

**SWEENEY
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2011**

**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, 2011

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Annual Financial Report For the Year Ended August 31, 2011

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INTRODUCTORY SECTION

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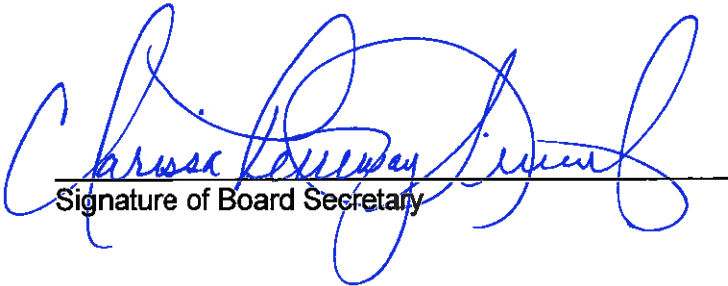
CERTIFICATE OF BOARD

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, 2011, at a meeting of the board of trustees of such school district on the 13th day of December, 2011.


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

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Independent Auditors' Report

December 6, 2011

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, 2011, 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2011, 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, 2011, 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 basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is 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 basic 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.

Kennemer, Masters & Hunzford, LLC

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011

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, 2011. 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 \$ 30,103,867 (*net assets*). Of this amount, \$ 7,021,833 (*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 \$ 11,935,896. Approximately 27 percent of this total amount, \$ 3,246,874, 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 \$ 3,246,874, or 19 percent of the total general fund expenditures.
- During the year, the District had expenses that were \$ 1,432,054 less than the \$ 23,974,223 generated in tax and other revenues for governmental programs. This compares to last year when expenses were less than revenues by \$ 474,981.

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, 2011

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 thirty-one 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 twenty-eight 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, 2011

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

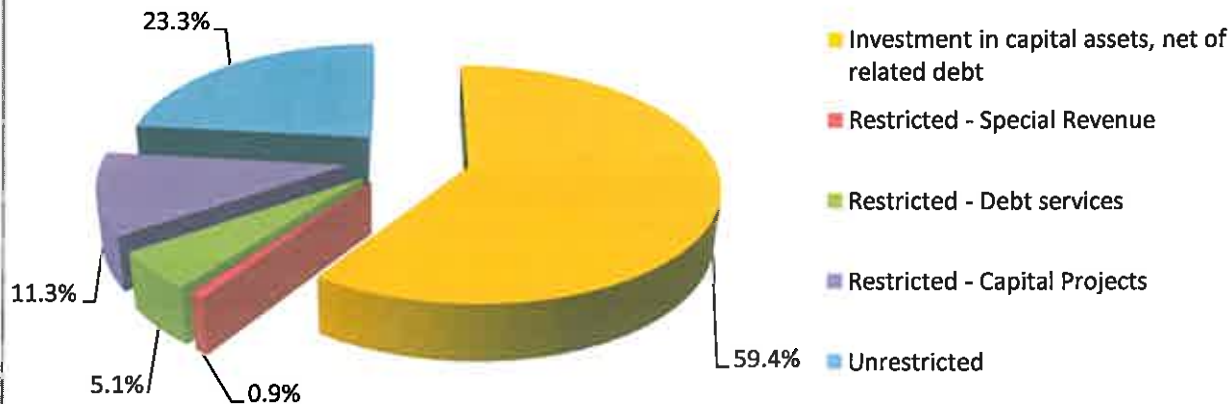
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$ 30,103,867 as of August 31, 2011. Net assets of the District's governmental activities increased from \$ 28,671,813 to \$ 30,103,867.

The District's Net Assets

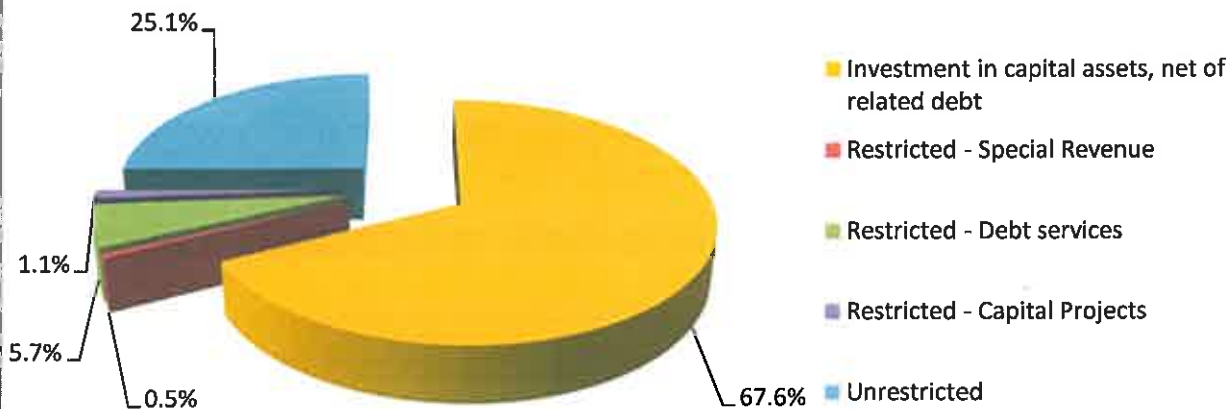
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 13,176,276	\$ 10,978,531
Capital assets	<u>39,907,433</u>	<u>41,016,174</u>
Total assets	<u>53,083,709</u>	<u>51,994,705</u>
Long-term liabilities outstanding	22,105,066	21,719,187
Other liabilities	<u>874,776</u>	<u>1,447,745</u>
Total liabilities	<u>22,979,842</u>	<u>23,166,932</u>
Net assets:		
Investment in capital assets, net of related debt	17,863,717	19,358,695
Restricted	5,218,317	2,111,575
Unrestricted	<u>7,021,833</u>	<u>7,201,543</u>
Total net assets	<u>\$ 30,103,867</u>	<u>\$ 28,671,813</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011

2011 Net Asset Percentage



2010 Net Asset Percentage



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 \$ 17,863,717. 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 17 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$ 7,021,833 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.

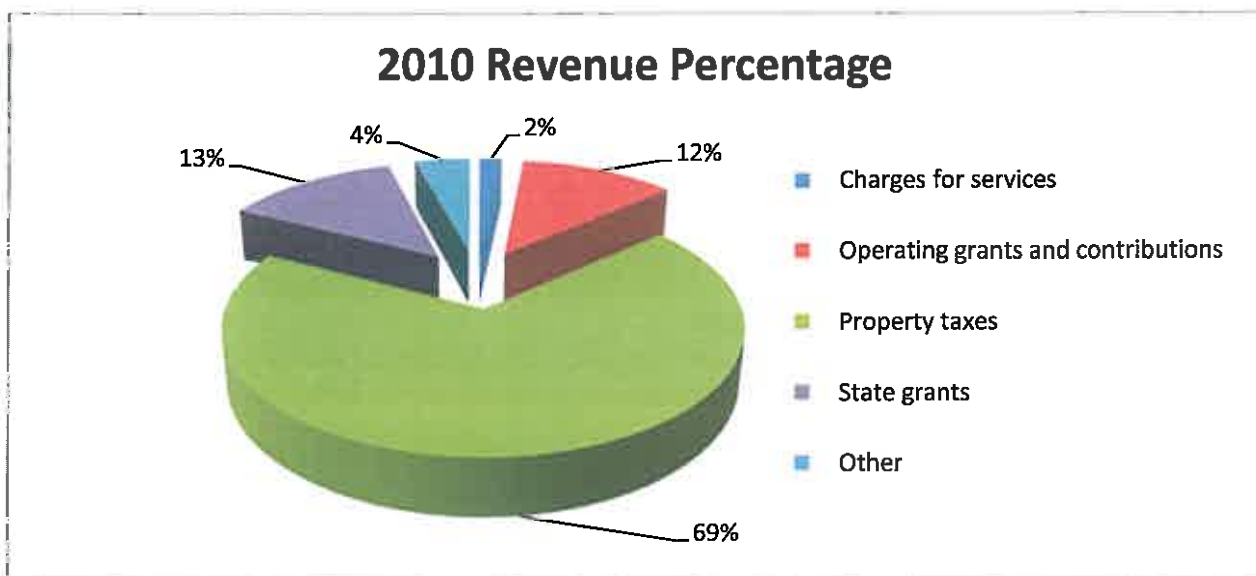
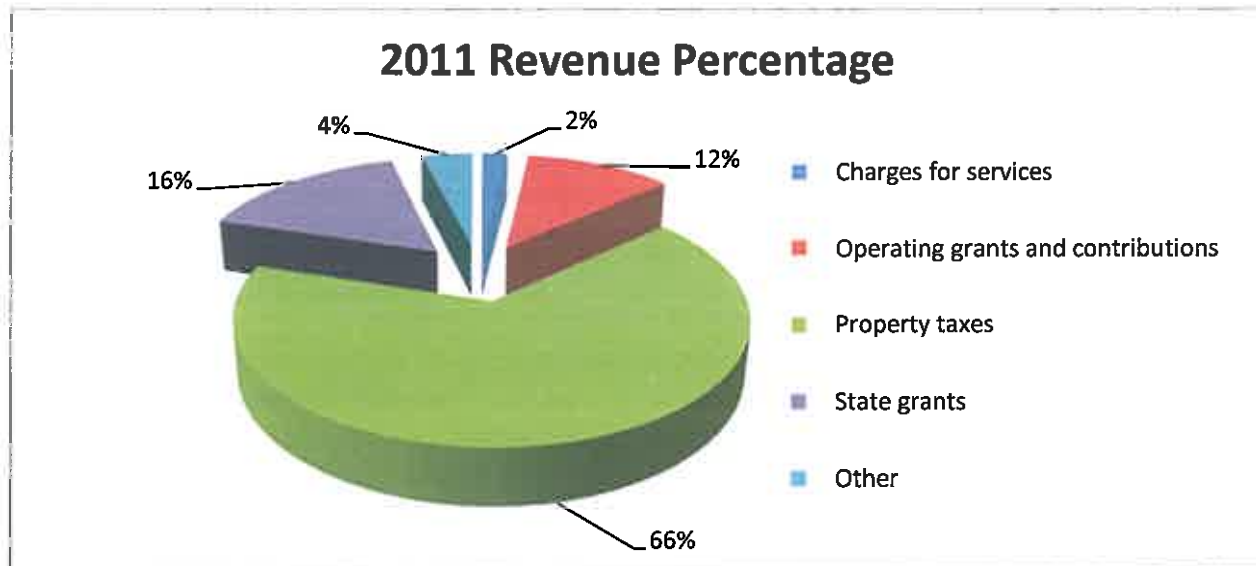
SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011

Governmental activities. The District's total net assets increased by \$ 1,432,054. The District's total revenue decreased by 4%. The District's total cost of all programs and services decreased 8%. The total cost of all *governmental activities* this year was \$ 22,542,169. The amount that our taxpayers paid for these activities through property taxes was \$ 15,913,769 or 71%. The amount of costs that were paid by those who directly benefited from the programs was \$ 471,949 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 \$ 2,738,698 or 12% and \$ 3,895,709 or 17%, respectively.

Changes in the District's Net Assets

	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 471,949	\$ 425,324
Operating grants & contributions	2,738,698	3,007,938
General revenues:		
Property taxes	15,913,769	17,269,837
State grants	3,895,709	3,302,205
Other	954,098	1,062,715
Total revenues	<u>23,974,223</u>	<u>25,068,019</u>
Expenses:		
Instruction	10,547,963	10,673,182
Instructional resources & media services	255,993	322,622
Curriculum & staff development	85,166	23,997
Instructional leadership	547,780	628,945
School leadership	1,125,220	1,117,806
Guidance, counseling & evaluation services	580,808	582,294
Health services	214,178	211,417
Student (pupil) transportation	995,119	1,032,752
Food services	960,390	947,059
Cocurricular/extracurricular activities	839,335	717,482
General administration	638,419	595,214
Plant maintenance and operations	1,875,138	2,149,595
Security and monitoring services	57,203	56,545
Data processing services	185,520	326,279
Community services	9,259	9,260
Debt service-interest and fees on long-term debt	933,134	969,845
Facilities acquisition and construction	8,214	208,730
Contracted instructional services between public schools	2,023,980	3,326,590
Payments related to shared services arrangements	520,727	551,614
Other intergovernmental charges	138,623	141,810
Total expenses	<u>22,542,169</u>	<u>24,593,038</u>
Increase in net assets	1,432,054	474,981
Beginning net assets (restated)	28,671,813	28,352,792
Prior year adjustment		(155,960)
Ending net assets	<u>\$ 30,103,867</u>	<u>\$ 28,671,813</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011



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, 2011

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 11,935,896, an increase of \$ 2,925,135. Approximately 27 percent of this total amount (\$ 3,246,874) 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 committed 1) for inventory \$ 103,289, 2) for prepaid items \$ 67,670, 3) for food service \$ 207,727 and other grant fund \$ 9,052, 4) to pay debt service \$ 1,402,193, 5) for construction \$ 3,410,872, 6) for claims and judgments \$ 250,000, 7) for capital expenditures for equipment \$ 350,000, and 8) other miscellaneous designations \$ 2,888,219.

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 \$ 3,246,874, while the total fund balance was \$ 3,966,922. 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 19 percent of the total general fund expenditures, while total fund balance represents 23 percent of that same amount.

The fund balance of the District's general fund decreased \$ 942,371 or 19% during the current fiscal year compared to last year's total general fund balance of \$ 4,909,293. Revenues decreased from prior year approximately \$ 547,269 or 3%. Expenditures decreased approximately 8% from prior year from \$ 18,655,364 to \$ 17,117,556. Key factors related to this change are as follows:

- Plant maintenance and operation costs decreased \$ 181,649 from the prior year.
- Contracted instructional services between public schools decreased \$ 1,302,610 from the prior year

The Sweeney Education Foundation fund has a total fund balance of \$ 2,888,219, all of which is committed for other purposes. The net increase in fund balance during the period in the Sweeney Education Foundation fund was \$ 797,548 from last year's balance of \$ 2,090,671. The following are the factors contributing to this change:

- The Foundation received contributions of \$ 781,597 from Conoco Phillips Company.

The debt service fund has a total fund balance of \$ 1,402,193 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 \$ 133,483 from last year's balance of \$ 1,535,676. 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 \$ 567,589 below final budgeted amounts mainly due to decrease in local and intermediate source revenue and state program revenue. Actual expenditures were \$ 2,766,594 below final budget amounts. The major portion of this positive variance is due to the decreases in expenditures in instruction, plant maintenance and operations, and contracted instructional services between public schools.

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011

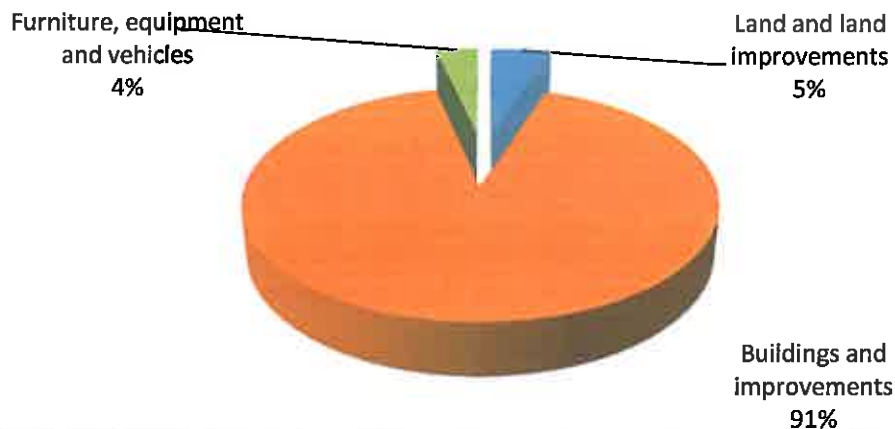
Capital Asset and Debt Administration

Capital assets. The District's investments in capital assets for its governmental activities as of August 31, 2011 amounts to \$ 39,907,433 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, and furniture, equipment and vehicles.

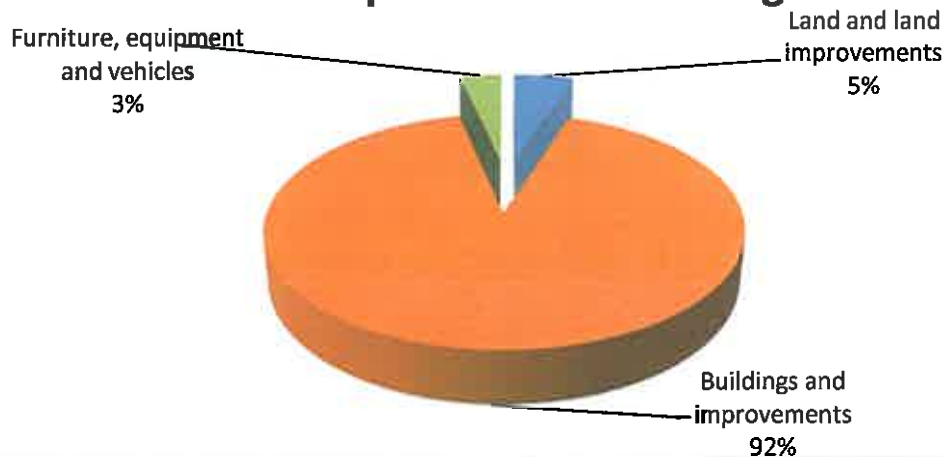
**District's Capital Assets
(net of depreciation)**

	2011	2010
Land and land improvements	\$ 1,996,412	\$ 1,995,098
Buildings and improvements	36,512,514	37,587,978
Furniture, equipment and vehicles	<u>1,398,507</u>	<u>1,433,098</u>
Total at historical cost	<u>\$ 39,907,433</u>	<u>\$ 41,016,174</u>

2011 Capital Asset Percentage



2010 Capital Asset Percentage



SWEENY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011

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, 2011, the District had total long-term debt outstanding of \$ 22,105,066, a decrease of \$ 385,879 from the previous year. Long-term debt is made of general obligation bonds of \$ 21,470,000, accrued interest of \$ 61,350, and premium on general obligation bonds of \$ 573,716.

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 2012 budget decreased \$ 17,394,923 or 1.33% from 2011 values.
- Appraised Interest and Sinking Fund (I&S) State Value Limitation, Chapter 313 Agreement values used for the 2012 budget decreased \$ 32,864,423 or 2.31% from 2011 values.
- The District's 2011-2012 refined average daily attendance is expected to be 1,855.
- The District's attendance rate is estimated to be 96%.
- The total Maintenance and Operations revenue budget is \$ 17,368,201. The revenue breakdown is \$ 13,423,199 from local funds, \$ 3,944,802 from state funds and \$ 200 from federal funds.
- The District has adopted a surplus budget of \$ 57,650. The District has appropriated General Fund revenues of \$ 17,368,201 and expenditures of \$ 17,310,551 which includes recapture expenditures of \$ 1,727,379.
- The 2012 District tax rate will remain the same as 2011 tax rate at \$ 1.2117 (\$ 1.04 for Maintenance and Operations and \$ 0.1717 for Interest and Sinking)
- For 2012, the District has frozen salaries for all employees.
- The 2012 employment salaries amount to 71.9% 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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
YEAR ENDED AUGUST 31, 2011

Exhibit A-1
Page 1 of 1

Data Control Codes		Governmental Activities
	ASSETS:	
1110	Cash and cash equivalents	\$ 5,267,277
1120	Current investments	2,191,089
1120	Investments	951,841
1220	Property taxes receivables - delinquent	707,736
1230	Allowance for uncollectible taxes (credit)	(493,602)
1240	Due from other governments	4,166,841
1250	Accrued interest	13,766
1260	Internal balances	8
1290	Other receivables (net)	1,449
1300	Inventories	103,289
1410	Deferred expenses	67,670
1420	Capital bond and other debt issuance costs	198,912
	Capital Assets:	
1510	Land and land improvements	1,996,412
1525	Buildings and improvements, net	36,512,514
1530	Furniture, equipment and vehicles, net	<u>1,398,507</u>
1000	Total assets	<u>53,083,709</u>
	LIABILITIES:	
2110	Accounts payable	183,210
2150	Payroll deductions and withholding payable	3,561
2160	Accrued wages payable	550,117
2180	Due to other governments	92,189
2300	Deferred revenue	45,699
	Noncurrent Liabilities:	
2501	Due within one year	1,742,064
2502	Due in more than one year	<u>20,363,002</u>
2000	Total liabilities	<u>22,979,842</u>
	NET ASSETS:	
3200	Invested in capital assets, net of related debt	17,863,717
	Restricted For:	
3820	Federal and state programs	9,052
3820	Federal and state programs (Food service)	258,638
3850	Debt service	1,539,755
3860	Capital projects	3,410,872
3900	Unrestricted	<u>7,021,833</u>
3000	Total net assets	<u>\$ 30,103,867</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, 2011

Exhibit B-1
Page 1 of 1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			3 Charges for Services	4 Operating Grants and Contributions	
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	\$ 10,547,963	\$	\$ 1,741,853	\$(8,806,110)
12	Instructional resources and media services	255,993		9,136	(246,857)
13	Curriculum and staff development	85,166		70,249	(14,917)
21	Instructional leadership	547,780		78,475	(469,305)
23	School leadership	1,125,220		57,318	(1,067,902)
31	Guidance, counseling, and evaluation services	580,808		45,348	(535,460)
33	Health services	214,178		10,674	(203,504)
34	Student (pupil) transportation	995,119		25,548	(969,571)
35	Food service	960,390	73,916	581,975	(304,499)
36	Extracurricular activities	839,335	398,033	21,253	(420,049)
41	General administration	638,419		23,171	(615,248)
51	Plant maintenance and operations	1,875,138		52,372	(1,822,766)
52	Security monitoring services	57,203		2,370	(54,833)
53	Data processing services	185,520		2,956	(182,564)
61	Community services	9,259			(9,259)
72	Interest on long-term debt	930,756			(930,756)
73	Bond issuance costs and fees	2,378			(2,378)
81	Facilities acquisition and construction	8,214			(8,214)
91	Contracted instructional services between public schools	2,023,980			(2,023,980)
93	Payments related to shared services arrangements	520,727		16,000	(504,727)
99	Other intergovernmental charges	<u>138,623</u>			<u>(138,623)</u>
TG	Total governmental activities	<u>\$ 22,542,169</u>	<u>\$ 471,949</u>	<u>\$ 2,738,698</u>	<u>\$(19,331,522)</u>
	General Revenues:				
	Taxes:				
MT	Property taxes, levied for general purposes				\$ 13,487,621
DT	Property taxes, levied for debt service				2,426,148
SF	State aid-formula grants				3,895,709
GC	Grants and contributions not restricted to specific programs				853,261
IE	Investment earnings				41,356
MI	Miscellaneous				59,018
SI	Gain on disposal of assets				<u>463</u>
TG	Total general revenues, special items, and other uses				<u>20,763,576</u>
CN	Change in net assets				1,432,054
NB	Net assets – beginning (restated)				<u>28,671,813</u>
NE	Net assets – ending				<u>\$ 30,103,867</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2011

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
ASSETS:						
1110	Cash and cash equivalents	\$ 2,328,371	\$ 1,184,267	\$ 1,192,197	\$ 562,442	\$ 5,267,277
1120	Current investments		743,913	202,988	1,244,188	2,191,089
1120	Investments		951,841			951,841
1220	Taxes receivable - delinquent	621,683		86,053		707,736
1230	Allowance for uncollectible taxes (credit)	(434,741)		(58,861)		(493,602)
1240	Receivables from other governments	4,076,159			90,682	4,166,841
1250	Accrued interest receivable		8,198		5,568	13,766
1260	Due from other funds	53,147		591	2,001,614	2,055,352
1290	Other receivables	1,449				1,449
1300	Inventories	52,378			50,911	103,289
1410	Deferred expenditures	67,670				67,670
1000	Total assets	<u>\$ 6,766,116</u>	<u>\$ 2,888,219</u>	<u>\$ 1,422,968</u>	<u>\$ 3,955,405</u>	<u>\$ 15,032,708</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 56,571	\$	\$	\$ 126,639	\$ 183,210
2150	Payroll deductions and withholdings	2,970			591	3,561
2160	Accrued wages payable	502,342			47,775	550,117
2170	Due to other funds	2,002,205			53,139	2,055,344
2180	Payable to other governments	89,189			3,000	92,189
2300	Deferred revenue	145,917		20,775	45,699	212,391
2000	Total liabilities	<u>2,799,194</u>	<u>-0-</u>	<u>20,775</u>	<u>276,843</u>	<u>3,096,812</u>
Fund Balances:						
Non-spendable:						
3410	Inventories	52,378			50,911	103,289
3430	Prepaid items	67,670				67,670
Restricted:						
3450	Grant funds				216,779	216,779
3470	Capital acquisitions and contractual obligations				3,410,872	3,410,872
3480	Debt service			1,402,193		1,402,193
Committed:						
3520	Claims and judgments	250,000				250,000
3530	Capital expenditures for equipment	350,000				350,000
3590	Other purposes		2,888,219			2,888,219
3600	Unassigned	3,246,874				3,246,874
3000	Total fund balances	<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>
4000	Total liabilities and fund balances	<u>\$ 6,766,116</u>	<u>\$ 2,888,219</u>	<u>\$ 1,422,968</u>	<u>\$ 3,955,405</u>	<u>\$ 15,032,708</u>

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, 2011

Exhibit C-1R
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1) \$ 11,935,896

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 \$ 72,654,181 in assets less \$ 32,746,748 in accumulated depreciation. 39,907,433

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 \$ 145,917 and \$ 20,775, respectively. 166,692

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 \$ 59,831. 198,912

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 \$ 147,674). (573,716)

Payables for bond principal are not reported in the funds. (21,470,000)

Payables for bond interest are not reported in the funds. (61,350)

Net assets of governmental activities (see A-1) \$ 30,103,867

SWEENY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2011

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
REVENUES:						
5700	Local and intermediate sources	\$ 13,668,330	\$ 797,548	\$ 2,443,425	\$ 432,041	\$ 17,341,344
5800	State program revenues	4,472,532			106,264	4,578,796
5900	Federal program revenues	26,123			2,055,611	2,081,734
5020	Total revenues	<u>18,166,985</u>	<u>797,548</u>	<u>2,443,425</u>	<u>2,593,916</u>	<u>24,001,874</u>
EXPENDITURES:						
Current:						
0011	Instruction	8,112,560			1,625,735	9,738,295
0012	Instructional resources and media services	217,074				217,074
0013	Curriculum and staff development	15,766			69,400	85,166
0021	Instructional leadership	423,536			99,870	523,406
0023	School leadership	1,082,184				1,082,184
0031	Guidance, counseling, and evaluation services	545,838			19,521	565,359
0033	Health services	192,895				192,895
0034	Student (pupil) transportation	800,620			117,336	917,956
0035	Food Service				901,226	901,226
0036	Extracurricular activities	685,198			24,579	709,777
0041	General administration	616,766				616,766
0051	Plant maintenance and operations	1,653,513			324,651	1,978,164
0052	Security and monitoring services	49,551			3,216	52,767
0053	Data processing services	54,725			101,795	156,520
0071	Principal on long-term debt			1,625,000		1,625,000
0072	Interest on long-term debt			954,705		954,705
0073	Bond issuance costs and fees			51,044		51,044
0081	Facilities acquisition and construction				87,146	87,146
0091	Contracted instructional services between public schools	2,023,980				2,023,980
0093	Payments related to shared services arrangements	504,727			16,000	520,727
0099	Other intergovernmental charges	138,623				138,623
6030	Total expenditures	<u>17,117,556</u>	<u>-0-</u>	<u>2,630,749</u>	<u>3,390,475</u>	<u>23,138,780</u>
1100	Excess (deficiency) of revenues over expenditures	<u>1,049,429</u>	<u>797,548</u>	<u>(187,324)</u>	<u>(796,559)</u>	<u>863,094</u>
OTHER FINANCING SOURCES (USES):						
7911	Issuance of bonds				2,000,000	2,000,000
3014	Sale of property	8,200				8,200
7915	Transfers in				2,000,000	2,000,000
7916	Premium on issuance of bonds			53,841		53,841
8911	Transfers out	(2,000,000)				(2,000,000)
	Total other financing sources and (uses)	<u>(1,991,800)</u>	<u>-0-</u>	<u>53,841</u>	<u>4,000,000</u>	<u>2,062,041</u>
1200	Net change in fund balances	<u>(942,371)</u>	<u>797,548</u>	<u>(133,483)</u>	<u>3,203,441</u>	<u>2,925,135</u>
0100	Fund balances – beginning (restated)	<u>4,909,293</u>	<u>2,090,671</u>	<u>1,535,676</u>	<u>475,121</u>	<u>9,010,761</u>
3000	Fund balances – ending	<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>

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, 2011**Exhibit C-2R
Page 1 of 1

Net change in fund balances – total governmental funds (from C-2)	\$ 2,925,135
Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay \$ 534,067 less depreciation \$ 1,635,071.	(1,101,004)
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The cost of assets disposed were \$ 7,737 (cost of \$ 326,776 less accumulated depreciation of \$ 319,039).	(7,737)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues to the general fund and the debt service fund amounted to \$ 21,095 and \$ 7,019, respectively.	(28,114)
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 \$ 53,841 and \$ 42,604, respectively.	(11,237)
Debt issuance costs is an expenditure in the governmental funds, but the costs increase long-term assets in the governmental activities statement of net assets. This amount is amortized over the life of the related bond. Bond issuance costs were \$ 48,666.	48,666
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the governmental activities statement of net assets. Long-term proceeds in the governmental fund were \$ 2,000,000.	(2,000,000)
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 \$ 1,625,000.	1,625,000
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 \$ 358 less the amortization of bond issuance costs \$ 19,013.	(18,655)
Change in net assets of governmental activities (see B-1)	<u>\$ 1,432,054</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, 2011

Exhibit E-1
Page 1 of 1

	Family Crisis Trust	Agency Funds
ASSETS:		
Cash and cash equivalents	\$ <u>19,842</u>	\$ <u>263,083</u>
Total assets	<u>19,842</u>	<u>\$ 263,083</u>
LIABILITIES:		
Amounts due to student groups and others		\$ 263,075
Due to other funds		<u>8</u>
Total liabilities	<u>-0-</u>	<u>\$ 263,083</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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2011

Exhibit E-2
Page 1 of 1

		Family Crisis Trust
		<u> </u>
ADDITIONS:		
Total additions		\$ <u> -0-</u>
DEDUCTIONS:		
Health services		<u> 238</u>
Total deductions		<u> 238</u>
Change in net assets		(238)
NET ASSETS:		
Net assets - beginning of year		<u> 20,080</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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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SWEENY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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, 2011

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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, 2011

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, 2010, upon which the levy for the 2010-11 fiscal year was based, was \$ 1,291,306,512. 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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

The tax rates assessed for the year ended August 31, 2011, 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.

Current tax collections for the year ended August 31, 2011 were 100.11% 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, 2011, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 186,942 and \$ 27,192 for the general and debt service funds, respectively.

Inventories

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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, 2010. 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 25, 2011.

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, 2011 that were subsequently provided for in the 2011-2012 budget as a September amendment for Board approval totaled \$ 55,615.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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.

During the fiscal year, 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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances (Continued)

As of August 31, 2011, non-spendable fund balances include \$ 52,378 for inventories and \$ 67,670 for prepaid items in the general fund, \$ 50,911 for inventories in food service (special revenue fund). Restricted fund balances include \$ 1,402,193 for debt service fund, \$ 207,727 for food service fund, \$ 9,052 for other special revenue funds, and \$ 3,410,872 for capital acquisition and contractual obligation. Committed fund balances include \$ 250,000 for claims and judgments and \$ 350,000 for capital expenditures for equipment in general fund and \$ 2,888,219 for Sweeny Education Foundation fund. Unassigned fund balance includes \$ 3,246,874 in the general fund.

Data Control Codes

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

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 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. The statements was implemented and did not have an impact on the District's financial statements.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 2. NEW PRONOUNCEMENTS (Continued)

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.

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 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, 2011.

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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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, 2011 are as follows:

	Governmental Funds	Fiduciary Funds	Total
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 137	\$	\$ 137
Financial Institution Deposits:			
Demand deposits	1,512,353	282,925	1,795,278
Texpool	3,014,823		3,014,823
MBIA Texas Class	735,444		735,444
Lonestar	4,520		4,520
Total cash and cash equivalents	<u>5,267,277</u>	<u>282,925</u>	<u>5,550,202</u>
Current Investments:			
Certificates of deposit	500,000		500,000
Commercial paper	1,244,188		1,244,188
Other investment	446,901		446,901
Total current investments	<u>2,191,089</u>	<u>-0-</u>	<u>2,191,089</u>
Non-current investments	<u>951,841</u>		<u>951,841</u>
Totals	<u>\$ 8,410,207</u>	<u>\$ 282,925</u>	<u>\$ 8,693,132</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, 2011, in addition to petty cash of \$ 137, the carrying amount of the District's cash, savings, and time deposits was \$ 1,795,278. The financial institutions balances were \$ 1,992,221 at August 31, 2011. Cash balances of \$ 250,000 were covered by federal depository insurance, \$ 1,125,680 was covered by the Securities Investor Protection Corporation Insurance, and \$ 616,541 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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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 \$ 2,500,090.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 2,061,335 and occurred on January 12, 2011.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 250,000.

Investments

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

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

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

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

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

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

The District entered into this agreement for the purpose of repaying bonds. This agreement shall not be terminable upon demand. The District will participate in this agreement until completion of term with an interest rate of 2.95% on the investments. The District will then repay bonds with this investment. During the year ended August 31, 2011 the District made its 5th payment of \$ 37,807. At August 31, 2011 the value of cash and investments were \$ 203,718. 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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

At August 31, 2011 Texpool, Lonestar and MBIA Texas Class had a weighted average maturity of 46 days, 39 days and 40 days, respectively. Although Texpool, Lonestar and MBIA Texas Class portfolios had a weighted average maturity of 46 days, 39 days and 40 days, respectively, the District considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

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

The following table includes the portfolio balances of all investment types of the District at August 31, 2011.

	<u>Maturity Date</u>	<u>Coupon Rate (%)</u>	<u>Weighted Average Maturity (Days)</u>	<u>Market Value</u>
Local Government Investment Pools:				
Texpool	N/A	Varies daily	1	\$ 3,014,823
MBIA Texas Class	N/A	Varies daily	1	735,444
Lonestar	N/A	Varies daily	1	<u>4,520</u>
Total local government investment pools			1	<u>3,754,787</u>
Certificates of Deposit:				
Certificate of deposit	12/16/11	0.40%	54	250,000
Certificate of deposit	12/16/11	0.35%	54	<u>250,000</u>
Total Certificates of Deposit			54	<u>500,000</u>
Commercial Paper:				
Intesa FDG	09/09/11	0.63%	9	<u>1,244,188</u>
U.S. Government bonds and Asset Backed Securities:				
Fed home mtg corp disc nts	12/15/11	4.00%	15	202,988
Fed home mortgage corp	12/05/11	6.48%	23	330,307
FNMA issues	08/25/12	4.45%	63	243,913
FNMA medium term	12/25/12	4.40%	119	344,531
Fed home ln mtg corp	02/01/14	4.00%	60	94,778
Fhlmc multiclass mtg prtn cfs gtd	09/15/14	5.50%	94	118,468
Fhlms multiclass mtg prtn cfs gtd	04/15/15	4.50%	60	<u>63,757</u>
Total U.S. Government and Instrumentality securities			62	<u>1,398,742</u>
Totals			19	<u>\$ 6,897,717</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

Credit Risk – As of August 31, 2011, the LGIPs (which represent approximately 55% 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. The U.S. instrumentalities (which represent approximately 38% 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, 2011, 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 19 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, 2011, and holds no direct investments in derivatives at August 31, 2011.

NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES

Receivables and Allowances

Receivables as of August 31, 2011, 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	\$ 621,683	\$	\$ 86,053	\$	\$ 707,736
Receivables from other governments	4,076,159			90,682	4,166,841
Interest		8,198		5,568	13,766
Other	<u>1,449</u>	<u></u>	<u></u>	<u></u>	<u>1,449</u>
Gross receivables	4,699,291	8,198	86,053	96,250	4,889,792
Less: Allowance for uncollectible	<u>434,741</u>	<u></u>	<u>58,861</u>	<u></u>	<u>493,602</u>
Net total receivables	<u>\$ 4,264,550</u>	<u>\$ 8,198</u>	<u>\$ 27,192</u>	<u>\$ 96,250</u>	<u>\$ 4,396,190</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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, 2011 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Governmental Funds:				
General	\$ 4,071,860	\$	\$ 4,299	\$ 4,076,159
Other funds	<u>3,164</u>	<u>82,115</u>	<u>5,403</u>	<u>90,682</u>
Totals	\$ <u>4,075,024</u>	\$ <u>82,115</u>	\$ <u>9,702</u>	\$ <u>4,166,841</u>

Amounts due to federal, state, and local governments as of August 31, 2011 are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
Major Governmental Funds:			
General	\$ 89,189	\$	\$ 89,189
Other funds	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Totals	\$ <u>89,189</u>	\$ <u>3,000</u>	\$ <u>92,189</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, 2011, 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)	\$ 145,917	\$
Delinquent property taxes receivable (debt service fund)	20,775	
Deferred state revenue		24,696
Federal food commodities	<u>21,003</u>	<u>21,003</u>
Total deferred/unearned revenue from governmental funds	\$ <u>166,692</u>	\$ <u>45,699</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

Interfund Receivables and Payables

Interfund balances at August 31, 2011 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 53,139	\$ 1,614
Debt Service Fund		591
Capital Project Fund		2,000,000
Fiduciary Funds	8	
	<u>53,147</u>	<u>2,002,205</u>
Special Revenue Funds:		
General Fund:		
Title XIV Stimulus		27,617
Title II Part D		1,044
ESEA Title II Part A		2,009
Summer School LEP		48
Vocational Education Tech Prep	85	1,084
Vocational Education Basic	1,528	3,572
Accelerated Reading	1	5,404
Education Job		12,361
	<u>1,614</u>	<u>53,139</u>
Debt Service:		
General Fund	591	
	<u>591</u>	<u>-0-</u>
Capital Projects:		
General Fund	2,000,000	
	<u>2,000,000</u>	<u>-0-</u>
Fiduciary Funds:		
General Fund		8
	<u>-0-</u>	<u>8</u>
	<u>\$ 2,055,352</u>	<u>\$ 2,055,352</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES (Continued)

Interfund Transfers

Interfund transfers for the year ended August 31, 2011 consisted of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Capital Project Fund:		
Construction Fund 680	\$	\$ 1,000,000
Construction Fund 681		1,000,000
	<u>-0-</u>	<u>2,000,000</u>
Capital Project Funds:		
General Fund:		
Construction Fund 680	1,000,000	
Construction Fund 681	1,000,000	
	<u>2,000,000</u>	<u>-0-</u>
	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</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, 2011:

	<u>Balance September 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance August 31, 2011</u>
Non-Depreciated Capital Assets:				
Land	\$ 1,356,639	\$ 49,599	\$ -0-	\$ 1,406,238
Depreciated Capital Assets:				
Land improvements	1,073,028			1,073,028
Buildings and improvements	67,024,695	251,528		67,276,223
Furniture, equipment & vehicles	2,992,528	232,940	326,776	2,898,692
Total depreciated	<u>71,090,251</u>	<u>484,468</u>	<u>326,776</u>	<u>71,247,943</u>
Total additions/retirements		<u>\$ 534,067</u>	<u>\$ 326,776</u>	

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 6. CAPITAL ASSETS (Continued)

Changes in Capital Assets and Accumulated Depreciation (Continued)

	Balance September 1, 2010	Additions	Retirements	Balance August 31, 2011
Accumulated Depreciated:				
Land and land improvements	\$ 434,569	\$ 48,285	\$	\$ 482,854
Buildings and improvements	29,436,717	1,326,992		30,763,709
Furniture, equipment & vehicles	1,559,430	259,794	319,039	1,500,185
Total	31,430,716	\$ 1,635,071	\$ 319,039	32,746,748
Net depreciated capital assets	39,659,535			38,501,195
Net capital assets	\$41,016,174			\$ 39,907,433

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:

Data Control Codes	Function	Amount
0011	Instruction	\$ 940,932
0012	Instructional resources and media services	38,919
0021	Instructional leadership	24,374
0023	School leadership	43,036
0031	Guidance, counseling, and evaluation services	15,449
0033	Health services	21,283
0034	Student (pupil) transportation	194,499
0035	Food service	78,184
0036	Extracurricular activities	142,783
0041	General administration	21,653
0051	Plant maintenance and operations	50,852
0052	Security and monitoring services	4,436
0053	Data processing services	47,329
0061	Community services	9,259
0081	Facilities acquisition and construction	2,083
	Total depreciation expense	\$ 1,635,071

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 7. LONG-TERM DEBT

Loans

Short term debits 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, 2011.

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, 2011:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 09/01/10</u>	<u>Change</u>	<u>Amounts Outstanding 08/31/11</u>
All General Obligation Bonds of the District	0.50%- 7.10%	<u>\$ 21,750,000</u>	<u>\$ 21,095,000</u>	<u>\$ 375,000</u>	<u>\$ 21,470,000</u>

The change in amounts of bonded debt outstanding for the year ended August 31, 2011 was as follows:

Bonds Issued	\$ 2,000,000
Bonds Retired	(1,625,000)
Change in Bonds Outstanding	<u>\$ 375,000</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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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>
2012	\$ 37,307
2013	37,307
2014	37,307
2015	37,307
2016	37,307
2017-2021	186,535
2022	<u>37,307</u>
Total Minimum Requirements	<u>\$ 410,377</u>

The following is a summary of the District's general obligation bonded debt as of August 31, 2011:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance 08-31-11</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	9,220,000
2010	<u>2,000,000</u>	2015	2.000-2.250	<u>2,000,000</u>
Total	<u>\$ 21,750,000</u>			<u>\$ 21,470,000</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>
2012	\$ 1,635,000	\$ 890,471	\$ 2,525,471
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
2017-2021	4,985,000	2,406,243	7,391,243
2022-2026	7,135,000	1,240,718	8,375,718
2027	<u>1,480,000</u>	<u>79,550</u>	<u>1,559,550</u>
Totals	<u>\$ 21,470,000</u>	<u>\$ 7,387,482</u>	<u>\$ 28,857,482</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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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, 2011.

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended August 31, 2011, was as follows:

	Balance 09-01-10	Additions	Reductions	Balance 08-31-11	Due Within One Year
General obligation bonds	\$ 21,095,000	\$ 2,000,000	\$ 1,625,000	\$ 21,470,000	\$ 1,635,000
Components of Long-Term Debt:					
Premium on general obligation bonds payable	562,479	53,841	42,604	573,716	45,714
Accrued interest	61,708	61,350	61,708	61,350	61,350
Totals	<u>\$ 21,719,187</u>	<u>\$ 2,115,191</u>	<u>\$ 1,729,312</u>	<u>\$ 22,105,066</u>	<u>\$ 1,742,064</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, 2011 as follows:

Year Ended August 31	Amount
2012	\$ 65,686
2013	61,221
2014	39,108
2015	<u>15,349</u>
Total minimum rentals	<u>\$ 181,364</u>

Rental expenditures on the above mentioned equipment for the year ended August 31, 2011 were \$ 94,493.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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 6.644% for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. State law further provides a member contribution rate of 6.4% for fiscal years 2011, 2010 and 2009. In certain instances, the reporting District is required to make all or a portion of the state's 6.644% contribution for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. 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, 2011, 2010, and 2009 were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
District payroll	\$ 11,544,009	\$ 11,506,532	\$ 11,134,978
District TRS payroll	\$ 11,041,367	\$ 11,010,035	\$ 10,710,206
District contributions	\$ 98,408	\$ 80,277	\$ 86,992
Federal contributions	\$ 51,907	\$ 59,195	\$ 53,085
State contributions	\$ 663,087	\$ 677,770	\$ 642,975
Medicare part D	\$ 25,596	\$ 27,853	\$ 24,126
State contribution rate	6.644%	6.644%	6.58%
Employee contributions	\$ 706,649	\$ 704,642	\$ 685,453
Employee contribution rate	6.40%	6.40%	6.40%

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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, 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	\$ 13,416,463	\$	\$ 2,419,315	\$	\$ 15,835,778
Investment income	8,524	15,951	10,258	6,623	41,356
Food sales				398,033	398,033
Enterprising activities	4,446				4,446
Penalties, interest and other tax related income	92,253		13,852		106,105
Co-curricular income	73,916				73,916
Gifts and bequests	18,156	781,597		27,385	827,138
Other	54,572				54,572
Total	<u>\$ 13,668,330</u>	<u>\$ 797,548</u>	<u>\$ 2,443,425</u>	<u>\$ 432,041</u>	<u>\$ 17,341,344</u>

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 2011, 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, 2011, 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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

NOTE 12. RISK POOL PARTICIPATION (Continued)

Unemployment Compensation Pool (Continued)

The Fund meets its quarterly obligations to the Texas Workforce Commission. Expenses are accrued each month 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 members.

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, 2010, 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, 2011, 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, 2010, the Fund carries a discounted reserve of \$ 73,157,884 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2010, 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, 2010, 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, 2011 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, 2011

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 \$ 16,000.

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 \$ 504,727 and were coded to 6492 payments to fiscal agents.

NOTE 15. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 13 2011, the date which the financial statements were available to be issued.

NOTE 16. RESTATEMENTS OF FUND BALANCE AND NET ASSETS

During the year ended August 31, 2011, the District personnel determined that state foundation revenue on general fund was not correctly reported as of year ended August 31, 2010 and need to be adjusted. The following is a summary of prior period adjustments related to August 31, 2010 fund balance for governmental fund and net asset for governmental activities.

	<u>General Fund</u>	<u>Governmental Activities</u>
Balance – August 31, 2010 (Previously Reported)	\$ 5,065,253	\$ 28,827,773
Prior Period Adjustments:		
Overstatement of State Foundation Revenue	(155,960)	(155,960)
Balance – August 31, 2010 (restated)	<u>\$ 4,909,293</u>	<u>\$ 28,671,813</u>

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, 2011

Exhibit G-1
Page 1 of 1

		General Fund			Variance with Final Budget Positive (Negative)
Data Control Codes		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 13,976,978	\$ 13,995,800	\$ 13,668,330	\$(327,470)
5800	State program revenues	4,738,574	4,738,574	4,472,532	(266,042)
5900	Federal program revenues	200	200	26,123	25,923
5020	Total revenues	18,715,752	18,734,574	18,166,985	(567,589)
	EXPENDITURES:				
	Current:				
0011	Instruction	8,680,413	8,714,828	8,112,560	602,268
0012	Instructional resources and media services	220,500	230,500	217,074	13,426
0013	Curriculum and staff development	27,530	29,530	15,766	13,764
0021	Instructional leadership	417,505	436,405	423,536	12,869
0023	School leadership	1,101,018	1,163,818	1,082,184	81,634
0031	Guidance, counseling, and evaluation services	571,862	613,425	545,838	67,587
0033	Health services	192,982	206,252	192,895	13,357
0034	Student (pupil) transportation	867,682	877,682	800,620	77,062
0036	Extracurricular activities	719,456	728,847	685,198	43,649
0041	General administration	673,711	682,571	616,766	65,805
0051	Plant maintenance and operations	2,034,145	1,976,485	1,653,513	322,972
0052	Security and monitoring services	50,198	54,198	49,551	4,647
0053	Data processing services	57,932	61,932	54,725	7,207
0071	Debt Service - principal on long-term debt	1,500	1,500		1,500
0091	Contracted instructional services between public schools	3,159,677	3,047,677	2,023,980	1,023,697
0093	Payments related to shared services arrangements	850,000	850,000	504,727	345,273
0095	Payments related to shared services arrangements Education programs	3,500	3,500		3,500
0099	Other intergovernmental charges	205,000	205,000	138,623	66,377
6030	Total expenditures	19,834,611	19,884,150	17,117,556	2,766,594
1100	Excess (deficiency) of revenues over expenditures	(1,118,859)	(1,149,576)	1,049,429	2,199,005
	OTHER FINANCING SOURCES (USES):				
3014	Sale of property			8,200	8,200
8911	Transfers out	(50,000)	(2,050,000)	(2,000,000)	50,000
	Total other financing sources (uses)	(50,000)	(2,050,000)	(1,991,800)	58,200
1200	Net change in fund balances	(1,168,859)	(3,199,576)	(942,371)	2,257,205
0100	Fund balances – beginning	4,909,293	4,909,293	4,909,293	-0-
3000	Fund balances – ending	\$ 3,740,434	\$ 1,709,717	\$ 3,966,922	\$ 2,257,205

OTHER SUPPLEMENTARY INFORMATION

SWEENEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes		211	224	225	226	Special 240
		ESEA Title IV Part A -Safe Improving Basic Programs	IDEA Part B Formula	IDEA Part B Preschool	IDEA Part B Preschool Discretionary	National School Lunch and Breakfast Program
	ASSETS:					
1110	Cash and cash equivalents	\$ 5,806	\$ 12,264	\$ 1,134	\$ 1,042	\$ 257,994
1120	Current investments					
1240	Receivables from other governments	19,142	16,262	888		23,426
1250	Accrued interest receivable					
1260	Due from other funds					
1300	Inventories					50,911
1000	Total assets	<u>\$ 24,948</u>	<u>\$ 28,526</u>	<u>\$ 2,022</u>	<u>\$ 1,042</u>	<u>\$ 332,331</u>
	LIABILITIES AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$ 89	\$ 1,090	\$	\$ 400	\$ 38,208
2150	Payroll deductions and withholdings					591
2160	Accrued wages payable	12,425	16,112	888		13,891
2170	Due to other funds					
2180	Payable to other governments	3,000				
2300	Deferred revenues	<u>9,434</u>	<u>11,324</u>	<u>1,134</u>	<u>642</u>	<u>21,003</u>
2000	Total liabilities	<u>24,948</u>	<u>28,526</u>	<u>2,022</u>	<u>1,042</u>	<u>73,693</u>
	Fund Balances:					
	Non-spendable:					
3410	Inventories					50,911
	Restricted:					
3450	Grant funds					207,727
3470	Capital acquisitions and contractual obligations					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>258,638</u>
4000	Total liabilities and fund balances	<u>\$ 24,948</u>	<u>\$ 28,526</u>	<u>\$ 2,022</u>	<u>\$ 1,042</u>	<u>\$ 332,331</u>

Revenue Funds

243	244	255	262	266	279	283	284
Vocational Education Technical Preparation	Vocational Education Basic	ESEA Title II Part A: Teacher and Principal Training and Recruitment	Enhancing Education Through Technology	ARRA Title XIV State Fiscal Stabilization Fund	Title II Part D ARRA	IDEA Part B Formula ARRA	IDEA Part B Preschool ARRA
\$	\$	\$	\$	\$ 27,617	\$ 1,044	\$	\$
999	2,096	5,792					
85	1,528						
<u>1,084</u>	<u>3,624</u>	<u>5,792</u>	<u>-0-</u>	<u>27,617</u>	<u>1,044</u>	<u>-0-</u>	<u>-0-</u>
\$	\$	\$ 524	\$	\$	\$	\$	\$
1,084	52 3,572	3,259 2,009		27,617	1,044		
<u>1,084</u>	<u>3,624</u>	<u>5,792</u>	<u>-0-</u>	<u>27,617</u>	<u>1,044</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 1,084</u>	<u>\$ 3,624</u>	<u>\$ 5,792</u>	<u>\$ -0-</u>	<u>\$ 27,617</u>	<u>\$ 1,044</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes		Special Revenue Funds				
		285 ESEA Title I Part A Improving Basic Programs ARRA	287 Education Job Funds	288 SLDS Classroom Link ISD's	289 Summer School LEP	397 Campus Awards
	ASSETS:					
1110	Cash and cash equivalents	\$	\$	\$	\$ 48	\$
1120	Current investments					
1240	Receivables from other governments		13,509			
1250	Accrued interest receivable					
1260	Due from other funds					
1300	Inventories					
1000	Total assets	\$ <u>-0-</u>	\$ <u>13,509</u>	\$ <u>-0-</u>	\$ <u>48</u>	\$ <u>-0-</u>
	LIABILITIES AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$	\$	\$	\$	\$
2150	Payroll deductions and withholdings					
2160	Accrued wages payable		1,148			
2170	Due to other funds		12,361		48	
2180	Payable to other governments					
2300	Deferred revenues					
2000	Total liabilities	<u>-0-</u>	<u>13,509</u>	<u>-0-</u>	<u>48</u>	<u>-0-</u>
	Fund Balances:					
	Non-spendable:					
3410	Inventories					
	Restricted:					
3450	Grant funds					
3470	Capital acquisitions and contractual obligations					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
4000	Total liabilities and fund balances	\$ <u>-0-</u>	\$ <u>13,509</u>	\$ <u>-0-</u>	\$ <u>48</u>	\$ <u>-0-</u>

404	411	429	480		60	
Accelerated Reading Program	Technology Allotment	AP/IB Campus Awards	Local Grants	Total	Capital Projects Fund	Total Non-Major Governmental Funds
\$	\$ 7,214	\$ 138	\$ 2,162	\$ 316,463	\$ 245,979	\$ 562,442
				-0-	1,244,188	1,244,188
5,403	3,165			90,682		90,682
				-0-	5,568	5,568
1				1,614	2,000,000	2,001,614
				50,911		50,911
<u>\$ 5,404</u>	<u>\$ 10,379</u>	<u>\$ 138</u>	<u>\$ 2,162</u>	<u>\$ 459,670</u>	<u>\$ 3,495,735</u>	<u>\$ 3,955,405</u>
\$	\$ 1,465	\$	\$	\$ 41,776	\$ 84,863	\$ 126,639
				591		591
				47,775		47,775
5,404				53,139		53,139
				3,000		3,000
			2,162	45,699		45,699
<u>5,404</u>	<u>1,465</u>	<u>-0-</u>	<u>2,162</u>	<u>191,980</u>	<u>84,863</u>	<u>276,843</u>
				50,911		50,911
	8,914	138		216,779		216,779
				-0-	3,410,872	3,410,872
<u>-0-</u>	<u>8,914</u>	<u>138</u>	<u>-0-</u>	<u>267,690</u>	<u>3,410,872</u>	<u>3,678,562</u>
<u>\$ 5,404</u>	<u>\$ 10,379</u>	<u>\$ 138</u>	<u>\$ 2,162</u>	<u>\$ 459,670</u>	<u>\$ 3,495,735</u>	<u>\$ 3,955,405</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2011

Data Control Codes		211	224	225	226	Special 240
		ESEA Title IV Part A -Safe Improving Basic Programs	IDEA Part B Formula	IDEA Part B Preschool	IDEA Part B Preschool Discretionary	National School Lunch and Breakfast Program
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$	\$ 398,033
5800	State program revenues				77	15,983
5900	Federal program revenues	<u>298,166</u>	<u>372,143</u>	<u>17,971</u>	<u>15,099</u>	<u>571,736</u>
5020	Total revenues	<u>298,166</u>	<u>372,143</u>	<u>17,971</u>	<u>15,176</u>	<u>985,752</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	190,733	347,771	17,971	15,176	
0013	Curriculum and staff development	59,656				
0021	Instructional leadership	47,777	2,872			
0031	Guidance, counseling and evaluation services		5,500			
0034	Student (pupil) transportation					
0035	Food Service					867,060
0036	Extracurricular activities					
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>16,000</u>			
6030	Total expenditures	<u>298,166</u>	<u>372,143</u>	<u>17,971</u>	<u>15,176</u>	<u>867,060</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>118,692</u>
	OTHER FINANCING SOURCES (USES):					
7911	Sales of bonds					
7915	Transfers in					
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net changes in fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>118,692</u>
0100	Fund balances - beginning					<u>139,946</u>
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 258,638</u>

Revenue Funds

243	244	255	262	266	279	283	284
Vocational Education Technical Preparation	Vocational Education Basic	ESEA Title II Part A: Teacher and Principal Training and Recruitment	Enhancing Education Through Technology	ARRA Title XIV State Fiscal Stabilization Fund	Title II Part D ARRA	IDEA Part B Formula ARRA	IDEA Part B Preschool ARRA
\$	\$	\$	\$	\$	\$	\$	\$
				28,486			
<u>2,334</u>	<u>24,170</u>	<u>108,811</u>	<u>806</u>	<u>523,601</u>	<u>1,466</u>	<u>100,634</u>	<u>1,152</u>
<u>2,334</u>	<u>24,170</u>	<u>108,811</u>	<u>806</u>	<u>552,087</u>	<u>1,466</u>	<u>100,634</u>	<u>1,152</u>
2,334	10,149	88,101	806	552,087		100,634	1,152
		8,278			1,466		
	14,021	12,432					
<u>2,334</u>	<u>24,170</u>	<u>108,811</u>	<u>806</u>	<u>552,087</u>	<u>1,466</u>	<u>100,634</u>	<u>1,152</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

SWEENY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED AUGUST 31, 2011

Data Control Codes		285 ESEA Title I Part A Improving Basic Programs ARRA	287 Education Job Funds	288 SLDS Classroom Link ISD's	289 Summer School LEP	Special 397 Campus Awards
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$	\$
5800	State program revenues		726			
5900	Federal program revenues	1,233	13,509	1,706	1,074	
5020	Total revenues	1,233	14,235	1,706	1,074	-0-
	EXPENDITURES:					
	Current:					
0011	Instruction	1,233	14,235		1,074	1,388
0013	Curriculum and staff development					
0021	Instructional leadership					
0031	Guidance, counseling and evaluation services					
0034	Student (pupil) transportation					
0035	Food Service					
0036	Extracurricular activities					
0051	Plant maintenance and operations					
0052	Security and monitoring services					
0053	Data processing services			1,706		
0081	Facilities acquisition and construction					
0093	Payments related to shared service arrangements					
6030	Total expenditures	1,233	14,235	1,706	1,074	1,388
1100	Excess (deficiency) of revenues over expenditures	-0-	-0-	-0-	-0-	(1,388)
	OTHER FINANCING SOURCES (USES):					
7911	Sale of bonds					
7915	Transfers in					
	Total other financing sources and (uses)	-0-	-0-	-0-	-0-	-0-
1200	Net changes in fund balances	-0-	-0-	-0-	-0-	(1,388)
0100	Fund balances - beginning					1,388
3000	Fund balances - ending	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Revenue Funds						
404	411	429	480		60	
Accelerated Reading Program	Technology Allotment	AP/IB Campus Awards	Local Grants	Total	Capital Projects Fund	Total Non-Major Governmental Funds
\$ 7,151	\$ 53,841	\$	\$ 27,385	\$ 425,418	\$ 6,623	\$ 432,041
				106,264		106,264
				2,055,611	-0-	2,055,611
7,151	53,841	-0-	27,385	2,587,293	6,623	2,593,916
7,151	14,718		27,385	1,394,098	231,637	1,625,735
	36,789			69,400		69,400
				99,870		99,870
				19,521		19,521
				-0-	117,336	117,336
				867,060	34,166	901,226
				-0-	24,579	24,579
				-0-	324,651	324,651
				-0-	3,216	3,216
				1,706	100,089	101,795
				-0-	87,146	87,146
				16,000	-0-	16,000
7,151	51,507	-0-	27,385	2,467,655	922,820	3,390,475
-0-	2,334	-0-	-0-	119,638	(916,197)	(796,559)
				-0-	2,000,000	2,000,000
				-0-	2,000,000	2,000,000
-0-	-0-	-0-	-0-	-0-	4,000,000	4,000,000
-0-	2,334	-0-	-0-	119,638	3,083,803	3,203,441
	6,580	138		148,052	327,069	475,121
\$ -0-	\$ 8,914	\$ 138	\$ -0-	\$ 267,690	\$ 3,410,872	\$ 3,678,562

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2011

Last Ten Years Ended August 31,	1		2		3		10	
	Tax Rates				Assessed/Appraised Value for School Tax Purposes		Beginning Balance September 1, 2010	
	Maintenance		Debt Service					
2002 and Prior	\$ —		\$ —		\$ —		\$	266,757
2003	1.50000		0.17359		1,497,358,012			28,184
2004	1.50000		0.17500		1,486,317,791			24,987
2005	1.50000		0.19200		1,368,708,806			30,116
2006	1.50000		0.17100		1,417,483,853			39,238
2007	1.37000		0.17170		1,536,479,758			49,047
2008	1.04000		0.17170		1,499,562,717			48,450
2009	1.04000		0.17170		1,687,030,453			78,507
2010	1.04000		0.17170		1,397,632,087			160,072
2011 (School Year Under Audit)	1.04000		0.17170		1,291,306,512			
1000 Totals							\$	<u>725,358</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, 2011
\$	\$ 5,514	\$ 590	\$(23,073)	\$ 237,580
	595	69	(593)	26,927
	1,067	124	(931)	22,865
	2,221	284	(1,441)	26,170
	2,859	326	(1,802)	34,251
	6,391	801	(3,176)	38,679
	9,735	1,607	(2,482)	34,626
	19,503	3,220	(3,333)	52,451
	64,748	10,690	(9,721)	74,913
<u>15,646,761</u>	<u>13,284,336</u>	<u>2,193,193</u>	<u>(9,958)</u>	<u>159,274</u>
<u>\$ 15,646,761</u>	<u>\$ 13,396,969</u>	<u>\$ 2,210,904</u>	<u>\$(56,510)</u>	<u>\$ 707,736</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF
INDIRECT COST FOR 2011-2012
GENERAL AND SPECIAL REVENUE FUNDS
YEAR ENDED AUGUST 31, 2011

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	\$	\$	\$ 235,138	\$ 249,033	\$ 610	\$ 19,171	\$ 503,952
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	18,250						18,250
6212	Audit services				33,546			33,546
6213	Tax appraisal & collection		138,623					138,623
621X	Other professional services			1,704	360		31,987	34,051
6220	Tuition & transfer payments							-0-
6230	Education service centers							-0-
6240	Contract maint. & repair							-0-
6250	Utilities							-0-
6260	Rentals			3,759	2,144			5,903
6290	Miscellaneous contract			3,767	12,088			15,855
6320	Textbooks & reading			398				398
6330	Testing materials			2,869				2,869
63XX	Other supplies/materials				3,082		3,197	6,279
6410	Travel, subsistence, stipends	7,566		2,018	1,970		370	11,924
6420	Ins. & bonding costs	6,505						6,505
6430	Election costs	3,343						3,343
6490	Miscellaneous operating	19,052		2,640	6,924			28,616
6500	Debt service							-0-
6600	Capital outlay							-0-
TOTAL		<u>\$ 54,716</u>	<u>\$ 138,623</u>	<u>\$ 252,293</u>	<u>\$ 309,147</u>	<u>\$ 610</u>	<u>\$ 54,725</u>	<u>\$ 810,114</u>

Total expenditures for General and Special Revenue Funds (Exhibit C-2)

(9) \$ 19,585,211

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$	-0-
Total Debt & Lease (6500)	(11)	-0-
Plant Maintenance (Function 51, 6100-6400)	(12)	1,653,513
Food (Function 35, 6341 and 6499)	(13)	353,990
Stipends (6413)	(14)	-0-
Column 4 (above) - Total Indirect Cost		<u>309,147</u>

Subtotal 2,316,650
Net Allowed Direct Cost \$ 17,268,561

CUMULATIVE

Total Cost of Buildings before Depreciation	(15) \$	68,349,251
Historical Cost of Buildings over 50 years old	(16) \$	1,728,844
Amount of Federal Money in Building Cost (Net of Above)	(17) \$	-0-
Total Cost of Furniture and Equipment before Depreciation	(18) \$	2,898,692
Historical Cost of Furniture & Equipment over 16 years old	(19) \$	227,982
Amount of Federal Money in Furniture & Equipment (Net of Above)	(20) \$	-0-

Note A - \$ 54,725 in Function 53 expenditures are included in this report on administrative costs.

\$ 138,623 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, 2011
UNAUDITED

EXHIBIT J-3
Page 1 of 1

<u>Data Control Code</u>	<u>Explanation</u>	<u>Amount</u>
1	Total General Fund Balance as of 08/31/10 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>3,966,922</u>
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 3410-3440 for the General Fund only)	120,048
3	Total Committed Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	600,000
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.	2,852,926
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	379,059
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)	
10	Adjustment to meet Board Policy	<u> </u>
11	Optimum fund balance and cash flow (2+3+4+5+6+7+8+9)	<u>3,952,033</u>
12	Excess (deficit) undesignated unreserved General Fund fund balance (1-10) (1 minus 11)	\$ <u><u>14,889</u></u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – NONMAJOR FUND
– FOOD SERVICE SPECIAL REVENUE FUND
YEAR ENDED AUGUST 31, 2011

EXHIBIT J-4
Page 1 of 1

		Food Service Special Revenue Fund			Variance with Final Budget Positive (Negative)
Data Control Codes		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 381,836	\$ 381,836	\$ 398,033	\$ 16,197
5800	State program revenues	14,459	14,459	15,983	1,524
5900	Federal program revenues	<u>452,606</u>	<u>513,606</u>	<u>571,736</u>	<u>58,130</u>
5020	Total revenues	<u>848,901</u>	<u>909,901</u>	<u>985,752</u>	<u>75,851</u>
	EXPENDITURES:				
	Current:				
0035	Food service	<u>888,898</u>	<u>999,898</u>	<u>867,060</u>	<u>132,838</u>
6030	Total expenditures	<u>888,898</u>	<u>999,898</u>	<u>867,060</u>	<u>132,838</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(39,997)</u>	<u>(89,997)</u>	<u>118,692</u>	<u>208,689</u>
	OTHER FINANCING SOURCES (USES):				
7915	Transfers in	<u>50,000</u>	<u>50,000</u>		<u>(50,000)</u>
	Total other financing sources and (uses)	<u>50,000</u>	<u>50,000</u>	<u>-0-</u>	<u>(50,000)</u>
1200	Net change in fund balances	10,003	(39,997)	118,692	158,689
0100	Fund balances – beginning	<u>139,946</u>	<u>139,946</u>	<u>139,946</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 149,949</u>	<u>\$ 99,949</u>	<u>\$ 258,638</u>	<u>\$ 158,689</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2011

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	\$ 2,452,427	\$ 2,452,427	\$ 2,443,425	\$ (9,002)
5020	Total revenues	2,452,427	2,452,427	2,443,425	(9,002)
	EXPENDITURES:				
	Current:				
0071	Debt service - Principal on long-term debt	1,625,000	1,625,000	1,625,000	-0-
0072	Debt service - Interest on long-term debt	964,370	964,370	954,705	9,665
0073	Bond issuance costs and fees	2,000	52,000	51,044	956
6030	Total expenditures	2,591,370	2,641,370	2,630,749	10,621
1100	Excess (deficiency) of revenues over expenditures	(138,943)	(188,943)	(187,324)	1,619
	OTHER FINANCING SOURCES (USES):				
	Total other financing sources and (uses)	-0-	50,000	53,841	3,841
1200	Net change in fund balances	(138,943)	(138,943)	(133,483)	5,460
0100	Fund balances – beginning	1,535,676	1,535,676	1,535,676	-0-
3000	Fund balances – ending	\$ 1,396,733	\$ 1,396,733	\$ 1,402,193	\$ 5,460

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FEDERAL AWARDS SECTION

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KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS
Limited Liability Company

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Lake Jackson, Texas 77566
(979) 297-4075 Fax: (979) 297-6648
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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, 2011

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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 6, 2011. 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

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 above.

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Board of Trustees
Sweeny Independent School District
December 6, 2011
Page 2

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, 2011.

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 & Hunsford, LLC

KENNEMER, MASTERS & LUNSFORD

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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, 2011

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, 2011. 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 on 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, 2011.

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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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. As discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 non compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-01 to be a significant deficiency.

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, 2011

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 (2011-01), 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:
 - IDEA, Part B Cluster Programs:
 - 84.027 IDEA, Part B - Formula
 - 84.173 IDEA, Part B - Preschool
 - 84.027 IDEA, Part B - Discretionary
 - 84.391 IDEA, Part B - Formula - ARRA - LEA
 - 84.392 IDEA, Part B - Preschool - ARRA - LEA
 - 84.394 ARRA - Title XIV - SFSF
 - ESEA, Title I, Part A Cluster Programs:
 - 84.010 ESEA, Title I, Part A - Improving Basic Programs
 - 84.389 ESEA, Title I, Part A - ARRA/Stimulus
 - Child Nutrition Cluster Programs:
 - 10.553 National School Breakfast Program
 - 10.555 National School Lunch Program
 - 10.555 Commodity Supplement Program
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 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.
2. Criteria: During compliance test of allowable costs, we noted that required time and effort documentation was not maintained for two employees who were split-funded by federal programs. According to the TEA, inadequate time and effort documentation could affect the allowability of costs under the federal program.

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011

Page 2 of 2

3. Condition Found: Audit procedures found that time and effort documentation was not maintained for two split-funded employees.
4. Questioned Cost/Basis: Unknown
5. Instances/Universe: This circumstance was identified during program compliance testing for major federal programs for the year ended August 31, 2011.
6. Effect: As no specific time and effort documentation was maintained any questioned costs are not determinable, however any costs would be considered not material.
7. Recommendations: District should maintain actual time and effort documentation for all employees which are charged to federal programs per federal and TEA requirements.

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
YEAR ENDED AUGUST 31, 2011

Page 1 of 1

PRIOR YEAR'S FINDING/NONCOMPLIANCE

None.

SWEENEY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2011

Page 1 of 1

Schedule reference number 2011-01: The District did not appropriately maintain time and effort documentation for two employees which were split-funded by federal programs.

Corrective action plan: The District will work to minimize if not eliminate employees which are split-funded by federal programs and will ensure that current time and effort documentation controls which have been established are being applied to 100% of the employees funded by federal programs.

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA, Title I, Part A, Improving Basic Programs	84.010A	11610101020906	\$ 279,024
ESEA, Title I, Part A, Improving Basic Programs	84.010A	12610101020906	19,142
			<u>298,166</u>
IDEA Part B, Formula	84.027	11660001020906	355,881
IDEA Part B, Formula	84.027	12660001020906	16,262
			<u>372,143</u>
IDEA Part B, Preschool	84.173	11661001020906	17,083
IDEA Part B, Preschool	84.173	12661001020906	888
			<u>17,971</u>
Vocational Education, Basic Grant	84.048	1142000602090604	22,074
Vocational Education, Basic Grant	84.048	1242000602090604	2,096
			<u>24,170</u>
ESEA, Title II, Part A: Teacher and Principal Training And Recruiting	84.367A	11694501020906	105,552
ESEA, Title II, Part A: Teacher and Principal Training And Recruiting	84.367A	12694501020906	3,259
			<u>108,811</u>
Title II, Part D Technology	84.318X	10630001020906	806
SLDS – Classroom Link to ISD's	84.372A	10635002020906	1,706
Title XIV State Fiscal Stimulus Fund (SFSF)	84.394A	11557001020906	523,601
ARRA Title II, Part D Technology	84.386A	10553001020906	1,466
ARRA IDEA Part B, Formula	84.391A	10554001020906	100,634
ARRA IDEA Part B, Preschool	94.392A	10555001020906	1,152
ARRA Title I, Part A Improving Basic Programs	84.389A	10551001020906	1,233
Summer School LEP - RD 16	84.369A	69550902	1,074
Education Job Funds	84.410A	11550101020906	13,509
Passed Through Lone Star Community College: Vocational Education – Technical Preparation	84.243	111-714	2,334
Passed Through Region IV Education Service Center: IDEA, Part B Preschool – Discretionary	84.173	116610227104	15,099
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ <u>1,483,875</u>

(continued)

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

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>46,136</u>
Passed Through State Department of Education:			
School Breakfast Program*	10.553	71401101	131,802
National School Lunch Program*	10.555	71301101	<u>393,798</u>
			<u>525,600</u>
 TOTAL U.S. DEPARTMENT OF AGRICULTURE			 \$ <u>571,736</u>
<u>U.S. Department of Interior</u>			
Passed Through Brazoria County, Texas:			
Refuge Revenue Sharing Act of 1978	15.000	---	\$ <u>26,123</u>
 TOTAL DEPARTMENT OF INTERIOR			 \$ <u>26,123</u>
 TOTAL FEDERAL ASSISTANCE			 \$ <u>2,081,734</u>
 *Cluster Programs			
Reconciliation:			
Federal program revenues (Exhibit C-2)			\$ <u>2,081,734</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, 2011

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 \$ 49,213, while the monetary value of goods used and recognized as income and expenditures was \$ 46,136.
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, 2011 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 has been recorded in the accompanying combined financial statements for such contingencies.

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SCHEDULE FOR ELECTRONIC FILING

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SWEENEY INDEPENDENT SCHOOL DISTRICT
REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AUGUST 31, 2011

SCHEDULE L-1
Page 1 of 1

<u>Code</u>	<u>Questions</u>	<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? – Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	None

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