0021	Instructional leadership	24,472
0023	School leadership	43,101
0031	Guidance, counseling, and evaluation services	15,515
0033	Health services	21,381
0034	Student (pupil) transportation	207,705
0035	Food service	80,249
0036	Extracurricular activities	200,051
0041	General administration	21,653
0051	Plant maintenance and operations	58,194
0052	Security and monitoring services	1,529
0053	Data processing services	72,897
0061	Community services	9,259
0081	Facilities acquisition and construction	<u>6,825</u>
	Total depreciation expense	<u>\$ 1,780,645</u>

NOTE 6. LONG-TERM DEBT

Loans

Short term debts are accounted for through the appropriate fund, and consist of notes made in accordance with the provisions of the Texas Education Code. This District was not a party to any loan transactions during the year ended August 31, 2014.

General Obligation Bonds

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, contractual obligations and loans. Contractual obligations are issued at parity with general obligation bonds, but carry a secondary revenue stream pledge; however, all certificates of obligation are tax, not revenue, supported. This debt, unlike other tax-supported debt, can be issued without a vote of the citizens. Bond premiums and discounts, and gain and losses on refunding are amortized using the straight-line method.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2014***NOTE 6. LONG-TERM DEBT (Continued)****General Obligation Bonds (Continued)**

The following is a summary of the District's general obligation bonded debt as of August 31, 2014:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance 08-31-14</u>
2005 QZAB	\$ 750,000	2022	0.500	\$ 750,000
2007	9,500,000	2026	4.100-7.100	560,000
2008	9,500,000	2027	4.000-5.375	5,570,000
2010	2,000,000	2015	2.000-2.250	1,010,000
2012	9,205,870	2026	1.500-2.500	8,911,650
2013	2,000,000	2015	2.000-2.250	2,000,000
2014	<u>9,685,000</u>	2034	1.750-3.750	<u>9,685,000</u>
Total	\$ <u>42,640,870</u>			\$ <u>28,486,650</u>

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2015	\$ 1,955,000	\$ 778,320	\$ 2,733,320
2016	2,000,000	695,940	2,695,940
2017	2,015,000	674,314	2,689,314
2018	1,485,000	655,190	2,140,190
2019	1,520,000	611,165	2,131,165
2020-2024	9,145,000	2,370,673	11,515,673
2025-2029	7,015,000	1,150,320	8,165,320
2030-2034	<u>3,385,000</u>	<u>295,653</u>	<u>3,680,653</u>
Totals	\$ <u>28,520,000</u>	\$ <u>7,231,575</u>	\$ <u>35,751,575</u>

The \$ 33,350 difference between the general obligation bonds outstanding at August 31, 2014 of \$ 28,486,650 and the general obligation bond principal requirements of \$ 28,520,000 represents the amount of capital appreciation bonds to be accreted as interest over the life of these bonds.

Bond indebtedness of the District is recorded in the governmental activities statement of net position, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Proceeds of long-term issues are reflected as "Other Resources" in the operating statement of the recipient fund.

The District has entered into continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Sweeny Independent School District.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 6. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

There are limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2014.

Debt Issuances

General Obligation bonds consist of 2005 Unlimited Tax School Building Bonds ("Qualified Zone Academy Bonds") bearing interest at 0.5%. During the year ended August 31, 2007, the District entered into a repurchase agreement for the 2005 Unlimited Tax School Building Bonds ("Qualified Zone Academy Bonds"). The 2005 QZAB bonds repurchase agreement calls for an annual payment of \$ 37,307 and will yield an interest rate of 2.95% with a maturity date of December 15, 2021 and an expected yield of \$ 750,000. Payments are due each December 15th.

Presented below is a summary of the sinking fund requirements:

<u>Year Ended</u> <u>August 31</u>	<u>Annual</u> <u>Requirements</u>
2015	\$ 37,307
2016	37,307
2017	37,307
2018	37,307
2019	37,307
2020-2022	<u>111,921</u>
Total Minimum Requirements	<u>\$ 298,456</u>

During the year ended August 31, 2007, the District issued \$ 9,500,000 in Unlimited Tax School Building Bonds - Series 2007, bearing interest at 4.100% to 7.100% with a maturity of 2026. During the year ended August 31, 2013, the district refunded \$ 8,405,000 of these bonds with the issuance of the Unlimited Tax Refunding Bonds, Series 2012.

During the year ended August 31, 2008, the District issued \$ 9,500,000 in Unlimited Tax School Building Bonds - Series 2008, bearing interest at 4.000% to 5.375% with a maturity of 2027.

During the year ended August 31, 2011, the District issued \$ 2,000,000 in Unlimited Tax School Building Bonds - Series 2010, bearing interest at 2.000% to 2.250% with a maturity of 2015.

During the year ended August 31, 2013, the District issued \$ 8,405,000 in Unlimited Tax Refunding Bonds - Series 2012, bearing interest at 1.500% to 2.500% with a maturity of 2026. These bonds were used to refund \$ 8,405,000 of the Unlimited Tax School Building Bonds - Series 2007.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 6. LONG-TERM DEBT (Continued)

Debt Issuances (Continued)

During the year ended August 31, 2014, the District issued \$ 2,000,000 in Unlimited Tax School Building - Series 2013, bearing interest at 2.000% to 2.500% with a maturity of 2015.

During the year ended August 31, 2014, the District issued \$ 9,685,000 in Unlimited Tax School Building - Series 2014, bearing interest at 1.750% to 3.750% with a maturity of 2034.

Defeased Debt

During the year ended August 31, 2013, the District issued \$ 8,405,000 in Unlimited Tax Refunding Bonds - Series 2012, for the refunding of previously issued Unlimited Tax School Building Bonds - Series 2007. The District placed the proceeds of the refunding, in the amount of \$ 9,389,893, in an escrow fund. The escrow fund is irrevocably pledged to the payment of principal and interest on the issue being refunded. The difference between the cash flow to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 1,092,224. The economic gain resulting from the transaction was \$ 1,000,308. The balance of the escrow account and the bonds payable at August 31, 2014 was \$ 9,626,481 and \$ 8,405,000, respectively.

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended August 31, 2014, was as follows:

	<u>Balance</u> <u>09-01-13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>08-31-14</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 18,688,740	\$ 11,697,910	\$ 1,900,000	\$ 28,486,650	\$ 1,941,961
Components of Long-Term Debt:					
Premium on general obligation bonds payable	622,156	311,494	65,938	867,712	72,168
Accrued interest	<u>30,493</u>	<u>62,299</u>	<u>30,493</u>	<u>62,299</u>	<u>62,299</u>
Totals	<u>\$ 19,341,389</u>	<u>\$ 12,071,703</u>	<u>\$ 1,996,431</u>	<u>\$ 29,416,661</u>	<u>\$ 2,076,428</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 7. LEASES

Operating Leases

Commitments under operating lease (non-capital) agreements for copier and other equipment provides for minimum future rental payments as of August 31, 2014 as follows:

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2015	\$ 80,871
2016	62,996
2017	61,771
2018	60,434
2019	<u>31,709</u>
Total minimum rentals	<u>\$ 297,781</u>

Rental expenditures on the above mentioned equipment for the year ended August 31, 2014 were \$ 77,179, while total rental expenditures were \$ 105,859.

NOTE 8. PENSION PLAN OBLIGATIONS

Plan Description - The District contributes to the Teacher Retirement System of Texas (TRS), a cost sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees.

Funding Policy - State law provides a state contribution rate of 6.0%, 6.4% and 6.8% for fiscal year 2011-2012, 2012-2013, and 2013-2014. State law further provides a member contribution rate of 6.4% for fiscal year 2012-2014. In certain instances, the reporting District is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's 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.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 8. PENSION PLAN OBLIGATIONS (Continued)

Types of staff members covered. All staff members 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, Subtitle C, Section 822.002 are covered. Service retirement is as follows:

Normal	any combination of age plus years of credited service which equals or exceeds 80 age 65 with 5 years of service
Reduced	age 55 with at least 5 years of credited service any age below 50 with 30 or more years of credited service

A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met.

Contributions made by the State on behalf of the District are recorded in the financial statements as both revenue and expense. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2014, 2013, and 2012 were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
District payroll	\$ 11,233,144	\$ 10,864,134	\$ 10,396,948
District TRS payroll	\$ 10,655,511	\$ 10,336,739	\$ 10,102,309
District contributions	\$ 121,458	\$ 99,482	\$ 77,384
Federal contributions	\$ 39,444	\$ 48,460	\$ 36,680
State contributions	\$ 658,970	\$ 560,156	\$ 585,054
Medicare part D	\$ 27,670	\$ 27,344	\$ 26,229
State contribution rate	6.80%	6.40%	6.00%
Employee contributions	\$ 681,953	\$ 661,552	\$ 646,549
Employee contribution rate	6.40%	6.40%	6.40%

TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet web-site, www.trs.state.tx.us, under the TRS Publications heading.

NOTE 9. GENERAL FUND FEDERAL SOURCE REVENUES

Following is a schedule of federal source revenue recorded in the General Fund.

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Total</u>
Direct Costs:		
Federal Refuge Act	15.000	\$ <u>36,841</u>
Total direct		\$ <u><u>36,841</u></u>

SWEENY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 10. LOCAL AND INTERMEDIATE REVENUES

During the year ended August 31, 2014, local and intermediate revenues for governmental funds consisted of the following:

	General Fund	Sweeny Educational Foundation	Debt Service Fund	2014 bond Construction Funds	Other Funds	Total
Property taxes	\$ 14,642,281	\$	\$ 2,566,388	\$	\$	\$ 17,208,669
Investment income	4,647	92,011	8,224	686	1,353	106,921
Food sales					369,958	369,958
Enterprising activities	7,539					7,539
Co-curricular/ extracurricular income	70,097					70,097
Gifts and bequests		495,150			961,193	1,456,343
Other	9,636					9,636
Totals	\$ 14,734,200	\$ 587,161	\$ 2,574,612	\$ 686	\$ 1,332,504	\$ 19,229,163

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 12. RISK POOL PARTICIPATION

The District is a participant in the Texas Association of School Boards, Inc. (TASB) Risk Management for coverage of unemployment compensation and worker's compensation. The District pays annual premiums to the pool for coverage stated. The District participates in a pool and is not responsible for its own claims.

Unemployment Compensation Pool

During the year ended August 31, 2014, Sweeny ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligations to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool. For the year ended August 31, 2014, the Fund anticipates that Sweeny ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013,

SWEENY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 12. RISK POOL PARTICIPATION (Continued)

Unemployment Compensation Pool (Continued)

Are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation Pool

During the year ended August 31, 2014, Sweeny ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$ 1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2013, the Fund carries a discounted reserve of \$ 57,050,754 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2014, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

NOTE 13. LITIGATION AND CONTINGENCIES

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2014 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 14. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS

The District participates in a Shared Services Arrangement ("SSA") for the hearing impaired through the Brazoria-Fort Bend Cooperative with eleven other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Fort Bend Independent School District, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 14. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS (Continued)

significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Sweeny Independent School District. The fiscal manager is responsible for all financial activities of the shared services arrangement. The amount of state revenues and expenditures attributable to the District's participation is not available. The District portion of cost covered by revenue received by the fiscal agent was \$ 7,646.

The District participates in a shared services arrangement with Deer Park Independent School District for the supply of electricity and ancillary services to all facilities of the District. Deer Park Independent School District is the fiscal agent. All services are provided by the fiscal agent for the supply of electricity, the negotiation to purchase electricity, ancillary services, or other energy related products and services, and to encourage efficiency of operation and conservation on behalf of the buyer. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Deer Park ISD, 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 Sweeny Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The expenditures attributable to the District's participation totaled \$ 485,059 and were coded to 6492 payments to fiscal agents.

NOTE 15. INTERLOCAL AGREEMENT

During the year ended August 31, 2014, the Sweeny Independent School District (SISD) entered into an interlocal agreement with Brazosport Independent School District (BISD) for management and director services for SISD's Child Nutrition Department. SISD agrees to supply necessary personnel including the Director position, equipment, supplies, food and other costs to operate the Child Nutrition Department. BISD agrees to provide consulting services including a dietician for shared menu development along with training opportunities to allow for continuous improvement of the current program. As part of the agreement, BISD will review SISD's current purchasing contracts and operating procedures and make recommendation for SISD's administration and Board to consider. In an effort to maintain operational consistencies between the two districts, SISD's employees will be included in trainings held at BISD. The parties intend that BISD, in performing such services, shall act as an independent contractor.

In consideration of the services above, SISD agrees to pay BISD \$ 10,000 annually.

The effective commencement date of this Agreement shall be September 1, 2013 and shall continue until August 31, 2014. Thereafter, this Agreement shall be automatically renewed on an annual basis, unless either party provides the other party with written notice of termination no less than sixty (60) days prior to any such renewal. Upon receipt of written notice, parties mutually agree to begin a transition period not to exceed 60 days. No reason has to be provided to end the agreement. Any modifications of the terms of this Agreement, upon any renewals thereof, shall be agreed to in writing by the parties.

NOTE 16. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 18, 2014, the date which the financial statements were available to be issued.

SWEENY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

NOTE 17. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended August 31, 2014, the District incurred expenditures in excess of appropriations within the following funds and functions:

General Fund:

Function 91 – Contracted instructional services between public schools	\$	212,557
------------------------------------------------------------------------	----	---------

The variance resulted from underestimation of year-end accruals of third party liabilities as of August 31, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

SWEENEY INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED AUGUST 31, 2014**

*Exhibit G-1
Page 1 of 1*

Data Control Codes		General Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 14,737,618	\$ 14,759,454	\$ 14,734,200	\$(25,254)
5800	State program revenues	1,387,474	1,379,622	1,500,793	121,171
5900	Federal program revenues	200	200	36,841	36,641
5020	Total revenues	<u>16,125,292</u>	<u>16,139,276</u>	<u>16,271,834</u>	<u>132,558</u>
	EXPENDITURES:				
	Current:				
0011	Instruction	8,567,003	8,507,877	8,142,378	365,499
0012	Instructional resources and media services	215,684	226,905	214,959	11,946
0013	Curriculum and staff development	28,782	40,860	26,429	14,431
0021	Instructional leadership	519,405	560,827	550,137	10,690
0023	School leadership	989,599	1,035,499	990,020	45,479
0031	Guidance, counseling, and evaluation services	620,098	638,031	592,308	45,723
0033	Health services	201,728	217,103	208,098	9,005
0034	Student (pupil) transportation	869,191	843,679	746,151	97,528
0036	Co-curricular/extracurricular activities	651,998	730,287	702,511	27,776
0041	General administration	789,980	814,630	692,729	121,901
0051	Plant maintenance and operations	1,976,286	2,046,863	1,791,252	255,611
0052	Security and monitoring services	56,290	58,790	54,895	3,895
0053	Data processing services	206,179	219,179	212,686	6,493
0071	Principal on long-term debt	500	500		500
0091	Contracted instructional services	714,095	729,095	941,652	(212,557)
0093	Payments related to shared services arrangements	520,000	520,000	485,059	34,941
0099	Other intergovernmental charges	<u>136,000</u>	<u>136,000</u>	<u>123,872</u>	<u>12,128</u>
6030	Total expenditures	<u>17,062,818</u>	<u>17,326,125</u>	<u>16,475,136</u>	<u>850,989</u>
1100	Excess (deficiency) of revenues over expenditures	(937,526)	(1,186,849)	(203,302)	983,547
	OTHER FINANCING SOURCES (USES):				
7912	Sale of property			21,926	21,926
7915	Transfers in			20,000	20,000
	Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>41,926</u>	<u>41,926</u>
1200	Net change in fund balances	(937,526)	(1,186,849)	(162,006)	1,024,843
0100	Fund balances – beginning	<u>5,521,002</u>	<u>5,521,002</u>	<u>5,521,002</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 4,583,476</u>	<u>\$ 4,334,153</u>	<u>\$ 5,358,996</u>	<u>\$ 1,024,843</u>

OTHER SUPPLEMENTARY INFORMATION

SWEENEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes		Special				
		211 ESEA Title I Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National School Lunch and Breakfast Program	244 Vocational Education Program
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
Assets:						
1110	Cash and cash equivalents	\$	\$	\$	\$ 363,867	\$
1240	Receivables from other governments	32,832	39,313	1,763	14,511	
1260	Due from other funds		568			
1290	Other receivables				7,675	
1300	Inventories				67,652	
1410	Prepaid items				3,380	
1000	Total assets	<u>32,382</u>	<u>39,881</u>	<u>1,763</u>	<u>457,085</u>	<u>-0-</u>
Deferred Outflows of Resources:						
1700	Deferred outflows					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 32,382</u>	<u>\$ 39,881</u>	<u>\$ 1,763</u>	<u>\$ 457,085</u>	<u>\$ -0-</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$	\$ 1,000	\$	\$ 32,522	\$
2160	Accrued wages payable	10,584	12,982	743	13,262	
2170	Due to other funds	22,248	25,899	1,020		
2300	Unearned revenue				36,805	
2000	Total liabilities	<u>32,832</u>	<u>39,881</u>	<u>1,763</u>	<u>82,589</u>	<u>-0-</u>
Deferred Inflows of Resources:						
2600	Deferred inflows					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:						
Non-spendable:						
3410	Inventories				67,652	
3430	Prepaid items				3,380	
Restricted:						
3450	Grant funds				303,464	
3470	Capital acquisition and contractual obligations					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>374,496</u>	<u>-0-</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 32,832</u>	<u>\$ 39,881</u>	<u>\$ 1,763</u>	<u>\$ 457,085</u>	<u>\$ -0-</u>

Revenue Funds							
255 Title II Part A: Teacher and Principal Training and Recruitment	263 Title III Part A Language Education Program	289 Summer School Language Education program	410 Instructional Materials Allotment (MA)	429 AP/IB Campus Awards	480 Local Grants	481 Security Grants	482 Technology Grants
\$ 24,751 5,183	\$ 2,864 197	\$ 1,115	\$ 28,493	\$ 138	\$ 18,788	\$ 203	\$ 44,674
<u>29,934</u>	<u>3,061</u>	<u>1,115</u>	<u>28,493</u>	<u>138</u>	<u>18,788</u>	<u>203</u>	<u>44,674</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 29,934</u>	<u>\$ 3,061</u>	<u>\$ 1,115</u>	<u>\$ 28,493</u>	<u>\$ 138</u>	<u>\$ 18,788</u>	<u>\$ 203</u>	<u>\$ 44,674</u>
\$ 659 3,307 25,968	\$ 3,061	\$ 1,115	\$ 24,418 131 3,944	\$ 138	\$ 18,788	\$ 203	\$ 3,395
<u>29,934</u>	<u>3,061</u>	<u>1,115</u>	<u>28,493</u>	<u>138</u>	<u>18,788</u>	<u>203</u>	<u>3,395</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
							41,279
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>41,279</u>
<u>\$ 29,934</u>	<u>\$ 3,061</u>	<u>\$ 1,115</u>	<u>\$ 28,493</u>	<u>\$ 138</u>	<u>\$ 18,788</u>	<u>\$ 203</u>	<u>\$ 44,674</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2014

EXHIBIT H-1
Page 2 of 2

Data Control Codes		60	Total Special Revenue Fund	Capital Projects Fund	Total Non-major Governmental Funds
	ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
	Assets:				
1110	Cash and cash equivalents	\$	457,278	\$ 2,654,398	\$ 3,111,676
1240	Receivables from other governments		116,034		116,034
1260	Due from other funds		5,948	120,438	126,386
1290	Other receivables		7,675		7,675
1300	Inventories		67,652		67,652
1410	Prepaid items		<u>3,380</u>		<u>3,380</u>
1000	Total assets		<u>657,967</u>	<u>2,774,836</u>	<u>3,432,803</u>
	Deferred Outflows of Resources:				
1700	Deferred outflows				
	Total deferred outflows of resources		<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	\$	<u>657,967</u>	\$ <u>2,774,836</u>	\$ <u>3,432,803</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
	Liabilities:				
2110	Accounts payable	\$	61,994	\$ 553,362	\$ 615,356
2160	Accrued wages payable		40,878		40,878
2170	Due to other funds		79,580		79,580
2300	Unearned revenue		<u>59,740</u>		<u>59,740</u>
2000	Total liabilities		<u>242,192</u>	<u>553,362</u>	<u>795,554</u>
	Deferred Inflows of Resources:				
2600	Deferred inflows				
	Total deferred inflows of resources		<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Fund Balances:				
	Non-spendable:				
3410	Inventories		67,652		67,652
3430	Prepaid items		3,380		3,380
	Restricted:				
3450	Grant funds		344,743		344,743
3470	Capital acquisitions and contractual obligations			<u>2,221,474</u>	<u>2,221,474</u>
3000	Total fund balances		<u>415,775</u>	<u>2,221,474</u>	<u>2,637,249</u>
4000	Total liabilities, deferred inflows of resources and fund balances	\$	<u>657,967</u>	\$ <u>2,774,836</u>	\$ <u>3,432,803</u>

THIS PAGE LEFT BLANK INTENTIONALLY.

SWEENEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2014

Data Control Codes		Special				
		211 ESEA Title I Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National School Lunch and Breakfast Program	244 Vocational Education Program
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$ 369,958	\$
5800	State program revenues				18,211	
5900	Federal program revenues	<u>271,228</u>	<u>296,677</u>	<u>14,884</u>	<u>621,905</u>	<u>19,338</u>
5020	Total revenues	<u>271,228</u>	<u>296,677</u>	<u>14,884</u>	<u>1,010,074</u>	<u>19,338</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	245,632	270,328	14,884		
0013	Curriculum and staff development	17,932				
0021	Instructional leadership	7,284	10,356			19,338
0023	School leadership	380				
0031	Guidance, counseling and evaluation services		8,347			
0034	Student (pupil) transportation					
0035	Food Services				1,016,013	
0036	Co-curricular/extracurricular activities					
0051	Plant maintenance and operations					
0052	Security and monitoring services					
0053	Data processing services					
0093	Payments related to shared service arrangements		<u>7,646</u>			
6030	Total expenditures	<u>271,228</u>	<u>296,677</u>	<u>14,884</u>	<u>1,016,013</u>	<u>19,338</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(5,939)</u>	<u>-0-</u>
	OTHER FINANCING SOURCES (USES):					
7911	Issuance of bonds					
7915	Transfers in					
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net change in fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(5,939)</u>	<u>-0-</u>
0100	Fund balances - beginning				<u>380,435</u>	
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 374,496</u>	<u>\$ -0-</u>

Revenue Funds							
255 Title II Part A: Teacher and Principal Training and Recruitment	263 Title III Part A Language Education Program	289 Summer School Language Education program	410 Instructional Materials Allotment (MA)	429 AP/IB Campus Awards	480 Local Grants	481 Security Grants	482 Technology Grants
\$	\$	\$	\$	\$	\$	\$	\$
			272,671		29,846	6,347	
<u>87,667</u>	<u>2,864</u>						
<u>87,667</u>	<u>2,864</u>	<u>-0-</u>	<u>272,671</u>	<u>-0-</u>	<u>29,846</u>	<u>6,347</u>	<u>-0-</u>
54,400 17,045 15,338 884	1,826 1,038		272,671		29,846		258,721
						6,347	
<u>87,667</u>	<u>2,864</u>	<u>-0-</u>	<u>272,671</u>	<u>-0-</u>	<u>29,846</u>	<u>6,347</u>	<u>258,721</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(258,721)</u>
							<u>300,000</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>300,000</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>41,279</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 41,279</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2014

EXHIBIT H-2

Page 2 of 2

<u>Data Control Codes</u>		60	Total Special Revenue Fund	Capital Projects Fund	Total Non-major Governmental Funds
	REVENUES:				
5700	Local and intermediate sources		\$ 406,151	\$ 926,353	\$ 1,332,504
5800	State program revenues		290,882		290,882
5900	Federal program revenues		<u>1,314,563</u>		<u>1,314,563</u>
5020	Total revenues		<u>2,011,596</u>	<u>926,353</u>	<u>2,937,949</u>
	EXPENDITURES:				
	Current:				
0011	Instruction		1,148,308	268,561	1,416,869
0013	Curriculum and staff development		36,015		36,015
0021	Instructional leadership		52,316		52,316
0023	School leadership		1,264		1,264
0031	Guidance, counseling and evaluation services		8,347		8,347
0034	Student (pupil) transportation		-0-	31,819	31,819
0035	Food Services		1,016,013		1,016,013
0036	Co-curricular/extracurricular activities		-0-	4,000	4,000
0051	Plant maintenance and operations		-0-	811,634	811,634
0052	Security and monitoring services		6,347		6,347
0053	Data processing services		-0-	13,770	13,770
0093	Payments related to shared service arrangements		<u>7,646</u>		<u>7,646</u>
6030	Total expenditures		<u>2,276,256</u>	<u>1,129,784</u>	<u>3,406,040</u>
1100	Excess (deficiency) of revenues over expenditures		(264,660)	(203,431)	(468,091)
	OTHER FINANCING SOURCES (USES):				
7911	Issuance of bonds		-0-	2,000,000	2,000,000
7915	Transfers in		<u>300,000</u>	<u>-0-</u>	<u>300,000</u>
	Total other financing sources and (uses)		<u>300,000</u>	<u>2,000,000</u>	<u>2,300,000</u>
1200	Net change in fund balances		35,340	1,796,569	1,831,909
0100	Fund balances - beginning		<u>380,435</u>	<u>424,905</u>	<u>805,340</u>
3000	Fund balances - ending		<u>\$ 415,775</u>	<u>\$ 2,221,474</u>	<u>\$ 2,637,249</u>

THIS PAGE LEFT BLANK INTENTIONALLY.

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2014

Last Ten Years Ended August 31,	1		2	3	10
	Tax Rates		Debt Service	Assessed/Appraised Value for School Tax Purposes	Beginning Balance September 1, 2013
	Maintenance				
2005 and Prior	\$ 1.50000	\$ 0.19200	\$ 1,368,708,806	\$ 253,661	
2006	1.50000	0.17100	1,417,483,853	24,532	
2007	1.50000	0.17170	1,536,479,758	26,387	
2008	1.37000	0.17170	1,499,562,717	23,219	
2009	1.04000	0.17170	1,687,030,453	30,645	
2010	1.04000	0.17170	1,397,632,087	29,734	
2011	1.04000	0.17170	1,291,306,512	37,094	
2012	1.04000	0.17170	1,266,082,281	57,267	
2013	1.04000	0.17170	1,273,678,303	141,214	
2014 (School Year Under Audit)	1.04000	0.17170	1,385,441,281		
1000 Totals				\$ <u>623,753</u>	

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2014
\$	\$ 15,817	\$ 1,642	\$(32,731)	\$ 203,471
	2,210	253	(1,816)	20,253
	2,407	302	(1,830)	21,848
	2,031	336	(1,277)	19,575
	4,704	779	(1,293)	23,869
	5,376	888	(1,378)	22,092
	8,418	1,389	(1,212)	26,075
	20,887	3,448	(920)	32,012
	68,694	11,341	(5,095)	56,084
<u>16,787,392</u>	<u>14,386,333</u>	<u>2,375,128</u>	<u>108,323</u>	<u>134,254</u>
<u>\$ 16,787,392</u>	<u>\$ 14,516,877</u>	<u>\$ 2,395,506</u>	<u>\$ 60,771</u>	<u>\$ 559,533</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND
AUGUST 31, 2014
UNAUDITED

EXHIBIT J-3
Page 1 of 1

Data Control Code	Explanation	Amount
1	Total General Fund Balance as of 08/31/14 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>5,358,996</u>
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	195,920
3	Total Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	
4	Total Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	600,000
5	Total Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	1,900,000
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds representing unearned revenues)	3,415,032
7	Estimate of two month's average cash disbursements during the fiscal year.	3,002,921
8	Estimate of delayed payments from state sources (58XX)	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	
10	Estimate of delayed payments from federal sources (59XX)	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u> </u>
12	Optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	<u>9,113,873</u>
13	Excess (deficit) unassigned General Fund fund balance (1-12)	\$(<u>3,754,877</u>)

SWEENEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – NONMAJOR FUND
– FOOD SERVICE SPECIAL REVENUE FUND
YEAR ENDED AUGUST 31, 2014

EXHIBIT J-4
Page 1 of 1

Data Control Codes		Food Service Special Revenue Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 393,000	\$ 393,000	\$ 369,958	\$(23,042)
5800	State program revenues	12,300	6,300	18,211	11,911
5900	Federal program revenues	<u>598,800</u>	<u>598,800</u>	<u>621,905</u>	<u>23,105</u>
5020	Total revenues	<u>1,004,100</u>	<u>998,100</u>	<u>1,010,074</u>	<u>11,974</u>
	EXPENDITURES:				
	Current:				
0035	Food service	<u>1,004,100</u>	<u>1,018,534</u>	<u>1,016,013</u>	<u>2,521</u>
6030	Total expenditures	<u>1,004,100</u>	<u>1,018,534</u>	<u>1,016,013</u>	<u>2,521</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>(20,434)</u>	<u>(5,939)</u>	<u>14,495</u>
0100	Fund balances – beginning	<u>380,435</u>	<u>380,435</u>	<u>380,435</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 380,435</u>	<u>\$ 360,001</u>	<u>\$ 374,496</u>	<u>\$ 14,495</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2014

EXHIBIT J-5
Page 1 of 1

Data Control Codes		Debt Service Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 2,532,619	\$ 2,552,619	\$ 2,574,612	\$ 21,993
5020	Total revenues	2,532,619	2,552,619	2,574,612	21,993
	EXPENDITURES:				
	Current:				
0071	Principal on long-term debt	1,900,000	1,900,000	1,900,000	-0-
0072	Interest on long-term debt	627,292	590,000	560,745	29,255
0073	Bond issuance costs and fees	2,000	236,000	204,769	31,231
6030	Total expenditures	2,529,292	2,665,513	2,665,514	60,486
1100	Excess (deficiency) of revenues over expenditures	3,327	(112,894)	(90,902)	82,479
	OTHER FINANCING SOURCES (USES):				
7916	Premium on issuance of bonds			246,495	246,495
	Total other financing sources and (uses)	-0-	-0-	246,495	246,495
1200	Net change in fund balances	3,327	(112,894)	155,593	328,974
0100	Fund balances – beginning	1,136,933	1,136,933	1,136,933	-0-
3000	Fund balances – ending	\$ 1,140,260	\$ 1,024,039	\$ 1,292,526	\$ 328,974

FEDERAL AWARDS SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
979-297-4075

El Campo Office:
201 W. Webb
El Campo, Texas 77437
979-543-6836

Houston Office:
10850 Richmond Ave., Suite 210
Houston, Texas 77042
281-974-3416

Independent Auditor's Report

On Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

To the Board of Trustees
Sweeny Independent School District
Sweeny, Texas 77480

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 Sweeny Independent School District (the "District"), as of and for year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

www.kmandl.com – Email: kmkw@kmandl.com

Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,
Partnering for CPA Practice Success

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See finding reference numbers 2014-01 and 2014-02.

Compliance and Other Matters

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

Sweeny Independent School District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.

Kennemer, Masters & Hungford, LLC

Lake Jackson, Texas
December 18, 2014

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS
Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
979-297-4075

El Campo Office:
201 W. Webb
El Campo, Texas 77437
979-543-6836

Houston Office:
10850 Richmond Ave., Suite 210
Houston, Texas 77042
281-974-3416

Independent Auditor's Report

On Compliance for Each Major Program and on Internal
Control over Compliance Required by OMB Circular A-133

To the Board of Trustees
Sweeny Independent School District
Sweeny, Texas 77480

Report on Compliance for Each Major Federal Program

We have audited Sweeny Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

www.kmandl.com – Email: kmkw@kmandl.com

Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,
Partnering for CPA Practice Success

Opinion on Each Major Federal Program

In our opinion, the Sweeny Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kennemer, Masters & Hunford, LLC

Lake Jackson, Texas 77566
December 18, 2014

I. Summary of auditors' results:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Two internal control findings, required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None.
4. No internal control findings, required to be reported in this schedule, were disclosed in the audit of major programs.
5. Type of auditor's report on compliance for major programs: Unmodified
6. Did the audit disclose findings which are required to be reported under Sec._510(a): No
7. Major programs include:
National School Lunch and Breakfast Cluster Programs:
 - Commodity Supplement Program (CFDA #10.555)
 - School Breakfast Program (CFDA #10.553)
 - National School Lunch Program (CFDA #10.555)
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000
9. Low risk auditee: Yes.

II. Findings related to the financial statements:

1. Schedule reference number 2014-01, expenditures in excess of appropriations at the function level.

Criteria: The Texas Education Agency's Financial Accountability and Resource Guide (FASRG) require the District to amend its budget on a regular basis to ensure that expenditures do not exceed appropriations at the function level.

Condition: During our audit procedures we noted that expenditures exceeded appropriations at the functional level in one function in the General Fund.

Effect: Although internal control over the budget has been improved, expenditures in excess of appropriations were not fully eliminated.

Cause: The unfavorable variance was created by an underestimation of year-end accruals of Chapter 41 costs.

Recommendation: The Business Office should monitor the estimated year-end accruals, including the calculation of Chapter 41 costs to ensure that the current budget appropriations are adequate to cover these expenditures, and if not, a budget amendment should be obtained.

Questioned Cost/Basis: None.

II. Findings related to the financial statements (Continued)

2. Schedule reference number 2014-02, the District failed to maintain adequate pledged securities as of January 13, 2014 (date of highest cash balance).

Criteria: Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC coverage.

Condition: During our audit procedures we identified the date and amount of highest cash balance with the depository and confirmed with third parties that the pledged securities on January 13, 2014 were inadequate to cover said balances.

Effect: On January 13, 2014 the district's deposits with its depository were under pledged by \$ 2,740,861.

Cause: This mainly resulted from an underestimation of cash received from refunding bond during the period around January 13, 2014.

Recommendations: The Business Office should monitor its pledged securities to ensure that the depository maintains adequate pledged securities to cover all anticipated deposits. This requires the monitoring of historical cash receipts and ensuring that the pledged collateral is adequate for the anticipated highest amounts that will occur during the year.

Questioned Cost/Basis: None.

III. Findings and questioned costs related to the federal awards.

The audit disclosed no findings required to be reported.

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
YEAR ENDED AUGUST 31, 2014

Page 1 of 1

1. Schedule reference number 2013-01: Expenditures in excess of appropriations at the function level.

Corrective action taken: The Business Director and staff monitored expenditures at the function level to ensure compliance.

2. Schedule reference number 2013-02: the District failed to maintain adequate pledged securities as of October 11, 2012 (date of highest cash balance).

Corrective action taken: The Business Director monitored the deposits and related pledged securities on a monthly basis to ensure compliance.

3. Schedule reference number 2013-03: Direct Expenditure of Program Intent Code 22 Career & Technology Block Grant. Direct (unallocated) expenditures toward state career & technology block grant failed to exceed 58% of Foundation School Program (FSP) allotment for the 2012-2013.

Corrective action taken: The Business Director monitored expenditure classifications on a daily basis while approving purchase orders.

4. Schedule reference number 2013-04: the District failed to request reimbursement for program expenditures incurred during the previous school year for Title I, Part A Improving basic programs (\$ 13,212); IDEA Part B Formula programs (\$ 13,781); IDEA Part B Preschool programs (\$ 872); and, Title II, Part A Teacher/Principal programs (\$ 2,855).

Corrective action taken: The Business Director worked in conjunction with the Compliance Office to account for expenditure reimbursements.

1. Schedule reference number 2014-01; expenditures in excess of appropriations at the function level.

Corrective action planned: The Business Director and staff will continuously monitor expenditures at the function level to ensure compliance going forward.

2. Schedule reference number 2014-02, the District failed to maintain adequate pledged securities as of January 13, 2104 (date of highest cash balance).

Corrective action planned: The Business Director will monitor the deposits and related pledged securities on a monthly basis to ensure compliance going forward.

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA, Title I, Part A, Improving Basic Programs	84.010	14610101020906	\$ 260,644
ESEA, Title I, Part A, Improving Basic Programs	84.010	15610101020906	<u>10,584</u>
			<u>271,228</u>
IDEA - B, Formula*	84.027	14660001020906	283,695
IDEA - B, Formula*	84.027	15660001020906	<u>12,982</u>
			<u>296,677</u>
IDEA - B, Preschool*	84.173	14661001020906	14,140
IDEA - B, Preschool*	84.173	15661001020906	<u>744</u>
			<u>14,884</u>
Vocational Education, Basic Grant	84.048	1442000602090604	<u>19,338</u>
ESEA, Title II, Part A: Teacher and Principal Training And Recruiting	84.367A	14694501020906	84,359
ESEA, Title II, Part A: Teacher and Principal Training And Recruiting	84.367A	15694501020906	<u>3,308</u>
			<u>87,667</u>
Title III, English Language Acquisition and Enhancement	84.243	6493SW	<u>2,864</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ <u>692,658</u>
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program**	10.555	020906	\$ <u>49,856</u>
Passed Through State Department of Education:			
School Breakfast Program**	10.553	71401401	133,300
National School Lunch Program**	10.555	71301401	<u>438,749</u>
			<u>572,049</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ <u>621,905</u>

(continued)

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

EXHIBIT K-1
Page 2 of 2

(1)	(2)	(2A)	(3)
<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Interior Passed Through Brazoria County, Texas: Refuge Revenue Sharing Act of 1978	15.000	---	\$ <u>36,841</u>
TOTAL DEPARTMENT OF INTERIOR			\$ <u>36,841</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>1,351,404</u>
*IDEA Cluster Program			
**Cluster Programs			
Reconciliation:			
Federal program revenues (Exhibit C-2)			\$ 1,351,404
Less: None			<u> </u>
Total federal financial assistance (Schedule of Expenditures of Federal Awards).			\$ <u>1,351,404</u>

See notes to supplemental Schedule of Expenditures of Federal Awards.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

NOTE 1 – BASIS OF ACCOUNTING

The District accounts for all awards under federal programs in the General and certain special revenue funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

Commodity Supplement (CFDA 10.555) received like kind goods and no grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of goods received was \$ 49,668, while the monetary value of goods used and recognized as income and expenditures was \$ 49,856.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2014. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

THIS PAGE LEFT BLANK INTENTIONALLY.