

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

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

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	3
Independent Auditor's Report	4-5
Management's Discussion and Analysis	6-15
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Assets	16
B-1 Statement of Activities	17
Government Fund Financial Statements:	
C-1 Balance Sheet	18
C-2 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	20
C-4 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
C-5 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	22
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Assets	23
Notes to Financial Statements	24-43
<u>Combining and Other Statements</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	44-49
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	50-55
Agency Funds:	
H-3 Statement of Changes in Assets and Liabilities	56
<u>T.E.A. Required Schedules</u>	
J-1 Schedule of Delinquent Taxes Receivable	57-58
J-2 Schedule of Expenditures for Computations of Indirect Cost for 2012-2013 - General and Special Revenue Funds	59
J-3 Fund Balance and Cash Flow Calculation Worksheet	60
J-4 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Child Nutrition Program	61
J-5 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund	62

TABLE OF CONTENTS (CONTINUED)

<u>Exhibit</u>	<u>Page</u>
<u>Reports on Internal Controls, Compliance and Federal Awards</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	63-64
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	65-66
Schedule of Findings and Questioned Costs	67-68
Summary Schedule of Prior Audit Findings	69
Corrective Action Plan	70
K-1 Schedule of Expenditures of Federal Awards	71-72
Notes on Accounting Policies for Federal Awards	73
L-1 Schools First Questionnaire	

CERTIFICATE OF BOARD

Southwest Independent School District
Name of School District

Bexar
County

015912
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2011 at a meeting of the Board of Trustees of such school district on the _____ day of _____, 2011.

Signature of Board Secretary

Signature of Board President

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

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

400 E. NOPAL ST.

UVALDE, TEXAS 78801-5305

ROBERT O. COLEMAN, CPA
STEPHEN L. HORTON, CPA
DEBORAH V. McDONALD, CPA
JAMES C. GRUENWALD, CPA
DEREK L. WALKER, CPA

830-278-6276
FAX 830-278-6868
chc@colemanhortoncpa.com

Independent Auditor's Report

Board of Trustees
Southwest Independent School District
11914 Dragon Lane
San Antonio, Texas 78252

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southwest Independent School District (the District) as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Southwest Independent School District as of August 31, 2011, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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 7, 2011, on our consideration of the Southwest Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southwest Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-5. Except for Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) which is marked **UNAUDITED** and on which we express no opinion, these schedules 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.

Coleman, Horton & Company, LLP

Certified Public Accountants

November 7, 2011

**SOUTHWEST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

As management of the Southwest Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the fiscal year ended August 31, 2011. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at August 31, 2011 by \$122,099,244 (*net assets*). Of this amount, \$58,144,361 is reported as *unrestricted net assets* and may be used to meet the District's ongoing obligations. *Restricted net assets* consist of \$4,101,106 for debt service, \$93,025 for capital projects, \$2,524,518 for state and federal programs, and \$3,029,078 for other purposes. The remaining amount of \$54,207,156 reflects the portion of the net assets that the District has invested in capital assets, net of related debt.
- The District's total net assets increased by \$3,630,795 due to total expenses being that much less than the \$121,820,932 in revenues generated in program revenues, property taxes, and other general revenues for governmental activities.
- The general fund reported a fund balance of \$60,946,032 at August 31, 2011. The unrestricted, uncommitted amount was \$21,278,860 or 24.2% percent of total general fund expenditures, which represents about 43 days of operations.
- The District's total expenditures for its governmental funds were more than the prior year, increasing by \$15,690,885. The increase was primarily due to the increase in the area of Instruction by \$3,642,661 due to teacher raises and additional staffing to meet the growing enrollment, an increase in the staff development of \$379,492, a decrease of \$390,825 for transportation, a decrease of \$355,482 for general administration, and an increase of \$441,746 in plant maintenance and operations. Capital projects expenditures increased by \$11,407,049 with the completion of two new elementary schools.
- The District's debt decreased by \$3,557,991 during the current fiscal year. The decrease is attributable to a decrease in the worker's compensation liability of \$183,539, a net decrease of \$3,377,445 for the bond principal payments on 2000, 2002, 2005, 2006, 2007, 2008 and the new 2010 series bonds, and the amortization of the loss on refunded bonds and premiums and discounts from previous years.

**SOUTHWEST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
(UNAUDITED)**

OVERVIEW OF THE FINANCIAL STATEMENTS

This District’s annual report consists of two parts—*management’s discussion and analysis* (this section) and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The basic financial statements also include *notes* that provide additional information that is key in understanding the data provided in the government-wide and fund financial statements.

Government-wide Financial Statements

The *government-wide financial statements* report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net assets* includes *all* of the District’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, i.e., such as, changes in the District’s average daily attendance or its property tax base and the condition of the District’s facilities. The District’s revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition paid by students for various activities, and school lunch charges and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues).

The government-wide financial statements include only the *governmental activities* of the District since the District does not have any *business type activities*. The District’s basic services are included here, which consist of instruction, support services, plant maintenance, and food services. Property taxes, state funding and federal grants finance the majority of these activities.

**SOUTHWEST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Fund Financial Statements

The *fund financial statements* provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law and bond covenants and other funds are established by the Board of Trustees to control and account for resources that have been segregated for specific activities or purposes.

The District has two kinds of funds:

- *Governmental funds*—These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. The District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, unlike the government-wide financial statements, governmental fund financial statements provide a detailed *short-term* view that may be useful in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide reconciliation for both, the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to explain the relationship (or differences) between *governmental funds* and *governmental activities*.

The District maintains 29 individual 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 and capital projects fund, both of which are considered to be major funds. Data from the other 27 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* (Exhibit H-1 and H-2) elsewhere in this report.

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for the campus activity funds and is responsible for ensuring that the assets reported for these funds are used for their intended purposes. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. Fiduciary funds are *not* reflected in the government-wide financial statements because those resources are not available to finance the District's operations.

Other Information

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule is presented in Exhibit C-5 in the annual report.

In addition to the basic financial statements, accompanying notes, and the RSI, this report also presents the combining statements referred to earlier in connection with nonmajor governmental funds. The section labeled Required TEA Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms and agreements.

SOUTHWEST INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets:

Net assets may serve over time as a useful indicator of a government's financial position. The District's *combined* net assets at August 31, 2011 were \$122.0 million. (See Table A-1).

The investment in capital assets (i.e. land, buildings, construction in progress, and equipment); less any related debt, used to acquire those assets, that is still outstanding, represents 44.4 percent of the District's combined net assets. This is the largest portion of net assets and is used for the operations of the District and to provide educational services to students; therefore, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, 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 (7.98 percent) reflects restricted net assets. Restricted net assets represent resources that are subject to external restrictions on how they may be used and are currently restricted for capital projects and other State Programs.

The remaining balance of \$58,144,361 represents the *unrestricted net assets* that may be used to meet the District's ongoing obligations and programs.

**Table A-1
The District's Net Assets**

	August 31, 2011	August 31, 2010	Variance
Current and other assets	\$ 78,698,170	\$ 89,618,533	\$ (3,920,363)
Capital assets	184,725,339	168,393,559	16,331,780
Total assets	<u>\$260,423,509</u>	<u>\$258,012,092</u>	<u>\$ 2,411,417</u>
Long-term liabilities	\$129,443,176	\$133,001,167	\$ (3,557,991)
Other liabilities	8,881,089	6,542,477	2,338,612
Total liabilities	<u>\$138,324,265</u>	<u>\$139,543,644</u>	<u>\$ (1,219,379)</u>
Net Assets:			
Invested in capital assets net of related debt	\$ 54,207,156	\$ 53,506,076	\$ 701,080
Restricted	9,747,727	21,794,085	(12,046,358)
Unrestricted	58,144,361	43,168,288	14,976,073
Total net assets	<u>\$122,099,244</u>	<u>\$118,468,449</u>	<u>\$ 3,630,795</u>

**SOUTHWEST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Changes in net assets

At the end of the current fiscal year, the District is able to report positive balances in two out of the three categories of net assets.

The District's net assets increased by \$3,630,795 during the current fiscal year. As reflected above, the majority of the increase is in the category of restricted assets. This is due to the current year additions in unrestricted assets, such as an increase in state funding due to increased enrollment, and reimbursement of technology projects by e-rate program.

Governmental Activities

The District's total revenues were \$121,820,932. (See Table A-2) A significant portion, 81.7 percent, comes from operating grants and contributions, and grants and contributions not restricted; 14.9 percent from taxes and only 3.4 percent relates to charges for services, investment earnings and other revenues.

The total cost of all programs and services was \$118,190,137 with 73.7 percent representing costs for instructional and student support services.

Transfers were made into the General Fund from the Medicaid Administrative Claim Fund in the amount of \$23,063.

The District's net assets increased as a result of total revenues exceeding the total cost of all programs and services. Key elements of this increase are as follows:

- Charges for Services increased by \$1.1 million
- Grants & Contributions Not Restricted increased by \$0.7 million
- State aide formula grants increased by \$4.0 million due to increased ADA and income in state funding used for teachers raises.

SOUTHWEST INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Table A-2
Changes in the District's Net Assets

	Year Ended August 31, 2011	Year Ended August 31, 2010	Variance
Revenues:			
Program Revenues:			
Charges for services	\$ 2,445,266	\$ 1,303,957	\$ 1,141,309
Operating grants and contributions	25,907,909	27,038,563	(1,130,654)
General Revenues:			
Maintenance and operations taxes	14,409,650	15,456,722	(1,047,072)
Debt service taxes	3,801,383	3,880,549	(79,166)
Grants & Contributions (Not Restricted)	773,678	0	773,678
State aid formula grants	72,872,690	68,812,083	4,060,607
Investment earnings	797,005	1,684,018	(887,013)
Miscellaneous	813,351	4,192,760	(3,379,409)
Total Revenue	121,820,932	122,368,652	(547,720)
Expenses:			
Instruction, curriculum and media services	69,746,221	65,461,005	4,285,216
Instructional and school leadership	8,040,026	8,310,309	(270,283)
Student support services	9,334,931	9,117,285	217,646
Food Services	7,248,148	6,658,406	589,742
Co curricular activities	2,160,389	2,087,474	72,915
General administration	2,964,532	3,341,153	(376,621)
Plant maintenance, security & data processing	11,696,974	11,347,835	349,139
Community services	578,883	697,220	(118,337)
Debt services	5,986,533	5,950,088	36,445
Facilities acquisition and construction	104,135	506,460	(402,325)
Pmts to fiscal agent—shared service	329,365	422,592	(93,227)
Total Expenses	118,190,137	113,899,827	4,290,310
Change in net assets before special item	3,630,795	8,466,825	4,836,030
Special Item—Loss on use of assets	0	0	0
Change in net assets	3,630,795	8,466,825	(4,836,031)
Net assets—beginning	118,468,449	110,001,623	8,466,826
Net assets—ending	\$ 122,099,244	\$ 118,468,449	\$ 3,630,795

**SOUTHWEST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

The total cost of all programs and services increased by \$4,290,310 from the prior year, or a 3.7 percent increase. A large part of the increase is due to the cost of employee salary and benefits in the amount of \$1,000,000, which was funded by local and state revenues. The District increased expenses to purchase additional property for future schools for \$3,070,000 and increased expenses to renovate Sports facilities for \$840,000.

The cost of all governmental activities this year was \$118,190,137. However, as shown above in Table A-2, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$18,211,033 because costs in the amount of \$28,353,175, were paid by those who directly benefited from the programs, and \$72,872,690 of the costs were paid for by grants and contributions not restricted to specific functions (state aid).

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As stated earlier, the District uses fund accounting for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements.

The *general fund* is the chief operating fund of the District and is established to account for resources that finance the fundamental operations of the District. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$21,278,860, while total fund balance reached \$60,946,032.

The fund balance of the District's general fund resulted in a net increase of \$1,340,228 during the current fiscal year. Key factors in this net increase are as follows:

- Increase in state funding due to total refined ADA increasing from the LPE estimate of 10500 to 11012.

The *capital projects fund* is established to account for the proceeds from long-term debt financing to be used for authorized expenditures related to major capital acquisitions or construction activities. The capital projects fund has a total fund balance of \$93,025, all of which is restricted for the payment of expenditures for capital project activities. The capital project's fund balance decreased by \$17,773,368 from the prior year, which is expected, given the purpose of this fund. The decrease is directly related to the completion of the Medio Creek Elementary School, and the completion of Hidden Cove Elementary School.

Revenues from governmental fund types totaled \$121,832,983. The net decrease of \$547,720 in revenues is a result of the decrease in Operating grants and contributions due to cut backs; the decrease in tax revenues by \$1,126,238 due to an decrease in the taxable values in the District; and the decrease of investment earnings by \$887,013 due to low interest rates.

**SOUTHWEST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Differences between the original budget and the final amended budget were an increase of \$8,962,138, or 9.9 percent. A large portion of this increase was funding for, increase in utilities budget, purchase of property, and upgrades to the sports facilities in the District.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2011 amounts to \$184,087,947 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, improvements other than buildings, furniture and equipment, vehicles, infrastructure, and construction in progress. (See Table A-3.)

Major capital asset events during the current fiscal year included the following:

- Purchase of approximately 226 acres of land for future school sites.
- Construction was completed on Bob Hope Elementary, Medio Creek Elementary School funded out of the 2008 bond; and renovation of Hidden Cove was completed funded out of the 2007 and 2008 series bonds.
- Buildings and improvements and construction in progress at these sites amounted to \$26,266,596.
- In Compliance with GASB Statement No. 34 requirements, the District is required to compute depreciation on all applicable capital assets. In the current year, depreciation expense was \$7,809,903, for buildings and equipment that were added, which brings the accumulated depreciation balance to \$84,800,517 and decreases the historical cost of capital assets.

SOUTHWEST INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**Table A-3
The District's Capital Assets**

	August 31, 2011	August 31, 2010	Variance
Land	\$ 6,454,759	\$ 3,097,743	\$ 3,357,016
Construction In Progress	4,794,748	8,611,841	(3,817,093)
Buildings and Improvements	239,144,804	216,400,950	22,743,854
Furniture and Equipment	18,494,153	16,626,472	1,867,681
Totals at Historical Cost	268,888,464	244,737,006	24,151,458
 Total Accumulated Depreciation	 (84,800,517)	 (77,058,502)	 (7,742,015)
Net Capital Assets	\$ 184,087,947	\$ 167,678,504	\$ 16,409,443

The District's 2011 capital budget projects spending another \$1.8 million for capital projects, principally for completion of a signal work at new elementary school, and final payment for renovation of an elementary school. These projects will be financed with the proceeds from the Series 2007 and 2008 general obligation bonds and investment earnings.

Additional information on the District's capital assets can be found in note F in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the District's total long-term debt outstanding was \$129,443,176 versus \$133,001,167 in the prior year, a decrease of 2.6 percent (See Table A-4). Additional information on the District's long-term debt can be found in notes G through I in the notes to the financial statements.

**Table A-4
The District's Long-Term Debt**

	August 31, 2011	August 31, 2010	Variance
Bonds Payable	\$ 120,971,191	\$ 124,348,636	\$ (3,377,445)
Unamortized Loss on Refunded Bonds	(2,205,929)	(1,937,163)	(268,766)
 Unamortized Premiums/Discounts	 2,677,914	 2,406,155	 (271,759)
Maintenance Tax Note Payable	8,000,000	8,000,000	-
Worker's Compensation Payable	0	183,539	(183,539)
Total Long-Term Debt	\$ 129,443,176	\$ 133,001,167	\$ (3,557,991)

The long-term credit rating of the District has been maintained at "AAA" from Standard & Poor's and at "Aaa" from Moody's by virtue of the guarantee of the Permanent School Fund of the State of Texas. In addition the District received an underlying rating of A+ from Standard & Poor's and a A3 from Moody's.

**SOUTHWEST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The appraised value used for the 2012 budget preparation will be up \$59 million, or an increase of 4.4 percent from 2011.
- The District's 2011 average daily attendance (ADA) growth is expected to be 50 students, a 0.4% percent increase.

These indicators were taken into account when adopting the general fund budget for 2012. Amounts available for appropriation in the general fund **and edu-jobs fund** budgets are \$82,003,175, a decrease of 6.7 percent under the final 2011 expenditures of \$87,893,665. Property taxes will increase due to the increasing appraised property values, but this will be offset by a decrease in State funding. District revenue will increase as the student population grows. The District will use these increases in revenues to finance programs it currently offers.

Expenditures are budgeted to increase a mere 0.3 percent or \$0.2 million. The increase is due to the increase enrollment and maintaining current programs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Assistant Superintendent for Finance & Business, 11914 Dragon Lane, Southwest Independent School District, San Antonio, Texas, 78252-2647.

BASIC FINANCIAL STATEMENTS

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2011

Data	Primary Government
Control	
Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 14,570,295
1120 Current Investments	48,372,245
1220 Property Taxes Receivable (Delinquent)	2,396,957
1230 Allowance for Uncollectible Taxes	(359,544)
1240 Due from Other Governments	10,059,626
1267 Due from Fiduciary Funds	5,396
1290 Other Receivables, net	120,717
1300 Inventories	532,478
1420 Capitalized Bond and Other Debt Issuance Costs	637,392
Capital Assets:	
1510 Land	6,454,759
1520 Buildings, Net	166,049,692
1530 Furniture and Equipment, Net	6,788,748
1580 Construction in Progress	4,794,748
1000 Total Assets	260,423,509
LIABILITIES	
2110 Accounts Payable	3,252,883
2140 Interest Payable	369,271
2150 Payroll Deductions & Withholdings	1,206,175
2160 Accrued Wages Payable	3,892,920
2200 Accrued Expenses	95,666
2300 Deferred Revenues	64,174
Noncurrent Liabilities	
2501 Due Within One Year	3,775,000
2502 Due in More Than One Year	125,668,176
2000 Total Liabilities	138,324,265
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	54,207,156
3820 Restricted for Federal and State Programs	2,524,518
3850 Restricted for Debt Service	4,101,106
3860 Restricted for Capital Projects	93,025
3890 Restricted for Other Purposes	3,029,078
3900 Unrestricted Net Assets	58,144,361
3000 Total Net Assets	\$ 122,099,244

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Assets

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 65,489,525	\$ 1,088,537	\$ 14,304,582	\$ (50,096,406)
12 Instructional Resources and Media Services	2,155,585	-	100,871	(2,054,714)
13 Curriculum and Staff Development	2,101,111	-	1,647,687	(453,424)
21 Instructional Leadership	2,140,026	-	714,528	(1,425,498)
23 School Leadership	5,900,000	-	412,287	(5,487,713)
31 Guidance, Counseling and Evaluation Services	3,335,761	-	604,615	(2,731,146)
32 Social Work Services	952,637	-	262,450	(690,187)
33 Health Services	1,146,439	-	127,473	(1,018,966)
34 Student (Pupil) Transportation	3,900,094	-	344,864	(3,555,230)
35 Food Services	7,248,148	1,032,732	6,271,394	55,978
36 Extracurricular Activities	2,160,389	323,997	48,685	(1,787,707)
41 General Administration	2,964,532	-	123,585	(2,840,947)
51 Plant Maintenance and Operations	9,727,739	-	603,722	(9,124,017)
52 Security and Monitoring Services	1,079,950	-	46,237	(1,033,713)
53 Data Processing Services	889,285	-	57,023	(832,262)
61 Community Services	578,883	-	116,029	(462,854)
72 Debt Service - Interest on Long Term Debt	5,824,462	-	-	(5,824,462)
73 Debt Service - Bond Issuance Cost and Fees	162,071	-	-	(162,071)
81 Capital Outlay	104,135	-	-	(104,135)
93 Payments related to Shared Services Arrangements	190,099	-	121,877	(68,222)
95 Payments to Juvenile Justice Alternative Ed. Prg.	36,272	-	-	(36,272)
99 Other Intergovernmental Charges	102,994	-	-	(102,994)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 118,190,137	\$ 2,445,266	\$ 25,907,909	(89,836,962)

Data Control Codes	General Revenues: Taxes:		
MT	Property Taxes, Levied for General Purposes		14,409,650
DT	Property Taxes, Levied for Debt Service		3,801,383
SF	State Aid - Formula Grants		72,872,690
GC	Grants and Contributions not Restricted		773,678
IE	Investment Earnings		797,005
MI	Miscellaneous Local and Intermediate Revenue		813,351
TR	Total General Revenues		93,467,757
CN	Change in Net Assets		3,630,795
NB	Net Assets--Beginning		118,468,449
NE	Net Assets--Ending		\$ 122,099,244

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 11,662,800	\$ 1,768,314	\$ 1,139,181	\$ 14,570,295
1120	Investments - Current	46,551,634	-	1,820,611	48,372,245
1220	Property Taxes - Delinquent	2,047,740	-	349,217	2,396,957
1230	Allowance for Uncollectible Taxes (Credit)	(307,161)	-	(52,383)	(359,544)
1240	Receivables from Other Governments	7,881,372	-	2,178,254	10,059,626
1260	Due from Other Funds	994,793	-	-	994,793
1290	Other Receivables	120,717	-	-	120,717
1300	Inventories	334,933	-	197,545	532,478
1000	Total Assets	<u>\$ 69,286,828</u>	<u>\$ 1,768,314</u>	<u>\$ 5,632,425</u>	<u>\$ 76,687,567</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 1,086,279	\$ 1,675,289	\$ 491,315	\$ 3,252,883
2150	Payroll Deductions and Withholdings Payable	1,206,175	-	-	1,206,175
2160	Accrued Wages Payable	3,350,659	-	542,261	3,892,920
2170	Due to Other Funds	889,429	-	99,968	989,397
2200	Accrued Expenditures	63,219	-	32,447	95,666
2300	Deferred Revenues	1,745,035	-	356,552	2,101,587
2000	Total Liabilities	<u>8,340,796</u>	<u>1,675,289</u>	<u>1,522,543</u>	<u>11,538,628</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	334,933	-	197,545	532,478
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	2,524,518	2,524,518
3470	Capital Acquisition and Contractual Obligation	-	93,025	-	93,025
3480	Retirement of Long-Term Debt	2,725,639	-	1,375,467	4,101,106
3490	Other Restricted Fund Balance	2,496,600	-	-	2,496,600
Committed Fund Balance:					
3510	Construction	23,000,000	-	-	23,000,000
3545	Other Committed Fund Balance	11,110,000	-	12,352	11,122,352
3600	Unassigned Fund Balance	21,278,860	-	-	21,278,860
3000	Total Fund Balances	<u>60,946,032</u>	<u>93,025</u>	<u>4,109,882</u>	<u>65,148,939</u>
4000	Total Liabilities and Fund Balances	<u>\$ 69,286,828</u>	<u>\$ 1,768,314</u>	<u>\$ 5,632,425</u>	<u>\$ 76,687,567</u>

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2011

Total Fund Balances - Governmental Funds	\$ 65,148,939
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$244,737,006 and the accumulated depreciation was \$(77,058,502). In addition, long-term liabilities, including bonds payable of \$(124,348,636), and notes payable of \$(8,000,000) are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.	35,329,868
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays of \$24,219,346 and debt principal payments of \$3,665,000 is to increase net assets.	27,884,346
3 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(7,809,903)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue of \$2,037,413 as revenue, eliminating interfund transactions, recognizing unamortized losses on bond refundings of \$2,205,929, recognizing unamortized bond premium of \$(2,677,914), recognizing unamortized bond issuance costs of \$637,392, recognizing current year accretion on capital appreciation bonds of \$(287,555) and recognizing the liabilities associated with maturing long-term debt and interest of \$(369,271). The net effect of these reclassifications and recognitions is to increase net assets.	1,545,994
19 Net Assets of Governmental Activities	\$ 122,099,244

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT C-3

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 17,255,564	\$ 73,971	\$ 4,949,171	\$ 22,278,706
5800 State Program Revenues	71,109,496	-	6,889,263	77,998,759
5900 Federal Program Revenues	845,770	-	20,709,748	21,555,518
5020 Total Revenues	<u>89,210,830</u>	<u>73,971</u>	<u>32,548,182</u>	<u>121,832,983</u>
EXPENDITURES:				
Current:				
0011 Instruction	48,453,181	-	11,907,487	60,360,668
0012 Instructional Resources and Media Services	2,067,339	-	5,346	2,072,685
0013 Curriculum and Instructional Staff Development	442,933	-	1,639,704	2,082,637
0021 Instructional Leadership	1,443,849	-	663,780	2,107,629
0023 School Leadership	5,392,054	-	169,668	5,561,722
0031 Guidance, Counseling and Evaluation Services	2,663,648	-	468,605	3,132,253
0032 Social Work Services	683,882	-	233,870	917,752
0033 Health Services	1,038,911	-	62,600	1,101,511
0034 Student (Pupil) Transportation	3,433,853	-	161,896	3,595,749
0035 Food Services	161,578	-	7,044,610	7,206,188
0036 Extracurricular Activities	1,931,003	-	21,564	1,952,567
0041 General Administration	2,977,911	-	-	2,977,911
0051 Facilities Maintenance and Operations	9,228,933	-	291,703	9,520,636
0052 Security and Monitoring Services	1,081,207	-	-	1,081,207
0053 Data Processing Services	866,546	-	-	866,546
0061 Community Services	467,882	-	102,218	570,100
Debt Service:				
0071 Principal on Long Term Debt	-	-	3,665,000	3,665,000
0072 Interest on Long Term Debt	20,000	-	5,556,022	5,576,022
0073 Bond Issuance Cost and Fees	2,885	-	81,523	84,408
Capital Outlay:				
0081 Facilities Acquisition and Construction	5,328,582	17,847,339	-	23,175,921
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	68,222	-	121,877	190,099
0095 Payments to Juvenile Justice Alternative Ed. Prg.	36,272	-	-	36,272
0099 Other Intergovernmental Charges	102,994	-	-	102,994
6030 Total Expenditures	<u>87,893,665</u>	<u>17,847,339</u>	<u>32,197,473</u>	<u>137,938,477</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,317,165</u>	<u>(17,773,368)</u>	<u>350,709</u>	<u>(16,105,494)</u>
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	-	6,830,000	6,830,000
7915 Transfers In	23,063	-	-	23,063
7916 Premium or Discount on Issuance of Bonds	-	-	459,725	459,725
8911 Transfers Out (Use)	-	-	(23,063)	(23,063)
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	(7,266,194)	(7,266,194)
7080 Total Other Financing Sources (Uses)	<u>23,063</u>	<u>-</u>	<u>468</u>	<u>23,531</u>
1200 Net Change in Fund Balances	1,340,228	(17,773,368)	351,177	(16,081,963)
0100 Fund Balance - September 1 (Beginning)	<u>59,605,804</u>	<u>17,866,393</u>	<u>3,758,705</u>	<u>81,230,902</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 60,946,032</u>	<u>\$ 93,025</u>	<u>\$ 4,109,882</u>	<u>\$ 65,148,939</u>

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	(16,081,963)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays of \$24,219,346 and debt principal payments of \$3,665,000 is to increase net assets.		27,884,346
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(7,809,903)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include adjusting current year revenue to report the revenue earned from the current year's tax levy of \$(12,051), eliminating interfund transactions, recognizing the accounting loss of \$436,194, premium of \$(459,725), and bond issuance costs of \$81,522 on the issuance of the 2010 Series refunding bonds. Other adjustments include, recognizing current year amortization of accounting losses on bond refundings of \$(167,428), recognizing current year bond premium amortization expense of \$187,966, recognizing current year bond issuance costs amortization of \$159,185, recognizing current year accretion on capital appreciation bonds of \$287,555, and recognizing the change in liabilities associated with maturing long-term debt and interest of \$18,577. The net effect of these reclassifications and recognitions is to decrease net assets.		(361,685)
Change in Net Assets of Governmental Activities	\$	3,630,795

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT C-5

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 16,961,374	\$ 16,433,555	\$ 17,255,564	\$ 822,009
5800	State Program Revenues	68,700,808	68,746,253	71,109,496	2,363,243
5900	Federal Program Revenues	630,000	630,000	845,770	215,770
5020	Total Revenues	86,292,182	85,809,808	89,210,830	3,401,022
EXPENDITURES:					
Current:					
0011	Instruction	47,888,344	51,288,903	48,453,181	2,835,722
0012	Instructional Resources and Media Services	2,171,858	2,225,959	2,067,339	158,620
0013	Curriculum and Instructional Staff Development	754,199	938,777	442,933	495,844
0021	Instructional Leadership	1,819,185	2,065,961	1,443,849	622,112
0023	School Leadership	5,763,569	5,817,514	5,392,054	425,460
0031	Guidance, Counseling and Evaluation Services	2,558,060	2,912,349	2,663,648	248,701
0032	Social Work Services	666,708	811,053	683,882	127,171
0033	Health Services	1,070,384	1,183,146	1,038,911	144,235
0034	Student (Pupil) Transportation	3,940,545	4,098,994	3,433,853	665,141
0035	Food Services	153,113	161,579	161,578	1
0036	Extracurricular Activities	2,128,562	2,255,405	1,931,003	324,402
0041	General Administration	3,817,523	3,775,705	2,977,911	797,794
0051	Facilities Maintenance and Operations	9,665,603	9,962,361	9,228,933	733,428
0052	Security and Monitoring Services	1,190,997	1,277,997	1,081,207	196,790
0053	Data Processing Services	1,191,845	1,229,845	866,546	363,299
0061	Community Services	495,060	567,136	467,882	99,254
Debt Service:					
0071	Principal on Long Term Debt	389,377	389,377	-	389,377
0072	Interest on Long Term Debt	20,000	20,000	20,000	-
0073	Bond Issuance Cost and Fees	4,000	4,000	2,885	1,115
Capital Outlay:					
0081	Facilities Acquisition and Construction	3,722,291	7,397,800	5,328,582	2,069,218
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	99,534	99,534	68,222	31,312
0095	Payments to Juvenile Justice Alternative Ed. Prg.	214,500	214,500	36,272	178,228
0099	Other Intergovernmental Charges	245,000	234,500	102,994	131,506
6030	Total Expenditures	89,970,257	98,932,395	87,893,665	11,038,730
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,678,075)	(13,122,587)	1,317,165	14,439,752
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	23,063	23,063
7080	Total Other Financing Sources (Uses)	-	-	23,063	23,063
1200	Net Change in Fund Balances	(3,678,075)	(13,122,587)	1,340,228	14,462,815
0100	Fund Balance - September 1 (Beginning)	59,605,804	59,605,804	59,605,804	-
3000	Fund Balance - August 31 (Ending)	\$ 55,927,729	\$ 46,483,217	\$ 60,946,032	\$ 14,462,815

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 AUGUST 31, 2011

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 250,516
Total Assets	<u>\$ 250,516</u>
LIABILITIES	
Due to Other Funds	\$ 5,396
Due to Student Groups	245,120
Total Liabilities	<u>\$ 250,516</u>

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southwest Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the “Board”) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 14, “The Financial Reporting Entity.” There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Southwest Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by property taxes, State foundation funds, grants, and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The “operating grants and contributions” column indicates amounts paid by organizations outside the District to help meet the operational requirements of a given function. Examples include grants under the Elementary and Secondary Education Act and Individuals with Disabilities Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District’s functions. Property taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures 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 froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept. 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.

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

Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Fiduciary Funds:

3. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds is the student activity fund.

E. FUND BALANCE POLICY

Southwest Independent School District reports fund balance for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or "must be maintained in tact" and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions and other purposes determined by the Board.

The Board of Trustees may make assignments of certain fund balances by a majority vote in a scheduled meeting.

Amendments or modifications of the assigned fund balance must also be approved by a majority vote in a scheduled meeting.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged to committed, assigned then unassigned.

By a majority vote in a scheduled meeting the Board of Trustees may commit or assign fund balances and it may modify or rescind commitments or assignments.

Nonspendable

Inventories in the general fund	\$ 334,933
Inventories in the food service fund	<u>197,545</u>
Total nonspendable	<u>532,478</u>

Restricted

Debt service	4,101,106
Capital acquisition	93,025
Federal or State fund grant restrictions	2,524,518
Scholarship Fund	1,072,163
Other Restricted for State Programs:	
Career and Technology	\$ 228,101
Compensatory Education	637,494
High School Allotment	<u>558,842</u>
Total Other Restricted for State Programs	<u>1,424,437</u>
Total restricted	<u>9,215,249</u>

Committed

Future construction needs	23,000,000
Infrastructure needs	11,110,000
Campus Activity Funds	<u>12,352</u>
Total committed	<u>34,122,352</u>

Unassigned 21,278,860

Total Fund Balances \$65,148,939

F. OTHER ACCOUNTING POLICIES

1. The District reports inventories of supplies at cost including consumable custodial, maintenance, instructional, and office supplies. Inventories of supplies are recorded as expenditures when they are consumed rather than when they are purchased. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
2. Cash and cash equivalents including cash and high liquid investments such as investment pools, overnight sweep accounts, and treasury bills that have a maturity from time of purchase of three months or less. Current investments consist of discount notes held by a fiscal agent restricted for the principal payment of the 2003 maintenance tax note upon maturity in fiscal year 2018.
3. Deferred revenue accounted for on the balance sheet of the general fund relates to uncollected property taxes less the amount of doubtful accounts and any remainder relates to excess funds received from the Texas Education Agency over earned amounts.
4. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance is obtained from a licensed insurer. Risk of loss is not retained by the District.
5. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
6. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.
7. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums, discounts, and losses due to refunded bonds, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest 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 recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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.

8. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. Vacation pay is not accrued in the government-wide financial statements since employees are required to take vacation within the same year they are earned and any unused days at the end of the year are forfeited.
9. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-30
Vehicles	8-15
Equipment	3-8

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit J-4 and J-5.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20, 2010, the District prepares a budget for the next succeeding fiscal year beginning September 1, 2010. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the assistant superintendent for finance and business at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

<u>August 31, 2011</u>	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$2,722,063
Nonappropriated Budget Funds	_____ -
All Special Revenue Funds	<u>\$2,722,063</u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The pledge of approved securities is waived only to the extent of the depository bond or the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2011, bank balances not insured by FDIC insurance was \$13,217,777. As of August 31, 2011, the uninsured were adequately collateralized at the District's depository. Since the District complies with this law, it has no custodial credit risk for deposits.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Southwest Independent School District is in substantial compliance with the requirements of the Act and with local policies.

The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investment.

The District's investment in investment pools, which are exempt from regulation by the Securities and Exchange Commission, have as one of their objectives the maintenance of stable net asset value of \$1. The book value of the position in the pools is the same as the number of the shares in each pool; the market value of a share should approximately equal the book value of a share.

Lone Star Investment Pool (the Pool): The Pool's liquidity fund operates in a manner consistent with the SEC Rule 2a7 of the Investment Company Act of 1940, which allows the fund to use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the District's position in the Pool is the same as the value of the Pool's shares and does not include any unrealized gains and losses.

The Pool is governed by an eleven member board of trustees (Board) made up of active participants in the Pool. The Board has the responsibility of adopting and monitoring compliance with the investment policy, appointing investment officers, overseeing the selection of an investment advisor, custodian, investment consultant, administrator, and other service providers. The Board is also responsible for monitoring performance of the Pool. Financial information for the Pool can be obtained by writing to Post Office Box 400, Austin, Texas, 78767-0400 or by calling 1-800-758-3927.

Texas Local Government Investment Pool (Texpool); Texpool operates in a manner consistent with the SEC Rule 2a7 of the Investment Company Act of 1940. Texpool uses amortized cost rather than market value to report net assets to compute share prices.

Accordingly, the fair value of the position in the pool is the same as the value of the shares in each pool.

Texpool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate Texpool. In addition, the Texpool Advisory Board advises on Texpool's Investment Policy. This Board is composed equally of participants in Texpool and other persons who do not have a business relationship with Texpool who are qualified to advise Texpool. Financial information for Texpool can be accessed on the internet (<http://www.texpool.com>).

Money Market Investments: The Federal National Mortgage Association (FNMA) Discount Notes are reported at amortized cost, which approximates fair value, since the remaining maturity at time of purchase was less than one year.

As of August 31, 2011, Southwest Independent School District had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>Investment Maturities (in years)</u>			<u>Credit Rating</u>
			<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Classified as Cash and Cash Equivalents:						
Texpool Investment Pool	\$ 3,754,935	\$ 3,754,935	\$ -	\$ -	\$ -	AAAm
Lonestar Investment Pool	5,014,594	5,014,594	-	-	-	AAAm
Money Market Accounts	<u>2,291,089</u>	<u>2,291,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	AAA
	<u>11,060,618</u>	<u>11,060,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Classified as Investments:						
Bank Certificate of Deposit	10,092,026	10,092,026	-	-	-	N/A
Government Bonds	34,647,172	34,647,172	-	-	-	AAA
FNMA Discount Notes	<u>3,633,047</u>	<u>3,633,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	AAA
	<u>48,372,245</u>	<u>48,372,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total Investments	<u>\$59,432,863</u>	<u>\$59,432,863</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

Additional polices and contractual provisions governing deposits and investments for Southwest Independent School District are specified below:

Credit Risk In accordance with the District's investment policy, investments in investment pools must rated at least AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service, and investments in obligations of the U.S. government or its agencies must be rated at least A or equivalent. As noted in the above table, the District's investments met minimum rating requirements.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District investment is in secured bank certificates of deposit, State sponsored investment pools and investments in obligations.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that internally created pool fund groups have maturities of less than 180 days on a weighted average maturity basis. The maximum allowable stated maturity of any other individual investments owned by the District shall not exceed 3 years from the date of the purchase.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are collected based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances, primarily for payroll clearing purposes, at August 31, 2011 consisted of the following amounts:

Due to General Fund From:

Nonmajor Governmental Funds	\$ 567,984
Intrafund	432,170
Fiduciary Funds	<u>(5,361)</u>
Total Due to General Fund From Other Funds	<u>\$ 994,793</u>

Interfund transfers were attributable to payroll and disbursement clearing activities.

Transfers to General Fund From:

Nonmajor Governmental Funds	<u>\$ 23,063</u>
Total Transfers to General Fund	<u><u>\$ 23,063</u></u>

Transfers were made during the year to move Medical Administrative Claim monies to general fund.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2011 were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 2,047,740	\$ 7,881,372	\$ 994,793	\$ 120,717	\$11,044,622
Nonmajor Governmental Funds	<u>349,217</u>	<u>2,178,254</u>	-	-	<u>2,527,471</u>
Total - Governmental Activities	<u>\$ 2,396,957</u>	<u>\$10,059,626</u>	<u>\$ 994,793</u>	<u>\$ 120,717</u>	<u>\$13,572,093</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 359,544</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 359,544</u>

Payables at August 31, 2011 were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due To Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$1,086,279	\$4,620,053	\$ 889,429	\$ -	\$ -	\$6,595,761
Capital Projects Fund	1,675,289	-	-	-	-	1,675,289
Nonmajor Gov. Funds	<u>491,315</u>	<u>574,708</u>	<u>99,968</u>	-	-	<u>1,165,991</u>
Total - Gov. Activities	<u>\$3,252,883</u>	<u>\$5,194,761</u>	<u>\$ 989,397</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$9,437,041</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended August 31, 2011 was as follows:

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 3,097,743	\$ 3,315,775	\$ 41,241	\$ 6,454,759
Buildings and improvements	216,400,950	1,313,247	21,430,607	239,144,804
Equipment	16,626,472	1,935,569	(67,888)	18,494,153
Construction in Progress	<u>8,611,841</u>	<u>17,654,755</u>	<u>(21,471,848)</u>	<u>4,794,748</u>
Total at historical cost	<u>244,737,006</u>	<u>24,219,346</u>	<u>(67,888)</u>	<u>268,888,464</u>
Less accumulated depreciation				
Buildings and improvements	(66,262,681)	(6,832,431)	-	(73,095,112)
Equipment	<u>(10,795,821)</u>	<u>(977,472)</u>	<u>67,888</u>	<u>(11,705,405)</u>
Total accumulated depreciation	<u>(77,058,502)</u>	<u>(7,809,903)</u>	<u>67,888</u>	<u>(84,800,517)</u>
Governmental activities capital assets, net	<u>\$167,678,504</u>	<u>\$16,409,443</u>	<u>\$ -0-</u>	<u>\$184,087,947</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$5,431,531
Instructional Resources & Media Services	103,776
Curriculum & Instructional Staff Development	51,154
Instructional and School Leadership	32,397
School Leadership	338,278
Guidance, Counseling & Evaluation Services	203,508
Social Work Services	34,885
Health Services	44,928
Student Transportation	495,487
Food Service	428,320
Extracurricular Activities	212,322
General Administration	13,997
Plant Maintenance and Operations	352,675
Security Services	24,020
Data Processing Services	33,842
Community Services	<u>8,783</u>
Total Depreciation Expense	<u>\$7,809,903</u>

G. BONDS PAYABLE

Bond indebtedness of the District is reflected in the Statement of Net Assets, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in bonds payable for the year ended August 31, 2011 is as follows:

Description	Final Maturity	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 9/1/2010	Issued	Retired/ Refunded	Amounts Outstanding 8/31/2011	Amounts Due Within One Year
Unlimited Tax School Building Bonds, Series 2000	2011	5.00%	\$ 30,000,000	\$ 24,375	\$ 975,000	\$ -	\$ 975,000	\$ -	\$ -
Unlimited Tax School Building Bonds, Series 2002	2012	4.00%	27,000,000	52,400	8,565,000	-	7,680,000	885,000	885,000
Unlimited Tax Refunding Bonds, Series 2005	2025	5.00%- 5.25%	21,630,000	1,101,163	21,480,000	-	30,000	21,450,000	1,055,000
Unlimited Tax School Building Bonds, Series 2006	2036	4.125%- 5.125%	37,935,000	1,617,748	35,080,000	-	740,000	34,340,000	770,000
Unlimited Tax School Building Bonds, Series 2007	2037	4.25%- 5.25%	24,065,000	1,131,083	23,625,000	-	460,000	23,165,000	480,000
Unlimited Tax Refunding Bonds, Series 2007A	2027	4.15%	12,949,999	479,533	12,364,999	-	130,000	12,234,999	135,000
Unlimited Tax School Building Bonds, Series 2008	2038	3.00%- 5.25%	22,000,000	1,008,598	21,165,000	-	370,000	20,795,000	385,000
Unlimited Tax Refunding Bonds, Series 2010	2020	2.00%- 3.00%	6,830,000	141,124	-	6,830,000	110,000	6,720,000	65,000
Totals			182,409,999	5,556,022	123,254,999	6,830,000	10,495,000	119,589,999	3,775,000
Capital Appreciation Bonds									
C.A.B. Accreted Interest Series 2007A			-	-	1,093,637	74,281	-	1,167,918	-
C.A.B. Accreted Interest Series 2010			-	-	-	213,274	-	213,274	-
Total All Bonds			<u>\$182,409,999</u>	<u>\$5,556,022</u>	<u>\$124,348,636</u>	<u>\$7,117,555</u>	<u>\$10,495,000</u>	<u>\$120,971,191</u>	<u>\$3,775,000</u>

Debt Service requirements for general obligation bonds and refund bonds are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2012	\$ 3,775,000	\$ 5,436,068	\$ 9,211,068
2013	3,278,127	5,294,248	8,572,375
2014	3,336,872	5,166,016	8,502,888
2015	3,885,000	5,030,730	8,915,730
2016	4,330,000	4,871,664	9,201,664
2017-2021	24,905,000	21,393,200	46,298,200
2022-2026	29,760,000	14,932,796	44,692,796
2027-2031	19,435,000	9,147,587	28,582,587
2032-2036	22,660,000	4,101,163	26,761,163
2037-2041	<u>4,225,000</u>	<u>176,063</u>	<u>4,401,063</u>
Totals	<u>\$119,589,999</u>	<u>\$ 75,549,533</u>	<u>\$195,139,532</u>

On September 1, 2010, the District issued \$6,830,000 of Unlimited Tax Refunding Bonds, Series 2010. The proceeds of the bonds were used for refunding certain maturities of the 2002 Series Bonds. The Series 2002 maturities of February 1, 2015 through February 1, 2020 totaling \$6,830,000, with an average interest rate of 4.5125% were refunded by the 2010 Series Bonds with an average interest rate of 2.56%. The cash flow savings to the District as a result of this refunding was \$615,123. The net present value savings is \$545,399. The proceeds of the refunding bonds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for certain debt service payments on the Series 2002 bonds through 2020. As a result, those portions of the Series 2002 Bonds were considered defeased and the liability for those bonds has been removed from the District's long-term debt account group.

On December 1, 2007, the District issued \$12,949,999, of Unlimited Tax Refunding Bonds, Series 2007A. The proceeds of the bonds were used for refunding certain maturities of the 2002 Series Bonds. The Series 2002 maturities of February 1, 2013 through February 1, 2027 totaling \$12,950,000, with an average interest rate of 5.083% were refunded by the 2007A Series Bonds with an average interest rate of 4.614%. The cash flow savings to the District as a result of this refunding was \$338,692. The present value savings is \$214,680. The proceeds of the refunding bonds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide certain debt service payments on the Series 2002 bonds through 2007. As a result, those portions of the Series 2002 Bonds are considered defeased and the liability for those bonds has been removed from the District's long-term debt account group.

As of August 31, 2011, there is \$19,780,000 of aggregate bonds considered defeased as follows:

<u>Refunding Bond</u>	<u>Defeased Bonds</u>	<u>Defeased Amount at August 31, 2011</u>
Series 2007A	Series 2002	\$12,950,000
Series 2010	Series 2002	<u>6,830,000</u>
Total		<u>\$19,780,000</u>

H. LONG-TERM DEBT LOANS PAYABLE

On May 28, 2003, the District issued Southwest Independent School District Qualified Zone Academy Limited Maintenance Tax Notes, Series 2003 in the principal amount of \$8,000,000. The note bears an interest rate of 0.25% and has a final maturity date of May 28, 2018. The proceeds of the note were used to renovate and rehabilitate existing school properties.

The annual debt service principal payments made by the District are held on deposit by the fiscal agent in a segregated interest bearing fund in the District's name. The fiscal agent invests these deposits in governmental securities to ensure that the debt can be repaid with the cumulative interest earnings when the loan matures. Therefore, the District's annual payments to the fiscal agent are less than the amount outstanding. The District has provided for the investment of the Cumulative Sinking Fund Deposits with a Forward Delivery Agreement with the Bank of New York. At August 31, 2011 the District had invested \$3,633,047 in escrow with the Bank of New York.

A summary of changes in loan payable for the year ended August 31, 2011 is as follows:

Description	Final Maturity	Interest Rate Payable	Amount Original Issue	Interest Current Year	Amount Outstanding 9/1/2010	Issued	Retired	Amount Outstanding 8/31/2010
Maintenance Tax Note Series 2003	2018	0.25%	<u>\$8,000,000</u>	<u>\$ 20,000</u>	<u>\$8,000,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$8,000,000</u>

Annual payments due to the fiscal agent and deposited into a cumulative sinking fund until maturity of the maintenance tax note are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2012	\$ 389,377	\$ 20,000	\$ 409,377
2013	389,377	20,000	409,377
2014	389,377	20,000	409,377
2015	389,377	20,000	409,377
2016	389,377	20,000	409,377
2017-2018	<u>778,754</u>	<u>40,000</u>	<u>818,754</u>
Totals	<u>\$2,725,639</u>	<u>\$ 140,000</u>	<u>\$2,865,639</u>

I. CHANGES IN LONG-TERM LIABILITIES

Following is a summary of changes in long-term liabilities for the year ended August 31, 2011:

	Amount Outstanding <u>9/1/10</u>	<u>Additions</u>	<u>Deletions</u>	Amount Outstanding <u>8/31/11</u>	Due Within <u>One Year</u>
Bonds Payable	\$124,348,636	\$ 7,117,555	\$ 10,495,000	\$120,971,191	\$ 3,775,000
Add/(Less) Deferred Amounts:					
Unamortized Gain/Loss On Refunded Bonds	(1,937,163)	436,194	167,428	(2,205,929)	-
Net Issuance Premiums/ Discounts	<u>2,406,155</u>	<u>459,725</u>	<u>187,966</u>	<u>2,677,914</u>	<u>-</u>
Total Bonds Payable	124,817,628	8,013,474	10,850,394	121,443,176	3,775,000
Notes Payable	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>8,000,000</u>	<u>-</u>
	<u>\$132,817,628</u>	<u>\$ 8,013,474</u>	<u>\$ 10,850,394</u>	<u>\$129,443,176</u>	<u>\$ 3,775,000</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2011.

J. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2011, as follows:

2012	\$ 516,430
2013	516,430
2014	513,286
2015	84,786
2016	-
Thereafter	<u>-</u>
Total Minimum Rentals	<u>\$1,630,926</u>
Rental Expenditures for Fiscal Year 2011	<u>\$ 761,998</u>

K. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

The State of Texas has created a minimum personal leave program consisting of five days per year leave with no limit on accumulation and transferability among districts for every teacher regularly employed in Texas public schools.

Each district's local Board of Education is required to establish a leave plan. Local school districts may provide additional leave beyond the state minimum. Southwest Independent School District provides an additional two days per year leave above the state granted five days per year for all full-time contract employees on contracts for 210 days or more. Personal leave is not vested, therefore, upon resignation, termination or nonrenewal of contract, accumulated personal leave is not paid.

L. DEFINED BENEFIT PENSION PLAN

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

Funding Policy. State law provides for fiscal years 2009, 2010 and 2011 a state contribution rate of 6.58% to 6.644% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.644% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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. State contributions to TRS made on behalf of Southwest Independent School District's employees for the years ended August 31, 2009, 2010 and 2011 were \$3,251,214, \$3,664,845, and \$3,952,478, respectively. Southwest Independent School District paid additional state contributions for the years ended August 31, 2009, 2010 and 2011 in the amount of \$838,459, \$886,052, and \$918,171, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

M. MEDICARE PART D - ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Payments made on behalf of Southwest Independent School District for fiscal years 2009, 2010, and 2011 were \$147,305, \$166,078, and \$156,614.

N. LITIGATION

The District is occasionally involved in litigation in the general course of business. Attorneys for the District indicate there is no pending litigation at this time.

O. HEALTH CARE COVERAGE

During the year ended August 31, 2011, employees of the District had the option of choosing between three health insurance plans and/or hospital indemnity plans. The employees were eligible to receive up to \$300 supplemental assistance per month to purchase health insurance coverage. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer.

P. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2011 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Q. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Net Tax Revenue	\$1,745,035	\$ 299,990	\$ -	\$2,045,025
State Revenue	-	-	41,001	41,001
Federal Revenue	-	-	<u>15,561</u>	<u>15,561</u>
Total Deferred Revenue	<u>\$1,745,035</u>	<u>\$ 299,990</u>	<u>\$ 56,562</u>	<u>\$2,101,587</u>

R. DUE FROM 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. Amounts due from federal and state governments as of August 31, 2011, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General Fund	\$ 7,881,372	\$ -	\$ 7,881,372
Other Funds	<u>414,528</u>	<u>1,763,726</u>	<u>2,178,254</u>
Total	<u>\$ 8,295,900</u>	<u>\$ 1,763,726</u>	<u>\$10,059,626</u>

S. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Capital Projects Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes	\$14,421,140	\$ -	\$ -	\$ 3,792,484	\$18,213,624
Penalties, Interest and Other					
Tax-related Income	310,042	-	-	54,321	364,363
Tuition and Fees	18,846	-	-	-	18,846
Investment Income	738,104	40,524	12,919	5,458	797,005
Rent	46,208	-	-	-	46,208
Gifts and Bequests	505,450	-	3,000	-	508,450
Food Sales	-	-	1,032,732	-	1,032,732
Insurance Recovery	41,529	-	-	-	41,529
Extracurricular Student Activities	134,942	-	-	-	134,942
Enterprising Activities	124,000	-	-	-	124,000
Other	<u>915,303</u>	<u>33,447</u>	<u>48,257</u>	<u>-</u>	<u>997,007</u>
Total	<u>\$17,255,564</u>	<u>\$ 73,971</u>	<u>\$ 1,096,908</u>	<u>\$ 3,852,263</u>	<u>\$22,278,706</u>

T. GENERAL FUND FEDERAL SOURCES REVENUE

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
Texas Propane Fleet Pilot Program Grant - ARRA	81.086	\$ 97,896
Texas Propane Equipment Rebate State Energy		
Conservation Grant - ARRA	81.041	91,530
School Health and Related Services (SHARS) Program	N/A	266,301
Star Base Kelly	12.Unknown	199,864
ROTC	12.Unknown	81,771
Indirect Cost:		
ESEA Title I, Part A	84.010A	35,981
IDEA-B Formula	84.027A	17,670
IDEA-B Preschool	84.173A	254
Vocational Education Basic Formula Grant	84.048A	1,193
Title II, Part A-Teacher & Principal Training & Recruiting	84.367A	6,004
ESEA Title III, Part A-LEP	84.365A	1,486
Title XIV, State Fiscal Stabilization Funds-ARRA	84.394A	28,974
Title II, Part D Technology-ARRA	84.389A	755
IDEA-B Formula-ARRA-LEA	84.391A	7,505
IDEA-B Preschool-ARRA-LEA	84.366B	438
Title I, Part A-ARRA/STIMULUS	84.389A	<u>8,148</u>
Total		<u>\$ 845,770</u>

Indirect cost revenues were determined by applying approved indirect cost rates to actual applicable expenditures of federally funded grant programs.

COMBINING AND OTHER STATEMENTS

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ (60,270)
1120 Investments - Current	-	-	-
1220 Property Taxes - Delinquent	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-
1240 Receivables from Other Governments	33,981	-	295,830
1300 Inventories	-	-	-
1000 Total Assets	<u>\$ 33,981</u>	<u>\$ -</u>	<u>\$ 235,560</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	31,194	-	169,159
2170 Due to Other Funds	-	-	51,314
2200 Accrued Expenditures	2,787	-	15,087
2300 Deferred Revenues	-	-	-
2000 Total Liabilities	<u>33,981</u>	<u>-</u>	<u>235,560</u>
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 33,981</u>	<u>\$ -</u>	<u>\$ 235,560</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization
\$ (76,736)	\$ 423	\$ 892,476	\$ 3,580	\$ (7,193)	\$ (71,440)	\$ (44,362)	\$ (2,236)
-	-	1,499,214	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
205,411	1,152	299,773	-	8,924	106,798	50,274	2,236
-	-	197,545	-	-	-	-	-
<u>\$ 128,675</u>	<u>\$ 1,575</u>	<u>\$ 2,889,008</u>	<u>\$ 3,580</u>	<u>\$ 1,731</u>	<u>\$ 35,358</u>	<u>\$ 5,912</u>	<u>\$ -</u>
\$ 112	\$ -	\$ 72,272	\$ -	\$ -	\$ -	\$ -	\$ -
93,604	1,447	75,650	-	1,588	23,144	-	-
27,199	-	5,400	-	-	10,143	5,912	-
7,760	128	1,642	-	143	2,071	-	-
-	-	11,981	3,580	-	-	-	-
<u>128,675</u>	<u>1,575</u>	<u>166,945</u>	<u>3,580</u>	<u>1,731</u>	<u>35,358</u>	<u>5,912</u>	<u>-</u>
-	-	197,545	-	-	-	-	-
-	-	2,524,518	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	2,722,063	-	-	-	-	-
<u>\$ 128,675</u>	<u>\$ 1,575</u>	<u>\$ 2,889,008</u>	<u>\$ 3,580</u>	<u>\$ 1,731</u>	<u>\$ 35,358</u>	<u>\$ 5,912</u>	<u>\$ -</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	272 Medicaid Admin. Claim MAC	279 Title II, D ARRA - Ed. Technology	280 ESEA, X, C ARRA Homeless	283 IDEA, Pt. B ARRA Formula	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ (1,675)	\$ (474)	\$ (8,760)
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	5,197	474	8,760
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 3,522</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 3,522	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>3,522</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 3,522</u>	<u>\$ -</u>	<u>\$ -</u>

284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	287 Eucation Jobs Fund	385 Visually Impaired SSVI	394 Life Skills Program	404 Student Success Initiative	411 Technology Allotment	423 LEP Success Initiative
\$ -	\$ (240,417)	\$ -	\$ -	\$ -	\$ (65,634)	\$ 55,479	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	599,629	145,286	29	-	69,652	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 359,212</u>	<u>\$ 145,286</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 4,018</u>	<u>\$ 55,479</u>	<u>\$ -</u>
\$ -	\$ 359,212	\$ -	\$ 29	\$ -	\$ -	\$ 14,478	\$ -
-	-	142,534	-	-	3,941	-	-
-	-	-	-	-	-	-	-
-	-	2,752	-	-	77	-	-
-	-	-	-	-	-	41,001	-
-	359,212	145,286	29	-	4,018	55,479	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 359,212</u>	<u>\$ 145,286</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 4,018</u>	<u>\$ 55,479</u>	<u>\$ -</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	429 D.A.T.E. Cycle 2	461 Campus Activity Funds	481 National FFA/ Toyota/TX	Total Nonmajor Special Revenue Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ (303,158)	\$ 12,352	\$ -	\$ 81,955
1120 Investments - Current	-	-	-	1,499,214
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240 Receivables from Other Governments	344,848	-	-	2,178,254
1300 Inventories	-	-	-	197,545
1000 Total Assets	<u>\$ 41,690</u>	<u>\$ 12,352</u>	<u>\$ -</u>	<u>\$ 3,956,968</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 41,690	\$ -	\$ -	\$ 491,315
2160 Accrued Wages Payable	-	-	-	542,261
2170 Due to Other Funds	-	-	-	99,968
2200 Accrued Expenditures	-	-	-	32,447
2300 Deferred Revenues	-	-	-	56,562
2000 Total Liabilities	<u>41,690</u>	<u>-</u>	<u>-</u>	<u>1,222,553</u>
Fund Balances:				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	197,545
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	2,524,518
3480 Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	12,352	-	12,352
3000 Total Fund Balances	<u>-</u>	<u>12,352</u>	<u>-</u>	<u>2,734,415</u>
4000 Total Liabilities and Fund Balances	<u>\$ 41,690</u>	<u>\$ 12,352</u>	<u>\$ -</u>	<u>\$ 3,956,968</u>

599	Total
Debt Service	Nonmajor
Fund	Governmental
Fund	Funds
\$ 1,057,226	\$ 1,139,181
321,397	1,820,611
349,217	349,217
(52,383)	(52,383)
-	2,178,254
-	197,545
\$ 1,675,457	\$ 5,632,425
\$ -	\$ 491,315
-	542,261
-	99,968
-	32,447
299,990	356,552
299,990	1,522,543
-	197,545
-	2,524,518
1,375,467	1,375,467
-	12,352
1,375,467	4,109,882
\$ 1,675,457	\$ 5,632,425

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	817,071	13,410	4,248,135
5020 Total Revenues	<u>817,071</u>	<u>13,410</u>	<u>4,248,135</u>
EXPENDITURES:			
Current:			
0011 Instruction	817,071	-	3,264,975
0012 Instructional Resources and Media Services	-	-	50
0013 Curriculum and Instructional Staff Development	-	-	330,761
0021 Instructional Leadership	-	-	195,770
0023 School Leadership	-	-	152,658
0031 Guidance, Counseling and Evaluation Services	-	-	63,154
0032 Social Work Services	-	13,410	150,273
0033 Health Services	-	-	-
0034 Student (Pupil) Transportation	-	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
0051 Facilities Maintenance and Operations	-	-	-
0061 Community Services	-	-	90,494
Debt Service:			
0071 Principal on Long Term Debt	-	-	-
0072 Interest on Long Term Debt	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
6030 Total Expenditures	<u>817,071</u>	<u>13,410</u>	<u>4,248,135</u>
1100 Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	-
8911 Transfers Out (Use)	-	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A EnglishLang. Acquisition	266 Title XIV ARRA State Stabilization
\$ -	\$ -	\$ 1,080,160	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	103,188	-	-	-	-	-
2,214,000	28,460	6,132,887	152,393	185,884	731,548	258,776	3,123,824
2,214,000	28,460	7,316,235	152,393	185,884	731,548	258,776	3,123,824
1,411,175	28,460	-	-	148,246	331,129	61,886	3,122,224
-	-	-	-	-	-	-	-
16,938	-	-	-	13,223	398,019	196,130	-
347,926	-	-	-	515	-	-	1,600
-	-	-	-	-	2,400	760	-
256,813	-	-	-	22,720	-	-	-
65,661	-	-	-	-	-	-	-
58,448	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	6,899,102	145,508	-	-	-	-
3,706	-	-	-	1,180	-	-	-
-	-	284,818	6,885	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
53,333	-	-	-	-	-	-	-
2,214,000	28,460	7,183,920	152,393	185,884	731,548	258,776	3,123,824
-	-	132,315	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	132,315	-	-	-	-	-
-	-	2,589,748	-	-	-	-	-
\$ -	\$ -	\$ 2,722,063	\$ -	\$ -	\$ -	\$ -	\$ -

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	272 Medicaid Admin. Claim MAC	279 Title II, D ARRA - Ed. Technology	280 ESEA, X, C ARRA Homeless	283 IDEA, Pt. B ARRA Formula	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	24,512	82,187	7,107	1,020,507
5020	Total Revenues	<u>24,512</u>	<u>82,187</u>	<u>7,107</u>	<u>1,020,507</u>
EXPENDITURES:					
Current:					
0011	Instruction	-	36,396	-	463,310
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	20,831	4,277	116,647
0021	Instructional Leadership	1,449	24,600	1,227	85,103
0023	School Leadership	-	360	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	1,603	119,360
0032	Social Work Services	-	-	-	687
0033	Health Services	-	-	-	1,087
0034	Student (Pupil) Transportation	-	-	-	161,896
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	3,698
0051	Facilities Maintenance and Operations	-	-	-	-
0061	Community Services	-	-	-	175
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	68,544
6030	Total Expenditures	<u>1,449</u>	<u>82,187</u>	<u>7,107</u>	<u>1,020,507</u>
1100	Excess of Revenues Over Expenditures	<u>23,063</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	-	-
8911	Transfers Out (Use)	(23,063)	-	-	-
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>(23,063)</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

284 IDEA, Pt. B ARRA Preschool	285 ESEA I A Improving Basic Program	287 Eucation Jobs Fund	385 Visually Impaired SSVI	394 Life Skills Program	404 Student Success Initiative	411 Technology Allotment	423 LEP Success Initiative
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	8,400	28,080	311,921	402,804	46,442
<u>37,564</u>	<u>1,486,197</u>	<u>145,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>37,564</u>	<u>1,486,197</u>	<u>145,286</u>	<u>8,400</u>	<u>28,080</u>	<u>311,921</u>	<u>402,804</u>	<u>46,442</u>
37,564	1,039,573	145,286	8,400	26,896	255,951	398,924	12,628
-	5,296	-	-	-	-	-	-
-	409,381	-	-	-	52,028	3,880	28,399
-	5,500	-	-	90	-	-	-
-	4,133	-	-	-	3,942	-	5,415
-	4,955	-	-	-	-	-	-
-	3,839	-	-	-	-	-	-
-	3,065	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	10,455	-	-	1,094	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>37,564</u>	<u>1,486,197</u>	<u>145,286</u>	<u>8,400</u>	<u>28,080</u>	<u>311,921</u>	<u>402,804</u>	<u>46,442</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	429 D.A.T.E. Cycle 2	461 Campus Activity Funds	481 National FFA/ Toyota/TX	Total Nonmajor Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 12,833	\$ 3,915	\$ 1,096,908
5800 State Program Revenues	344,848	-	-	1,245,683
5900 Federal Program Revenues	-	-	-	20,709,748
5020 Total Revenues	<u>344,848</u>	<u>12,833</u>	<u>3,915</u>	<u>23,052,339</u>
EXPENDITURES:				
Current:				
0011 Instruction	295,658	-	1,735	11,907,487
0012 Instructional Resources and Media Services	-	-	-	5,346
0013 Curriculum and Instructional Staff Development	49,190	-	-	1,639,704
0021 Instructional Leadership	-	-	-	663,780
0023 School Leadership	-	-	-	169,668
0031 Guidance, Counseling and Evaluation Services	-	-	-	468,605
0032 Social Work Services	-	-	-	233,870
0033 Health Services	-	-	-	62,600
0034 Student (Pupil) Transportation	-	-	-	161,896
0035 Food Services	-	-	-	7,044,610
0036 Extracurricular Activities	-	10,800	2,180	21,564
0051 Facilities Maintenance and Operations	-	-	-	291,703
0061 Community Services	-	-	-	102,218
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	121,877
6030 Total Expenditures	<u>344,848</u>	<u>10,800</u>	<u>3,915</u>	<u>22,894,928</u>
1100 Excess of Revenues Over Expenditures	<u>-</u>	<u>2,033</u>	<u>-</u>	<u>157,411</u>
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
8911 Transfers Out (Use)	-	-	-	(23,063)
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,063)</u>
1200 Net Change in Fund Balance	-	2,033	-	134,348
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>10,319</u>	<u>-</u>	<u>2,600,067</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 12,352</u>	<u>\$ -</u>	<u>\$ 2,734,415</u>

599	Total
Debt Service	Nonmajor
Fund	Governmental
Fund	Funds
\$ 3,852,263	\$ 4,949,171
5,643,580	6,889,263
-	20,709,748
<u>9,495,843</u>	<u>32,548,182</u>
-	11,907,487
-	5,346
-	1,639,704
-	663,780
-	169,668
-	468,605
-	233,870
-	62,600
-	161,896
-	7,044,610
-	21,564
-	291,703
-	102,218
3,665,000	3,665,000
5,556,022	5,556,022
81,523	81,523
-	121,877
<u>9,302,545</u>	<u>32,197,473</u>
<u>193,298</u>	<u>350,709</u>
6,830,000	6,830,000
459,725	459,725
-	(23,063)
<u>(7,266,194)</u>	<u>(7,266,194)</u>
<u>23,531</u>	<u>468</u>
216,829	351,177
<u>1,158,638</u>	<u>3,758,705</u>
<u>\$ 1,375,467</u>	<u>\$ 4,109,882</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2011

	BALANCE SEPTEMBER 1 2010	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2011
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 240,095	\$ 600,381	\$ 589,960	\$ 250,516
Liabilities:				
Due to Other Funds	\$ 5,849	\$ 510	\$ 963	\$ 5,396
Due to Student Groups	234,246	599,871	588,997	245,120
Total Liabilities	\$ 240,095	\$ 600,381	\$ 589,960	\$ 250,516
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 240,095	\$ 600,381	\$ 589,960	\$ 250,516
Liabilities:				
Due to Other Funds	\$ 5,849	\$ 510	\$ 963	\$ 5,396
Due to Student Groups	234,246	599,871	588,997	245,120
Total Liabilities	\$ 240,095	\$ 600,381	\$ 589,960	\$ 250,516

T.E.A. REQUIRED SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
2003	1.500000	0.175800	537,882,796
2004	1.500000	0.165200	601,843,985
2005	1.500000	0.142200	652,900,813
2006	1.500000	0.118800	715,357,947
2007	1.370000	0.126000	1,133,053,100
2008	1.040000	0.155000	1,342,435,536
2009	1.040000	0.170000	1,540,671,550
2010	1.040000	0.203200	1,510,553,009
2011 (School year under audit)	1.040000	0.216100	1,432,826,531
1000 TOTALS			

Note: 2011 Levy included additional Fund Service assessed/appraised value for school tax purposes of \$456,272,640 due to a Chapter 313 agreement.

(10) Beginning Balance 9/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2011
\$ 419,744	\$ -	\$ 13,542	\$ 3,479	\$ (77,083)	\$ 325,640
103,914	-	8,214	963	44	94,781
121,194	-	11,729	1,292	577	108,750
132,277	-	15,629	1,482	2,783	117,949
174,158	-	33,303	2,638	7,888	146,105
212,604	-	46,848	4,309	18,066	179,513
285,397	-	69,459	10,352	21,420	227,006
332,458	-	106,022	17,331	7,228	216,333
631,560	-	200,042	54,325	(58,044)	319,149
-	18,664,553	13,922,058	3,700,067	(380,697)	661,731
<u>\$ 2,413,306</u>	<u>\$ 18,664,553</u>	<u>\$ 14,426,846</u>	<u>\$ 3,796,238</u>	<u>\$ (457,818)</u>	<u>\$ 2,396,957</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2011

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 249,433	\$ 1,927,990	\$ -	\$ -	\$ 2,177,423
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	19,687	-	-	19,687
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	88,951	-	-	-	88,951
6212	Audit Services	-	-	-	34,542	-	-	34,542
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	31,065	-	-	-	-	31,065
621X	Other Professional Services	-	-	-	41,812	-	-	41,812
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	41,063	-	-	41,063
6240	Contr. Maint. and Repair	-	-	-	-	76,315	-	76,315
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	21,155	-	-	21,155
6290	Miscellaneous Contr.	-	-	-	73,365	-	-	73,365
6320	Textbooks and Reading	-	-	712	4,318	-	-	5,030
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	7,819	-	1,672	255,735	-	-	265,226
6410	Travel, Subsistence, Stipends	6,231	-	3,073	25,313	-	-	34,617
6420	Ins. and Bonding Costs	-	-	-	26,217	-	-	26,217
6430	Election Costs	16,725	-	-	-	-	-	16,725
6490	Miscellaneous Operating	13,318	-	10,006	77,306	-	-	100,630
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	38,479	38,479
6000	TOTAL	\$ 44,093	\$ 31,065	\$ 353,847	\$ 2,548,503	\$ 76,315	\$ 38,479	\$ 3,092,302

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 110,788,593

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 6,381,545
Total Debt & Lease(6500)	(11)	22,885
Plant Maintenance (Function 51, 6100-6400)	(12)	9,375,064
Food (Function 35, 6341 and 6499)	(13)	3,019,403
Stipends (6413)	(14)	1,450
Column 4 (above) - Total Indirect Cost		<u>2,548,503</u>

SubTotal: 21,348,849

Net Allowed Direct Cost \$ 89,439,744

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 239,144,801
Historical Cost of Building over 50 years old	(16)	\$ 346,474
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 18,494,153
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 2,333,454
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 2,002,926

(8) NOTE A: \$114,391 in Function 53 expenditures are included in this report on administrative costs.
 No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUNDS AS OF AUGUST 31, 2011

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/11 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 60,946,032
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 334,933	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	5,222,239	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	34,110,000	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	17,578,732	
7	Estimate of two month's average cash disbursements during the fiscal year.	-	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	4,990,076	
10	Estimate of delayed payments from federal sources (59xx)	2,032,967	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>64,268,947</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 13)		<u><u>\$ (3,322,915)</u></u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,140,400	\$ 1,172,900	\$ 1,080,160	\$ (92,740)
5800 State Program Revenues	92,383	92,383	103,188	10,805
5900 Federal Program Revenues	6,146,004	6,328,227	6,132,887	(195,340)
5020 Total Revenues	<u>7,378,787</u>	<u>7,593,510</u>	<u>7,316,235</u>	<u>(277,275)</u>
EXPENDITURES:				
0035 Food Services	7,390,887	7,989,343	6,899,102	1,090,241
0051 Facilities Maintenance and Operations	257,900	316,900	284,818	32,082
6030 Total Expenditures	<u>7,648,787</u>	<u>8,306,243</u>	<u>7,183,920</u>	<u>1,122,323</u>
1200 Net Change in Fund Balances	(270,000)	(712,733)	132,315	845,048
0100 Fund Balance - September 1 (Beginning)	<u>2,589,748</u>	<u>2,589,748</u>	<u>2,589,748</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,319,748</u>	<u>\$ 1,877,015</u>	<u>\$ 2,722,063</u>	<u>\$ 845,048</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,886,715	\$ 3,886,715	\$ 3,852,263	\$ (34,452)
5800	State Program Revenues	5,392,699	5,392,699	5,643,580	250,881
5020	Total Revenues	9,279,414	9,279,414	9,495,843	216,429
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,550,000	3,665,000	3,665,000	-
0072	Interest on Long Term Debt	5,729,014	5,729,014	5,556,022	172,992
0073	Bond Issuance Cost and Fees	400	82,400	81,523	877
6030	Total Expenditures	9,279,414	9,476,414	9,302,545	173,869
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(197,000)	193,298	390,298
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	-	6,830,000	6,830,000
7916	Premium or Discount on Issuance of Bonds	-	-	459,725	459,725
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(7,266,194)	(7,266,194)
7080	Total Other Financing Sources (Uses)	-	-	23,531	23,531
1200	Net Change in Fund Balances	-	(197,000)	216,829	413,829
0100	Fund Balance - September 1 (Beginning)	1,158,638	1,158,638	1,158,638	-
3000	Fund Balance - August 31 (Ending)	\$ 1,158,638	\$ 961,638	\$ 1,375,467	\$ 413,829

REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS

COLEMAN, HORTON & COMPANY, LLP
Certified Public Accountants
400 E. NOPAL ST.
LUVALDE, TEXAS 78801-5305

ROBERT O. COLEMAN, CPA
STEPHEN L. HORTON, CPA
DEBORAH V. McDONALD, CPA
JAMES C. GRUENWALD, CPA
DEREK L. WALKER, CPA

830-278-6276
FAX 830-278-6868
chc@colemanhortoncpa.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

Independent Auditor's Report

Board of Trustees
Southwest Independent School District
11914 Dragon Lane
San Antonio, Texas 78252

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southwest Independent School District (the District) as of and for the year ended August 31, 2011, which collectively comprise District's basic financial statements and have issued our report thereon dated November 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Southwest Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the District's of trustees, the administration, Texas Education Agency and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Coleman, Horton & Company, LLP

Certified Public Accountants
November 7, 2011

COLEMAN, HORTON & COMPANY, LLP
Certified Public Accountants
400 E. NOPAL ST.
LIVALDE, TEXAS 78801-5305

ROBERT O. COLEMAN, CPA
STEPHEN L. HORTON, CPA
DEBORAH V. McDONALD, CPA
JAMES C. GRUENWALD, CPA
DEREK L. WALKER, CPA

830-278-6276
FAX 830-278-6868
chc@colemanhortoncpa.com

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Independent Auditor's Report

Board of Trustees
Southwest Independent School District
11914 Dragon Lane
San Antonio, Texas 78252

Members of the Board:

Compliance

We have audited Southwest Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Southwest Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Southwest Independent School District's compliance with those requirements.

In our opinion, Southwest Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

Internal Control Over Compliance

Management of Southwest Independent School District is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies 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 the District's trustees, the audit committee, the administration, Texas Education Agency and federal awarding agencies and pass-through agencies and is not intended to be used and should not be used by anyone other than these specified parties.

Coleman, Horton, & Company, LLP

Certified Public Accountants
November 7, 2011

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2011

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Control deficiency(ies) identified? _____ Yes X No

Control deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted _____ Yes X No

2. Federal Awards

Internal control over major programs:

Control deficiency(ies) identified? _____ Yes X No

Control deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #10.553	School Breakfast Program
CFDA #10.555	National School Lunch Program
CFDA #10.559	Summer Feeding Program
CFDA #84.410	Education Job Fund-ARRA

Dollar threshold used to distinguish between type A and type B programs: \$ 722,335

Auditee qualified as low-risk auditee? X Yes _____ No

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011

B. Financial Statement Findings

----- None noted -----

C. Federal Award Findings and Questioned Costs

----- None noted -----

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2011

Finding/Recommendation

----- None noted -----

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

----- None noted -----

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Junior ROTC Program	12.NA	015-912	\$ 81,771
Star Base Kelly	12.NA	015-912	199,864
Total CFDA Number 12.NA			<u>281,635</u>
Total Direct Programs			<u>\$ 281,635</u>
TOTAL DEPARTMENT OF DEFENSE			<u>\$ 281,635</u>
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11610101015912	\$ 3,953,095
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101015912	295,040
Total CFDA Number 84.010A			<u>4,248,135</u>
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389A	10551001015912	1,486,197
Total Title I, Part A Cluster			<u>5,734,332</u>
*IDEA - Part B, Formula	84.027A	116600010159126600	2,024,431
*IDEA - Part B, Formula	84.027A	126600010159126600	189,569
Total CFDA Number 84.027A			<u>2,214,000</u>
*IDEA - Part B, Preschool	84.173A	116610010159126610	27,625
*IDEA - Part B, Preschool	84.173A	126610010159126610	835
Total CFDA Number 84.173A			<u>28,460</u>
*IDEA, Part B, Formula - ARRA	84.391A	10554001015912	1,020,507
*IDEA, Part B, Preschool - ARRA	84.392A	10555001015912	37,564
Total Special Education Cluster (IDEA)			<u>3,300,531</u>
Vocational Education Basic Grant	84.048A	11420006015912	184,153
Vocational Education Basic Grant	84.048A	12420006015912	1,731
Total CFDA Number 84.048A			<u>185,884</u>
*Texas Support for Homeless Education	84.196	11189236015912	13,410
*ESEA, Title X, Pt. C-ARRA Education for Homeless	84.387	A09-042	7,107
Title II D Enhancing Ed Through Technology - ARRA	84.386A	10553001015912	82,187
Title III, Part A - English Language Acquisition	84.365A	11671001015912	234,596
Title III, Part A - English Language Acquisition	84.365A	12671001015912	24,180
Total CFDA Number 84.365A			<u>258,776</u>
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11694501015912	653,310
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501015912	78,238
Total CFDA Number 84.367A			<u>731,548</u>
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394A	11557001015912	3,123,824
Education Jobs Fund	84.410	11550101015912	145,286
Total Passed Through State Department of Education			<u>\$ 13,582,885</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 13,582,885</u>
U.S. DEPARTMENT OF ENERGY			
<u>Passed Through Railroad Commission of Texas</u>			
Texas Propane Fleet Pilot Program Grant-ARRA	81.086	DE-EE0002564	\$ 97,896
TX Propane Equip. Rebate-St. Energy Cons Grnt-ARRA	81.041	DE-EE0000116	91,530

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2011

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Total Passed Through Railroad Commission of Texas			\$ 189,426
TOTAL DEPARTMENT OF ENERGY			\$ 189,426
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	287445105	\$ 817,071
Medicaid Administrative Claiming Program - MAC	93.778	015-912	24,512
Summer Feeding Program	10.559	015-912	152,393
Total Passed Through State Department of Education			\$ 993,976
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 993,976
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	015-912	\$ 1,625,568
*National School Lunch Program - Cash Assistance	10.555	015-912	4,329,004
*National School Lunch Prog. - Non-Cash Assistance	10.555	015-912	178,315
Total CFDA Number 10.555			4,507,319
Total Child Nutrition Cluster			6,132,887
Total Passed Through the State Department of Agriculture			\$ 6,132,887
TOTAL DEPARTMENT OF AGRICULTURE			\$ 6,132,887
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 21,180,809

*Clustered Programs

**Schedule does not include federal expenditures from SHARS of \$266,301 and indirect costs of \$108,408.

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System 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.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. 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 due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.
- CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Southwest Independent School District fiscal year beginning September 1 2010, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

Southwest Independent School District

Fiscal Year 2011

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	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$1,381,192