

**SWEENY  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
AUGUST 31, 2008**

**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, 2008*

## Table of Contents

<u>Exhibit Number</u>		<u>Page Number</u>
<b>Introductory Section</b>		
	CERTIFICATE OF BOARD.....	7
<b>Financial Section</b>		
	Independent Auditor's Report .....	11-12
	Management's Discussion and Analysis .....	13-20
	Basic Financial Statements:	
A-1	Statement of Net Assets .....	22
B-1	Statement of Activities.....	23
	Fund Financial Statements:	
C-1	Balance Sheet .....	24
C-1R	Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Assets.....	25
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balances .....	26
C-2R	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Governmental Activities Statement of Activities .....	27
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Assets.....	28
E-2	Statement of Changes in Fiduciary Net Assets .....	29
	Notes to the Financial Statements .....	30-56
<b>Required Supplementary Information</b>		
G-1	Budget to Actual: General Fund.....	58
<b>Other Supplementary Information</b>		
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet.....	60-63
H-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	64-67
	Required Texas Education Agency Schedules:	
J-1	Schedule of Delinquent Taxes Receivable .....	68-69
J-2	Schedule of Expenditures for Computation of Indirect Cost.....	70
J-3	Fund Balance and Cash Flow Calculation Worksheet .....	71
J-4	Budgetary Comparison Schedule – Nonmajor Fund – Food Service Special Revenue Fund .....	72
J-5	Budgetary Comparison Schedule – Debt Service Fund.....	73

# SWEENEY INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report  
For the Year Ended August 31, 2008*

## Table of Contents - Continued

<u>Exhibit Number</u>		<u>Page Number</u>
	<b>Federal Award Section</b>	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with <i>Government Auditing Standards</i> .....	77-78
	Report on Compliance with Requirements Applicable to Each Major Program And Internal Control over Compliance in Accordance with OMB Circular A-133.....	79-80
	Schedule of Findings and Questioned Costs.....	81
	Schedule of Status of Prior Findings.....	82
	Corrective Action Plan.....	83
K-1	Schedule of Expenditures of Federal Awards.....	84-85
	Notes on Accounting Policies for Federal Awards.....	86
	<b>Schedule for Electronic Filing</b>	
L-1	Required Responses to Selected School First Indicators .....	89

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

	Proprietary Fund Financial Statements:	
D-1	Statement of Net Assets .....	
D-2	Statement of Revenues, Expenses and Changes in Net Assets .....	
D-3	Statement of Cash Flows .....	
	Combining Statement for Major Component Units:	
F-1	Combining Statement of Net Assets .....	
F-2	Combining Statement of Activities .....	
	Internal Service Funds:	
H-3	Combining Statement of Net Assets .....	
H-4	Combining Statement of Revenues, Expenses and Changes in Net Assets.....	
H-5	Combining Statement of Cash Flows.....	

## **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, 2008, at a meeting of the board of trustees of such school district on the \_\_\_\_\_ day of December, 2008.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

If the Board of Trustees disapproved of the auditor's 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 Auditor's Report

December 1, 2008

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, 2008, 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, 2008, and the respective changes in financial position 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 1, 2008, 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.

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Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,  
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Board of Trustees  
Sweeny Independent School District  
December 1, 2008  
Page 2

The management's discussion and analysis and budgetary comparison information on pages 13 through 20 and 58, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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 of the District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, except for Exhibit J-3 (Fund Balance and Cash Flow Worksheet) which is marked **UNAUDITED** and on which we express no opinion, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Kennemer, Masters & Hurdford, LLC*

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*AUGUST 31, 2008*

As management of the Sweeney 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, 2008. 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 \$ 31,067,655 (*net assets*). Of this amount, \$ 9,536,501 (*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 \$ 15,734,427. Approximately 25 percent of this total amount, \$ 3,922,978, is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 3,922,978, or 19 percent of the total general fund expenditures.
- During the year, the District had expenses that were \$ 3,909,586 less than the \$ 29,556,478 generated in tax and other revenues for governmental programs (before special items). This compares to last year when expenses were less than revenues by \$ 3,171,823.

**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, 2008*

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole.

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

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

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-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 capital projects fund, all of which are considered to be major funds. Data from the other eighteen 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, 2008**

**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 \$ 31,067,655 as of August 31, 2008. Net assets of the District's governmental activities increased from \$ 27,158,069 to \$ 31,067,655.

**The District's Net Assets**

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 18,569,447	\$ 19,020,071
Capital assets	<u>39,825,037</u>	<u>27,113,944</u>
Total assets	<u>58,394,484</u>	<u>46,134,015</u>
Long-term liabilities outstanding	24,850,065	17,114,021
Other liabilities	<u>2,476,764</u>	<u>1,861,925</u>
Total liabilities	<u>27,326,829</u>	<u>18,975,946</u>
Net assets:		
Investment in capital assets, net of related debt	15,044,306	17,678,011
Restricted	6,486,848	2,947,329
Unrestricted	<u>9,536,501</u>	<u>6,532,729</u>
Total net assets	<u>\$ 31,067,655</u>	<u>\$ 27,158,069</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2008**

Investment in capital assets (e.g., land and land improvements, buildings and building improvements, furniture, equipment, and vehicles and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 15,044,306. 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 21 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$ 9,536,501 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.

**Governmental activities.** The District's total net assets increased by \$ 3,909,586. The District's total revenue increased by 0.4%. The District's total cost of all programs and services decreased 2%. The total cost of all *governmental activities* this year was \$ 25,649,892. The amount that our taxpayers paid for these activities through property taxes was \$ 18,468,211 or 72%. The amount of costs that were paid by those who directly benefited from the programs were \$ 432,681 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 \$ 2,156,720 or 8% and \$ 7,577,851 or 30%, respectively.

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

	<u>2008</u>	<u>2007</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 432,681	\$ 407,875
Operating grants & contributions	2,156,720	2,010,596
General revenues:		
Property taxes	18,468,211	23,701,498
State grants	7,577,851	2,361,901
Other	<u>924,015</u>	<u>959,792</u>
Total revenues	<u>29,559,478</u>	<u>29,441,662</u>
Expenses:		
Instruction	9,617,997	8,902,222
Instructional resources & media services	249,434	213,486
Curriculum & staff development	39,963	31,479
Instructional leadership	514,801	495,175
School leadership	1,024,744	1,009,271
Guidance, counseling & evaluation services	589,389	529,808
Health services	162,295	146,068
Student (pupil) transportation	877,045	736,022
Food services	872,723	775,375
Cocurricular/extracurricular activities	750,687	711,820
General administration	787,932	765,191
Plant maintenance and operations	2,669,402	2,474,578

(continued)

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2008**

**Changes in the District's Net Assets (Continued)**

	<u>2008</u>	<u>2007</u>
Security and monitoring services	\$ 143,949	\$ 32,843
Data processing services	89,152	133,359
Community services	9,726	10,775
Debt service-interest and fees on long-term debt	957,040	530,736
Facilities acquisition and construction	41,961	110,868
Contracted instructional services between public schools	6,093,638	8,652,071
Payments related to shared services arrangements	156,254	5,727
Payments to juvenile justice alternative education	<u>1,760</u>	<u>2,965</u>
 Total expenses	 <u>25,649,892</u>	 <u>26,269,839</u>
 Increase in net assets	 3,909,586	 3,171,823
Beginning net assets	<u>27,158,069</u>	<u>23,986,246</u>
 Ending net assets	 <u>\$ 31,067,655</u>	 <u>\$ 27,158,069</u>

**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.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 15,734,427, a decrease of \$ 1,028,248. Approximately 25 percent of this total amount (\$ 3,922,978) constitutes *unreserved, undesignated fund balance*. The remainder of fund balance is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed 1) for inventory \$ 131,056, 2) for prepaid items \$ 168,856, 3) for encumbrances \$ 329,386, 4) for food service \$ 1,662, 5) to pay debt service \$ 1,118,389, 6) for construction \$ 5,267,489, 7) for claims and judgments \$ 250,000, 8) for capital expenditures for equipment \$ 350,000, and 9) other miscellaneous designations \$ 4,194,611.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$ 3,922,978, while the total fund balance was \$ 8,783,839. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to the total fund expenditures. Unreserved, undesignated fund balance represents 19 percent of the total general fund expenditures, while total fund balance represents 42 percent of that same amount.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*AUGUST 31, 2008*

The fund balance of the District's general fund increased \$ 3,314,527 or 61% during the current fiscal year compared to last years total general fund balance of \$ 5,469,312. Revenues decreased from prior year approximately \$ 215,190 or 1%. Expenditures decreased approximately 6% from prior year from \$ 22,591,935 to \$ 21,133,161. Key factor related to this change are as follows:

- Chapter 41 costs decreased \$ 2,558,433 from the prior year.

The Sweeny Education Foundation fund has a total balance of \$ 586,367, all which is designated for other purposes. The net decrease in fund balance during the period in the Sweeny Education Foundation fund was \$ 214,353 from last years balance of \$ 800,720. Following are the factors contributing to this change:

- The Foundation made contributions to the District in excess of revenues collected.

The capital projects fund has a total balance of \$ 5,094,650 all of which is designated for construction. The net decrease in fund balance during the period in the capital projects was \$ 4,269,274 from last year's balance of \$ 9,363,924. Following are the factors contributing to this change:

- The District had a sale of bonds for the purpose of construction in the amount of \$ 9,500,000.
- Capital and other expenditures in the amount of \$ 14,165,741.

### **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 \$ 2,143,863 above final budgeted amounts mainly due to increases in state program revenue. Actual expenditures were \$ 1,062,329 below final budget amounts. The major portion of this positive variance is due to the decreases in expenditures in instruction.

### **Capital Asset and Debt Administration**

**Capital assets.** The District's investments in capital assets for its governmental activities as of August 31, 2008 amounts to \$ 39,825,037 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, furniture, equipment and vehicles, and construction in progress.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
 AUGUST 31, 2008

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

	<u>2008</u>	<u>2007</u>
Land and land improvements	\$ 2,091,669	\$ 2,120,706
Buildings and improvements	21,381,908	22,015,468
Furniture, equipment and vehicles	914,753	912,650
Construction in progress	<u>15,436,707</u>	<u>2,065,120</u>
Total at historical cost	<u>\$ 39,825,037</u>	<u>\$ 27,113,944</u>

Additional information on the District's capital assets can be found in Note 6 on page 47 through 48 of this report.

**Long-term debt.** At August 31, 2008, the District had total long-term debt outstanding of \$ 24,850,065, an increase of \$ 7,736,044 from the previous year. Long-term debt is made of general obligation bonds of \$ 24,150,000, accrued interest of \$ 69,334, and premium on general obligation bonds of \$ 630,731.

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 48 through 51 of this report.

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

- Appraised value used for the 2009 budget increased \$ 172,470,350 or 10.19% from 2008 values.
- The District's 2008-2009 refined average daily attendance is expected to be 1,973.
- The District's attendance rate is estimated to be 95%.
- State Target Revenues is estimated at \$ 13,782,126. This is the total amount of revenues the District will receive for state and local tax rate.
- The 2009 District tax rate will remain the same as 2008 tax rate at \$ 1.2117 (\$ 1.04 for Maintenance and Operations and \$ 0.1717 for Interest and Sinking).
- The District has adopted a deficit budget of \$ 742,998 for 2008-2009. The District has appropriated General Fund revenues of \$ 21,981,991 and expenditures of \$ 21,955,806 which includes recapture expenditures of \$ 6,758,946. The 2009 employment salaries amount to 78.90% of the General Fund budget of \$ 12,673,827. Last years salaries were 79.07% of the General Fund budget of \$ 12,487,388. The District is continuing to fund the \$ 500 health supplement benefit for all employees. Health insurance did not increase in 2009. Dental insurance decreased \$ 1.40 per month saving the District \$ 4,553 annually. Fuel costs of \$ 116,181 was the major increase in expenditures for 2009.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*AUGUST 31, 2008*

**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.

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**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**YEAR ENDED AUGUST 31, 2008**

Exhibit A-1  
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and cash equivalents	\$ 14,057,013
1120	Current investments	75,881
1220	Property taxes receivables - delinquent	757,534
1230	Allowance for uncollectible taxes (credit)	( 520,438)
1240	Due from other governments	3,707,267
1250	Accrued interest	317
1300	Inventories	131,056
1410	Deferred expenses	168,856
1420	Capital bond and other debt issuance costs	191,961
	Capital Assets:	
1510	Land and land improvements	2,091,669
1525	Buildings and improvements, net	21,381,908
1530	Furniture, equipment and vehicles, net	914,753
1580	Construction in progress	<u>15,436,707</u>
1000	Total assets	<u>58,394,484</u>
	LIABILITIES:	
2110	Accounts payable	1,819,438
2150	Payroll deductions and withholding payable	591
2160	Accrued wages payable	435,562
2180	Due to other governments	200,847
2300	Deferred revenue	20,326
	Noncurrent Liabilities:	
2501	Due within one year	1,598,460
2502	Due in more than one year	<u>23,251,605</u>
2000	Total liabilities	<u>27,326,829</u>
	NET ASSETS:	
3200	Invested in capital assets, net of related debt	15,044,306
	Restricted For:	
3820	Federal and state programs	108,244
3820	Federal and state programs (Food service)	42,938
3850	Debt service	1,241,016
3860	Capital projects	5,094,650
3900	Unrestricted	<u>9,536,501</u>
3000	Total net assets	<u>\$ 31,067,655</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, 2008**

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	\$ 9,617,997	\$	\$ 1,305,899	\$( 8,312,098)
12	Instructional resources and media services	249,434		9,061	( 240,373)
13	Curriculum and staff development	39,963		24,659	( 15,304)
21	Instructional leadership	514,801		152,155	( 362,646)
23	School leadership	1,024,744		43,771	( 980,973)
31	Guidance, counseling, and evaluation services	589,389		75,647	( 513,742)
33	Health services	162,295		7,451	( 154,844)
34	Student (pupil) transportation	877,045		27,983	( 849,062)
35	Food service	872,723	377,512	421,425	( 73,786)
36	Extracurricular activities	750,687	55,169	20,475	( 675,043)
41	General administration	787,932		17,400	( 770,532)
51	Plant maintenance and operations	2,669,402		47,521	( 2,621,881)
52	Security monitoring services	143,949		2,110	( 141,839)
53	Data processing services	89,152		1,138	( 88,014)
61	Community services	9,726		25	( 9,701)
72	Interest on long-term debt	953,337			( 953,337)
73	Bond issuance costs and fees	3,703			( 3,703)
81	Facilities acquisition and construction	41,961			( 41,961)
91	Contracted instructional services between public school	6,093,638			( 6,093,638)
93	Payments related to shared services arrangements	156,254			( 156,254)
95	Payments to juvenile justice alternative education programs	1,760			( 1,760)
TG	Total governmental activities	<u>\$ 25,649,892</u>	<u>\$ 432,681</u>	<u>\$ 2,156,720</u>	<u>\$( 23,060,491)</u>
General Revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				\$ 15,618,356
DT	Property taxes, levied for debt service				2,849,855
SF	State aid-formula grants				7,577,851
GC	Grants and contributions not restricted to specific programs				49,500
IE	Investment earnings				759,487
MI	Miscellaneous				<u>115,028</u>
TG	Total general revenues, special items, and transfers				<u>26,970,077</u>
CN	Change in net assets				3,909,586
NB	Net assets – beginning				<u>27,158,069</u>
NE	Net assets – ending				<u>\$ 31,067,655</u>

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

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AUGUST 31, 2008**

Exhibit C-1  
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	40 Sweeny Education Foundation	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>						
1110	Cash and cash equivalents	\$ 5,584,345	\$ 586,323	\$ 6,687,903	\$ 1,198,442	\$ 14,057,013
1120	Current investments				75,881	75,881
1220	Taxes receivable - delinquent	672,141			85,393	757,534
1230	Allowance for uncollectible taxes (credit)	( 464,411)			( 56,027)	( 520,438)
1240	Receivables from other governments	3,576,166			131,101	3,707,267
1250	Accrued interest receivable		44	273	-0-	317
1260	Due from other funds	83,644			2,428	86,072
1300	Inventories	89,780			41,276	131,056
1410	Deferred expenditures	158,230		10,626		168,856
1000	Total assets	<u>\$ 9,699,895</u>	<u>\$ 586,367</u>	<u>\$ 6,698,802</u>	<u>\$ 1,478,494</u>	<u>\$ 18,463,558</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$ 189,170		\$ 1,604,152	\$ 26,032	\$ 1,819,354
2150	Payroll deductions and withholdings				591	591
2160	Accrued wages payable	379,252			56,310	435,562
2170	Due to other funds	2,441			83,715	86,156
2180	Payable to other governments	200,688			159	200,847
2300	Deferred revenue	144,505			42,116	186,621
2000	Total liabilities	<u>916,056</u>	<u>-0-</u>	<u>1,604,152</u>	<u>208,923</u>	<u>2,729,131</u>
<b>Fund Balances:</b>						
<b>Reserved For:</b>						
3410	Inventories	89,780			41,276	131,056
3430	Prepaid items	158,230		10,626		168,856
3440	Encumbrances	12,851		316,535		329,386
3450	Food service				1,662	1,662
3470	Capital acquisitions and contractual obligations			4,767,489		4,767,489
3480	Debt service				1,118,389	1,118,389
<b>Designated For:</b>						
3510	Construction	500,000				500,000
3520	Claims and judgments	250,000				250,000
3530	Capital expenditures for equipment	350,000				350,000
3590	Other purposes	3,500,000	586,367		108,244	4,194,611
3600	Unreserved	3,922,978				3,922,978
3000	Total fund balances	<u>8,783,839</u>	<u>586,367</u>	<u>5,094,650</u>	<u>1,269,571</u>	<u>15,734,427</u>
4000	Total liabilities and fund balances	<u>\$ 9,699,895</u>	<u>\$ 586,367</u>	<u>\$ 6,698,802</u>	<u>\$ 1,478,494</u>	<u>\$ 18,463,558</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, 2008**

Exhibit C-1R  
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1)	\$ 15,734,427
 <b>Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 69,884,697 in assets less \$ 30,059,660 in accumulated depreciation.	39,825,037
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 \$ 144,505 and \$ 21,790, respectively.	166,295
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 \$ 251,328 less accumulated amortization costs of \$ 59,367.	191,961
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds increases 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 \$ 708,662 less amortization of \$ 77,931).	( 630,731)
Payables for bond principal are not reported in the funds.	( 24,150,000)
Payables for bond interest are not reported in the funds.	<u>( 69,334)</u>
Net assets of governmental activities (see A-1)	<u>\$ 31,067,655</u>

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

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2008**

Exhibit C-2  
Page 1 of 1

Data Control Codes	Functions/Programs	10 General Fund	40 Sweeny Education Foundation	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>						
5700	Local and intermediate sources	\$ 16,188,822	\$ 35,652	\$ 396,467	\$ 3,296,686	\$ 19,917,627
5800	State program revenues	8,008,866			258,875	8,267,741
5900	Federal program revenues				1,470,512	1,470,512
5020	Total revenues	<u>24,197,688</u>	<u>35,652</u>	<u>396,467</u>	<u>5,026,073</u>	<u>29,655,880</u>
<b>EXPENDITURES:</b>						
Current:						
0011	Instruction	8,016,664		6,912	1,065,475	9,089,051
0012	Instructional resources and media services	218,743		1,150		219,893
0013	Curriculum and staff development	16,065			23,898	39,963
0021	Instructional leadership	332,747			171,748	504,495
0023	School leadership	991,747				991,747
0031	Guidance, counseling, and evaluation services	532,836			50,813	583,649
0033	Health services	155,410				155,410
0034	Student (pupil) transportation	763,305		105,874	2,388	871,567
0035	Food Service			33,993	790,716	824,709
0036	Extracurricular activities	623,899				623,899
0041	General administration	766,274	5			766,279
0051	Plant maintenance and operations	2,358,012		843,099		3,201,111
0052	Security and monitoring services	55,699		88,008		143,707
0053	Data processing services	49,642				49,642
0061	Community services	466				466
0071	Principal on long-term debt				2,125,000	2,125,000
0072	Interest on long-term debt				936,958	936,958
0073	Bond issuance costs and fees				84,776	84,776
0081	Facilities acquisition and construction			13,086,705		13,086,705
0091	Contracted instructional services between public schools	6,093,638				6,093,638
0093	Payments related to shared services arrangements	156,254				156,254
0095	Payments to juvenile justice alternative education programs	1,760				1,760
6030	Total expenditures	<u>21,133,161</u>	<u>5</u>	<u>14,165,741</u>	<u>5,251,772</u>	<u>40,550,679</u>
1100	Excess (deficiency) of revenues over expenditures	<u>3,064,527</u>	<u>35,647</u>	<u>( 13,769,274)</u>	<u>( 225,699)</u>	<u>( 10,894,799)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
7911	Issuance of bonds			9,500,000		9,500,000
7915	Transfers in	250,000				250,000
7916	Premium on issuance of bonds				366,551	366,551
8911	Transfers out		( 250,000)			( 250,000)
	Total other financing sources and (uses)	<u>250,000</u>	<u>( 250,000)</u>	<u>9,500,000</u>	<u>366,551</u>	<u>9,866,551</u>
1200	Net change in fund balances	3,314,527	( 214,353)	( 4,269,274)	140,852	( 1,028,248)
0100	Fund balances – beginning	<u>5,469,312</u>	<u>800,720</u>	<u>9,363,924</u>	<u>1,128,719</u>	<u>16,762,675</u>
3000	Fund balances – ending	<u>\$ 8,783,839</u>	<u>\$ 586,367</u>	<u>\$ 5,094,650</u>	<u>\$ 1,269,571</u>	<u>\$ 15,734,427</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, 2008**Exhibit C-2R  
Page 1 of 1

Net change in fund balances – total governmental funds (from C-2) \$( 1,028,248)

**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 \$ 13,729,393 exceeds depreciation \$ 1,018,300.	12,711,093
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 \$ 87,462 and \$ 8,940, respectively.	( 96,402)
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 was \$( 366,551), while accretion of bond premium was \$ 39,748.	( 326,803)
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 \$ 81,073.	81,073
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 \$ 9,500,000.	( 9,500,000)
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 \$ 2,125,000.	2,125,000
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 \$ 34,241 plus the amortization of bond issuance costs \$ 21,886.	( <u>56,127</u> )
Change in net assets of governmental activities (see B-1)	\$ <u><u>3,909,586</u></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, 2008**

Exhibit E-1  
Page 1 of 1

	Family Crisis Trust	Agency Funds
	<u>                    </u>	<u>                    </u>
ASSETS:		
Cash and cash equivalents	\$ 20,299	\$ 266,861
Due from other funds		<u>125</u>
Total assets	<u>20,299</u>	<u>\$ 266,986</u>
LIABILITIES:		
Amounts due to student groups and others		\$ 266,820
Accounts payable		125
Due to other funds		<u>41</u>
Total liabilities	<u>-0-</u>	<u>\$ 266,986</u>
NET ASSETS:		
Held in trust for family crisis	<u>20,299</u>	
Total net assets	<u>\$ 20,299</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, 2008*

Exhibit E-2  
Page 1 of 1

	Family Crisis Trust
ADDITIONS:	
Total additions	\$ <u>-0-</u>
DEDUCTIONS:	
Health services	<u>205</u>
Total deductions	<u>205</u>
Change in net assets	( 205)
NET ASSETS:	
Net assets - beginning of year	<u>20,504</u>
Net assets - end of year	<u><u>\$ 20,299</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, 2008*

INDEX

Note		Page
1.	Summary of Significant Accounting Policies.....	31
2.	New Pronouncements.....	38
3.	Deposits, Investments and Derivatives.....	40
4.	Receivables, Uncollectible Accounts, and Deferred Revenue .....	44
5.	Interfund Receivables, Payables and Transfers.....	46
6.	Capital Assets .....	47
7.	Long-Term Debt .....	48
8.	Leases .....	51
9.	Pension Plan Obligations .....	51
10.	Local and Intermediate Revenues .....	53
11.	Risk Management .....	53
12.	Risk Pool Participation .....	53
13.	Litigation and Contingencies.....	54
14.	Joint Ventured-Shared Service Arrangements .....	55
15.	Excess of Expenditures Over Appropriations .....	56

## **SWEENEY INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2008*

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Sweeny Independent School District (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, 2008**

### **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, 2008*

#### **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 *capital projects* fund accounts for the resources to be used for Board authorized acquisition construction, or renovation, as well as furnishing and equipping of major capital facilities.

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, 2008*

### **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, 2007, upon which the levy for the 2007-08 fiscal year was based, was \$ 1,499,562,717. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 20% delinquent collection fees for attorney costs.

# **SWEENEY INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2008**

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

#### **Property Taxes (Continued)**

The tax rates assessed for the year ended August 31, 2008, 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, 2008 were 99.19% 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, 2008, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 207,730 and \$ 29,366 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, 2008*

**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, 2008*

#### **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, 2007. 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 12, 2008.

##### **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, 2008 that were subsequently provided for in the 2008-09 budget as a September amendment for Board approval totaled \$ 329,386. \$ 12,851 and \$ 316,535 are reflected as a reserve of fund balance in the general fund and the capital projects fund, respectively.

# **SWEENEY INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2008*

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

#### **Fund Equity**

Unreserved undesignated fund equity for governmental funds indicates available amounts for the budgeting of future operations. The unreserved designated fund equity for governmental funds indicates unreserved funds that have been earmarked by Board Resolution for specific purposes and are therefore not available for general expenditures to be appropriated in the following period unless amended by future Board action. Reserved fund balance is that portion of fund equity, which is not available for appropriation or which has been legally separated for specific purposes. As of August 31, 2008, reserved fund balance includes \$ 89,780 for inventories, \$ 158,230 for prepaid items, and \$ 12,851 for encumbrances in the general fund. The food service (special revenue fund) reserves \$ 41,276 for inventories, and \$ 1,662 for food service. Debt service fund reserves total \$ 1,118,389 for retirement of funded indebtedness as of August 31, 2008. The capital projects fund reserves \$ 4,767,489 for capital acquisitions and contractual obligations. Unreserved designated fund balance includes \$ 250,000 for claims and judgments, \$ 500,000 for construction, \$ 350,000 for capital expenditures for equipment, and \$ 3,500,000 for other purposes in the general fund. Designated for other purposes includes \$ 694,611 for subsequent years expenditures in the other governmental funds (special revenue funds).

#### **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. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," was issued May 2004 and establishes uniform financial reporting by state and local government entities for Other Postemployment Benefit plans. This statement provides standards for measurement, recognition, and display of the assets, liabilities and where applicable, net assets and changes in net assets of such funds and for related disclosures. This statement is effective for periods beginning after December 15, 2007. The statement has been implemented and did not have a material impact on the District's financial statements.

In May 2004, the GASB issued Statement No. 44, "Economic Condition Reporting: The Statistical Section - an amendment of NCGA Statement 1". This statement amends the portions of NCGA statement 1, "Governmental Accounting and Financial Reporting Principles", that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements and required supplementary information to assess the economic condition of a government. This statement is effective for periods beginning after June 15, 2005. The statement has been implemented and did not have a material impact on the District's financial statements.

## **SWEENEY INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2008*

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

GASB No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," was issued June 2004. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is effective for periods beginning after December 15, 2008. Management of the District has not determined the impact, if any, upon its financial position, results of operations or its cash flows upon adoption.

GASB No. 46, "Net Assets Restricted by Enabling Legislation: an amendment of GASB Statement No. 34", was issued December 2004. This statement clarifies the meaning of legally enforceable as applied to restrictions on net asset use imposed by enabling legislation. This statement is effective for periods beginning after June 15, 2006. The statement was implemented and did not have a material impact on the District's financial statements.

GASB No. 47, "Accounting for Termination Benefits", was issued April 2005. This statement provides guidance for measuring, recognizing, and reporting liabilities and expense/expenditures related to all termination benefits, both voluntary and involuntary. This statement is effective for periods beginning after June 15, 2005. This statement was implemented and did not have an impact on the District's financial statements.

GASB No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra Entity Transfers of Assets and Future Revenues", was issued September 2006. This statement provides guidance for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. This statement is effective for periods beginning after December 15, 2006. The statement was implemented and did not have an impact on the District's financial statements.

GASB No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", was issued November 2006. This statement provides guidance for pollution remediation obligations. This statement is effective for periods beginning after December 15, 2007. 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.

GASB No. 50, "Pension Disclosures", was issued May 2007. This statement provides guidance for financial reporting by pension plans and by employers that provide defined benefit and contribution plans. This statement is effective for periods beginning after June 15, 2007. The statement was implemented and did not have an impact on the District's financial statements.

GASB No. 51, "Accounting and Financial Reporting for Intangible Assets", was issued June 2007. This statement provides guidance for financial reporting of intangible assets for all state and local governments. This statement is effective for periods beginning after June 15, 2009. 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.

**SWEENEY INDEPENDENT SCHOOL DISTRICT***NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2008***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.

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net assets at August 31, 2008 are as follows:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 137	\$	\$ 137
Financial Institution Deposits:			
Demand deposits	4,546,564	287,160	4,833,724
Texpool	5,556,579		5,556,579
MBIA Texas Class	3,949,282		3,949,282
Lonestar	<u>4,451</u>		<u>4,451</u>
Total cash and cash equivalents	<u>14,057,013</u>	<u>287,160</u>	<u>14,344,173</u>
Current Investments:			
U.S. government securities	<u>75,881</u>		<u>75,881</u>
Total current investments	<u>75,881</u>	<u>-0-</u>	<u>75,881</u>
Totals	<u>\$ 14,132,894</u>	<u>\$ 287,160</u>	<u>\$ 14,420,054</u>

**Deposits**

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

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

## **SWEENEY INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2008*

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

##### **Deposits (Continued)**

At August 31, 2008, in addition to petty cash of \$ 137, the carrying amount of the District's cash, savings, and time deposits was \$ 4,833,724. The financial institutions balances were \$ 5,027,721 at August 31, 2008. Bank balances of \$ 104,864 were covered by federal depository insurance, \$ 4,190,000 was covered by the Securities Investor Protection Corporation Insurance, and \$ 732,857 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.

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 \$ 2,704,547.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 3,426,753 and occurred on March 12, 2008.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 104,822.

The District's depository cash balances were under secured for a brief period by pledged securities and FDIC insurance coverage by \$ 617,384 at the date of the highest cash balance.

##### **Investments**

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

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

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

## **SWEENEY INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2008*

#### **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. This District will then repay bonds with this investment. During the year ended August 31, 2008 the District made its second payment of \$ 37,807. At August 31, 2008 the value of cash and investments were \$ 76,809. See Note 7 on page 49 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, 2008***NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)****Investments (Continued)**

At August 31, 2008 Texpool, Lonestar and MBIA Texas Class had a weighted average maturity of 44 days, 39 days and 36 days, respectively. Although Texpool, Lonestar and MBIA Texas Class portfolios had a weighted average maturity of 44 days, 39 days and 36 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, 2008.

	<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	\$ 5,556,579
MBIA Texas Class	N/A	Varies daily	1	3,949,282
Lonestar	N/A	Varies daily	<u>1</u>	<u>4,451</u>
Total local government investment pools			<u>1</u>	<u>9,510,312</u>
U.S. Government and Instrumentality Securities:				
Fed Nat'l Mortgage Assoc	12-15-08	2.78%	<u>106</u>	<u>75,881</u>
Total investments			<u>2</u>	<u>\$ 9,586,193</u>

Credit Risk – As of August 31, 2008, the LGIPs (which represent approximately 99% of the portfolio) are rated AAAM by Standard and Poor's or AAA by Finch. The U.S. instrumentalities (which represent approximately 1% 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.

**SWEENEY INDEPENDENT SCHOOL DISTRICT***NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2008***NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)****Investments (Continued)**

At August 31, 2008, 100% of the investment portfolio was invested in AAAM or AAA rated LGIPs (2(a)7 like pools) 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 62 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, 2008, and holds no direct investments in derivatives at August 31, 2008.

**NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES****Receivables and Allowances**

Receivables as of August 31, 2008, for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Sweeny Education Foundation</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 672,141	\$	\$	\$ 85,393	\$ 757,534
Receivables from other governments	3,576,166			131,101	3,707,267
Interest	<u>                    </u>	<u>44</u>	<u>273</u>	<u>                    </u>	<u>317</u>
Gross receivables	4,248,307	44	273	216,494	4,465,118
Less: Allowance for Uncollectibles	<u>464,411</u>	<u>                    </u>	<u>                    </u>	<u>56,027</u>	<u>520,438</u>
Net total receivables	<u>\$ 3,783,896</u>	<u>\$ 44</u>	<u>\$ 273</u>	<u>\$ 160,467</u>	<u>\$ 3,944,680</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT***NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2008***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, 2008 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	\$ 3,555,493	\$	\$ 20,673	\$ 3,576,166
Other funds	<u>6,044</u>	<u>123,765</u>	<u>1,292</u>	<u>131,101</u>
Totals	<u>\$ 3,561,537</u>	<u>\$ 123,765</u>	<u>\$ 21,965</u>	<u>\$ 3,707,267</u>

Amounts due to federal, state, and local governments as of August 31, 2008 are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>State Grants and Others</u>	<u>Total</u>
Major Governmental Funds:			
General	\$ 200,688	\$	\$ 200,688
Other funds	<u>                    </u>	<u>159</u>	<u>159</u>
Totals	<u>\$ 200,688</u>	<u>\$ 159</u>	<u>\$ 200,847</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, 2008, 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)	\$ 144,505	\$
Delinquent property taxes receivable (debt service fund)	21,790	
Federal food commodities	<u>                    </u>	<u>20,326</u>
Total deferred/unearned revenue from governmental funds	<u>\$ 166,295</u>	<u>\$ 20,326</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT***NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2008***NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS****Interfund Receivables and Payables**

Interfund balances at August 31, 2008 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 83,603	\$
Debt Service Fund		2,428
Fiduciary Funds	<u>41</u>	<u>13</u>
	<u>83,644</u>	<u>2,441</u>
Special Revenue Funds:		
General Fund:		
ESEA Title I, Part A		33,795
IDEA Part B, Formula		32,985
Vocational Education Basic		260
ESEA Title II, Part A: Teacher and Principal Training and Recruitment		4,710
Summer School LEP		1,155
Accelerated Reading Program		1,133
Per Pupil Allocation		9,565
Fiduciary Funds		<u>112</u>
	<u>-0-</u>	<u>83,715</u>
Debt Service:		
General Fund	<u>2,428</u>	
	<u>2,428</u>	<u>-0-</u>
Fiduciary Funds:		
General Fund	13	41
Special Revenue Fund	<u>112</u>	
	<u>125</u>	<u>41</u>
	<u>\$ 86,197</u>	<u>\$ 86,197</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2008**

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

**Interfund Transfers**

Interfund transfers for the year ended August 31, 2008 consisted of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Special Revenue Fund:		
Sweeny Education Foundation	\$ 250,000	\$
Special Revenue Funds:		
General Fund:		
Sweeny Education Foundation	<u>                    </u>	<u>250,000</u>
	<u>\$ 250,000</u>	<u>\$ 250,000</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, 2008:

	<u>Balance September 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance August 31, 2008</u>
Non-Depreciated Capital Assets:				
Land	\$ 1,337,401	\$ 19,238	\$	\$ 1,356,639
Construction in progress	<u>2,065,120</u>	<u>13,371,587</u>	<u>                    </u>	<u>15,436,707</u>
Total non-depreciated	<u>3,402,521</u>	<u>13,390,825</u>	<u>-0-</u>	<u>16,793,346</u>
Depreciated Capital Assets:				
Land improvements	1,073,028			1,073,028
Buildings and improvements	49,655,384	198,396		49,853,780
Furniture, equipment & vehicles	<u>2,064,438</u>	<u>140,172</u>	<u>40,067</u>	<u>2,164,543</u>
Total depreciated	<u>52,792,850</u>	<u>338,568</u>	<u>40,067</u>	<u>53,091,351</u>
Total additions/retirements		<u>\$ 13,729,393</u>	<u>\$ 40,067</u>	
Accumulated Depreciated:				
Land and land improvements	289,723	48,275		337,998
Buildings and improvements	27,639,916	831,956		28,471,872
Furniture, equipment & vehicles	<u>1,151,788</u>	<u>138,069</u>	<u>40,067</u>	<u>1,249,790</u>
Total	<u>29,081,427</u>	<u>\$ 1,018,300</u>	<u>\$ 40,067</u>	<u>30,059,660</u>
Net depreciated capital assets	<u>23,711,423</u>			<u>23,031,691</u>
Net capital assets	<u>\$ 27,113,944</u>			<u>\$ 39,825,037</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT***NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2008***NOTE 6. CAPITAL ASSETS (Continued)****Depreciation Expense**

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

<u>Data Control Codes</u>	<u>Function</u>	<u>Amount</u>
0011	Instruction	\$ 528,946
0012	Instructional resources and media services	29,541
0021	Instructional leadership	10,306
0023	School leadership	32,997
0031	Guidance, counseling, and evaluation services	5,740
0033	Health services	6,885
0034	Student (pupil) transportation	106,609
0035	Food service	62,689
0036	Extracurricular activities	126,788
0041	General administration	21,653
0051	Plant maintenance and operations	37,134
0052	Security and monitoring services	242
0053	Data processing services	39,510
0061	Community services	<u>9,260</u>
	Total depreciation expense	<u>\$ 1,018,300</u>

**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, 2008.

**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, 2008:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 09/01/07</u>	<u>Change</u>	<u>Amounts Outstanding 08/31/08</u>
All General Obligation Bonds of the District	0.50%- 7.10%	\$ 33,750,000	\$ 16,775,000	\$ 7,375,000	\$ 24,150,000

**SWEENEY INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2008*

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

**General Obligation Bonds (Continued)**

The change in amounts of bonded debt outstanding for the year ended August 31, 2008 was as follows:

Bonds Issued	\$ 9,500,000
Bonds Retired	<u>( 2,125,000)</u>
Change in Bonds Outstanding	<u>\$ 7,375,000</u>

During the year ended August 31, 2008 the District issued \$ 9,500,000 in 2008 Unlimited Tax School Building Bonds for the construction of facilities.

General obligation bonds consist of 1998 Series Unlimited Tax School Building Bonds bearing interest at 2.40% to 4.05%, 1999 Unlimited Tax School Building Bonds bearing interest at 3.4% to 4.05%, 2005 Unlimited Tax School Building Bonds bearing interest at 4.0% to 4.25%, 2005 Unlimited Tax School Building Bonds ("Qualified Zone Academy Bonds") bearing interest at 0.5%, 2006 Unlimited Tax School Building Bonds bearing interest at 4.10% to 7.10%, and 2008 Unlimited Tax School Building Bonds bearing interest at 4.0% to 5.375%.

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.

Presented below is a summary of the sinking fund requirements:

<u>Year Ended</u> <u>August 31</u>	<u>Annual</u> <u>Requirements</u>
2009	\$ 37,307
2010	37,307
2011	37,307
2012	37,307
2013	37,307
2014-2018	186,535
2019-2022	<u>149,227</u>
Total Minimum Requirements	<u>\$ 522,297</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2008**

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

**General Obligation Bonds (Continued)**

The following is a summary of the District's general obligation bonded debt as of August 31, 2008:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance 08-31-08</u>
1998	\$ 9,500,000	2011	2.400-4.050	\$ 3,075,000
1999	4,500,000	2011	3.400-4.050	1,325,000
2005 QZAB	750,000	2022	0.5000	750,000
2007	9,500,000	2026	4.100-7.100	9,500,000
2007	<u>9,500,000</u>	2027	4.000-5.375	<u>9,500,000</u>
Total	\$ <u>33,750,000</u>			\$ <u>24,150,000</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>
2009	\$ 1,495,000	\$ 1,057,090	\$ 2,552,090
2010	1,560,000	992,690	2,552,690
2011	1,625,000	927,062	2,552,062
2012	1,635,000	890,470	2,525,470
2013	1,765,000	802,588	2,567,588
2014-2018	4,335,000	3,053,285	7,388,285
2019-2023	6,230,000	1,975,873	8,205,873
2024-2027	<u>5,505,000</u>	<u>665,265</u>	<u>6,170,265</u>
Totals	\$ <u>24,150,000</u>	\$ <u>10,364,323</u>	\$ <u>34,514,323</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.

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, 2008.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2008**

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

**Changes in Long-Term Liabilities**

Long-term liability activity for the governmental activities for the year ended August 31, 2008, was as follows:

	<u>Balance</u> <u>09-01-07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>08-31-08</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 16,775,000	\$ 9,500,000	\$ 2,125,000	\$ 24,150,000	\$ 1,495,000
Components of Long-Term Debt:					
Premium on general obligation bonds payable	303,927	366,551	39,747	630,731	34,126
Accrued interest	<u>35,093</u>	<u>69,334</u>	<u>35,093</u>	<u>69,334</u>	<u>69,334</u>
Totals	<u>\$ 17,114,020</u>	<u>\$ 9,935,885</u>	<u>\$ 2,199,840</u>	<u>\$ 24,850,065</u>	<u>\$ 1,598,460</u>

**NOTE 8. LEASES**

**Operating Leases**

Commitments under operating lease (non-capital) agreements for copier equipment provide for minimum future rental payments as of August 31, 2008 as follows:

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2009	\$ 5,760
2010	5,760
2011	5,760
2012	<u>4,261</u>
Total minimum rentals	<u>\$ 21,541</u>

Rental expenditures on the above mentioned equipment for the year ended August 31, 2008 were \$ 36,187.

**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.

# SWEENEY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2008

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

*Funding Policy* - State law provides for fiscal year 2008 a state contribution rate of 6.58% and 6.0% for fiscal years 2007 and 2006. State law further provides a member contribution rate of 6.4% for fiscal years 2008, 2007 and 2006. In certain instances, the reporting District is required to make all or a portion of the state's 6.58% contribution for fiscal year 2008 and 6.0% for fiscal year 2007 and 2006. 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, 2008, 2007, and 2006 were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
District payroll	\$ 10,864,717	\$ 10,522,850	\$ 10,468,427
District TRS payroll	\$ 10,471,030	\$ 10,303,171	\$ 9,943,192
District contributions	\$ 73,807	\$ 59,808	\$ 48,169
Federal contributions	\$ 50,219	\$ 41,633	\$ 45,502
State contributions	\$ 644,029	\$ 617,254	\$ 594,443
State contribution rate	6.50%	6.50%	6.50%
Employee contributions	\$ 670,150	\$ 659,404	\$ 636,366
Employee contribution rate	6.40%	6.40%	6.40%

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

**SWEENEY INDEPENDENT SCHOOL DISTRICT***NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2008***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	Capital Projects	Other Funds	Total
Property Taxes	\$ 15,574,796	\$	\$	\$ 2,841,749	\$ 18,416,545
Investment income	281,003	35,652	396,467	46,364	759,486
Food sales				377,512	377,512
Enterprising activities	3,618				3,618
Penalties, interest and other tax related income	131,022			17,046	148,068
Co-curricular income	55,169				55,169
Shared service fees				3,965	3,965
Gifts and bequests	31,804			10,050	41,854
Other	111,410				111,410
Total	<u>\$ 16,188,822</u>	<u>\$ 35,652</u>	<u>\$ 396,467</u>	<u>\$ 3,296,686</u>	<u>\$ 19,917,627</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 2008, 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, 2008, 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.

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.

## **SWEENEY INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2008*

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

##### **Unemployment Compensation Pool (Continued)**

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 approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2007, 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, 2008, 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 districts 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, 2008, the Fund carries a discounted reserve of \$ 76,073,881 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2008, 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 approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2007, 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, 2008 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.

## **SWEENY INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2008*

#### **NOTE 13. LITIGATION AND CONTINGENCIES (Continued)**

The following is the pending litigation against the District at August 31, 2008:

File No. 26800.038 – Albritton Termination. On June 17, 2008, the Sweeny ISD Board of Trustees proposed the termination of a teacher, James Albritton, because the teacher used unreasonable and excessive force in disciplining a student. On August 21<sup>st</sup> and 22<sup>nd</sup> a hearing to consider the proposed termination was conducted before an Independent Hearing Examiner appointed by the Texas Education Agency. The Hearing Examiner ultimately determined that there was good cause to terminate Mr. Albritton's term employment contract. Based on the Hearing Examiner's recommendation, the Board of Trustees took final action to terminate Mr. Albritton's employment contract on October 14, 2008.

It is likely that Mr. Albritton will appeal the Board's decision to the Texas Commissioner of Education as permitted by the Texas Education Code. In the event an appeal is filed, it is probable that the District will succeed in having Mr. Albritton's termination upheld. Should the District not prevail on appeal, Mr. Albritton is entitled to reinstatement or the payment of one year's salary. Therefore, this claim presents some threat of future liability or payment of damages. Moreover, the District may incur some legal expenses in defending the appeal if one is filed.

#### **NOTE 14. JOINT VENTURED-SHARED SERVICE ARRANGEMENTS**

The District is the fiscal agent for a Shared Services Arrangements ("SSA") which provides management and science kits to member districts. In addition to the District, other member districts include Angleton, Columbia-Brazoria, and Danbury Independent School Districts. All services are provided by the fiscal agent. Contributions are received from local companies in addition to funds provided by member districts. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 446, Local Funded Shared Services Arrangements – Hands On Science Coalition. Expenditures of the SSA totaled \$ 12,730. The expenditures attributable to the District's participation totaled \$ 2,865.

The District participates in a shared services arrangement with Columbia-Brazoria Independent School District (fiscal agent) for Visually Impaired. This SSA is intended to account for any State Supplemental Visually Impaired money received from Region IV Education Service Center and local Visually Impaired expenditures. Although 50% of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues and only accounts for the District's portion of local expenditures. The District does not 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 District's portion of cost covered by revenue received by the fiscal agent was \$ 6,414.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*YEAR ENDED AUGUST 31, 2008*

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

The District participates in a shared services arrangement for Brazoria County Juvenile Justice Alternative Education Program with eight other school districts. Although 2.68% of the activity of the shared services arrangement is attributable to the District's participation, 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, Brazoria County, 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 \$ 1,760 and were coded to 6223 payments to Brazoria County J.J.A.E.P..

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 153,389 and were coded to 6492 payments to fiscal agents.

**NOTE 15. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

During the year ended August 31, 2008, the District incurred expenditures in excess of appropriation within the following fund and function:

General Fund:

Function 23 - School leadership	\$ 6,321
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This variance resulted from underestimation of year-end accruals as of August 31, 2008.

**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, 2008**

*Exhibit G-1  
Page 1 of 1*

Data Control Codes		General Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 16,280,585	\$ 16,352,419	\$ 16,188,822	\$( 163,597)
5800	State program revenues	5,701,206	5,701,206	8,008,866	2,307,660
5900	Federal program revenues	<u>200</u>	<u>200</u>	<u>-0-</u>	<u>( 200)</u>
5020	Total revenues	<u>21,981,991</u>	<u>22,053,825</u>	<u>24,197,688</u>	<u>2,143,863</u>
	EXPENDITURES:				
	Current:				
0011	Instruction	8,370,377	8,522,299	8,016,664	505,635
0012	Instructional resources and media services	206,478	232,955	218,743	14,212
0013	Curriculum and staff development	25,406	25,406	16,065	9,341
0021	Instructional leadership	374,945	378,177	332,747	45,430
0023	School leadership	970,899	985,426	991,747	( 6,321)
0031	Guidance, counseling, and evaluation services	534,750	544,921	532,836	12,085
0033	Health services	160,448	166,035	155,410	10,625
0034	Student (pupil) transportation	840,130	866,180	763,305	102,875
0036	Extracurricular activities	636,578	662,090	623,899	38,191
0041	General administration	725,357	790,382	766,274	24,108
0051	Plant maintenance and operations	2,722,723	2,515,917	2,358,012	157,905
0052	Security and monitoring services	43,881	59,928	55,699	4,229
0053	Data processing services	55,369	55,369	49,642	5,727
0061	Community services	2,400	2,840	466	2,374
0071	Debt Service - principal on long-term debt	3,000	3,000		3,000
0091	Contracted instructional services between public schools	6,163,837	6,163,837	6,093,638	70,199
0093	Payments related to shared services arrangements	5,728	215,728	156,254	59,474
0095	Payments to juvenile justice alternative education programs	<u>22,000</u>	<u>5,000</u>	<u>1,760</u>	<u>3,240</u>
6030	Total expenditures	<u>21,864,306</u>	<u>22,195,490</u>	<u>21,133,161</u>	<u>1,062,329</u>
1100	Excess (deficiency) of revenues over expenditures	<u>117,685</u>	<u>( 141,665)</u>	<u>3,064,527</u>	<u>3,206,192</u>
	OTHER FINANCING SOURCES (USES):				
7915	Transfers in			250,000	250,000
8911	Transfers out	<u>( 91,500)</u>	<u>( 91,500)</u>		<u>91,500</u>
	Total other financing sources (uses)	<u>( 91,500)</u>	<u>( 91,500)</u>	<u>250,000</u>	<u>341,500</u>
1200	Net change in fund balances	26,185	( 233,165)	3,314,527	3,547,692
0100	Fund balances – beginning	<u>5,469,312</u>	<u>5,469,312</u>	<u>5,469,312</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 5,495,497</u>	<u>\$ 5,236,147</u>	<u>\$ 8,783,839</u>	<u>\$ 3,549,692</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2008**

Data Control Codes		Special				
		204 ESEA Title IV Part A -Safe and Drug Free Schools and Communities Act	211 ESEA Title I Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National School Lunch and Breakfast Program
	ASSETS:					
1110	Cash and cash equivalents	\$	\$	\$	\$	\$ 49,359
1120	Current investments					
1230	Taxes receivable - delinquent					
1230	Allowance for uncollectible taxes (credit)					
1240	Receivables from other governments		49,420	50,341	664	9,955
1260	Due from other funds					
1300	Inventories					41,276
1000	Total assets	\$ -0-	\$ 49,420	\$ 50,341	\$ 664	\$ 100,590
	LIABILITIES AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$	\$ 6	\$ 598	\$	\$ 22,132
2150	Payroll deductions and withholdings					591
2160	Accrued wages payable		15,563	16,702	664	14,603
2170	Due to other funds		33,851	33,041		
2180	Payable to other governments					
2300	Deferred revenues					20,326
2000	Total liabilities	-0-	49,420	50,341	664	57,652
	Fund Balances:					
	Reserved For:					
3410	Reserve for inventories					41,276
3450	Reserve for food service					1,662
3480	Reserve for debt service					
	Designated For:					
3590	Other purposes					
3000	Total fund balances	-0-	-0-	-0-	-0-	42,938
4000	Total liabilities and fund balances	\$ -0-	\$ 49,420	\$ 50,341	\$ 664	\$ 100,590

Revenue Funds							
243	244	255	262	269	289	397	404
Vocational Education Technical Preparation	Vocational Education Basic	ESEA Title II Part A: Teacher and Principal Training and Recruitment	Enhancing Education Through Technology	Title V Part A Innovative Programs	Summer School LEP	Campus Awards	Accelerated Reading Program
\$	\$	\$	\$	\$	\$	\$ 1,990	\$
	298	11,932			1,155		1,292
<u>\$ -0-</u>	<u>\$ 298</u>	<u>\$ 11,932</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,155</u>	<u>\$ 1,990</u>	<u>\$ 1,292</u>
\$	\$	\$ 3,096	\$	\$	\$	\$	\$
	38 260	4,126 4,710			1,155		1,133 159
<u>-0-</u>	<u>298</u>	<u>11,932</u>	<u>-0-</u>	<u>-0-</u>	<u>1,155</u>	<u>-0-</u>	<u>1,292</u>
						1,990	
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,990</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ 298</u>	<u>\$ 11,932</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,155</u>	<u>\$ 1,990</u>	<u>\$ 1,292</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2008**

		Special Revenue Funds				
		411	427	429	459	
Data Control Codes		Technology Allotment	HB - 1 State High School Allotment	AP/IB Incentive	Hands On Science Coalition	Total
<b>ASSETS:</b>						
1110	Cash and cash equivalents	\$ 12,701	\$ 36,960	\$	\$ 64,928	\$ 165,938
1120	Current investments					-0-
1230	Taxes receivable – delinquent					-0-
1230	Allowance for uncollectible taxes (credit)					-0-
1240	Receivables from other governments	1,640	4,404			131,101
1260	Due from other funds					-0-
1300	Inventories					41,276
1000	Total assets	<u>\$ 14,341</u>	<u>\$ 41,364</u>	<u>\$ -0-</u>	<u>\$ 64,928</u>	<u>\$ 338,315</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
2110	Accounts payable	\$	\$	\$	\$ 200	\$ 26,032
2150	Payroll deductions and withholdings					591
2160	Accrued wages payable		4,453		161	56,310
2170	Due to other funds		9,565			83,715
2180	Payable to other governments					159
2300	Deferred revenues					20,326
2000	Total liabilities	<u>-0-</u>	<u>14,018</u>	<u>-0-</u>	<u>361</u>	<u>187,133</u>
<b>Fund Balances:</b>						
<b>Reserved For:</b>						
3410	Reserved for inventories					41,276
3450	Reserve for food service					1,662
3480	Reserve for debt service					-0-
<b>Designated For:</b>						
3590	Other purposes	<u>14,341</u>	<u>27,346</u>	<u>-0-</u>	<u>64,567</u>	<u>108,244</u>
3000	Total fund balances	<u>14,341</u>	<u>27,346</u>	<u>-0-</u>	<u>64,567</u>	<u>151,182</u>
4000	Total liabilities and fund balances	<u>\$ 14,341</u>	<u>\$ 41,364</u>	<u>\$ -0-</u>	<u>\$ 64,928</u>	<u>\$ 338,315</u>

50

<u>Debt Service Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ 1,032,504	\$ 1,198,442
75,881	75,881
85,393	85,393
( 56,027)	( 56,027)
	131,101
2,428	2,428
<u>          </u>	<u>41,276</u>
<u>\$ 1,140,179</u>	<u>\$ 1,478,494</u>

\$	\$ 26,032
	591
	56,310
	83,715
	159
<u>21,790</u>	<u>42,116</u>
<u>21,790</u>	<u>208,923</u>

	41,276
	1,662
1,118,389	1,118,389
<u>          </u>	<u>108,244</u>
<u>1,118,389</u>	<u>1,269,571</u>
<u>\$ 1,140,179</u>	<u>\$ 1,478,494</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2008**

Data Control Codes		Special				
		204 ESEA Title IV Part A -Safe and Drug Free Schools and Communities Act	211 ESEA Title I Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National School Lunch and Breakfast Program
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$	\$ 377,512
5800	State program revenues					6,322
5900	Federal program revenues	<u>5,830</u>	<u>477,153</u>	<u>414,287</u>	<u>22,799</u>	<u>415,103</u>
5020	Total revenues	<u>5,830</u>	<u>477,153</u>	<u>414,287</u>	<u>22,799</u>	<u>798,937</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	996	404,784	317,171	22,799	
0013	Curriculum and staff development					
0021	Instructional leadership	4,834	69,981	59,245		
0031	Guidance, counseling and evaluation services			37,871		
0034	Student (pupil) transportation		2,388			
0035	Food Service					790,716
0071	Principal on long-term debt					
0072	Interest on long-term debt					
0073	Bond issuance costs and fees					
6030	Total expenditures	<u>5,830</u>	<u>477,153</u>	<u>414,287</u>	<u>22,799</u>	<u>790,716</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>8,221</u>
	OTHER FINANCING SOURCES (USES):					
7916	Premium on bonds					
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net changes in fund balances	-0-	-0-	-0-	-0-	8,221
0100	Fund balances - beginning					34,717
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 42,938</u>

Revenue Funds							
243	244	255	262	269	289	397	404
Vocational Education Technical Preparation	Vocational Education Basic	ESEA Title II Part A: Teacher and Principal Training and Recruitment	Enhancing Education Through Technology	Title V Part A Innovative Programs	Summer School LEP	Campus Awards	Accelerated Reading Program
\$	\$	\$	\$	\$	\$	\$	\$
						1,356	12,763
<u>389</u>	<u>20,161</u>	<u>109,469</u>	<u>3,330</u>	<u>1,601</u>	<u>390</u>		
<u>389</u>	<u>20,161</u>	<u>109,469</u>	<u>3,330</u>	<u>1,601</u>	<u>390</u>	<u>1,356</u>	<u>12,763</u>
389	7,219	83,732		1,601	390	1,859	12,763
		23,390	508				
		2,347	2,822				
	12,942						
<u>389</u>	<u>20,161</u>	<u>109,469</u>	<u>3,330</u>	<u>1,601</u>	<u>390</u>	<u>1,859</u>	<u>12,763</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>( 503)</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>( 503)</u>	<u>-0-</u>
						2,493	-0-
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,990</u>	<u>\$ -0-</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2008**

		Special Revenue Funds				
		411	427	429	459	
Data Control Codes		Technology Allotment	HB - 1 state High School Allotment	AP/IB Incentive	Hands On Science Coalition	Total
REVENUES:						
5700	Local and intermediate sources	\$	\$	\$	\$ 14,015	\$ 391,527
5800	State program revenues	56,819	158,341	23,095	179	258,875
5900	Federal program revenues					1,470,512
5020	Total revenues	<u>56,819</u>	<u>158,341</u>	<u>23,095</u>	<u>14,194</u>	<u>2,120,914</u>
EXPENDITURES:						
Current:						
0011	Instruction	9,959	165,988	23,095	12,730	1,065,475
0013	Curriculum and staff development					23,898
0021	Instructional leadership	32,519				171,748
0031	Guidance, counseling and evaluation services					50,813
0034	Student (pupil) transportation					2,388
0035	Food Service					790,716
0071	Principal on long-term debt					-0-
0072	Interest on long-term debt					-0-
0073	Bond issuance costs and fees					-0-
6030	Total expenditures	<u>42,478</u>	<u>165,988</u>	<u>23,095</u>	<u>12,730</u>	<u>2,105,038</u>
1100	Excess (deficiency) of revenues over expenditures	<u>14,341</u>	<u>( 7,647 )</u>	<u>-0-</u>	<u>1,464</u>	<u>15,876</u>
OTHER FINANCING SOURCES (USES):						
7916	Premium on bonds					
	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	14,341	( 7,647 )		1,464	15,876
0100	Fund balances - beginning		34,993		63,103	135,306
3000	Fund balances - ending	<u>\$ 14,341</u>	<u>\$ 27,346</u>	<u>\$ -0-</u>	<u>\$ 64,567</u>	<u>\$ 151,182</u>

50

<u>Debt Service Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ 2,905,159	\$ 3,296,686
	258,875
	<u>1,470,512</u>
<u>2,905,159</u>	<u>5,026,073</u>
	1,065,475
	23,898
	171,748
	50,813
	2,388
	790,716
2,125,000	2,125,000
936,958	936,958
<u>84,776</u>	<u>84,776</u>
<u>3,146,734</u>	<u>5,251,772</u>
( 241,575 )	( 225,699 )
<u>366,551</u>	<u>366,551</u>
<u>366,551</u>	<u>366,551</u>
124,976	140,852
<u>993,413</u>	<u>1,128,719</u>
<u>\$ 1,118,389</u>	<u>\$ 1,269,571</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**YEAR ENDED AUGUST 31, 2008**

Last Ten Years Ended August 31,	1		2		3	10
	Tax Rates				Assessed/Appraised Value for School Tax Purposes	Beginning Balance September 1, 2007
	Maintenance	Debt Service				
1999 and Prior	\$ -----	\$ -----			\$ -----	\$ 307,618
2000	1.46540	0.15870			1,086,949,677	39,126
2001	1.42500	0.09000			1,262,579,142	36,950
2002	1.37790	0.10040			1,559,707,840	33,900
2003	1.50000	0.17359			1,497,358,012	38,858
2004	1.50000	0.17500			1,486,317,791	42,754
2005	1.50000	0.19200			1,368,708,806	61,719
2006	1.50000	0.17100			1,417,483,853	87,785
2007	1.37000	0.17170			1,536,479,758	211,849
2007 (School Year Under Audit)	1.04000	0.17170			1,499,562,717	
1000 Totals						\$ <u>860,559</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, 2008
\$	\$ 12,120	\$ 1,654	\$( 43,831)	\$ 250,013
	1,335	145	( 2,082)	35,564
	2,012	127	( 1,812)	32,999
	2,000	146	( 1,492)	30,262
	3,346	387	( 1,715)	33,410
	7,252	846	( 1,035)	33,621
	14,799	1,895	( 958)	44,067
	24,197	2,758	( 717)	60,113
	92,894	11,642	( 17,398)	89,915
<u>18,110,096</u>	<u>15,417,205</u>	<u>2,545,321</u>	<u></u>	<u>147,570</u>
<u>\$ 18,110,096</u>	<u>\$ 15,577,160</u>	<u>\$ 2,564,921</u>	<u>\$( 71,040)</u>	<u>\$ 757,534</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF**  
**INDIRECT COST FOR 2008-2009**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**YEAR ENDED AUGUST 31, 2008**

**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	\$	\$	\$ 202,377	\$ 180,808	\$ 186	\$ 17,828	\$ 401,199
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	131,978						131,978
6212	Audit services				39,074			39,074
6213	Tax appraisal & collection		147,157					147,157
621X	Other professional services			6,558	3,705		28,632	38,895
6220	Tuition & transfer payments							-0-
6230	Education service centers							-0-
6240	Contract maint. & repair							-0-
6250	Utilities							-0-
6260	Rentals			5,482	2,167			7,649
6290	Miscellaneous contract			2,550	2,426			4,976
6320	Textbooks & reading			500				500
6330	Testing materials							-0-
63XX	Other supplies/materials			3,503	2,188		2,609	8,300
6410	Travel, subsistence, stipends	6,103		4,937	2,939		573	14,552
6420	Ins. & bonding costs	7,960						7,960
6430	Election costs							-0-
6490	Miscellaneous operating	9,227		3,526	928			13,681
6500	Debt service							-0-
6600	Capital outlay							-0-
TOTAL		\$ 155,268	\$ 147,157	\$ 229,433	\$ 234,235	\$ 186	\$ 49,642	\$ 815,921

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

(9) \$23,238,204

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$	-0-
Total Debt & Lease (6500)	(11)	-0-
Plant Maintenance (Function 51, 6100-6400)	(12)	2,358,012
Food (Function 35, 6341 and 6499)	(13)	348,662
Stipends (6413)	(14)	-0-
Column 4 (above) - Total Indirect Cost		<u>234,235</u>
Subtotal		<u>2,940,909</u>
Net Allowed Direct Cost		<u>\$ 20,297,295</u>

CUMULATIVE

Total Cost of Buildings before Depreciation	(15) \$	49,853,785
Historical Cost of Buildings over 50 years old	(16) \$	-0-
Amount of Federal Money in Building Cost (Net of Above)	(17) \$	-0-
Total Cost of Furniture and Equipment before Depreciation	(18) \$	2,164,543
Historical Cost of Furniture & Equipment over 16 years old	(19) \$	447,194
Amount of Federal Money in Furniture & Equipment (Net of Above)	(20) \$	-0-

Note A- \$ 49,642 in Function 53 expenditures are included in this report on administrative costs.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET**  
**GENERAL FUND**  
**AUGUST 31, 2008**  
**UNAUDITED**

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

Data Control Code	Explanation	Amount
1	Total General Fund Balance as of 08/31/08 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>8,783,839</u>
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	260,861
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	4,600,000
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds representing deferred revenues)	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/08 - 5/31/09)	2,348,129
6	Estimate of delayed payments from state sources (58XX) including August payment delays	1,176,484
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	
8	Estimate of delayed payments from federal sources (59XX)	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>                    </u>
10	Optimum fund balance and cash flow (2+3+4+5+6+7+8+9)	<u>8,385,474</u>
11	Excess (deficit) undesignated unreserved General Fund fund balance (1-10)	\$ <u><u>398,365</u></u>

The District's initial estimate for Chapter 41 costs was well in excess of the actual liability, which resulted in a significantly higher increase in General Fund equity. Programs were delayed to the 2008-09 budget year where expenditures are anticipated to exceed revenues in excess of the excess undesignated, unreserved General Fund fund balance noted above.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE – NONMAJOR FUND – FOOD**

**SERVICE SPECIAL REVENUE FUND**

**YEAR ENDED AUGUST 31, 2008**

**EXHIBIT J-4**

**Page 1 of 1**

Data Control Codes		Food Service Special Revenue Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 324,000	\$ 324,000	\$ 377,512	\$ 53,512
5800	State program revenues	7,000	7,000	6,322	( 678)
5900	Federal program revenues	<u>378,000</u>	<u>378,000</u>	<u>415,103</u>	<u>37,103</u>
5020	Total revenues	<u>709,000</u>	<u>709,000</u>	<u>798,937</u>	<u>89,937</u>
	EXPENDITURES:				
	Current:				
0035	Food service	<u>808,320</u>	<u>821,248</u>	<u>790,716</u>	<u>30,532</u>
6030	Total expenditures	<u>808,320</u>	<u>821,248</u>	<u>790,716</u>	<u>30,532</u>
1100	Excess (deficiency) of revenues over expenditures	( 99,320)	( 112,248)	8,221	120,469
	OTHER FINANCING SOURCES (USES):				
7915	Transfers in	<u>91,500</u>	<u>91,500</u>		( 91,500)
	Total other financing sources and (uses)	<u>91,500</u>	<u>91,500</u>	<u>-0-</u>	<u>( 91,500)</u>
1200	Net change in fund balances	( 7,820)	( 20,748)	8,221	28,969
0100	Fund balances – beginning	<u>34,717</u>	<u>34,717</u>	<u>34,717</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 26,897</u>	<u>\$ 13,969</u>	<u>\$ 42,938</u>	<u>\$ 28,969</u>

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND**  
**YEAR ENDED AUGUST 31, 2008**

**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	\$ 2,591,075	\$ 2,591,075	\$ 2,905,159	\$ 314,084
5020	Total revenues	2,591,075	2,591,075	2,905,159	314,084
	EXPENDITURES:				
	Current:				
0071	Debt service - Principal on long-term debt	2,125,000	2,125,000	2,125,000	-0-
0072	Debt Service - Interest on long-term debt	709,516	709,516	936,958	( 227,442)
0073	Bond issuance costs and fees	4,000	314,000	84,776	229,224
6030	Total expenditures	2,838,516	3,148,516	3,146,734	1,782
1100	Excess (deficiency) of revenues over expenditures	( 247,441)	( 557,441)	( 241,575)	315,866
	OTHER FINANCING SOURCES (USES):				
7916	Premium on issuance of bonds			366,551	366,551
	Total other financing sources and (uses)	-0-	-0-	366,551	366,551
1200	Net change in fund balances	( 247,441)	( 557,441)	124,976	682,417
0100	Fund balances – beginning	993,413	993,413	993,413	-0-
3000	Fund balances – ending	\$ 745,972	\$ 435,972	\$ 1,118,389	\$ 682,417

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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  
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## Independent Auditor's 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 1, 2008

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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2008. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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Board of Trustees  
Sweeny Independent School District  
December 1, 2008  
Page 2

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 that might be 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.

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 1, 2008.

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 & Hurdford, LLC*

# KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

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## Independent Auditor's Report

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

December 1, 2008

Board of Trustees  
Sweeny Independent School District  
Sweeny, Texas 77480

### Compliance

We have audited the compliance of Sweeny Independent School District (the "District"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2008. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2008.

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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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

*Kennebec, Masters & Hunsford, LLC*

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*YEAR ENDED AUGUST 31, 2008*

Page 1 of 2

I. Summary of auditor's results:

1. Type of auditor's 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. No internal control finding required to be reported in this schedule was disclosed in the audit of the major programs.
5. Type of auditor's 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:
  - Cluster Programs:
    - 10.553 National School Breakfast Program
    - 10.555 National School Lunch Program
    - 10.555 U.S.D.A. Commodities program
  - Cluster Program:
    - 84.027 IDEA, Part B Formula program
    - 84.173 IDEA, Part B Preschool 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.

The audit disclosed no findings required to be reported.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF STATUS OF PRIOR FINDINGS*  
*YEAR ENDED AUGUST 31, 2008*

*Page 1 of 1*

PRIOR YEAR'S FINDING/NONCOMPLIANCE

None.

**SWEENY INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*YEAR ENDED AUGUST 31, 2008*

None.

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED AUGUST 31, 2008**

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

(1)	(2)	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA, Title I, Part A, Improving Basic Programs	84.010A	09610101020906	\$ 49,420
ESEA, Title I, Part A, Improving Basic Programs	84.010A	08610101020906	<u>427,733</u>
			<u>477,153</u>
IDEA Part B, Formula	84.027	09660001020906	50,341
IDEA Part B, Formula	84.027	086600010209066600	<u>363,946</u>
			<u>414,287</u>
Vocational Education, Basic Grant	84.048	09420006020906	297
Vocational Education, Basic Grant	84.048	08420006020906	<u>19,864</u>
			<u>20,161</u>
IDEA Part B, Preschool	84.173	09661001020906	664
IDEA Part B, Preschool	84.173	08661001020906	14,935
IDEA Part B, Preschool, L.R.E. Program	84.173	0866102271204	<u>7,200</u>
			<u>22,799</u>
Title IV - Safe and Drug-Free Schools	84.186A	08694001020906	<u>5,830</u>
Tech Prep - North Harris Montgomery Community College District	84.243	41715	<u>389</u>
ESEA, Title II, Part A: Teacher and Principal Training and Recruiting	84.367A	09694501020906	11,933
ESEA, Title II, Part A: Teacher and Principal Training and Recruiting	84.367A	08694501020906	<u>97,536</u>
			<u>109,469</u>
Title II, Part D - Technology	84.318X	08630001020906	<u>3,330</u>
Title V, Part A - Innovative Programs	84.298A	08685001020906	<u>1,601</u>
Summer School LEP - RD 16	84.369A	69550802	<u>390</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 1,055,409</u>

(continued)

**SWEENEY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED AUGUST 31, 2008**

*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>40,630</u>
Passed Through State Department of Education:			
School Breakfast Program*	10.553	7140701	82,942
National School Lunch Program*	10.555	7130701	<u>291,531</u>
			<u>374,473</u>
 TOTAL U.S. DEPARTMENT OF AGRICULTURE			 \$ <u>415,103</u>
 TOTAL FEDERAL ASSISTANCE			 \$ <u>1,470,512</u>
 *Cluster Programs			
Reconciliation:			
Federal program revenues (Exhibit C-2)			\$ <u>1,470,512</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, 2008**

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 \$ 48,170, while the monetary value of goods used and recognized as income and expenditures was \$ 40,630.
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, 2008 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.

**SCHEDULE FOR ELECTRONIC FILING**

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**SWEENEY INDEPENDENT SCHOOL DISTRICT**

REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AUGUST 31, 2008

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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