

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2014

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

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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, 2014 at a meeting of the Board of Trustees of such school district on the 18th of November, 2014.

Uda M. Hudson
Signature of Board Secretary

Mike Lujan
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)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Southwest Independent School District
San Antonio, Texas

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, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-17 and 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 schedule of expenditures of federal awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-4. Except for Exhibit J-2 (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 the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, 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* in considering Southwest Independent School District's internal control over financial reporting and compliance.

Colman, Horton, + Company, LLP

Certified Public Accountants
Uvalde, Texas
October 31, 2014

**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, 2014. 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 and deferred outflows of the District exceeded its liabilities and deferred inflows at August 31, 2014 by \$120,137,040 (*net position*). Of this amount, \$67,116,615 is reported as *unrestricted net position* and may be used to meet the District's ongoing obligations. *Restricted net position* consist of \$7,234,547 for debt service, \$1,333,889 for state and federal programs, and \$3,015,552 for other purposes. The remaining amount of \$41,436,437 reflects the portion of the net position that the District has invested in capital assets, net of related debt.

- * The District's total net position decreased by a total of \$3,003,310.

- * The general fund reported a fund balance of \$69,683,746 at August 31, 2014. The unrestricted, uncommitted amount was \$20,407,775 or 19% of total general fund expenditures, which represents about 35 days of operations.

- * The District's total expenditures for its governmental funds were more than the prior year, increasing by \$27,063,155. An increase of \$4,283,875 was in capital outlay from the District continuing to spend the 90 million dollar sale of the 2013 Local Building Bond. Another increase was in the area of instruction by \$14,401,533 due to an increase in the pay scale and an increase in other educational expenses. Another increase of significance was in the area of debt service of \$3,568,893, and facility maintenance and operations in the amount of \$1,816,704. The District's debt increased by \$53,885,054 during the current fiscal year. The increase is attributable to the sale of the new 2014 Local Building Bond Series.

<p style="text-align:center">SOUTHWEST INDEPENDENT SCHOOL DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)</p>
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OVERVIEW OF THE FINANCIAL STATEMENTS

The District’s annual report consist’s 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 statements* report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net position* includes *all* of the District’s assets and deferred outflows less the District’s liabilities and deferred inflows, with the difference between the two reported as *net position*. Overtime, increases and decreases in net position 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 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 20 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 18 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 net position. Fiduciary funds are *not* reflected in the government-wide financial statements because those resources are not available to finance the District's operations.

<p style="text-align: center;">SOUTHWEST INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)</p>
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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 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position:

Net position may serve overtime as a useful indicator of a government's financial position. The District's *combined* net position at August 31, 2014 was 120.0 million. (See Table A-1).

The net investment in capital assets (i.e. land, buildings, construction in progress, and equipment); less any related debt, used to acquired those assets, that is still outstanding, represents 34 percent of the District's combined net position. This is the largest portion of net position 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 position (10.0 percent) reflects restricted net position. Restricted net position represents 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 \$67,116,615 represents the *unrestricted net position* that may be used to meet the District's ongoing obligations and programs.

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

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

	<u>August 31, 2014</u>	<u>August 31, 2013</u>	<u>Variance</u>
Current and other assets	\$211,334,235	\$166,365,420	\$ 44,968,815
Capital assets	<u>180,211,038</u>	<u>176,269,747</u>	<u>3,941,291</u>
Total assets	<u>391,545,273</u>	<u>342,635,167</u>	<u>48,910,106</u>
Deferred Outflows	<u>4,864,724</u>	<u>1,871,073</u>	<u>2,993,651</u>
Current liabilities	8,279,653	7,257,640	1,022,013
Long-term liabilities	<u>267,993,304</u>	<u>214,108,250</u>	<u>53,885,054</u>
Total liabilities	<u>276,272,957</u>	<u>221,365,890</u>	<u>54,907,067</u>
Net Assets:			
Net investment in capital assets	41,436,437	46,912,597	(5,476,160)
Restricted	11,583,988	10,924,097	659,891
Unrestricted	<u>67,116,615</u>	<u>65,303,656</u>	<u>1,812,959</u>
Total net position	<u>\$120,137,040</u>	<u>\$123,140,350</u>	<u>\$ (3,003,310)</u>

Changes in net position

At the end of the current fiscal year, the District was able to report increases in two out of three categories of net position. The total decrease to net position during the year was \$3,003,310.

- * Net investment in capital assets decreased by \$5,476,160.
- * Restricted net position increased by \$659,891.
- * Unrestricted net position increased by \$1,812,959.

<p style="text-align: center;">SOUTHWEST INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)</p>
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Governmental Activities

The District's total revenues were \$140,901,230. (See Table A-2). A significant portion, 76 percent, comes from operating grants and contributions, and grants and contributions not restricted; 19 percent from taxes and only 5 percent relates to charges for services, investment earnings and other revenues.

The total cost of all programs and services was \$143,904,540 with 71 percent representing costs for instructional and student support services.

The District's net position decreased as a result of total expenditures exceeding the total revenues of all programs and services. Key elements of this decrease are as follows:

- * Plant maintenance, security and data processing increased by \$2,310,604
- * Debt Services increased by \$2,876,636

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

Table A-2

Changes in the District's Net Position

	<u>August 31, 2014</u>	<u>August 31, 2013</u>	<u>Variance</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 3,525,051	\$ 2,450,980	\$ 1,074,071
Operating grants and contributions	24,019,929	19,891,946	4,127,983
General Revenues:			
Maintenance and operations taxes	18,975,072	15,487,677	3,487,395
Debt service taxes	8,490,174	4,436,902	4,053,272
Grants and contributions (not restricted)	6,127,866	5,496,665	631,201
State aid formula grants	77,388,362	70,736,598	6,651,764
Investment earnings	1,312,187	546,696	765,491
Miscellaneous	700,362	959,075	(258,713)
Extraordinary item	<u>362,227</u>	<u>1,667,055</u>	<u>(1,304,828)</u>
Total Revenue	<u>140,901,230</u>	<u>121,673,594</u>	<u>19,227,636</u>
Expenses:			
Instruction, curriculum and media services	82,587,268	68,003,610	14,583,658
Instructional and school leadership	9,542,554	8,719,580	822,974
Student support services	10,588,906	9,307,667	1,281,239
Food Services	9,474,857	9,292,632	182,225
Co curricular activities	2,702,277	2,672,031	30,246
General administration	3,157,036	2,919,239	237,797
Plant maintenance, security and data processing	15,252,093	12,941,489	2,310,604
Community services	468,802	453,780	15,022
Debt services	9,266,253	6,389,617	2,876,636
Facilities acquisition and construction	592,429	1,250,390	(657,961)
Payments to fiscal agent-shared service	<u>272,065</u>	<u>249,657</u>	<u>22,408</u>
Total Expenses	<u>143,904,540</u>	<u>122,199,692</u>	<u>21,704,848</u>
Change in net position	(3,003,310)	(526,098)	(2,477,212)
Net position - beginning	123,140,350	124,012,644	(872,294)
Prior period adjustment	<u>-</u>	<u>(346,196)</u>	<u>346,196</u>
Net position - ending	<u>\$120,137,040</u>	<u>\$123,140,350</u>	<u>\$ (3,003,310)</u>

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

The total cost of all programs and services increased by \$21,704,848 of which \$12,125,972 was for capital projects from the prior year, or a 17.76 percent increase. A large part of the increase is due to the increase in pay which was funded by local and state federal revenues, Food Service costs, and costs associated with facilities, acquisitions, and construction.

The cost of all governmental activities this year was \$143,904,540. However, as shown above in Table A-2, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$27,465,246 because costs in the amount of \$27,544,980, were paid by those who directly benefitted from the programs, and \$77,388,362 of the costs were paid for by grants and contributions not restricted to specific function (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 \$20,407,775, while total fund balance reached \$69,683,746.

The fund balance of the District's general fund resulted in a net decrease of \$578,624 during the current fiscal year. The key factor in this net decrease is associated with facilities, acquisitions, and ongoing construction.

Revenues from governmental fund types totaled \$140,624,901. The net increase of \$20,418,783 in revenues is a result of the increase in State Aid formula and Operating grants and an increase in property taxes.

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 \$9,796,785, or 8.96 percent. A large portion of this increase was funding for capital project improvements.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2014 amounts to \$180,211,038 (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:

- * Renovation to the Agriculture Multi Use Building
- * Renovation to the Soccer Field and Tennis Courts
- * Southwest Elementary re-roof project
- * Building 700 and 201 re-roof projects
- * Projector installation project
- * McAuliffe renovation project
- * Modular building acquisition for student health care clinic

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

	<u>August 31, 2014</u>	<u>August 31, 2013</u>	<u>Variance</u>
Land	\$ 6,456,378	\$ 6,454,759	\$ 1,619
Construction in progress	6,106,774	652,470	5,454,304
Buildings and improvements	255,788,706	249,627,086	6,161,620
Furniture and equipment	<u>24,090,131</u>	<u>22,105,920</u>	<u>1,984,211</u>
Totals at historical cost	292,441,989	278,840,235	13,601,754
Total accumulated depreciation	<u>(112,230,951)</u>	<u>(102,570,488)</u>	<u>(9,660,463)</u>
Net Capital Assets	<u>\$180,211,038</u>	<u>\$176,269,747</u>	<u>\$ 3,941,291</u>

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

The District’s local 2015 capital budget projects spending another \$3.8 million for capital projects across the District including construction of an additional parking lot on the Main campus, upgrades to the interior of McAuliffe Middle School, technology infrastructure for McAuliffe Middle School, technology infrastructure for McAuliffe Middle School, renovations to the Macdona building, safety enhancements to McAuliffe, Scobee, and McNair Middle Schools, enhancements to Southwest High School’s auditorium sound system, and digital marquees for McNair Middle School, and Big Country and Indian Creek Elementary Schools. These projects are financed through Local Funds.

The District anticipates spending 2013 and 2014 bond funds for new buses in the amount \$300,000 and funding the building of a new high school and middle school in the amount of \$70 million.

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 \$267,993,304 versus \$214,108,250 in the prior year, an increase of 25.2 percent (See Table A-4). Additional information on the District’s long-term debt can be found in Notes G through I in the notes to the financial statements.

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

	<u>August 31, 2014</u>	<u>August 31, 2013</u>	<u>Variance</u>
Bonds payable	\$237,118,092	\$195,391,841	\$ 41,726,251
Unamortized premiums/discounts	22,875,212	10,716,409	12,158,803
Maintenance tax note payable	<u>8,000,000</u>	<u>8,000,000</u>	<u>-0-</u>
Total Long-Term Debt	<u>\$267,993,304</u>	<u>\$214,108,250</u>	<u>\$ 53,885,054</u>

The long-term credit rating of the District has been maintained at “AAA” from Standard and 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+ with a positive outlook from Standard and Poor’s and a A3 from Moody’s.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- * The appraised value used for the 2015 budget preparation will increase 15.1% or \$252 million from 2014.
- * The District's 2015 average daily attendance (ADA) growth is expected to be 549 students, a 4.5% increase.

These indicators were taken into account when adopting the general fund budget for 2015. Amounts available for appropriation in the general fund budget are an increase of 3.8 percent over the final expenditures of \$106,456,952. Property taxes will increase due to the increasing appraised property values. District revenue also will increase as the student population grows as well as the changes made in the revenue formulas enacted by the 2013 legislature. The District will use these increases in revenues to finance programs it currently offers.

Expenditures are budgeted to increase 8.2 percent or \$8.7 million. The increase is due to an increase in staffing ratios at the campuses as well as staff salary increases in the amounts of 2%. Another increase of \$3.6 million is anticipated for one-time, Capital Improvement projects and an additional \$1.1 million for projects that were not completed in 2014.

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 and Business, 11914 Dragon Lane, Southwest Independent School District, San Antonio, Texas, 78252-2647.

BASIC FINANCIAL STATEMENTS

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 16,969,781
1120 Current Investments	187,417,094
1220 Property Taxes Receivable (Delinquent)	2,228,772
1230 Allowance for Uncollectible Taxes	(334,316)
1240 Due from Other Governments	3,669,610
1250 Accrued Interest	655,143
1267 Due from Fiduciary Funds	12
1290 Other Receivables, net	203,422
1300 Inventories	524,717
Capital Assets:	
1510 Land	6,456,378
1520 Buildings, Net	159,602,642
1530 Furniture and Equipment, Net	8,045,244
1580 Construction in Progress	6,106,774
1000 Total Assets	<u>391,545,273</u>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	4,864,724
1700 Total Deferred Outflows of Resources	<u>4,864,724</u>
LIABILITIES	
2110 Accounts Payable	1,560,373
2140 Interest Payable	1,329,363
2150 Payroll Deductions & Withholdings	1,369,272
2160 Accrued Wages Payable	3,160,001
2200 Accrued Expenses	76,376
2300 Unearned Revenue	784,268
Noncurrent Liabilities	
2501 Due Within One Year	4,780,000
2502 Due in More Than One Year	263,213,304
2000 Total Liabilities	<u>276,272,957</u>
NET POSITION	
3200 Net Investment in Capital Assets	41,436,437
3820 Restricted for Federal and State Programs	1,333,889
3850 Restricted for Debt Service	7,234,547
3890 Restricted for Other Purposes	3,015,552
3900 Unrestricted	67,116,615
3000 Total Net Position	<u>\$ 120,137,040</u>

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, 2014

EXHIBIT B-1

Data	Program Revenues			Net (Expense)
Control	1	3	4	Revenue and
Codes	Expenses	Charges for	Operating	Changes in Net
		Services	Grants and	Position
			Contributions	Governmental
				Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 78,103,597	\$ 1,497,970	\$ 10,968,598	\$ (65,637,029)
12 Instructional Resources and Media Services	1,842,213	-	81,726	(1,760,487)
13 Curriculum and Staff Development	2,641,458	-	1,864,695	(776,763)
21 Instructional Leadership	2,696,502	-	483,606	(2,212,896)
23 School Leadership	6,846,052	-	337,068	(6,508,984)
31 Guidance, Counseling and Evaluation Services	3,391,752	-	635,467	(2,756,285)
32 Social Work Services	933,954	-	189,306	(744,648)
33 Health Services	1,325,164	-	155,665	(1,169,499)
34 Student (Pupil) Transportation	4,938,036	80,971	400,549	(4,456,516)
35 Food Services	9,474,857	1,474,826	7,687,753	(312,278)
36 Extracurricular Activities	2,702,277	283,447	58,572	(2,360,258)
41 General Administration	3,157,036	-	132,601	(3,024,435)
51 Facilities Maintenance and Operations	12,526,328	136,418	727,927	(11,661,983)
52 Security and Monitoring Services	1,006,760	40,486	56,908	(909,366)
53 Data Processing Services	1,719,005	-	72,829	(1,646,176)
61 Community Services	468,802	10,933	111,205	(346,664)
72 Debt Service - Interest on Long Term Debt	8,877,163	-	-	(8,877,163)
73 Debt Service - Bond Issuance Cost and Fees	389,090	-	-	(389,090)
81 Capital Outlay	592,429	-	-	(592,429)
93 Payments related to Shared Services Arrangements	55,454	-	55,454	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	49,449	-	-	(49,449)
99 Other Intergovernmental Charges	167,162	-	-	(167,162)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 143,904,540	\$ 3,525,051	\$ 24,019,929	(116,359,560)

Data	General Revenues:		
Control	Taxes:		
Codes			
MT	Property Taxes, Levied for General Purposes		18,975,072
DT	Property Taxes, Levied for Debt Service		8,490,174
SF	State Aid - Formula Grants		77,388,362
GC	Grants and Contributions not Restricted		6,127,866
IE	Investment Earnings		1,312,187
MI	Miscellaneous Local and Intermediate Revenue		700,362
E1	Extraordinary Item - resource		362,227
TR	Total General Revenues & Extraordinary Items		113,356,250
CN	Change in Net Position		(3,003,310)
NB	Net Position - Beginning		123,140,350
NE	Net Position--Ending		\$ 120,137,040

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 4,592,097	\$ 11,049,826	\$ 1,327,858	\$ 16,969,781
1120 Investments - Current	68,246,662	118,357,670	812,762	187,417,094
1220 Property Taxes - Delinquent	1,826,287	-	402,485	2,228,772
1230 Allowance for Uncollectible Taxes (Credit)	(273,943)	-	(60,373)	(334,316)
1240 Receivables from Other Governments	2,277,225	-	1,392,385	3,669,610
1250 Accrued Interest	337,466	317,677	-	655,143
1260 Due from Other Funds	544,241	-	714,111	1,258,352
1290 Other Receivables	199,840	-	3,582	203,422
1300 Inventories	323,635	-	201,082	524,717
1000 Total Assets	<u>\$ 78,073,510</u>	<u>\$ 129,725,173</u>	<u>\$ 4,793,892</u>	<u>\$ 212,592,575</u>
LIABILITIES				
2110 Accounts Payable	\$ 1,327,528	\$ 6,870	\$ 225,975	\$ 1,560,373
2140 Interest Payable - Current	-	-	494,940	494,940
2150 Payroll Deductions and Withholdings Payable	1,369,272	-	-	1,369,272
2160 Accrued Wages Payable	2,869,377	-	290,624	3,160,001
2170 Due to Other Funds	756,503	499,600	2,237	1,258,340
2200 Accrued Expenditures	55,266	-	21,110	76,376
2300 Unearned Revenues	649,492	-	134,776	784,268
2000 Total Liabilities	<u>7,027,438</u>	<u>506,470</u>	<u>1,169,662</u>	<u>8,703,570</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,362,326	-	304,701	1,667,027
2600 Total Deferred Inflows of Resources	<u>1,362,326</u>	<u>-</u>	<u>304,701</u>	<u>1,667,027</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	323,635	-	201,082	524,717
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	1,333,889	1,333,889
3470 Capital Acquisition and Contractual Obligation	-	129,218,703	-	129,218,703
3480 Retirement of Long-Term Debt	5,461,501	-	1,773,046	7,234,547
3490 Other Restricted Fund Balance	2,490,835	-	-	2,490,835
Committed Fund Balance:				
3510 Construction	23,000,000	-	-	23,000,000
3520 Infrastructure	18,000,000	-	-	18,000,000
3545 Other Committed Fund Balance	-	-	11,512	11,512
3600 Unassigned Fund Balance	20,407,775	-	-	20,407,775
3000 Total Fund Balances	<u>69,683,746</u>	<u>129,218,703</u>	<u>3,319,529</u>	<u>202,221,978</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 78,073,510</u>	<u>\$ 129,725,173</u>	<u>\$ 4,793,892</u>	<u>\$ 212,592,575</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 POSITION
AUGUST 31, 2014

Total Fund Balances - Governmental Funds	\$	202,221,978
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 \$278,840,235 and the accumulated depreciation was \$(102,570,488). In addition, long-term liabilities, including bonds payable of \$(194,365,161) 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 decrease net position.		(26,095,414)
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 2014 capital outlays of \$13,601,754 and debt principal payments of \$4,216,871 is to increase net position.		17,818,625
3 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(9,660,463)
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 unavailable revenue from property taxes of \$1,667,027 as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales of \$(91,695,000) as an increase in bonds payable, reclassifying the payment to bond refunding agent as a reduction in bonds payable of \$45,890,000, recognizing unamortized losses on bond refundings of \$4,864,724, recognizing unamortized bond premium of \$(22,875,212), recognizing accumulated accretion on capital appreciation bonds of \$(1,164,802) and recognizing the liabilities associated with maturing long-term debt and interest of \$(834,423). The net effect of these reclassifications and recognitions is to decrease net position.		(64,147,686)
19 Net Position of Governmental Activities	<u>\$</u>	<u>120,137,040</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, 2014

EXHIBIT C-3

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 22,719,921	\$ 644,921	\$ 9,723,902	\$ 33,088,744
5800 State Program Revenues	81,693,215	-	6,833,215	88,526,430
5900 Federal Program Revenues	1,102,965	-	17,906,762	19,009,727
5020 Total Revenues	<u>105,516,101</u>	<u>644,921</u>	<u>34,463,879</u>	<u>140,624,901</u>
EXPENDITURES:				
Current:				
0011 Instruction	59,285,659	4,757,737	8,502,749	72,546,145
0012 Instructional Resources and Media Services	1,827,660	-	-	1,827,660
0013 Curriculum and Instructional Staff Development	768,729	-	1,815,184	2,583,913
0021 Instructional Leadership	2,264,629	-	396,262	2,660,891
0023 School Leadership	6,456,076	-	20,510	6,476,586
0031 Guidance, Counseling and Evaluation Services	2,703,019	-	482,528	3,185,547
0032 Social Work Services	747,203	-	154,177	901,380
0033 Health Services	1,194,219	-	81,350	1,275,569
0034 Student (Pupil) Transportation	4,402,648	559,784	209,368	5,171,800
0035 Food Services	201,239	-	8,711,453	8,912,692
0036 Extracurricular Activities	2,447,647	-	29,090	2,476,737
0041 General Administration	3,096,325	-	-	3,096,325
0051 Facilities Maintenance and Operations	11,914,151	-	408,749	12,322,900
0052 Security and Monitoring Services	967,226	-	-	967,226
0053 Data Processing Services	1,318,682	-	-	1,318,682
0061 Community Services	355,454	-	102,034	457,488
Debt Service:				
0071 Principal on Long Term Debt	-	-	4,910,000	4,910,000
0072 Interest on Long Term Debt	20,000	-	8,219,716	8,239,716
0073 Bond Issuance Cost and Fees	3,600	206,519	178,970	389,089
Capital Outlay:				
0081 Facilities Acquisition and Construction	6,266,175	5,859,797	-	12,125,972
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	55,454	55,454
0095 Payments to Juvenile Justice Alternative Ed. Prg.	49,449	-	-	49,449
0099 Other Intergovernmental Charges	167,162	-	-	167,162
6030 Total Expenditures	<u>106,456,952</u>	<u>11,383,837</u>	<u>34,277,594</u>	<u>152,118,383</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(940,851)</u>	<u>(10,738,916)</u>	<u>186,285</u>	<u>(11,493,482)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	49,030,000	42,665,000	91,695,000
7916 Premium or Discount on Issuance of Bonds	-	6,176,519	6,580,697	12,757,216
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	(49,062,565)	(49,062,565)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>55,206,519</u>	<u>183,132</u>	<u>55,389,651</u>
EXTRAORDINARY ITEMS:				
7919 Extraordinary Item - Resource	362,227	-	-	362,227
1200 Net Change in Fund Balances	<u>(578,624)</u>	<u>44,467,603</u>	<u>369,417</u>	<u>44,258,396</u>
0100 Fund Balance - September 1 (Beginning)	<u>70,262,370</u>	<u>84,751,100</u>	<u>2,950,112</u>	<u>157,963,582</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 69,683,746</u>	<u>\$ 129,218,703</u>	<u>\$ 3,319,529</u>	<u>\$ 202,221,978</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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	44,258,396
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 2014 capital outlays of \$13,601,754 and debt principal payments of \$4,216,871 is to increase net position.		17,818,625
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 position.		(9,660,463)
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 \$(85,898), eliminating interfund transactions, reclassifying the proceeds of bond sales of \$(91,695,000), showing debt refunded during the year of \$45,890,000, premium from the new bond issue of \$(12,757,216), recognizing accounting loss on bond refunding of \$3,172,565, recognizing current year amortization of accounting losses of \$(178,914), recognizing amortization of bond premium of \$598,413, recognizing current year accretion on capital appreciation bonds of \$(831,249), removing accreted interest on capital appreciation bond of \$693,127 that was retired during the year and recognizing the change in liabilities associated with maturing long-term debt and interest of \$(225,696). The net effect of these reclassifications and recognitions is to decrease net position.		(55,419,868)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(3,003,310)</u>

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2014

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 290,990
Total Assets	<u>\$ 290,990</u>
LIABILITIES	
Due to Other Funds	\$ 12
Due to Student Groups	290,978
Total Liabilities	<u>\$ 290,990</u>

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

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 Position 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 Net Position.

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 unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

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

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

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

Governmental Funds:

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

Fiduciary Funds:

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

E. FUND BALANCE POLICY

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

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

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

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

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

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

Nonspendable

Inventories in the general fund	\$ 323,635
Inventories in the food service fund	<u>201,082</u>
Total nonspendable	<u>524,717</u>

Restricted

Debt service	7,234,547
Capital acquisition	129,218,703
Federal or State fund grant restrictions	1,333,889
Scholarship Fund	1,105,546
Other Restricted for State Programs:	
Career and Technology	\$ 315,933
Compensatory Education	511,846
High School Allotment	537,398
Gifted and Talented	<u>20,112</u>
Total Other Restricted for State Programs	<u>1,385,289</u>
Total restricted	<u>140,277,974</u>

Committed

Future construction needs	23,000,000
Infrastructure needs	18,000,000
Campus Activity Funds	<u>11,512</u>
Total committed	<u>41,011,512</u>

Unassigned	<u>20,407,775</u>
Total Fund Balances	<u>\$202,221,978</u>

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 unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
2. Cash and cash equivalents includes 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. Unearned revenue accounted for on the balance sheet 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 position. Bond premiums, discounts, and losses due to refunded bonds 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 expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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 it is 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-3 and J-4.

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:

August 31, 2014
Fund Balance

Appropriated Budget Funds - Food Service Special Revenue Fund	\$1,534,971
Nonappropriated Budget Funds	<u>11,512</u>
All Special Revenue Funds	<u>\$1,546,483</u>

As noted in Exhibit J-4, the District had a budget overexpenditure of \$128,686 in Function 71. The District issued refunding bonds that had a delivery date of August 26, 2014 and was unable to amend the budget to factor in issuance costs on the new debt issue.

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. At the end of the year, there was \$24,479,874 in depository balances that were not covered by depository insurance. The uncovered depository balances were fully collateralized by securities held by the banks depository. Since the District complies with this law, it has no custodial credit risk for deposits.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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

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

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

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

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

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

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

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

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

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

As of August 31, 2014, Southwest Independent School District had the following investments.

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>					<u>Credit Rating</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Texpool Investment Pool	\$ 55,719,765	\$ 55,719,765	\$ -	\$ -	\$ -	AAAm
Lonestar Investment Pool	89	89	-	-	-	AAAm
Insured or						
Collateralized CDs	7,981,783	6,989,199	992,584	-	-	N/A
Municipal Bonds	117,402,003	87,036,134	28,565,869	-	1,800,000	AAA
U.S. Agencies:						
Federal Home Loan Bank	350,700	350,700	-	-	-	Aaa
Federal Home Loan Mtg.	501,253	-	501,253	-	-	Aaa
Federal National Mtg.	<u>5,461,501</u>	<u>5,461,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	Aaa
Total Investments	<u>\$187,417,094</u>	<u>\$155,557,388</u>	<u>\$ 30,059,706</u>	<u>\$ -0-</u>	<u>\$ 1,800,000</u>	

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

Credit Risk

State law and the Southwest Independent School District Investment Policy restrict time and demand deposits to those fully collateralized or FDIC insured from eligible depositories (banks and savings banks) doing business in Texas. By Board adopted policy, CDs are limited to maturities of one (1) year or less and are further collateralized to 102% with pledged securities (with 110% margin on mortgage backed securities) with all collateral held by an independent custodian bank. The bank is contractually liable for monitoring and maintaining the collateral margins. State law and the District's adopted Investment Policy requires inclusion of a procedure to monitor and act as necessary to changes in credit rating on any investment which requires a rating.

State law and the Southwest Independent School District adopted Investment Policy limit repurchase agreements to Texas banks and primary dealers. State law and the policy require a defined termination date, an industry standard, written master repurchase agreement, independent safekeeping of collateral, and a 102% margin on collateral. Fully collateralized flex repurchase agreements are restricted by Policy to the use of bond funds and are restricted to being matched to bond proceeds expenditure plans. The term of any reverse security repurchase agreement may not exceed ninety (90) days after the date of delivery.

Obligations of the State of Texas or its agencies and instrumentalities or obligations of other states, agencies, counties, cities and other political subdivisions rated as to investment quality by a nationally recognized rating firm (NRSRO) not less than A or its equivalent are authorized. Debt obligations have a maximum maturity of three years.

The District's adopted policy restricts guaranteed investment contracts (GIC) to bond fund proceeds and require that it have a defined termination date and full collateralization equal to the amount of the GIC. Collateral must be held by an independent third party institution. The District's Board must specifically authorize each GIC and GIC must be competitively bid.

AAA-rated, local government investment pools, as defined by state law (2256.016) and approved by the District's adopted policy are authorized. By State law all local government pools are rated AAA or equivalent by at least one NRSRO.

The District's Investment Policy requires SEC registered money market funds to be AAA-rated.

As of August 31, 2014:

- state and local debt obligations represented 58.25% of the total portfolio,
- funds invested in two local government investment pools that are rated AAA represented 27.66% of the total portfolio,
- brokered certificates of deposit which were fully FDIC insured represented 0.96%,
- certificates of deposit that were either FDIC insured or collateralized represent 3.01% of the total portfolio,
- FDIC insured or fully collateralized demand deposits in one bank represented 9.69% of the total portfolio, and
- the remainder of the portfolio, 0.43% was invested in obligations of Agencies of the U.S. government rated AAA.

Concentration of Credit Risk

Southwest Independent School District’s adopted Investment Policy requires diversification on all authorized investment types which are monitored on at least a monthly basis.

As of August 31, 2014:

- municipal obligations represented 58.25% of the total portfolio,
- funds invested in two local government investment pools that are rated AAA represented 27.66% of the total portfolio,
- brokered certificates of deposit which were fully FDIC insured represented 0.96%,
- depository certificates of deposit accounts that were either FDIC insured or collateralized represented 3.01% of the total portfolio,
- FDIC insured or collateralized certificates of deposit represented 9.69% of the total portfolio, and
- the remainder of the portfolio, 0.43% was in Agencies of the U.S. government rated AAA.

Funds were invested in two separate local government investment pools as of August 31, 2014 with:

- 27.67% in the State Pool (TexPool) and,
- less than 1.00% in the Lone Star Pool.

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, Southwest Independent School District’s adopted Investment Policy sets a maximum maturity of three (3) years although the Board may authorize longer investments within state law limitations. The District’s Policy establishes a maximum weighted average maturity (WAM) of one year.

As of August 31, 2014, the portfolio contained:

- two holdings were “capless” variable rate notes with a weekly reset rate and a stated maturity of 2036,
- one state issued bond that was callable at the state’s discretion, and
- the dollar weighted average maturity of the total portfolio was 230 days. The dollar weighted average maturity of the General fund considering the 7 day VRN was 459 days.

As of August 31, 2014, the portfolio contained three structured notes or other structures presenting any interest rate risk. See below for a listing of the structured notes.

<u>Inv. #</u>	<u>Security</u>	<u>Par</u>	<u>Coupon</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Call Date</u>	<u>Structure</u>	<u>Cusip</u>	<u>Book Value</u>	<u>Market Value</u>
Structured securities past the call date:										
NONE										
Discretely callable securities:										
10111	WI HDA	1,341,000	0.300%	02/17/12	03/01/36	03/01/14	capless floating rate semi-annual calls	97889P2D9	\$1,341,000	\$1,341,000
10115	WI HDA	459,000	0.540%	02/17/12	03/01/36	03/01/14	capless floating rate lottery selection	97889P2D9	459,000	459,000
10206	Wichita KS Temp Note	5,000,000	0.500%	02/11/14	04/15/15	10/15/14	at issuers discretion on 10/15/14	967244X33	5,000,000	5,002,150
Continuously callable securities:										
NONE										

Custodial Credit Risk for Investment

To control custody risk State law requires collateral for all time and demand deposits and repurchase agreements with securities transferred only on a delivery versus payment basis and held by an independent party approved by the District and held in the District's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions and position descriptions including market value. Time and demand deposits must be collateralized to 102% (with 110% on mortgaged-backed securities) and transactions are required to be executed under a written agreement.

Portfolio disclosure as of August 31, 2014,

- the portfolio contained twenty-five FDIC insured or collateralized certificates of deposit,
- the portfolio contained eight FDIC insured brokered certificates of deposit,
- all bank demand deposits were fully insured and collateralized, and
- all pledged bank collateral for demand deposits was held by an independent institution outside the bank's holding company.

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, 2014 consisted of the following amounts:

Due to General Fund From:

Nonmajor Governmental Funds	\$ 544,198
Intrafund	31
Fiduciary Funds	<u>12</u>
Total Due to General Fund From Other Funds	<u>544,241</u>

Due to Nonmajor Funds From:

General Fund	214,511
Capital Projects Fund	<u>499,600</u>
Total Due to Nonmajor Funds From Other Funds	<u>714,111</u>
Total	<u><u>\$1,258,352</u></u>

There were no transfers made during the year.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2014 were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Accrued Interest</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:						
General Fund	\$ 1,826,287	\$ 2,277,225	\$ 337,466	\$ 544,241	\$ 199,840	\$ 5,185,059
Capital Projects	-0-	-0-	317,677	-0-	-0-	317,677
Nonmajor Governmental Funds	<u>402,485</u>	<u>1,392,385</u>	<u>-0-</u>	<u>714,111</u>	<u>3,582</u>	<u>2,512,563</u>
Total - Governmental Activities	<u>\$ 2,228,772</u>	<u>\$ 3,669,610</u>	<u>\$ 655,143</u>	<u>\$ 1,258,352</u>	<u>\$ 203,422</u>	<u>\$ 8,015,299</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 334,316</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 334,316</u>

Payables at August 31, 2014 were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$1,327,528	\$4,238,649	\$ 756,503	\$ 55,266	\$6,377,946
Capital Projects	6,870	-0-	499,600	-0-	506,470
Nonmajor Gov. Funds	<u>225,975</u>	<u>290,624</u>	<u>2,237</u>	<u>21,110</u>	<u>539,946</u>
Total - Gov. Activities	<u>\$1,560,373</u>	<u>\$4,529,273</u>	<u>\$1,258,340</u>	<u>\$ 76,376</u>	<u>\$7,424,362</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended August 31, 2014 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	\$ 1,619	\$ -	\$ 6,456,378
Buildings and improvements	249,627,086	5,509,150	652,470	255,788,706
Equipment	22,105,920	1,984,211	-	24,090,131
Construction in Progress	<u>652,470</u>	<u>6,106,774</u>	<u>(652,470)</u>	<u>6,106,774</u>
Total at historical cost	<u>278,840,235</u>	<u>13,601,754</u>	<u>-</u>	<u>292,441,989</u>
Less accumulated depreciation				
Buildings and improvements	(88,333,674)	(7,852,390)	-	(96,186,064)
Equipment	<u>(14,236,814)</u>	<u>(1,808,073)</u>	<u>-</u>	<u>(16,044,887)</u>
Total accumulated depreciation	<u>(102,570,488)</u>	<u>(9,660,463)</u>	<u>-</u>	<u>(112,230,951)</u>
Governmental activities capital assets, net	<u>\$176,269,747</u>	<u>\$ 3,941,291</u>	<u>\$ -</u>	<u>\$180,211,038</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 6,083,777
Instructional Resources & Media Services	106,255
Curriculum & Instructional Staff Development	57,545
Instructional and School Leadership	35,611
School Leadership	369,466
Guidance, Counseling & Evaluation Services	206,205
Social Work Services	32,574
Health Services	49,595
Student Transportation	535,388
Food Service	562,165
Extracurricular Activities	255,803
General Administration	60,711
Plant Maintenance and Operations	661,895
Security Services	79,287
Data Processing Services	552,872
Community Services	<u>11,314</u>
Total Depreciation Expense	<u>\$ 9,660,463</u>

G. BONDS PAYABLE

Bond indebtedness of the District is reflected in the Statement of Net Position, 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, 2014 is as follows:

Description	Final Maturity	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 9/1/2013	Issued	Retired/ Refunded	Amounts Outstanding 8/31/2014	Amounts Due Within One Year
Unlimited Tax Refunding Bonds, Series 2005	2025	5.00%- 5.25%	\$ 21,630,000	\$ 963,262	\$ 19,285,000	\$ -0-	\$ 1,165,000	\$ 18,120,000	\$ 1,225,000
Unlimited Tax School Building Bonds, Series 2006	2019	4.125%- 4.300%	37,935,000	1,519,516	32,770,000	-0-	28,015,000	4,755,000	875,000
Unlimited Tax School Building Bonds, Series 2007	2019	4.25%	24,065,000	1,068,607	22,185,000	-0-	19,230,000	2,955,000	540,000
Unlimited Tax Refunding Bonds, Series 2007A	2027	4.15%	12,949,999	471,233	11,691,872	-0-	336,872	11,355,000	40,000
Unlimited Tax School Building Bonds, Series 2008	2038	3.50%- 5.25%	22,000,000	970,498	20,015,000	-0-	410,000	19,605,000	425,000
Unlimited Tax Refunding Bonds, Series 2010	2020	2.00%- 3.00%	6,830,000	172,900	6,590,000	-0-	70,000	6,520,000	780,000
Unlimited Tax Building Bonds Series 2013	2043	1.00%- 5.00%	81,828,289	3,053,700	81,828,289	-0-	880,000	80,948,289	895,000
Unlimited Tax Building and Refunding Bonds, Series 2014	2043	2.00%- 5.00%	91,695,000	-0-	-0-	91,695,000	-0-	91,695,000	-0-
Totals				8,219,716	194,365,161	91,695,000	50,106,872	235,953,289	4,780,000
Capital Appreciation Bonds									
C.A.B. Accreted Interest Series 2007A				-0-	672,931	20,196	693,127	-0-	-0-
C.A.B. Accreted Interest Series 2010				-0-	248,089	17,863	-0-	265,952	-0-
C.A.B. Accreted Interest Series 2013				-0-	105,660	793,191	-0-	898,851	-0-
Total All Bonds				<u>\$ 8,219,716</u>	<u>\$195,391,841</u>	<u>\$ 92,526,250</u>	<u>\$ 50,799,999</u>	<u>\$237,118,092</u>	<u>\$ 4,780,000</u>

On July 30, 2014, the District issued \$42,665,000 of Unlimited Tax Refunding Bonds, Series 2014. The proceeds of the bonds were used for refunding the Series 2006 maturities of February 1, 2020 through February 1, 2036 totaling \$27,180,000, with an average interest rate of 4.877% and the Series 2007 maturities of February 15, 2020 through February 15, 2037 totaling \$18,710,000, with an average interest rate of 5.074%. The Series 2006 and 2007 Series bonds refunded had an average interest rate of 4.959314% and were refunded with the 2014 Series Bonds having an average interest rate of 4.950074%. The cash flow savings to the District as a result of this refunding was \$5,525,337. The net present value savings is \$4,087,605. The proceeds of the refunding bonds were used to purchase U.S. Government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for certain debt service payments on the Series 2006 and Series 2007 bonds through 2037. As a result, those portions of the Series 2006 and 2007 bonds were considered defeased and the liability for those bonds has been removed from the District's long-term debt account group. The defeased 2006 bonds are callable on February 1, 2016 and the defeased 2007 bonds are callable on February 15, 2016.

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

Year Ending August 31,	Principal	Interest	Total Requirements
2015	\$ 4,780,000	\$ 10,376,641	\$ 15,156,641
2016	9,410,000	9,945,624	19,355,624
2017	5,740,000	9,670,364	15,410,364
2018	5,985,000	9,436,141	15,421,141
2019	6,265,000	9,194,750	15,459,750
2020-2024	35,640,000	41,261,919	76,901,919
2025-2029	42,970,000	31,666,987	74,636,987
2030-2034	54,090,000	19,930,650	74,020,650
2035-2039	55,299,422	13,512,453	68,811,875
2040-2043	<u>15,773,867</u>	<u>33,582,633</u>	<u>49,356,500</u>
Totals	<u>\$235,953,289</u>	<u>\$188,578,162</u>	<u>\$424,531,451</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, 2014 the District had invested \$5,347,107 in escrow with the Bank of New York.

A summary of changes in loan payable for the year ended August 31, 2014 is as follows:

Description	Final Maturity	Interest Rate Payable	Amount Original Issue	Interest Current Year	Amount Outstanding 9/1/2013	Issued	Retired	Amount Outstanding 8/31/2014
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>
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>\$ 1,557,508</u>	<u>\$ 80,000</u>	<u>\$ 1,637,508</u>

I. CHANGES IN LONG-TERM LIABILITIES

Following is a summary of changes in long-term liabilities for the year ended August 31, 2014:

	<u>Amount Outstanding 9/1/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 8/31/14</u>	<u>Due Within One Year</u>
Bonds Payable	\$195,391,841	\$ 92,526,250	\$ 50,799,999	\$237,118,092	\$ 4,780,000
Add/(Less) Deferred Amounts:					
Net Issuance Premiums/ Discounts	<u>10,716,409</u>	<u>12,757,216</u>	<u>598,413</u>	<u>22,875,212</u>	<u>-0-</u>
Total Bonds Payable	206,108,250	105,283,466	51,398,412	259,993,304	4,780,000
Notes Payable	<u>8,000,000</u>	<u>-0-</u>	<u>-0-</u>	<u>8,000,000</u>	<u>-0-</u>
	<u>\$214,108,250</u>	<u>\$105,283,466</u>	<u>\$ 51,398,412</u>	<u>\$267,993,304</u>	<u>\$ 4,780,000</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2014.

J. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2014, as follows:

2015	\$ 295,422
2016	295,422
2017	295,422
2018	295,422
Thereafter	<u>-</u>
Total Minimum Rentals	<u>\$1,181,688</u>
Rental Expenditures for Fiscal Year 2014	<u>\$ 809,257</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. PENSION PLAN

Plan Description. The 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 downloading the report from the TRS Internet website, 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 TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended 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 the fiscal year; (2) state statute prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' 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.

Contribution rates and contributions for fiscal years 2014-2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts					
<u>Year</u>	<u>Member</u>		<u>State</u>		<u>Statutory Minimum</u>
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Amount</u>
2014	6.4%	\$5,025,080	6.8%	\$4,294,745	\$1,075,622
2013	6.4%	\$4,553,394	6.4%	\$3,910,077	\$ 897,838
2012	6.4%	\$3,732,154	6.0%	\$3,732,156	\$ 764,751

M. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description. - The 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 Website 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 2014-2012.

<u>Year</u>	Contribution Rates					
	<u>Active Member</u>		<u>State</u>		<u>School District</u>	
<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	
2014	.65%	\$ 510,356	1.0%	\$ 785,163	.55%	\$ 431,840
2013	.65%	\$ 462,461	.5%	\$ 355,739	.55%	\$ 391,303
2012	.65%	\$ 442,065	1.0%	\$ 680,100	.55%	\$ 374,049

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 2012, 2013, and 2014 were \$172,017, \$187,303 and \$218,738.

O. LITIGATION

The District is occasionally involved in litigation in the general course of business. No provision for losses have been recorded in these financial statements for such contingencies.

P. HEALTH CARE COVERAGE

During the year ended August 31, 2014, 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 \$325 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, 2014 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.

The District had construction commitments at year end in the amount of \$11,966,025.

R. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Other Funds</u>	<u>Total</u>
State Revenue	\$ 649,492	\$ -	\$ 126,779	\$ 776,271
Federal Revenue	<u>-</u>	<u>-</u>	<u>7,997</u>	<u>7,997</u>
Total Deferred Revenue	<u>\$ 649,492</u>	<u>\$ -</u>	<u>\$ 134,776</u>	<u>\$ 784,268</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, 2014, 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>Other</u>	<u>Total</u>
General Fund	\$2,240,395	\$ -	\$ 36,830	\$2,277,225
Other Funds	<u>227,699</u>	<u>1,164,686</u>	<u>-</u>	<u>1,392,385</u>
Total	<u>\$2,468,094</u>	<u>\$1,164,686</u>	<u>\$ 36,830</u>	<u>\$3,669,610</u>

T. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Capital Projects Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes	\$ 19,146,691	\$ -	\$ -	\$ 8,404,453	\$ 27,551,144
Penalties, Interest and Other					
Tax-related Income	356,496	-	-	85,444	441,940
Tuition and Fees	10,933	-	-	-	10,933
Investment Income	662,175	644,911	1,956	3,145	1,312,187
Rent	29,922	-	-	-	29,922
Gifts and Bequests	254,930	-	-	-	254,930
Food Sales	-	-	1,191,425	-	1,191,425
Insurance Recovery	3,495	-	-	-	3,495
Extracurricular Student Activities	123,994	-	-	-	123,994
Enterprising Activities	144,492	-	-	-	144,492
Other	<u>1,986,793</u>	<u>10</u>	<u>37,479</u>	<u>-</u>	<u>2,024,282</u>
Total	<u>\$ 22,719,921</u>	<u>\$ 644,921</u>	<u>\$ 1,230,860</u>	<u>\$ 8,493,042</u>	<u>\$ 33,088,744</u>

U. GENERAL FUND FEDERAL SOURCES REVENUE

Program or Source	CFDA Number	Amount
School Health and Related Services (SHARS) Program	N/A	\$ 767,164
Star Base Kelly	Unknown	61,462
ROTC	Unknown	105,836
Indirect Cost:		
ESEA Title I, Part A	84.010A	103,806
IDEA-B Formula	84.027A	44,161
IDEA-B Preschool	84.173A	718
Vocational Education Basic Formula Grant	84.048A	1,976
Title II, Part A-Teacher & Principal Training & Recruiting	84.367A	14,509
ESEA Title III, Part A-LEP	84.365A	<u>3,333</u>
Total		<u>\$ 1,102,965</u>

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

V. EXTRAORDINARY ITEMS

During the year the District received insurance proceeds in the amount of \$362,222 from their insurance provider to cover hail damage sustained to the District's property. Since the hail damage is considered a natural event that is both unusual in nature and infrequent in occurrence and thus a extraordinary item for financial statement reporting purposes.

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, 2014

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	\$ 20,376,240	\$ 20,530,468	\$ 22,719,921	\$ 2,189,453
5800	State Program Revenues	80,074,278	81,024,278	81,693,215	668,937
5900	Federal Program Revenues	500,000	500,000	1,102,965	602,965
5020	Total Revenues	100,950,518	102,054,746	105,516,101	3,461,355
EXPENDITURES:					
Current:					
0011	Instruction	59,013,673	59,388,705	59,285,659	103,046
0012	Instructional Resources and Media Services	1,959,264	2,230,064	1,827,660	402,404
0013	Curriculum and Instructional Staff Development	717,502	1,102,047	768,729	333,318
0021	Instructional Leadership	2,414,034	2,701,221	2,264,629	436,592
0023	School Leadership	6,482,275	6,550,082	6,456,076	94,006
0031	Guidance, Counseling and Evaluation Services	2,768,647	3,057,216	2,703,019	354,197
0032	Social Work Services	838,982	1,000,269	747,203	253,066
0033	Health Services	1,246,445	1,623,583	1,194,219	429,364
0034	Student (Pupil) Transportation	3,866,398	4,888,904	4,402,648	486,256
0035	Food Services	163,837	263,837	201,239	62,598
0036	Extracurricular Activities	2,522,618	7,031,091	2,447,647	4,583,444
0041	General Administration	3,808,632	3,767,950	3,096,325	671,625
0051	Facilities Maintenance and Operations	11,555,888	12,584,488	11,914,151	670,337
0052	Security and Monitoring Services	1,411,271	1,687,671	967,226	720,445
0053	Data Processing Services	1,408,560	1,817,760	1,318,682	499,078
0061	Community Services	367,669	660,871	355,454	305,417
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	3,600	400
Capital Outlay:					
0081	Facilities Acquisition and Construction	7,883,957	7,750,678	6,266,175	1,484,503
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed.	210,000	310,000	49,449	260,551
0099	Other Intergovernmental Charges	249,500	269,500	167,162	102,338
6030	Total Expenditures	109,302,529	119,099,314	106,456,952	12,642,362
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,352,011)	(17,044,568)	(940,851)	16,103,717
EXTRAORDINARY ITEMS:					
7919	Extraordinary Item - Resource	-	-	362,227	362,227
1200	Net Change in Fund Balances	(8,352,011)	(17,044,568)	(578,624)	16,465,944
0100	Fund Balance - September 1 (Beginning)	70,262,370	70,262,370	70,262,370	-
3000	Fund Balance - August 31 (Ending)	\$ 61,910,359	\$ 53,217,802	\$ 69,683,746	\$ 16,465,944

COMBINING AND OTHER STATEMENTS

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

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	\$ (387)	\$ -	\$ (195,241)	\$ (416,442)
1120 Investments - Current	-	-	-	-
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240 Receivables from Other Governments	28,758	-	311,764	488,294
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 28,371</u>	<u>\$ -</u>	<u>\$ 116,523</u>	<u>\$ 71,852</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ 2,800
2140 Interest Payable - Current	-	-	-	-
2160 Accrued Wages Payable	25,475	-	105,531	62,940
2170 Due to Other Funds	415	-	712	96
2200 Accrued Expenditures	2,481	-	10,280	6,016
2300 Unearned Revenues	-	-	-	-
2000 Total Liabilities	<u>28,371</u>	<u>-</u>	<u>116,523</u>	<u>71,852</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3480 Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 28,371</u>	<u>\$ -</u>	<u>\$ 116,523</u>	<u>\$ 71,852</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	289 Summer School LEP
\$ (66)	\$ 666,763	\$ (1,021)	\$ (38)	\$ (119,028)	\$ (15,161)	\$ -	\$ -
-	793,634	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,818	194,334	850	1,584	121,092	15,192	-	-
-	-	-	-	-	-	-	-
-	3,411	171	-	-	-	-	-
-	201,082	-	-	-	-	-	-
<u>\$ 2,752</u>	<u>\$ 1,859,224</u>	<u>\$ -</u>	<u>\$ 1,546</u>	<u>\$ 2,064</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 223,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
2,512	91,271	-	1,409	1,486	-	-	-
-	-	-	-	432	31	-	-
240	1,810	-	137	146	-	-	-
-	7,997	-	-	-	-	-	-
<u>2,752</u>	<u>324,253</u>	<u>-</u>	<u>1,546</u>	<u>2,064</u>	<u>31</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	201,082	-	-	-	-	-	-
-	1,333,889	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>1,534,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,752</u>	<u>\$ 1,859,224</u>	<u>\$ -</u>	<u>\$ 1,546</u>	<u>\$ 2,064</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Contingency for HB5 Fund	
ASSETS					
1110	Cash and Cash Equivalents	\$ (836)	\$ -	\$ (71,507)	\$ -
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	836	-	165,978	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,471</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2140	Interest Payable - Current	-	-	-	-
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	551	-
2200	Accrued Expenditures	-	-	-	-
2300	Unearned Revenues	-	-	93,920	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>94,471</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,471</u>	<u>\$ -</u>

461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 11,512	\$ (141,452)	\$ 1,469,310	\$ 1,327,858
-	793,634	19,128	812,762
-	-	402,485	402,485
-	-	(60,373)	(60,373)
-	1,331,500	60,885	1,392,385
-	-	714,111	714,111
-	3,582	-	3,582
-	201,082	-	201,082
<u>\$ 11,512</u>	<u>\$ 2,188,346</u>	<u>\$ 2,605,546</u>	<u>\$ 4,793,892</u>
\$ -	\$ 225,975	\$ -	\$ 225,975
-	-	494,940	494,940
-	290,624	-	290,624
-	2,237	-	2,237
-	21,110	-	21,110
-	101,917	32,859	134,776
-	<u>641,863</u>	<u>527,799</u>	<u>1,169,662</u>
-	-	304,701	304,701
-	-	304,701	304,701
-	201,082	-	201,082
-	1,333,889	-	1,333,889
-	-	1,773,046	1,773,046
11,512	11,512	-	11,512
<u>11,512</u>	<u>1,546,483</u>	<u>1,773,046</u>	<u>3,319,529</u>
<u>\$ 11,512</u>	<u>\$ 2,188,346</u>	<u>\$ 2,605,546</u>	<u>\$ 4,793,892</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	205	206	211	224
		ESEA Title X, Pt.C	ESEA I, A Improving	IDEA - Part B
	Head Start	Homeless	Basic Program	Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	591,974	13,719	5,099,699	3,350,467
5020 Total Revenues	<u>591,974</u>	<u>13,719</u>	<u>5,099,699</u>	<u>3,350,467</u>
EXPENDITURES:				
Current:				
0011 Instruction	591,974	-	3,924,386	2,396,801
0013 Curriculum and Instructional Staff Development	-	-	658,882	16,130
0021 Instructional Leadership	-	-	170,431	211,191
0023 School Leadership	-	-	16,778	-
0031 Guidance, Counseling and Evaluation Services	-	-	149,773	307,170
0032 Social Work Services	-	13,719	78,141	62,317
0033 Health Services	-	-	-	81,350
0034 Student (Pupil) Transportation	-	-	-	209,368
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	10,536
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	101,308	150
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	55,454
6030 Total Expenditures	<u>591,974</u>	<u>13,719</u>	<u>5,099,699</u>	<u>3,350,467</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	289 Summer School LEP
\$ -	\$ 1,206,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	134,118	-	-	-	-	-	-
41,429	7,668,438	99,410	197,840	653,205	170,387	12,403	7,791
41,429	9,008,952	99,410	197,840	653,205	170,387	12,403	7,791
41,429	-	-	154,493	-	18,809	6,438	7,791
-	-	-	14,323	643,118	150,719	-	-
-	-	-	2,037	6,355	283	5,965	-
-	-	-	-	3,732	-	-	-
-	-	-	25,585	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	8,619,299	92,154	-	-	-	-	-
-	-	-	1,402	-	-	-	-
-	401,493	7,256	-	-	-	-	-
-	-	-	-	-	576	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
41,429	9,020,792	99,410	197,840	653,205	170,387	12,403	7,791
-	(11,840)	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(11,840)	-	-	-	-	-	-
-	1,546,811	-	-	-	-	-	-
\$ -	\$ 1,534,971	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Contingency for HB5 Fund
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 8,336	\$ -
5800 State Program Revenues	8,836	1,350	1,664,259	9,859
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>8,836</u>	<u>1,350</u>	<u>1,672,595</u>	<u>9,859</u>
EXPENDITURES:				
Current:				
0011 Instruction	8,836	-	1,341,933	9,859
0013 Curriculum and Instructional Staff Development	-	1,350	330,662	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
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	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>8,836</u>	<u>1,350</u>	<u>1,672,595</u>	<u>9,859</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 16,128	\$ 1,230,860	\$ 8,493,042	\$ 9,723,902
-	1,818,422	5,014,793	6,833,215
-	17,906,762	-	17,906,762
<u>16,128</u>	<u>20,956,044</u>	<u>13,507,835</u>	<u>34,463,879</u>
-	8,502,749	-	8,502,749
-	1,815,184	-	1,815,184
-	396,262	-	396,262
-	20,510	-	20,510
-	482,528	-	482,528
-	154,177	-	154,177
-	81,350	-	81,350
-	209,368	-	209,368
-	8,711,453	-	8,711,453
17,152	29,090	-	29,090
-	408,749	-	408,749
-	102,034	-	102,034
-	-	4,910,000	4,910,000
-	-	8,219,716	8,219,716
-	-	178,970	178,970
-	55,454	-	55,454
<u>17,152</u>	<u>20,968,908</u>	<u>13,308,686</u>	<u>34,277,594</u>
<u>(1,024)</u>	<u>(12,864)</u>	<u>199,149</u>	<u>186,285</u>
-	-	42,665,000	42,665,000
-	-	6,580,697	6,580,697
-	-	(49,062,565)	(49,062,565)
-	-	183,132	183,132
(1,024)	(12,864)	382,281	369,417
<u>12,536</u>	<u>1,559,347</u>	<u>1,390,765</u>	<u>2,950,112</u>
<u>\$ 11,512</u>	<u>\$ 1,546,483</u>	<u>\$ 1,773,046</u>	<u>\$ 3,319,529</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2014

	BALANCE SEPTEMBER 1 2013	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2014
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 281,146	\$ 649,086	\$ 639,242	\$ 290,990
Liabilities:				
Due to Other Funds	\$ 12	\$ 1,277	\$ 1,277	\$ 12
Due to Student Groups	281,134	647,810	637,966	290,978
Total Liabilities	\$ 281,146	\$ 649,087	\$ 639,243	\$ 290,990
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 281,146	\$ 649,086	\$ 639,242	\$ 290,990
Liabilities:				
Due to Other Funds	\$ 12	\$ 1,277	\$ 1,277	\$ 12
Due to Student Groups	281,134	647,810	637,966	290,978
Total Liabilities	\$ 281,146	\$ 649,087	\$ 639,243	\$ 290,990

T.E.A. REQUIRED SCHEDULES

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
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	1.040000	0.182600	1,503,998,375
2013	1.040000	0.233000	1,545,784,267
2014 (School year under audit)	1.040000	0.361622	1,811,168,041
1000 TOTALS			

Note: The 2014 Levy included additional Fund Service assessed/appraised value for school tax purposes of \$523,277,305 due to a Chapter 313 agreement.

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 514,143	\$ -	\$ 18,544	\$ 2,976	\$ (35,773)	\$ 456,850
119,279	-	8,803	697	(2,338)	107,441
126,221	-	9,710	893	(2,643)	112,975
108,941	-	19,170	2,857	6,752	93,666
125,854	-	129,026	21,091	130,908	106,645
158,109	-	88,252	17,243	75,199	127,813
219,046	-	154,583	32,121	132,371	164,713
291,220	-	206,660	36,285	152,784	201,059
547,884	-	314,102	70,371	114,659	278,070
-	27,078,492	18,197,841	8,219,919	(81,192)	579,540
<u>\$ 2,210,697</u>	<u>\$ 27,078,492</u>	<u>\$ 19,146,691</u>	<u>\$ 8,404,453</u>	<u>\$ 490,727</u>	<u>\$ 2,228,772</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2014

EXHIBIT J-2

UNAUDITED

1	Total General Fund Balance as of 8/31/14 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 69,683,746
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 323,635	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	7,952,336	
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.	18,076,159	
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.	17,044	
10	Estimate of delayed payments from federal sources (59xx)	931,406	
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>68,300,580</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ 1,383,166</u></u>

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

The District prefers to maintain an additional one month operating reserve in addition to significant construction projects in the future.

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, 2014

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	\$ 1,233,900	\$ 1,314,000	\$ 1,206,396	\$ (107,604)
5800 State Program Revenues	109,273	112,879	134,118	21,239
5900 Federal Program Revenues	7,774,846	7,903,846	7,668,438	(235,408)
5020 Total Revenues	9,118,019	9,330,725	9,008,952	(321,773)
EXPENDITURES:				
0035 Food Services	8,821,019	9,033,725	8,619,299	414,426
0051 Facilities Maintenance and Operations	561,000	561,000	401,493	159,507
6030 Total Expenditures	9,382,019	9,594,725	9,020,792	573,933
1200 Net Change in Fund Balances	(264,000)	(264,000)	(11,840)	252,160
0100 Fund Balance - September 1 (Beginning)	1,546,811	1,546,811	1,546,811	-
3000 Fund Balance - August 31 (Ending)	\$ 1,282,811	\$ 1,282,811	\$ 1,534,971	\$ 252,160

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, 2014

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	\$ 8,280,000	\$ 8,280,000	\$ 8,493,042	\$ 213,042
5800 State Program Revenues	4,900,000	4,900,000	5,014,793	114,793
5020 Total Revenues	13,180,000	13,180,000	13,507,835	327,835
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	4,910,000	4,910,000	4,910,000	-
0072 Interest on Long Term Debt	8,219,716	8,219,716	8,219,716	-
0073 Bond Issuance Cost and Fees	50,284	50,284	178,970	(128,686)
6030 Total Expenditures	13,180,000	13,180,000	13,308,686	(128,686)
1100 Excess of Revenues Over Expenditures	-	-	199,149	199,149
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	42,665,000	42,665,000
7916 Premium or Discount on Issuance of Bonds	-	-	6,580,697	6,580,697
8940 Payment to Bond Refunding Escrow Agent	-	-	(49,062,565)	(49,062,565)
7080 Total Other Financing Sources (Uses)	-	-	183,132	183,132
1200 Net Change in Fund Balances	-	-	382,281	382,281
0100 Fund Balance - September 1 (Beginning)	1,390,765	1,390,765	1,390,765	-
3000 Fund Balance - August 31 (Ending)	\$ 1,390,765	\$ 1,390,765	\$ 1,773,046	\$ 382,281

FEDERAL SECTION

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
Southwest Independent School District
San Antonio, Texas

We have audited, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise Southwest Independent School District's basic financial statements, and have issued our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southwest Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Southwest Independent School District's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Independent School District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coleman, Horton + Company, LLP

Certified Public Accountants
Uvalde, Texas
October 31, 2014

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Trustees
Southwest Independent School District
San Antonio, Texas

Report on Compliance for Each Major Federal Program

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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Southwest Independent School District complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of Southwest Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southwest Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Columan, Houston & Company, LLP

Certified Public Accountants
Uvalde, Texas
October 31, 2014

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2014

A. **Summary of the Auditor's Results**

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Control deficiency(ies) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

2. Federal Awards

Internal control over major programs:

Control deficiency(ies) identified? _____ Yes X No

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X 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 Cluster
CFDA#93.600	Headstart

Dollar threshold used to distinguish between type A and type B programs: \$ 542,222

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014

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, 2014

Finding/Recommendation

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

(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	\$ 105,836
Star Base Kelly	12.NA	015-912	61,462
Total CFDA Number 12.NA			167,298
Total Direct Programs			\$ 167,298
TOTAL DEPARTMENT OF DEFENSE			\$ 167,298
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region XX Service Center</u>			
ESEA, Title X, Part C -Homeless Children	84.196	189236	\$ 13,719
Total Passed Through Region XX Service Center			\$ 13,719
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14-610101015912	\$ 5,037,983
*ESEA, Title I, Part A Priority and Focus School	84.010A	14-610112015912110	11,571
*ESEA, Title I, Part A Priority and Focus School	84.010A	14-610112015912106	41,490
*ESEA, Title I, Part A Priority and Focus School	84.010A	14-610112015912042	5,661
*ESEA, Title I, Part A Priority and Focus School	84.010A	14-610112015912105	2,994
Total CFDA Number 84.010A			5,099,699
Total Title I, Part A Cluster			5,099,699
*IDEA - Part B, Formula	84.027A	14-6600010159126600	3,350,467
*IDEA - Part B, Preschool	84.173A	14-6610010159126610	38,677
*IDEA - Part B, Preschool	84.173A	15-6610010159126610	2,752
Total CFDA Number 84.173A			41,429
Total Special Education Cluster (IDEA)			3,391,896
Career and Technical - Basic Grant	84.048A	14-420006015912	196,294
Career and Technical - Basic Grant	84.048A	15-420006015912	1,546
Total CFDA Number 84.048A			197,840
Title III, Part A - English Language Acquisition	84.365A	14-671001015912	170,387
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14-694501015912	653,205
Summer School LEP	84.369A	69551202	7,791
Total Passed Through State Department of Education			\$ 9,520,818
TOTAL DEPARTMENT OF EDUCATION			\$ 9,534,537
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Region XX Service Center</u>			
Head Start	93.600	14-205673401	\$ 333,296
Head Start	93.600	15-205673501	258,678
Total CFDA Number 93.600			591,974
Total Passed Through Region XX Service Center			\$ 591,974
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	015-912	\$ 12,403
Total Passed Through Texas Dept of Human Services			\$ 12,403

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 604,377
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	015-912	\$ 1,881,172
*National School Lunch Program - Cash Assistance	10.555	015-912	5,219,272
*National School Lunch Prog. - Non-Cash Assistance	10.555	015-912	567,994
Total CFDA Number 10.555			5,787,266
*Summer Feeding Program - Cash Assistance	10.559	015-912	99,410
Total Child Nutrition Cluster			7,767,848
Total Passed Through the State Department of Agriculture			\$ 7,767,848
TOTAL DEPARTMENT OF AGRICULTURE			\$ 7,767,848
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 18,074,060

*Clustered Programs

**Schedule does not include federal expenditures from SHARS of \$767,164 and indirect costs of \$168,503 for a total of \$935,667.

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

- 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 2013, 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 2014

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$1,164,802