

**SWEENY
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2009**

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

THIS PAGE LEFT BLANK INTENTIONALLY.

SWEENEY INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2009*

Table of Contents

<u>Exhibit Number</u>		<u>Page Number</u>
Introductory Section		
	CERTIFICATE OF BOARD	7
Financial Section		
	Independent Auditors' 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
Required Supplementary Information		
G-1	Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	58
Other Supplementary Information		
	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, 2009*

Table of Contents - Continued

<u>Exhibit Number</u>		<u>Page Number</u>
	Federal Award Section	
	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
	Schedule for Electronic Filing	
L-1	Required Responses to Selected School First Indicators.....	89

The Following Exhibits Were Not Applicable to the Sweeney 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

THIS PAGE LEFT BLANK INTENTIONALLY.

CERTIFICATE OF BOARD

Sweeny Independent School District
Name of School District

Brazoria
County

020-906
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2009, at a meeting of the board of trustees of such school district on the _____ day of _____, 2010.

Signature of Board Secretary

Signature of Board President

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

THIS PAGE LEFT BLANK INTENTIONALLY.

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS
Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
(979) 297-4075 Fax: (979) 297-6648
(800) 399-4075

Houston Office:
12000 Westheimer, Suite 105
Houston, Texas 77077
(281) 752-0200 Fax: (281) 752-0204

Independent Auditors' Report

November 30, 2009,
except as to the last paragraph of next page and Note 16, which are as of February 22, 2010

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, 2009, 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, 2009, 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 November 30, 2009, 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.

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

Board of Trustees
Sweeny Independent School District
November 30, 2009,

except as to the last paragraph of next page and Note 16, which are as of February 22, 2010
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.

As more fully described in Note 16, subsequent to the issuance of the District' 2009 financial statements and our report thereon, dated November 30, 2009, we became aware that those financial statements did not reflect certain outstanding balance due to the state related to Chapter 41 expenditures. In our original report, we expressed an unqualified opinion on the 2009 financial statements, and our opinion on the revised statements, as expressed herein, remains unqualified.

Kennemer, Masters & Hunford, LLC

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2009

As management of the Sweeny Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2009. 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 \$ 28,352,792 (*net assets*). Of this amount, \$ 6,513,485 (*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 \$ 9,353,923. Approximately 6 percent of this total amount, \$ 531,142, 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 \$ 444,688, or 2 percent of the total general fund expenditures.
- During the year, the District had expenses that were \$ 2,714,863 more than the \$ 24,732,334 generated in tax and other revenues for governmental programs (before special items). This compares to last year when expenses were less than revenues by \$ 3,909,586.

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.

SWEENEY INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2009

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-four 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, 2009

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.

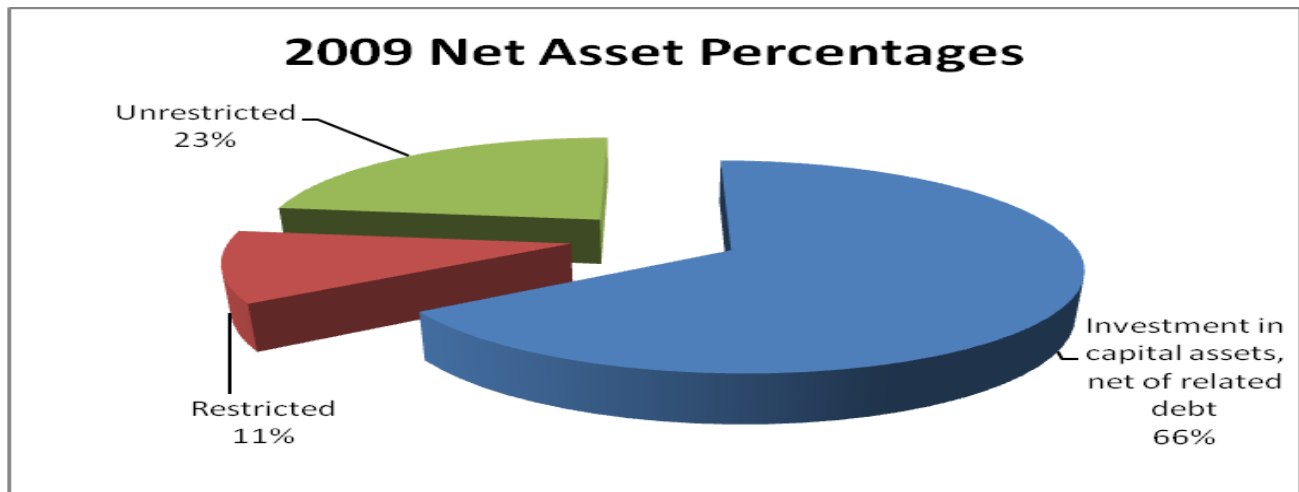
The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 60 through 67 of this report.

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 \$ 28,352,792 as of August 31, 2009. Net assets of the District's governmental activities decreased from \$ 31,067,655 to \$ 28,352,392.

The District's Net Assets

	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 14,028,498	\$ 18,569,447
Capital assets	<u>41,929,132</u>	<u>39,825,037</u>
Total assets	<u>55,957,630</u>	<u>58,394,484</u>
Long-term liabilities outstanding	23,317,085	24,850,065
Other liabilities	<u>4,287,753</u>	<u>2,476,764</u>
Total liabilities	<u>27,604,838</u>	<u>27,326,829</u>
Net assets:		
Investment in capital assets, net of related debt	18,677,527	15,044,306
Restricted	3,161,780	6,486,848
Unrestricted	<u>6,513,485</u>	<u>9,536,501</u>
Total net assets	<u>\$ 28,352,792</u>	<u>\$ 31,067,655</u>



SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2009

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 \$ 18,677,527. 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 11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$ 6,513,485 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 decreased by \$ 2,714,863. The District's total revenue decreased by 16%. The District's total cost of all programs and services increased 7%. The total cost of all *governmental activities* this year was \$ 27,447,197. The amount that our taxpayers paid for these activities through property taxes was \$ 18,701,466 or 68%. The amount of costs that were paid by those who directly benefited from the programs was \$ 422,259 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 \$ 2,308,295 or 8% and \$ 2,170,195 or 8%, respectively.

Changes in the District's Net Assets

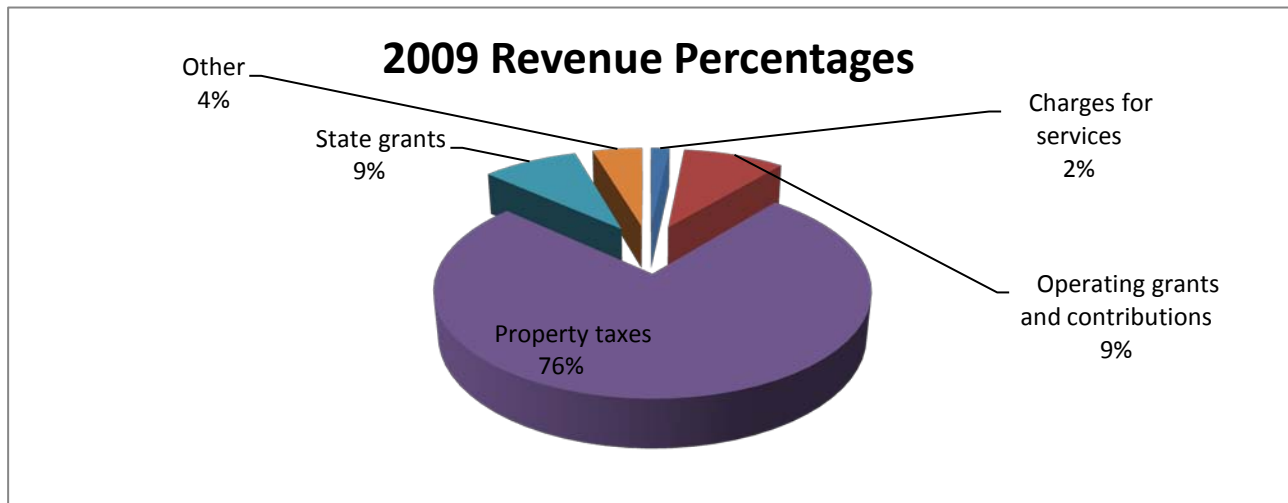
	<u>2009</u>	<u>2008</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 422,259	\$ 432,681
Operating grants & contributions	2,308,295	2,156,720
General revenues:		
Property taxes	18,701,466	18,468,211
State grants	2,170,195	7,577,851
Other	<u>1,130,119</u>	<u>924,015</u>
Total revenues	<u>24,732,334</u>	<u>29,559,478</u>
Expenses:		
Instruction	10,720,994	9,617,997
Instructional resources & media services	234,291	249,434
Curriculum & staff development	46,252	39,963
Instructional leadership	696,793	514,801
School leadership	1,048,045	1,024,744
Guidance, counseling & evaluation services	532,639	589,389
Health services	198,600	162,295
Student (pupil) transportation	817,326	877,045
Food services	916,993	872,723
Cocurricular/extracurricular activities	780,407	750,687
General administration	746,981	787,932
Plant maintenance and operations	1,898,622	2,669,402

(continued)

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2009

Changes in the District's Net Assets (Continued)

	<u>2009</u>	<u>2008</u>
Security and monitoring services	\$ 74,318	\$ 143,949
Data processing services	108,509	89,152
Community services	9,260	9,726
Debt service-interest and fees on long-term debt	1,034,663	957,040
Facilities acquisition and construction	195,522	41,961
Contracted instructional services between public schools	6,598,330	6,093,638
Payments related to shared services arrangements	643,894	156,254
Payments to juvenile justice alternative education		1,760
Other intergovernmental charges	<u>144,758</u>	<u> </u>
 Total expenses	 <u>27,447,197</u>	 <u>25,649,892</u>
 Increase (decrease) in net assets	 (2,714,863)	 3,909,586
Beginning net assets	<u>31,067,655</u>	<u>27,158,069</u>
 Ending net assets	 <u>\$ 28,352,792</u>	 <u>\$ 31,067,655</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.

SWEENEY INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2009

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 9,353,923, a decrease of \$ 6,380,504. Approximately 6 percent of this total amount (\$ 531,142) 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 \$ 114,696, 2) for prepaid items \$ 68,381, 3) for encumbrances \$ 348, 4) for food service \$ 4,570, 5) to pay debt service \$ 1,439,126, 6) for construction \$ 1,559,633, 7) for claims and judgments \$ 250,000, 8) for capital expenditures for equipment \$ 350,000, and 9) other miscellaneous designations \$ 5,036,027.

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 \$ 444,688, while the total fund balance was \$ 4,834,792. 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 2 percent of the total general fund expenditures, while total fund balance represents 21 percent of that same amount.

The fund balance of the District's general fund decreased \$ 3,949,047 or 45% during the current fiscal year compared to last year's total general fund balance of \$ 8,783,839. Revenues decreased from prior year approximately \$ 5,492,364 or 23%. Expenditures increased approximately 7% from prior year from \$ 21,133,161 to \$ 22,654,371. Key factor related to this change are as follows:

- Instruction costs increased \$ 811,616 from the prior year.

The Sweeny Education Foundation fund has a total balance of \$ 1,372,734, all which is designated for other purposes. The net increase in fund balance during the period in the Sweeny Education Foundation fund was \$ 786,367 from last years balance of \$ 586,367. Following are the factors contributing to this change:

- The Foundation received contributions of \$ 821,430 from Conoco Phillips Company.

The capital projects fund has a total balance of \$ 1,559,633 all of which is designated for construction. The net decrease in fund balance during the period in the capital projects was \$ 3,535,017 from last year's balance of \$ 5,094,650. Following are the factors contributing to this change:

- Capital and other expenditures in the amount of \$ 3,591,349.

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 \$ 3,519,567 below final budgeted amounts mainly due to decrease in local and intermediate source revenue and state program revenue. Actual expenditures were \$ 1,727,059 below final budget amounts. The major portion of this positive variance is due to the decreases in expenditures in instruction, student transportation, and payments related to shared services arrangements.

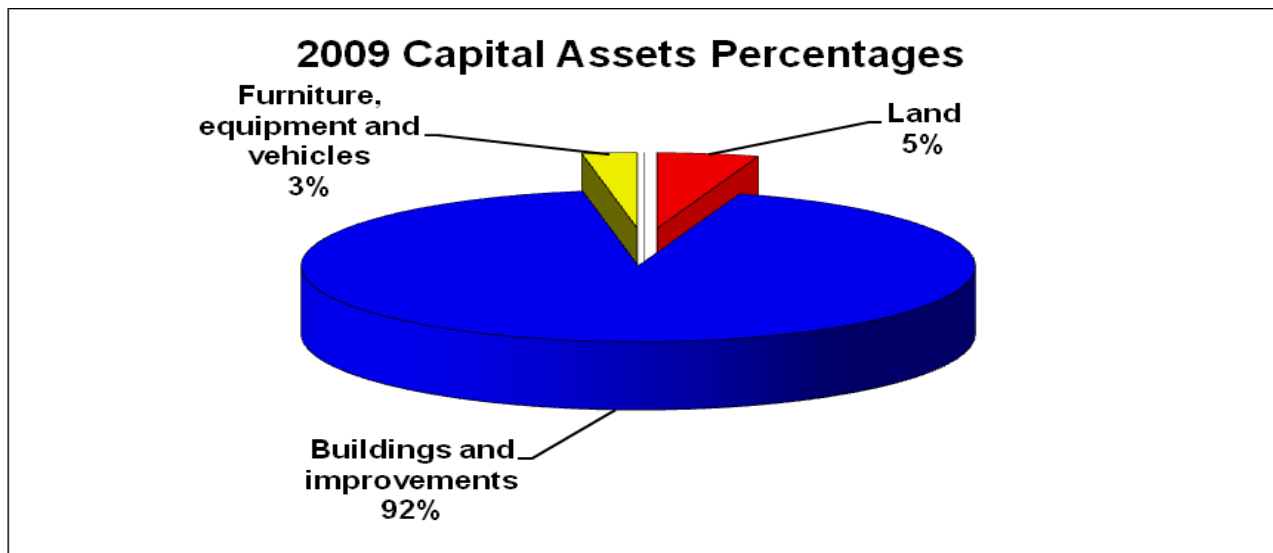
SWEENY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2009

Capital Asset and Debt Administration

Capital assets. The District's investments in capital assets for its governmental activities as of August 31, 2009 amounts to \$ 41,929,132 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, and furniture, equipment and vehicles.

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

	<u>2009</u>	<u>2008</u>
Land and land improvements	\$ 2,043,384	\$ 2,091,669
Buildings and improvements	38,781,669	21,381,908
Furniture, equipment and vehicles	1,104,079	914,753
Construction in progress		<u>15,436,707</u>
Total at historical cost	<u>\$ 41,929,132</u>	<u>\$ 39,825,037</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, 2009, the District had total long-term debt outstanding of \$ 23,317,085, a decrease of \$ 1,532,980 from the previous year. Long-term debt is made of general obligation bonds of \$ 22,655,000, accrued interest of \$ 65,480, and premium on general obligation bonds of \$ 596,605.

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.

SWEENEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2009

Economic Factors and Next Year's Budgets and Rates

- Appraised value used for the 2010 budget decreased \$ 134,359,728 or 7.95% from 2009 values.
- The District's 2009-2010 refined average daily attendance is expected to be 1,850.
- The District's attendance rate is estimated to be 95%.
- The total Maintenance and Operations revenue budget is \$ 18,922,531. The revenue breakdown is \$ 14,954,678 for local funds and \$ 3,967,853 for state funds. This is the total amount of revenues the District will receive for state and local tax rate.
- The District has adopted a balanced budget of \$ 19,678 going to fund balance. The District has appropriated General Fund revenues of \$ 18,922,531 and expenditures of \$ 18,902,853 which includes recapture expenditures of \$ 2,871,500.
- The 2010 District tax rate will remain the same as 2009 tax rate at \$ 1.2117 (\$ 1.04 for Maintenance and Operations and \$ 0.1717 for Interest and Sinking).
- For 2010, the District gave a 3% of mid-point salary increase to all employees.
- The 2010 employment salaries amount to 78.76% of the General Fund budget of \$ 12,586,442.
- The District assumed the total increased cost for health and dental insurance for our employees. Health insurance benefit cost increased \$ 16 per month per employee and dental insurance benefit cost increased \$ 2.36 per month per employee. The total amount of this cost for the District is \$ 42,676. Also the District is continuing to fund the \$ 500 health supplement benefit for all employees.
- The District is expecting to hold a \$ 6,000,000 bond election which is not expected to increase the Interest and Sinking tax rate of \$ 0.1717.

Requests for Information

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

THIS PAGE LEFT BLANK INTENTIONALLY.

SWEENEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
YEAR ENDED AUGUST 31, 2009

Exhibit A-1
Page 1 of 1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and cash equivalents	\$ 8,294,229
1120	Current investments	3,817,321
1120	Investments	415,691
1220	Property taxes receivables - delinquent	781,512
1230	Allowance for uncollectible taxes (credit)	(518,432)
1240	Due from other governments	851,404
1250	Accrued interest	22,058
1260	Internal balances	29
1290	Other receivables (net)	999
1300	Inventories	114,696
1410	Deferred expenses	68,381
1420	Capital bond and other debt issuance costs	180,610
	Capital Assets:	
1510	Land and land improvements	2,043,384
1525	Buildings and improvements, net	38,781,669
1530	Furniture, equipment and vehicles, net	<u>1,104,079</u>
1000	Total assets	<u>55,957,630</u>
	LIABILITIES:	
2110	Accounts payable	371,302
2150	Payroll deductions and withholding payable	591
2160	Accrued wages payable	493,837
2180	Due to other governments	2,212,900
2300	Deferred revenue	1,209,123
	Noncurrent Liabilities:	
2501	Due within one year	1,659,606
2502	Due in more than one year	<u>21,657,479</u>
2000	Total liabilities	<u>27,604,838</u>
	NET ASSETS:	
3200	Invested in capital assets, net of related debt	18,677,527
	Restricted For:	
3820	Federal and state programs	43,321
3820	Federal and state programs (Food service)	4,570
3850	Debt service	1,554,256
3860	Capital projects	1,559,633
3900	Unrestricted	<u>6,513,485</u>
3000	Total net assets	<u>\$ 28,352,792</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, 2009

Exhibit B-1
Page 1 of 1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			3 Charges for Services	4 Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 10,720,994	\$	\$ 1,448,559	\$(9,272,435)
12	Instructional resources and media services	234,291		8,800	(225,491)
13	Curriculum and staff development	46,252		28,212	(18,040)
21	Instructional leadership	696,793		74,455	(622,338)
23	School leadership	1,048,045		44,259	(1,003,786)
31	Guidance, counseling, and evaluation services	532,639		72,489	(460,150)
33	Health services	198,600		37,048	(161,552)
34	Student (pupil) transportation	817,326		24,850	(792,476)
35	Food service	916,993	378,698	478,813	(59,482)
36	Extracurricular activities	780,407	43,561	18,869	(717,977)
41	General administration	746,981		17,996	(728,985)
51	Plant maintenance and operations	1,898,622		50,467	(1,848,155)
52	Security monitoring services	74,318		2,310	(72,008)
53	Data processing services	108,509		1,168	(107,341)
61	Community services	9,260			(9,260)
72	Interest on long-term debt	1,030,460			(1,030,460)
73	Bond issuance costs and fees	4,203			(4,203)
81	Facilities acquisition and construction	195,522			(195,522)
91	Contracted instructional services between public school	6,598,330			(6,598,330)
93	Payments related to shared services arrangements	643,894			(643,894)
99	Other intergovernmental charges	144,758			(144,758)
TG	Total governmental activities	\$ <u>27,447,197</u>	\$ <u>422,259</u>	\$ <u>2,308,295</u>	\$(<u>24,716,643</u>)
General Revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				\$ 15,831,901
DT	Property taxes, levied for debt service				2,869,565
SF	State aid-formula grants				2,170,195
GC	Grants and contributions not restricted to specific programs				86,516
IE	Investment earnings				976,627
MI	Miscellaneous				<u>66,976</u>
TG	Total general revenues, special items, and transfers				<u>22,001,780</u>
CN	Change in net assets				(2,714,863)
NB	Net assets – beginning				<u>31,067,655</u>
NE	Net assets – ending				\$ <u>28,352,792</u>

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

SWEENEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2009

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
ASSETS:						
1110	Cash and cash equivalents	\$ 5,961,596	\$ 46,339	\$ 810,372	\$ 1,475,922	\$ 8,294,229
1120	Current investments	1,942,615	904,520	853,901	116,285	3,817,321
1120	Investments		415,691			415,691
1220	Taxes receivable - delinquent	689,783			91,729	781,512
1230	Allowance for uncollectible taxes (credit)	(462,319)			(56,113)	(518,432)
1240	Receivables from other governments	637,956			213,448	851,404
1250	Accrued interest receivable	6,366	6,184	9,508		22,058
1260	Due from other funds	149,057			40,513	189,570
1290	Other receivables				999	999
1300	Inventories	71,375			43,321	114,696
1410	Deferred expenditures	<u>68,381</u>				<u>68,381</u>
1000	Total assets	<u>\$ 9,064,810</u>	<u>\$ 1,372,734</u>	<u>\$ 1,673,781</u>	<u>\$ 1,926,104</u>	<u>\$ 14,037,429</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 196,451	\$	\$ 114,148	\$ 60,703	\$ 371,302
2150	Payroll deductions and withholdings				591	591
2160	Accrued wages payable	413,897			79,940	493,837
2170	Due to other funds	40,513			149,028	189,541
2180	Payable to other governments	2,212,416			484	2,212,900
2300	Deferred revenue	<u>1,366,741</u>			<u>48,594</u>	<u>1,415,335</u>
2000	Total liabilities	<u>4,230,018</u>	<u>-0-</u>	<u>114,148</u>	<u>339,340</u>	<u>4,683,506</u>
Fund Balances:						
Reserved For:						
3410	Inventories	71,375			43,321	114,696
3430	Prepaid items	68,381				68,381
3440	Encumbrances	348				348
3450	Food service				4,570	4,570
3470	Capital acquisitions and contractual obligations			1,559,633		1,559,633
3480	Debt service				1,439,126	1,439,126
Designated For:						
3520	Claims and judgments	250,000				250,000
3530	Capital expenditures for equipment	350,000				350,000
3590	Other purposes	3,650,000	1,372,734		13,293	5,036,027
3600	Unreserved	<u>444,688</u>			<u>86,454</u>	<u>531,142</u>
3000	Total fund balances	<u>4,834,792</u>	<u>1,372,734</u>	<u>1,559,633</u>	<u>1,586,764</u>	<u>9,353,923</u>
4000	Total liabilities and fund balances	<u>\$ 9,064,810</u>	<u>\$ 1,372,734</u>	<u>\$ 1,673,781</u>	<u>\$ 1,926,104</u>	<u>\$ 14,037,429</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, 2009

Exhibit C-1R
Page 1 of 1

Total fund balances – governmental funds balance sheet (C-1)	\$ 9,353,923
Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 72,783,267 in assets less \$ 30,854,135 in accumulated depreciation.	41,929,132
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 \$ 177,612 and \$ 28,600, respectively.	206,212
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 \$ 70,718.	180,610
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds increase long-term liabilities in the governmental activities statement of net assets. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was (premium on sale of bonds of \$ 708,662 less amortization of \$ 112,057).	(596,605)
Payables for bond principal are not reported in the funds.	(22,655,000)
Payables for bond interest are not reported in the funds.	<u>(65,480)</u>
Net assets of governmental activities (see A-1)	<u>\$ 28,352,792</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, 2009

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
REVENUES:						
5700	Local and intermediate sources	\$ 16,052,169	\$ 826,367	\$ 28,332	\$ 3,259,692	\$ 20,166,560
5800	State program revenues	2,609,013			287,989	2,897,002
5900	Federal program revenues	<u>44,142</u>			<u>1,584,713</u>	<u>1,628,855</u>
5020	Total revenues	<u>18,705,324</u>	<u>826,367</u>	<u>28,332</u>	<u>5,132,394</u>	<u>24,692,417</u>
EXPENDITURES:						
Current:						
0011	Instruction	8,828,280			1,192,078	10,020,358
0012	Instructional resources and media services	203,586				203,586
0013	Curriculum and staff development	18,825			27,427	46,252
0021	Instructional leadership	578,695			106,047	684,742
0023	School leadership	1,013,719				1,013,719
0031	Guidance, counseling, and evaluation services	475,072			50,580	525,652
0033	Health services	160,499			29,388	189,887
0034	Student (pupil) transportation	779,305		98,443	831	878,579
0035	Food Service				852,558	852,558
0036	Extracurricular activities	648,409				648,409
0041	General administration	685,328	40,000			725,328
0051	Plant maintenance and operations	1,771,670		672,356		2,444,026
0052	Security and monitoring services	52,894		18,389		71,283
0053	Data processing services	51,107		71,247		122,354
0071	Principal on long-term debt				1,495,000	1,495,000
0072	Interest on long-term debt				1,057,089	1,057,089
0073	Bond issuance costs and fees				4,203	4,203
0081	Facilities acquisition and construction			2,730,914		2,730,914
0091	Contracted instructional services between public schools	6,598,330				6,598,330
0093	Payments related to shared services arrangements	643,894				643,894
0099	Other intergovernmental charges	<u>144,758</u>				<u>144,758</u>
6030	Total expenditures	<u>22,654,371</u>	<u>40,000</u>	<u>3,591,349</u>	<u>4,815,201</u>	<u>31,100,921</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(3,949,047)</u>	<u>786,367</u>	<u>(3,563,017)</u>	<u>317,193</u>	<u>(6,408,504)</u>
OTHER FINANCING SOURCES (USES):						
3014	Sale of property			28,000		28,000
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>28,000</u>	<u>-0-</u>	<u>28,000</u>
1200	Net change in fund balances	<u>(3,949,047)</u>	<u>786,367</u>	<u>(3,535,017)</u>	<u>317,193</u>	<u>(6,380,504)</u>
0100	Fund balances – beginning	<u>8,783,839</u>	<u>586,367</u>	<u>5,094,650</u>	<u>1,269,571</u>	<u>15,734,427</u>
3000	Fund balances – ending	<u>\$ 4,834,792</u>	<u>\$ 1,372,734</u>	<u>\$ 1,559,633</u>	<u>\$ 1,586,764</u>	<u>\$ 9,353,923</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, 2009**

Exhibit C-2R
Page 1 of 1

Net change in fund balances – total governmental funds (from C-2) \$(6,380,504)

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 \$ 3,372,684 exceeds depreciation \$ 1,117,020. 2,255,664

Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The cost of assets disposed were \$ 151,569 (cost of \$ 474,114 less accumulated depreciation of \$ 322,545). (151,569)

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 \$ 33,107 and \$ 6,810, respectively. 39,917

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. Amortization of the premium of bonds was \$ 34,126. 34,126

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. This is the amount of bond principal payments \$ 1,495,000. 1,495,000

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 \$ 3,854 less the amortization of bond issuance costs \$ 11,351. (7,497)

Change in net assets of governmental activities (see B-1) \$(2,714,863)

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, 2009

Exhibit E-1
Page 1 of 1

	Family Crisis Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ <u>20,239</u>	\$ <u>242,134</u>
Total assets	<u>20,239</u>	<u>\$ 242,134</u>
LIABILITIES:		
Amounts due to student groups and others		\$ 242,105
Due to other funds		<u>29</u>
Total liabilities	<u>-0-</u>	<u>\$ 242,134</u>
NET ASSETS:		
Held in trust for family crisis	<u>20,239</u>	
Total net assets	<u>\$ 20,239</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, 2009

Exhibit E-2
Page 1 of 1

	Family Crisis Trust
ADDITIONS:	
Total additions	\$ <u>-0-</u>
DEDUCTIONS:	
Health services	<u>60</u>
Total deductions	<u>60</u>
Change in net assets	(60)
NET ASSETS:	
Net assets - beginning of year	<u>20,299</u>
Net assets - end of year	<u>\$ 20,239</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, 2009

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 and Payables	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
16.	Correction of an Error	56

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

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, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

SWEENY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

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.

SWEENY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

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, 2008, upon which the levy for the 2008-09 fiscal year was based, was \$ 1,516,163,159. 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, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

The tax rates assessed for the year ended August 31, 2009, 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, 2009 were 98.96% 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, 2009, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 227,464 and \$ 35,616 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, 2009

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, 2009

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, 2008. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within fund groups at the function code level and revenue object code level.

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System. Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year the budget was properly amended in accordance with the above procedures. The Board of Trustees approved the final budget amendment on August 25, 2009.

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, 2009 that were subsequently provided for in the 2009-2010 budget as a September amendment for Board approval totaled \$ 348, which is reflected as a reserve of fund balance in the general fund.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

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, 2009, reserved fund balance includes \$ 71,375 for inventories, \$ 68,381 for prepaid items, and \$ 348 for encumbrances in the general fund. The food service (special revenue fund) reserves \$ 43,321 for inventories, and \$ 4,570 for food service. Debt service fund reserves total \$ 1,439,126 for retirement of funded indebtedness as of August 31, 2009. The capital projects fund reserves \$ 1,559,633 for capital acquisitions and contractual obligations. Unreserved designated fund balance includes \$ 250,000 for claims and judgments, \$ 350,000 for capital expenditures for equipment, \$ 3,650,000 for other purposes in the general fund, and \$ 1,386,027 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. 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.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

NOTE 2. NEW PRONOUNCEMENTS (Continued)

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

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.

GASB No. 52, "Land and Other Real Estate Held as Investments by Endowments", was issued November 2007. This statement does not apply to the District as it holds no endowment funds. This statement is effective for periods beginning after June 15, 2008. The statement was implemented and did not have an impact on the District's financial statements.

GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", was issued June 2008. This statement provides guidance for financial reporting of derivative instruments 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 affect the financial statements of the District since it does not make direct investments in derivative instruments.

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2009***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, 2009 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	470,526	262,373	732,899
Texpool	6,299,833		6,299,833
MBIA Texas Class	1,519,234		1,519,234
Lonestar	<u>4,499</u>		<u>4,499</u>
Total cash and cash equivalents	<u>8,294,229</u>	<u>262,373</u>	<u>8,556,602</u>
Current Investments:			
Certificates of deposit	1,240,365		1,240,365
Commercial paper	748,104		748,104
U.S. government securities	<u>1,828,852</u>		<u>1,828,852</u>
Total current investments	<u>3,817,321</u>	<u>-0-</u>	<u>3,817,321</u>
Non-current investments	<u>415,691</u>		<u>415,691</u>
Totals	<u>\$ 12,527,241</u>	<u>\$ 262,373</u>	<u>\$ 12,789,614</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, 2009

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Deposits (Continued)

At August 31, 2009, in addition to petty cash of \$ 137, the carrying amount of the District's cash, savings, and time deposits was \$ 732,899. The financial institutions balances were \$ 953,915 at August 31, 2009. Bank balances of \$ 250,000 were covered by federal depository insurance, \$ 2,770 was covered by the Securities Investor Protection Corporation Insurance, and \$ 701,145 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 \$ 2,332,872.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 5,739,265 and occurred on September 25, 2008.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 250,000.

The District's depository cash balances were under secured for a brief period by pledged securities and FDIC insurance coverage by \$ 3,156,393 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, 2009

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

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

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

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

The District entered into this agreement for the purpose of repaying bonds. This agreement shall not be terminable upon demand. The District will participate in this agreement until completion of term with an interest rate of 2.95% on the investments. The District will then repay bonds with this investment. During the year ended August 31, 2009 the District made its third payment of \$ 37,807. At August 31, 2009 the value of cash and investments were \$ 116,921. 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, 2009***NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)****Investments (Continued)**

At August 31, 2009 Texpool, Lonestar and MBIA Texas Class had a weighted average maturity of 48 days, 52 days and 36 days, respectively. Although Texpool, Lonestar and MBIA Texas Class portfolios had a weighted average maturity of 48 days, 52 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, 2009.

	<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	\$ 6,299,833
MBIA Texas Class	N/A	Varies daily	1	1,519,234
Lonestar	N/A	Varies daily	1	4,499
Total local government investment pools			<u>1</u>	<u>7,823,566</u>
Certificates of Deposit:				
Certificate of deposit	06/09/10	1.10%	56	248,233
Certificate of deposit	06/09/10	1.00%	56	248,040
Certificate of deposit	06/16/10	1.00%	58	248,000
Certificate of deposit	06/16/10	1.05%	58	248,097
Certificate of deposit	06/17/10	1.00%	58	247,995
Total Certificates of Deposit			<u>57</u>	<u>1,240,365</u>
U.S. Government and Instrumentality Securities:				
Commercial paper	11/06/09	Varies daily	9	399,784
Fed Nat'l Mortgage Assoc	04/05/10	4.81%	22	302,466
Fed Nat'l Mortgage Assoc	06/01/10	4.50%	78	853,901
Commercial paper	01/04/10	Varies daily	15	348,320
Fed Nat'l Mortgage Assoc	05/17/10	4.65%	48	556,200
Financing corp fed cpn	02/03/11	1.57%	72	415,691
Fed home mortgage corp	12/05/09	2.86%	4	116,285
Total U.S. Government and Instrumentality securities			<u>35</u>	<u>2,992,647</u>
Totals			<u>15</u>	<u>\$ 12,056,578</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

NOTE 3. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

Credit Risk – As of August 31, 2009, the LGIPs (which represent approximately 65% of the portfolio) are rated AAAM by Standard and Poor’s or AAA by Finch. Certificates of deposit (which represent approximately 10% of the portfolio) are fully insured by the Securities Investor Protection Corporation Insurance. The U.S. instrumentalities (which represent approximately 25% of the portfolio) are rated AAA by Standard and Poor’s.

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

At August 31, 2009, 100% of the investment portfolio was invested in AAAM or AAA rated LGIPs (2(a)7 like pools), certificates of deposit and U.S. Government Securities. Term limits on individual maturities did not exceed one year from the purchase date. The dollar weighted average maturity for all investments was 15 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, 2009, and holds no direct investments in derivatives at August 31, 2009.

NOTE 4. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES

Receivables and Allowances

Receivables as of August 31, 2009, 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	\$ 689,783	\$	\$	\$ 91,729	\$ 781,512
Receivables from other governments	637,956			213,448	851,404
Interest	6,366	6,184	9,508		22,058
Other receivable				999	999
Gross receivables	1,334,105	6,184	9,508	306,176	1,655,973
Less: Allowance for Uncollectibles	<u>462,319</u>			<u>56,113</u>	<u>518,432</u>
Net total receivables	<u>\$ 871,786</u>	<u>\$ 6,184</u>	<u>\$ 9,508</u>	<u>\$ 250,063</u>	<u>\$ 1,137,541</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2009***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, 2009 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	\$ 594,071	\$ 311	\$ 43,574	\$ 637,956
Other funds	<u>2,969</u>	<u>197,141</u>	<u>13,338</u>	<u>213,448</u>
Totals	<u>\$ 597,040</u>	<u>\$ 197,452</u>	<u>\$ 56,912</u>	<u>\$ 851,404</u>

Amounts due to federal, state, and local governments as of August 31, 2009 are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>State Grants and Others</u>	<u>Total</u>
Major Governmental Funds:			
General	\$ 2,212,416	\$	\$ 2,212,416
Other funds	<u> </u>	<u>484</u>	<u>484</u>
Totals	<u>\$ 2,212,416</u>	<u>\$ 484</u>	<u>\$ 2,212,900</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, 2009, 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)	\$ 177,612	\$
Delinquent property taxes receivable (debt service fund)	28,600	
Deferred state revenue (general fund)		1,189,129
Federal food commodities	<u> </u>	<u>19,994</u>
Total deferred/unearned revenue from governmental funds	<u>\$ 206,212</u>	<u>\$ 1,209,123</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2009***NOTE 5. INTERFUND RECEIVABLES AND PAYABLES****Interfund Receivables and Payables**

Interfund balances at August 31, 2009 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Special Revenue Funds	\$ 149,028	\$ 38,554
Debt Service Fund		1,959
Fiduciary Funds	<u>29</u>	
	<u>149,057</u>	<u>40,513</u>
Special Revenue Funds:		
General Fund:		
ESEA Title I, Part A		7,157
IDEA Part B, Formula		8,711
IDEA B, Preschool		102
Vocational Education Basic		998
Vocational Education Basic		6
ESEA Title II, Part A: Teacher and Principal Training and Recruitment		1,894
Enhancing Education Through Technology		199
ARRA of 2009, Title XIV State Fiscal Stabilization		15,218
ESEA Title I, Part A Improving Basic program ARRA		100,808
SSI-ARA/AMI (Accelerated Reading Program)		7,900
Title XIV Stimulus	34,749	
Accelerated Reading Program	3,805	
LRE Project		6,035
	<u>38,554</u>	<u>149,028</u>
Debt Service:		
General Fund	<u>1,959</u>	
	<u>1,959</u>	<u>-0-</u>
Fiduciary Funds:		
General Fund		29
	<u>-0-</u>	<u>29</u>
	<u>\$ 189,570</u>	<u>\$ 189,570</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

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, 2009:

	Balance September 1, 2008	Additions	Retirements	Balance August 31, 2009
Non-Depreciated Capital Assets:				
Land	\$ 1,356,639	\$	\$	\$ 1,356,639
Construction in progress	<u>15,436,707</u>	<u> </u>	<u>15,436,707</u>	<u>-0-</u>
Total non-depreciated	<u>16,793,346</u>	<u>-0-</u>	<u>15,436,707</u>	<u>1,356,639</u>
Depreciated Capital Assets:				
Land improvements	1,073,028			1,073,028
Buildings and improvements	49,853,780	18,450,745	384,823	67,919,702
Furniture, equipment & vehicles	<u>2,164,543</u>	<u>358,646</u>	<u>89,291</u>	<u>2,433,898</u>
Total depreciated	<u>53,091,351</u>	<u>18,809,391</u>	<u>474,114</u>	<u>71,426,628</u>
Total additions/retirements		<u>\$18,809,391</u>	<u>\$15,910,821</u>	
Accumulated Depreciated:				
Land and land improvements	337,998	48,285		386,283
Buildings and improvements	28,471,872	901,623	235,462	29,138,033
Furniture, equipment & vehicles	<u>1,249,790</u>	<u>167,112</u>	<u>87,083</u>	<u>1,329,819</u>
Total	<u>30,059,660</u>	<u>\$ 1,117,020</u>	<u>\$ 322,545</u>	<u>30,854,135</u>
Net depreciated capital assets	<u>23,031,691</u>			<u>40,572,493</u>
Net capital assets	<u>\$39,825,037</u>			<u>\$ 41,929,132</u>

Depreciation Expense

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

Data Control Codes	Function	Amount
0011	Instruction	\$ 579,276
0012	Instructional resources and media services	30,705
0021	Instructional leadership	12,051
0023	School leadership	34,326
0031	Guidance, counseling, and evaluation services	6,987
0033	Health services	8,713
0034	Student (pupil) transportation	113,972
0035	Food service	64,435

(continued)

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

NOTE 6. CAPITAL ASSETS (Continued)

Depreciation Expense (Continued)

<u>Data Control Codes</u>	<u>Function</u>	<u>Amount</u>
0036	Extracurricular activities	\$ 131,998
0041	General administration	21,653
0051	Plant maintenance and operations	43,207
0052	Security and monitoring services	3,035
0053	Data processing services	57,402
0061	Community services	<u>9,260</u>
	Total depreciation expense	<u>\$ 1,117,020</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, 2009.

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, 2009:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 09/01/08</u>	<u>Change</u>	<u>Amounts Outstanding 08/31/09</u>
All General Obligation Bonds of the District	0.50%- 7.10%	\$ <u>33,750,000</u>	\$ <u>24,150,000</u>	\$ <u>(1,495,000)</u>	\$ <u>22,655,000</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

NOTE 7. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

The change in amounts of bonded debt outstanding for the year ended August 31, 2009 was as follows:

Bonds Retired	\$(<u>1,495,000</u>)
Change in Bonds Outstanding	\$(<u>1,495,000</u>)

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>
2010	\$ 37,307
2011	37,307
2012	37,307
2013	37,307
2014	37,307
2015-2019	186,535
2020-2022	<u>111,920</u>
Total Minimum Requirements	\$ <u><u>484,990</u></u>

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2009***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, 2009:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>% Rates</u>	<u>Outstanding Balance 08-31-09</u>
1998	\$ 9,500,000	2011	2.400-4.050	\$ 2,100,000
1999	4,500,000	2011	3.400-4.050	900,000
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>9,405,000</u>
Total	\$ <u>33,750,000</u>			\$ <u>22,655,000</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>
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	802,589	2,567,589
2014	785,000	707,720	1,492,720
2015-2019	4,545,000	2,827,995	7,372,995
2020-2024	6,520,000	1,744,092	8,264,092
2025-2027	<u>4,220,000</u>	<u>414,615</u>	<u>4,634,615</u>
Totals	\$ <u>22,655,000</u>	\$ <u>9,307,233</u>	\$ <u>31,962,233</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, 2009.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

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, 2009, was as follows:

	<u>Balance</u> <u>09-01-08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>08-31-09</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 24,150,000	\$	\$ 1,495,000	\$ 22,655,000	\$ 1,560,000
Components of Long-Term Debt:					
Premium on general obligation bonds payable	630,731		34,126	596,605	34,126
Accrued interest	<u>69,334</u>	<u>65,480</u>	<u>69,334</u>	<u>65,480</u>	<u>65,480</u>
Totals	<u>\$ 24,850,065</u>	<u>\$ 65,480</u>	<u>\$ 1,598,460</u>	<u>\$ 23,317,085</u>	<u>\$ 1,659,606</u>

NOTE 8. LEASES**Operating Leases**

Commitments under operating lease (non-capital) agreements for copier and other equipment provides for minimum future rental payments as of August 31, 2009 as follows:

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2010	\$ 43,499
2011	42,429
2012	40,186
2013	35,721
2014	<u>13,608</u>
Total minimum rentals	<u>\$ 175,443</u>

Rental expenditures on the above mentioned equipment for the year ended August 31, 2009 were \$ 164,705.

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, 2009

NOTE 9. PENSION PLAN OBLIGATIONS (Continued)

Funding Policy - State law provides a state contribution rate of 6.58% for fiscal year 2009 and 2008 and 6.0% for fiscal years 2007. State law further provides a member contribution rate of 6.4% for fiscal years 2009, 2008 and 2007. In certain instances, the reporting District is required to make all or a portion of the state's 6.58% contribution for fiscal year 2009 and 2008 and 6.0% for fiscal year 2007. 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, 2009, 2008, and 2007 were as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
District payroll	\$ 11,134,978	\$ 10,864,717	\$ 10,522,850
District TRS payroll	\$ 10,710,206	\$ 10,471,030	\$ 10,303,171
District contributions	\$ 86,992	\$ 73,807	\$ 59,808
Federal contributions	\$ 53,085	\$ 50,219	\$ 41,633
State contributions	\$ 642,975	\$ 644,029	\$ 617,254
Medicare part D	\$ 24,126	\$ 25,326	\$ 23,686
State contribution rate	6.58%	6.58%	6.00%
Employee contributions	\$ 685,453	\$ 670,150	\$ 659,404
Employee contribution rate	6.40%	6.40%	6.4%

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

SWEENEY INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED AUGUST 31, 2009***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	\$ 15,702,868	\$	\$	\$ 2,848,949	\$ 18,551,817
Investment income	107,655	4,937	28,332	14,273	155,197
Food sales				378,698	378,698
Enterprising activities	2,399				2,399
Penalties, interest and other tax related income	95,926			13,807	109,733
Co-curricular income	43,561				43,561
Shared service fees				3,965	3,965
Gifts and bequests	35,182	821,430			856,612
Other	64,578				64,578
Total	<u>\$ 16,052,169</u>	<u>\$ 826,367</u>	<u>\$ 28,332</u>	<u>\$ 3,259,692</u>	<u>\$ 20,166,560</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, 2009, 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.

SWEENY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

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, 2008, 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, 2009, 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, 2009, the Fund carries a discounted reserve of \$ 72,996,132 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2009, 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, 2008, 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, 2009 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

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. 459, Local Funded Shared Services Arrangements – Hands On Science Coalition. Expenditures of the SSA totaled \$ 6,106. The expenditures attributable to the District’s participation totaled \$ 2,865.

The District participates in a Shared Services Arrangement (“SSA”) for the hearing impaired through the Brazoria-Fort Bend Cooperative with eleven other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Fort Bend Independent School District, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Sweeny Independent School District. The fiscal manager is responsible for all financial activities of the shared services arrangement. The amount of state revenues and expenditures attributable to the District’s participation is not available. The District portion of cost covered by revenue received by the fiscal agent was \$ 15,123.

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 \$ -0- 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 641,029 and were coded to 6492 payments to fiscal agents.

SWEENEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

NOTE 15. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended August 31, 2009, the District incurred expenditures in excess of appropriation within the following fund and function:

Special Revenue Fund:

Function 35 – Food service	\$ 1,821
----------------------------	----------

NOTE 16. CORRECTION OF AN ERROR

Subsequent to the issuance of the District's financial statements, management became aware that certain outstanding balance due to the state in the amount of \$ 2,068,478, which was related to both the previous and current year's calculation of Chapter 41 expenditures, were not included. First, current year adjustments to the prior year Chapter 41 expenditures were increased by \$ 469,542 and not detected as of the original issuance of the financial statements on November 30, 2009. Second, \$ 1,598,936 cash receipt through the foundation payment program was reported as Foundation revenue, when in fact, this payment was a refund of prior year Chapter 41 expenditures. These errors resulted in overstating current year foundation revenue by \$ 1,598,936, understating Chapter 41 expenditures by \$ 469,542, understating liabilities to the state in the amount of \$ 2,068,478 and overstating fund balance and net assets at August 31, 2009 by \$ 2,068,478, thus requiring this revision to the financial statements for the year ended August 31, 2009.

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, 2009**

*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	\$ 17,981,214	\$ 18,028,980	\$ 16,052,169	\$(1,976,811)
5800	State program revenues	4,195,711	4,195,711	2,609,013	(1,586,698)
5900	Federal program revenues	200	200	44,142	43,942
5020	Total revenues	<u>22,177,125</u>	<u>22,224,891</u>	<u>18,705,324</u>	<u>(3,519,567)</u>
	EXPENDITURES:				
	Current:				
0011	Instruction	8,445,410	9,209,172	8,828,280	380,892
0012	Instructional resources and media services	218,512	215,458	203,586	11,872
0013	Curriculum and staff development	25,879	54,279	18,825	35,454
0021	Instructional leadership	341,897	691,835	578,695	113,140
0023	School leadership	994,199	1,028,497	1,013,719	14,778
0031	Guidance, counseling, and evaluation services	553,113	556,994	475,072	81,922
0033	Health services	182,965	249,535	160,499	89,036
0034	Student (pupil) transportation	960,010	1,049,323	779,305	270,018
0036	Extracurricular activities	671,574	700,248	648,409	51,839
0041	General administration	624,642	738,651	685,328	53,323
0051	Plant maintenance and operations	1,858,199	1,915,935	1,771,670	144,265
0052	Security and monitoring services	46,074	60,354	52,894	7,460
0053	Data processing services	56,975	61,975	51,107	10,868
0071	Debt Service - principal on long-term debt	3,000	3,000		3,000
0091	Contracted instructional services between public schools	6,758,946	6,758,946	6,598,330	160,616
0093	Payments related to shared services arrangements	905,728	905,728	643,894	261,834
0095	Payments related to shared services arrangements Education programs	6,500	6,500		6,500
0099	Other intergovernmental charges	<u>175,000</u>	<u>175,000</u>	<u>144,758</u>	<u>30,242</u>
6030	Total expenditures	<u>22,828,623</u>	<u>24,381,430</u>	<u>22,654,371</u>	<u>1,727,059</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(651,498)</u>	<u>(2,156,539)</u>	<u>(3,949,047)</u>	<u>(1,792,508)</u>
	OTHER FINANCING SOURCES (USES):				
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>-0-</u>	<u>91,500</u>
1200	Net change in fund balances	<u>(742,998)</u>	<u>(2,248,039)</u>	<u>(3,949,047)</u>	<u>(1,701,008)</u>
0100	Fund balances – beginning	<u>8,783,839</u>	<u>8,783,839</u>	<u>8,783,839</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 8,040,841</u>	<u>\$ 6,535,800</u>	<u>\$ 4,834,792</u>	<u>\$(1,701,008)</u>

OTHER SUPPLEMENTARY INFORMATION

SWEENEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2009

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	\$	\$	\$	\$	\$ 52,433
1120	Current investments					
1230	Taxes receivable - delinquent					
1230	Allowance for uncollectible taxes (credit)					
1240	Receivables from other governments		21,220	29,612	855	13,324
1260	Due from other funds					
1290	Other receivables					999
1300	Inventories					43,321
1000	Total assets	\$ <u>-0-</u>	\$ <u>21,220</u>	\$ <u>29,612</u>	\$ <u>855</u>	\$ <u>110,077</u>
	LIABILITIES AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$	\$ 8	\$ 4,732	\$	\$ 25,644
2150	Payroll deductions and withholdings					591
2160	Accrued wages payable		14,055	15,844	753	15,958
2170	Due to other funds		7,157	8,711	102	
2180	Payable to other governments			325		
2300	Deferred revenues					19,993
2000	Total liabilities	\$ <u>-0-</u>	\$ <u>21,220</u>	\$ <u>29,612</u>	\$ <u>855</u>	\$ <u>62,186</u>
	Fund Balances:					
	Reserved For:					
3410	Reserve for inventories					43,321
3450	Reserve for food service					4,570
3480	Reserve for debt service					
	Designated For:					
3590	Other purposes					
3600	Unreserved					
3000	Total fund balances	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>47,891</u>
4000	Total liabilities and fund balances	\$ <u>-0-</u>	\$ <u>21,220</u>	\$ <u>29,612</u>	\$ <u>855</u>	\$ <u>110,077</u>

Revenue Funds							
243	244	255	262	266	283	285	289
Vocational Education Technical Preparation	Vocational Education Basic	ESEA Title II Part A: Teacher and Principal Training and Recruitment	Enhancing Education Through Technology	ARRA of 2009 Title XIV State Fiscal Stabilization Fund	IDEA Part B Formula ARRA	ESEA Title I Part A Improving Basic Programs ARRA	Summer School LEP
\$	\$	\$	\$	\$	\$	\$	\$
998	127	14,385	199	34,749	7,413	110,004	
<u>998</u>	<u>127</u>	<u>14,385</u>	<u>199</u>	<u>34,749</u>	<u>7,413</u>	<u>110,004</u>	<u>-0-</u>
\$	\$	\$	\$	\$	\$	\$	\$
998	121 6	4,679 1,894	199	19,531 15,218	7,413	100,808	
<u>998</u>	<u>127</u>	<u>14,385</u>	<u>199</u>	<u>34,749</u>	<u>7,413</u>	<u>110,004</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>998</u>	<u>127</u>	<u>14,385</u>	<u>199</u>	<u>34,749</u>	<u>7,413</u>	<u>110,004</u>	<u>-0-</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2009

		Special Revenue Funds				
		397	404	411	428	429
Data Control Codes		Campus Awards	Accelerated Reading Program	Technology Allotment	High School Allotment	Rural School Technology
ASSETS:						
1110	Cash and cash equivalents	\$ 1,233		\$ 14,915	\$ 29,888	\$ 385
1120	Current investments					
1230	Taxes receivable – delinquent					
1230	Allowance for uncollectible taxes (credit)					
1240	Receivables from other governments		12,342	1,768		1,201
1260	Due from other funds		3,805			
1290	Other receivables					
1300	Inventories					
1000	Total assets	<u>\$ 1,233</u>	<u>\$ 16,147</u>	<u>\$ 16,683</u>	<u>\$ 29,888</u>	<u>\$ 1,586</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$	\$ 8,088	\$ 4,623	\$	\$
2150	Payroll deductions and withholdings					
2160	Accrued wages payable					1,586
2170	Due to other funds		7,900		6,035	
2180	Payable to other governments		159			
2300	Deferred revenues					
2000	Total liabilities	<u>-0-</u>	<u>16,147</u>	<u>4,623</u>	<u>6,035</u>	<u>1,586</u>
Fund Balances:						
Reserved For:						
3410	Reserved for inventories					
3450	Reserve for food service					
3480	Reserve for debt service					
Designated For:						
3590	Other purposes	1,233		12,060		
3600	Unreserved				23,853	
3000	Total fund balances	<u>1,233</u>	<u>-0-</u>	<u>12,060</u>	<u>23,853</u>	<u>-0-</u>
4000	Total liabilities and fund balances	<u>\$ 1,233</u>	<u>\$ 16,147</u>	<u>\$ 16,683</u>	<u>\$ 29,888</u>	<u>\$ 1,586</u>

429	459			50		
Automated External Defibrillators	Hands on Science Coalition	Total	Debt Service Fund	Total Non-Major Governmental Funds		
\$	\$ 62,701	\$ 161,555	\$ 1,314,367	\$ 1,475,922		
		-0-	116,285	116,285		
		-0-	91,729	91,729		
		-0-	(56,113)	(56,113)		
		213,448		213,448		
		38,554	1,959	40,513		
		999		999		
		<u>43,321</u>		<u>43,321</u>		
\$ <u>-0-</u>	\$ <u>62,701</u>	\$ <u>457,877</u>	\$ <u>1,468,227</u>	\$ <u>1,926,104</u>		
\$	\$ 100	\$ 60,203	\$ 500	\$ 60,703		
		591		591		
		79,940		79,940		
		149,028		149,028		
		484		484		
		<u>19,993</u>	<u>28,601</u>	<u>48,594</u>		
<u>-0-</u>	<u>100</u>	<u>310,239</u>	<u>29,101</u>	<u>339,340</u>		
		43,321		43,321		
		4,570		4,570		
		-0-	1,439,126	1,439,126		
		13,293		13,293		
	<u>62,601</u>	<u>86,454</u>		<u>86,454</u>		
<u>-0-</u>	<u>62,601</u>	<u>147,638</u>	<u>1,439,126</u>	<u>1,586,764</u>		
\$ <u>-0-</u>	\$ <u>62,701</u>	\$ <u>457,877</u>	\$ <u>1,468,227</u>	\$ <u>1,926,104</u>		

SWEENEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2009

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	\$	\$	\$	\$	\$ 378,698
5800	State program revenues					15,669
5900	Federal program revenues	<u>6,062</u>	<u>354,492</u>	<u>476,142</u>	<u>14,388</u>	<u>463,144</u>
5020	Total revenues	<u>6,062</u>	<u>354,492</u>	<u>476,142</u>	<u>14,388</u>	<u>857,511</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	1,919	345,052	401,790	14,388	
0013	Curriculum and staff development					
0021	Instructional leadership	4,143	9,322	35,159		
0031	Guidance, counseling and evaluation services			38,480		
0033	Health services					
0034	Student (pupil) transportation		118	713		
0035	Food Service					852,558
0071	Principal on long-term debt					
0072	Interest on long-term debt					
0073	Bond issuance costs and fees					
6030	Total expenditures	<u>6,062</u>	<u>354,492</u>	<u>476,142</u>	<u>14,388</u>	<u>852,558</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,953</u>
1200	Net changes in fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,953</u>
0100	Fund balances - beginning					<u>42,938</u>
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 47,891</u>

Revenue Funds							
243	244	255	262	266	283	285	289
Vocational Education Technical Preparation	Vocational Education Basic	ESEA Title II Part A: Teacher and Principal Training and Recruitment	Enhancing Education Through Technology	ARRA of 2009 Title XIV State Fiscal Stabilization Fund	IDEA Part B Formula ARRA	ESEA Title I Part A Improving Basic Programs ARRA	Summer School LEP
\$	\$	\$	\$	\$	\$	\$	\$
998	23,169	123,819	3,979		7,413	110,004	1,103
998	23,169	123,819	3,979	-0-	7,413	110,004	1,103
998	11,069	87,013 27,187 9,619	1,000 240 2,739		7,413	110,004	1,103
	12,100						
998	23,169	123,819	3,979	-0-	7,413	110,004	1,103
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

SWEENEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2009

		Special Revenue Funds				
		397	404	411	428	429
Data Control Codes		Campus Awards	Accelerated Reading Program	Technology Allotment	High School Allotment	Rural School Technology
REVENUES:						
5700	Local and intermediate sources	\$	\$	\$	\$	\$
5800	State program revenues	1,033	12,342	54,746	150,429	24,207
5900	Federal program revenues					
5020	Total revenues	<u>1,033</u>	<u>12,342</u>	<u>54,746</u>	<u>150,429</u>	<u>24,207</u>
EXPENDITURES:						
Current:						
0011	Instruction	1,790	12,342	14,992	153,922	24,207
0013	Curriculum and staff development					
0021	Instructional leadership			42,035		
0031	Guidance, counseling and evaluation services					
0033	Health services					
0034	Student (pupil) transportation					
0035	Food Service					
0071	Principal on long-term debt					
0072	Interest on long-term debt					
0073	Bond issuance costs and fees					
6030	Total expenditures	<u>1,790</u>	<u>12,342</u>	<u>57,027</u>	<u>153,922</u>	<u>24,207</u>
1100	Excess (deficiency) of revenues over expenditures	(757)	-0-	(2,281)	(3,493)	-0-
1200	Net changes in fund balances	(757)	-0-	(2,281)	(3,493)	-0-
0100	Fund balances - beginning	<u>1,990</u>		<u>14,341</u>	<u>27,346</u>	
3000	Fund balances - ending	<u>\$ 1,233</u>	<u>\$ -0-</u>	<u>\$ 12,060</u>	<u>\$ 23,853</u>	<u>\$ -0-</u>

429	459				50
Automated External Defibrillators	Hands on Science Coalition	Total	Debt Service Fund	Total Non-Major Governmental Funds	
\$ 29,388	\$ 3,965 175	\$ 382,663 287,989 <u>1,584,713</u>	\$ 2,877,029	\$ 3,259,692 287,989 <u>1,584,713</u>	
<u>29,388</u>	<u>4,140</u>	<u>2,255,365</u>	<u>2,877,029</u>	<u>5,132,394</u>	
	3,076	1,192,078		1,192,078	
		27,427		27,427	
	3,030	106,047		106,047	
		50,580		50,580	
29,388		29,388		29,388	
		831		831	
		852,558		852,558	
		-0-	1,495,000	1,495,000	
		-0-	1,057,089	1,057,089	
		-0-	4,203	4,203	
<u>29,388</u>	<u>6,106</u>	<u>2,258,909</u>	<u>2,556,292</u>	<u>4,815,201</u>	
<u>-0-</u>	<u>(1,966)</u>	<u>(3,544)</u>	<u>320,737</u>	<u>317,193</u>	
<u>-0-</u>	<u>(1,966)</u>	<u>(3,544)</u>	<u>320,737</u>	<u>317,193</u>	
	<u>64,567</u>	<u>151,182</u>	<u>1,118,389</u>	<u>1,269,571</u>	
<u>\$ -0-</u>	<u>\$ 62,601</u>	<u>\$ 147,638</u>	<u>\$ 1,439,126</u>	<u>\$ 1,586,764</u>	

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2009

Last Ten Years Ended August 31,	1		2		3		10	
	Tax Rates				Assessed/Appraised Value for School Tax Purposes		Beginning Balance September 1, 2008	
	Maintenance		Debt Service					
2000 and Prior	\$	-----	\$	-----	\$	-----	\$	285,577
2001		1.42500		0.09000		1,262,579,142		32,999
2002		1.37790		0.10040		1,559,707,840		30,262
2003		1.50000		0.17359		1,497,358,012		33,410
2004		1.50000		0.17500		1,486,317,791		33,621
2005		1.50000		0.19200		1,368,708,806		44,067
2006		1.50000		0.17100		1,417,483,853		60,113
2007		1.37000		0.17170		1,536,479,758		89,915
2008		1.04000		0.17170		1,499,562,717		147,570
2009 (School Year Under Audit)		1.04000		0.17170		1,516,163,159		
1000 Totals							\$	<u>757,534</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, 2009
\$	\$ 6,198	\$ 827	\$(25,231)	\$ 253,321
	2,091	132	(596)	30,180
	992	72	(408)	28,790
	2,050	237	(383)	30,740
	3,357	392	(455)	29,417
	7,509	961	(969)	34,628
	11,929	1,360	(375)	46,449
	23,253	2,914	(959)	62,789
	54,683	9,028	(10,509)	73,350
<u>18,371,349</u>	<u>15,603,434</u>	<u>2,576,067</u>		<u>191,848</u>
<u>\$ 18,371,349</u>	<u>\$ 15,715,496</u>	<u>\$ 2,591,990</u>	<u>\$(39,885)</u>	<u>\$ 781,512</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF
INDIRECT COST FOR 2010-2011
GENERAL AND SPECIAL REVENUE FUNDS
YEAR ENDED AUGUST 31, 2009

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	\$	\$	\$ 215,968	\$ 187,254	\$ 514	\$ 18,278	\$ 422,014
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	28,985						28,985
6212	Audit services				30,933			30,933
6213	Tax appraisal & collection		144,758					144,758
621X	Other professional services			5,010	7,985		29,347	42,342
6220	Tuition & transfer payments							-0-
6230	Education service centers							-0-
6240	Contract maint. & repair							-0-
6250	Utilities							-0-
6260	Rentals			6,155	1,155			7,310
6290	Miscellaneous contract			3,700	686			4,386
6320	Textbooks & reading			508				508
6330	Testing materials							-0-
63XX	Other supplies/materials			3,765	3,027		2,985	9,777
6410	Travel, subsistence, stipends	4,486		2,137	3,034		557	10,214
6420	Ins. & bonding costs	6,950						6,950
6430	Election costs							-0-
6490	Miscellaneous operating	12,109		3,362	157,545			173,016
6500	Debt service							-0-
6600	Capital outlay							-0-
TOTAL		<u>\$ 52,530</u>	<u>\$ 144,758</u>	<u>\$ 240,605</u>	<u>\$ 391,619</u>	<u>\$ 514</u>	<u>\$ 51,167</u>	<u>\$ 881,193</u>

Total expenditures for General and Special Revenue Funds (Exhibit C-2) (9) \$ 24,913,280
FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 3,372,683
Total Debt & Lease (6500)	(11) 2,556,292
Plant Maintenance (Function 51, 6100-6400)	(12) 1,771,670
Food (Function 35, 6341 and 6499)	(13) 380,160
Stipends (6413)	(14) -0-
Column 4 (above) - Total Indirect Cost	<u>391,632</u>

Subtotal 8,472,437
Net Allowed Direct Cost \$ 16,440,843

CUMULATIVE

Total Cost of Buildings before Depreciation	(15) \$ 67,919,702
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) \$ 2,433,898
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 531,255
Amount of Federal Money in Furniture & Equipment (Net of Above)	(20) \$ -0-

Note A - \$ 51,107 in Function 53 expenditures are included in this report on administrative costs.

\$ 144,758 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

SWEENEY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND
AUGUST 31, 2009
UNAUDITED

EXHIBIT J-3
Page 1 of 1

Data Control Code	Explanation	Amount
1	Total General Fund Balance as of 08/31/09 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>4,834,792</u>
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	140,104
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	4,250,000
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 (9/1/09 - 5/31/10)	2,520,215
6	Estimate of delayed payments from state sources (58XX) including August payment delays	
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>6,910,319</u>
11	Excess (deficit) undesignated unreserved General Fund fund balance (1-10)	\$(<u>2,075,527</u>)

SWEENEY INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE – NONMAJOR FUND – FOOD

SERVICE SPECIAL REVENUE FUND

YEAR ENDED AUGUST 31, 2009

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	\$ 344,987	\$ 344,987	\$ 378,698	\$ 33,711
5800	State program revenues	7,000	7,000	15,669	8,669
5900	Federal program revenues	<u>375,061</u>	<u>375,061</u>	<u>463,144</u>	<u>88,083</u>
5020	Total revenues	<u>727,048</u>	<u>727,048</u>	<u>857,511</u>	<u>130,463</u>
	EXPENDITURES:				
	Current:				
0035	Food service	<u>836,192</u>	<u>850,737</u>	<u>852,558</u>	(<u>1,821</u>)
6030	Total expenditures	<u>836,192</u>	<u>850,737</u>	<u>852,558</u>	(<u>1,821</u>)
1100	Excess (deficiency) of revenues over expenditures	(<u>109,144</u>)	(<u>123,689</u>)	<u>4,953</u>	<u>128,642</u>
	OTHER FINANCING SOURCES (USES):				
7915	Transfers in	<u>91,500</u>	<u>91,500</u>		(<u>91,500</u>)
	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	(<u>17,644</u>)	(<u>32,189</u>)	<u>4,953</u>	<u>37,142</u>
0100	Fund balances – beginning	<u>42,938</u>	<u>42,938</u>	<u>42,938</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 25,294</u>	<u>\$ 10,749</u>	<u>\$ 47,891</u>	<u>\$ 37,142</u>

SWEENEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2009

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	\$ 2,900,727	\$ 2,900,727	\$ 2,877,029	\$(23,698)
5020	Total revenues	2,900,727	2,900,727	2,877,029	(23,698)
	EXPENDITURES:				
	Current:				
0071	Debt service - Principal on long-term debt	1,495,000	1,495,000	1,495,000	-0-
0072	Debt Service - Interest on long-term debt	1,094,397	1,094,397	1,057,089	37,308
0073	Bond issuance costs and fees	4,000	4,000	4,203	(203)
6030	Total expenditures	2,593,397	2,593,397	2,556,292	37,105
1100	Excess (deficiency) of revenues over expenditures	307,330	307,330	320,737	13,407
	OTHER FINANCING SOURCES (USES):				
	Total other financing sources and (uses)	-0-	-0-	-0-	-0-
1200	Net change in fund balances	307,330	307,330	320,737	13,407
0100	Fund balances – beginning	1,118,389	1,118,389	1,118,389	-0-
3000	Fund balances – ending	\$ 1,425,719	\$ 1,425,719	\$ 1,439,126	\$ 13,407

THIS PAGE LEFT BLANK INTENTIONALLY.

FEDERAL AWARDS SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS
Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
(979) 297-4075 Fax: (979) 297-6648
(800) 399-4075

Houston Office:
12000 Westheimer, Suite 105
Houston, Texas 77077
(281) 752-0200 Fax: (281) 752-0204

Independent Auditors' Report

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

November 30, 2009

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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2009. 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.

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

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

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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 09-1.

We noted certain matters that we reported to management of the District, in a separate letter dated November 30, 2009.

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

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 & Hungford, LLC

KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
(979) 297-4075 Fax: (979) 297-6648
(800) 399-4075

Houston Office:
12000 Westheimer, Suite 105
Houston, Texas 77077
(281) 752-0200 Fax: (281) 752-0204

Independent Auditors' Report

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

November 30, 2009

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, 2009. The District's major federal programs are identified in the summary of auditors' 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, 2009.

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

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

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.

Kennemer, Masters & Hunsford, LLC

I. Summary of auditors' results:

1. Type of auditors' report issued on the financial statements: Unqualified.
2. No internal control finding, required to be reported in this schedule, was disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None.
4. No internal control finding required to be reported in this schedule was disclosed in the audit of the major programs.
5. Type of auditors' report on compliance for major programs: Unqualified.
6. Did the audit disclose findings which are required to be reported under Sec._510(a): No
7. Major programs include:
 - 84.010A Title I, Part A - Improving Basic Programs
 - 84.389A Title I, Part A - ARRA/Stimulus
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000
9. Low risk auditee: Yes.

II. Findings related to the financial statements

1. Schedule reference number 09-1: Pledged Securities. Pledged securities and insurance were insufficient to protect 100% of District assets on a day-to-day basis.

Criteria: The funds of the District must be deposited and invested under the terms of a depository contract which requires the depository bank to deposit for safekeeping and trust with the District's agent bank approved securities in an amount sufficient to protect District funds on a day-to-day basis during the period of contract.

Condition found: On September 25, 2008, the fair market value of securities pledged and the Federal Deposit Insurance Corporation (FDIC) insurance provided by the depository was not sufficient to cover deposits.

Question costs/basis: None.

Instances/universe: This condition only existed for several days during the year ended August 31, 2009.

Effect: The District funds were exposed to risk for a period of several days. The exposure was not considered significant and procedures appear to be in place to prevent significant exposure.

Recommendation: The District should continue to work with its depository to ensure that these conditions do not arise in the future. Consideration should be made regarding the possible pledge of additional securities during the peak periods of District deposits.

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, 2009

Page 1 of 1

PRIOR YEAR'S FINDING/NONCOMPLIANCE

None.

Schedule reference number 09-1: Pledged Securities. Pledged securities and insurance were insufficient to protect 100% of District assets on a day-to-day basis.

Corrective action plan: The District is reviewing its control procedures related to pledged securities and plans to work closely with its depository to establish procedures that will ensure 100% coverage of District's funds in the future. Allen Schoppe, Executive Director for Business and Support Services, will monitor on a monthly basis pledged securities and during the year when known large deposits are made to ensure adequate coverage.

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2009

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	\$ 333,272
ESEA, Title I, Part A, Improving Basic Programs	84.010A	10610101020906	<u>21,220</u>
			<u>354,492</u>
IDEA Part B, Formula	84.027	09660001020906	451,356
IDEA Part B, Formula	84.027	106600010209066600	<u>29,611</u>
			<u>480,967</u>
Vocational Education, Basic Grant	84.048	09420006020906	23,269
Vocational Education, Basic Grant	84.048	10420006020906	<u>127</u>
			<u>23,396</u>
IDEA Part B, Preschool	84.173	096610010209066610	13,671
IDEA Part B, Preschool	84.173	106610010209066610	<u>855</u>
			<u>14,526</u>
Title IV - Safe and Drug-Free Schools	84.186A	09694001020906	<u>6,062</u>
Tech Prep - North Harris Montgomery Community College District	84.243A	41715	<u>998</u>
ESEA, Title II, Part A: Teacher and Principal Training and Recruiting	84.367A	09694501020906	110,612
ESEA, Title II, Part A: Teacher and Principal Training and Recruiting	84.367A	10694501020906	<u>14,385</u>
			<u>124,997</u>
Title II, Part D – Technology	84.318X	09630001020906	3,780
Title II, Part D - Technology	84.318X	10630001020906	<u>199</u>
			<u>3,979</u>
IDEA Part B, Formula – ARRA (Stimulus)	84.391	10554001020906	<u>7,413</u>
ESEA Title I, Part A – Improving Basic Programs – ARRA (Stimulus)	84.389A	10551001020906	<u>110,004</u>
Summer School LEP - RD 16	84.369A	69550802	<u>1,103</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ <u>1,127,937</u>

(continued)

SWEENEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2009

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>43,286</u>
Passed Through State Department of Education:			
School Breakfast Program*	10.553	7140901	98,928
National School Lunch Program*	10.555	7130901	<u>320,930</u>
			<u>419,858</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ <u>463,144</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through Texas State Comptrollers Office:			
FEMA – Public Assistance Grant (Hurricane Ike)	97.036	TX 1791	\$ 7,970
Passed Through Region IV Educations Service Center:			
FEMA – Public Assistance Grant (Hurricane Ike)	97.036	TX 1791	<u>2,000</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			\$ <u>9,970</u>
<u>U.S. Department of Interior</u>			
Passed Through Brazoria County, Texas:			
Refuge Revenue Sharing Act of 1978	15.000	---	\$ <u>27,804</u>
TOTAL DEPARTMENT OF INTERIOR			\$ <u>27,804</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>1,628,855</u>
*Cluster Programs			
Reconciliation:			
Federal program revenues (Exhibit C-2)			\$ <u>1,628,855</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, 2009

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 \$ 42,953, while the monetary value of goods used and recognized as income and expenditures was \$ 43,286.
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, 2009 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

THIS PAGE LEFT BLANK INTENTIONALLY.

SWEENEY INDEPENDENT SCHOOL DISTRICT

REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AUGUST 31, 2009

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

THIS PAGE LEFT BLANK INTENTIONALLY.