

**SWEENY  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

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

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

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# SWEENEY INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report  
For the Year Ended August 31, 2012*

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# SWEENY INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report  
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## **INTRODUCTORY SECTION**

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**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, 2012, at a meeting of the board of trustees of such school district on the 11<sup>th</sup> day of December, 2012.

  
\_\_\_\_\_  
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):

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## FINANCIAL SECTION

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# KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office  
8 West Way Court  
Lake Jackson, Texas 77566  
(979) 297-4075 Fax: (979) 297-0548  
(800) 399-4075

Houston Office:  
10260 Westheimer, Suite 410  
Houston, Texas 77042  
(281) 974-3416 Fax: (281) 974-3764

## Independent Auditors' Report

December 6, 2012

Board of Trustees  
Sweeny Independent School District  
Sweeny, Texas 77480

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13 through 21 and 58 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

*Kerremers, Masters & Burdford, LLC*

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2012**

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, 2012. 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 of the District exceeded its liabilities at the close of the most recent period by \$ 32,680,451 (*net assets*). Of this amount, \$ 7,882,411 (*unrestricted net assets*) 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 \$ 13,675,034. Approximately 36 percent of this total amount, \$ 4,906,809, 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 \$ 4,920,979, or 32 percent of the total general fund expenditures.
- During the year, the District had expenses that were \$ 2,576,584 less than the \$ 23,130,004 generated in tax and other revenues for governmental programs. This compares to last year when expenses were less than revenues by \$ 1,432,054.

**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 assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information 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 22 through 23 of this report.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2012**

**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 twenty 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), and debt service fund, all of which are considered to be major funds. Data from the other seventeen 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 24 through 27 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 assets that can be found on pages 28 and 29. 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, 2012**

**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 30 through 56 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 58 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 60 through 67 of this report.

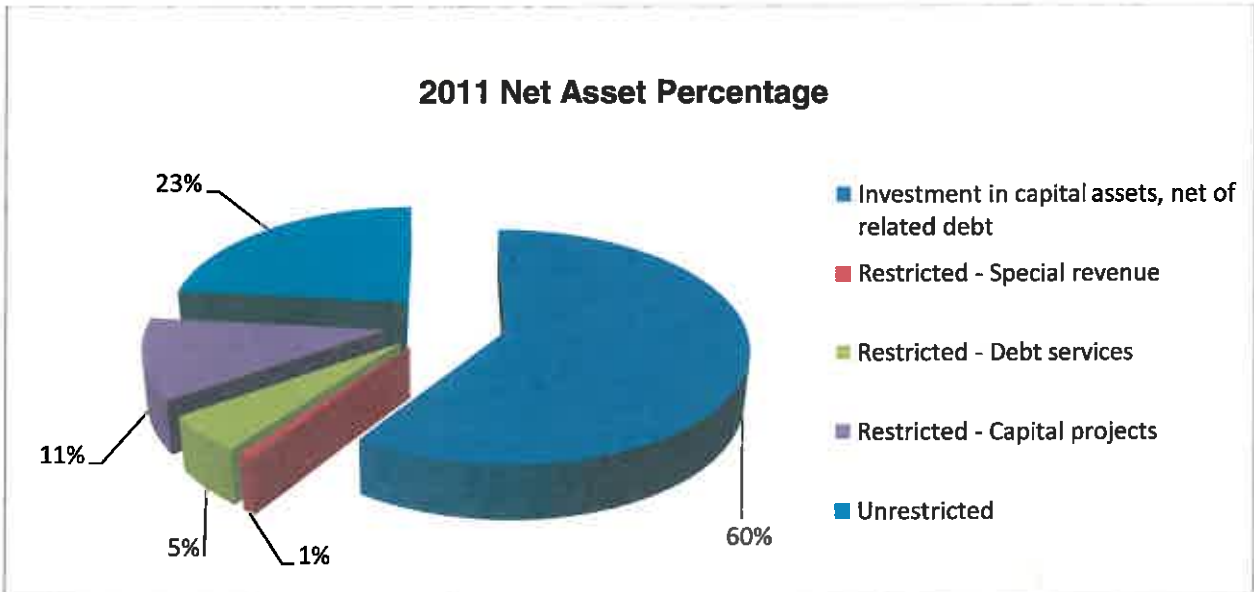
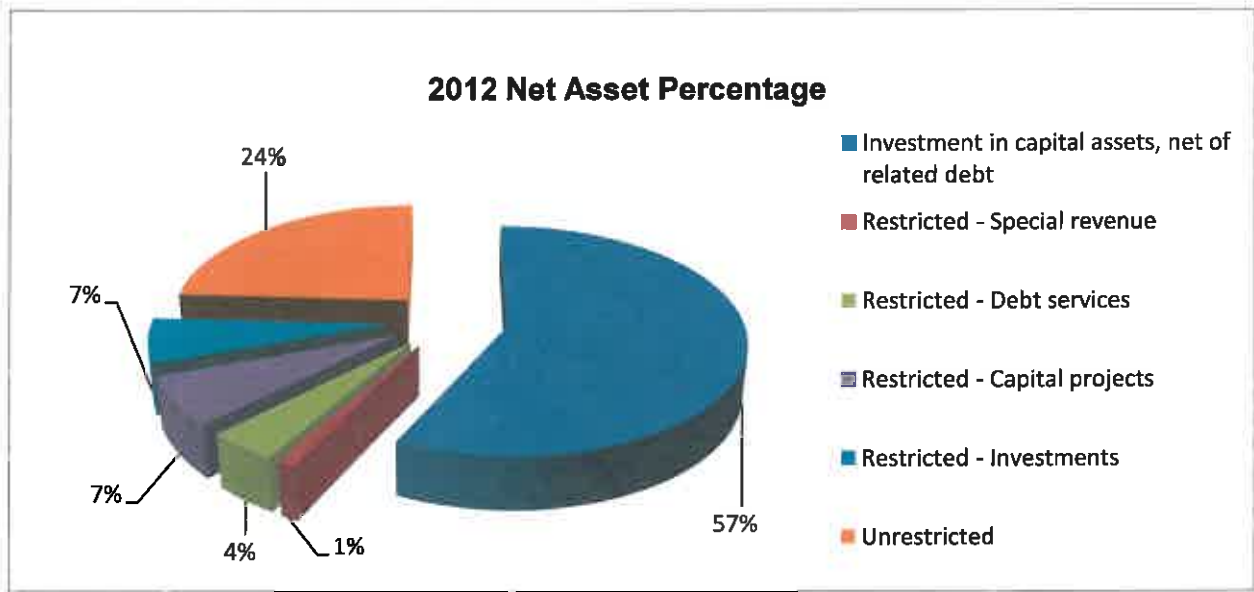
**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$ 32,680,451 as of August 31, 2012. Net assets of the District's governmental activities increased from \$ 30,103,867 to \$ 32,680,451.

**The District's Net Assets**

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 15,959,329	\$ 13,176,276
Capital assets	<u>39,094,428</u>	<u>39,907,433</u>
Total assets	<u>55,053,757</u>	<u>53,083,709</u>
Long-term liabilities outstanding	20,416,889	22,105,066
Other liabilities	<u>1,956,417</u>	<u>874,776</u>
Total liabilities	<u>22,373,306</u>	<u>22,979,842</u>
<b>Net assets:</b>		
Investment in capital assets, net of related debt	18,677,539	17,863,717
Restricted	6,120,501	5,218,317
Unrestricted	<u>7,882,411</u>	<u>7,021,833</u>
 Total net assets	 <u>\$ 32,680,451</u>	 <u>\$ 30,103,867</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2012**



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 \$ 18,677,539. 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 assets (approximately 19 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$ 7,882,411 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.

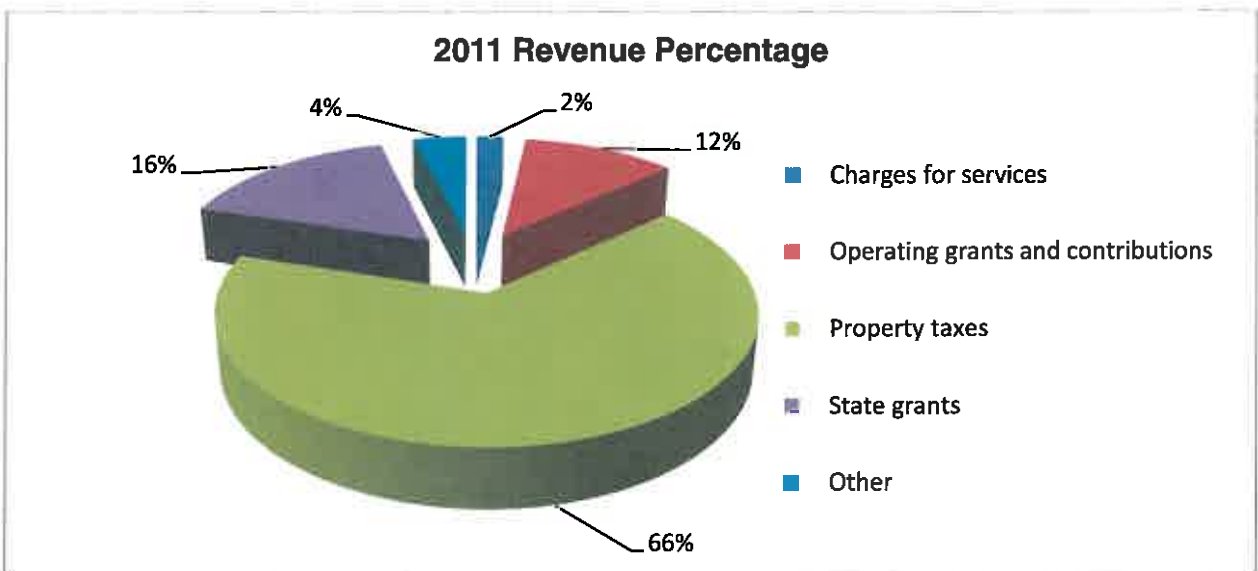
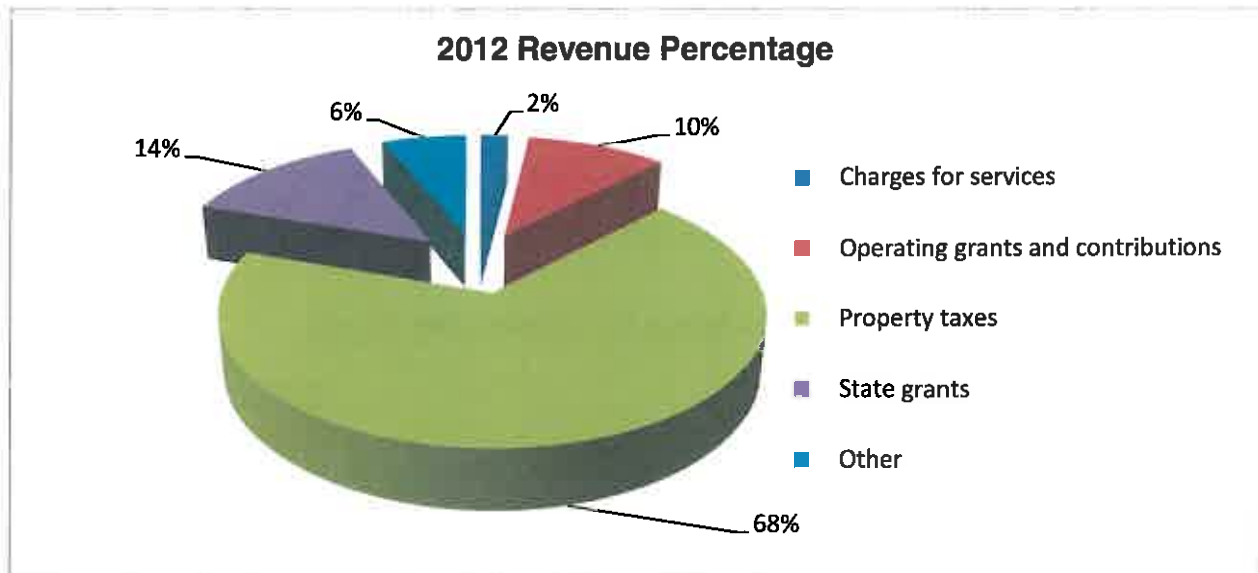
**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2012**

**Governmental activities.** The District's total net assets increased by \$ 2,576,584. The District's total revenue decreased by 4%. The District's total cost of all programs and services decreased 9%. The total cost of all *governmental activities* this year was \$ 20,553,420. The amount that our taxpayers paid for these activities through property taxes was \$ 15,686,050 or 76%. The amount of costs that were paid by those who directly benefited from the programs was \$ 460,379 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 \$ 2,396,426 or 12% and \$ 3,140,933 or 15%, respectively.

**Changes in the District's Net Assets**

	<u>2012</u>	<u>2011</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 460,379	\$ 471,949
Operating grants & contributions	2,396,426	2,738,698
General revenues:		
Property taxes	15,686,050	15,913,769
State grants	3,140,933	3,895,709
Other	<u>1,446,216</u>	<u>954,098</u>
Total revenues	<u>23,130,004</u>	<u>23,974,223</u>
Expenses:		
Instruction	9,554,072	10,547,963
Instructional resources & media services	245,351	255,993
Curriculum & staff development	23,006	85,166
Instructional leadership	528,175	547,780
School leadership	976,743	1,125,220
Guidance, counseling & evaluation services	555,045	580,808
Health services	207,716	214,178
Student (pupil) transportation	977,447	995,119
Food services	1,008,451	960,390
Cocurricular/extracurricular activities	771,348	839,335
General administration	595,723	638,419
Plant maintenance and operations	1,737,753	1,875,138
Security and monitoring services	58,760	57,203
Data processing services	132,598	185,520
Community services	9,260	9,259
Debt service-interest and fees on long-term debt	904,021	933,134
Facilities acquisition and construction	3,940	8,214
Contracted instructional services between public schools	1,660,824	2,023,980
Payments related to shared services arrangements	480,854	520,727
Other intergovernmental charges	<u>122,333</u>	<u>138,623</u>
Total expenses	<u>20,553,420</u>	<u>22,542,169</u>
Changes in net assets	2,576,584	1,432,054
Beginning net assets	<u>30,103,867</u>	<u>28,671,813</u>
Ending net assets	<u>\$ 32,680,451</u>	<u>\$ 30,103,867</u>

**SWEENY INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2012**



**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, *unreserved, undesignated fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2012**

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 13,675,034, an increase of \$ 1,739,138. Approximately 36 percent of this total amount (\$ 4,906,809) constitutes *unassigned fund balance*. The remainder of fund balance is non-spendable, restricted, or committed to indicate that it is not available for new spending because it has already been classified 1) for inventory \$ 132,033, 2) for prepaid items \$ 57,942, 3) for grant funds \$ 289,460, 4) to pay debt service \$ 1,213,153, 5) for construction \$ 2,273,149, 6) for investments \$ 2,082,466, 7) for claims and judgments \$ 250,000, 8) for capital expenditures for equipment \$ 350,000, and 9) other miscellaneous commitments \$ 2,120,022.

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 \$ 4,920,979, while the total fund balance was \$ 5,636,612. 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 32 percent of the total general fund expenditures, while total fund balance represents 36 percent of that same amount.

The fund balance of the District's general fund increased \$ 1,669,690 or 42% during the current fiscal year compared to last year's total general fund balance of \$ 3,966,922. Revenues decreased from prior year approximately \$ 1,079,233 or 6%. Expenditures decreased approximately 10% from prior year from \$ 17,117,556 to \$ 15,443,811. Key factors related to this change are as follows:

- Instruction cost decreased \$ 636,571 from the prior year.
- School leadership cost decreased \$ 465,589 from prior year.
- Contracted instructional services between public schools decreased \$ 363,156 from the prior year

The Sweeney Education Foundation fund has a total fund balance of \$ 4,191,644, of which \$ 2,082,466 is restricted for long-term investment and \$ 2,109,178 is committed for other purposes. The net increase in fund balance during the period in the Sweeney Education Foundation fund was \$ 1,303,425 from last year's balance of \$ 2,888,219. The following are the factors contributing to this change:

- The Foundation received contributions of \$ 1,276,942 from Conoco Phillips Company.

The debt service fund has a total fund balance of \$ 1,213,153 all of which is restricted for the payment of debt service. The net decrease in fund balance during the period in the debt service fund was \$ 189,040 from last year's balance of \$ 1,402,193. The decrease in fund balance is due to the District collecting less taxes to pay for the District's debt obligations during the fiscal year.

### **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 were \$ 304,283 below final budgeted amounts mainly due to decrease in state program revenue. Actual expenditures were \$ 1,898,574 below final budget amounts. The major portion of this positive variance is due to the decreases in expenditures in instruction, student transportation, general administration, plant maintenance and operations, and contracted instructional services between public schools.

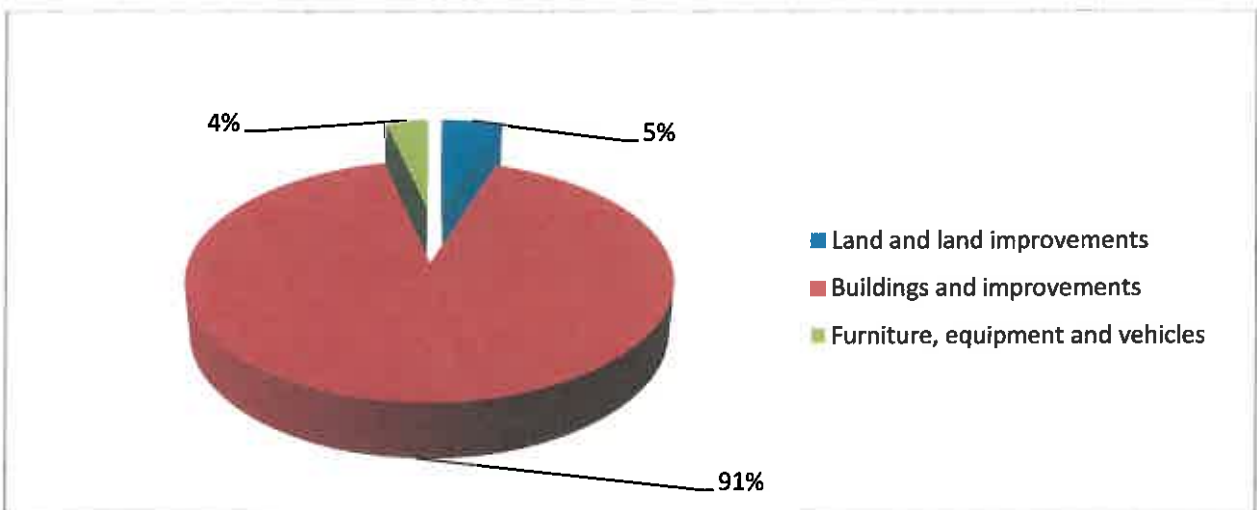
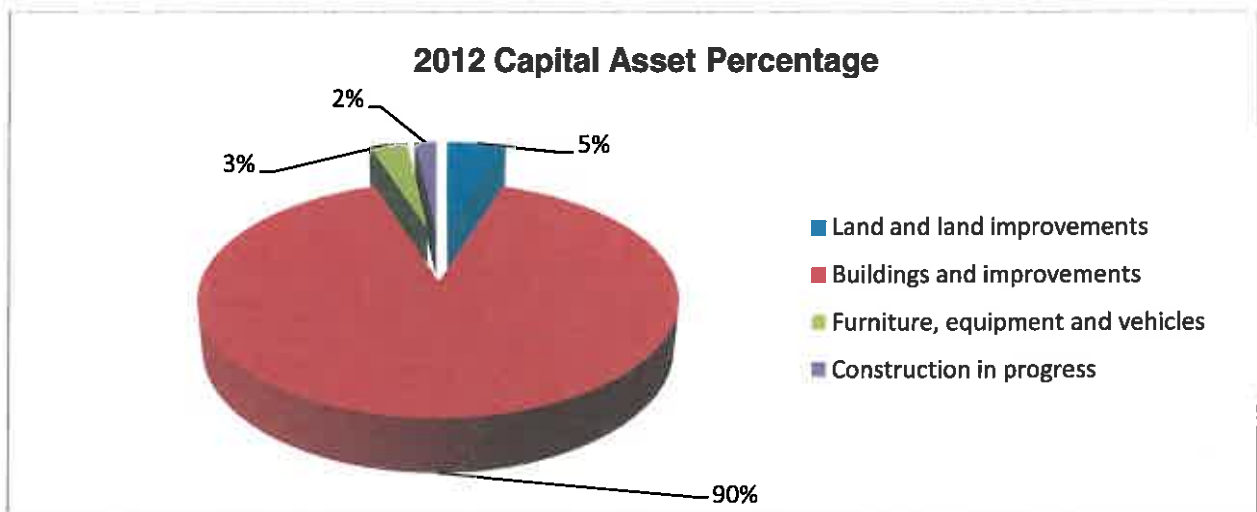
**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2012**

**Capital Asset and Debt Administration**

**Capital assets.** The District's investments in capital assets for its governmental activities as of August 31, 2012 amounts to \$ 39,094,428 (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>2012</u>	<u>2011</u>
Land and land improvements	\$ 1,948,127	\$ 1,996,412
Buildings and improvements	35,202,248	36,512,514
Furniture, equipment and vehicles	1,235,429	1,398,507
Construction in progress	<u>708,624</u>	<u>                  </u>
Total at historical cost	<u>\$ 39,094,428</u>	<u>\$ 39,907,433</u>



**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2012**

Additional information on the District's capital assets can be found in Note 6 on page 48 through 49 of this report.

**Long-term debt.** At August 31, 2012, the District had total long-term debt outstanding of \$ 20,416,889, a decrease of \$ 1,688,177 from the previous year. Long-term debt is made of general obligation bonds of \$ 19,835,000, accrued interest of \$ 53,886, and premium on general obligation bonds of \$ 528,003.

The "AAA" long-term rating on the District's Texas' bond reflects the Texas Permanent School Fund guarantee. The underlying rating from Moody's Investor Services is Aaa.

Additional information on the District's long-term debt can be found in Note 7 on pages 50 through 52 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- Appraised Maintenance and Operations (M&O) values used for the 2013 budget increased \$ 25,355,752 or 1.97% from 2012 values.
- Appraised Interest and Sinking Fund (I&S) State Value Limitation, Chapter 313 Agreement values used for the 2013 budget decreased \$ 25,672,532 or 1.85% from 2012 values.
- The District's 2012-2013 refined average daily attendance is expected to be 1,830.
- The District's attendance rate is estimated to be 96%.
- The total Maintenance and Operations revenue budget is \$ 16,004,325. The revenue breakdown is \$ 13,652,528 from local funds, \$ 2,351,597 from state funds and \$ 200 from federal funds.
- The District has adopted a deficit budget of \$ 711,748. The District has appropriated General Fund revenues of \$ 16,004,325 and expenditures of \$ 16,716,073 which includes recapture expenditures of \$ 934,885.
- The 2013 District tax rate will remain the same as 2012 tax rate at \$ 1.2117 (\$ 1.04 for Maintenance and Operations and \$ 0.1717 for Interest and Sinking)
- For 2013, the District has provided a one year supplemental payment equal to 3% of the mid point salary for one position for all employees.
- The 2012 employment salaries amount to 80.3% of the General Fund budget.
- The District funds per month \$ 264 per employee for health insurance, \$ 29.44 for dental insurance, \$ 2.10 for \$ 20,000 life insurance. Also the District is continuing to fund the \$ 500 health supplement benefit for all employees.

**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.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**YEAR ENDED AUGUST 31, 2012**

Exhibit A-1  
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	<b>ASSETS:</b>	
1110	Cash and cash equivalents	\$ 11,299,954
1120	Current investments	845,399
1220	Property taxes receivables - delinquent	682,130
1230	Allowance for uncollectible taxes (credit)	( 487,849)
1240	Due from other governments	1,156,642
1250	Accrued interest	5,823
1290	Other receivables (net)	7,702
1300	Inventories	132,033
1410	Deferred expenses	57,942
1420	Capital bond and other debt issuance costs	177,087
	Capital Assets:	
1510	Land and land improvements	1,948,127
1520	Buildings and improvements, net	35,202,248
1530	Furniture, equipment and vehicles, net	1,235,429
1580	Construction in progress	708,624
1910	Investments	<u>2,082,466</u>
1000	Total assets	<u>55,053,757</u>
	<b>LIABILITIES:</b>	
2110	Accounts payable	744,094
2150	Payroll deductions and withholding payable	6,429
2160	Accrued wages payable	469,039
2180	Due to other governments	695,059
2300	Deferred revenue	41,796
	Noncurrent Liabilities:	
2501	Due within one year	1,864,600
2502	Due in more than one year	<u>18,552,289</u>
2000	Total liabilities	<u>22,373,306</u>
	<b>NET ASSETS:</b>	
3200	Invested in capital assets, net of related debt	18,677,539
	Restricted For:	
3820	Federal and state programs	17,472
3820	Federal and state programs (food service)	357,174
3850	Debt service	1,390,240
3860	Capital projects	2,273,149
3890	Investments	2,082,466
3900	Unrestricted	<u>7,882,411</u>
3000	Total net assets	<u>\$ 32,680,451</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, 2012**

Exhibit B-1  
Page 1 of 1

Data Control Codes	Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	
	<b>GOVERNMENTAL ACTIVITIES:</b>				
11	Instruction	\$ 9,554,072	\$	\$ 1,226,046	\$( 8,328,026 )
12	Instructional resources and media services	245,351		8,484	( 236,867 )
13	Curriculum and staff development	23,006		7,952	( 15,054 )
21	Instructional leadership	528,175		36,324	( 491,851 )
23	School leadership	976,743		345,123	( 631,620 )
31	Guidance, counseling, and evaluation services	555,045		26,914	( 528,131 )
33	Health services	207,716		9,520	( 198,196 )
34	Student (pupil) transportation	977,447		23,623	( 953,824 )
35	Food service	1,008,451	396,877	610,259	( 1,315 )
36	Extracurricular activities	771,348	63,502	18,533	( 689,313 )
41	General administration	595,723		19,730	( 575,993 )
51	Plant maintenance and operations	1,737,753		45,311	( 1,692,442 )
52	Security monitoring services	58,760		2,170	( 56,590 )
53	Data processing services	132,598		1,145	( 131,453 )
61	Community services	9,260			( 9,260 )
72	Interest on long-term debt	901,643			( 901,643 )
73	Bond issuance costs and fees	2,378			( 2,378 )
81	Facilities acquisition and construction	3,940			( 3,940 )
91	Contracted instructional services between public schools	1,660,824			( 1,660,824 )
93	Payments related to shared services arrangements	480,854		15,292	( 465,562 )
99	Other intergovernmental charges	122,333			( 122,333 )
TG	Total governmental activities	\$ <u>20,553,420</u>	\$ <u>460,379</u>	\$ <u>2,396,426</u>	\$ ( <u>17,696,615</u> )
	<b>General Revenues:</b>				
	<b>Taxes:</b>				
MT	Property taxes, levied for general purposes				\$ 13,312,569
DT	Property taxes, levied for debt service				2,373,481
SF	State aid-formula grants				3,140,933
GC	Grants and contributions not restricted to specific programs				1,342,638
IE	Investment earnings				69,815
MI	Miscellaneous				<u>33,763</u>
TG	Total general revenues, special items, and other uses				<u>20,273,199</u>
CN	Change in net assets				2,576,584
NB	Net assets – beginning				<u>30,103,867</u>
NE	Net assets – ending				\$ <u>32,680,451</u>

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

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AUGUST 31, 2012**

Exhibit C-1  
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	40 Sweeny Education Foundation	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>						
1110	Cash and cash equivalents	\$ 7,617,173	\$ 1,505,290	\$ 956,339	\$ 1,221,152	\$ 11,299,954
1120	Current investments		598,065	247,334		845,399
1220	Taxes receivable - delinquent	599,247		82,883		682,130
1230	Allowance for uncollectible taxes (credit)	( 432,832)		( 55,017)		( 487,849)
1240	Receivables from other governments	768,203			388,439	1,156,642
1250	Accrued interest receivable		5,823			5,823
1260	Due from other funds	348,261		3,439	2,000,000	2,351,700
1290	Other receivables	2,768			4,929	7,697
1300	Inventories	64,181			67,852	132,033
1410	Deferred expenditures	40,608			17,334	57,942
1910	Investments		2,082,466			2,082,466
1000	<b>Total assets</b>	<b>\$ 9,007,609</b>	<b>\$ 4,191,644</b>	<b>\$ 1,234,978</b>	<b>\$ 3,699,706</b>	<b>\$ 18,133,937</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$ 116,445	\$	\$	\$ 627,649	\$ 744,094
2150	Payroll deductions and withholdings				6,429	6,429
2160	Accrued wages payable	427,088			41,951	469,039
2170	Due to other funds	2,003,439			348,256	2,351,695
2180	Payable to other governments	695,059				695,059
2300	Deferred revenue	128,966		21,825	41,796	192,587
2000	<b>Total liabilities</b>	<b>3,370,997</b>	<b>-0-</b>	<b>21,825</b>	<b>1,066,081</b>	<b>4,458,903</b>
<b>Fund Balances:</b>						
<b>Non-spendable:</b>						
3410	Inventories	64,181			67,852	132,033
3430	Prepaid items	40,608			17,334	57,942
<b>Restricted:</b>						
3450	Grant funds				289,460	289,460
3470	Capital acquisitions and contractual obligations				2,273,149	2,273,149
3480	Debt service			1,213,153		1,213,153
3490	Investments		2,082,466			2,082,466
<b>Committed:</b>						
3520	Claims and judgments	250,000				250,000
3530	Capital expenditures for equipment	350,000				350,000
3545	Other purposes	10,844	2,109,178			2,120,022
3600	Unassigned	4,920,979			( 14,170)	4,906,809
3000	<b>Total fund balances</b>	<b>5,636,612</b>	<b>4,191,644</b>	<b>1,213,153</b>	<b>2,633,625</b>	<b>13,675,034</b>
4000	<b>Total liabilities and fund balances</b>	<b>\$ 9,007,609</b>	<b>\$ 4,191,644</b>	<b>\$ 1,234,978</b>	<b>\$ 3,699,706</b>	<b>\$ 18,133,937</b>

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

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS**  
**YEAR ENDED AUGUST 31, 2012**

Exhibit C-1R  
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1) \$ 13,675,034

**Amounts reported for governmental activities in the statement of net assets (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 \$ 73,523,605 in assets less \$ 34,429,177 in accumulated depreciation. 39,094,428

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 \$ 128,966 and \$ 21,825, respectively. 150,791

Other long-term assets are not available to pay for current-year expenditures and therefore are deferred in the funds. This is the debt issuance costs which are amortized over the life of the bond. This amount is the debt issuance costs \$ 258,743 less accumulated amortization costs of \$ 81,656. 177,087

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 assets. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was (premium on sale of bonds of \$ 721,390 less amortization of \$ 193,387). ( 528,003)

Payables for bond principal are not reported in the funds. ( 19,835,000)

Payables for bond interest are not reported in the funds. ( 53,886)

Net assets of governmental activities (see A-1) \$ 32,680,451

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2012**

Exhibit C-2  
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	40 Sweeny Education Foundation	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>						
5700	Local and intermediate sources	\$ 13,440,501	\$ 1,323,425	\$ 2,381,333	\$ 437,432	\$ 17,582,691
5800	State program revenues	3,621,397			104,591	3,725,988
5900	Federal program revenues	25,854			1,811,372	1,837,226
5020	Total revenues	<u>17,087,752</u>	<u>1,323,425</u>	<u>2,381,333</u>	<u>2,353,395</u>	<u>23,145,905</u>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
0011	Instruction	7,475,989			1,128,950	8,604,939
0012	Instructional resources and media services	206,367				206,367
0013	Curriculum and staff development	15,854			7,152	23,006
0021	Instructional leadership	482,466			21,237	503,703
0023	School leadership	616,595			317,047	933,642
0031	Guidance, counseling, and evaluation services	537,041			2,489	539,530
0033	Health services	186,335				186,335
0034	Student (pupil) transportation	772,465			33,974	806,439
0035	Food Service				929,694	929,694
0036	Extracurricular activities	609,409			17,001	626,410
0041	General administration	555,030			19,040	574,070
0051	Plant maintenance and operations	1,620,493			108,242	1,728,735
0052	Security and monitoring services	47,878			6,445	54,323
0053	Data processing services	69,170			77,396	146,566
0071	Principal on long-term debt			1,635,000		1,635,000
0072	Interest on long-term debt			932,995		932,995
0073	Bond issuance costs and fees			2,378		2,378
0081	Facilities acquisition and construction				708,624	708,624
0091	Contracted instructional services between public schools	1,660,824				1,660,824
0093	Payments related to shared services arrangements	465,562			15,292	480,854
0099	Other intergovernmental charges	122,333				122,333
6030	Total expenditures	<u>15,443,811</u>	<u>-0-</u>	<u>2,570,373</u>	<u>3,392,583</u>	<u>21,406,767</u>
1100	Excess (deficiency) of revenues over expenditures	<u>1,643,941</u>	<u>1,323,425</u>	<u>( 189,040)</u>	<u>( 1,039,188)</u>	<u>1,739,138</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
7915	Transfers in	25,749				25,749
8911	Transfers out		( 20,000)		( 5,749)	( 25,749)
	Total other financing sources and (uses)	<u>25,749</u>	<u>( 20,000)</u>	<u>-0-</u>	<u>( 5,749)</u>	<u>-0-</u>
1200	Net change in fund balances	1,669,690	1,303,425	( 189,040)	( 1,044,937)	1,739,138
0100	Fund balances – beginning	<u>3,966,922</u>	<u>2,888,219</u>	<u>1,402,193</u>	<u>3,678,562</u>	<u>11,935,896</u>
3000	Fund balances – ending	<u>\$ 5,636,612</u>	<u>\$ 4,191,644</u>	<u>\$ 1,213,153</u>	<u>\$ 2,633,625</u>	<u>\$ 13,675,034</u>

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

**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, 2012**

Exhibit C-2R  
Page 1 of 1

Net change in fund balances – total governmental funds (from C-2)	\$ 1,739,138
<b>Amounts reported for <i>governmental activities</i> in the statement of activities (B-1) are different because:</b>	
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 \$ 869,424 less depreciation \$ 1,682,429.	( 813,005)
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. Change in deferred property tax revenues to the general fund and the debt service fund amounted to \$ 16,951 and (\$ 1,050), respectively.	( 15,901)
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the governmental activities statement of net assets. This amount is accreted over the life of the bonds. Premium on the issuance of bonds and amortization of the premium of bonds were \$ -0- and \$ 45,713, respectively.	45,713
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. This is the amount of bond principal payments \$ 1,635,000.	1,635,000
Some expenses reported in the 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 change in accrued interest on long-term debt \$ 7,464 less the amortization of bond issuance costs \$ 21,825.	( 14,361)
Change in net assets of governmental activities (see B-1)	<u>\$ 2,576,584</u>

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

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**AUGUST 31, 2012**

Exhibit E-1  
Page 1 of 1

	Family Crisis Trust	Agency Funds
ASSETS:		
Cash and cash equivalents	\$ 19,842	\$ 257,122
Total assets	<u>19,842</u>	<u>\$ 257,122</u>
LIABILITIES:		
Amounts due to student groups and others		\$ 257,117
Due to other funds		<u>5</u>
Total liabilities	<u>-0-</u>	<u>\$ 257,122</u>
NET ASSETS:		
Held in trust for family crisis	<u>19,842</u>	
Total net assets	<u>\$ 19,842</u>	

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

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED AUGUST 31, 2012**

Exhibit E-2  
Page 1 of 1

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

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

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

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**SWEENY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2012*

**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 (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

**Reporting Entity**

The Board of the District is elected by the public; has the authority to make decisions, appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, *"The Reporting Entity."* 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.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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 properly not included among program revenues are reported instead as *general revenues*.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**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 due to/due from on the government-wide statement of net assets.

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

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**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 deferred 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.

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, 2012**

**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, 2011, upon which the levy for the 2011-12 fiscal year was based, was \$ 1,266,082,281. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2012, 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, 2012*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property Taxes (Continued)**

Current tax collections for the year ended August 31, 2012 were 100.02% 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, 2012, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 166,415 and \$ 27,866 for the general and debt service funds, respectively.

**Delinquent Taxes Receivable**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property 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.

**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 deferred revenue when received in the governmental funds. When requisitioned, inventory and deferred 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.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2012*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets and Depreciation (Continued)**

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

**Compensated Absences**

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying financial statements. 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, a liability for unused sick leave has not been recorded in the accompanying financial statements.

**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, as well as issuance costs, 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 deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt 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.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2012*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgetary Data (Continued)**

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, 2011. 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.

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 28, 2012.

**Encumbrance Accounting**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

Outstanding encumbrances at August 31, 2012 that were subsequently provided for in the 2012-2013 budget as a September amendment for Board approval totaled \$ 10,844.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2012*

**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.

The District implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

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.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2012*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balances (Continued)**

As of August 31, 2012, non-spendable fund balances include \$ 64,181 for inventories and \$ 40,608 for prepaid items in the general fund, \$ 67,852 for inventories in food service and \$ 17,334 for prepaid items in other special revenue fund. Restricted fund balances include \$ 1,213,153 for debt service fund, \$ 289,460 for special revenue funds, \$ 2,273,149 for capital acquisition and contractual obligation, and \$ 2,082,466 for Sweeny education foundation fund. Committed fund balances include \$ 250,000 for claims and judgments, \$ 350,000 for capital expenditures for equipment, and \$ 10,844 for other purpose in general fund and \$ 2,109,178 for Sweeny Education Foundation fund. Unassigned fund balance includes \$ 4,920,979 in the general fund and (\$ 14,170) in special revenue 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.

**NOTE 2. NEW PRONOUNCEMENTS**

GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", was issued April 2009. This statement provides guidance on classification of fund equity. The statement was implemented by the District during the prior fiscal year with minimal adjustments to the financial statements.

GASB No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", was issued April 2009. This statement is effective immediately and had no affect on the District's financial statements.

GASB No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", was issued April 2009. This statement is effective immediately and had no affect on the District's financial statements.

GASB No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", was issued December 2009. This statement is effective immediately and had no affect on the District's financial statements.

GASB No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies", was issued December 2009. The statement was implemented and did not have an impact on the District's financial statements.

GASB No. 59, "Financial Instrument Omnibus", was issued December 2009. This statement was implemented and did not have an impact on the District's financial statements.

GASB No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", was issued November 2010. 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, 2011.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2012*

**NOTE 2. NEW PRONOUNCEMENTS (Continued)**

GASB No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34", was issued November 2010. 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 June 15, 2012.

GASB No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", was issued December 2010. 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, 2011.

GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", was issued June 2011. 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, 2011.

GASB 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 No. 65, "Items Previously Reported as Assets and Liabilities", was issued March 2012. 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, although it will reclassify items previously recorded as assets and liabilities within the District's financial statements as outflow and inflows of resources. This statement is effective for periods beginning after December 15, 2012.

GASB No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62", was issued March 2012. 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, 2012.

**NOTE 3. 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. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net assets at August 31, 2012 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	1,920,265	276,964	2,197,229
Texpool	5,038,472		5,038,472
MBIA Texas Class	4,336,550		4,336,550
Lonestar	<u>4,530</u>		<u>4,530</u>
Total cash and cash equivalents	<u>11,299,954</u>	<u>276,964</u>	<u>11,576,918</u>
Current Investments:			
Certificates of deposit	598,065		598,065
Other investment	<u>247,334</u>		<u>247,334</u>
Total current investments	<u>845,399</u>	<u>-0-</u>	<u>845,399</u>
Non-current Investments:			
Certificates of deposit	250,000		250,000
Other investments	<u>1,832,466</u>		<u>1,832,466</u>
Non-current investments	<u>2,082,466</u>	<u>-0-</u>	<u>2,082,466</u>
Totals	<u>\$ 14,227,819</u>	<u>\$ 276,964</u>	<u>\$ 14,504,783</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.

At August 31, 2012, in addition to petty cash of \$ 137, the carrying amount of the District's cash, savings, and time deposits was \$ 2,197,229. The financial institutions balances were \$ 2,161,180 at August 31, 2012. Cash balances of \$ 500,000 were covered by federal depository insurance, \$ 184,655 was covered by the Securities Investor Protection Corporation Insurance, and \$ 405,701 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. The Educational Foundation's deposits held at financial institutions at August 31, 2012 were uncollateralized by \$ 1,070,824.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

**Deposits (Continued)**

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 \$ 2,180,748.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 2,062,497 and occurred on September 13, 2012.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 309,318.

**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 an "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.

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.

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;

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

**Investments (Continued)**

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, 2012 the District made its 6<sup>th</sup> payment of \$ 37,307. At August 31, 2012 the value of cash and investments were \$ 247,523. See Note 7 on page 51 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.

At August 31, 2012 Texpool, Lonestar and MBIA Texas Class had a weighted average maturity of 40 days, 50 days and 41 days, respectively. Although Texpool, Lonestar and MBIA Texas Class portfolios had a weighted average maturity of 40 days, 50 days and 41 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.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

**Investments (Continued)**

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, 2012.

	<u>Maturity Date</u>	<u>Coupon Rate (%)</u>	<u>Weighted Average Maturity (Days)</u>	<u>Market Value</u>
<b>Local Government Investment Pools:</b>				
Texpool	N/A	Varies daily	21	\$ 5,038,472
MBIA Texas Class	N/A	Varies daily	19	4,336,550
Lonestar	N/A	Varies daily	0	<u>4,530</u>
Total local government investment pools			13	<u>9,379,552</u>
<b>Certificates of Deposit:</b>				
Certificate of deposit	12/12/13	0.65%	138	250,000
Certificate of deposit	12/16/12	0.25%	32	250,000
Certificate of deposit	08/31/15	1.15%	167	129,433
Certificate of deposit	07/18/16	1.30%	365	<u>218,632</u>
Total Certificates of Deposit			176	<u>848,065</u>
<b>U.S. Government Bonds and Asset Backed Securities:</b>				
FNMA medium term	12/25/12	4.40%	14	245,833
Fed home in mtg corp disc	02/01/14	4.00%	11	43,432
Fhlmc multiclass mtg prtn cfs gtd	09/15/14	5.50%	29	79,947
FNMA gtd remit pass thru tr	08/25/16	5.10%	75	107,810
Fhlmc multiclass mtg prtn cfs gtd	09/15/16	6.00%	72	101,205
FNMA gtd remit pass thru tr	04/25/17	5.50%	160	195,850
Fhlmc multiclass mtg prtn cfs gtd	06/15/17	5.50%	36	43,084
Fhlmc multiclass mtg prtn cfs gtd	09/15/18	2.00%	328	309,632
Fhlmc multiclass mtg prtn cfs gtd	11/15/18	2.50%	363	332,672
GNMA II gtd pass thru	12/20/19	4.50%	262	204,323
Fhlmc multiclass mtg prtn cfs gtd	05/15/20	2.25%	228	168,678
Fed Home Loan Bank discount	12/17/12	2.79%	13	<u>247,334</u>
Total U.S. Government bond and Asset backed securities			133	<u>2,079,800</u>
<b>Totals</b>			<b>45</b>	<b><u>\$ 12,307,417</u></b>

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**

**Investments (Continued)**

Credit Risk – As of August 31, 2012, the LGIPs (which represent approximately 76% of the portfolio) are rated AAAM by Standard and Poor's or AAA by Finch. Certificates of deposit (which represent approximately 7% of the portfolio) are fully insured by the Securities Investor Protection Corporation Insurance and by federal depository insurance through CDARS programs. The U.S. instrumentalities (which represent approximately 17% of the portfolio) are rated AAA by Standard and Poor's.

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, 2012, 100% of the investment portfolio was invested in AAAM or AAA rated LGIPs (2(a)7 like pools), certificates of deposit and U.S. Government Securities. Term limits on individual maturities did not exceed one year from the purchase date. The dollar weighted average maturity for all investments was 45 days, which was less than the threshold of 365 days.

**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, 2012, and holds no direct investments in derivatives at August 31, 2012.

**NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES**

**Receivables and Allowances**

Receivables as of August 31, 2012, 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:

	General Fund	Sweeny Education Foundation	Debt Service Fund	Other Funds	Total
Receivables:					
Property taxes	\$ 599,247	\$	\$ 82,883	\$	\$ 682,130
Receivables from other governments	768,203			388,439	1,156,642
Interest		5,823			5,823
Other	<u>2,768</u>			<u>4,929</u>	<u>7,697</u>
Gross receivables	1,370,218	5,823	82,883	393,368	1,852,292
Less: Allowance for uncollectibles	<u>432,832</u>		<u>55,017</u>		<u>487,849</u>
Net total receivables	<u>\$ 937,386</u>	<u>\$ 5,823</u>	<u>\$ 27,866</u>	<u>\$ 393,368</u>	<u>\$ 1,364,443</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES**  
**(Continued)**

**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.

Amounts due from federal, state, and local governments as of August 31, 2012 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
<b>Major Governmental Funds:</b>				
General	\$ 718,046	\$	\$ 50,157	\$ 768,203
Other funds	<u>3,164</u>	<u>385,275</u>	<u></u>	<u>388,439</u>
Totals	<u>\$ 721,210</u>	<u>\$ 385,275</u>	<u>\$ 50,157</u>	<u>\$ 1,156,642</u>

Amounts due to federal, state, and local governments as of August 31, 2012 are summarized below:

<u>Fund</u>	<u>State Entitlements</u>
<b>Major Governmental Funds:</b>	
General	\$ <u>695,059</u>
Totals	<u>\$ 695,059</u>

**Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of August 31, 2012, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 128,966	\$
Delinquent property taxes receivable (debt service fund)	21,825	
Deferred state revenue		6,851
Federal food commodities	<u></u>	<u>34,945</u>
Total deferred/unearned revenue from governmental funds	<u>\$ 150,791</u>	<u>\$ 41,796</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 5. INTERFUND RECEIVABLES AND PAYABLES**

**Interfund Receivables and Payables**

Interfund balances at August 31, 2012 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 348,256	\$
Debt Service Fund		3,439
Capital Project Fund		2,000,000
Fiduciary Funds	5	
	<u>348,261</u>	<u>2,003,439</u>
Special Revenue Funds:		
General Fund:		
ESEA Title II Part A Improving Basic Programs		41,625
IDEA Part B, Formula		185,579
IDEA, Part B, Preschool		3,959
Training and Recruitment		27,643
English Language Acquisition and Language Enhancement		105
Education Job		72,292
Instructional Materials		17,053
	<u>-0-</u>	<u>348,256</u>
Debt Service:		
General Fund	<u>3,439</u>	<u>-0-</u>
	3,439	-
Capital Projects:		
General Fund	<u>2,000,000</u>	<u>-0-</u>
	2,000,000	-
Fiduciary Funds:		
General Fund	<u>-0-</u>	<u>5</u>
	-	5
	<u>\$ 2,351,700</u>	<u>\$ 2,351,700</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 5. INTERFUND RECEIVABLES AND PAYABLES (Continued)**

**Interfund Transfers**

Interfund transfers for the year ended August 31, 2012 consisted of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Special Revenue Fund:		
Sweeny Education Foundation	\$ 20,000	\$
Technology Allotment	<u>5,749</u>	
	<u>25,749</u>	<u>-0-</u>
Special Revenue Funds:		
General Fund:		
Sweeny Education Foundation		20,000
Technology Allotment		<u>5,749</u>
	<u>-0-</u>	<u>25,749</u>
	<u>\$ 25,749</u>	<u>\$ 25,749</u>

**NOTE 6. 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, 2012:

	<u>Balance</u> <u>September 1,</u> <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>August 31,</u> <u>2012</u>
<b>Non-Depreciated Capital Assets:</b>				
Land	\$ 1,406,238	\$	\$	\$ 1,406,238
Construction in progress		<u>708,624</u>		<u>708,624</u>
Total non-depreciated	<u>1,406,238</u>	<u>708,624</u>	<u>-0-</u>	<u>2,114,862</u>
<b>Depreciated Capital Assets:</b>				
Land improvements	1,073,028			1,073,028
Buildings and improvements	67,276,223	42,338		67,318,561
Furniture, equipment & vehicles	<u>2,898,692</u>	<u>118,462</u>		<u>3,017,154</u>
Total depreciated	<u>71,247,943</u>	<u>160,800</u>	<u>-0-</u>	<u>71,408,743</u>
Total additions/retirements		<u>\$ 869,424</u>	<u>\$ -0-</u>	

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 6. CAPITAL ASSETS (Continued)**

**Changes in Capital Assets and Accumulated Depreciation (Continued)**

	<u>Balance September 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance August 31, 2012</u>
Accumulated Depreciated:				
Land and land improvements	\$ 482,854	\$ 48,285	\$	\$ 531,139
Buildings and improvements	30,763,709	1,352,604		32,116,313
Furniture, equipment & vehicles	<u>1,500,185</u>	<u>281,540</u>		<u>1,781,725</u>
Total	<u>32,746,748</u>	<u>\$ 1,682,429</u>	<u>\$ -0-</u>	<u>34,429,177</u>
Net depreciated capital assets	<u>38,501,195</u>			<u>36,979,566</u>
Net capital assets	<u>\$ 39,907,433</u>			<u>\$ 39,094,428</u>

**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	\$ 969,452
0012	Instructional resources and media services	38,984
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	202,003
0035	Food service	78,757
0036	Extracurricular activities	144,938
0041	General administration	21,653
0051	Plant maintenance and operations	58,134
0052	Security and monitoring services	4,437
0053	Data processing services	46,402
0061	Community services	9,260
0081	Facilities acquisition and construction	<u>3,940</u>
	Total depreciation expense	<u>\$ 1,682,429</u>

**Governmental Fund Construction Commitments**

The District has entered into contracts for construction as of August 31, 2012, as follows:

	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>
Stadium Track and Field	<u>\$ 1,585,518</u>	<u>\$ 613,961</u>	<u>\$ 971,557</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 7. 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, 2012.

**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 are amortized using the effective interest method.

The following is a summary of the changes in the District's general obligation bonded debt as of August 31, 2012:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 09/01/11</u>	<u>Change</u>	<u>Amounts Outstanding 08/31/12</u>
All General Obligation Bonds of the District	0.50%- 7.10%	\$ <u>21,750,000</u>	\$ <u>21,470,000</u>	\$ <u>(1,635,000)</u>	\$ <u>19,835,000</u>

The change in amounts of bonded debt outstanding for the year ended August 31, 2012 was as follows:

Bonds Retired	\$ <u>( 1,635,000)</u>
Change in Bonds Outstanding	\$ <u>( 1,635,000)</u>

General obligation bonds consist of 2005 Unlimited Tax School Building Bonds ("Qualified Zone Academy Bonds") bearing interest at 0.5%, 2007 Unlimited Tax School Building Bonds bearing interest at 4.10% to 7.10%, 2008 Unlimited Tax School Building Bonds bearing interest at 4.0% to 5.375%, and 2010 Unlimited Tax School Building Bonds bearing interest at 2.0% to 2.25%.

In 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 maturity date of December 15, 2021 and an expected yield of \$ 750,000. Payments are due each December 15th.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 7. LONG-TERM DEBT (Continued)**

**General Obligation Bonds (Continued)**

Presented below is a summary of the sinking fund requirements:

<u>Year Ended August 31</u>	<u>Annual Requirements</u>
2013	\$ 37,307
2014	37,307
2015	37,307
2016	37,307
2017	37,307
2018-2022	<u>186,535</u>
Total Minimum Requirements	<u>\$ 373,070</u>

The following is a summary of the District's general obligation bonded debt as of August 31, 2012:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance 08-31-12</u>
2005 QZAB	\$ 750,000	2022	0.500	\$ 750,000
2007	9,500,000	2026	4.100-7.100	9,500,000
2008	9,500,000	2027	4.000-5.375	7,585,000
2010	<u>2,000,000</u>	2015	2.000-2.250	<u>2,000,000</u>
Total	<u>\$ 21,750,000</u>			<u>\$ 19,835,000</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>
2013	\$ 1,765,000	\$ 802,588	\$ 2,567,588
2014	1,775,000	707,720	2,482,720
2015	1,830,000	656,736	2,486,736
2016	865,000	603,456	1,468,456
2017	910,000	563,131	1,473,131
2018-2022	5,955,000	2,196,099	8,151,099
2023-2027	<u>6,735,000</u>	<u>967,282</u>	<u>7,702,282</u>
Totals	<u>\$ 19,835,000</u>	<u>\$ 6,497,012</u>	<u>\$ 26,332,012</u>

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.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 7. LONG-TERM DEBT (Continued)**

**General Obligation Bonds (Continued)**

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.

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, 2012.

**Changes in Long-Term Liabilities**

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

	<u>Balance</u> <u>09-01-11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>08-31-12</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 21,470,000	\$	\$ 1,635,000	\$ 19,835,000	\$ 1,765,000
Components of Long-Term Debt:					
Premium on general obligation bonds payable	573,717		45,714	528,003	45,714
Accrued interest	<u>61,350</u>	<u>53,886</u>	<u>61,350</u>	<u>53,886</u>	<u>53,886</u>
Totals	<u>\$ 22,105,067</u>	<u>\$ 53,886</u>	<u>\$ 1,742,064</u>	<u>\$ 20,416,889</u>	<u>\$ 1,864,600</u>

**NOTE 8. 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, 2012 as follows:

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2013	\$ 65,822
2014	40,224
2015	16,465
2016	<u>558</u>
Total minimum rentals	<u>\$ 123,069</u>

Rental expenditures on the above mentioned equipment for the year ended August 31, 2012 were \$ 110,624.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 9. 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% for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010. State law further provides a member contribution rate of 6.4% for fiscal years 2012, 2011 and 2010. In certain instances, the reporting District is required to make all or a portion of the state's 6.0% contribution for fiscal years 2012 and 6.644% for fiscal years 2011 and 2010. 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.

*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, 2012, 2011, and 2010 were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
District payroll	\$ 10,396,948	\$ 11,544,009	\$ 11,506,532
District TRS payroll	\$ 10,102,309	\$ 11,041,367	\$ 11,010,035
District contributions	\$ 77,384	\$ 98,408	\$ 80,277
Federal contributions	\$ 36,680	\$ 51,907	\$ 59,195
State contributions	\$ 585,054	\$ 683,087	\$ 677,770
Medicare part D	\$ 26,229	\$ 25,596	\$ 27,853
State contribution rate	6.000%	6.644%	6.644%
Employee contributions	\$ 646,549	\$ 706,649	\$ 704,642
Employee contribution rate	6.40%	6.40%	6.40%

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE 9. PENSION PLAN OBLIGATIONS (Continued)**

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](http://www.trs.state.tx.us), under the TRS Publications heading.

**NOTE 10. LOCAL AND INTERMEDIATE REVENUES**

During the current year, local and intermediate revenues for governmental funds consisted of the following:

	General Fund	Sweeny Educational Foundation	Debt Service	Other Funds	Total
Property Taxes	\$ 13,177,417		\$ 2,353,388		\$ 15,530,805
Investment income	11,891	46,483	8,902	2,538	69,814
Food sales				396,877	396,877
Enterprising activities	6,374				6,374
Penalties, interest and other tax related income	152,103		19,043		171,146
Co-curricular income	63,502				63,502
Gifts and bequests	1,829	1,276,942		38,013	1,316,784
Other	27,385			4	27,389
<b>Total</b>	<b>\$ 13,440,501</b>	<b>\$ 1,323,425</b>	<b>\$ 2,381,333</b>	<b>\$ 437,432</b>	<b>\$ 17,582,691</b>

**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 2012, 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, 2012, Sweeny Independent School District 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.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2012*

**NOTE 12. RISK POOL PARTICIPATION (Continued)**

**Unemployment Compensation Pool (Continued)**

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.

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, 2011, 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, 2012, Sweeny Independent School District 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 on an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2011, the Fund carries a discounted reserve of \$ 72,540,560 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2011, 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, 2011, 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, 2012 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.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*YEAR ENDED AUGUST 31, 2012*

**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 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 \$ 15,292.

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 \$ 465,562 and were coded to 6492 payments to fiscal agents.

**NOTE 15. INTERLOCAL AGREEMENT**

During the year ended August 31, 2012, 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 continue supplying necessary personnel (except the Director position), equipment, supplies, food and other costs to operate the Child Nutrition Department. BISD agrees to supply a Director and other management personnel to direct and manage SISD Child Nutrition Department in accordance with applicable laws and regulations. The parties intend that BISD, in performing such services, shall act as an independent contractor and act as a third party director.

In consideration of the services above, SISD agrees to pay BISD \$ 40,000 annually.

The effective commencement date of this Agreement shall be September 1, 2011 and shall continue until August 31, 2012. 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. For the year ending August 31, 2012, SISD paid BISD \$ 40,000 under this agreement.

**NOTE 16. EVALUATION OF SUBSEQUENT EVENTS**

The District has evaluated subsequent events through December 6, 2012, the date which the financial statements were available to be issued.

**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, 2012**

*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	\$ 13,423,199	\$ 13,433,033	\$ 13,440,501	\$ 7,468
5800	State program revenues	3,944,802	3,944,802	3,621,397	( 323,405)
5900	Federal program revenues	200	14,200	25,854	11,654
5020	Total revenues	<u>17,368,201</u>	<u>17,392,035</u>	<u>17,087,752</u>	<u>( 304,283)</u>
EXPENDITURES:					
Current:					
0011	Instruction	8,552,906	8,365,485	7,475,989	889,496
0012	Instructional resources and media services	213,466	228,466	206,367	22,099
0013	Curriculum and staff development	27,532	21,532	15,854	5,678
0021	Instructional leadership	467,744	515,984	482,466	33,518
0023	School leadership	652,499	676,699	616,595	60,104
0031	Guidance, counseling, and evaluation services	610,609	578,160	537,041	41,119
0033	Health services	192,809	201,882	186,335	15,547
0034	Student (pupil) transportation	894,131	874,131	772,465	101,666
0036	Extracurricular activities	689,643	692,991	609,409	83,582
0041	General administration	643,242	660,525	555,030	105,495
0051	Plant maintenance and operations	1,843,489	1,842,489	1,620,493	221,996
0052	Security and monitoring services	48,266	52,766	47,878	4,888
0053	Data processing services	60,336	80,396	69,170	11,226
0071	Debt Service - principal on long-term debt	500	500		500
0091	Contracted instructional services between public schools	1,727,379	1,864,379	1,660,824	203,555
0093	Payments related to shared services arrangements	530,000	530,000	465,562	64,438
0099	Other intergovernmental charges	<u>156,000</u>	<u>156,000</u>	<u>122,333</u>	<u>33,667</u>
6030	Total expenditures	<u>17,310,551</u>	<u>17,342,385</u>	<u>15,443,811</u>	<u>1,898,574</u>
1100	Excess (deficiency) of revenues over expenditures	<u>57,650</u>	<u>49,650</u>	<u>1,643,941</u>	<u>1,594,291</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers in		20,000	25,749	5,749
	Total other financing sources (uses)	<u>-0-</u>	<u>20,000</u>	<u>25,749</u>	<u>5,749</u>
1200	Net change in fund balances	57,650	69,650	1,669,690	1,600,040
0100	Fund balances – beginning	<u>3,966,922</u>	<u>3,966,922</u>	<u>3,966,922</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 4,024,572</u>	<u>\$ 4,036,572</u>	<u>\$ 5,636,612</u>	<u>\$ 1,600,040</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2012**

Data Control Codes		Special				
		211 ESEA Title IV Part A -Safe Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National School Lunch and Breakfast Program	244 Vocational Education Program
<b>ASSETS:</b>						
1110	Cash and cash equivalents	\$	\$	\$	\$ 359,208	\$
1240	Receivables from other governments	54,837	208,310	4,831	14,382	
1260	Due from other funds					
1290	Other receivables				4,929	
1300	Inventories				67,852	
1410	Deferred expenditures					
1000	Total assets	<u>\$ 54,837</u>	<u>\$ 208,310</u>	<u>\$ 4,831</u>	<u>\$ 446,371</u>	<u>\$ -0-</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$	\$ 2,521	\$	\$ 43,021	\$
2150	Payroll deductions and withholdings		6,429			
2160	Accrued wages payable	13,212	13,781	872	11,231	
2170	Due to other funds	41,625	185,579	3,959		
2300	Deferred revenues				34,945	
2000	Total liabilities	<u>54,837</u>	<u>208,310</u>	<u>4,831</u>	<u>89,197</u>	<u>-0-</u>
<b>Fund Balances:</b>						
<b>Non-spendable:</b>						
3410	Inventories				67,852	
3430	Prepays					
<b>Restricted:</b>						
3450	Grant funds				289,322	
3470	Capital acquisitions and contractual obligations					
3600	Unassigned					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>357,174</u>	<u>-0-</u>
4000	Total liabilities and fund balances	<u>\$ 54,837</u>	<u>\$ 208,310</u>	<u>\$ 4,831</u>	<u>\$ 446,371</u>	<u>\$ -0-</u>

Revenue Funds							
255	263	287	289	397	410	411	427
ESEA, Title I Part A: Teacher and Principal Training and Recruitment	Title II, English Language Acquisition and Language Enhancement	Education Jobs Fund	Summer School LEP	Campus Awards	Instructional Materials	Technology Allotment	HB 1 State
\$ 30,518	\$ 105	\$ 72,292	\$	\$	\$ 3,164	\$	\$
					17,334		
<u>\$ 30,518</u>	<u>\$ 105</u>	<u>\$ 72,292</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 20,498</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ 20	\$	\$	\$	\$	\$ 150	\$	\$
2,855 27,643	105	72,292			17,053 131		
<u>30,518</u>	<u>105</u>	<u>72,292</u>	<u>-0-</u>	<u>-0-</u>	<u>17,334</u>	<u>-0-</u>	<u>-0-</u>
					17,334		
					( 14,170)		
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,164</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 30,518</u>	<u>\$ 105</u>	<u>\$ 72,292</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 20,498</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2012**

Data Control Codes		Special Revenue Funds			Total	60
		428	429	480		
		L.R.E. Project RIV	AP/IB Campus Awards	Local Grants		Capital Projects Fund
<b>ASSETS:</b>						
1110	Cash and cash equivalents	\$	\$ 138	\$ 7,559	\$ 366,905	\$ 854,247
1240	Receivables from other governments				388,439	
1260	Due from other funds				-0-	2,000,000
1290	Other receivables				4,929	
1300	Inventories				67,852	
1410	Deferred expenditures				17,334	
1000	Total assets	\$ -0-	\$ 138	\$ 7,559	\$ 845,459	\$ 2,854,247
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$	\$	\$ 839	\$ 46,551	\$ 581,098
2150	Payroll deductions and withholdings				6,429	
2160	Accrued wages payable				41,951	
2170	Due to other funds				348,256	
2300	Deferred revenues			6,720	41,796	
2000	Total liabilities	-0-	-0-	7,559	484,983	581,098
<b>Fund Balances:</b>						
<b>Non-spendable:</b>						
3410	Inventories				67,852	
3430	Prepays				17,334	
<b>Restricted:</b>						
3450	Grant funds		138		289,460	
3470	Capital acquisitions and contractual obligations					2,273,149
3600	Unassigned				(14,170)	
3000	Total fund balances	-0-	138	-0-	360,476	2,273,149
4000	Total liabilities and fund balances	\$ -0-	\$ 138	\$ 7,559	\$ 845,459	\$ 2,854,247

Total  
Non-Major  
Governmental  
Funds

\$ 1,221,152  
388,439  
2,000,000  
4,929  
67,852  
17,334  
  
\$ 3,699,706

\$ 627,649  
6,429  
41,951  
348,256  
41,796  
  
1,066,081

67,852  
17,334  
  
289,460  
2,273,149  
( 14,170 )  
2,633,625  
  
\$ 3,699,706

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2012**

Data Control Codes		Special				
		211 ESEA Title IV Part A -Safe 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	\$	\$	\$	\$ 396,881	\$
5800	State program revenues				12,437	
5900	Federal program revenues	<u>266,876</u>	<u>469,591</u>	<u>14,285</u>	<u>603,408</u>	<u>21,187</u>
5020	Total revenues	<u>266,876</u>	<u>469,591</u>	<u>14,285</u>	<u>1,012,726</u>	<u>21,187</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	265,017	452,360	14,285		21,187
0013	Curriculum and staff development					
0021	Instructional leadership	1,859	167			
0023	School leadership					
0031	Guidance, counseling and evaluation services		1,772			
0034	Student (pupil) transportation					
0035	Food Service				914,191	
0036	Extracurricular activities					
0041	General administration					
0051	Plant maintenance and operations					
0052	Security and monitoring services					
0053	Data processing services					
0081	Facilities acquisition and construction					
0093	Payments related to shared service arrangements		<u>15,292</u>			
6030	Total expenditures	<u>266,876</u>	<u>469,591</u>	<u>14,285</u>	<u>914,191</u>	<u>21,187</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>98,535</u>	<u>-0-</u>
	OTHER FINANCING SOURCES (USES):					
7915	Transfers in					
8911	Transfers out					
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net changes in fund balances	-0-	-0-	-0-	98,535	-0-
0100	Fund balances - beginning				<u>258,639</u>	
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 357,174</u>	<u>\$ -0-</u>

Revenue Funds							
255	263	287	289	397	410	411	427
ESEA, Title I Part A: Teacher and Principal Training and Recruitment	Title II, English Language Acquisition and Language Enhancement	Education Jobs Fund	Summer School LEP	Campus Awards	Instructional Materials	Technology Allotment	HB 1 State
\$	\$	\$	\$	\$	\$	\$	\$
		16,105		450	72,900		2,432
<u>94,222</u>	<u>2,924</u>	<u>337,127</u>	<u>1,110</u>				
<u>94,222</u>	<u>2,924</u>	<u>353,232</u>	<u>1,110</u>	<u>450</u>	<u>72,900</u>	<u>-0-</u>	<u>2,432</u>
67,859	2,924	39,235	1,110		72,900		2,432
7,152							
19,211							
		313,997		450			
<u>94,222</u>	<u>2,924</u>	<u>353,232</u>	<u>1,110</u>	<u>450</u>	<u>72,900</u>	<u>-0-</u>	<u>2,432</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>
					3,164	( 8,913)	
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,164</u>	<u>( 8,913)</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,164</u>	<u>( 8,913)</u>	<u>-0-</u>
						8,913	
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,164</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2012**

Data Control Codes		Special Revenue Funds				60
		428	429	480		
		L.R.E. Project RIV	AP/IB Campus Awards	Local Grants	Total	Capital Projects Fund
<b>REVENUES:</b>						
5700	Local and intermediate sources	\$	\$	\$ 38,013	\$ 434,894	\$ 2,538
5800	State program revenues		267		104,591	
5900	Federal program revenues	642			1,811,372	
5020	Total revenues	642	267	38,013	2,350,857	2,538
<b>EXPENDITURES:</b>						
Current:						
0011	Instruction	642		38,013	977,964	150,986
0013	Curriculum and staff development				7,152	
0021	Instructional leadership				21,237	
0023	School leadership				313,997	3,050
0031	Guidance, counseling and evaluation services		267		2,489	
0034	Student (pupil) transportation				-0-	33,974
0035	Food Service				914,191	15,503
0036	Extracurricular activities				-0-	17,001
0041	General administration				-0-	19,040
0051	Plant maintenance and operations				-0-	108,242
0052	Security and monitoring services				-0-	6,445
0053	Data processing services				-0-	77,396
0081	Facilities acquisition and construction				-0-	708,624
0093	Payments related to shared service arrangements				15,292	-0-
6030	Total expenditures	642	267	38,013	2,252,322	1,140,261
1100	Excess (deficiency) of revenues over expenditures	-0-	-0-	-0-	98,535	( 1,137,723 )
<b>OTHER FINANCING SOURCES (USES):</b>						
7915	Transfers in				3,164	
8911	Transfers out				( 8,913 )	
	Total other financing sources and (uses)	-0-	-0-	-0-	( 5,749 )	-0-
1200	Net changes in fund balances	-0-	-0-	-0-	92,786	( 1,137,723 )
0100	Fund balances - beginning		138		267,690	3,410,872
3000	Fund balances - ending	\$ -0-	\$ 138	\$ -0-	\$ 360,476	\$ 2,273,149

Total  
Non-Major  
Governmental  
Funds

\$ 437,432  
104,591  
1,811,372  
2,353,395

1,128,950  
7,152  
21,237  
317,047  
2,489  
33,974  
929,694  
17,001  
19,040  
108,242  
6,445  
77,396  
708,624  
15,292

3,392,583

( 1,039,188 )

3,164  
( 8,913 )

( 5,749 )

( 1,044,937 )

3,678,562

\$ 2,633,625

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**YEAR ENDED AUGUST 31, 2012**

Last Ten Years Ended August 31,	1		2		3	10
	Tax Rates				Assessed/Appraised Value for School Tax Purposes	Beginning Balance September 1, 2011
	Maintenance	Debt Service				
2003 and Prior	\$ —	\$ —	\$ —		\$ —	\$ 264,507
2004	1.50000	0.17500	1,486,317,791			22,865
2005	1.50000	0.19200	1,368,708,806			26,170
2006	1.50000	0.17100	1,417,483,853			34,251
2007	1.50000	0.17170	1,536,479,758			38,679
2008	1.37000	0.17170	1,499,562,717			34,626
2009	1.04000	0.17170	1,687,030,453			52,451
2010	1.04000	0.17170	1,397,632,087			74,913
2011	1.04000	0.17170	1,291,306,512			159,274
2012 (School Year Under Audit)	1.04000	0.17170	1,266,082,281			
1000 Totals						\$ <u>707,736</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, 2012
\$	\$ 6,977	\$ 777	\$( 16,008)	\$ 240,745
	1,182	138	( 506)	21,039
	1,766	226	( 491)	23,687
	2,333	266	( 481)	31,171
	3,329	417	( 399)	34,534
	3,978	657	( 539)	29,452
	10,318	1,704	( 559)	39,870
	24,549	4,053	( 818)	45,493
	80,041	13,214	( 2,788)	63,231
<u>15,341,119</u>	<u>13,045,859</u>	<u>2,153,821</u>	<u>11,469</u>	<u>152,908</u>
<u>\$ 15,341,119</u>	<u>\$ 13,180,332</u>	<u>\$ 2,175,273</u>	<u>\$( 11,120)</u>	<u>\$ 682,130</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF**  
**INDIRECT COST FOR 2012-2013**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**YEAR ENDED AUGUST 31, 2012**

**EXHIBIT J-2**  
**Page 1 of 1**

Account Number	Account Name	1 (702) School Board	2 (703) Tax Office	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Costs	6 (Other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$	\$	\$ 234,670	\$ 186,862	\$ 598	\$ 19,227	\$ 441,357
6149	Fringe benefits (unused leave for separating employees in function 41 and related 53)							-0-
6149	Fringe benefits (unused leave for separating employees in all functions except 41 and related 53)							-0-
6211	Legal services	19,763						19,763
6212	Audit services				31,396			31,396
6213	Tax appraisal & collection		122,333					122,333
621X	Other professional services							-0-
6220	Tuition & transfer payments							-0-
6230	Education service centers							-0-
6240	Contract maint. & repair				470		48,706	49,176
6250	Utilities							-0-
6260	Rentals			3,538	2,222			5,760
6290	Miscellaneous contract			5,189	23,335			28,524
6320	Textbooks & reading			398				398
6330	Testing materials							-0-
63XX	Other supplies/materials			11,438	2,341		369	14,148
6410	Travel, subsistence, stipends	3,670		1,832	635		868	7,005
6420	Ins. & bonding costs	6,869						6,869
6430	Election costs	3,078						3,078
6490	Miscellaneous operating	13,582		2,706	438			16,726
6500	Debt service							-0-
6600	Capital outlay							-0-
<b>TOTAL</b>		<b>\$ 46,962</b>	<b>\$ 122,333</b>	<b>\$ 259,771</b>	<b>\$ 247,699</b>	<b>\$ 598</b>	<b>\$ 69,170</b>	<b>\$ 746,533</b>

Total expenditures for General and Special Revenue Funds (Exhibit C-2) (9) \$ 17,696,133

**FISCAL YEAR**

Total Capital Outlay (6600)	(10) \$ 869,424
Total Debt & Lease (6500)	(11) -0-
Plant Maintenance (Function 51, 6100-6400)	(12) 1,728,735
Food (Function 35, 6341 and 6499)	(13) 374,831
Stipends (6413)	(14) -0-
Column 4 (above) - Total Indirect Cost	<u>247,699</u>

Subtotal 3,220,689  
 Net Allowed Direct Cost \$ 14,475,444

**CUMULATIVE**

Total Cost of Buildings before Depreciation	(15) \$ 68,391,589
Historical Cost of Buildings over 50 years old	(16) \$ 6,049,273
Amount of Federal Money in Building Cost (Net of Above)	(17) \$ -0-
Total Cost of Furniture and Equipment before Depreciation	(18) \$ 3,017,151
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 227,532
Amount of Federal Money in Furniture & Equipment (Net of Above)	(20) \$ -0-

Note A - \$ 69,170 in Function 53 expenditures are included in this report on administrative costs.  
 \$ 122,333 in Function 99 expenditures are included in this report on administrative costs.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET**  
**GENERAL FUND**  
**AUGUST 31, 2012**  
**UNAUDITED**

**EXHIBIT J-3**  
**Page 1 of 1**

Data Control Code	Explanation	Amount
1	Total General Fund Balance as of 08/31/12 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>5,636,612</u>
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 3410-3440 for the General Fund only)	104,789
3	Total Committed Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	610,844
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds representing deferred revenues)	
5	Estimate of two month's average cash disbursements during the fiscal year.	2,573,969
6	Estimate of delayed payments from state sources (58XX)	
7	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	
8	Estimate of delayed payments from federal sources (59XX)	
9	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)	1,500,000
10	Adjustment to meet Board Policy	<u>                    </u>
10	Optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10)	<u>4,789,602</u>
11	Excess (deficit) undesignated unreserved General Fund fund balance (1-11)	\$ <u><u>847,010</u></u>

Excess Fund Balance - State funding reductions implemented by the 82nd Legislature resulted in an escalating decrease for the second year of the biennium. This combined with reductions in federal funding has resulted in a budgeted deficit for 2012-13 of \$711,748. The excess fund balance will be used to cover the anticipated shortfall.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE – NONMAJOR FUND**  
**– FOOD SERVICE SPECIAL REVENUE FUND**  
**YEAR ENDED AUGUST 31, 2012**

**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	\$ 347,000	\$ 347,000	\$ 396,881	\$ 49,881
5800	State program revenues	14,300	14,300	12,437	( 1,863 )
5900	Federal program revenues	<u>634,800</u>	<u>634,800</u>	<u>603,408</u>	<u>( 31,392 )</u>
5020	Total revenues	<u>996,100</u>	<u>996,100</u>	<u>1,012,726</u>	<u>16,626</u>
	EXPENDITURES:				
	Current:				
0035	Food service	<u>928,379</u>	<u>968,379</u>	<u>914,191</u>	<u>54,188</u>
6030	Total expenditures	<u>928,379</u>	<u>968,379</u>	<u>914,191</u>	<u>54,188</u>
1100	Excess (deficiency) of revenues over expenditures	<u>67,721</u>	<u>27,721</u>	<u>98,535</u>	<u>70,814</u>
0100	Fund balances – beginning	<u>258,639</u>	<u>258,639</u>	<u>258,639</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 326,360</u>	<u>\$ 286,360</u>	<u>\$ 357,174</u>	<u>\$ 70,814</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND**  
**YEAR ENDED AUGUST 31, 2012**

**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	\$ 2,354,504	\$ 2,354,504	\$ 2,381,333	\$ 26,829
5020	Total revenues	<u>2,354,504</u>	<u>2,354,504</u>	<u>2,381,333</u>	<u>26,829</u>
	EXPENDITURES:				
	Current:				
0071	Debt service - Principal on long-term debt	1,681,275	1,681,275	1,635,000	46,275
0072	Debt service - Interest on long-term debt	924,028	924,028	932,995	( 8,967 )
0073	Bond issuance costs and fees	<u>2,000</u>	<u>2,000</u>	<u>2,378</u>	<u>( 378 )</u>
6030	Total expenditures	<u>2,607,303</u>	<u>2,607,303</u>	<u>2,570,373</u>	<u>36,930</u>
1100	Excess (deficiency) of revenues over expenditures	<u>( 252,799 )</u>	<u>( 252,799 )</u>	<u>( 189,040 )</u>	<u>63,759</u>
0100	Fund balances – beginning	<u>1,402,193</u>	<u>1,402,193</u>	<u>1,402,193</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 1,149,394</u>	<u>\$ 1,149,394</u>	<u>\$ 1,213,153</u>	<u>\$ 63,759</u>

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**FEDERAL AWARDS SECTION**

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# KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS  
Limited Liability Company

Lake Jackson Office:  
3 West Way Court  
Lake Jackson, Texas 77566  
(979) 297-4075 Fax: (979) 297-6248  
(309) 399-4075

Houston Office:  
10260 Westheimer, Suite 410  
Houston, Texas 77042  
(281) 974-3416 Fax: (281) 974-3764

## Independent Auditors' Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards

December 6, 2012

Board of Trustees  
Sweeny Independent School District  
Sweeny, Texas 77480

We have audited 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 the year ended August 31, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated December 6, 2012.

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

*Kennemer, Masters & Hunzford, LLC*

# KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS  
Limited Liability Company

Lake Jackson Office:  
8 West Way Court  
Lake Jackson, Texas 77566  
(979) 297-4075 Fax: (979) 297-6648  
(979) 399-4075

Houston Office:  
10260 Westheimer, Suite 410  
Houston, Texas 77042  
(281) 974-3416 Fax: (281) 974-3764

## Independent Auditors' Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on  
Each Major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133

December 6, 2012

Board of Trustees  
Sweeny Independent School District  
Sweeny, Texas 77480

### Compliance

We have audited Sweeny Independent School District's (the "District") 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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2012.

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

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies on internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-01. *A significant deficiency in internal control over compliance* is a deficiency, or 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.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

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

*Kennemer, Masters & Hunsford, LLC*

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED AUGUST 31, 2012**

Page 1 of 2

I. Summary of auditors' results:

1. Type of auditors' report issued on the financial statements: Unqualified.
2. No internal control finding, required to be reported in this schedule, was disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None.
4. One internal control finding (2012-01), required to be reported in this schedule, was disclosed in the audit of major programs.
5. Type of auditors' report on compliance for major programs: Unqualified.
6. Did the audit disclose findings which are required to be reported under Sec.\_510(a): No
7. Major programs include:
  - Child Nutrition Cluster Programs:
    - 10.553 National School Breakfast Program
    - 10.555 National School Lunch Program
    - 10.555 Commodity Supplement Program
  - 84.410 Education Jobs Fund - ARRA
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:

The audit disclosed no findings required to be reported.

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

1. Schedule reference number 2012-01: Child Nutrition Cluster Programs (eligibility testing). The District did not appropriately maintain documentation for one student when the student's eligibility status had been changed.

Criteria: During compliance test of eligibility, we noted that there was no proper documentation for the change in the status of the student from reduced price to full price meals. According to the Income Eligibility Guidelines and the program compliance requirements, children belonging to households meeting nationwide income eligibility requirements may receive meals at no charge or at reduced price.

Condition Found: Audit procedures found improper documentation for the change in status of the student from reduced price to full price meals.

Questioned Cost/Basis: Unknown

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED AUGUST 31, 2012**

*Page 2 of 2*

**Instances/Universe:** This circumstance was identified during program compliance testing for major federal programs for the year ended August 31, 2012.

**Effect:** Questioned costs are not determinable, however any costs would be considered not material.

**Recommendations:** District should maintain proper documentation per federal grant requirements.

**Contact Person:** Dan Schaefer, CPA, Executive Director of Business Services at Sweeny ISD, 1310 North Elm, Sweeny, Texas 77480.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF STATUS OF PRIOR FINDINGS*  
*YEAR ENDED AUGUST 31, 2012*

*Page 1 of 1*

**PRIOR YEAR'S FINDING/NONCOMPLIANCE**

Schedule reference number 2011-01: Title I, Part A, Improving Basic Programs (Allowable Costs). The District did not appropriately maintain time and effort documentation for two employees which were split-funded by federal programs.

Corrective action taken: The District worked to maintain actual time and effort documentation for all employees which are charged to federal programs per federal and TEA requirements.

Schedule reference number 2012-01: Child Nutrition Cluster Programs (Eligibility testing). The District did not appropriately maintain documentation for one student when the student's eligibility status had been changed.

Corrective action plan: The District will communicate the requirements of proper documentation to staff responsible for maintaining student status and will work to maintain proper documentation when any change occurs to status.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED AUGUST 31, 2012**

*EXHIBIT K-1*  
*Page 1 of 2*

(1)	(2)	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
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	11610101020906	\$ 9,434
ESEA, Title I, Part A, Improving Basic Programs	84.010	12610101020906	244,230
ESEA, Title I, Part A, Improving Basic Programs	84.010	13610101020906	<u>13,212</u>
			<u>266,876</u>
IDEA Part B, Formula	84.027	11660001020906	11,324
IDEA Part B, Formula	84.027	12660001020906	444,486
IDEA Part B, Formula	84.027	13660001020906	<u>13,781</u>
			<u>469,591</u>
IDEA Part B, Preschool	84.173	11661001020906	1,134
IDEA Part B, Preschool	84.173	12661001020906	12,279
IDEA Part B, Preschool	84.173	13661001020906	<u>872</u>
			<u>14,285</u>
Vocational Education, Basic Grant	84.048	1242000602090604	<u>21,187</u>
ESEA, Title II, Part A: Teacher and Principal Training And Recruiting	84.367A	12694501020906	91,367
ESEA, Title II, Part A: Teacher and Principal Training And Recruiting	84.367A	13694501020906	<u>2,855</u>
			<u>94,222</u>
Title III, English Language Acquisition and Enhancement	84.243	---	<u>2,924</u>
Summer School LEP	84.369A	69551102	<u>1,110</u>
Education Job Funds - ARRA	84.410A	11550101020906	<u>337,127</u>
Passed Through Region IV Education Service Center:			
IDEA, Part B Preschool – Discretionary	84.173	116610227104	<u>642</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>\$ <u>1,207,964</u></b>

(continued)

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED AUGUST 31, 2012**

*EXHIBIT K-1*  
*Page 2 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 Agriculture</u>			
Direct Program:			
Commodity Supplement Program*	10.555	--	\$ <u>35,926</u>
Passed Through State Department of Education:			
School Breakfast Program*	10.553	71401201	132,493
National School Lunch Program*	10.555	71301201	<u>434,989</u>
			<u>567,482</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ <u>603,408</u>
<u>U.S. Department of Interior</u>			
Passed Through Brazoria County, Texas:			
Refuge Revenue Sharing Act of 1978	15.000	--	\$ <u>25,854</u>
TOTAL DEPARTMENT OF INTERIOR			\$ <u>25,854</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>1,837,226</u>
*Cluster Programs			
Reconciliation:			
Federal program revenues (Exhibit C-2)			\$ <u>1,837,226</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, 2012**

1. The District utilizes the fund types specified in the Texas Education Agency's Financial Accountability Resource Guide.

Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and the fund balance 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 assets.

The modified accrual basis of accounting is used for the governmental fund types, expendable trust funds, and agency 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 fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is 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 deferred revenues until earned.

3. 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 these goods received was \$ 50,983, while the monetary value of goods used and recognized as income and expenditures was \$ 35,926.
4. The District participates in numerous state and federal grant programs that 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, 2012 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 provisions have been recorded in the accompanying combined financial statements for such contingencies.

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