

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2012

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2012

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
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Assets	22
Notes to Financial Statements	23-42
<u>Required Supplementary Information</u>	
G-1 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	43
<u>Combining and Other Statements</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	44-47
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	48-51
Agency Funds:	
H-3 Statement of Changes in Assets and Liabilities	52
<u>T.E.A. Required Schedules</u>	
J-1 Schedule of Delinquent Taxes Receivable	53-54
J-2 Schedule of Expenditures for Computations of Indirect Cost for 2013-2014- General and Special Revenue Funds	55
J-3 Fund Balance and Cash Flow Calculation Worksheet	56
J-4 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Child Nutrition Program	57
J-5 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund	58

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>	59-60
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	61-62
Schedule of Findings and Questioned Costs	63-64
Summary Schedule of Prior Audit Findings	65
Corrective Action Plan	66
K-1 Schedule of Expenditures of Federal Awards	67-68
Notes on Accounting Policies for Federal Awards	69
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, 2012 at a meeting of the Board of Trustees of such school district on the ____ day of _____, 2012.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is(are):
(attach list 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
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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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012, 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 15 and 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken 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 5, 2012

**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, 2012. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at August 31, 2012 by \$124,012,644 (*net assets*). Of this amount, \$63,116,311 is reported as *unrestricted net assets* and may be used to meet the District's ongoing obligations. *Restricted net assets* consist of \$5,828,422 for debt service, \$131,790 for capital projects, \$2,167,669 for state and federal programs, and \$2,917,233 for other purposes. The remaining amount of \$49,851,219 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 \$1,913,400 due to total expenses being that much less than the \$117,362,267 in revenues generated in program revenues, property taxes, and other general revenues for governmental activities.
- The general fund reported a fund balance of \$66,470,302 at August 31, 2012. The unrestricted, uncommitted amount was \$18,520,168 or 22.23% percent of total general fund expenditures, which represents about 41 days of operations.
- The District's total expenditures for its governmental funds were less than the prior year, decreasing by \$25,917,947. A decrease of \$22,229,176 was in Capital Projects due to the completion of two elementary schools. Another decrease of significance was in the area of Instruction by \$3,572,177, due to a freeze in the pay scale and reduction of expenses.
- The District's debt decreased by \$3,700,998 during the current fiscal year. The decrease is attributable to a net decrease of \$3,775,000 for the bond principal payments on 2002, 2005, 2006, 2007, 2008 and the new 2010 series bonds, the amortization of the loss on refunded bonds of \$(167,428), premiums and discounts of \$187,966 and accretion on capital appreciation bonds of \$(94,500) 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 six parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, *combining statements*, *T.E.A. required schedules and federal section*. 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 23 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 21 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 student 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 G-1 as Required Supplementary Information (RSI) 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, 2012 were \$124.0 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 40.2 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 (8.9 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 \$63,116,311 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, 2012	August 31, 2011	Variance
Current and other assets	\$ 78,456,574	\$ 76,335,562	\$ 2,121,012
Capital assets	176,994,506	184,087,947	(7,093,441)
Total assets	\$255,451,080	\$260,423,509	\$ (4,972,429)
Long-term liabilities	\$125,742,178	\$129,443,176	\$ (3,700,998)
Other liabilities	5,696,258	8,881,089	(3,184,831)
Total liabilities	\$131,438,436	\$138,324,265	\$ (6,885,829)
Net Assets:			
Invested in capital assets net of related debt	\$ 49,804,749	\$ 54,207,156	\$ (4,402,407)
Restricted	11,045,114	9,747,727	1,297,387
Unrestricted	63,162,781	58,144,361	5,018,420
Total net assets	\$124,012,614	\$122,099,244	\$ 1,913,400

**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 \$1,913,400 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 \$117,362,267. (See Table A-2) A significant portion, 81.3 percent, comes from operating grants and contributions, and grants and contributions not restricted; 16 percent from taxes and only 2.7 percent relates to charges for services, investment earnings and other revenues.

The total cost of all programs and services was \$115,448,867 with 71.9 percent representing costs for instructional and student support services.

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:

- Maintenance and Operations taxes increased by \$0.9 million
- Grants & Contributions Not Restricted increased by \$5.9 million

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

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

	Year Ended August 31, 2012	Year Ended August 31, 2011	Variance
Revenues:			
Program Revenues:			
Charges for services	\$ 2,155,078	\$ 2,445,266	\$ (290,188)
Operating grants and contributions	21,664,522	25,907,909	(4,243,387)
General Revenues:			
Maintenance and operations taxes	15,357,149	14,409,650	947,499
Debt service taxes	3,477,759	3,801,383	(323,624)
Grants & Contributions (Not Restricted)	6,695,241	773,678	5,921,563
State aid formula grants	67,024,999	72,872,690	(5,847,691)
Investment earnings	329,396	797,005	(467,609)
Miscellaneous	658,123	813,351	(155,228)
Total Revenue	117,362,267	121,820,932	(4,458,665)
Expenses:			
Instruction, curriculum and media services	65,962,784	69,746,221	(3,783,437)
Instructional and school leadership	8,273,946	8,040,026	233,920
Student support services	8,825,909	9,334,931	(509,022)
Food Services	8,279,984	7,248,148	1,031,836
Co curricular activities	2,300,993	2,160,389	140,604
General administration	2,785,447	2,964,532	(179,085)
Plant maintenance, security & data processing	12,353,044	11,696,974	656,070
Community services	504,429	578,883	(74,454)
Debt services	5,614,469	5,986,533	(372,064)
Facilities acquisition and construction	261,753	104,135	157,618
Pmts to fiscal agent—shared service	286,109	329,365	(43,256)
Total Expenses	115,448,867	118,190,137	(2,741,270)
Change in net assets	1,913,400	3,630,795	(1,717,395)
Net assets—beginning	122,099,244	118,468,449	3,630,795
Net assets—ending	\$ 124,012,644	\$ 122,099,244	\$ 1,913,400

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

The total cost of all programs and services decreased by \$2,741,270 from the prior year, a 2.3 percent decrease from prior year. A large part of the decrease is due to the cost of employee salary and benefits in the amount of \$3.7 million, which was funded by local and state revenues.

The cost of all governmental activities this year was \$115,448,867. However, as shown above in Table A-2, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$18,834,908 because costs in the amount of \$23,819,600, were paid by those who directly benefited from the programs, and \$67,024,999 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 \$18,520,168, while total fund balance reached \$66,470,302.

The fund balance of the District's general fund resulted in a net increase of \$5,524,270 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 10,948 to 11,495.
- Freeze in the pay scale and reduction of expenses.

Revenues from governmental fund types totaled \$117,447,176. The net decrease of \$4,385,807 in revenues is a result of the decrease in Operating grants and contributions due to cut backs; the decrease in State Aid by \$5.8 million and Investment Income by \$467,609.

**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 \$9,773,301, or 11.6 percent. A large portion of this increase was funding for the platting and offsite utilities of Watson Road property, upgrades to Bob Hope Elementary, and for purchasing supplemental equipment for the band and mariachi groups.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2012 amounts to \$200,068,487 (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:

- E-Rate projects totaling \$102,432.
- Completing upgrades for Bob Hope totaling approximately \$600,000.
- Computer Equipment for various campuses.
- Projects at Sun Valley Elementary totaling to \$97,575.

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

Table A-3
The District's Capital Assets

	August 31, 2012	August 31, 2011	Variance
Land	\$ 6,454,759	\$ 6,454,759	\$ 0
Construction In Progress	0	4,794,748	(4,794,748)
Buildings and Improvements	244,591,063	239,144,804	5,446,259
Furniture and Equipment	19,607,514	18,494,153	1,113,361
Totals at Historical Cost	270,653,336	268,888,464	1,764,872
Total Accumulated Depreciation	(93,658,830)	(84,800,517)	(8,858,313)
Net Capital Assets	\$ 176,994,506	\$ 184,087,947	\$(7,093,441)

The District's 2012 capital budget anticipates spending another \$0.7 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 \$125,742,178 versus \$129,443,176 in the prior year, a decrease of 3.1 percent (See Table A-4). Additional information on the District's long-term debt can be found in notes F through H in the notes to the financial statements.

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

	August 31, 2012	August 31, 2011	Variance
Bonds Payable	\$ 117,290,731	\$ 120,971,191	\$ (3,680,460)
Unamortized Loss on Refunded Bonds	(2,038,501)	(2,205,929)	167,428
Unamortized Premiums/Discounts	2,489,948	2,677,914	(187,966)
Maintenance Tax Note Payable	8,000,000	8,000,000	0
Worker's Compensation Payable	0	0	0
Total Long-Term Debt	\$ 125,742,178	\$ 129,443,176	\$ (3,700,998)

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

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.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The appraised value used for the 2013 budget preparation will be up \$96 million, or an increase of 6.8 percent from 2012.
- The District’s 2013 average daily attendance (ADA) growth is expected to be 266 students, a 2.3% percent increase.

These indicators were taken into account when adopting the general fund budget for 2013. Amounts available for appropriation in the general fund budget are a decrease of 4.9 percent under the final 2012 expenditures of \$83,314,088. 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, 2012

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 8,484,291
1120 Current Investments	61,161,547
1220 Property Taxes Receivable (Delinquent)	2,258,730
1230 Allowance for Uncollectible Taxes	(338,810)
1240 Due from Other Governments	5,740,936
1267 Due from Fiduciary Funds	5,708
1290 Other Receivables, net	8,245
1300 Inventories	545,005
1420 Capitalized Bond and Other Debt Issuance Costs	590,922
Capital Assets:	
1510 Land	6,454,759
1520 Buildings, Net	163,921,064
1530 Furniture and Equipment, Net	6,618,683
1000 Total Assets	255,451,080
LIABILITIES	
2110 Accounts Payable	1,161,965
2140 Interest Payable	358,695
2150 Payroll Deductions & Withholdings	696,617
2160 Accrued Wages Payable	3,240,307
2200 Accrued Expenses	77,503
2300 Deferred Revenues	161,171
Noncurrent Liabilities	
2501 Due Within One Year	3,278,127
2502 Due in More Than One Year	122,464,051
2000 Total Liabilities	131,438,436
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	49,804,749
3820 Restricted for Federal and State Programs	2,167,669
3850 Restricted for Debt Service	5,828,422
3860 Restricted for Capital Projects	131,790
3890 Restricted for Other Purposes	2,917,233
3900 Unrestricted Net Assets	63,162,781
3000 Total Net Assets	\$ 124,012,644

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, 2012

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Assets

Data Control Codes	1	Program Revenues		6
	Expenses	3	4	Primary Gov. Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 62,177,095	\$ 825,259	\$ 10,789,099	\$ (50,562,737)
12 Instructional Resources and Media Services	1,841,569	-	75,270	(1,766,299)
13 Curriculum and Staff Development	1,944,120	-	1,361,035	(583,085)
21 Instructional Leadership	1,888,941	-	515,512	(1,373,429)
23 School Leadership	6,385,005	-	452,019	(5,932,986)
31 Guidance, Counseling and Evaluation Services	3,064,992	-	444,330	(2,620,662)
32 Social Work Services	683,269	-	155,749	(527,520)
33 Health Services	1,207,867	-	122,072	(1,085,795)
34 Student (Pupil) Transportation	3,869,781	-	163,657	(3,706,124)
35 Food Services	8,279,984	1,071,142	6,487,902	(720,940)
36 Extracurricular Activities	2,300,993	258,677	53,461	(1,988,855)
41 General Administration	2,785,447	-	114,483	(2,670,964)
51 Facilities Maintenance and Operations	10,380,813	-	726,378	(9,654,435)
52 Security and Monitoring Services	834,093	-	46,379	(787,714)
53 Data Processing Services	1,138,138	-	58,627	(1,079,511)
61 Community Services	504,429	-	98,549	(405,880)
72 Debt Service - Interest on Long Term Debt	5,519,494	-	-	(5,519,494)
73 Debt Service - Bond Issuance Cost and Fees	94,975	-	-	(94,975)
81 Capital Outlay	261,753	-	-	(261,753)
93 Payments related to Shared Services Arrangements	130,778	-	-	(130,778)
95 Payments to Juvenile Justice Alternative Ed. Prg.	32,196	-	-	(32,196)
99 Other Intergovernmental Charges	123,135	-	-	(123,135)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 115,448,867	\$ 2,155,078	\$ 21,664,522	(91,629,267)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		15,357,149
DT	Property Taxes, Levied for Debt Service		3,477,759
SF	State Aid - Formula Grants		67,024,999
GC	Grants and Contributions not Restricted		6,695,241
IE	Investment Earnings		329,396
MI	Miscellaneous Local and Intermediate Revenue		658,123
TR	Total General Revenues		93,542,667
CN	Change in Net Assets		1,913,400
NB	Net Assets--Beginning		122,099,244
NE	Net Assets--Ending		\$ 124,012,644

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2012

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 7,254,656	\$ 1,229,635	\$ 8,484,291
1120 Investments - Current	58,912,946	2,248,601	61,161,547
1220 Property Taxes - Delinquent	1,930,759	327,971	2,258,730
1230 Allowance for Uncollectible Taxes (Credit)	(289,614)	(49,196)	(338,810)
1240 Receivables from Other Governments	4,455,602	1,285,334	5,740,936
1260 Due from Other Funds	774,167	21,157	795,324
1290 Other Receivables	8,245	-	8,245
1300 Inventories	397,626	147,379	545,005
1000 Total Assets	<u>\$ 73,444,387</u>	<u>\$ 5,210,881</u>	<u>\$ 78,655,268</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 916,204	\$ 245,761	\$ 1,161,965
2150 Payroll Deductions and Withholdings Payable	696,617	-	696,617
2160 Accrued Wages Payable	2,965,397	274,910	3,240,307
2170 Due to Other Funds	668,131	121,485	789,616
2200 Accrued Expenditures	56,194	21,309	77,503
2300 Deferred Revenues	1,671,542	442,133	2,113,675
2000 Total Liabilities	<u>6,974,085</u>	<u>1,105,598</u>	<u>8,079,683</u>
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	397,626	147,379	545,005
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	2,167,669	2,167,669
3470 Capital Acquisition and Contractual Obligation	-	131,790	131,790
3480 Retirement of Long-Term Debt	4,180,280	1,648,142	5,828,422
3490 Other Restricted Fund Balance	2,372,228	-	2,372,228
Committed Fund Balance:			
3510 Construction	23,000,000	-	23,000,000
3520 Infrastructure	18,000,000	-	18,000,000
3545 Other Committed Fund Balance	-	10,303	10,303
3600 Unassigned Fund Balance	18,520,168	-	18,520,168
3000 Total Fund Balances	<u>66,470,302</u>	<u>4,105,283</u>	<u>70,575,585</u>
4000 Total Liabilities and Fund Balances	<u>\$ 73,444,387</u>	<u>\$ 5,210,881</u>	<u>\$ 78,655,268</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, 2012

Total Fund Balances - Governmental Funds	\$	70,575,585
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 \$268,888,464 and the accumulated depreciation was \$(84,800,517). In addition, long-term liabilities, including bonds payable of \$(119,589,999) 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.		56,497,948
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 2012 capital outlays of \$1,764,872 and debt principal payments of \$3,775,000 is to increase net assets.		5,539,872
3 The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(8,858,313)
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 \$1,952,504 as revenue, eliminating interfund transactions, recognizing unamortized losses on bond refundings of \$2,038,501, recognizing unamortized bond premium of \$(2,489,948), recognizing unamortized bond issuance costs of \$590,922, recognizing unaccreted capital appreciation bonds of \$(1,475,732) and recognizing the liabilities associated with maturing long-term debt and interest of \$(358,695). The net effect of these reclassifications and recognitions is to increase net assets.		257,552
19 Net Assets of Governmental Activities	<u>\$</u>	<u>124,012,644</u>

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, 2012

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 17,362,987	\$ 4,699,427	\$ 22,062,414
5800	State Program Revenues	70,756,087	6,847,263	77,603,350
5900	Federal Program Revenues	719,284	17,062,128	17,781,412
5020	Total Revenues	<u>88,838,358</u>	<u>28,608,818</u>	<u>117,447,176</u>
EXPENDITURES:				
Current:				
0011	Instruction	48,177,033	8,611,458	56,788,491
0012	Instructional Resources and Media Services	1,740,539	-	1,740,539
0013	Curriculum and Instructional Staff Development	554,581	1,334,511	1,889,092
0021	Instructional Leadership	1,393,494	458,021	1,851,515
0023	School Leadership	5,854,762	173,017	6,027,779
0031	Guidance, Counseling and Evaluation Services	2,546,566	313,351	2,859,917
0032	Social Work Services	517,877	132,796	650,673
0033	Health Services	1,100,215	58,798	1,159,013
0034	Student (Pupil) Transportation	3,362,568	-	3,362,568
0035	Food Services	236,119	7,817,944	8,054,063
0036	Extracurricular Activities	2,057,498	25,195	2,082,693
0041	General Administration	2,732,603	-	2,732,603
0051	Facilities Maintenance and Operations	9,690,249	438,210	10,128,459
0052	Security and Monitoring Services	757,421	-	757,421
0053	Data Processing Services	929,817	-	929,817
0061	Community Services	407,585	85,875	493,460
Debt Service:				
0071	Principal on Long Term Debt	-	3,775,000	3,775,000
0072	Interest on Long Term Debt	20,000	5,436,068	5,456,068
0073	Bond Issuance Cost and Fees	2,307	46,198	48,505
Capital Outlay:				
0081	Facilities Acquisition and Construction	946,745	-	946,745
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	130,778	-	130,778
0095	Payments to Juvenile Justice Alternative Ed. Prg.	32,196	-	32,196
0099	Other Intergovernmental Charges	123,135	-	123,135
6030	Total Expenditures	<u>83,314,088</u>	<u>28,706,442</u>	<u>112,020,530</u>
1200	Net Change in Fund Balances	5,524,270	(97,624)	5,426,646
0100	Fund Balance - September 1 (Beginning)	<u>60,946,032</u>	<u>4,202,907</u>	<u>65,148,939</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 66,470,302</u>	<u>\$ 4,105,283</u>	<u>\$ 70,575,585</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, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	5,426,646
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 2012 capital outlays of \$1,764,872 and debt principal payments of \$3,775,000 is to increase net assets.		5,539,872
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.		(8,858,313)
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 \$(84,909), eliminating interfund transactions, recognizing current year amortization of accounting losses of \$(167,428), recognizing amortization of bond premium of \$187,966, recognizing amortization of bond issuance costs of \$(46,470), recognizing current year accretion on capital appreciation bonds of \$(94,540), and recognizing the change in liabilities associated with maturing long-term debt and interest of \$10,576. The net effect of these reclassifications and recognitions is to decrease net assets.		(194,805)
Change in Net Assets of Governmental Activities	\$	1,913,400

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, 2012

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 257,313
Total Assets	<u>\$ 257,313</u>
 LIABILITIES	
Due to Other Funds	\$ 5,708
Due to Student Groups	251,605
Total Liabilities	<u>\$ 257,313</u>

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012

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.

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.
3. **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.

Fiduciary Funds:

4. **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	\$ 397,626
Inventories in the food service fund	<u>147,379</u>
Total nonspendable	<u>545,005</u>

Restricted

Debt service	5,828,422
Capital acquisition	131,790
Federal or State fund grant restrictions	2,167,669
Scholarship Fund	1,079,536
Other Restricted for State Programs:	
Career and Technology	\$ 137,154
Compensatory Education	630,155
High School Allotment	<u>525,383</u>
Total Other Restricted for State Programs	<u>1,292,692</u>
Total restricted	<u>10,500,109</u>

Committed

Future construction needs	23,000,000
Infrastructure needs	18,000,000
Campus Activity Funds	<u>10,303</u>
Total committed	<u>41,010,303</u>

Unassigned 18,520,168

Total Fund Balances \$70,575,585

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 G-1 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, the District prepares a budget for the next succeeding fiscal year beginning September 1. 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, 2012</u>	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$2,315,048
Nonappropriated Budget Funds	<u>10,303</u>
All Special Revenue Funds	<u><u>\$2,325,351</u></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. 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, 2012, Southwest Independent School District had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				<u>Credit Rating</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Classified as Cash and Cash Equivalents:						
Texpool Investment Pool	\$ 811,015	\$ 811,015	\$ -	\$ -	\$ -	AAAm
Lonestar Investment Pool	18,849	18,848	-	-	-	AAAm
Money Market Accounts	<u>2,295,942</u>	<u>2,295,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	AAA
	<u>3,125,806</u>	<u>3,125,805</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
Classified as Investments:						
Bank Certificate of Deposit	10,026,378	10,026,378	-	-	-	N/A
Government Bonds	46,914,349	9,933,938	37,020,951	-	-	AAA
FNMA Discount Notes	<u>4,269,235</u>	<u>4,180,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	AAA
	<u>61,209,962</u>	<u>24,140,596</u>	<u>37,020,951</u>	<u>-0-</u>	<u>-0-</u>	
Total Investments	<u>\$64,335,768</u>	<u>\$27,266,401</u>	<u>\$37,020,951</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, 2012 consisted of the following amounts:

Due to General Fund From:

Nonmajor Governmental Funds	\$ 585,202
Intrafund	183,257
Fiduciary Funds	<u>5,708</u>
Total Due to General Fund From Other Funds	<u>774,167</u>

Due to Nonmajor Funds From:

General Fund	<u>21,157</u>
Total Due to Nonmajor Funds From Other Funds	<u>21,157</u>
Total	<u><u>\$ 795,324</u></u>

Interfund transfers were attributable to payroll and disbursement clearing activities.

There were no transfers made during the year.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2012 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	\$ 1,930,759	\$ 4,455,602	\$ 774,167	\$ 8,245	\$ 7,168,773
Nonmajor Governmental Funds	<u>327,971</u>	<u>1,285,334</u>	<u>21,157</u>	-	<u>1,634,462</u>
Total - Governmental Activities	<u>\$ 2,258,730</u>	<u>\$ 5,740,936</u>	<u>\$ 795,324</u>	<u>\$ 8,245</u>	<u>\$ 8,803,235</u>
Amounts not scheduled for collection					
during the subsequent year	<u>\$ 338,8140</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 338,810</u>

Payables at August 31, 2012 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	\$ 916,204	\$3,662,014	\$ 668,131	\$ -	\$ 56,194	\$5,302,543
Nonmajor Gov. Funds	<u>245,761</u>	<u>274,910</u>	<u>121,485</u>	-	<u>21,309</u>	<u>663,465</u>
Total - Gov. Activities	<u>\$1,161,965</u>	<u>\$3,936,924</u>	<u>\$ 789,616</u>	<u>\$ -0-</u>	<u>\$ 77,503</u>	<u>\$5,966,008</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, 2012 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	\$ 6,454,759	\$ -	\$ -	\$ 6,454,759
Buildings and improvements	239,144,804	651,511	4,794,748	244,591,063
Equipment	18,494,153	1,113,361	-	19,607,514
Construction in Progress	<u>4,794,748</u>	<u>-</u>	<u>(4,794,748)</u>	<u>-0-</u>
Total at historical cost	<u>268,888,464</u>	<u>1,764,872</u>	<u>-0-</u>	<u>270,653,336</u>
Less accumulated depreciation				
Buildings and improvements	(73,095,112)	(7,574,887)	-	(80,669,999)
Equipment	<u>(11,705,405)</u>	<u>(1,283,426)</u>	<u>-</u>	<u>(12,988,831)</u>
Total accumulated depreciation	<u>(84,800,517)</u>	<u>(8,858,313)</u>	<u>-0-</u>	<u>(93,658,830)</u>
Governmental activities capital assets, net	<u>\$184,087,947</u>	<u>\$(7,093,441)</u>	<u>\$ -0-</u>	<u>\$176,994,506</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$5,873,886
Instructional Resources & Media Services	101,030
Curriculum & Instructional Staff Development	55,028
Instructional and School Leadership	37,426
School Leadership	357,226
Guidance, Counseling & Evaluation Services	205,075
Social Work Services	32,596
Health Services	48,854
Student Transportation	507,213
Food Service	490,999
Extracurricular Activities	218,300
General Administration	52,844
Plant Maintenance and Operations	570,094
Security Services	76,672
Data Processing Services	220,101
Community Services	<u>10,969</u>
Total Depreciation Expense	<u>\$8,858,313</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, 2012 is as follows:

Description	Final Maturity	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 9/1/2011	Issued	Retired/ Refunded	Amounts Outstanding 8/31/2012	Amounts Due Within One Year
Unlimited Tax School Building Bonds, Series 2002	2012	4.00%	\$ 27,000,000	\$ 17,700	\$ 885,000	\$ -	\$ 885,000	\$ -0-	\$ -0-
Unlimited Tax Refunding Bonds, Series 2005	2025	5.00%- 5.25%	21,630,000	1,074,263	21,450,000	-	1,055,000	20,395,000	1,110,000
Unlimited Tax School Building Bonds, Series 2006	2036	4.125%- 5.125%	37,935,000	1,586,141	34,340,000	-	770,000	33,570,000	800,000
Unlimited Tax School Building Bonds, Series 2007	2037	4.25%- 5.25%	24,065,000	1,111,108	23,165,000	-	480,000	22,685,000	500,000
Unlimited Tax Refunding Bonds, Series 2007A	2027	4.15%	12,949,999	474,034	12,234,999	-	135,000	12,099,999	408,127
Unlimited Tax School Building Bonds, Series 2008	2038	3.50%- 5.25%	22,000,000	997,272	20,795,000	-	385,000	20,410,000	395,000
Unlimited Tax Refunding Bonds, Series 2010	2020	2.00%- 3.00%	6,830,000	175,550	6,720,000	-	65,000	6,655,000	65,000
Totals				5,436,068	119,589,999	-0-	3,775,000	115,814,999	3,278,127
Capital Appreciation Bonds									
C.A.B. Accreted Interest Series 2007A				-	1,167,918	77,283	-	1,245,200	-
C.A.B. Accreted Interest Series 2011				-	213,274	17,258	-	230,532	-
Total All Bonds				<u>\$5,436,068</u>	<u>\$120,971,191</u>	<u>\$ 94,540</u>	<u>\$3,775,000</u>	<u>\$117,290,731</u>	<u>\$3,278,127</u>

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

Year Ending August 31,	Principal	Interest	Total Requirements
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	4,520,000	4,689,029	9,209,029
2018-2022	26,170,000	20,271,645	46,441,645
2023-2027	28,975,000	13,554,294	42,529,294
2028-2032	18,510,000	8,231,040	26,741,040
2033-2037	21,440,000	2,970,550	24,410,550
2038	<u>1,370,000</u>	<u>34,250</u>	<u>1,404,250</u>
Totals	<u>\$115,814,999</u>	<u>\$ 70,113,466</u>	<u>\$185,928,465</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, 2012 the District had invested \$4,180,280 in escrow with the Bank of New York.

A summary of changes in loan payable for the year ended August 31, 2012 is as follows:

Description	Final Maturity	Interest Rate Payable	Amount Original Issue	Interest Current Year	Amount Outstanding 9/1/2011	Issued	Retired	Amount Outstanding 8/31/2012
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,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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	389,377	20,000	409,377
2018	<u>389,377</u>	<u>20,000</u>	<u>409,377</u>
Totals	<u>\$2,336,262</u>	<u>\$ 120,000</u>	<u>\$2,456,262</u>

I. CHANGES IN LONG-TERM LIABILITIES

Following is a summary of changes in long-term liabilities for the year ended August 31, 2012:

	<u>Amount Outstanding 9/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 8/31/12</u>	<u>Due Within One Year</u>
Bonds Payable	\$120,971,191	\$ 94,540	\$ 3,775,000	\$117,290,731	\$ 3,278,127
Add/(Less) Deferred Amounts:					
Unamortized Gain/Loss On Refunded Bonds	(2,205,929)	-	167,428	(2,038,501)	-0-
Net Issuance Premiums/ Discounts	<u>2,677,914</u>	<u>-</u>	<u>187,966</u>	<u>2,489,948</u>	<u>-0-</u>
Total Bonds Payable	121,443,176	94,540	4,130,394	117,742,178	3,278,127
Notes Payable	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>8,000,000</u>	<u>-0-</u>
	<u>\$129,443,176</u>	<u>\$ 94,540</u>	<u>\$ 4,130,394</u>	<u>\$125,742,178</u>	<u>\$ 3,278,127</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, 2012.

J. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2012, as follows:

2013	\$ 516,430
2014	513,286
2015	84,786
2016	-0-
2017	-0-
Thereafter	<u>-0-</u>
Total Minimum Rentals	<u>\$1,114,502</u>
Rental Expenditures for Fiscal Year 2012	<u>\$ 770,977</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 five to seven 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 2010, 2011 and 2012 a state contribution rate of 6.00% 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 6.00%-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, 2010, 2011 and 2012 were \$3,664,845, \$3,952,478, and \$3,732,154, respectively. Southwest Independent School District paid additional state contributions for the years ended August 31, 2010, 2011 and 2012 in the amount of \$886,052, \$918,171, and \$764,751, respectively, on the portion of the employees’ salaries that exceeded the statutory minimum.

M. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description - Southwest Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2012-2010.

Year	Contribution Rates					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2012	.65%	\$442,065	1.0%	\$680,100	.55%	\$374,049
2011	.65%	\$443,761	1.0%	\$682,709	.55%	\$375,485
2010	.65%	\$437,734	1.0%	\$673,437	.55%	\$370,401

N. 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 2010, 2011, and 2012 were \$166,078, \$156,614 and \$172,017.

O. 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.

P. HEALTH CARE COVERAGE

During the year ended August 31, 2012, 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.

Q. 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, 2012 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

R. 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	\$1,671,542	\$ 280,962	\$ -	\$1,952,504
State Revenue	-	146,134	1,279	147,413
Federal Revenue	-	-	<u>13,758</u>	<u>13,758</u>
Total Deferred Revenue	<u>\$1,671,542</u>	<u>\$ 427,096</u>	<u>\$ 15,037</u>	<u>\$2,113,675</u>

S. 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, 2012, 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	\$4,455,602	\$ -	\$4,455,602
Other Funds	<u>254,674</u>	<u>1,030,660</u>	<u>1,285,334</u>
Total	<u>\$4,710,276</u>	<u>\$1,030,660</u>	<u>\$5,740,936</u>

T. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property Taxes	\$15,400,649	\$ -	\$ -	\$ 3,494,225	\$18,894,874
Penalties, Interest and Other					
Tax-related Income	298,303	-	-	53,595	351,898
Tuition and Fees	7,934	-	-	-	7,934
Investment Income	315,817	998	7,485	5,096	329,396
Rent	24,242	-	-	-	24,242
Gifts and Bequests	320,342	-	-	-	320,342
Food Sales	-	-	1,071,141	-	1,071,141
Insurance Recovery	10,827	-	-	-	10,827
Extracurricular Student Activities	105,669	-	-	-	105,669
Enterprising Activities	120,832	-	-	-	120,832
Other	<u>758,372</u>	<u>37,767</u>	<u>29,120</u>	-	<u>825,259</u>
Total	<u>\$17,362,987</u>	<u>\$ 38,765</u>	<u>\$ 1,107,746</u>	<u>\$ 3,552,916</u>	<u>\$22,062,414</u>

U. GENERAL FUND FEDERAL SOURCES REVENUE

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
Summer School LEP	84.369A	\$ 7,769
School Health and Related Services (SHARS) Program	N/A	445,740
Star Base Kelly	12.Unknown	75,677
ROTC	12.Unknown	93,719
Indirect Cost:		
ESEA Title I, Part A	84.010A	50,384
IDEA-B Formula	84.027A	22,805
IDEA-B Preschool	84.173A	327
Vocational Education Basic Formula Grant	84.048A	1,500
Title II, Part A-Teacher & Principal Training & Recruiting	84.367A	7,597
ESEA Title III, Part A-LEP	84.365A	1,934
Title I, Part A-ARRA/STIMULUS	84.389A	<u>11,832</u>
Total		<u>\$ 719,284</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

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	\$ 16,769,025	\$ 17,303,433	\$ 17,362,987	\$ 59,554
5800	State Program Revenues	65,549,426	69,449,814	70,756,087	1,306,273
5900	Federal Program Revenues	340,000	327,000	719,284	392,284
5020	Total Revenues	82,658,451	87,080,247	88,838,358	1,758,111
EXPENDITURES:					
Current:					
0011	Instruction	46,493,952	49,985,706	48,177,033	1,808,673
0012	Instructional Resources and Media Services	1,769,068	1,904,318	1,740,539	163,779
0013	Curriculum and Instructional Staff Development	595,597	842,444	554,581	287,863
0021	Instructional Leadership	1,514,257	1,733,172	1,393,494	339,678
0023	School Leadership	5,672,488	6,032,729	5,854,762	177,967
0031	Guidance, Counseling and Evaluation Services	2,445,436	2,679,045	2,546,566	132,479
0032	Social Work Services	714,889	671,624	517,877	153,747
0033	Health Services	1,109,521	1,219,305	1,100,215	119,090
0034	Student (Pupil) Transportation	3,868,595	4,104,690	3,362,568	742,122
0035	Food Services	65,000	278,751	236,119	42,632
0036	Extracurricular Activities	1,944,489	2,551,627	2,057,498	494,129
0041	General Administration	3,405,620	3,554,463	2,732,603	821,860
0051	Facilities Maintenance and Operations	9,966,728	10,486,203	9,690,249	795,954
0052	Security and Monitoring Services	964,934	908,553	757,421	151,132
0053	Data Processing Services	857,327	1,060,801	929,817	130,984
0061	Community Services	279,553	538,324	407,585	130,739
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	2,307	1,693
Capital Outlay:					
0081	Facilities Acquisition and Construction	1,620,000	4,379,000	946,745	3,432,255
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	100,000	230,000	130,778	99,222
0095	Payments to Juvenile Justice Alternative Ed. Prg.	210,000	210,000	32,196	177,804
0099	Other Intergovernmental Charges	249,500	249,500	123,135	126,365
6030	Total Expenditures	84,260,331	94,033,632	83,314,088	10,719,544
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,601,880)	(6,953,385)	5,524,270	12,477,655
OTHER FINANCING SOURCES (USES):					
8949	Other (Uses)	-	(86,806)	-	86,806
7080	Total Other Financing Sources (Uses)	-	(86,806)	-	86,806
1200	Net Change in Fund Balances	(1,601,880)	(7,040,191)	5,524,270	12,564,461
0100	Fund Balance - September 1 (Beginning)	60,946,032	60,946,032	60,946,032	-
3000	Fund Balance - August 31 (Ending)	\$ 59,344,152	\$ 53,905,841	\$ 66,470,302	\$ 12,564,461

COMBINING AND OTHER STATEMENTS

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	205	206	211	224
	Head Start	ESEA Title X, Pt.C Homeless	ESEA I, A Improving Basic Program	IDEA - Part B Formula
ASSETS				
1110 Cash and Cash Equivalents	\$ (10,343)	\$ -	\$ (160,784)	\$ 108,433
1120 Investments - Current	-	-	-	-
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240 Receivables from Other Governments	54,921	-	510,802	-
1260 Due from Other Funds	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 44,578</u>	<u>\$ -</u>	<u>\$ 350,018</u>	<u>\$ 108,433</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ -	\$ -	\$ 172,000	\$ -
2160 Accrued Wages Payable	40,631	-	115,352	79,671
2170 Due to Other Funds	359	-	52,474	22,265
2200 Accrued Expenditures	3,588	-	10,192	6,497
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>44,578</u>	<u>-</u>	<u>350,018</u>	<u>108,433</u>
Fund Balances:				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-	-
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>\$ 44,578</u>	<u>\$ -</u>	<u>\$ 350,018</u>	<u>\$ 108,433</u>

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	272 Medicaid Admin. Claim MAC	285 ESEA I,A Improving Basic Program
\$ 30	\$ 504,886	\$ 5,761	\$ -	\$ (139,958)	\$ (28,849)	\$ 26,094	\$ -
-	1,556,975	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,514	188,568	-	-	153,113	35,146	-	-
-	-	-	-	-	-	-	-
-	147,379	-	-	-	-	-	-
<u>\$ 2,544</u>	<u>\$ 2,397,808</u>	<u>\$ 5,761</u>	<u>\$ -</u>	<u>\$ 13,155</u>	<u>\$ 6,297</u>	<u>\$ 26,094</u>	<u>\$ -</u>
\$ -	\$ 42,659	\$ -	\$ -	\$ 600	\$ 317	\$ -	\$ -
2,343	28,312	-	-	1,680	-	-	-
-	3,245	-	-	10,725	5,980	26,094	-
201	547	-	-	150	-	-	-
-	7,997	5,761	-	-	-	-	-
<u>2,544</u>	<u>82,760</u>	<u>5,761</u>	<u>-</u>	<u>13,155</u>	<u>6,297</u>	<u>26,094</u>	<u>-</u>
-	147,379	-	-	-	-	-	-
-	2,167,669	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,315,048	-	-	-	-	-	-
<u>\$ 2,544</u>	<u>\$ 2,397,808</u>	<u>\$ 5,761</u>	<u>\$ -</u>	<u>\$ 13,155</u>	<u>\$ 6,297</u>	<u>\$ 26,094</u>	<u>\$ -</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	287 Education Jobs Fund	385 Visually Impaired SSVI	404 Student Success Initiative	410 State Textbook Fund
ASSETS				
1110 Cash and Cash Equivalents	\$ (85,596)	\$ (338)	\$ (68,537)	\$ 1,422
1120 Investments - Current	-	-	-	-
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240 Receivables from Other Governments	85,596	338	75,792	-
1260 Due from Other Funds	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,255</u>	<u>\$ 1,422</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	-	6,921	-
2170 Due to Other Funds	-	-	200	143
2200 Accrued Expenditures	-	-	134	-
2300 Deferred Revenues	-	-	-	1,279
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>7,255</u>	<u>1,422</u>
Fund Balances:				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-	-
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>\$ -</u>	<u>\$ 7,255</u>	<u>\$ 1,422</u>

423 LEP Success Initiative	429 D.A.T.E. Cycle 2	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ (22,063)	\$ 10,303	\$ 140,461	\$ 927,211	\$ 161,963	\$ 1,229,635
-	-	-	1,556,975	691,626	-	2,248,601
-	-	-	-	327,971	-	327,971
-	-	-	-	(49,196)	-	(49,196)
-	22,063	-	1,128,853	156,481	-	1,285,334
-	-	-	-	21,145	12	21,157
-	-	-	147,379	-	-	147,379
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,303</u>	<u>\$ 2,973,668</u>	<u>\$ 2,075,238</u>	<u>\$ 161,975</u>	<u>\$ 5,210,881</u>
\$ -	\$ -	\$ -	\$ 215,576	\$ -	\$ 30,185	\$ 245,761
-	-	-	274,910	-	-	274,910
-	-	-	121,485	-	-	121,485
-	-	-	21,309	-	-	21,309
-	-	-	15,037	427,096	-	442,133
-	-	-	648,317	427,096	30,185	1,105,598
-	-	-	147,379	-	-	147,379
-	-	-	2,167,669	-	-	2,167,669
-	-	-	-	-	131,790	131,790
-	-	-	-	1,648,142	-	1,648,142
-	-	10,303	10,303	-	-	10,303
-	-	10,303	2,325,351	1,648,142	131,790	4,105,283
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,303</u>	<u>\$ 2,973,668</u>	<u>\$ 2,075,238</u>	<u>\$ 161,975</u>	<u>\$ 5,210,881</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, 2012

Data Control Codes	205	206	211	224
	Head	ESEA Title X, Pt.C	ESEA I, A Improving	IDEA - Part B
	Start	Homeless	Basic Program	Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	450,971	9,766	4,509,118	2,148,503
5020 Total Revenues	<u>450,971</u>	<u>9,766</u>	<u>4,509,118</u>	<u>2,148,503</u>
EXPENDITURES:				
Current:				
0011 Instruction	450,971	-	3,446,203	1,496,709
0013 Curriculum and Instructional Staff Development	-	-	522,091	9,411
0021 Instructional Leadership	-	-	167,971	288,093
0023 School Leadership	-	-	161,991	-
0031 Guidance, Counseling and Evaluation Services	-	-	57,244	231,546
0032 Social Work Services	-	9,766	64,809	58,221
0033 Health Services	-	-	3,254	55,544
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	8,729
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	85,555	250
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>450,971</u>	<u>9,766</u>	<u>4,509,118</u>	<u>2,148,503</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>

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	272 Medicaid Admin. Claim MAC	285 ESEA I,A Improving Basic Program
\$ -	\$ 1,092,554	\$ 1,700	\$ -	\$ -	\$ -	\$ -	\$ -
-	52,665	-	-	-	-	-	-
24,096	6,633,563	68,657	186,113	725,167	182,330	712	211,688
24,096	7,778,782	70,357	186,113	725,167	182,330	712	211,688
24,096	-	-	140,900	276,830	80,238	-	208,237
-	-	-	19,407	441,637	102,092	-	3,451
-	-	-	1,245	-	-	712	-
-	-	-	-	6,700	-	-	-
-	-	-	24,561	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	7,754,625	63,319	-	-	-	-	-
-	-	-	-	-	-	-	-
-	431,172	7,038	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
24,096	8,185,797	70,357	186,113	725,167	182,330	712	211,688
-	(407,015)	-	-	-	-	-	-
-	2,722,063	-	-	-	-	-	-
\$ -	\$ 2,315,048	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	287 Education Jobs Fund	385 Visually Impaired SSVI	404 Student Success Initiative	410 State Textbook Fund
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	10,338	263,042
5900	Federal Program Revenues	1,911,444	-	-
5020	Total Revenues	<u>1,911,444</u>	<u>10,338</u>	<u>263,042</u>
EXPENDITURES:				
Current:				
0011	Instruction	1,911,444	10,338	248,796
0013	Curriculum and Instructional Staff Development	-	63,405	14,246
0021	Instructional Leadership	-	-	-
0023	School Leadership	-	4,326	-
0031	Guidance, Counseling and Evaluation Services	-	-	-
0032	Social Work Services	-	-	-
0033	Health Services	-	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0061	Community Services	-	-	-
Debt Service:				
0071	Principal on Long Term Debt	-	-	-
0072	Interest on Long Term Debt	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-
6030	Total Expenditures	<u>1,911,444</u>	<u>10,338</u>	<u>263,042</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>

423 LEP Success Initiative	429 D.A.T.E. Cycle 2	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 13,492	\$ 1,107,746	\$ 3,552,916	\$ 38,765	\$ 4,699,427
70,883	150,077	-	870,238	5,977,025	-	6,847,263
-	-	-	17,062,128	-	-	17,062,128
<u>70,883</u>	<u>150,077</u>	<u>13,492</u>	<u>19,040,112</u>	<u>9,529,941</u>	<u>38,765</u>	<u>28,608,818</u>
32,004	29,190	-	8,611,458	-	-	8,611,458
37,884	120,887	-	1,334,511	-	-	1,334,511
-	-	-	458,021	-	-	458,021
-	-	-	173,017	-	-	173,017
-	-	-	313,351	-	-	313,351
-	-	-	132,796	-	-	132,796
-	-	-	58,798	-	-	58,798
-	-	-	7,817,944	-	-	7,817,944
925	-	15,541	25,195	-	-	25,195
-	-	-	438,210	-	-	438,210
70	-	-	85,875	-	-	85,875
-	-	-	-	3,775,000	-	3,775,000
-	-	-	-	5,436,068	-	5,436,068
-	-	-	-	46,198	-	46,198
<u>70,883</u>	<u>150,077</u>	<u>15,541</u>	<u>19,449,176</u>	<u>9,257,266</u>	<u>-</u>	<u>28,706,442</u>
-	-	(2,049)	(409,064)	272,675	38,765	(97,624)
-	-	12,352	2,734,415	1,375,467	93,025	4,202,907
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,303</u>	<u>\$ 2,325,351</u>	<u>\$ 1,648,142</u>	<u>\$ 131,790</u>	<u>\$ 4,105,283</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2012

	BALANCE SEPTEMBER 1 2011	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2012
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 250,517	\$ 627,276	\$ 620,480	\$ 257,313
Liabilities:				
Due to Other Funds	\$ 5,397	\$ 2,868	\$ 2,557	\$ 5,708
Due to Student Groups	245,120	624,408	617,923	251,605
Total Liabilities	\$ 250,517	\$ 627,276	\$ 620,480	\$ 257,313
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 250,517	\$ 627,276	\$ 620,480	\$ 257,313
Liabilities:				
Due to Other Funds	\$ 5,397	\$ 2,868	\$ 2,557	\$ 5,708
Due to Student Groups	245,120	624,408	617,923	251,605
Total Liabilities	\$ 250,517	\$ 627,276	\$ 620,480	\$ 257,313

T.E.A. REQUIRED SCHEDULES

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2012

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ Various
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	1.040000	0.216100	1,432,826,531
2012 (School year under audit)	1.040000	0.182600	1,503,998,375
1000 TOTALS			

Note: 2012 Levy included additional Fund Service assessed/appraised value for school tax purposes of \$530,974,317 due to a Chapter 313 agreement.

(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 420,421	\$ -	\$ 8,027	\$ 2,349	\$ (47,812)	\$ 362,233
108,750	-	5,054	557	199	103,338
117,949	-	9,924	941	(74)	107,010
146,105	-	14,601	1,156	(162)	130,186
179,513	-	42,104	3,872	22,330	155,867
227,006	-	72,152	10,753	(13,706)	130,395
216,333	-	78,598	12,848	45,271	170,158
319,149	-	111,706	21,826	20,772	206,389
661,731	-	282,003	58,597	25,666	346,797
-	19,089,229	14,802,392	3,380,357	(360,123)	546,357
<u>\$ 2,396,957</u>	<u>\$ 19,089,229</u>	<u>\$ 15,426,561</u>	<u>\$ 3,493,256</u>	<u>\$ (307,639)</u>	<u>\$ 2,258,730</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2012

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	\$ -	\$ -	\$ 246,361	\$ 1,818,710	\$ -	\$ -	\$ 2,065,071
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	3,720	-	-	3,720
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	64,960	-	-	-	64,960
6212	Audit Services	-	-	-	28,086	-	-	28,086
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	32,318	-	-	-	-	32,318
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	59,488	-	-	59,488
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	1,000	-	-	22,807	-	-	23,807
6240	Contr. Maint. and Repair	-	-	-	-	92,614	-	92,614
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	23,986	-	-	23,986
6290	Miscellaneous Contr.	-	-	-	48,634	-	-	48,634
6320	Textbooks and Reading	-	-	527	3,954	-	-	4,481
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	3,225	-	1,848	202,453	-	-	207,526
6410	Travel, Subsistence, Stipends	17,705	-	5,977	24,636	-	-	48,318
6420	Ins. and Bonding Costs	-	-	-	21,593	-	-	21,593
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	14,602	-	10,326	86,532	-	-	111,460
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 36,532	\$ 32,318	\$ 329,999	\$ 2,344,599	\$ 92,614	\$ -	\$ 2,836,062

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 102,763,264

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,883,177
Total Debt & Lease(6500)	(11)	22,307
Plant Maintenance (Function 51, 6100-6400)	(12)	9,810,719
Food (Function 35, 6341 and 6499)	(13)	3,360,876
Stipends (6413)	(14)	1,850
Column 4 (above) - Total Indirect Cost		<u>2,344,599</u>

SubTotal: 17,423,528

Net Allowed Direct Cost \$ 85,339,736

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 244,591,063
Historical Cost of Building over 50 years old	(16)	\$ 441,044
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 19,607,514
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 5,513,685
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 2,724,060

(8) NOTE A: \$71,141 in Function 53 expenditures are included in this report on administrative costs.
 \$32,318 in 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, 2012

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/12 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 66,470,302
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 397,626	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	6,552,508	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	41,000,000	
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.)	-	
7	Estimate of two month's average cash disbursements during the fiscal year.	13,885,681	
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.	3,855,343	
10	Estimate of delayed payments from federal sources (59xx)	940,287	
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>66,631,445</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ (161,143)</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, 2012

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	\$ 1,073,300	\$ 1,159,900	\$ 1,092,554	\$ (67,346)
5800 State Program Revenues	101,274	102,399	52,665	(49,734)
5900 Federal Program Revenues	6,800,374	6,911,374	6,633,563	(277,811)
5020 Total Revenues	7,974,948	8,173,673	7,778,782	(394,891)
EXPENDITURES:				
0035 Food Services	7,940,948	8,139,673	7,754,625	385,048
0051 Facilities Maintenance and Operations	540,000	540,000	431,172	108,828
6030 Total Expenditures	8,480,948	8,679,673	8,185,797	493,876
1200 Net Change in Fund Balances	(506,000)	(506,000)	(407,015)	98,985
0100 Fund Balance - September 1 (Beginning)	2,722,063	2,722,063	2,722,063	-
3000 Fund Balance - August 31 (Ending)	\$ 2,216,063	\$ 2,216,063	\$ 2,315,048	\$ 98,985

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, 2012

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	\$ 3,560,175	\$ 3,560,175	\$ 3,552,916	\$ (7,259)
5800 State Program Revenues	5,651,293	5,651,293	5,977,025	325,732
5020 Total Revenues	9,211,468	9,211,468	9,529,941	318,473
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	3,775,000	3,775,000	3,775,000	-
0072 Interest on Long Term Debt	5,436,068	5,436,068	5,436,068	-
0073 Bond Issuance Cost and Fees	400	46,600	46,198	402
6030 Total Expenditures	9,211,468	9,257,668	9,257,266	402
1200 Net Change in Fund Balances	-	(46,200)	272,675	318,875
0100 Fund Balance - September 1 (Beginning)	1,375,467	1,375,467	1,375,467	-
3000 Fund Balance - August 31 (Ending)	\$ 1,375,467	\$ 1,329,267	\$ 1,648,142	\$ 318,875

REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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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 as of and for the year ended August 31, 2012, which collectively comprise Southwest Independent School District's basic financial statements and we have issued our report thereon dated November 5, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 Southwest Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southwest Independent School 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 Southwest Independent School 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 management, District trustees, the audit committee, Texas Education Agency, federal awarding agencies, and passthrough entities and is not intended to be and should not be used by anyone other than these specified parties.

Coleman, Horton & Company, LLP
Certified Public Accountants
November 5, 2012

COLEMAN, HORTON & COMPANY, LLP

Certified Public Accountants

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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 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 Southwest Independent School District's major federal programs for the year ended August 31, 2012. Southwest Independent School 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 Southwest Independent School District's management. Our responsibility is to express an opinion on Southwest Independent School 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. 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 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 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, 2012.

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 Southwest Independent School 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 Southwest Independent School 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 management, District's trustees, the audit committee, Texas Education Agency, federal awarding agencies, and passthrough entities and is not intended to be and should not be used by anyone other than these specified parties.

Coleman, Horton + Company, LLP

Certified Public Accountants

November 5, 2012

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2012

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 No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Control deficiency(ies) identified? Yes No

Control deficiency(ies) identified that are not considered to be material weaknesses? Yes 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 No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #84.010A	ESEA, Title I, Part A - Improving Basic Programs
CFDA #84.367A	ESEA, Title II, Part A - Teacher/Principal Training
CFDA #84.389	ESEA, Title I, Part A - Improving Basic Programs - ARRA

Dollar threshold used to distinguish between type A and type B programs: \$ 517,179

Auditee qualified as low-risk auditee? Yes No

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

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, 2012

Finding/Recommendation

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2012

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

(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	\$ 93,719
Star Base Kelly	12.NA	015-912	75,677
Total CFDA Number 12.NA			<u>169,396</u>
Total Direct Programs			<u>\$ 169,396</u>
TOTAL DEPARTMENT OF DEFENSE			<u>\$ 169,396</u>
U.S. DEPARTMENT OF EDUCATION			
<u>Passed through Region XX</u>			
Texas Support for Homeless Education	84.196	189236	\$ 9,766
Total Passed through Region XX			<u>\$ 9,766</u>
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101015912	\$ 4,509,118
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389A	10551001015912	211,688
Total Title I, Part A Cluster			<u>4,720,806</u>
*IDEA - Part B, Formula	84.027A	126600010159126600	2,148,503
*IDEA - Part B, Preschool	84.173	126610010159126610	24,096
Total Special Education Cluster (IDEA)			<u>2,172,599</u>
Vocational Education Basic Grant	84.048A	12420006015912	186,113
Title III, Part A - English Language Acquisition	84.365A	12671001015912	182,330
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501015912	725,167
Education Jobs Fund- ARRA	84.410	11550101015912	1,911,444
Summer School LEP	84.369A	69551102	7,769
Total Passed Through State Department of Education			<u>\$ 9,906,228</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 9,915,994</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed through Region XX</u>			
Head Start	93.600	287445105	\$ 214,925
Head Start	93.600	287445205	236,046
Total CFDA Number 93.600			<u>450,971</u>
Total Passed through Region XX			<u>\$ 450,971</u>
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	015912	\$ 712
Total Passed Through Texas Dept of Human Services			<u>\$ 712</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 451,683</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	015912	\$ 1,716,732
*National School Lunch Program - Cash Assistance	10.555	015912	4,500,607
*National School Lunch Prog. - Non-Cash Assistance	10.555	015912	416,224
Total CFDA Number 10.555			<u>4,916,831</u>
*Summer Feeding Program - Cash Assistance	10.559	015912	68,657

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2012

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Total Child Nutrition Cluster			6,702,220
Total Passed Through the State Department of Agriculture			\$ 6,702,220
TOTAL DEPARTMENT OF AGRICULTURE			\$ 6,702,220
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 17,239,293

*Clustered Programs

**Schedule does not include federal expenditures from SHARS of \$445,740 and indirect costs of \$96,379.

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2012

- 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 2011, 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 2012

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.	1475732