

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2017

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2017

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CERTIFICATE OF BOARD

Southwest Independent School District
Name of School District

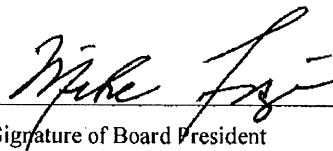
Bexar
County

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, 2017 at a meeting of the Board of Trustees of such school district on the 28th of November, 2017.



Signature of Board Secretary



Signature of Board President

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

COLEMAN, HORTON & COMPANY, LLP
Certified Public Accountants
400 E. NOPAL ST.
LUALDE, TEXAS 7801-5305

ROBERT O. COLEMAN, CPA
STEPHEN L. HORTON, CPA
DEBORAH V. McDONALD, CPA
DEREK L. WALKER, CPA
DUSTY R. ROUTH, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise Southwest Independent School 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof 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, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, and schedule of District contributions on pages 7-17 and 58-60 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 purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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-3. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017, 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 the Southwest Independent School District's internal control over financial reporting and compliance.

Coleman, Horton, + Company, LLP

Uvalde, Texas
October 27, 2017

**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, 2017. 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, 2017 by \$99,769,835 (*net position*). Of this amount, \$40,683,167 is reported as *unrestricted net position* and may be used to meet the District's ongoing obligations. *Restricted net position* consist of \$7,432,753 for debt service, \$1,752,358 for state and federal programs, and \$1,698,125 for other purposes. The remaining amount of \$48,203,432 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 \$7,185,221.
- * The general fund reported a fund balance of \$67,355,532 at August 31, 2017. The unrestricted, uncommitted amount was \$31,177,995 or 26% of total general fund expenditures.
- * The District's total expenditures for its government-wide activities were more than the prior year, increasing by \$6,404,541. An increase in the area of instruction by \$2,104,829 was due to an increase in the pay scale and an increase in other educational expenses.

<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 consists of six parts—*management's discussion and analysis* (this section), the *basic financial statements, required supplementary information, combining statements, T.E.A. required schedules and federal section*. The basic financial statements include two kinds of statements that present different views of the District:

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

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

Government-wide Financial Statements

The *government-wide 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, debt service fund and capital projects fund, both of which are considered to be major funds. Data from the other 17 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.

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

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 over time as a useful indicator of a government’s financial position. The District’s *combined* net position at August 31, 2017 was \$99,769,835. (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 acquire those assets, that is still outstanding, represents 48 percent of the District’s combined net position. This is one of the largest portions 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 (10.9 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 \$40,683,167 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, 2017</u>	<u>August 31, 2016</u>	<u>Variance</u>
Current and other assets	\$ 94,625,661	\$112,432,538	\$(17,806,877)
Capital assets	<u>300,347,122</u>	<u>299,790,257</u>	<u>556,865</u>
Total assets	<u>394,972,783</u>	<u>412,222,795</u>	<u>(17,250,012)</u>
Deferred outflows	<u>19,016,877</u>	<u>20,585,882</u>	<u>(1,569,005)</u>
Current liabilities	10,098,930	15,550,852	(5,451,922)
Long-term liabilities	<u>302,080,918</u>	<u>307,789,094</u>	<u>(5,708,176)</u>
Total liabilities	<u>312,179,848</u>	<u>323,339,946</u>	<u>(11,160,098)</u>
Deferred inflows	<u>2,039,977</u>	<u>2,513,675</u>	<u>(473,698)</u>
Net position:			
Net investment in capital assets	48,203,432	52,028,543	(3,825,111)
Restricted	10,883,236	11,857,095	(973,859)
Unrestricted	<u>40,683,167</u>	<u>43,069,418</u>	<u>(2,386,251)</u>
Total net position	<u>\$ 99,769,835</u>	<u>\$106,955,056</u>	<u>\$ (7,185,221)</u>

Changes in net position

At the end of the current fiscal year, the District was able to report increases in one of three categories of net position. The total decrease in net position during the year was \$7,185,221.

- * Net investment in capital assets decreased by \$3,825,111.
- * Restricted net position decreased by \$973,859.
- * Unrestricted net position decreased by \$2,386,251.

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

Governmental Activities

The District's total revenues were \$156,508,881. (See Table A-2). A significant portion, 69 percent, comes from operating grants and contributions, and grants and contributions not restricted; 28 percent from taxes and only 3 percent relates to charges for services, investment earnings and other revenues.

The total cost of all programs and services was \$163,694,102 with 71 percent representing costs for instructional and student support services.

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

- * Property tax revenues increased by \$2,703,436.
- * Grants and contributions decreased by \$9,756,939.

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

Table A-2

Changes in the District's Net Position

	<u>August 31, 2017</u>	<u>August 31, 2016</u>	<u>Variance</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 3,088,179	\$ 2,706,800	\$ 381,379
Operating grants and contributions	23,491,267	23,469,024	22,243
General Revenues:			
Maintenance and operations taxes	34,822,337	30,237,099	4,585,238
Debt service taxes	9,018,095	10,899,897	(1,881,802)
Grants and contributions (not restricted)	8,421,431	10,756,208	(2,334,777)
State aid formula grants	75,495,468	82,939,873	(7,444,405)
Investment earnings	922,398	791,024	131,374
Miscellaneous	<u>1,249,706</u>	<u>1,256,337</u>	<u>(6,631)</u>
Total Revenue	<u>156,508,881</u>	<u>163,056,262</u>	<u>(6,547,381)</u>
Expenses:			
Instruction, curriculum and media services	91,485,798	89,373,658	2,112,140
Instructional and school leadership	11,168,501	11,338,075	(169,574)
Student support services	12,789,062	11,728,469	1,060,593
Food Services	10,187,720	10,255,962	(68,242)
Co curricular activities	5,194,926	3,819,254	1,375,672
General administration	4,192,337	3,827,603	364,734
Plant maintenance, security and data processing	17,837,665	16,656,439	1,181,226
Community services	397,419	391,796	5,623
Debt services	9,869,958	9,340,119	529,839
Facilities acquisition and construction	114,137	79,472	34,665
Payments to fiscal agent-shared service	<u>456,579</u>	<u>478,714</u>	<u>(22,135)</u>
Total Expenses	<u>163,694,102</u>	<u>157,289,561</u>	<u>6,404,541</u>
Change in net position	(7,185,221)	5,766,701	(12,951,922)
Net position - beginning	106,955,056	101,188,355	5,766,701
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>
Net position - ending	<u>\$ 99,769,835</u>	<u>\$106,955,056</u>	<u>\$ (7,185,221)</u>

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

The total cost of all programs and services increased by \$6,404,541. A large part of the increase is due to the increase in employee compensation which was funded by local and state federal revenues, Food Service costs, and costs associated with plant maintenance.

The cost of all governmental activities this year was \$163,694,102. However, as shown above in Table A-2, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$43,840,432 (property taxes) because costs in the amount of \$26,579,446 were paid by those who directly benefitted from the programs, and \$75,495,468 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 \$31,177,995, while total fund balance reached \$67,355,532.

The fund balance of the District's general fund resulted in a net increase of \$1,475,280 during the current fiscal year. The key factor in this net increase is associated with instructional costs, facilities, acquisitions, and ongoing construction.

Revenues from governmental fund types totaled \$155,623,980. The net decrease of \$5,808,747 in revenues is a result of the decrease 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 \$2,415,388, or 1.85%. 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, 2017 amounts to \$300,347,122 (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 of District Technology Building
- * Renovation of Southwest High School Phase I
- * Purchase of school busses
- * Completion of construction at Legacy High School

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

	<u>August 31, 2017</u>	<u>August 31, 2016</u>	<u>Variance</u>
Land	\$ 7,018,602	\$ 6,694,798	\$ 323,804
Buildings and improvements	408,676,343	316,941,083	91,735,260
Furniture and equipment	28,272,309	27,019,987	1,252,322
Construction in progress	<u>2,751,968</u>	<u>81,965,139</u>	<u>(79,213,171)</u>
Totals at historical cost	446,719,222	432,621,007	14,098,215
Total accumulated depreciation	<u>(146,372,100)</u>	<u>(132,830,750)</u>	<u>(13,541,350)</u>
Net Capital Assets	<u>\$300,347,122</u>	<u>\$299,790,257</u>	<u>\$ 556,865</u>

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

The District’s local 2018 capital budget projects spending \$1.7 million for capital projects across the District. These following projects are financed through Local Funds which includes furniture, fixtures and equipment for Legacy High School, Southwest High School Phase II, technology infrastructure at Southwest High School and furniture, fixtures and equipment at Southwest High School.

The District anticipates spending 2016 bond funds in the amount of \$7 million for completing Legacy High School, Southwest High School renovation Phase I and II, purchase busses and purchase technology devices for students.

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 \$266,706,052 versus \$274,015,563 in the prior year, a decrease of 2.67 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, 2017</u>	<u>August 31, 2016</u>	<u>Variance</u>
Bonds payable	\$233,055,908	\$239,041,491	\$ (5,985,583)
Unamortized premiums/discounts	25,650,144	26,974,072	(1,323,928)
Maintenance tax note payable	<u>8,000,000</u>	<u>8,000,000</u>	-
Total Long-Term Debt	<u>\$266,706,052</u>	<u>\$274,015,563</u>	<u>\$ (7,309,511)</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 2017/2018 budget preparation will increase approximately by \$149,806,616 million from 2017.
- * The District's 2017/2018 average daily attendance (ADA) growth is expected to be 100 students, a minimal increase of 1%.

These indicators were taken into account when adopting the general fund budget for 2017/2018. Amounts available for appropriation in the general fund budget are an increase of 8% percent over the final expenditures of \$120,377,723. 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 2017 legislature. The District will use these increases in revenues to finance programs it currently offers.

Expenditures are budgeted to increase a mere 1 percent or \$1,512,617. This slight increase in the budget includes a one-time retention incentive to be paid to all employees within the 2017-2018 school year.

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, 2017

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 31,231,564
1120 Current Investments	56,215,152
1220 Property Taxes Receivable (Delinquent)	2,561,563
1230 Allowance for Uncollectible Taxes	(384,235)
1240 Due from Other Governments	3,714,323
1250 Accrued Interest	108,569
1267 Due from Fiduciary Funds	12
1290 Other Receivables, net	92,286
1300 Inventories	523,011
Capital Assets:	
1510 Land	7,018,602
1520 Buildings, Net	282,800,481
1530 Furniture and Equipment, Net	7,776,071
1580 Construction in Progress	2,751,968
1800 Restricted Assets	563,416
1000 Total Assets	394,972,783
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	5,570,293
1705 Deferred Outflow Related to TRS	13,446,584
1700 Total Deferred Outflows of Resources	19,016,877
LIABILITIES	
2110 Accounts Payable	3,484,178
2140 Interest Payable	825,146
2150 Payroll Deductions & Withholdings	840,184
2160 Accrued Wages Payable	4,131,344
2180 Due to Other Governments	334,117
2200 Accrued Expenses	101,074
2300 Unearned Revenue	382,887
Noncurrent Liabilities	
2501 Due Within One Year	7,305,000
2502 Due in More Than One Year	259,401,053
2540 Net Pension Liability (District's Share)	35,374,865
2000 Total Liabilities	312,179,848
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	2,039,977
2600 Total Deferred Inflows of Resources	2,039,977
NET POSITION	
3200 Net Investment in Capital Assets	48,203,432
3820 Restricted for Federal and State Programs	1,752,358
3850 Restricted for Debt Service	7,432,753
3890 Restricted for Other Purposes	1,698,125
3900 Unrestricted	40,683,167
3000 Total Net Position	\$ 99,769,835

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, 2017

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	Primary Gov.
				Governmental
				Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 86,144,127	\$ 1,101,821	\$ 10,428,127	\$ (74,614,179)
12 Instructional Resources and Media Services	2,535,083	-	127,965	(2,407,118)
13 Curriculum and Staff Development	2,806,588	-	1,608,504	(1,198,084)
21 Instructional Leadership	2,958,231	-	365,970	(2,592,261)
23 School Leadership	8,210,270	-	422,849	(7,787,421)
31 Guidance, Counseling and Evaluation Services	4,216,645	-	500,932	(3,715,713)
32 Social Work Services	1,349,152	-	168,477	(1,180,675)
33 Health Services	1,634,909	-	102,557	(1,532,352)
34 Student (Pupil) Transportation	5,588,356	-	263,134	(5,325,222)
35 Food Services	10,187,720	1,146,392	8,144,876	(896,452)
36 Extracurricular Activities	5,194,926	307,184	73,770	(4,813,972)
41 General Administration	4,192,337	-	167,624	(4,024,713)
51 Facilities Maintenance and Operations	14,317,581	515,123	769,291	(13,033,167)
52 Security and Monitoring Services	1,429,007	16,445	94,739	(1,317,823)
53 Data Processing Services	2,091,077	-	118,922	(1,972,155)
61 Community Services	397,419	1,214	58,574	(337,631)
72 Debt Service - Interest on Long Term Debt	9,864,437	-	-	(9,864,437)
73 Debt Service - Bond Issuance Cost and Fees	5,521	-	-	(5,521)
81 Capital Outlay	114,137	-	-	(114,137)
93 Payments related to Shared Services Arrangements	158,442	-	74,956	(83,486)
95 Payments to Juvenile Justice Alternative Ed. Prg.	36,000	-	-	(36,000)
99 Other Intergovernmental Charges	262,137	-	-	(262,137)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 163,694,102	\$ 3,088,179	\$ 23,491,267	(137,114,656)

Data	General Revenues:		
Control			
Codes			
	Taxes:		
MT	Property Taxes, Levied for General Purposes		34,822,337
DT	Property Taxes, Levied for Debt Service		9,018,095
SF	State Aid - Formula Grants		75,495,468
GC	Grants and Contributions not Restricted		8,421,431
IE	Investment Earnings		922,398
MI	Miscellaneous Local and Intermediate Revenue		1,249,706
TR	Total General Revenues		129,929,435
CN	Change in Net Position		(7,185,221)
NB	Net Position - Beginning		106,955,056
NE	Net Position--Ending		\$ 99,769,835

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 10,615,767	\$ 2,784,426	\$ 16,838,571
1120 Investments - Current	55,965,052	-	-
1220 Property Taxes - Delinquent	2,005,197	556,366	-
1230 Allowance for Uncollectible Taxes (Credit)	(300,780)	(83,455)	-
1240 Receivables from Other Governments	2,242,332	-	-
1250 Accrued Interest	108,569	-	-
1260 Due from Other Funds	3,144,594	39,112	-
1290 Other Receivables	88,577	-	-
1300 Inventories	357,640	-	-
1800 Restricted Assets	563,416	-	-
1000 Total Assets	<u>\$ 74,790,364</u>	<u>\$ 3,296,449</u>	<u>\$ 16,838,571</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,112,409	\$ -	\$ 2,276,208
2150 Payroll Deductions and Withholdings Payable	840,184	-	-
2160 Accrued Wages Payable	3,680,882	-	-
2170 Due to Other Funds	191,405	3,000,000	-
2180 Due to Other Governments	-	334,117	-
2200 Accrued Expenditures	70,947	-	-
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>5,895,827</u>	<u>3,334,117</u>	<u>2,276,208</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,539,005	412,121	-
2600 Total Deferred Inflows of Resources	<u>1,539,005</u>	<u>412,121</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	357,640	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	14,562,363
3480 Retirement of Long-Term Debt	7,432,753	-	-
3490 Other Restricted Fund Balance	1,175,114	-	-
Committed Fund Balance:			
3510 Construction	18,309,758	-	-
3545 Other Committed Fund Balance	8,902,272	-	-
3600 Unassigned Fund Balance	31,177,995	(449,789)	-
3000 Total Fund Balances	<u>67,355,532</u>	<u>(449,789)</u>	<u>14,562,363</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 74,790,364</u>	<u>\$ 3,296,449</u>	<u>\$ 16,838,571</u>

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

Other Funds	Total Governmental Funds
\$ 992,800	\$ 31,231,564
250,100	56,215,152
-	2,561,563
-	(384,235)
1,471,991	3,714,323
-	108,569
7,711	3,191,417
3,709	92,286
165,371	523,011
-	563,416
<u>\$ 2,891,682</u>	<u>\$ 97,817,066</u>
\$ 95,561	\$ 3,484,178
-	840,184
450,462	4,131,344
-	3,191,405
-	334,117
30,127	101,074
382,887	382,887
<u>959,037</u>	<u>12,465,189</u>
-	1,951,126
<u>-</u>	<u>1,951,126</u>
165,371	523,011
1,752,358	1,752,358
-	14,562,363
-	7,432,753
-	1,175,114
-	18,309,758
14,916	8,917,188
-	30,728,206
<u>1,932,645</u>	<u>83,400,751</u>
<u>\$ 2,891,682</u>	<u>\$ 97,817,066</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2017

Total Fund Balances - Governmental Funds	\$ 83,400,751
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 \$432,621,007 and the accumulated depreciation was (\$132,830,750). In addition, long-term liabilities, including bonds payable of (\$236,448,290) and loans payable of (\$8,000,000), are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	55,341,967
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 2017 capital outlays of \$14,265,343 and debt principal payments of \$6,890,000 is to increase net position.	21,155,343
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of (\$35,374,865), a Deferred Resource Inflow related to TRS in the amount of (\$2,039,977) and a Deferred Resource Outflow related to TRS in the amount of \$13,446,584. This net effect of recording these pension related accounts is to decrease net position.	(23,968,258)
4 The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(13,708,478)
5 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 \$1,951,126 as revenue, recognizing unamortized losses on bond refundings of \$5,570,293, recognizing unamortized bond premium of (\$25,650,144), recognizing accumulated accretion on capital appreciation bonds of (\$3,497,619), and recognizing the liabilities associated with maturing long-term debt interest of (\$825,146). The net effect of these reclassifications and recognitions is to decrease net position.	(22,451,490)
19 Net Position of Governmental Activities	\$ 99,769,835

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, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 38,600,072	\$ 9,199,887	\$ 142,538
5800 State Program Revenues	81,032,996	5,345,778	-
5900 Federal Program Revenues	2,219,935	-	-
5020 Total Revenues	<u>121,853,003</u>	<u>14,545,665</u>	<u>142,538</u>
EXPENDITURES:			
Current:			
0011 Instruction	66,906,701	-	969,622
0012 Instructional Resources and Media Services	2,313,711	-	-
0013 Curriculum and Instructional Staff Development	1,098,549	-	-
0021 Instructional Leadership	2,558,135	-	-
0023 School Leadership	7,407,251	-	-
0031 Guidance, Counseling and Evaluation Services	3,535,487	-	-
0032 Social Work Services	1,178,272	-	-
0033 Health Services	1,485,613	-	-
0034 Student (Pupil) Transportation	4,931,353	-	507,269
0035 Food Services	259,695	-	-
0036 Extracurricular Activities	5,303,032	-	-
0041 General Administration	4,067,851	-	-
0051 Facilities Maintenance and Operations	12,982,039	-	-
0052 Security and Monitoring Services	1,379,167	-	-
0053 Data Processing Services	1,734,622	-	-
0061 Community Services	316,528	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	6,890,000	-
0072 Interest on Long Term Debt	20,000	9,899,379	-
0073 Bond Issuance Cost and Fees	3,600	1,921	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	2,514,494	-	10,357,133
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	83,486	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	36,000	-	-
0099 Other Intergovernmental Charges	262,137	-	-
6030 Total Expenditures	<u>120,377,723</u>	<u>16,791,300</u>	<u>11,834,024</u>
1200 Net Change in Fund Balances	1,475,280	(2,245,635)	(11,691,486)
0100 Fund Balance - September 1 (Beginning)	<u>65,880,252</u>	<u>1,795,846</u>	<u>26,253,849</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 67,355,532</u>	<u>\$ (449,789)</u>	<u>\$ 14,562,363</u>

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

	Other Funds	Total Governmental Funds
\$	1,188,829	\$ 49,131,326
	1,023,427	87,402,201
	16,870,518	19,090,453
	19,082,774	155,623,980
	7,364,177	75,240,500
	-	2,313,711
	1,523,173	2,621,722
	246,083	2,804,218
	21,643	7,428,894
	297,049	3,832,536
	107,967	1,286,239
	-	1,485,613
	-	5,438,622
	8,945,781	9,205,476
	7,863	5,310,895
	-	4,067,851
	334,333	13,316,372
	-	1,379,167
	-	1,734,622
	48,959	365,487
	-	6,890,000
	-	9,919,379
	-	5,521
	-	12,871,627
	74,956	158,442
	-	36,000
	-	262,137
	18,971,984	167,975,031
	110,790	(12,351,051)
	1,821,855	95,751,802
\$	1,932,645	\$ 83,400,751

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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	(12,351,051)
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 2017 capital outlays of \$14,265,343 and debt principal payments of \$6,890,000 is to increase net position.		21,155,343
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.		(13,708,478)
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 as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy of (\$30,611), recognizing current year amortization of accounting losses of (\$391,276), recognizing amortization of bond premium of \$1,323,928, recognizing current year accretion on capital appreciation bonds of (\$904,417), recognizing the change in liabilities associated with maturing long-term debt and interest \$26,706. The net effect of these reclassifications and recognitions is to increase net position.		24,330
Current year changes due to GASB 68 resulted in an increase in the net pension liability of (\$1,601,334), a decrease in deferred resource inflows of \$473,698, and a decrease in deferred resource outflows of (\$1,177,729). The impact of these items is to decrease net position.		(2,305,365)
Change in Net Position of Governmental Activities	\$	(7,185,221)

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, 2017

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 289,310
Total Assets	<u>\$ 289,310</u>
 LIABILITIES	
Due to Other Funds	\$ 12
Due to Student Groups	289,298
Total Liabilities	<u>\$ 289,310</u>

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

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 (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *GASB Statement No. 76* 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.

Pensions. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS’s fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of August 31, 2017, Southwest Independent School District retrospectively/prospectively applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

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," that is, when they are both measurable and available. The District considers them "available" if they are collected within 60 days of the end of the fiscal year. 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.

Agency funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

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. **Debt Service Funds** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

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.

Fiduciary Funds:

2. **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	\$ 357,640
Inventories in the food service fund	<u>165,371</u>
Total nonspendable	<u>523,011</u>

Restricted

Debt service	7,432,753
Capital acquisition	14,562,363
Federal or State fund grant restrictions	1,752,358
Scholarship Fund	<u>1,175,114</u>
Total restricted	<u>24,922,588</u>

Committed

Future construction needs	18,309,758
Infrastructure needs	8,902,272
Campus Activity Funds	<u>14,916</u>
Total committed	<u>27,226,946</u>

Unassigned 30,728,206

Total Fund Balances \$ 83,400,751

The District had a negative fund balance in its Debt Service Fund in the amount of \$449,789 for the year ended August 31, 2017. The District's General Fund will supplement the Debt Service Fund in the event that revenues net of expenditures are not adequate in fiscal year 2018.

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 addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources consist of deferred charges for pension contributions made after the measurement date of August 31, 2016 and during the District's current reporting period, differences between the expected and actual economic experience in the pension plan and changes in actuarial assumptions.
8. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. In the government wide financial statements, the District reports the deferred inflows for pension for the District's proportionate share of the deferred inflow for the difference between the projected and actual investment earnings in the pension plan.

9. 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.

10. 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.
11. 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-2 and J-3.

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, 2017	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 1,917,729
Nonappropriated Budget Funds	<u>14,916</u>
All Special Revenue Funds	<u>\$ 1,932,645</u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risks for deposits.

At year end, the District had funds on deposit of \$10,132,002 in excess of FDIC coverage, secured by pledged securities of the depository bank.

There were several times during the year in which the District was exposed to custodial risk due to deposits exceeding both the FDIC insurance and pledged securities by the depository bank. The cause of the under pledge of securities was the result of the District transferring money from its investment accounts to cover its normal check or payroll runs. The under pledged amounts normally did not exceed one day as the bank was able to pledge the required securities to make up the deficiency.

As of August 31, 2017, Southwest Independent School District had the following cash and cash equivalents.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More Than 10 Years</u>	<u>Credit Rating</u>
Collateralized Demand Deposit Accounts	\$ 10,632,002	\$ 10,632,002	\$ -	\$ -	\$ -	AAM
2a7 - Like Local Government Pools	<u>21,452,288</u>	<u>21,452,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	AAM
Total Cash and Cash Equivalents	<u>\$ 32,084,290</u>	<u>\$ 32,084,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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 and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditor's 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.

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

Credit Risk

Texas state law and the Southwest Independent School District's Board adopted Investment Policy place high credit quality and the safety it provides as a priority in its investment process. Credit minimums are set for appropriate investment types and a procedure is included in the policy for monitoring, disclosing and acting on credit downgrades. Risk is controlled by investment only in the highest credit quality investments as defined by Policy. The investments primary objective is to ensure that capital losses are avoided, whether from security defaults or erosion of market value.

Credit risk within authorized investments of the District's portfolio is limited by strong controls within the adopted policy.

Depository certificates of deposit are authorized only in Texas banks and must be fully insured by the FDIC or collateralized in accordance with policy. Collateral is required at a 102% margin (and 110% for mortgage-backed collateral) with securities priced at market on a monthly basis as a contractual responsibility of the bank. Collateral is restricted by State law. Independent safekeeping of collateral is required outside the bank holding company with monthly reporting from the custodian. Maximum stated maturity is set at two years. The authorization also includes CD spread programs which maintain all funds under the FDIC insurance levels.

Share certificates from credit unions are authorized from Texas institutions and insured by the National Credit Union Insurance Fund with a maximum stated maturity of two years.

State law and the 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.

Bankers acceptances are authorized if designed as prime.

Commercial paper is restricted by Policy and state law to a credit rating of A1/P1 or equivalent by at least two nationally recognized rating agencies. Policy restricts the securities to 90 days to stated maturity.

SEC-registered money market mutual funds which strive to maintain a \$1 NAV are further restricted by policy to those which are AAA-rated and limited to only those invested in District authorized investments.

Brokered certificates of deposit are authorized for banks with the U.S. if fully FDIC insured and delivered versus payment to the District's safekeeping agent. FDIC status must be verified and the maximum maturity is limited to one year. The adopted Policy also requires a procedure to verify continued FDIC insurance weekly.

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 (3) years.

Policy authorized local government investment pools must, by policy and state law, be AAA or equivalent rated.

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

All time and demand deposits are required to be FDIC insured or collateralized to 102% (110% if mortgage-backed securities). They must be from eligible depositories doing business in Texas and under the terms of a written collateral agreement. The bank is responsible for monitoring and maintaining the collateral margins.

The state law (2256.015) and the District's adopted policy restrict guaranteed investment contracts (GIC) 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 the GIC must be competitively bid.

The maximum average weighted maturity for the total portfolio is twelve (12) months and the maximum stated maturity for any investment is three (3) years by policy.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More Than 10 Years</u>	<u>Credit Rating</u>
Insured or Collateralized CDs	\$ 247,958	\$ 247,958	\$ -	\$ -	\$ -	AAA
Municipal Bonds	1,135,000	-	-	1,135,000	-	AAA
Commercial Paper						AAA
U.S. Treasury Notes and Bills	1,998,960	1,998,960	-	-	-	AAA
U.S. Agencies	52,833,234	7,432,753	45,400,481	-	-	AAA
Federal Home Loan Bank						AAA
Total Investments	<u>\$ 56,215,152</u>	<u>\$ 9,679,671</u>	<u>\$ 45,400,481</u>	<u>\$ 1,135,000</u>	<u>\$ -</u>	

As of August 31, 2017:

- U.S. Treasury obligations represented 2.44% of the total portfolio,
- U.S. agency securities from two agencies represented 55.32% of the total portfolio,
- municipal obligations represented 1.38% of the total portfolio,
- funds invested in local government investment pools represented 26.13% of the total portfolio,
- FDIC insured and collateralized demand deposit accounts represented 14.43% of the total portfolio, and
- Fully FDIC insured brokered certificates of deposit represented 0.30% of the total portfolio.

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.

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 365 days.

As of August 31, 2017, the portfolio contained:

- eight U.S. agency quarterly callable securities,
- one U.S. agency monthly callable security,
- one U.S. agency one-time callable security, and
- the dollar weighted average maturity of the total portfolio was 292 days.

As of August 31, 2017, the portfolio contained ten structured notes or other structures presenting interest rate risk. See below for a listing of the structured notes.

Inv. #	Cusip	Issuer	Coupon	Par	Purchase Date	Maturity Date	Call Date	Structure	Book Value	Market Value
<u>Quarterly Callable Securities:</u>										
10277	3134G9KU0	FHLMC	1.000%	\$ 2,000,000	05/25/16	05/25/18	11/25/17	Callable quarterly with 5 business days notice	\$ 2,000,000	\$ 1,996,642
10278	3134G9JK4	FHLMC	1.125%	3,000,000	05/26/16	11/26/18	11/26/17	Callable quarterly with 5 business days notice	3,000,000	2,990,283
10279	3136G3MH5	FNMA	1.250%	2,000,000	05/27/16	05/30/19	11/30/17	Callable quarterly with 10 business days notice	1,999,903	1,978,952
10286	3134G9Q67	FHLMC	1.050%	3,000,000	07/27/16	07/27/18	10/27/17	Callable quarterly with 5 business days notice	3,000,000	2,993,574
10288	3134GACF9	FHLMC	1.100%	3,000,000	08/23/16	08/23/18	11/23/17	Callable quarterly with 5 business days notice	3,000,000	2,992,026
10293	3134GAQT4	FHLMC	1.000%	2,000,000	10/17/16	01/17/19	10/17/17	Callable quarterly with 5 business days notice	2,000,000	1,989,888
10295	3134GASE5	FHLMC	1.050%	2,000,000	10/28/16	10/26/18	10/26/17	Callable quarterly with 5 business days notice	2,000,000	1,993,182
10296	3134GARV8	FHLMC	1.300%	2,000,000	10/28//16	10/25/19	10/25/17	Callable quarterly with 5 business days notice	2,000,000	1,991,752
<u>Monthly Callable Securities:</u>										
10303	3132X0SB8	FAMCA	1.250%	5,000,000	04/19/17	04/19/18	10/19/17	Callable monthly with 5 business days notice	5,000,000	4,998,875
<u>One-Time Callable Securities: (Past Call Date)</u>										
10284	3134G9UY1	FHLMC	1.000%	1,000,000	06/29/16	06/29/18	12/29/16	Callable only on the call date with 5 business days notice	<u>1,000,000</u>	<u>997,810</u>
Total									<u>\$24,999,903</u>	<u>\$24,922,984</u>

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. Repurchase agreements and 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, 2017,

- the portfolio contained one FDIC insured brokered certificate 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.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting policies. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Southwest Independent School District has the following recurring fair value measurements as of August 31, 2017:

- * Insured collateralized certificates of deposit of \$247,958 are valued using quoted market prices (Level 1 inputs),
- * Municipal bonds of \$1,135,000 are valued using quoted market prices (Level 1 inputs),
- * U.S. treasury notes and bills of \$1,998,960 are valued using quoted market prices (Level 1 inputs), and
- * U.S. agency securities of \$52,833,234 are valued using quoted market prices (Level 1 inputs).

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, 2017, the District has letter of credit in the amount of \$563,416. These amounts are reported as restricted cash on the District's financial statements. The letter of credit between the District and Bexar County is related to the District's portion of road improvements and is scheduled to terminate in the following year.

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 prorated between maintenance and debt service 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, 2017 consisted of the following amounts:

Due to General Fund From:

Debt Service Funds	\$ 3,000,000
Nonmajor Governmental Funds	-
Intrafund	144,582
Fiduciary Funds	<u>12</u>
Total Due to General Fund From Other Funds	<u>3,144,594</u>

Due to Debt Service Fund From:

General Fund	39,112
Capital Projects Fund	<u>-</u>
Total Due to Debt Service Fund From Other Funds	<u>39,112</u>

Due to Nonmajor Governmental Funds From:

General Fund	\$ <u>7,711</u>
Total Due to Nonmajor Governmental Funds	\$ <u>7,711</u>
Total	\$ <u>3,191,417</u>

There were no transfers made during the year.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2017 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	\$ 2,005,197	\$ 2,242,332	\$ 108,569	\$ 3,144,594	\$ 88,577	\$ 7,589,269
Debt Service	556,366	-	-	39,112	-	595,478
Nonmajor Governmental Funds	-	1,471,991	-	7,711	3,709	1,483,411
Total - Governmental Activities	<u>\$ 2,561,563</u>	<u>\$ 3,714,323</u>	<u>\$ 108,569</u>	<u>\$ 3,191,417</u>	<u>\$ 92,286</u>	<u>\$ 9,668,158</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 384,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 384,235</u>

Payables at August 31, 2017 were as follows:

	<u>Accounts Payable</u>	<u>Interest Payable</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$ 1,112,409	\$ -	\$ 4,521,066	\$ 191,405	\$ -	\$ 5,824,880
Debt Service	-	-	-	3,000,000	334,117	3,334,117
Capital Projects	2,276,208	-	-	-	-	2,276,208
Nonmajor Gov. Funds	95,561	-	450,462	-	-	546,023
Total - Gov. Activities	<u>\$ 3,484,178</u>	<u>\$ -</u>	<u>\$ 4,971,528</u>	<u>\$ 3,191,405</u>	<u>\$ 334,117</u>	<u>\$ 11,981,228</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended August 31, 2017 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Adjustments Retirements	
Governmental activities:				
Land	\$ 6,694,798	\$ 323,804	\$ -	\$ 7,018,602
Buildings and improvements	316,941,083	9,770,121	81,965,139	408,676,343
Equipment	27,019,987	1,419,450	(167,128)	28,272,309
Construction in Progress	<u>81,965,139</u>	<u>2,751,968</u>	<u>(81,965,139)</u>	<u>2,751,968</u>
Total at historical cost	<u>432,621,007</u>	<u>14,265,343</u>	<u>(167,128)</u>	<u>446,719,222</u>
Less accumulated depreciation				
Buildings and improvements	(113,860,129)	(12,015,733)	-	(125,875,862)
Equipment	<u>(18,970,621)</u>	<u>(1,692,745)</u>	<u>167,128</u>	<u>(20,496,238)</u>
Total accumulated depreciation	<u>(132,830,750)</u>	<u>(13,708,478)</u>	<u>167,128</u>	<u>(146,372,100)</u>
Governmental activities capital assets, net	<u>\$299,790,257</u>	<u>\$ 556,865</u>	<u>\$ -</u>	<u>\$300,347,122</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 9,188,555
Instructional Resources & Media Services	180,728
Curriculum & Instructional Staff Development	101,663
Instructional and School Leadership	83,690
School Leadership	594,669
Guidance, Counseling & Evaluation Services	276,294
Social Work Services	27,787
Health Services	107,664
Student Transportation	606,454
Food Service	786,919
Extracurricular Activities	352,854
General Administration	58,444
Plant Maintenance and Operations	937,726
Security Services	51,357
Data Processing Services	327,002
Community Services	<u>26,672</u>
Total Depreciation Expense	<u>\$ 13,708,478</u>

G. BONDS PAYABLE

Bonded 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, 2017 is as follows:

Description	Final Maturity	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 9/1/2016	Issued	Retired/ Refunded	Amounts Outstanding 8/31/2017	Amounts Due Within One Year
Unlimited Tax Refunding Bonds, Series 2005	2025	5.00%- 5.25%	\$ 21,630,000	\$ 320,775	\$ 6,110,000	\$ -	\$ -	\$ 6,110,000	\$ -
Unlimited Tax School Building Bonds, Series 2008	2038	3.75%- 5.25%	22,000,000	28,880	940,000	-	460,000	480,000	480,000
Unlimited Tax Refunding Bonds, Series 2010	2020	3.00%	6,830,000	123,300	4,665,000	-	1,110,000	3,555,000	1,145,000
Unlimited Tax School Building Bonds, Series 2013	2043	1.00%- 5.00%	81,828,289	3,028,450	79,678,289	-	-	79,678,289	-
Unlimited Tax School Building and Refunding Bonds, Series 2014	2043	2.00%- 5.00%	91,695,000	4,186,450	86,990,000	-	1,220,000	85,770,000	1,265,000
Unlimited Tax Refunding Bonds, Series 2016	2027	1.50%- 5.00%	22,995,000	883,125	22,995,000	-	2,860,000	20,135,000	2,940,000
Unlimited Tax School Building and Refunding Bonds, Series 2016	2038	2.125%- 5.00%	35,070,000	1,328,399	35,070,000	-	1,240,000	33,830,000	1,240,000
Totals				9,899,379	236,448,289	-	6,890,000	229,558,289	7,070,000
Capital Appreciation Bonds									
C.A.B. Accreted Interest Series 2013				-	2,593,202	904,417	-	3,497,619	-
Total All Bonds				\$ 9,899,379	\$239,041,491	\$ 904,417	\$ 6,890,000	\$229,558,289	\$ 7,070,000

On July 1, 2016, the District issued \$16,940,000 (refunding portion) of Unlimited Tax Building & Refunding Bonds, Series 2016. The proceeds of the bonds were used for refunding the following Series:

<u>Series</u>	<u>Maturities</u>	<u>Amount</u>	<u>Average Interest Rate</u>
U/L Tax Sch Bldg Bonds, Series 2008	02/15/2019 through 02/01/2038	\$ 17,795,000	4.9992485%

The total bonds refunded had an average interest rate of 4.9992485% and were replaced with bonds that have an average interest rate of 3.8539165%. The cash flow savings to the District as a result of the refunding was \$4,316,647. The net present value savings is \$3,176,191. 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 refunding bonds through 2038. As a result, those portions of the bonds refunded were considered defeased and the liability for those bonds has been removed from the District's long-term debt account group. The call dates on the defeased bonds are as follows:

<u>Series</u>	<u>Call Date</u>
U/L Tax Sch Bldg Bonds, Series 2008	02/15/2018

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

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ 7,305,000	\$ 9,720,503	\$ 17,025,503
2019	7,585,000	9,468,613	17,053,613
2020	7,775,000	9,163,550	16,938,550
2021	8,200,000	8,801,538	17,001,538
2022	7,405,000	8,428,231	15,833,231
2023-2027	41,875,000	36,191,336	78,066,336
2028-2032	52,470,000	25,236,500	77,706,500
2033-2037	64,270,000	11,378,550	75,648,550
2038-2042	28,967,834	33,396,991	62,364,825
2043	<u>3,705,455</u>	<u>8,604,645</u>	<u>12,310,100</u>
Totals	<u>\$229,558,289</u>	<u>\$160,390,457</u>	<u>\$389,948,746</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, 2017 the District had invested \$7,432,753 in escrow with the Bank of New York.

A summary of changes in loan payable for the year ended August 31, 2017 is as follows:

Description	Final Maturity	Interest Rate Payable	Amount Original Issue	Interest Current Year	Amount Outstanding 9/1/2016	Issued	Retired	Amount Outstanding 8/31/2017
Maintenance Tax Note Series 2003	2018	0.25%	<u>\$8,000,000</u>	<u>\$ 20,000</u>	<u>\$8,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,000,000</u>

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

Year Ending August 31,	Principal	Interest	Total Requirements
2018	<u>\$ 389,377</u>	<u>\$ 20,000</u>	<u>\$ 409,377</u>
Totals	<u>\$ 389,377</u>	<u>\$ 20,000</u>	<u>\$ 409,377</u>

I. CHANGES IN LONG-TERM LIABILITIES

Following is a summary of changes in long-term liabilities for the year ended August 31, 2017:

	<u>Amount Outstanding 9/1/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 8/31/17</u>	<u>Due Within One Year</u>
Bonds Payable	\$239,041,491	\$ 904,417	\$ 6,890,000	\$233,055,908	\$ 7,070,000
Add/(Less) Deferred Amounts:					
Net Issuance Premiums/ Discounts	<u>26,974,072</u>	<u>-</u>	<u>1,323,928</u>	<u>25,650,144</u>	<u>-</u>
Total Bonds Payable	266,015,563	904,417	8,213,928	258,706,052	7,070,000
Notes Payable	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>8,000,000</u>	<u>-</u>
	<u>\$274,015,563</u>	<u>\$ 904,417</u>	<u>\$ 8,213,928</u>	<u>\$266,706,052</u>	<u>\$ 7,070,000</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, 2017.

J. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2017, as follows:

2018	\$ 322,880
Thereafter	<u>-</u>
Total Minimum Rentals	<u>\$ 322,880</u>
Rental Expenditures for Fiscal Year 2017	<u>\$ 321,440</u>

K. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

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

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

L. DEFINED BENEFIT PENSION PLAN

Plan Description. The Southwest Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)542-6592.

Benefits Provided TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer rates for fiscal years 2016 and 2017.

Contribution Rates

	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Southwest ISD 2017 Employer Contributions	\$ 3,118,799	
Southwest ISD 2017 Member Contributions	7,044,630	
Southwest ISD 2017 NECE On-Behalf Contributions	4,124,004	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- * On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- * During a new member’s first 90 days of employment.
- * When any part or all of an employee’s salary is paid by federal funding sources or a privately sponsored source.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- * When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- * When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions. The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.0%
Long-term expected Investment Rate of Return	8.0%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Rate of Return	Expected Contribution to Long-term Portfolio Returns*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase in Discount Rate (9%)</u>
Southwest ISD's proportionate share of the net pension liability:	<u>\$ 54,748,375</u>	<u>\$ 35,374,865</u>	<u>\$ 18,942,213</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2017, Southwest Independent School District reported a liability of \$35,374,865 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Southwest Independent School District. The amount recognized by Southwest Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Southwest Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 35,374,865
State's proportionate share that is associated with the District	<u>48,951,292</u>
Total	<u>\$ 84,326,157</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was .00093613% which was a decrease of .00001931% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2017, Southwest Independent School District recognized pension expense of \$5,079,977 and revenue of \$5,079,977 for support provided by the State in the Government-wide Statement of Activities.

At August 31, 2017, Southwest Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 554,671	\$ 1,056,273
Changes in actuarial assumptions	1,078,162	980,544
Differences between projected and actual investment earnings	2,995,471	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	5,699,481	3,160
Contributions paid to TRS subsequent to the measurement date	<u>3,118,799</u>	<u>-</u>
Total	<u>\$ 13,446,584</u>	<u>\$ 2,039,977</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended August 31</u>	<u>Pension Expense Amount</u>
2018	\$ 1,424,637
2019	1,424,637
2020	3,335,294
2021	1,277,838
2022	720,885
Thereafter	104,517

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 2017-2015.

<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>
2017	.65%	\$ 594,680	1.0%	\$ 914,888	.55%	\$ 503,193
2016	.65%	\$ 573,210	1.0%	\$ 881,855	.55%	\$ 485,019
2015	.65%	\$ 539,419	1.0%	\$ 829,875	.55%	\$ 456,428

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 2015, 2016, and 2017 were \$348,872, \$335,542, and \$270,193.

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, 2017, 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 \$350 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, 2017 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 \$2,709,935.

R. UNAVAILABLE/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	\$ -	\$ -	\$ 361,878	\$ 361,878
Federal Revenue	<u>-</u>	<u>-</u>	<u>21,009</u>	<u>21,009</u>
Total Deferred Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,887</u>	<u>\$ 382,887</u>

S. RECEIVABLE 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, 2017, 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	\$ 2,199,158	\$ -	\$ 43,174	\$ 2,242,332
Debt Service Fund	-	-	-	-
Other Funds	<u>167,337</u>	<u>1,304,654</u>	<u>-</u>	<u>1,471,991</u>
Total	<u>\$ 2,366,495</u>	<u>\$ 1,304,654</u>	<u>\$ 43,174</u>	<u>\$ 3,714,323</u>

T. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property Taxes	\$ 34,819,095	\$ -	\$ -	\$ 9,051,948	\$ 43,871,043
Penalties, Interest and Other					
Tax-related Income	433,940	-	-	129,685	563,625
Tuition and Fees	1,214	-	-	-	1,214
Investment Income	751,892	142,538	9,715	18,254	922,399
Rent	24,461				24,461
Gifts and Bequests	626,904	-	-	-	626,904
Food Sales	-	-	1,146,392	-	1,146,392
Insurance Recovery	59,175	-	-	-	59,175
Extracurricular Student Activities	163,039	-	-	-	163,039
Enterprising Activities	108,564	-	-	-	108,564
Other	<u>1,611,788</u>	<u>-</u>	<u>32,722</u>	<u>-</u>	<u>1,644,510</u>
Total	<u>\$ 38,600,072</u>	<u>\$ 142,538</u>	<u>\$ 1,188,829</u>	<u>\$ 9,199,887</u>	<u>\$ 49,131,326</u>

U. GENERAL FUND FEDERAL SOURCES REVENUE

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
Donation of Federal Surplus Personal Property	39.003	\$ 3,651
School Health and Related Services (SHARS) Program	N/A	1,477,961
Star Base Kelly	Unknown	208,231
ROTC	Unknown	131,860
NSA Cyber Patriot Grant	12.903	103,538
Indirect Cost:		
ESEA Title I, Part A	84.010A	241,252
IDEA-B Formula	84.027A	12,514
IDEA-B Preschool	84.173A	145
Vocational Education Basic Formula Grant	84.048A	9,456
Title II, Part A-Teacher & Principal Training & Recruiting	84.367A	28,326
ESEA Title III, Part A-LEP	84.365A	<u>3,000</u>
Total		<u>\$ 2,219,934</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 36,987,335	\$ 37,551,702	\$ 38,600,072	\$ 1,048,370
5800	State Program Revenues	80,807,687	82,007,687	81,032,996	(974,691)
5900	Federal Program Revenues	2,100,000	2,268,803	2,219,935	(48,868)
5020	Total Revenues	119,895,022	121,828,192	121,853,003	24,811
EXPENDITURES:					
Current:					
0011	Instruction	68,637,659	69,893,787	66,906,701	2,987,086
0012	Instructional Resources and Media Services	2,117,410	2,397,640	2,313,711	83,929
0013	Curriculum and Instructional Staff Development	1,011,092	1,301,228	1,098,549	202,679
0021	Instructional Leadership	2,706,878	2,748,882	2,558,135	190,747
0023	School Leadership	7,556,288	7,912,156	7,407,251	504,905
0031	Guidance, Counseling and Evaluation Services	3,556,149	3,706,611	3,535,487	171,124
0032	Social Work Services	1,218,858	1,350,752	1,178,272	172,480
0033	Health Services	1,386,324	1,602,885	1,485,613	117,272
0034	Student (Pupil) Transportation	4,358,175	5,076,502	4,931,353	145,149
0035	Food Services	217,605	342,605	259,695	82,910
0036	Extracurricular Activities	3,269,689	6,096,143	5,303,032	793,111
0041	General Administration	4,396,652	4,608,709	4,067,851	540,858
0051	Facilities Maintenance and Operations	14,058,265	13,965,367	12,982,039	983,328
0052	Security and Monitoring Services	1,484,871	1,684,871	1,379,167	305,704
0053	Data Processing Services	1,807,351	1,905,351	1,734,622	170,729
0061	Community Services	209,242	463,163	316,528	146,635
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	44,000	3,600	40,400
Capital Outlay:					
0081	Facilities Acquisition and Construction	9,141,787	4,342,544	2,514,494	1,828,050
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	98,487	83,486	15,001
0095	Payments to Juvenile Justice Alternative Ed. Prg.	200,000	210,000	36,000	174,000
0099	Other Intergovernmental Charges	325,000	327,000	262,137	64,863
6030	Total Expenditures	128,072,672	130,488,060	120,377,723	10,110,337
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,177,650)	(8,659,868)	1,475,280	10,135,148
OTHER FINANCING SOURCES (USES):					
7949	Other Resources	47,800	47,800	-	(47,800)
8949	Other (Uses)	(47,800)	(47,800)	-	47,800
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balances	(8,177,650)	(8,659,868)	1,475,280	10,135,148
0100	Fund Balance - September 1 (Beginning)	65,880,252	65,880,252	65,880,252	-
3000	Fund Balance - August 31 (Ending)	\$ 57,702,602	\$ 57,220,384	\$ 67,355,532	\$ 10,135,148

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-2

	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.00093613%	0.00095544%	0.000680379%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 35,374,865	\$ 33,773,532	\$ 18,173,864
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	48,951,292	45,555,738	38,596,846
Total	<u>\$ 84,326,157</u>	<u>\$ 79,329,270</u>	<u>\$ 56,770,710</u>
District's Covered-Employee Payroll	\$ 88,185,474	\$ 82,986,596	\$ 78,516,816
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	40.11%	40.70%	23.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2017

EXHIBIT G-3

	2017	2016	2015
Contractually Required Contribution	\$ 3,118,799	\$ 2,969,092	\$ 2,829,098
Contribution in Relation to the Contractually Required Contribution	(3,118,799)	(2,969,092)	(2,829,098)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 91,488,775	\$ 88,185,474	\$ 82,986,596
Contributions as a Percentage of Covered-Employee Payroll	3.41%	3.37%	3.41%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2017

Changes of benefit terms.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions.

There were no changes in the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

COMBINING AND OTHER STATEMENTS

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2017

Data Control Codes	205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,255	\$ (1,275)	\$ (488,748)	\$ (199,489)
1120 Investments - Current	-	-	-	-
1240 Receivables from Other Governments	38,779	1,275	636,689	315,751
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 40,034</u>	<u>\$ -</u>	<u>\$ 147,941</u>	<u>\$ 116,262</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ 302	\$ -
2160 Accrued Wages Payable	36,474	-	134,538	106,285
2200 Accrued Expenditures	3,560	-	13,101	9,977
2300 Unearned Revenues	-	-	-	-
2000 Total Liabilities	<u>40,034</u>	<u>-</u>	<u>147,941</u>	<u>116,262</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 40,034</u>	<u>\$ -</u>	<u>\$ 147,941</u>	<u>\$ 116,262</u>

225	240	242	244	255	263	272	289
IDEA - Part B Preschool	National Breakfast and Lunch Program	Summer Feeding Program	Career and Technical - Basic Grant	ESEA II,A Training and Recruiting	Title III, A English Lang. Acquisition	Medicaid Admin. Claim MAC	Summer School LEP
\$ (415)	\$ 1,601,813	\$ (298)	\$ (9,059)	\$ (115,639)	\$ (19,170)	\$ 13,352	\$ 658
-	250,100	-	-	-	-	-	-
1,984	166,307	-	9,059	115,639	19,170	-	-
-	7,711	-	-	-	-	-	-
-	3,411	298	-	-	-	-	-
-	165,371	-	-	-	-	-	-
<u>\$ 1,569</u>	<u>\$ 2,194,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,352</u>	<u>\$ 658</u>
\$ -	\$ 93,902	\$ -	\$ -	\$ -	\$ -	\$ 998	\$ -
1,429	171,736	-	-	-	-	-	-
140	3,349	-	-	-	-	-	-
-	7,997	-	-	-	-	12,354	658
<u>1,569</u>	<u>276,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,352</u>	<u>658</u>
-	165,371	-	-	-	-	-	-
-	1,752,358	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>1,917,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,569</u>	<u>\$ 2,194,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,352</u>	<u>\$ 658</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2017

Data Control Codes	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Pre-K Grant Fund	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 495	\$ 212,434	\$ (18,030)
1120	Investments - Current	-	-	-	-
1240	Receivables from Other Governments	-	-	118,017	49,321
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 495</u>	<u>\$ 330,451</u>	<u>\$ 31,291</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 359
2160	Accrued Wages Payable	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2300	Unearned Revenues	-	495	330,451	30,932
2000	Total Liabilities	<u>-</u>	<u>495</u>	<u>330,451</u>	<u>31,291</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 495</u>	<u>\$ 330,451</u>	<u>\$ 31,291</u>

461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 14,916	\$ 992,800
-	250,100
-	1,471,991
-	7,711
-	3,709
-	165,371
<u>\$ 14,916</u>	<u>\$ 2,891,682</u>
\$ -	\$ 95,561
-	450,462
-	30,127
-	382,887
<u>-</u>	<u>959,037</u>
-	165,371
-	1,752,358
<u>14,916</u>	<u>14,916</u>
<u>14,916</u>	<u>1,932,645</u>
<u>\$ 14,916</u>	<u>\$ 2,891,682</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

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
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	686,272	14,863	4,584,475	2,514,342
5020 Total Revenues	686,272	14,863	4,584,475	2,514,342
EXPENDITURES:				
Current:				
0011 Instruction	686,272	-	4,042,494	2,003,630
0013 Curriculum and Instructional Staff Development	-	-	367,737	3,367
0021 Instructional Leadership	-	-	77,900	128,086
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	23,404	235,405
0032 Social Work Services	-	14,863	24,206	68,898
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	48,734	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	74,956
6030 Total Expenditures	686,272	14,863	4,584,475	2,514,342
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

225	240	242	244	255	263	272	289
IDEA - Part B Preschool	National Breakfast and Lunch Program	Summer Feeding Program	Career and Technical - Basic Grant	ESEA II,A Training and Recruiting	Title III, A English Lang. Acquisition	Medicaid Admin. Claim MAC	Summer School LEP
\$ -	\$ 1,164,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	143,354	-	-	-	-	-	-
26,474	7,975,804	108,068	202,614	545,150	175,055	26,786	10,615
26,474	9,283,723	108,068	202,614	545,150	175,055	26,786	10,615
26,474	-	-	59,440	-	33,551	26,561	10,615
-	-	-	84,471	505,466	139,911	-	-
-	-	-	32,547	5,957	1,593	-	-
-	-	-	-	21,643	-	-	-
-	-	-	26,156	12,084	-	-	-
-	-	-	-	-	-	-	-
-	8,844,634	101,147	-	-	-	-	-
-	-	-	-	-	-	-	-
-	327,412	6,921	-	-	-	-	-
-	-	-	-	-	-	225	-
-	-	-	-	-	-	-	-
26,474	9,172,046	108,068	202,614	545,150	175,055	26,786	10,615
-	111,677	-	-	-	-	-	-
-	1,806,052	-	-	-	-	-	-
\$ -	\$ 1,917,729	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Pre-K Grant Fund
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 17,288	\$ -
5800 State Program Revenues	6,930	3,210	505,650	364,283
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>6,930</u>	<u>3,210</u>	<u>522,938</u>	<u>364,283</u>
EXPENDITURES:				
Current:				
0011 Instruction	6,930	-	168,862	299,348
0013 Curriculum and Instructional Staff Development	-	3,210	354,076	64,935
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>6,930</u>	<u>3,210</u>	<u>522,938</u>	<u>364,283</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 6,976	\$ 1,188,829
-	1,023,427
-	16,870,518
6,976	19,082,774
-	7,364,177
-	1,523,173
-	246,083
-	21,643
-	297,049
-	107,967
-	8,945,781
7,863	7,863
-	334,333
-	48,959
-	74,956
7,863	18,971,984
(887)	110,790
15,803	1,821,855
\$ 14,916	\$ 1,932,645

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2017

	BALANCE SEPTEMBER 1 2016	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2017
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 280,134	\$ 673,481	\$ 664,305	\$ 289,310
Liabilities:				
Due to Other Funds	\$ 12	\$ 4,310	\$ 4,310	\$ 12
Due to Student Groups	280,122	673,481	664,305	289,298
Total Liabilities	\$ 280,134	\$ 677,791	\$ 668,615	\$ 289,310
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 280,134	\$ 673,481	\$ 664,305	\$ 289,310
Liabilities:				
Due to Other Funds	\$ 12	\$ 4,310	\$ 4,310	\$ 12
Due to Student Groups	280,122	673,481	664,305	289,298
Total Liabilities	\$ 280,134	\$ 677,791	\$ 668,615	\$ 289,310

T.E.A. REQUIRED SCHEDULES

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
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	1.040000	0.361622	1,811,168,041
2015	1.040000	0.425282	2,069,428,840
2016	1.040000	0.374900	2,931,570,146
2017 (School year under audit)	1.170000	0.303000	3,005,844,603
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 696,503	\$ -	\$ 28,717	\$ 4,023	\$ (45,507)	\$ 618,256
82,940	-	6,192	1,012	(495)	75,241
94,906	-	8,762	1,712	(502)	83,930
116,219	-	12,563	2,610	(618)	100,428
125,467	-	36,282	6,370	22,178	104,993
145,680	-	44,569	9,985	25,144	116,270
192,784	-	61,611	21,423	26,463	136,213
316,589	-	85,142	34,817	(3,466)	193,164
710,871	-	258,577	93,212	(45,536)	313,546
-	44,276,091	34,276,680	8,876,784	(303,105)	819,522
<u>\$ 2,481,959</u>	<u>\$ 44,276,091</u>	<u>\$ 34,819,095</u>	<u>\$ 9,051,948</u>	<u>\$ (325,444)</u>	<u>\$ 2,561,563</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2017

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	\$ 1,656,474	\$ 1,656,474	\$ 1,164,565	\$ (491,909)
5800 State Program Revenues	152,871	152,871	143,354	(9,517)
5900 Federal Program Revenues	8,620,805	8,670,449	7,975,804	(694,645)
5020 Total Revenues	<u>10,430,150</u>	<u>10,479,794</u>	<u>9,283,723</u>	<u>(1,196,071)</u>
EXPENDITURES:				
0035 Food Services	10,359,286	10,408,930	8,844,634	1,564,296
0051 Facilities Maintenance and Operations	370,500	370,500	327,412	43,088
6030 Total Expenditures	<u>10,729,786</u>	<u>10,779,430</u>	<u>9,172,046</u>	<u>1,607,384</u>
1200 Net Change in Fund Balances	(299,636)	(299,636)	111,677	411,313
0100 Fund Balance - September 1 (Beginning)	<u>1,806,052</u>	<u>1,806,052</u>	<u>1,806,052</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,506,416</u>	<u>\$ 1,506,416</u>	<u>\$ 1,917,729</u>	<u>\$ 411,313</u>

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2017

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	\$ 11,258,529	\$ 11,278,529	\$ 9,199,887	\$ (2,078,642)
5800	State Program Revenues	5,823,265	5,823,265	5,345,778	(477,487)
5020	Total Revenues	17,081,794	17,101,794	14,545,665	(2,556,129)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	6,890,000	6,890,000	6,890,000	-
0072	Interest on Long Term Debt	10,041,794	10,041,794	9,899,379	142,415
0073	Bond Issuance Cost and Fees	150,000	170,000	1,921	168,079
6030	Total Expenditures	17,081,794	17,101,794	16,791,300	310,494
1200	Net Change in Fund Balances	-	-	(2,245,635)	(2,245,635)
0100	Fund Balance - September 1 (Beginning)	1,795,846	1,795,846	1,795,846	-
3000	Fund Balance - August 31 (Ending)	\$ 1,795,846	\$ 1,795,846	\$ (449,789)	\$ (2,245,635)

REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS

COLEMAN, HORTON & COMPANY, LLP
Certified Public Accountants

400 E. NOPAL ST.
LUNDALE, TEXAS 78001-5305

ROBERT O. COLEMAN, CPA
STEPHEN L. HORTON, CPA
DEBORAH V. McDONALD, CPA
DEREK L. WALKER, CPA
DUSTY R. ROUTH, CPA

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

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

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 the Southwest Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Southwest Independent School District's basic financial statements, and have issued our report thereon dated October 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Southwest Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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.

Celiman, Horton, & Company, LLP

Uvalde, Texas

October 27, 2017

COLEMAN, HORTON & COMPANY, LLP
Certified Public Accountants

400 E. NOPAL ST.
LUALDE, TEXAS 78801-5305

ROBERT D. COLEMAN, CPA
STEPHEN L. HORTON, CPA
DEBORAH V. McDONALD, CPA
DEREK L. WALKER, CPA
DUSTY R. ROUTH, CPA

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Southwest Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Southwest Independent School District's major federal programs for the year ended August 31, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Southwest Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Southwest Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2017.

Report on Internal Control over Compliance

Management of the 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 the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Coleman, Horton, + Company, LLP

Uvalde, Texas
October 27, 2017

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2017

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 No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Control deficiency(ies) identified? Yes No

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

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

Any audit findings disclosed that are required to be reported in accordance with section 200.56 of the Uniform Guidance? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #84.010A	ESEA, Title I, Part A - Improving Basic Programs

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

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, 2017

Finding/Recommendation:

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017

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

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

(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. GENERAL SERVICES ADMINISTRATION			
<u>Passed Through Texas Facilities Commission</u>			
Donation of Federal Surplus Personal Property	39.003	015-912	\$ 3,651
Total Passed Through Texas Facilities Commission			\$ 3,651
TOTAL U.S. GENERAL SERVICES ADMINISTRATION			\$ 3,651
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Junior ROTC Program	12.NA	015-912	\$ 131,860
Star Base Kelly	12.NA	015-912	208,231
Total CFDA Number 12.NA			340,091
NSA Cyber Patriot Grant	12.903	015-912	103,538
Total Direct Programs			\$ 443,629
TOTAL U.S. DEPARTMENT OF DEFENSE			\$ 443,629
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region XX Service Center</u>			
ESEA, Title X, Part C - Homeless Children	84.196	17-206662703	\$ 14,863
Total Passed Through Region XX Service Center			\$ 14,863
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	17-610101015912	\$ 4,237,347
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	18-610101015912	147,640
*ESEA, Title I, Part A - Priority and Focus School	84.010A	16-610112015912000	5,753
*ESEA, Title I, Part A - Priority and Focus School	84.010A	17-610112015912000	193,736
Total CFDA Number 84.010A			4,584,476
Total Title I, Part A Cluster			
*IDEA - Part B, Formula	84.027A	17-6600010159126600	2,398,080
*IDEA - Part B, Formula	84.027A	18-6600010159126600	116,262
Total CFDA Number 84.027A			2,514,342
*IDEA - Part B, Preschool	84.173A	17-6610010159126610	24,906
*IDEA - Part B, Preschool	84.173A	18-6610010159126610	1,568
Total CFDA Number 84.173A			26,474
Total Special Education Cluster (IDEA)			2,540,816
Career and Technical - Basic Grant	84.048A	17-420006015912	202,614
Title III, Part A - English Language Acquisition	84.365A	17-671001015912	175,055
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16-694501015912	28,832
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17-694501015912	516,319
Total CFDA Number 84.367A			545,151
Summer School LEP	84.369A	69551602	10,615
Total Passed Through State Department of Education			\$ 8,058,727
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 8,073,590
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Region XX Service Center</u>			
Head Start	93.600	17-205673701	\$ 337,125
Head Start	93.600	18-205673801	349,148

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Total CFDA Number 93.600			686,273
Total Passed Through Region XX Service Center			\$ 686,273
<u>Passed Through Texas Dept of Health & Human Serv</u>			
Medicaid Administrative Claiming Program - MAC	93.778	015-912	\$ 26,786
Total Passed Through Texas Dept of Health & Human Serv			\$ 26,786
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 713,059
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 1,819,077
*National School Lunch Program - Cash Assistance	10.555		5,493,714
*National School Lunch Prog. - Non-Cash Assistance	10.555		663,013
Total CFDA Number 10.555			6,156,727
*Summer Feeding Program - Cash Assistance	10.559		108,068
Total Child Nutrition Cluster			8,083,872
Total Passed Through the State Department of Agriculture			\$ 8,083,872
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 8,083,872
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 17,317,801

*Clustered Programs

**Schedule does not include federal expenditures from SHARS of \$1,477,961 and indirect costs of \$294,693 for a total of \$1,772,654.

SOUTHWEST INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017

- 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 or, in some instances, in the General Fund which are Governmental Fund type funds.

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 unearned revenues until earned.

- The period performance 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 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Supplement.
- CFDA numbers for commodity assistance are the CFDA numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$294,693 which are reported in the General Fund as federal revenue.