

**BEAUMONT INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For the Fiscal Year Ended June 30, 2018

BEAUMONT INDEPENDENT SCHOOL DISTRICT
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INTRODUCTORY SECTION

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CERTIFICATE OF THE BOARD

Beaumont Independent School District

Name of School District

Jefferson County

County

123-910

Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the fiscal year ended June 30, 2018, at a meeting of the Board of Managers of such school district on November 15, 2018.

President of the Board

Secretary of the Board

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Managers
Beaumont Independent School District
Beaumont, Texas

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 Beaumont Independent School District (the "District") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018 and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 and Note 18 to the financial statements, the District adopted the provisions of Government Accounting Standards Board (“GASB”) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 7 through 16, the budgetary comparison schedule and information on pages 67 and 68, and pension related information and other post-employment benefit information on pages 69 through 74; 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 District’s basic financial statements. The combining and individual nonmajor fund financial statements, and required Texas Education Agency schedules, as listed in the table of contents, 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* (CFR) 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 other supplementary information described above is the responsibility of management and was derived from and relates 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

To the Board of Managers
Beaumont Independent School District

in the United States of America. In our opinion, the other supplementary information is 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 November 8, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
November 8, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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BEAUMONT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Beaumont Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

Financial Highlights

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$39,238,209 (*net position*). Of this amount, unrestricted net position amounted to a deficit of (\$50,896,617) as a result of prior period adjustments.

- The District's total net position at year end decreased by (\$58,592,852). The significant decrease was mainly due to:
 - The implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* and reflecting the District's proportionate share of the post-employment benefit liability in the financials. This change does not affect the financial stability of the District nor does it change how the District conducts its financial decision-making. Rather, the District is reflecting its portion of the liability that the State of Texas manages and operates.
 - A prior period adjustment to decrease net position by \$1,682,532 due to a receivable from Federal Emergency Management Agency (FEMA) that was uncollectible related to Hurricane Ike in the year 2008.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$61,199,129, an increase of \$6,479,698 in comparison with the prior year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund of \$40,781,899 is 26 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$17,565,000 (5 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

BEAUMONT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The *Government-wide financial statements* of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Debt Issuance Costs and Fees, Facilities Repairs and Maintenance, Payments to Fiscal Agent/Member Districts of SSA, and Other intergovernmental charges.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, all of which are considered to be major funds. Data from the nonmajor governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and the Child Nutrition program special revenue fund.

Proprietary Fund

The District maintains an individual internal service fund for Workers' Compensation. *Internal service funds*, one type of proprietary fund, are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. Because these services predominantly benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

BEAUMONT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fiduciary Fund

The fiduciary funds are used to account for resources held for the benefit of students and employees. The District's *agency funds* are used to account for resources held in a custodial capacity by the District and consist of funds that are the property of students or others. The fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. In addition, required supplementary information includes a schedule of the District's proportionate share of the Net Pension Liability – TRS, a schedule of District's contributions – TRS for the past four years, a schedule of the District's proportionate share of the Net OPEB Liability – TRS for fiscal year 2018, and a schedule of the District's OPEB contributions for fiscal year 2018.

Other Information

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information.

Government-wide Financial Analysis

Net Position

With the implementation of GASB 75, the net position may not serve as the best indicator of the District's financial position. A better indicator of the District's financial position is the District's Governmental Fund Balance Sheet and fund balances in the General, Debt and Non-major Governmental Funds. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$39,238,209 at the close of the most recent fiscal year.

The largest portion of the District's net position (\$77,023,003) reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

As of June 30, 2018 , the District's net position included the following:

| | Governmental Activities | |
|---|--------------------------------|----------------------|
| | 2018 | 2017 |
| Current and other assets | \$ 95,978,524 | \$ 96,152,029 |
| Capital assets, net of depreciation and noncurrent assets | 434,444,765 | 431,586,703 |
| Total Assets | 530,423,289 | 527,738,732 |
| Deferred charge on refunding | 4,632,249 | 4,064,329 |
| Deferred outflows - pension | 17,717,779 | |
| Deferred outflows - OPEB | 846,352 | 16,916,110 |
| Total Deferred Outflows of Resources | 23,196,380 | 20,980,439 |
| Current liabilities | 30,512,401 | 37,141,601 |
| Long term liabilities | 451,441,460 | 408,411,811 |
| Total Liabilities | 481,953,861 | 445,553,412 |
| Deferred inflows - pension | 9,473,131 | 5,334,698 |
| Deferred inflows - OPEB | 22,954,468 | |
| Total Deferred Inflows of Resources | 32,427,599 | 5,334,698 |
| Net Position: | | |
| Net investment in capital assets | 77,023,003 | 62,994,090 |
| Restricted | 13,111,823 | 10,843,199 |
| Unrestricted | (50,896,617) | 23,993,772 |
| Total Net Position | \$ 39,238,209 | \$ 97,831,061 |

The prior year governmental activities and total net position balances have been restated to reflect the implementation of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (GASB 75). A large portion of the changes in total net position (\$96.3 million) is the result of reductions in the benefit provisions of TRS-Care.

Net position is restricted for various purposes as follows:

| | Governmental Activities | |
|----------------------------|--------------------------------|----------------------|
| | 2018 | 2017 |
| Federal and state programs | \$ 3,112,394 | \$ 4,128,740 |
| Debt service | 9,999,429 | 6,714,459 |
| | \$ 13,111,823 | \$ 10,843,199 |

Unrestricted net position for governmental activities, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, amounted to deficit of (\$50,896,617) at June 30, 2018. The District's net position decreased by (\$58,592,852) during the current fiscal year.

Changes in Net Position

The Net Position of the District increased by \$39.4 million for the year ended June 30, 2018 after prior year's restatement. The total revenues from taxpayers, user service fees, grants and other sources for the District was \$173.0 million, a \$8.6 million increase from fiscal year 2017. Total expenses for the 2018 fiscal year were \$154.4 million or \$31.6 million less than expenses of fiscal year 2017.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The dramatic change in total expenses as well as operating grants and contributions revenues from year to year is reflective of a negative adjustment brought about by the implementation of the new OPEB standards promulgated by the Government Accounting Standards Board (GASB) and significant changes in the benefits provided by the TRS retiree healthcare plan (TRS-Care). The reduction in plan benefits resulted in a sizable decrease in the District's Net OPEB Liability and a resulting negative OPEB expense of \$18.40 million in accordance with newly implemented accounting standards. Under these standards, the District is also required to report what is essentially both negative on-behalf expenses and negative on-behalf revenues for the portion of the reduction in the OPEB liability that is the responsibility of the State, or an additional \$26.1 million. See Note 11 to the financial statements for a reconciliation of functional expenses and revenues impacted by this accounting treatment.

Comparative Schedule of Changes in Net Position
For the Years Ended June 30, 2018 and 2017

| | Governmental Activities | |
|---|--------------------------------|----------------------|
| | 2018 | 2017 |
| Program Revenues | | |
| Charges for services | \$ 7,093,967 | \$ 4,422,252 |
| Operating grants and contributions | 13,716,663 | 37,541,626 |
| General Revenues | | |
| Property taxes | 133,459,970 | 129,347,806 |
| State Aid - Formula Grants | 37,247,800 | 37,594,841 |
| Investment earnings | 984,986 | 521,886 |
| Other | 1,342,342 | 154,097 |
| Total Revenues | 193,845,728 | 209,582,508 |
| Expenses | | |
| Instruction | 67,825,794 | 93,494,433 |
| Instructional resources and media services | 1,080,665 | 1,320,417 |
| Curriculum and staff development | 913,140 | 1,135,877 |
| Instructional leadership | 3,865,256 | 4,949,606 |
| School leadership | 6,995,219 | 9,782,992 |
| Guidance, counseling, and evaluation services | 3,830,826 | 5,088,938 |
| Social work services | 300,953 | 590,264 |
| Health services | 1,480,373 | 2,093,155 |
| Student transportation | 4,082,405 | 6,239,493 |
| Food service | 10,884,018 | 11,065,649 |
| Extracurricular activities | 4,390,901 | 4,730,645 |
| General administration | 4,950,475 | 6,140,047 |
| Plant, maintenance and operations | 23,615,234 | 19,044,573 |
| Security and monitoring services | 1,631,386 | 2,028,725 |
| Data processing services | 2,051,836 | 1,778,392 |
| Community services | 624,436 | 1,207,502 |
| Interest on long-term debt | 13,395,508 | 12,336,970 |
| Debt issuance costs and fees | 952,168 | 1,549,630 |
| Facilities repairs and maintenance | | 46,400 |
| Payments to fiscal agent/member districts of SSA | 275,373 | 184,844 |
| Payments to Juvenile Justice Alternative Education Programs | 150,000 | 150,000 |
| Other intergovernmental charges | 1,128,364 | 1,116,347 |
| Total Expenses | 154,424,330 | 186,074,899 |
| Excess (deficiency) before special items | 39,421,398 | 23,507,609 |
| Special items | | (3,208,213) |
| Increase (Decrease) in Net Position | 39,421,398 | 20,299,396 |
| Beginning Net Position | 97,831,061 | 77,531,665 |
| Prior Period Adjustments * | (98,014,250) | |
| Ending Net Position | \$ 39,238,209 | \$ 97,831,061 |

* Implementation of GASB 75 was effective at the beginning of the 2018 fiscal year. Changes for revenues and expenses prior to the implementation have not been calculated and are not available for comparison

BEAUMONT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Activities

Governmental activities decreased the District's net position by (\$58,592,852) for the year ended June 30, 2018. The decrease was caused by the reduction in operating grants and contributions revenue by million mainly due to the GASB 75 OPEB entries as discussed earlier. Property tax revenues increased by million due to the increase in property values while the total tax rate went down 2 cents. State and other grant revenue increased by \$4.1 million mainly due to the state funding related to state compensatory education for free/reduced lunch students. Free/reduced lunch counts for September 2017 were high due to counting all students as free/reduced due to Hurricane Harvey. The District received \$3.2 million in federal assistance in fiscal year 2017-2018 related to Hurricane Harvey that is recorded in Special Revenue funds which reduced General Fund's expenses. Approximately 69 percent of the District's revenues came from property taxes, with an additional 19 percent derived from state funding formulas and federal grants. Last fiscal year 62 percent of the District's revenues came from property taxes and 18 percent came from state funding formulas and federal grants.

| Governmental Revenues by Type | FY 2017 | FY 2018 including Negative On-behalf Activities* | Negative On-behalf Activities | FY 2018 excluding Negative On-behalf Activities | Variance** |
|--------------------------------------|-----------------------|---|--|--|----------------------|
| Program Revenues: | | | | | |
| Charges for services | \$ 4,422,252 | \$ 7,093,967 | \$ - | \$ 7,093,967 | \$ 2,671,715 |
| Operating grants and contributions | 37,541,626 | 13,716,663 | (26,102,558) | 39,819,221 | 2,277,595 |
| General Revenues: | | | | | |
| Property taxes | 129,347,806 | 133,459,970 | - | 133,459,970 | 4,112,164 |
| State and other grants | 37,594,841 | 37,247,800 | - | 37,247,800 | (347,041) |
| Other | 675,983 | 2,327,328 | - | 2,327,328 | 1,651,345 |
| Total Revenues | \$ 209,582,508 | \$ 193,845,728 | \$ (26,102,558) | \$ 219,948,286 | \$ 10,365,778 |

*as presented in Exhibit B-1

** variance represents the difference between FY 2017 and FY 2018 revenues excluding Negative On-behalf Activities

Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent of total revenues. The remaining \$184,424,433 is generated from charges for services, investment earnings and other revenues.

| | Total Revenues | % of Total Revenues |
|------------------------------------|-----------------------|--------------------------------|
| Property taxes | \$ 133,459,970 | 68.8% |
| State Aid - Formula Grants | 37,247,800 | 19.2% |
| Operating grants and contributions | 13,716,663 | 7.1% |
| Charges for services | 7,093,967 | 3.7% |
| Investment earnings | 984,986 | 0.5% |
| Other revenue | 1,342,342 | 0.7% |
| Total Revenues | \$ 193,845,728 | 100% |

Fiscal year 2018 expenses are \$31.7 million less than fiscal year 2017. This decrease is caused by the GASB 75 OPEB entries as discussed earlier. Over 48 percent of the District's expenses were expended for instructional activities. When combined with student and other support services such as transportation, counseling and nursing, 80 percent of the District's expenses were spent on direct student services.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Expenses by Type

| | FY 2017 | FY 2018 including Negative On-behalf Activities* | Negative On-behalf Activities | FY 2018 excluding Negative On-behalf Activities | Variance** |
|--|-----------------------|--|-------------------------------------|---|-----------------------|
| Instruction | \$ 93,494,433 | \$ 67,825,794 | \$ (16,551,633) | \$ 84,377,427 | \$ (9,117,006) |
| Instructional resources and media services | 1,320,417 | 1,080,665 | (253,195) | 1,333,860 | 13,443 |
| Curriculum and staff development | 1,135,877 | 913,140 | (13,051) | 926,191 | (209,686) |
| Instructional leadership | 4,949,606 | 3,865,256 | (723,041) | 4,588,297 | (361,309) |
| School leadership | 9,782,992 | 6,995,219 | (2,132,579) | 9,127,798 | (655,194) |
| Guidance, counseling, and evaluation services | 5,088,938 | 3,830,826 | (1,161,564) | 4,992,390 | (96,548) |
| Social work services | 590,264 | 300,953 | (52,205) | 353,158 | (237,106) |
| Health services | 2,093,155 | 1,480,373 | (433,302) | 1,913,675 | (179,480) |
| Student transportation | 6,239,493 | 4,082,405 | (1,088,477) | 5,170,882 | (1,068,611) |
| Food service | 11,065,649 | 10,884,018 | - | 10,884,018 | (181,631) |
| Extracurricular activities | 4,730,645 | 4,390,901 | (725,651) | 5,116,552 | 385,907 |
| General administration | 6,140,047 | 4,950,475 | (963,184) | 5,913,659 | (226,388) |
| Plant, maintenance and operations | 19,044,573 | 23,615,234 | (1,409,538) | 25,024,772 | 5,980,199 |
| Security and monitoring services | 2,028,725 | 1,631,386 | (394,149) | 2,025,535 | (3,190) |
| Data processing services | 1,778,392 | 2,051,836 | (198,379) | 2,250,215 | 471,823 |
| Community services | 1,207,502 | 624,436 | (2,610) | 627,046 | (580,456) |
| Interest on long-term debt | 12,336,970 | 13,395,508 | - | 13,395,508 | 1,058,538 |
| Debt issuance costs and fees | 1,549,630 | 952,168 | - | 952,168 | (597,462) |
| Facilities repairs and maintenance | 46,400 | - | - | - | (46,400) |
| Payments to fiscal agent/member districts of SSA | 184,844 | 275,373 | - | 275,373 | 90,529 |
| Payments to Juvenile Justice | 150,000 | 150,000 | - | 150,000 | - |
| Alternative Education Programs | | | | | |
| Other Intergovernmental Charges | 1,116,347 | 1,128,364 | - | 1,128,364 | 12,017 |
| Total Expenses | <u>\$ 186,074,899</u> | <u>\$ 154,424,330</u> | <u>\$ (26,102,558)</u> | <u>\$ 180,526,888</u> | <u>\$ (5,548,011)</u> |

*as presented in Exhibit B-1

** variance represents the difference between FY 2017 and FY 2018 expenses excluding Negative On-behalf Activities

The primary functional expenses of the District are instruction, school leadership, food service, and facilities maintenance and operations, which represent or total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.

| | Total Expenses | % of Total Expenses |
|------------------------------------|-----------------------|----------------------------|
| Instruction | \$ 67,825,794 | 43.9% |
| School Leadership | 6,995,219 | 4.5% |
| Food service | 10,884,018 | 7.0% |
| Facilities repairs and maintenance | 23,615,234 | 15.3% |
| Interest expense | 13,395,508 | 8.7% |
| Other expenses | 31,708,557 | 20.5% |
| Total Expenses | <u>\$ 154,424,330</u> | <u>100%</u> |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances increase of \$6,479,698 in comparison with the prior year. The increase in ending governmental fund balances is primarily due an increase in the General Fund fund balance.

The *general fund* is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$40,781,899, while total fund balance reached \$43,057,766. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 26 percent of total general fund expenditures, while total fund balance represents 28 percent of that same amount. The fund balance of the District's general fund increased by \$3,940,341 during the current fiscal year, primarily due to revenues being higher than expenditures.

The *debt service fund* has a total fund balance of \$14,446,264, all of which is restricted for the retirement of funded indebtedness. The net increase in fund balance during the current year of \$2,861,255 was due actual revenues being higher than budgeted expectations.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

| | Budget | |
|-----------------------------------|------------------|------------------------|
| | Original | Final Amended |
| Total revenues | \$ 156,399,504 | \$ 160,353,249 |
| Total expenditures | 156,379,249 | 172,318,014 |
| Net change in fund balance | \$ 20,255 | \$ (11,964,765) |

The review of the final amended budget versus actual for the general fund reflected that revenues were less than budgetary estimates and expenditures were less than budgetary estimates.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Assets and Long-term Liabilities

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2018 includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets for the current year was \$434,444,765. The following table summarizes the investment in capital assets as of June 30, 2018 and August 31, 2017:

| | 2018 | 2017 |
|----------------------------|-----------------------|-----------------------|
| Land | \$ 14,664,846 | \$ 14,664,846 |
| Buildings and improvements | 529,138,081 | 523,012,887 |
| Furniture and equipment | 25,783,540 | 19,348,713 |
| Vehicles | 12,770,826 | 11,518,046 |
| Construction in progress | 2,869,718 | 1,961,257 |
| Total | 585,227,011 | 570,505,749 |
| Accumulated depreciation | (150,782,246) | (138,919,046) |
| Net capital assets | \$ 434,444,765 | \$ 431,586,703 |

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

Long-term Liabilities

At the end of the current fiscal year, the District had \$332,680,000 in bonded debt outstanding, a decrease of \$17,565,000 over the previous year. The District's bonds are sold and guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "BBB+" and from Moody's Investors Service is "Baa1" for general obligation debt.

Changes in general obligation bonds, for the fiscal year ended June 30, 2018 are as follows:

| Outstanding 07/01/17 | Issued | Retired | Outstanding 06/30/18 |
|---------------------------------|----------------|------------------|---------------------------------|
| \$ 350,245,000 | \$ 107,040,000 | \$ (124,605,000) | \$ 332,680,000 |

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Beaumont Independent School District adopted the following for 2018-2019:

- The maintenance and operations tax rate for fiscal year 2018-2019 is \$1.04 while the debt service tax rate is \$.25405 for a total tax rate of \$1.29405.
- The District adopted a General Fund budget for the year ended June 30, 2019 of \$160.2 million in revenues and expenditures.
- The Debt Service revenues are budgeted for \$27.9 million and expenditures are budgeted for \$30.4 million.
- The Child Nutrition budget is set for \$11.5 million in revenues and \$13.0 million in expenditures.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

The District continues its efforts to rebuild fund balance while simultaneously adding programs and initiatives in an effort to promote student achievement.

On May 17, 2018 S&P Global Ratings upgraded the District's general obligation debt rating to an A from A-rating with a Stable outlook. The District continues to work diligently to restore the ratings to original status.

At the June 21, 2018 regular meeting, Board of Manager Joe Domino resigned, effective August 16, 2018. At the September 20, 2018 regular meeting, the TEA Commissioner appointed Alexandrew Seale to the Board of Managers as a replacement. The Board of Managers currently operates with 5 members.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Beaumont Independent School District, 3395 Harrison Avenue, Beaumont, Texas 77706.

BASIC FINANCIAL STATEMENTS

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

Exhibit A-1

| Data Control Codes | | Governmental Activities |
|-----------------------------------|--|------------------------------------|
| | Assets | |
| 1110 | Cash and cash equivalents | \$ 68,810,773 |
| 1220 | Property taxes receivables, net | 7,265,480 |
| 1240 | Due from other governments | 16,927,360 |
| 1267 | Due from fiduciary funds | 23,235 |
| 1290 | Other receivables, net | 486,600 |
| 1300 | Inventories | 50,237 |
| 1410 | Prepaid items | 2,414,839 |
| | Capital assets not subject to depreciation: | |
| 1510 | Land | 14,664,846 |
| 1580 | Construction in progress | 2,869,718 |
| | Capital assets net of depreciation: | |
| 1520 | Buildings and improvements, net | 403,071,341 |
| 1530 | Furniture and equipment, net | 2,866,120 |
| 1531 | Vehicles, net | 10,972,740 |
| 1000 | Total Assets | 530,423,289 |
| | Deferred outflows of resources | |
| 1701 | Deferred charge on refunding | 4,632,249 |
| 1705 | Deferred outflows - pension | 17,717,779 |
| 1710 | Deferred outflows - OPEB | 846,352 |
| | Total deferred outflows of resources | 23,196,380 |
| | Liabilities | |
| 2110 | Accounts payable | 8,656,793 |
| 2140 | Interest payable | 5,156,504 |
| 2150 | Payroll deductions and withholdings | 1,634,209 |
| 2160 | Accrued wages payable | 13,939,995 |
| 2177 | Due to fiduciary funds | 1,175 |
| 2180 | Due to other governments | 10,959 |
| 2300 | Unearned revenue | 1,112,766 |
| | Noncurrent Liabilities: | |
| 2501 | Due within one year | 14,264,875 |
| 2502 | Due in more than one year | 351,417,701 |
| 2540 | Net Pension Liability | 30,883,522 |
| 2545 | Net Other Post-Employment Benefits (OPEB) Obligation | 54,875,362 |
| 2000 | Total Liabilities | 481,953,861 |
| | Deferred Inflows of Resources | |
| 2605 | Deferred inflows - pension | 9,473,131 |
| 2605 | Deferred inflows - OPEB | 22,954,468 |
| 2600 | Deferred Inflows of Resources | 32,427,599 |
| | Net Position | |
| 3200 | Net investment in capital assets | 77,023,003 |
| | Restricted for: | |
| 3820 | Federal and state programs | 3,112,394 |
| 3850 | Debt service | 9,999,429 |
| 3900 | Unrestricted | (50,896,617) |
| 3000 | Total Net Position | \$ 39,238,209 |

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For Fiscal Year Ended June 30, 2018

Exhibit B-1

| Data Control Codes | Functions/Programs | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position |
|--------------------------|--|-----------------------|-------------------------|--|--|
| | | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| | | | | | |
| | Governmental activities: | | | | |
| 11 | Instruction | \$ 67,825,794 | \$ 4,932,050 | \$ 2,104,937 | \$ (60,788,807) |
| 12 | Instructional resources and media services | 1,080,665 | | (168,264) | (1,248,929) |
| 13 | Curriculum and staff development | 913,140 | | 443,319 | (469,821) |
| 21 | Instructional leadership | 3,865,256 | | 1,814,326 | (2,050,930) |
| 23 | School leadership | 6,995,219 | 403,155 | (1,566,221) | (8,158,285) |
| 31 | Guidance, counseling, and evaluation services | 3,830,826 | | (800,533) | (4,631,359) |
| 32 | Social work services | 300,953 | | 238,267 | (62,686) |
| 33 | Health services | 1,480,373 | | 1,425,922 | (54,451) |
| 34 | Student transportation | 4,082,405 | | 154,066 | (3,928,339) |
| 35 | Food service | 10,884,018 | 1,464,299 | 8,438,856 | (980,863) |
| 36 | Extracurricular activities | 4,390,901 | 251,252 | (525,495) | (4,665,144) |
| 41 | General administration | 4,950,475 | | (492,471) | (5,442,946) |
| 51 | Facilities maintenance and operations | 23,615,234 | 43,211 | 463,370 | (23,108,653) |
| 52 | Security and monitoring services | 1,631,386 | | (330,508) | (1,961,894) |
| 53 | Data processing services | 2,051,836 | | (130,660) | (2,182,496) |
| 61 | Community services | 624,436 | | 699,548 | 75,112 |
| 72 | Interest on long-term debt | 13,395,508 | | 581,192 | (12,814,316) |
| 73 | Debt issuance costs and fees | 952,168 | | | (952,168) |
| 81 | Facilities repairs and maintenance | | | 1,367,012 | 1,367,012 |
| 93 | Payments to fiscal agent/member districts of SSA | 275,373 | | | (275,373) |
| 95 | Payments to Juvenile Justice Alternative Education Programs | 150,000 | | | (150,000) |
| 99 | Other intergovernmental charges | 1,128,364 | | | (1,128,364) |
| TG | Total governmental activities | <u>\$ 154,424,330</u> | <u>\$ 7,093,967</u> | <u>\$ 13,716,663</u> | <u>(133,613,700)</u> |

**Data
Control
Codes**

General revenues:

Taxes:

| | | |
|-----------|---|----------------------|
| MT | Property taxes, levied for general purposes | 106,530,664 |
| DT | Property taxes, levied for debt service | 26,929,306 |
| SF | State-aid formula grants | 37,247,800 |
| IE | Investment earnings | 984,986 |
| MI | Miscellaneous | 1,342,342 |
| TR | Total general revenues | <u>173,035,098</u> |
| CN | Change in net position | 39,421,398 |
| NB | Net position - beginning | 97,831,061 |
| PA | Prior period adjustment | (98,014,250) |
| NE | Net position - ending | <u>\$ 39,238,209</u> |

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
Exhibit C-1
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

| Data Control Codes | | General Fund | Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------------|---|----------------------|----------------------|--|---|
| | Assets | | | | |
| 1110 | Cash and Cash Equivalents | \$ 51,200,570 | \$ 13,610,813 | \$ 3,729,407 | \$ 68,540,790 |
| | Receivables: | | | | |
| 1220 | Property taxes - delinquent | 18,179,351 | 4,983,710 | | 23,163,061 |
| 1230 | Allowance for uncollectible taxes (credit) | (11,801,403) | (4,096,178) | | (15,897,581) |
| 1240 | Receivables from other governments | 8,914,394 | | 8,012,966 | 16,927,360 |
| 1260 | Due from other funds | 6,514,318 | 573,790 | 3,961,129 | 11,049,237 |
| 1290 | Other receivables | 390,112 | 74,298 | 22,190 | 486,600 |
| 1300 | Inventories | | | 50,237 | 50,237 |
| 1410 | Prepaid items | 2,275,867 | 9,500 | | 2,285,367 |
| 1000 | Total Assets | \$ 75,673,209 | \$ 15,155,933 | \$ 15,775,929 | \$ 106,605,071 |
| | Liabilities, Deferred Inflows of Resources, and Fund Balance | | | | |
| | Liabilities | | | | |
| 2110 | Accounts payable | \$ 5,768,993 | \$ | \$ 771,740 | \$ 6,540,733 |
| 2150 | Payroll deduction and withholdings | 1,574,209 | | 60,000 | 1,634,209 |
| 2160 | Accrued wages payable | 12,079,227 | | 1,860,768 | 13,939,995 |
| 2170 | Due to other funds | 7,316,500 | | 8,486,098 | 15,802,598 |
| 2180 | Payable to other governments | | | 10,959 | 10,959 |
| 2300 | Unearned revenue | 221,501 | | 891,265 | 1,112,766 |
| 2000 | Total Liabilities | 26,960,430 | | 12,080,830 | 39,041,260 |
| | Deferred Inflows of Resources | | | | |
| 2601 | Unavailable revenues - property taxes | 5,655,013 | 709,669 | | 6,364,682 |
| | Total Deferred Inflows of Resources | 5,655,013 | 709,669 | | 6,364,682 |
| | Fund Balance | | | | |
| | Non-Spendable: | | | | |
| 3410 | Inventories | | | 50,237 | 50,237 |
| 3430 | Prepaid items | 2,275,867 | | | 2,275,867 |
| | Restricted: | | | | |
| 3450 | Federal/State funds grant restrictions | | | 3,112,394 | 3,112,394 |
| 3480 | Retirement of long-term debt | | 14,446,264 | | 14,446,264 |
| | Committed: | | | | |
| 3545 | Other purposes | | | 532,468 | 532,468 |
| 3600 | Unassigned | 40,781,899 | | | 40,781,899 |
| 3000 | Total fund balances | 43,057,766 | 14,446,264 | 3,695,099 | 61,199,129 |
| 4000 | Total Liabilities, Deferred Inflows, and Fund Balances | \$ 75,673,209 | \$ 15,155,933 | \$ 15,775,929 | \$ 106,605,071 |

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
June 30, 2018

Exhibit C-2

| Data Control Codes | Total fund balance, governmental funds | \$ 61,199,129 |
|-----------------------------------|--|----------------------|
| | Amounts reported for governmental activities in the statement of net position are different because: | |
| 1 | Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable. | 434,444,765 |
| 2 | Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts). | 6,364,682 |
| 3 | Deferred charge on refunding | 4,632,249 |
| 4 | Deferred outflows relating to pension activities | 17,717,779 |
| 5 | Deferred outflows relating to other post employment benefits | 846,352 |
| | Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of: | |
| 6 | General obligation bonds | (332,680,000) |
| 7 | Premium/Discount on issuance | (20,381,383) |
| 8 | Accumulated accretion on capital appreciation bonds | (1,271,714) |
| 9 | Capital leases payable | (8,992,628) |
| 10 | Accrued compensated absences | (2,356,851) |
| 11 | Accrued interest payable | (5,156,504) |
| 12 | Net pension liability | (30,883,522) |
| 13 | Net other post employment benefit liability | (54,875,362) |
| 14 | Deferred inflows relating to pension activities | (9,473,131) |
| 15 | Deferred inflows relating to other post employment benefits | (22,954,468) |
| 16 | Addition of Internal Service fund net position (see D-1) | 3,058,816 |
| 19 | Total net position-governmental activities | \$ 39,238,209 |

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For Fiscal Year Ended June 30, 2018

Exhibit C-3

| Data Control Codes | | General Fund | Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------------|--|----------------------|----------------------|--|---|
| | Revenues | | | | |
| 5700 | Local, intermediate, and out-of-state | \$ 112,764,495 | \$ 27,355,300 | \$ 3,359,530 | \$ 143,479,325 |
| 5800 | State program revenues | 44,150,812 | 581,192 | 2,353,703 | 47,085,707 |
| 5900 | Federal program revenues | 3,103,618 | | 28,050,933 | 31,154,551 |
| 5020 | Total revenues | 160,018,925 | 27,936,492 | 33,764,166 | 221,719,583 |
| | Expenditures | | | | |
| | Current: | | | | |
| 0011 | Instruction | 76,541,922 | | 14,872,504 | 91,414,426 |
| 0012 | Instruction resources and media services | 1,394,844 | | 44,137 | 1,438,981 |
| 0013 | Curriculum and instructional staff development | 416,087 | | 453,229 | 869,316 |
| 0021 | Instructional leadership | 3,091,316 | | 2,420,905 | 5,512,221 |
| 0023 | School leadership | 9,230,958 | | 692,353 | 9,923,311 |
| 0031 | Guidance, counseling and evaluation services | 5,268,996 | | 171,090 | 5,440,086 |
| 0032 | Social work services | 216,875 | | 283,042 | 499,917 |
| 0033 | Health services | 1,942,062 | | 218,988 | 2,161,050 |
| 0034 | Student transportation | 9,076,722 | | 1,937,838 | 11,014,560 |
| 0035 | Food services | | | 10,578,290 | 10,578,290 |
| 0036 | Extracurricular activities | 5,111,794 | | 81,576 | 5,193,370 |
| 0041 | General administration | 6,130,240 | | 8,583 | 6,138,823 |
| 0051 | Facilities maintenance and operations | 23,372,404 | | 1,679,897 | 25,052,301 |
| 0052 | Security and monitoring services | 2,274,801 | | | 2,274,801 |
| 0053 | Data processing services | 2,122,210 | | 8,317 | 2,130,527 |
| 0061 | Community services | 99,490 | | 701,989 | 801,479 |
| | Debt service: | | | | |
| 0071 | Principal on long-term debt | 950,645 | 10,665,000 | | 11,615,645 |
| 0072 | Interest on long-term debt | 164,319 | 14,435,594 | | 14,599,913 |
| 0073 | Debt issuance costs and fees | | 952,168 | | 952,168 |
| | Capital outlay: | | | | |
| 0081 | Facilities acquisition and construction | 5,466,981 | | 1,621,162 | 7,088,143 |
| | Intergovernmental: | | | | |
| 0093 | Payments to Fiscal Agent/Member Districts of SSA | 275,373 | | | 275,373 |
| 0095 | Payments to Juvenile Justice Alt. Ed. Prgm. | 150,000 | | | 150,000 |
| 0099 | Other intergovernmental charges | 1,128,364 | | | 1,128,364 |
| 6030 | Total Expenditures | 154,426,403 | 26,052,762 | 35,773,900 | 216,253,065 |
| 1100 | Excess (deficiency) of revenues over expenditures | 5,592,522 | 1,883,730 | (2,009,734) | 5,466,518 |
| | Other Financing Sources (Uses) | | | | |
| 7901 | Refunding bonds issued | | 107,040,000 | | 107,040,000 |
| 7912 | Sale of real or personal property | 30,351 | | 5,304 | 35,655 |
| 7916 | Premium or discount on issuance of bonds | | 9,017,024 | | 9,017,024 |
| 8949 | Payments to refunding bond escrow agent | | (115,079,499) | | (115,079,499) |
| 7080 | Total other financing sources (uses) | 30,351 | 977,525 | 5,304 | 1,013,180 |
| 1200 | Net change in fund balances | 5,622,873 | 2,861,255 | (2,004,430) | 6,479,698 |
| 0100 | Fund Balance - July 1 (Beginning) | 39,117,425 | 11,585,009 | 5,699,529 | 56,401,963 |
| 1300 | Prior period adjustment | (1,682,532) | | | (1,682,532) |
| | Fund Balance - July 1 (Beginning) as restated | 37,434,893 | 11,585,009 | 5,699,529 | 54,719,431 |
| 3000 | Fund Balance - June 30 (Ending) | \$ 43,057,766 | \$ 14,446,264 | \$ 3,695,099 | \$ 61,199,129 |

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT*Exhibit C-4***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES***For Fiscal Year Ended June 30, 2018*

| Data Control Codes | | |
|-----------------------------------|---|----------------------|
| | Net change in fund balances - total governmental funds (from C-3) | \$ 6,479,698 |
| | Amounts reported for <i>governmental activities</i> in the statement of activities (B-1) are different because: | |
| | Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | |
| 1 | Governmental funds capital outlays | 14,721,262 |
| 2 | Governmental funds depreciation expense | (11,863,200) |
| 3 | Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 781,741 |
| 4 | Pension contributions made after the net pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position. | 2,910,702 |
| 5 | OPEB contributions made during the current fiscal year are reported as expenditures in the governmental funds and are reported as deferred outflows and reductions in OPEB liability as opposed to expenses in the statement of activity | 951,907 |
| 6 | Repayment of long-term debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. | 10,665,000 |
| 7 | Repayment of capital lease is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. | 950,645 |
| 8 | Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities. | (107,040,000) |
| 9 | Premium on issuance of refunding bonds | (9,017,024) |
| 10 | Payments to refunding agent | 115,079,499 |
| | Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: | |
| 11 | Decrease in interest payable not recognized in fund statements | 701,341 |
| 12 | Increase in accrued compensated absences | (41,784) |
| 13 | Amortization of premium/discount | 1,104,310 |
| 14 | Increase in accumulated accretion on capital appreciation bonds | (29,667) |
| 15 | Amortization of deferred charge on refunding | (571,579) |
| 16 | Pension expense for the pension plan measurement year | (4,933,233) |
| 17 | OPEB negative expense for the current fiscal year | 18,396,333 |
| 18 | Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-2). | 175,447 |
| | Change in net position of governmental activities (see B-1) | \$ 39,421,398 |

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

Exhibit D-1

| Data Control Codes | | Governmental Activities - Internal Service Fund |
|-----------------------------------|----------------------------------|--|
| | Assets | |
| | Current Assets: | |
| 1110 | Cash and cash equivalents | \$ 269,983 |
| 1260 | Due from other funds | 4,775,421 |
| 1410 | Prepaid Items | 129,472 |
| | Total Current Assets | 5,174,876 |
| 1000 | Total Assets | 5,174,876 |
| | Liabilities | |
| | Current Liabilities: | |
| 2200 | Accrued expenses | 2,116,060 |
| | Total Current Liabilities | 2,116,060 |
| 2000 | Total Liabilities | 2,116,060 |
| | Net Position | |
| 3900 | Unrestricted net position | 3,058,816 |
| 3000 | Total Net Position | \$ 3,058,816 |

See Notes to the Financial Statements.

BEAUMONT INDEPENDENT SCHOOL DISTRICT*Exhibit D-2***STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****PROPRIETARY FUNDS***For Fiscal Year Ended June 30, 2018*

| Data Control Codes | | Governmental Activities - Internal Service Fund |
|-----------------------------------|---|--|
| | Operating Revenues | |
| 5700 | Miscellaneous revenue from local sources | \$ 140,053 |
| 5754 | Interfund services provided | 652,128 |
| 5020 | Total Operating Revenues | <u>792,181</u> |
| | Operating Expenses | |
| 6400 | Claims expense and other operating expenses | <u>616,734</u> |
| 6030 | Total Operating Expenses | <u>616,734</u> |
| 1200 | Change in Net Position | 175,447 |
| 0100 | Net Position - July 1 (Beginning) | <u>2,883,369</u> |
| 3300 | Net Position - June 30 (Ending) | <u><u>\$ 3,058,816</u></u> |

See Notes to the Financial Statements.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For Fiscal Year Ended June 30, 2018

Exhibit D-3

| | Governmental Activities - Internal Service Fund |
|---|--|
| Increase (Decrease) in Cash and Cash Equivalents | |
| Cash Flows from Operating Activities: | |
| Cash receipts from interfund services provided | \$ 1,345,484 |
| Cash payments for insurance claims | (1,075,501) |
| Net Cash Provided by (Used for) Operating Activities | <u>269,983</u> |
| Net change in Cash and Cash Equivalents | 269,983 |
| Cash and Cash Equivalents at Beginning of Year | |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 269,983</u></u> |
| Reconciliation to Balance Sheet | |
| Cash and Cash Equivalents Per Cash Flow | <u>\$ 269,983</u> |
| Cash and Cash Equivalents per Balance Sheet | <u><u>\$ 269,983</u></u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating Income (Loss) | \$ 175,447 |
| Adjustments to Reconcile Operating Income to Net Cash | |
| Change in Assets and Liabilities: | |
| Decrease (increase) in Interfund Receivables | 553,303 |
| Increase (decrease) in Accrued Expenses | (458,767) |
| Net Cash Provided by (Used for) Operating Activities | <u><u>\$ 269,983</u></u> |

See Notes to the Financial Statements.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2018

Exhibit E-1

| Data Control Codes | | Private Purpose Trust Funds | Agency Funds |
|-----------------------------------|---------------------------|--|---------------------|
| | Assets | | |
| | Current Assets | | |
| 1110 | Cash and cash equivalents | \$ 55,154 | \$ 352,420 |
| | Receivables: | | |
| 1290 | Other receivables | | 1,985 |
| 1000 | Total Assets | <u>55,154</u> | <u>\$ 354,405</u> |
| | Liabilities | | |
| | Current Liabilities | | |
| 2110 | Accounts payable | | \$ 6,338 |
| 2170 | Due to other funds | | 22,060 |
| 2190 | Due to student groups | | 326,007 |
| 2000 | Total Liabilities | | <u>\$ 354,405</u> |
| | Net Position | | |
| 3800 | Restricted | <u>\$ 55,154</u> | |

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For Fiscal Year Ended June 30, 2018

Exhibit E-2

| | Private Purpose Trust Funds |
|---------------------------------------|--|
| Additions | |
| Gifts and contributions | \$ |
| Total additions | |
| Deductions | |
| Non-operating expenses | |
| Total deductions | |
| Change in net position | |
| Net position beginning of year | 54,654 |
| Net position end of year | \$ 54,654 |

See Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The Beaumont Independent School District (the “District”) is an independent 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 the registered voters of the District and has fiscal accountability over all activities within the jurisdiction of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement of Auditing Standards of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The following is a summary of the most significant accounting policies.

A. Reporting Entity

The District’s 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 considered an independent entity for financial reporting purposes, and is considered a primary government as defined by GASB. As the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* include programs supported primarily by taxes, charges to school districts for services, state funds, grants and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to or due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to or due from on the government-wide Statement of Net Position.

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

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements while the agency funds have no measurement of focus. 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 are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities, deferred inflows of resources, 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.

Revenues from local sources consist primarily of property taxes and are recorded as revenue when received. The District considers property tax revenue available if they expect the revenue to be 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 sometimes require the District to refund all or part of the unused amount.

The District reports the following major governmental funds:

- 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.
- Debt Service Fund - 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. This is a budgeted fund and separate bank accounts are maintained.

The District reports the following nonmajor governmental funds:

- Special Revenue Funds - These funds account for resources restricted to or committed for specific purposes by a grantor, or for resources that are committed for specific purposes by the Board. 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.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Additionally, the District reports the following fund types:

- Internal Service Funds - These funds are used to account for financing of goods or services provided by one department to other departments of the District on a cost-reimbursement basis. The District operates the Workers' Compensation internal service fund.
- Private purpose trust funds – These funds are used to account for donations for scholarships funds that are received by the District that are to be awarded to current and former students for post-secondary education purposes.
- Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. Assets equal liabilities, and this fund does not include measurements or results of operations. The District's Agency Fund is the Student Activity.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the funds and/or employees for self-funded health services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, and short-term investments with original maturities of one year or less from the date of acquisition.

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

The District's investment pools are valued and reported at amortized cost, which approximates fair value. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: 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. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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 the 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 fiscal year.

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 and Debt Service Funds 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.

F. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost and they include consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities which are received at no cost are recorded as revenue at market value supplied by the Texas Department of Agriculture when received, and as expenditure when consumed. At year end, the commodities inventory is recorded to inventory. A portion of fund balance is classified as nonspendable to reflect minimum inventory quantities considered necessary for the District's continuing operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include land, buildings, and furniture and equipment are reported in the applicable governmental activities columns 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 the acquisition 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.

Note 1 - Summary of Significant Accounting Policies (continued)

G. Capital Assets (continued)

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Building | 20 - 60 |
| Buildings and Improvements | * |
| Furniture and Equipment | 5 - 10 |
| Automobiles and Trucks | 3 - 5 |
| Buses | 10 - 12 |

* Remaining life of building or 20 years whichever is less

H. Compensated Absences

Compensated absences are absences for which employees will be paid, such as sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

The District has a vacation pay policy for twelve-month employees whereby eligible employees hired prior to July 1, 2001, shall receive vacation of ten to twenty days dependent upon the number of years of service. Effective July 1, 2001, a person hired by the District, or promoted by the District to a position normally requiring 240 days of service, earns vacation days during the first full year of employment on a pro rata basis depending on the date of hire; thereafter, 12 days of paid vacation are earned between July 1 to June 30 of each school year. All vacation days are forfeited if not taken by December 31 of each year; therefore, management believes that the liability for unused vacation days at June 30, 2018 is not material to the financial statements.

I. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Position. Premiums and discounts are presented as a component of liabilities while deferred charges on refundings are presented as deferred outflows of resources. Both items are deferred and amortized over the life of the related debt using the straight line method. Long-term debt is reported net of the applicable premium or discount.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

J. Deferred Outflows/Inflows of Resources

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 a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- Deferred outflows of resources for refunding – Reported in the government-wide financial statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt
- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflows of resources for post-employment benefits – Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments and 2) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to post-employment benefits resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net post-employment benefit liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five year period. The remaining deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the post-employment benefit plan.

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 (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow or resources in the period that the amounts become available.

Note 1 - Summary of Significant Accounting Policies (continued)

J. Deferred Outflows/Inflows of Resources (continued)

- Deferred inflows of resources for pension – reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred inflows of resources for post-employment benefits – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These post-employment related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the post-employment benefit plan.

K. 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.

L. Other Post-Employment Benefits.

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

M. Net Position

Net Position on the Statement of Net Position includes the following:

- Net investment in capital assets - this component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.
- Restricted for federal and state programs - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.

Note 1 - Summary of Significant Accounting Policies (continued)

M. Net Position (continued)

- Restricted for Debt Service - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.
- Unrestricted net position - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

N. Fund Balance

The fund balance in governmental funds has been classified as follows to describe the nature and relative strength of the spending constraints:

- *Nonspendable fund balance* - Represents amounts that are not in spendable form, such as inventory and prepaids, or are required to be maintained intact.
- *Restricted fund balance* - Represents amounts constrained to specific purposes by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation.
- *Committed fund balance* - Represents amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, i.e., Board of Trustees. To be reported as committed, amounts cannot be used for any other purpose unless the District's Board of Trustees approves the changes by Board Resolution. The fund balance of the campus activity fund is committed for use at the campuses per board policy.
- *Assigned fund balance* - Represents amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board of Trustees has retained this authority. There was no assigned fund balance during the current fiscal year.
- *Unassigned fund balance* - Represents amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees or the District Fund Managers have provided otherwise in their commitment or assignment actions.

In the fund financial statements, certain governmental funds report restrictions of the entire fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Since the entire fund balance is restricted for these funds, all assets are in essence restricted for their specified purpose.

When the District incurs an expense for which it may use either restricted or unrestricted resources, it uses the restricted resources first unless unrestricted resources will have to be returned because they were not used.

Note 1 - Summary of Significant Accounting Policies (continued)

N. Fund Balance (continued)

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenses of the District as a whole.

The District sponsors self-insured plans to provide workers’ compensation benefits to employees. Revenues of these Internal Service Funds are received from both the District’s governmental and proprietary funds. Expenses are comprised of claims incurred during the fiscal year, professional and contracted services and other miscellaneous expenses.

The General Fund is contingently liable for liabilities of these funds.

O. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (the “TEA”) in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the District’s accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.

P. Use of Estimates

The presentation 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Q. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government’s actual OPEB contributions to its contribution requirements.

Note 1 - Summary of Significant Accounting Policies (continued)

Q. Implementation of New Standards (continued)

GASB Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired.

The following standards have been issued, but have not been implemented as not effective.

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.

GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities.

GASB Statement No. 87, *Leases*. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period.

Note 2 - Deposits and Investments

Cash Deposits: The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2018, the carrying amount of the District's cash deposits (cash and interest-bearing accounts) was \$2,091,236 and the bank balance was \$3,807,197. The District's cash deposits at June 30, 2018, were entirely covered by FDIC Insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments: The District's investment policy is in accordance with the Public Funds Investment Act (Government Code Chapter 2256). Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

Note 2 - Deposits and Investments (continued)

At June 30, 2018, the District's cash and investment balances, the weighted average maturity, and the credit ratings of these investments were as follows:

| | <u>Carrying Value</u> | <u>Weighted Average Maturity (Days)</u> | <u>Credit Rating</u> |
|---|---------------------------|---|--------------------------|
| Governmental Activities | | | |
| Cash and deposits | <u>\$ 1,684,162</u> | N/A | N/A |
| <i>Investments</i> | | | |
| Local Government Investment Pools | | | |
| TexPool | 3,929,100 | 27 | AAAm |
| Lone Star Corporate Overnight Fund | 1,236,334 | 44 | AAA |
| Lone Star Corporate Overnight Plus Fund | 27,992,715 | 50 | AAA |
| Lone Star Government Overnight Fund | <u>33,968,462</u> | 25 | AAA |
| Total Investments | <u>67,126,611</u> | 36 | |
| Total Governmental Activities | <u>68,810,773</u> | | |
| Fiduciary Funds | | | |
| Cash and Deposits | <u>407,574</u> | N/A | N/A |
| Total Fiduciary Funds | <u>407,574</u> | | |
| Total | <u>\$ 69,218,347</u> | | |

Due to the immediate availability of the funds, the District's temporary investments at June 30, 2018 are included in cash and cash equivalents. Local government investment pools are recorded at amortized cost which approximates fair value. Texpool and Lone Star do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates may adversely affect the value of investments. To limit the risk that changes in interest rates will adversely affect the fair value of the investments. The district monitors interest rate risk utilizing weighted average maturity (WAM) analysis. The District requires its investment portfolio to have maturities of less than one year on a WAM basis. However, specific to the District's debt service funds, maturities longer than one year are authorized within legal limits and as long as sufficient investment liquidity to timely meet debt service payment obligations is maintained. The long-term investment the District currently holds, which has no call options, is due when the debt instrument is due and the District intends to hold the investment until maturity, thereby reducing its risk of loss due to changes in the fair value of the investment.

Note 2 - Deposits and Investments (continued)

At June 30, 2018, the District's exposure to interest risk as measured by the segmented time distribution by investment type is summarized below:

| | Amortized Cost | Investment Maturity in Years Less than 1 |
|---|----------------------|--|
| Local Government Investment Pools: | | |
| TexPool | \$ 3,929,100 | \$ 3,929,100 |
| Lone Star Corporate Overnight Fund | 1,236,334 | 1,236,334 |
| Lone Star Corporate Overnight Plus Fund | 27,992,715 | 27,992,715 |
| Lone Star Government Overnight Fund | 33,968,462 | 33,968,462 |
| | <u>\$ 67,126,611</u> | <u>\$ 67,126,611</u> |

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in commercial paper, corporate bonds, mutual bond funds, public funds investment pools to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2018, the District's investments in Texas Pool were rated AAAm.

Custodial Credit Risk: 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 District's policy regarding deposits is in accordance with this law.

Concentration of Credit Risk: For temporary investments, to limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the District's investment portfolio.

Note 3 - Receivables and Unearned Revenue

Receivables as of June 30, 2018, for the District's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | General Fund | Debt Service | Nonmajor Governmental Funds | Total |
|---|----------------------|-------------------|-----------------------------------|----------------------|
| Property Taxes | \$ 18,179,351 | \$ 4,983,710 | \$ | \$ 23,163,061 |
| Due from other governments | 8,914,394 | | 8,012,966 | 16,927,360 |
| Other | 390,112 | 74,298 | 22,190 | 486,600 |
| Gross Receivables | 27,483,857 | 5,058,008 | 8,035,156 | 40,577,021 |
| Less allowance for doubtful accounts | (11,801,403) | (4,096,178) | | (15,897,581) |
| Net Total Receivables | <u>\$ 15,682,454</u> | <u>\$ 961,830</u> | <u>\$ 8,035,156</u> | <u>\$ 24,679,440</u> |

Other receivables are reported at gross value. Management has determined that an allowance for doubtful accounts is not necessary for fair presentation.

Note 3 - Receivables and Unearned Revenue (continued)

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the fiscal year 2018, the various components of unearned revenues reported in the governmental funds were as follows:

| | Unearned |
|----------------------------------|---------------------|
| Advanced collection of fees | \$ 221,501 |
| Unearned federal revenue | 240,180 |
| Unearned state and local revenue | 651,085 |
| | <u>\$ 1,112,766</u> |

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result from normal operations and are cleared out periodically. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

The composition of interfund balances as of June 30, 2018, is as follows:

| | Interfund Receivable | Interfund Payable | Net |
|--------------------------------------|---------------------------------|------------------------------|---------------|
| Governmental Activities: | | | |
| General Fund | \$ 6,514,318 | \$ 7,316,500 | \$ (802,182) |
| Debt Service | 573,790 | | 573,790 |
| Nonmajor Governmental Funds | 3,961,129 | 8,486,098 | (4,524,969) |
| Nonmajor Internal Service Funds | 4,775,421 | | 4,775,421 |
| Total Governmental Activities | <u>15,824,658</u> | <u>15,802,598</u> | <u>22,060</u> |
| Fiduciary Funds | | 22,060 | (22,060) |
| Total | <u>\$ 15,824,658</u> | <u>\$ 15,824,658</u> | <u>\$</u> |

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

Governmental Activities:

| | Balance July 01, 2017 | Additions | (Retirements) and Transfers | Balance June 30, 2018 |
|--|----------------------------------|---------------------|--|----------------------------------|
| Governmental Capital Assets | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 14,664,846 | \$ | \$ | \$ 14,664,846 |
| Construction in progress | 1,961,257 | 2,869,718 | (1,961,257) | 2,869,718 |
| Total Capital assets, not being depreciated | <u>16,626,103</u> | <u>2,869,718</u> | <u>(1,961,257)</u> | <u>17,534,564</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 523,012,887 | 4,163,937 | 1,961,257 | 529,138,081 |
| Furniture and equipment | 11,518,046 | 1,252,780 | | 12,770,826 |
| Vehicles | 19,348,713 | 6,434,827 | | 25,783,540 |
| Total Capital assets, being depreciated | <u>553,879,646</u> | <u>11,851,544</u> | <u>1,961,257</u> | <u>567,692,447</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (116,599,096) | (9,467,644) | | (126,066,740) |
| Furniture and equipment | (9,252,606) | (652,100) | | (9,904,706) |
| Vehicles | (13,067,344) | (1,743,456) | | (14,810,800) |
| Total Accumulated depreciation | <u>(138,919,046)</u> | <u>(11,863,200)</u> | | <u>(150,782,246)</u> |
| Governmental Capital Assets | <u>\$ 431,586,703</u> | <u>\$ 2,858,062</u> | <u>\$</u> | <u>\$ 434,444,765</u> |

Note 5 - Capital Assets (continued)

Depreciation expense was charged to functions/programs of the District as follows:

| Function | Depreciation Expense |
|--|-----------------------------|
| Governmental Activities: | |
| Instruction | \$ 6,037,227 |
| Instructional resources and media services | 95,029 |
| Curriculum and staff development | 56,979 |
| Instructional leadership | 364,020 |
| School leadership | 655,324 |
| Guidance, counseling and evaluation services | 359,359 |
| Social work services | 33,014 |
| Health services | 142,713 |
| Student transportation | 727,389 |
| Food Services | 698,436 |
| Extracurricular activities | 342,964 |
| General administration | 405,400 |
| Plant maintenance and operations | 1,654,424 |
| Security and monitoring services | 150,225 |
| Data processing services | 140,697 |
| Total Governmental Activities | \$ 11,863,200 |

Construction budgets and remaining commitments under related construction contracts as of June 30, 2018, follows:

| Project | Approved Construction Budget | Construction in Progress | Remaining Commitment |
|---------------------------------|-------------------------------------|---------------------------------|-----------------------------|
| Smith Roof | \$ 83,315 | \$ 54,987 | \$ 28,328 |
| Taylor CC Shop Ventilation | 409,600 | 305,867 | 103,733 |
| SETEX - Central HS serving line | 49,900 | 31,024 | 18,876 |
| Beaumont United | 2,872,251 | 1,809,141 | 1,063,110 |
| Security Vestibules | 743,000 | 668,699 | 74,301 |
| | \$ 4,158,066 | \$ 2,869,718 | \$ 1,288,348 |

The District experienced damage to some facilities from Hurricane Harvey. With the exception of damage to Central Medical Magnet High School, repairs were made and students were able to return to the campuses when the district reopened after the hurricane. The District has received insurance proceeds related to the Central building in the amount of \$2,073,441 to date. Expenses related to the repairs of other facilities have been expensed in the General Fund during fiscal year 2017-2018 and the District has submitted the repairs to FEMA for reimbursement. The District anticipates finalizing the claims with FEMA during fiscal year 2018-2019 and reimbursements from FEMA will be recorded as revenue when received or obligated by FEMA.

During fiscal year 2018, the District received two federal grants related to Hurricane Harvey; the Restart Grant and Emergency Impact Aid Grant for \$1.3 million and \$1.9 million; respectively. These grants were used for utility expenditures, salaries and supplies, and other expenditures.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Exhibit F-1
(continued)

Note 6 - Compensated Absences and Other Sick Leave Benefits

The balance of accumulated unpaid vacation and sick leave at June 30, 2018 was \$2,356,851 and is presented as other long-term liabilities in these financial statements.

| | Balance July 01, 2017 | Additions | Deductions - Payments to Participants | Balance June 30, 2018 |
|------------------------------|----------------------------------|-------------------|--|----------------------------------|
| Compensated absences payable | <u>\$ 2,315,067</u> | <u>\$ 126,404</u> | <u>\$ 84,620</u> | <u>\$ 2,356,851</u> |

Note 7 - Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness and compensated absences. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

Changes in Long-term Liabilities

Long-term liability activities for the fiscal year ended June 30, 2018, was as follows:

| | Balance July 1, 2017 | Additions | Retirements | Balance June 30, 2018 | Due Within One Year |
|---|---------------------------------|-----------------------|-----------------------|----------------------------------|--------------------------------|
| General Obligation Bonds | \$ 350,245,000 | \$ 107,040,000 | \$ 124,605,000 | \$ 332,680,000 | \$ 10,995,000 |
| Premiums on bonds | 12,468,669 | 9,017,024 | 1,104,310 | 20,381,383 | |
| Accumulated accretion on capital appreciation bonds | 1,242,047 | 29,667 | | 1,271,714 | |
| Loan payable | 9,943,273 | | 950,645 | 8,992,628 | 913,024 |
| Accrued compensated absences | 2,315,067 | 126,405 | 84,621 | 2,356,851 | 2,356,851 |
| Total Governmental Long-term Liabilities | <u>\$ 376,214,056</u> | <u>\$ 116,213,096</u> | <u>\$ 126,744,576</u> | <u>\$ 365,682,576</u> | <u>\$ 14,264,875</u> |

General Obligation Bonds

General Obligation Bonds outstanding, at June 30, 2018, are comprised of the following:

| Issue | Original Issuance Amount | Interest Rate (%) | Maturity Date | Debt Outstanding |
|--|---|------------------------------|--------------------------|-----------------------------|
| General Obligation Bonds: | | | | |
| Unlimited Tax Qualified School Construction Bonds, Series 2010 | \$ 14,450,000 | 0.00% | 2/15/2026 | \$ 7,720,000 |
| Unlimited Tax School Building Bonds, Series 2010A | 10,085,000 | 2.00% to 5.00% | 2/15/2019 | 1,645,000 |
| Unlimited Tax School Building Bonds, Series 2010B | 59,490,000 | 4.49% to 5.81% | 2/15/2038 | 59,490,000 |
| Unlimited Tax School Building Bonds, Series 2011 | 31,500,000 | 2.00% to 5.00% | 2/15/2038 | 27,170,000 |
| Unlimited Tax Refunding Bonds, Series 2012 | 8,070,000 | 2.00% to 3.00% | 2/15/2038 | 7,425,000 |
| Unlimited Tax Refunding Bonds, Series 2016 | 132,155,000 | 3.00% to 5.00% | 2/15/2038 | 125,395,000 |
| Unlimited Tax Refunding Bonds, Series 2017 | 107,040,000 | 3.00% to 5.00% | 2/15/2038 | 103,835,000 |
| | | | | <u>\$ 332,680,000</u> |

Note 7 - Long-term Liabilities (continued)

Debt service requirements to maturity for the General Obligation Bonds are as follows:

| Year Ending June 30th | Principal | Interest | Totals |
|----------------------------------|-----------------------|-----------------------|-----------------------|
| 2019 | \$ 10,995,000 | \$ 13,750,674 | \$ 24,745,674 |
| 2020 | 11,485,000 | 13,269,224 | 24,754,224 |
| 2021 | 11,980,000 | 12,764,596 | 24,744,596 |
| 2022 | 12,495,000 | 12,234,234 | 24,729,234 |
| 2023 | 13,040,000 | 11,674,947 | 24,714,947 |
| 2024 - 2028 | 72,845,000 | 50,373,081 | 123,218,081 |
| 2029 - 2033 | 91,380,000 | 31,166,582 | 122,546,582 |
| 2034 - 2038 | 108,460,000 | 12,489,849 | 120,949,849 |
| | <u>\$ 332,680,000</u> | <u>\$ 157,723,187</u> | <u>\$ 490,403,187</u> |

On September 21, 2017, the District issued \$107,040,000 in Unlimited Tax Refunding Bonds, Series 2017 to refund \$113,940,000 of Unlimited Tax School Building Bonds, Series 2009. The proceeds of the refunding net of debt issuance costs of \$350,000 amounted to \$115,079,499 and was deposited with an escrow agent. As a result of the refunding, the District decreased its aggregate debt service payment to maturity by \$31.6 million and realized an economic gain (difference between the present value of debt service payments on the old debt and new debt) of \$24.2 million. The principal is guaranteed by the Permanent School Fund of the State of Texas. In addition, the transaction resulted in a deferred charge on refunding of \$1.1 million and will be amortized over the life of the new or old debt, whichever is shorter.

The District also entered into a loan payable agreement for the purchase of buses in the amount of \$9,943,273. Interest accrues at a rate of 2.245% annual and the maturity date is fiscal year 2027. Principal and interest requires are as follows:

| Year Ending June 30th | Principal | Interest |
|----------------------------------|---------------------|---------------------|
| 2019 | \$ 913,024 | \$ 201,940 |
| 2020 | 933,522 | 181,443 |
| 2021 | 954,479 | 160,485 |
| 2022 | 975,907 | 139,057 |
| 2023 | 997,816 | 117,148 |
| 2024-2027 | 4,217,880 | 239,496 |
| | <u>\$ 8,992,628</u> | <u>\$ 1,039,569</u> |

Note 7 - Long-term Liabilities (continued)

Prior Years' Refunding of Long-Term Debt

In prior years, the District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At June 30, 2018, there are no defeased bonds outstanding.

A portion of the bonds sold in the Series 2012 bond issues were capital appreciation bonds commonly referred to as "premium compound interest bonds." The District annually records the appreciation of the bond principal for the accreted value of the bonds through maturity of the issue. The interest of these bonds series will be paid upon maturity. The following table summarizes the significant features of the individual bonds, by issue:

| <u>Series</u> | <u>Accreted Value</u> | <u>Original Bond Principal</u> | <u>Accreted Interest</u> | <u>Maturity Value</u> | <u>Maturity Dates</u> |
|----------------|-----------------------|--------------------------------|--------------------------|-----------------------|-----------------------|
| 2012 Refunding | \$ 1,311,714 | \$ 40,000 | \$ 1,271,714 | \$ 1,545,000 | 2026 and 2027 |

Deferred charge on refunding

The balance of deferred charge on refunding at June 30, 2018 was \$4,632,249 and is presented as a deferred outflow of resources in the Statement of Net Position:

| | <u>Balance July 01, 2017</u> | <u>Deferred Charge on New Issues</u> | <u>Recognized Amortization</u> | <u>Balance June 30, 2018</u> |
|------------------------------|----------------------------------|--|------------------------------------|----------------------------------|
| Deferred charge on refunding | \$ 4,064,329 | \$ 1,139,499 | \$ 571,579 | \$ 4,632,249 |

Note 8 - Revenues from Local, Intermediate, and Out-of-State Sources

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

| | <u>General Fund</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|-------------------------------|-----------------------|----------------------|--|-----------------------|
| Property Taxes | \$ 105,471,298 | \$ 27,206,931 | \$ | \$ 132,678,229 |
| Foreign Trade Zone Revenue | 988,638 | | | 988,638 |
| Insurance Recovery | 1,230,067 | | | 1,230,067 |
| Chapter 313 Agreement Revenue | 2,761,409 | | | 2,761,409 |
| Campus Activity | | | 403,155 | 403,155 |
| Food Service Activity | | | 1,464,299 | 1,464,299 |
| Extracurricular Activities | 251,252 | | | 251,252 |
| Investment Income | 836,617 | 148,369 | | 984,986 |
| Local Grants | | | 1,492,076 | 1,492,076 |
| Rent | 43,211 | | | 43,211 |
| Other | 1,182,003 | | | 1,182,003 |
| | <u>\$ 112,764,495</u> | <u>\$ 27,355,300</u> | <u>\$ 3,359,530</u> | <u>\$ 143,479,325</u> |

Note 9 - General Fund Federal Source Revenues

For the fiscal year ended June 30, 2018, the General Fund reports the following federal revenues:

| <u>Program or Source</u> | <u>CFDA #</u> | <u>Amount</u> |
|--|---------------|---------------------|
| SHARS | N/A | \$ 1,570,200 |
| E-Rate | N/A | 27,750 |
| Build America Bonds | N/A | 1,078,345 |
| Navy JROTC | 12.000 | 121,724 |
| Indirect Costs: | | |
| ESEA, Title I, Part A | 84.010A | 165,934 |
| IDEA-B Formula | 84.027A | 74,245 |
| SSA - IDEA - Part B, Discretionary | 84.027A | 1,557 |
| IDEA-B Preschool | 84.173A | 1,532 |
| Carl D. Perkins Basic Grant | 84.048A | 4,278 |
| Title III, Part A, LEP | 84.365A | 5,252 |
| Title II, Part A, Teacher/Principal Training | 84.367A | 12,361 |
| Temporary Emergency Impact Aid for | | |
| Displaced Students Program | 84.938C | 37,750 |
| 2016-2018 Industry Cluster TWC-Adult | 17.258 | 2,690 |
| | | <u>\$ 3,103,618</u> |

The District has entered into a number of operating leases for copiers, postage meters, and computers which contain cancellation provisions and are subject to annual appropriations. Rental expenditures for the year ended June 30, 2018 amounted to \$1,353,381. These leases primarily support governmental activities.

Future minimum lease payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------------|
| 2019 | \$ 1,153,337 |
| 2020 | 818,984 |
| 2021 | 565,041 |
| 2022 | 297,173 |
| | <u>\$ 2,834,535</u> |

Note 11 - Defined Benefit Pension Plan

A. Plan Description

The 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). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 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.

Note 11 - Defined Benefit Pension Plan (continued)

B. 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.

C. 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 in (A) above.

D. 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 2016 and 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

| | Contribution Rates | |
|--|---------------------------|-------------|
| | Plan Fiscal Year | |
| | 2017 | 2018 |
| Member (Employee) | 7.70% | 7.70% |
| Non-employer contributing agency (State) | 6.80% | 6.80% |
| District | 6.80% | 6.80% |

Note 11 - Defined Benefit Pension Plan (continued)

D. Contributions (continued)

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). Contributions and pension expense for all contributors were as follows:

| | <u>Measurement Year (2017)</u> | | <u>Fiscal Year (2018)</u> |
|--|--------------------------------|----------------|---------------------------|
| | Contributions | | |
| | Required and | Pension | |
| | Made | Expense | TRS Contributions |
| Member (Employee) | \$ 7,826,653 | \$ | \$ 7,588,284 |
| Non-employer contributing agency (State) | 5,256,191 | 3,919,629 | 5,176,740 |
| District | 3,165,579 | 3,438,794 | 2,951,599 |

As the non-employer contributing entity for public education and junior colleges, 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 (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical 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, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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 or charter school 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.

Note 11 - Defined Benefit Pension Plan (continued)

E. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|----------------------------------|
| Valuation Date | August 31, 2017 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Discount Rate | 8.00% |
| Long-term expected Investment Rate of Return | 8.00% |
| Municipal Bond Rate | N/A* |
| Inflation | 2.5% |
| Salary Increases | 3.5% to 9.5% including inflation |
| Payroll Growth Rate | 2.5% |
| Benefit Changes during the year | None |
| Ad hoc post-employment benefit changes | None |

*If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

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.

F. 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 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%. 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.

Note 11 - Defined Benefit Pension Plan (continued)

F. Discount Rate (continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

| Asset Class | Target Allocation | Real Return Geometric Basis | Long-Term Expected Portfolio Real Rate of Return * |
|-------------------------------|--------------------------|------------------------------------|---|
| 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 Expectation | | | 2.2% |
| Alpha | | | 1.0% |
| Total | 100% | | 8.7% |

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

Note 11 - Defined Benefit Pension Plan (continued)

G. 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 2017 Net Pension Liability.

| | 1% Decrease 7% | Current Discount Rate 8% | 1% Increase 9% |
|--|-------------------|--------------------------------|-------------------|
| District's proportional share of the net pension liability | \$ 52,063,516 | \$ 30,883,522 | \$ 13,247,739 |

At June 30, 2018, the District reported a liability of \$30,883,522 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the 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 the District were as follows:

| | |
|---|----------------------|
| District's proportion of the net pension liability | 0.0966% |
| District's proportionate share of the net pension liability | \$ 30,883,522 |
| State's proportionate share of the net pension liability associated with the District | 51,387,432 |
| Total | <u>\$ 82,270,954</u> |

The net pension liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net pension liability was .0966% which was an increase from its proportion measured as of August 31, 2016 of 0.0852%.

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 fiscal year ended June 30, 2018, the District recognized pension expense of \$4,933,233 as well as revenue of \$3,919,629 representing pension expense incurred by the State on behalf of the District.

Note 11 - Defined Benefit Pension Plan (continued)

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the 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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 451,840 | \$ (1,665,508) |
| Changes in actuarial assumptions | 1,406,793 | (805,356) |
| Net difference between projected and actual investment earnings | 4,749,527 | (7,000,251) |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 8,670,790 | (2,016) |
| Contributions paid to TRS subsequent to the measurement date | 2,438,829 | |
| Total | <u>\$ 17,717,779</u> | <u>\$ (9,473,131)</u> |

The \$2,438,829 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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:

| Year ended June 30 | Amount |
|-------------------------------|-----------------------|
| 2019 | \$ (828,742) |
| 2020 | (2,800,117) |
| 2021 | (677,267) |
| 2022 | (133,885) |
| 2023 | (957,402) |
| Thereafter | (408,406) |
| | <u>\$ (5,805,819)</u> |

Note 12 - Defined Other Post-Employment Benefit Plans

A. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS- Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

B. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS 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.

C. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

| TRS-CARE Plan Premium Rates | | | |
|---|-------------------|----------------------|----------------------|
| Effective Sept. 1, 2016 - Dec. 31, 2017 | | | |
| | TRS-Care 1 | TRS-Care 2 | TRS-Care 3 |
| | Basic Plan | Optional Plan | Optional Plan |
| Retiree* | \$ - | \$ 70 | \$ 100 |
| Retiree and Spouse | 20 | 175 | 255 |
| Retiree* and Children | 41 | 132 | 182 |
| Retiree and Family | 61 | 237 | 337 |
| Surviving Children only | 28 | 62 | 82 |

**or surviving spouse*

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

D. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

| | Contribution Rates | |
|---|--------------------|-------|
| | 2018 | 2017 |
| Active Employee | 0.65% | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% | 1.00% |
| Employers | 0.75% | 0.55% |
| Federal/Private Funding remitted by Employers | 1.25% | 1.00% |

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to. When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

In addition, during the current fiscal year, \$212.0 million was transferred to TRS from the State to pay for Care during the 85th First Legislative Special Session House Bill 21, Section 10. The District reported on behalf revenues and expenditures of \$267,523 relating to these transfers.

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). Contributions and pension expense for all contributors were as follows:

| | Measurement Year | | Fiscal Year |
|--|------------------------------------|--------------|---------------------------|
| | Contributions Required and Made | OPEB Expense | TRS Care Contributions |
| Member (Employee) | \$ 660,690 | \$ - | \$ 640,571 |
| Non-employer contributing agency (State) | 932,591 | (26,102,558) | 1,096,281 |
| District | 656,064 | (18,396,333) | 940,511 |

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

E. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

| | |
|----------------------|----------------------------------|
| Rates of Mortality | General Inflation |
| Rates of Retirement | Wage Inflation |
| Rates of Termination | Expected Payroll Growth Rates of |
| Disability Incidence | |

Additional Actuarial Methods and Assumptions:

| | |
|--|---|
| Valuation date | August 31, 2017 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.50% |
| Discount Rate* | 3.42%* |
| Aging Factors | Based on plan specific experience |
| Expenses | Third-party administrative expense related to the delivery of health care benefits are included in the adjusted claims costs. |
| Payroll Growth Rate | 2.50% |
| Projected Salary Increases** | 3.50% to 9.50%** |
| Healthcare Trend Rates*** | 4.50% to 12.00%*** |
| Election rates | Normal Retirement: 70% Participation prior to age 65 and 75% participation after age 65 |
| Ad hoc post-employment benefit changes | None |

* Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.

** Includes Inflation at 2.50%

*** Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescription trend rate of 4.50% over a period of 10 years.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

F. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Sensitivity of the Net OPEB Liability

Discount Rate – The following presents the District’s proportional share of the net OPEB liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (2.42%) or one-percentage point higher (4.42%) than the AA/Aa rate.

| Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions | | | |
|---|----------------------------------|---|--|
| 1% Decrease in Discount Rate (2.42%) | Current Discount Rate (3.42%) | 1% Increase in Discount Rate (4.42%) | |
| \$ 64,766,551 | \$ 54,875,362 | \$ 46,925,077 | |

Healthcare Cost Trend Rates – The following presents the District’s proportional share of the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate:

| Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions | | | |
|---|---------------------------------------|---------------|--|
| 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase | |
| \$ 45,689,222 | \$ 54,875,362 | \$ 66,928,737 | |

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District reported a liability of \$54,875,362 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

| | |
|---|-----------------------|
| District's proportionate share of the collective net OPEB liability | \$ 54,875,362 |
| State's proportionate share that is associated with District | <u>78,005,031</u> |
| Total | <u>\$ 132,880,393</u> |

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.1262% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

There was a significant plan change adopted in fiscal year ending August 31, 2017:

- Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.
- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

Negative OPEB Expense

The significant changes to the plan benefits and assumptions noted above decreased the net OPEB liability related to TRS-Care as a whole by \$33.5 billion. As a result, the District's proportional share of the net OPEB liability decreased by \$42.0 million. Because the decrease in the liability was the result of changes to plan benefits, a majority of the decrease has been recognized immediately in the District's financial statements. As a result, the District recognized a total proportional share of negative OPEB expense of \$44.5 million, a portion of this negative expense (\$26.1 million) represents the State's on- behalf share of this activity offset by what the Governmental Accounting Standards Board refers to as a negative on-behalf revenue.

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)

The following table illustrates the magnitude of the negative on-behalf activity for the State's portion of the TRS-Care benefits by individual function for both operating grants and contributions revenues and expense:

| | Current Year Prior to Negative On-behalf Activities | | | Current Year After Negative On- behalf Activities as presented in Exhibit B-1 | |
|--|--|--|-----------------------------------|---|--|
| | Expenses | Operating Grants and Contributions | Negative On- behalf Activities | Expenses | Operating Grants and Contributions |
| Instruction | \$ 84,377,427 | \$ 18,656,570 | \$ (16,551,633) | \$ 67,825,794 | \$ 2,104,937 |
| Instructional resources and media services | 1,333,860 | 84,931 | (253,195) | 1,080,665 | (168,264) |
| Curriculum and staff development | 926,191 | 456,370 | (13,051) | 913,140 | 443,319 |
| Instructional leadership | 4,588,297 | 2,537,367 | (723,041) | 3,865,256 | 1,814,326 |
| School leadership | 9,127,798 | 566,358 | (2,132,579) | 6,995,219 | (1,566,221) |
| Guidance, counseling, and evaluation services | 4,992,390 | 361,031 | (1,161,564) | 3,830,826 | (800,533) |
| Social work services | 353,158 | 290,472 | (52,205) | 300,953 | 238,267 |
| Health services | 1,913,675 | 1,859,224 | (433,302) | 1,480,373 | 1,425,922 |
| Student transportation | 5,170,882 | 1,242,543 | (1,088,477) | 4,082,405 | 154,066 |
| Food service | 10,884,018 | 8,438,856 | | 10,884,018 | 8,438,856 |
| Extracurricular activities | 5,116,552 | 200,156 | (725,651) | 4,390,901 | (525,495) |
| General administration | 5,913,659 | 470,713 | (963,184) | 4,950,475 | (492,471) |
| Facilities maintenance and operations | 25,024,772 | 1,872,908 | (1,409,538) | 23,615,234 | 463,370 |
| Security and monitoring services | 2,025,535 | 63,641 | (394,149) | 1,631,386 | (330,508) |
| Data processing services | 2,250,215 | 67,719 | (198,379) | 2,051,836 | (130,660) |
| Community services | 627,046 | 702,158 | (2,610) | 624,436 | 699,548 |
| Interest on long-term debt | 13,395,508 | 581,192 | | 13,395,508 | 581,192 |
| Facilities repairs and maintenance | | 1,367,012 | | | 1,367,012 |
| Totals | \$ 178,020,983 | \$ 39,819,221 | \$ (26,102,558) | \$ 151,918,425 | \$ 13,716,663 |

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)

Deferred Outflows and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ | \$ (1,145,565) |
| Changes in actuarial assumptions | | (21,808,903) |
| Difference between projected and actual investment earnings | 8,336 | |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 254 | |
| Contributions paid to TRS subsequent to the measurement date | 837,762 | |
| Total | <u>\$ 846,352</u> | <u>\$ (22,954,468)</u> |

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

| Year Ended June 30: | OPEB Expense Amount |
|------------------------|------------------------|
| 2019 | \$ 3,027,735 |
| 2020 | 3,027,735 |
| 2021 | 3,027,735 |
| 2022 | 3,027,735 |
| 2023 | 3,029,819 |
| Thereafter | 7,805,120 |
| | <u>\$ 22,945,879</u> |

I. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D contributions made on behalf of the District are recorded as equal revenues and expenditures in the governmental fund financial statements of the District. For the fiscal years ended June 30, 2018, ten months ended June 30, 2017, and fiscal year ended August 2016, the subsidy payments received by TRS-Care on behalf of the District are as follows:

| Fiscal Year | Medicare Part D |
|-----------------|--------------------|
| June 30, 2018 | \$ 318,050 |
| June 30, 2017 | 301,122 |
| August 31, 2016 | 399,172 |

These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

Note 13 - Risk Management

Property/Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's risk management program encompasses various means of protecting the District against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers, and from participation in a risk pool. The District's participation in the risk pool is limited to payment of premiums.

Health Insurance

The Board of Trustees approved the district's participation in the TRS (Texas Retirement System) Active Care Health Insurance Program as sponsored by the Teacher Retirement System of Texas. This is a premium-based plan; payments are made on a monthly basis for all covered employees.

Workers' Compensation

The District also provides workers' compensation to its employees through a self-insured plan which is accounted for in the Internal Service Fund. The Internal Service Fund charges the General Fund and other funds for premiums for the District's contribution. The District has an excess workers' compensation insurance policy that takes over after the District reaches its \$400,000 self-insured retention level and covers the District up to the statutory required limit. The District established the self-insurance plan for workers' compensation benefits as authorized by Section 504.011 of the Labor Code.

The costs associated with these self-insurance plans are reported as interfund transactions to the extent of amounts determined by the third party administrators. Accordingly, they are treated as operating revenues of the Internal Service Funds and operating expenditures of the governmental and proprietary funds.

Estimates of claims payable and of claims incurred but not reported at June 30, 2018, are reflected as accrued expenses of the Fund. The liabilities include an amount for claims that have been incurred but were not reported until after June 30, 2018. Liability for claims is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing the liabilities is an estimate. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

Changes in the balances of claims liabilities are as follows:

| Fiscal Year | Beginning of Year Accrual | Current Year Estimates | Claims Payments | End of Year Accrual |
|------------------------|--------------------------------------|-----------------------------------|----------------------------|--------------------------------|
| June 30, 2018 | \$ 2,574,827 | \$ 616,734 | \$ 1,075,501 | \$ 2,116,060 |
| *June 30, 2017 | 2,448,114 | 1,292,391 | 1,165,678 | 2,574,827 |
| August 31, 2016 | 2,735,291 | 961,988 | 1,249,133 | 2,448,114 |

*for the ten months ended

Note 14 - Shared Service Arrangements

The District is fiscal agent for a Shared Service Arrangement (“SSA”), which provides services to the member districts listed below. All services are provided by the fiscal agents. The member districts provide the funds to the fiscal agents. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in the appropriate Special Revenue Funds and has accounted for these funds using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

| | Local Services for the Deaf | |
|----------------------------------|-----------------------------|----------------|
| Beaumont ISD | \$ | 273,518 |
| Bridge City ISD | | 20,261 |
| Buna ISD | | 20,261 |
| Colmesneil ISD | | 10,130 |
| Deweyville ISD | | 10,130 |
| East Chambers | | 5,065 |
| Evadale ISD | | 5,065 |
| Hardin-Jefferson ISD | | 10,130 |
| Little-Cypress Mauriceville CISD | | 22,169 |
| Lumberton ISD | | 44,008 |
| Nederland ISD | | 50,652 |
| Orangefield ISD | | 10,130 |
| Port Arthur ISD | | 91,173 |
| Port-Neches Groves ISD | | 40,521 |
| Silsbee ISD | | 40,851 |
| Spurger ISD | | 10,130 |
| Vidor ISD | | 60,782 |
| West Orange Cove CISD | | 20,262 |
| Woodville ISD | | 30,391 |
| | \$ | <u>775,629</u> |

Note 15 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuit arising in the normal course of operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 16 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has estimated that it has no arbitrage liability as of June 30, 2018.

Note 17 - Other Post Employment Benefits

The District does not provide post employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the district.

Note 18 - Prior Period Adjustments

Hurricane Ike - Write Off

The District recorded a prior period adjustment to write off a receivable from Federal Emergency Management Agency (FEMA) in the amount of \$1.68M related to Hurricane Ike in year 2008.

New Accounting Pronouncement

In the current fiscal year, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. As a result, the beginning net position of the District's governmental activities has been restated on the Statement of Activities to reflect the net OPEB liability and deferred outflow of resources relating to TRS-Care contributions made after the prior measurement date of the plan as follows:

| | Governmental Activities | |
|---|------------------------------------|----------------------------|
| Beginning Net Position - As Originally Presented | <u>\$ 97,831,061</u> | |
| Restatement due to: | | |
| Write off of receivable related to Hurricane Ike | (1,682,532) | |
| Net OPEB liability | (96,879,681) | |
| Deferred Outflows: | | |
| TRS-Care Contribution made after the August 31, 2016 | <u>547,963</u> | |
| Total adjustment due to change in accounting principle | | (98,014,250) |
| Beginning Net Position - As Restated | | <u><u>\$ (183,189)</u></u> |

Note 19 - Tax Abatements

Currently, the District has eight (8) active Chapter 313 Agreements with several corporations for Limitation On Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

Note 19 - Tax Abatements (continued)

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of trustees and the Texas Comptroller's Office, which recommended approval of the project. The application, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The agreement and all supporting documentation was assigned Texas Comptroller Application number.

The following Chapter 313 Agreements are in effect:

Project Rebound's (Application No. 211) first year's value limitation was tax year 2015. The net benefit to the District is \$50,199 for fiscal year June 30, 2018. The project value's value limitation is \$30,000,000, with a total project value of \$62,178,700. The applicant's M&O taxes have been reduced by \$334,658.

OCI Beaumont (Application No. 219) first year's value limitation was tax year 2015. The value limitation for the current year was \$30,000,000, with a total project value of \$156,358,700. The applicant's M&O taxes were reduced by \$1,549,418. However, the net benefit to the District was \$243,628.

Natgasoline LLC's (Application No. 311) first year's value limitation was tax year 2017. The net benefit to the District is \$4,130,000 for fiscal year June 30, 2018. The project value's value limitation is \$30,000,000, with a total project value of \$400,623,700. The applicant's M&O taxes have been reduced by \$3,854,486.

BASF Corporation (Application No. 375) first year's value limitation was tax year 2017. The net benefit to the District is \$400,258 for fiscal year June 30, 2018. The project value's value limitation is \$30,000,000, with a total project value of \$66,000,000. The applicant's M&O taxes have been reduced by \$374,400.

Exxon (Application No. 1118) first year's value limitation will be fiscal year 2020. However, there was no current year value limitation, reduction in taxes or benefit/loss.

Exxon (Application No. 1119) first year's value limitation will be fiscal year 2021. However, there was no current year value limitation, reduction in taxes or benefit/loss.

Exxon (Application No. 1163) first year's value limitation will be fiscal year 2023. However, there was no current year value limitation, reduction in taxes or benefit/loss.

Arkema Inc. (Application No. 1190) first year's value limitation will be fiscal year 2021. However, there was no current year value limitation, reduction in taxes or benefit/loss.

Note 20 - Subsequent Event

As of November 8, 2018, the District has determined that no subsequent events are required to be reported.

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REQUIRED SUPPLEMENTARY INFORMATION

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BEAUMONT INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For Fiscal Year Ended June 30, 2018

Exhibit G-1

| Data Control Codes | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|----------------------|----------------------|---------------------------------------|---|
| | Original | Final | Actual Amounts, Budgetary Basis | |
| Revenues | | | | |
| 5700 Local revenues | \$ 108,875,030 | \$ 114,482,014 | \$ 112,764,495 | \$ (1,717,519) |
| 5800 State program revenues | 44,165,293 | 42,512,054 | 44,150,812 | 1,638,758 |
| 5900 Federal program revenues | 3,359,181 | 3,359,181 | 3,103,618 | (255,563) |
| 5020 Total revenues | <u>156,399,504</u> | <u>160,353,249</u> | <u>160,018,925</u> | <u>(334,324)</u> |
| Expenditures | | | | |
| Current: | | | | |
| 0011 Instruction | 82,977,557 | 81,540,251 | 76,541,922 | 4,998,329 |
| 0012 Instruction resources and media services | 1,680,865 | 1,685,870 | 1,394,844 | 291,026 |
| 0013 Curriculum and instructional staff development | 810,886 | 769,903 | 416,087 | 353,816 |
| 0021 Instructional leadership | 3,842,623 | 3,655,076 | 3,091,316 | 563,760 |
| 0023 School leadership | 9,524,741 | 9,496,081 | 9,230,958 | 265,123 |
| 0031 Guidance, counseling and evaluation services | 5,313,911 | 5,594,897 | 5,268,996 | 325,901 |
| 0032 Social work services | 237,423 | 229,249 | 216,875 | 12,374 |
| 0033 Health services | 2,059,787 | 2,047,247 | 1,942,062 | 105,185 |
| 0034 Student transportation | 5,259,648 | 9,978,249 | 9,076,722 | 901,527 |
| 0036 Extracurricular activities | 5,206,827 | 6,111,955 | 5,111,794 | 1,000,161 |
| 0041 General administration | 7,874,300 | 7,790,107 | 6,130,240 | 1,659,867 |
| 0051 Facilities maintenance and operations | 21,666,459 | 26,742,089 | 23,372,404 | 3,369,685 |
| 0052 Security and monitoring services | 2,810,701 | 2,974,212 | 2,274,801 | 699,411 |
| 0053 Data processing services | 2,301,265 | 2,432,601 | 2,122,210 | 310,391 |
| 0061 Community services | 94,452 | 123,327 | 99,490 | 23,837 |
| Debt Service: | | | | |
| 0071 Principal on long-term debt | 950,645 | 950,645 | 950,645 | |
| 0072 Interest on long-term debt | 164,319 | 164,319 | 164,319 | |
| 0073 Debt issuance costs and fees | | | | |
| Capital Outlay: | | | | |
| 0081 Facilities acquisition and construction | 1,625,075 | 8,054,171 | 5,466,981 | 2,587,190 |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 339,300 | 339,300 | 275,373 | 63,927 |
| 0095 Payments to Juvenile Justice Alt. Ed. Prgm. | 150,000 | 150,000 | 150,000 | |
| 0099 Other Intergovernmental Charges | 1,488,464 | 1,488,464 | 1,128,364 | 360,100 |
| 6030 Total Expenditures | <u>156,379,248</u> | <u>172,318,013</u> | <u>154,426,403</u> | <u>17,891,610</u> |
| 1100 Excess (deficiency) of revenues over expenditures | 20,256 | (11,964,764) | 5,592,522 | 17,557,286 |
| Other Financing Sources (Uses) | | | | |
| 7912 Sale of property | | | 30,351 | 30,351 |
| 7080 Total other financing sources and uses | | | <u>30,351</u> | <u>30,351</u> |
| 1200 Net change in fund balances | 20,256 | (11,964,764) | 5,622,873 | 17,587,637 |
| 0100 Fund balances - beginning | 39,117,425 | 39,117,425 | 39,117,425 | |
| 1300 Prior period adjustment | | | (1,682,532) | (1,682,532) |
| 3000 Fund balances - ending | <u>\$ 39,137,681</u> | <u>\$ 27,152,661</u> | <u>\$ 43,057,766</u> | <u>\$ 15,905,105</u> |

See Notes to Required Supplementary Information

BEAUMONT INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE

Exhibit G-2

Budgets and Budgetary Accounting

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Program Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to federal, state and locally imposed project length budgets and monitoring through submission of reimbursement reports. The General Fund Budget report is presented on Exhibit G-1, the Child Nutrition Program Special Revenue fund budget report and the Debt Service Fund budget report appear on Exhibit J-2 and J-3, respectively.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended June 30, 2018, the Board of Trustees approved budget amendments to decrease or supplement appropriations as follows:

| | <u>General Fund</u> | <u>Child Nutrition Program</u> | <u>Debt Service</u> |
|---------------------|---------------------|------------------------------------|---------------------|
| Amendments Approved | \$ 15,938,765 | \$ 2,221,299 | \$ 977,525 |

The amendments approved for the General Fund other than those to transfer funds between functions were to record expenditures related to TRS On-behalf, to set up the budget for pre-kindergarten supplemental funds received, salaries and benefits for new positions, the allocation of technology budget for district requirements under new E-Rate projects, and a security audit.

The amendments approved for the Child Nutrition Program Special Revenue Fund other than those to transfer funds between functions was to set up a donation to the Child Nutrition Fund to be allocated to purchase equipment.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by June 30, 2017. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
Teacher Retirement System of Texas
For the Last Four Measurement Years Ended August 31 (1)

Exhibit G-3

| | 2017 | 2016 | 2015 |
|--|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability | 0.0966% | 0.0852% | 0.0782% |
| District's proportionate share of the net pension liability | \$ 30,883,522 | \$ 32,197,755 | \$ 27,627,919 |
| State's proportionate share of the net pension liability associated with the District | 51,387,432 | 65,439,366 | 62,807,388 |
| Total | <u>\$ 82,270,954</u> | <u>\$ 97,637,121</u> | <u>\$ 90,435,307</u> |
| District's covered payroll (for Measurement Year) | \$ 101,644,863 | \$ 98,619,316 | \$ 93,463,819 |
| District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll | 30.38% | 32.65% | 29.56% |
| Plan fiduciary net position as a percentage of the total pension liability * | 82.17% | 78.00% | 78.43% |
| Plan's net pension liability as a percentage of covered-employee payroll * | 75.93% | 92.75% | 91.94% |
| | 2014 | | |
| District's proportion of the net pension liability | 0.0581% | | |
| District's proportionate share of the net pension liability | \$ 30,883,522 | | |
| State's proportionate share of the net pension liability associated with the District | 68,127,998 | | |
| Total | <u>\$ 99,011,520</u> | | |
| District's covered payroll (for Measurement Year) | \$ 115,538,311 | | |
| District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll | 26.73% | | |
| Plan fiduciary net position as a percentage of the total pension liability * | 83.25% | | |
| Plan's net pension liability as a percentage of covered-employee payroll * | 72.89% | | |

Notes: Ten years of data should be presented in this schedule but data is unavailable prior to 2014.

Net pension liability and related ratios will be presented prospectively as data becomes available.

* Per TRS' CAFR

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
Teachers Retirement System of Texas
Last Four Fiscal Years Ended June 30

Exhibit G-4

| | 2018 | * 2017 | 2016 | 2015 |
|---|------------------|------------------|------------------|------------------|
| Contractually required contributions | \$ 2,951,597 | \$ 2,652,811 | \$ 2,702,669 | \$ 2,417,013 |
| Contributions in relation to the contractual required contributions | <u>2,951,597</u> | <u>2,652,811</u> | <u>2,702,669</u> | <u>2,417,013</u> |
| Contribution deficiency (excess) | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| District's covered employee payroll | \$ 98,549,158 | \$ 84,255,425 | \$ 98,619,316 | \$ 93,461,105 |
| Contributions as a percentage of covered employee payroll | 3.00% | 3.15% | 2.74% | 2.59% |

* The District converted to a June 30th year-end during fiscal year 2017.

As such, 2017 only reflects ten months of contributions. Fiscal years 2016 and prior ended August 31st.

Effective September 1, 2014, employers who did not contribute Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

Changes of Assumptions

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

Changes of Benefit Terms

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY

Exhibit G-6

Teacher Retirement System of Texas

For the Last Measurement Year Ended August 31

| | <u>2017</u> |
|--|-----------------------|
| District's proportion of the net pension liability | 0.1262% |
| District's proportionate share of the net pension liability | \$ 54,875,362 |
| State's proportionate share of the net pension liability associated with the District | 78,005,031 |
| Total | <u>\$ 132,880,393</u> |
| District's covered payroll (for Measurement Year) | \$ 101,644,863 |
| District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll | 53.99% |
| Plan fiduciary net position as a percentage of the total pension liability * | 0.91% |
| Plan's net pension liability as a percentage of covered-employee payroll * | 132.55% |

Notes: Ten years of data should be presented in this schedule but data is unavailable prior to 2017.

Net OPEB liability and related ratios will be presented prospectively as data becomes available.

* Per GRS TRS-Care Retiree Health Care Plan TRS Actuarial Valuation

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
Teachers Retirement System of Texas
Fiscal Year Ended June 30

Exhibit G-7

| | <u>2018</u> |
|---|--------------------|
| Contractually required contributions | \$ 945,863 |
| Contributions in relation to the contractual required contributions | <u>945,863</u> |
| Contribution deficiency (excess) | <u><u>\$</u></u> |
| District's covered employee payroll | \$ 98,549,158 |
| Contributions as a percentage of covered employee payroll | 0.96% |

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

There was a significant plan change adopted in fiscal year ending August 31, 2017:

- Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates. This change in plan benefits significantly lowered the OPEB liability and had an immediate effect on the OPEB expenses recognized by participating entities.
- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

OTHER SUPPLEMENTARY INFORMATION

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

| Data Control Codes | | 205 | 211 | 224 |
|-----------------------------------|--|-------------------|--|-----------------------------|
| | | Head Start | ESEA Title I, A - Improving Basic Ed. | IDEA B - Formula |
| | Assets | | | |
| 1110 | Cash and temporary investments | \$ | \$ | \$ 272,301 |
| | Receivables: | | | |
| 1240 | Receivables from other governments | 156,882 | 2,861,298 | 903,255 |
| 1260 | Due from other funds | 195,010 | | 6,007 |
| 1290 | Other receivables | 960 | 15,951 | |
| 1310 | Inventories, at cost | | | |
| 1000 | Total Assets | <u>\$ 352,852</u> | <u>\$ 2,877,249</u> | <u>\$ 1,181,563</u> |
| | Liabilities and Fund Balances | | | |
| | Liabilities: | | | |
| 2110 | Accounts payable | \$ 1,301 | \$ 221,334 | \$ 41,811 |
| 2150 | Payroll deduction and withholdings payable | | | |
| 2160 | Accrued wages payable | 351,551 | 582,197 | 342,723 |
| 2170 | Due to other funds | | 2,073,718 | 797,029 |
| 2180 | Due to other governments | | | |
| 2300 | Unearned revenues | | | |
| 2000 | Total Liabilities | <u>352,852</u> | <u>2,877,249</u> | <u>1,181,563</u> |
| | Fund Balance: | | | |
| | Non-Spendable: | | | |
| 3410 | Inventories | | | |
| | Restricted: | | | |
| 3450 | Federal/State funds grant restrictions | | | |
| | Committed: | | | |
| 3545 | Other purposes | | | |
| 3000 | Total Fund Balances | <u></u> | <u></u> | <u></u> |
| 4000 | Total Liabilities and Fund Balance | <u>\$ 352,852</u> | <u>\$ 2,877,249</u> | <u>\$ 1,181,563</u> |

| 225 | 226 | 240 | 242 | 244 | 255 |
|-----------------------|---------------------------|---------------------|---------------------------|---------------------------|--|
| IDEA B - Preschool | IDEA B - Discretionary | Child Nutrition | Summer Feeding Program | Vocational Ed. - Basic | ESEA Title II, A - Training and Recruiting |
| \$ | \$ | \$ 1,411,125 | \$ 52,507 | \$ 40,902 | \$ 53,765 |
| 30,053 | 44,433 | | 63,863 | 114,826 | 186,456 |
| 1,975 | | 2,271,003 | 136,773 | | 560 |
| | | 50,237 | | | |
| <u>\$ 32,028</u> | <u>\$ 44,433</u> | <u>\$ 3,732,365</u> | <u>\$ 253,143</u> | <u>\$ 155,728</u> | <u>\$ 240,781</u> |
| \$ | \$ | \$ 279,548 | \$ | \$ 13,517 | \$ 61,004 |
| | | 60,000 | | | |
| 6,775 | | 394,995 | 17,856 | 6,097 | 34,391 |
| 25,253 | 44,433 | | 85,331 | 136,114 | 145,386 |
| <u>32,028</u> | <u>44,433</u> | <u>734,543</u> | <u>103,187</u> | <u>155,728</u> | <u>240,781</u> |
| | | 50,237 | | | |
| | | 2,947,585 | 149,956 | | |
| | | 2,997,822 | 149,956 | | |
| <u>\$ 32,028</u> | <u>\$ 44,433</u> | <u>\$ 3,732,365</u> | <u>\$ 253,143</u> | <u>\$ 155,728</u> | <u>\$ 240,781</u> |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

| Data Control Codes | | 263 | 265 | 272 |
|-----------------------------------|--|--|---|---|
| | | ESEA Title III, A - English Lang. Acquisition | Title IV, Part B - 21st Century Community Learning Centers | Medicaid Administrative Claiming Program - MAC |
| | Assets | | | |
| 1110 | Cash and temporary investments | \$ | \$ | \$ 31,726 |
| | Receivables: | | | |
| 1240 | Receivables from other governments | 119,399 | | |
| 1260 | Due from other funds | | 10,609 | 201,464 |
| 1290 | Other receivables | | | |
| 1310 | Inventories, at cost | | | |
| 1000 | Total Assets | <u>\$ 119,399</u> | <u>\$ 10,609</u> | <u>\$ 233,190</u> |
| | Liabilities and Fund Balances | | | |
| | Liabilities: | | | |
| 2110 | Accounts payable | \$ 1,464 | \$ | \$ |
| 2150 | Payroll deduction and withholdings payable | | | |
| 2160 | Accrued wages payable | 208 | | |
| 2170 | Due to other funds | 117,727 | | |
| 2180 | Due to other governments | | 10,609 | |
| 2300 | Unearned revenues | | | 233,190 |
| 2000 | Total Liabilities | <u>119,399</u> | <u>10,609</u> | <u>233,190</u> |
| | Fund Balance: | | | |
| | Non-Spendable: | | | |
| 3410 | Inventories | | | |
| | Restricted: | | | |
| 3450 | Federal/State funds grant restrictions | | | |
| | Committed: | | | |
| 3545 | Other purposes | | | |
| 3000 | Total Fund Balances | <u></u> | <u></u> | <u></u> |
| 4000 | Total Liabilities and Fund Balance | <u>\$ 119,399</u> | <u>\$ 10,609</u> | <u>\$ 233,190</u> |

| 289 | 315 | 340 |
|--|---|--|
| Summer School LEP, Restart, & Impact Grants | SSA - IDEA - Part B, Discretionary | SSA - IDEA, Part C, Early Intervention (Deaf) |
| <hr/> | <hr/> | <hr/> |
| \$ | \$ 67,288 | \$ 213 |
| 3,320,546 | 25,991 | 588 |
| <hr/> | <hr/> | <hr/> |
| <u>\$ 3,320,546</u> | <u>\$ 93,279</u> | <u>\$ 801</u> |
| | | |
| \$ 12,088 | \$ | \$ |
| | 11,768 | |
| 3,301,468 | 81,511 | 801 |
| 6,990 | | |
| <hr/> | <hr/> | <hr/> |
| <u>3,320,546</u> | <u>93,279</u> | <u>801</u> |
| | | |
| <hr/> | <hr/> | <hr/> |
| <u>\$ 3,320,546</u> | <u>\$ 93,279</u> | <u>\$ 801</u> |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

| Data Control Codes | | 410 | 423 | 429 | 433 |
|--------------------------|--|---|---------------------------------|-----------------------------|--|
| | | Instructional Materials Allotment | Barbara Bush Family Literacy | Technology Lending Grant | SSA - Professional Staff Development |
| | Assets | | | | |
| 1110 | Cash and temporary investments | \$ 410,231 | \$ | \$ 502,576 | \$ 950 |
| | Receivables: | | | | |
| 1240 | Receivables from other governments | 24,379 | | 37,863 | |
| 1260 | Due from other funds | 327,605 | 5,000 | | |
| 1290 | Other receivables | | | | |
| 1310 | Inventories, at cost | | | | |
| 1000 | Total Assets | <u>\$ 762,215</u> | <u>\$ 5,000</u> | <u>\$ 540,439</u> | <u>\$ 950</u> |
| | Liabilities and Fund Balances | | | | |
| | Liabilities: | | | | |
| 2110 | Accounts payable | \$ 102,031 | \$ | \$ | \$ |
| 2150 | Payroll deduction and withholdings payable | | | | |
| 2160 | Accrued wages payable | | | | 800 |
| 2170 | Due to other funds | 595,249 | | 475,559 | 150 |
| 2180 | Due to other governments | | | 350 | |
| 2300 | Unearned revenues | 64,935 | 5,000 | 64,530 | |
| 2000 | Total Liabilities | <u>762,215</u> | <u>5,000</u> | <u>540,439</u> | <u>950</u> |
| | Fund Balance: | | | | |
| | Non-Spendable: | | | | |
| 3410 | Inventories | | | | |
| | Restricted: | | | | |
| 3450 | Federal/State funds grant restrictions | | | | |
| | Committed: | | | | |
| 3545 | Other purposes | | | | |
| 3000 | Total Fund Balances | <u></u> | <u></u> | <u></u> | <u></u> |
| 4000 | Total Liabilities and Fund Balance | <u>\$ 762,215</u> | <u>\$ 5,000</u> | <u>\$ 540,439</u> | <u>\$ 950</u> |

| 435 | 446 | 461 | 481 | 482 | 483 |
|--|--|-------------------------|---------------------------------|---------------------------|----------------------------|
| SSA - Regional Day School for the Deaf State | State Local Funded Regional Day School Deaf - Local | Campus Activity Fund | BASF Foundation - Science | Success Grant - Susser | Natatorium Swim Program |
| \$ 24,639 | \$ 39,240 | \$ 647,701 | \$ 1,004 | \$ | \$ 16,944 |
| 123,134 | | | | | |
| 510 | 202,657 | 18,209 | 309 | 75,000 | |
| | | 2,750 | | 51 | |
| <u>\$ 148,283</u> | <u>\$ 241,897</u> | <u>\$ 668,660</u> | <u>\$ 1,313</u> | <u>\$ 75,051</u> | <u>\$ 16,944</u> |
| \$ 100 | \$ 23,442 | \$ 11,420 | \$ 438 | \$ | \$ 298 |
| 61,831 | 45,686 | | | 3,750 | |
| 83,301 | | 124,772 | | 66,321 | 2,796 |
| | 172,769 | | 875 | 4,980 | 13,850 |
| <u>145,232</u> | <u>241,897</u> | <u>136,192</u> | <u>1,313</u> | <u>75,051</u> | <u>16,944</u> |
| 3,051 | | | | | |
| | | 532,468 | | | |
| <u>3,051</u> | | <u>532,468</u> | | | |
| <u>\$ 148,283</u> | <u>\$ 241,897</u> | <u>\$ 668,660</u> | <u>\$ 1,313</u> | <u>\$ 75,051</u> | <u>\$ 16,944</u> |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

| Data Control Codes | | 484 | 485 | 486 | 487 |
|--------------------------|--|--------------------------------|-------------------------------|-------------------------------|-----------------------------------|
| | | Campus After School Program | Exxon-Mobil Future Leaders | ExxonMobil - Project Boost | Exxon-Mobil Reading Initiative |
| | Assets | | | | |
| 1110 | Cash and temporary investments | \$ 13,908 | \$ 494 | \$ 2,144 | \$ 4,990 |
| | Receivables: | | | | |
| 1240 | Receivables from other governments | | | | |
| 1260 | Due from other funds | 11,411 | 896 | | 60,184 |
| 1290 | Other receivables | | | | |
| 1310 | Inventories, at cost | | | | |
| 1000 | Total Assets | <u>\$ 25,319</u> | <u>\$ 1,390</u> | <u>\$ 2,144</u> | <u>\$ 65,174</u> |
| | Liabilities and Fund Balances | | | | |
| | Liabilities: | | | | |
| 2110 | Accounts payable | \$ 363 | \$ | \$ | \$ 749 |
| 2150 | Payroll deduction and withholdings payable | | | | |
| 2160 | Accrued wages payable | 140 | | | |
| 2170 | Due to other funds | | | | 2,802 |
| 2180 | Due to other governments | | | | |
| 2300 | Unearned revenues | 24,816 | 1,390 | 2,144 | 61,623 |
| 2000 | Total Liabilities | <u>25,319</u> | <u>1,390</u> | <u>2,144</u> | <u>65,174</u> |
| | Fund Balance: | | | | |
| | Non-Spendable: | | | | |
| 3410 | Inventories | | | | |
| | Restricted: | | | | |
| 3450 | Federal/State funds grant restrictions | | | | |
| | Committed: | | | | |
| 3545 | Other purposes | | | | |
| 3000 | Total Fund Balances | <u></u> | <u></u> | <u></u> | <u></u> |
| 4000 | Total Liabilities and Fund Balance | <u>\$ 25,319</u> | <u>\$ 1,390</u> | <u>\$ 2,144</u> | <u>\$ 65,174</u> |

| 489 | 490 | 492 | 493 | 495 |
|--|--|---|--------------------------------|---------------------------------|
| Community Education Program | GED Testing - Adult Education | Thomas Center - Scoreboard | DaVinci Minds Grant | Texas Data Champions |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 8,346 | \$ 30,550 | \$ | \$ 2,085 | \$ 19,168 |
| | | 403,972 | | |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 8,346 | \$ 30,550 | \$ 403,972 | \$ 2,085 | \$ 19,168 |
| | | | | |
| \$ | \$ | \$ 814 | \$ | \$ |
| | | 322,088 | | |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| 8,346 | 30,550 | 81,070 | 2,085 | 19,168 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| 8,346 | 30,550 | 403,972 | 2,085 | 19,168 |
| | | | | |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 8,346 | \$ 30,550 | \$ 403,972 | \$ 2,085 | \$ 19,168 |

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BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

Exhibit H-1
Page 5 of 5

| Data Control Codes | | 498 District Incentive Program | 499 Other Local Special Revenue Funds | Total Nonmajor Governmental Funds |
|-----------------------------------|--|--|---|--|
| | Assets | | | |
| 1110 | Cash and temporary investments | \$ 19,582 | \$ 55,028 | \$ 3,729,407 |
| | Receivables: | | | |
| 1240 | Receivables from other governments | | | 8,012,966 |
| 1260 | Due from other funds | | 32,535 | 3,961,129 |
| 1290 | Other receivables | | 1,918 | 22,190 |
| 1310 | Inventories, at cost | | | 50,237 |
| 1000 | Total Assets | <u>\$ 19,582</u> | <u>\$ 89,481</u> | <u>\$ 15,775,929</u> |
| | Liabilities and Fund Balances | | | |
| | Liabilities: | | | |
| 2110 | Accounts payable | \$ | \$ 18 | \$ 771,740 |
| 2150 | Payroll deduction and withholdings payable | | | 60,000 |
| 2160 | Accrued wages payable | | | 1,860,768 |
| 2170 | Due to other funds | | 4,289 | 8,486,098 |
| 2180 | Due to other governments | | | 10,959 |
| 2300 | Unearned revenues | 19,582 | 73,372 | 891,265 |
| 2000 | Total Liabilities | <u>19,582</u> | <u>77,679</u> | <u>12,080,830</u> |
| | Fund Balance: | | | |
| | Non-Spendable: | | | |
| 3410 | Inventories | | | 50,237 |
| | Restricted: | | | |
| 3450 | Federal/State funds grant restrictions | | 11,802 | 3,112,394 |
| | Committed: | | | |
| 3545 | Other purposes | | | 532,468 |
| 3000 | Total Fund Balances | <u></u> | <u>11,802</u> | <u>3,695,099</u> |
| 4000 | Total Liabilities and Fund Balance | <u>\$ 19,582</u> | <u>\$ 89,481</u> | <u>\$ 15,775,929</u> |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For Fiscal Year Ended June 30, 2018

| | | 205 | 211 | 224 |
|---------------------------|---|-------------------|--|-------------------------|
| Data Control Codes | | Head Start | ESEA Title I, A - Improving Basic Ed. | IDEA B - Formula |
| | Revenues | | | |
| 5700 | Local, intermediate, and out-of-state | \$ | \$ | \$ |
| 5800 | State program revenues | | | |
| 5900 | Federal program revenues | 3,095,399 | 7,488,824 | 2,994,426 |
| 5020 | Total Revenues | <u>3,095,399</u> | <u>7,488,824</u> | <u>2,994,426</u> |
| | Expenditures | | | |
| | Current: | | | |
| 0011 | Instruction | 2,253,811 | 4,506,441 | 2,917,765 |
| 0012 | Instruction resources and media services | 41,924 | 1,743 | |
| 0013 | Curriculum and instructional staff development | 21,236 | 289,084 | 8,834 |
| 0021 | Instructional leadership | 148,856 | 2,063,696 | 13,367 |
| 0023 | School leadership | 202,625 | 16,564 | |
| 0031 | Guidance, counseling and evaluation services | | 7,032 | 54,460 |
| 0032 | Social work services | 283,042 | | |
| 0033 | Health services | 99,684 | 4,625 | |
| 0034 | Student transportation | | | |
| 0035 | Food service | | | |
| 0036 | Extracurricular activities | | | |
| 0041 | General administration | | | |
| 0051 | Facilities maintenance and operations | 12,518 | | |
| 0053 | Data processing services | | | |
| 0061 | Community services | 37,007 | 599,639 | |
| | Capital outlay: | | | |
| 0081 | Facilities acquisition and construction | | | |
| 6030 | Total Expenditures | <u>3,100,703</u> | <u>7,488,824</u> | <u>2,994,426</u> |
| 1100 | Excess (deficiency) of revenues over expenditures | <u>(5,304)</u> | | |
| | Other Financing Sources (Uses) | | | |
| 7912 | Sale of real or personal property | <u>5,304</u> | | |
| 1200 | Net change in fund balances | | | |
| 0100 | Fund balance - July 1 (beginning) | | | |
| 3000 | Fund balance - June 30 (ending) | <u>\$</u> | <u>\$</u> | <u>\$</u> |

| 225 | 226 | 240 | 242 | 244 | 255 |
|-----------------------|---------------------------|------------------------|---------------------------|---------------------------|--|
| IDEA B - Preschool | IDEA B - Discretionary | Child Nutrition | Summer Feeding Program | Vocational Ed. - Basic | ESEA Title II, A - Training and Recruiting |
| \$ | \$ | \$ 1,464,225 58,261 | \$ 74 | \$ | \$ |
| 61,655 | 49,310 | 9,422,385 | 74,296 | 331,445 | 576,807 |
| 61,655 | 49,310 | 10,944,871 | 74,370 | 331,445 | 576,807 |
| 61,655 | 49,310 | | | 304,961 | 465,750 |
| | | | | 4,209 2,504 | 111,057 |
| | | | | 2,927 | |
| | | 10,545,274 | 33,016 | | |
| | | 178,070 | | 16,844 | |
| | | 1,228,990 | | | |
| 61,655 | 49,310 | 11,952,334 | 33,016 | 331,445 | 576,807 |
| | | (1,007,463) | 41,354 | | |
| | | | | | |
| | | (1,007,463) | 41,354 | | |
| | | 4,005,285 | 108,602 | | |
| \$ | \$ | \$ 2,997,822 | \$ 149,956 | \$ | \$ |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For Fiscal Year Ended June 30, 2018

| | | 263 | 265 | 272 |
|---------------------------|---|--|---|---|
| Data Control Codes | | ESEA Title III, A - English Lang. Acquisition | Title IV, Part B - 21st Century Community Learning Centers | Medicaid Administrative Claiming Program - MAC |
| | Revenues | | | |
| 5700 | Local, intermediate, and out-of-state | \$ | \$ | \$ |
| 5800 | State program revenues | | | |
| 5900 | Federal program revenues | 259,334 | | 28,000 |
| 5020 | Total Revenues | <u>259,334</u> | <u></u> | <u>28,000</u> |
| | Expenditures | | | |
| | Current: | | | |
| 0011 | Instruction | 219,870 | | |
| 0012 | Instruction resources and media services | | | |
| 0013 | Curriculum and instructional staff development | 5,471 | | |
| 0021 | Instructional leadership | | | |
| 0023 | School leadership | | | |
| 0031 | Guidance, counseling and evaluation services | | | |
| 0032 | Social work services | | | |
| 0033 | Health services | | | 28,000 |
| 0034 | Student transportation | | | |
| 0035 | Food service | | | |
| 0036 | Extracurricular activities | | | |
| 0041 | General administration | | | |
| 0051 | Facilities maintenance and operations | | | |
| 0053 | Data processing services | | | |
| 0061 | Community services | 33,993 | | |
| | Capital outlay: | | | |
| 0081 | Facilities acquisition and construction | | | |
| 6030 | Total Expenditures | <u>259,334</u> | <u></u> | <u>28,000</u> |
| 1100 | Excess (deficiency) of revenues over expenditures | | | |
| | Other Financing Sources (Uses) | | | |
| 7912 | Sale of real or personal property | | | |
| 1200 | Net change in fund balances | | | |
| 0100 | Fund balance - July 1 (beginning) | <u></u> | <u></u> | <u></u> |
| 3000 | Fund balance - June 30 (ending) | <u>\$</u> | <u>\$</u> | <u>\$</u> |

| 289 | 315 | 340 |
|---|--|--|
| Summer School LEP, Restart, & Impact Grants | SSA - IDEA - Part B, Discretionary | SSA - IDEA, Part C, Early Intervention (Deaf) |
| \$ | \$ | \$ |
| 3,579,015 | 88,677 | 1,360 |
| 3,579,015 | 88,677 | 1,360 |
| 2,041,315 | 87,547 | 1,360 |
| | 1,113 | |
| | 17 | |
| 56,918 | | |
| 1,472,465 | | |
| 8,317 | | |
| 3,579,015 | 88,677 | 1,360 |
| | | |
| | | |
| | | |
| \$ | \$ | \$ |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For Fiscal Year Ended June 30, 2018

| | | 410 | 423 | 429 | 433 |
|----------------|---|----------------|------------------------|----------------------|----------------------|
| Data | | | | | |
| Control | | | | | |
| Codes | | | | | |
| | Instructional | | | | |
| | Materials | | Barbara Bush | Technology | Technology |
| | Allotment | | Family Literacy | Lending Grant | Lending Grant |
| | | | | | |
| | Revenues | | | | |
| 5700 | Local, intermediate, and out-of-state | \$ | \$ 10,557 | \$ | \$ 6,100 |
| 5800 | State program revenues | 686,121 | | 1,119,953 | |
| 5900 | Federal program revenues | | | | |
| 5020 | Total Revenues | <u>686,121</u> | <u>10,557</u> | <u>1,119,953</u> | <u>6,100</u> |
| | Expenditures | | | | |
| | Current: | | | | |
| 0011 | Instruction | 686,121 | | 207,345 | 6,100 |
| 0012 | Instruction resources and media services | | | | |
| 0013 | Curriculum and instructional staff development | | | | |
| 0021 | Instructional leadership | | | | |
| 0023 | School leadership | | | | |
| 0031 | Guidance, counseling and evaluation services | | | | |
| 0032 | Social work services | | | | |
| 0033 | Health services | | | | |
| 0034 | Student transportation | | | 1,880,920 | |
| 0035 | Food service | | | | |
| 0036 | Extracurricular activities | | 10,557 | | |
| 0041 | General administration | | | | |
| 0051 | Facilities maintenance and operations | | | | |
| 0053 | Data processing services | | | | |
| 0061 | Community services | | | | |
| | Capital outlay: | | | | |
| 0081 | Facilities acquisition and construction | | | | |
| 6030 | Total Expenditures | <u>686,121</u> | <u>10,557</u> | <u>2,088,265</u> | <u>6,100</u> |
| 1100 | Excess (deficiency) of revenues over expenditures | | | (968,312) | |
| | Other Financing Sources (Uses) | | | | |
| 7912 | Sale of real or personal property | | | | |
| 1200 | Net change in fund balances | | | (968,312) | |
| 0100 | Fund balance - July 1 (beginning) | | | 968,312 | |
| 3000 | Fund balance - June 30 (ending) | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |

| 435 | 446 | 461 | 481 | 482 | 483 |
|--|--|-------------------------|---------------------------------|---------------------------|----------------------------|
| SSA - Regional Day School for the Deaf State | State Local Funded Regional Day School Deaf - Local | Campus Activity Fund | BASF Foundation - Science | Success Grant - Susser | Natatorium Swim Program |
| \$ 489,368 | \$ 775,629 | \$ 403,155 | \$ 7,074 | \$ 70,520 | \$ 48,824 |
| <u>489,368</u> | <u>775,629</u> | <u>403,155</u> | <u>7,074</u> | <u>70,520</u> | <u>48,824</u> |
| 367,274 | 570,496 | | | 6,781 | 48,824 |
| | 6,264 | | 7,074 | | |
| | 191,369 | | | | |
| | | 473,164 | | | |
| 38,042 | 4,873 | | | 63,739 | |
| 84,052 | 2,627 | | | | |
| <u>489,368</u> | <u>775,629</u> | <u>473,164</u> | <u>7,074</u> | <u>70,520</u> | <u>48,824</u> |
| | | (70,009) | | | |
| | | | | | |
| | | (70,009) | | | |
| <u>3,051</u> | | <u>602,477</u> | | | |
| <u>\$ 3,051</u> | <u>\$</u> | <u>\$ 532,468</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For Fiscal Year Ended June 30, 2018

| | | 484 | 485 | 486 | 487 |
|----------------|---|--|---------------------------------------|---------------------------------------|---|
| Data | | | | | |
| Control | | | | | |
| Codes | | | | | |
| | Revenues | Campus After School Program | Exxon-Mobil Future Leaders | ExxonMobil - Project Boost | Exxon-Mobil Reading Initiative |
| 5700 | Local, intermediate, and out-of-state | \$ 31,350 | \$ | \$ | \$ 51,561 |
| 5800 | State program revenues | | | | |
| 5900 | Federal program revenues | | | | |
| 5020 | Total Revenues | <u>31,350</u> | | | <u>51,561</u> |
| | Expenditures | | | | |
| | Current: | | | | |
| 0011 | Instruction | | | | 51,561 |
| 0012 | Instruction resources and media services | | | | |
| 0013 | Curriculum and instructional staff development | | | | |
| 0021 | Instructional leadership | | | | |
| 0023 | School leadership | | | | |
| 0031 | Guidance, counseling and evaluation services | | | | |
| 0032 | Social work services | | | | |
| 0033 | Health services | | | | |
| 0034 | Student transportation | | | | |
| 0035 | Food service | | | | |
| 0036 | Extracurricular activities | | | | |
| 0041 | General administration | | | | |
| 0051 | Facilities maintenance and operations | | | | |
| 0053 | Data processing services | | | | |
| 0061 | Community services | 31,350 | | | |
| | Capital outlay: | | | | |
| 0081 | Facilities acquisition and construction | | | | |
| 6030 | Total Expenditures | <u>31,350</u> | | | <u>51,561</u> |
| 1100 | Excess (deficiency) of revenues over expenditures | | | | |
| | Other Financing Sources (Uses) | | | | |
| 7912 | Sale of real or personal property | | | | |
| 1200 | Net change in fund balances | | | | |
| 0100 | Fund balance - July 1 (beginning) | | | | |
| 3000 | Fund balance - June 30 (ending) | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |

| 489 | 490 | 492 | 493 | 495 | 498 | 499 |
|-----------------------------------|----------------------------------|----------------------------------|------------------------|-------------------------|----------------------------------|--|
| Community Education Program | GED Testing - Adult Education | Thomas Center - Scoreboard | DaVinci Minds Grant | Texas Data Champions | District Incentive Program | Other Local Special Revenue Funds |
| \$ 9,989 | \$ | \$ 425,730 | \$ | \$ | \$ 8,583 | \$ 46,159 |
| 9,989 | | 425,730 | | | 8,583 | 46,159 |
| 9,989 | | | | | | 8,228 470 |
| | | 33,558 | | | 8,583 | 37,461 |
| 9,989 | | 392,172 425,730 | | | 8,583 | 46,159 |
| | | | | | | |
| | | | | | | |
| | | | | | | 11,802 |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ 11,802 |

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BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, & FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For Fiscal Year Ended June 30, 2018

Exhibit H-2
Page 5 of 5

| Data Control Codes | | Total Nonmajor Governmental Funds |
|-----------------------------------|---|--|
| | Revenues | |
| 5700 | Local, intermediate, and out-of-state | \$ 3,359,530 |
| 5800 | State program revenues | 2,353,703 |
| 5900 | Federal program revenues | 28,050,933 |
| 5020 | Total Revenues | 33,764,166 |
| | Expenditures | |
| | Current: | |
| 0011 | Instruction | 14,872,504 |
| 0012 | Instruction resources and media services | 44,137 |
| 0013 | Curriculum and instructional staff development | 453,229 |
| 0021 | Instructional leadership | 2,420,905 |
| 0023 | School leadership | 692,353 |
| 0031 | Guidance, counseling and evaluation services | 171,090 |
| 0032 | Social work services | 283,042 |
| 0033 | Health services | 218,988 |
| 0034 | Student transportation | 1,937,838 |
| 0035 | Food service | 10,578,290 |
| 0036 | Extracurricular activities | 81,576 |
| 0041 | General administration | 8,583 |
| 0051 | Facilities maintenance and operations | 1,679,897 |
| 0053 | Data processing services | 8,317 |
| 0061 | Community services | 701,989 |
| | Capital outlay: | |
| 0081 | Facilities acquisition and construction | 1,621,162 |
| 6030 | Total Expenditures | 35,773,900 |
| 1100 | Excess (deficiency) of revenues over expenditures | (2,009,734) |
| | Other Financing Sources (Uses) | |
| 7912 | Sale of real or personal property | 5,304 |
| 1200 | Net change in fund balances | (2,004,430) |
| 0100 | Fund balance - July 1 (beginning) | 5,699,529 |
| 3000 | Fund balance - June 30 (ending) | \$ 3,695,099 |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

| Data Control Codes | | 836 Alex Durley Scholarship | 837 Joe H Tonahill Scholarship | 838 Mike Taylor Scholarship | 839 Charles Weinbaum Scholarship |
|-----------------------------------|---------------------------|---|--|---|---|
| | Assets | | | | |
| | Current Assets | | | | |
| 1110 | Cash and cash equivalents | \$ 17,819 | \$ 20,491 | \$ 3,553 | \$ 1,058 |
| | Receivables: | | | | |
| 1290 | Other receivables | | | | |
| 1000 | Total Assets | <u>17,819</u> | <u>20,491</u> | <u>3,553</u> | <u>1,058</u> |
| | Liabilities | | | | |
| | Current Liabilities | | | | |
| 2110 | Accounts payable | | | | |
| 2170 | Due to other funds | | | | |
| 2190 | Due to others | | | | |
| 2000 | Total Liabilities | | | | |
| | Net Position | | | | |
| 3800 | Restricted | <u>\$ 17,819</u> | <u>\$ 20,491</u> | <u>\$ 3,553</u> | <u>\$ 1,058</u> |

| 841 Paul A Brown Scholarship | 842 Wells, Peyton, Greenburg & Hunt | 843 Gulf Coast Area Association of School Boards | Total Private Purpose Trust Funds | Total Agency Funds |
|------------------------------------|--|---|---|-----------------------|
| \$ 10,233 | \$ 1,500 | \$ 500 | \$ 55,154 | \$ 352,420 |
| | | | | 1,985 |
| <u>10,233</u> | <u>1,500</u> | <u>500</u> | <u>55,154</u> | <u>\$ 354,405</u> |
| | | | | \$ 6,338 |
| | | | | 22,060 |
| | | | | 326,007 |
| | | | | <u>\$ 354,405</u> |
| <u>\$ 10,233</u> | <u>\$ 1,500</u> | <u>\$ 500</u> | <u>\$ 55,154</u> | |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For Fiscal Year Ended June 30, 2018

| | 836 | 837 | 838 |
|---------------------------------------|------------------------------------|---------------------------------------|------------------------------------|
| | Alex Durley Scholarship | Joe H Tonahill Scholarship | Mike Taylor Scholarship |
| Additions | | | |
| Local and intermediate sources | \$ | \$ | \$ |
| Total additions | | | |
| Deductions | | | |
| Non-operating expenses | | | |
| Total deductions | | | |
| Change in net position | | | |
| Net position beginning of year | 17,819 | 20,491 | 3,553 |
| Net position end of year | \$ 17,819 | \$ 20,491 | \$ 3,553 |

| 839 Charles Weinbaum Scholarship | 841 Paul A Brown Scholarship | 842 Wells, Peyton, Greenburg & Hunt | 843 Gulf Coast Area Association of School Boards | Total Private Purpose Trust Funds |
|---|------------------------------------|--|---|---|
| \$ | \$ | \$ | \$ 500 | \$ |
| | | | 500 | |
| | | | | |
| | | | | |
| | | | | |
| | | | 500 | |
| 1,058 | 10,233 | 1,500 | | 54,654 |
| \$ 1,058 | \$ 10,233 | \$ 1,500 | \$ 500 | \$ 54,654 |

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REQUIRED TEA SCHEDULES

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For Fiscal Year Ended June 30, 2018

| | 1 | 2 | 3 | 10 |
|----------------------------------|--------------------|---------------------|---|---|
| Last Ten Fiscal Years | Tax Rates | | Net Assessed/Appraised Value For School Tax Purposes | Beginning Balance 7/1/2017 |
| | Maintenance | Debt Service | | |
| 2009 and prior | Various | Various | Various | \$ 3,209,267 |
| 2010 | 1.040000 | 0.222250 | 9,164,709,866 | 427,943 |
| 2011 | 1.040000 | 0.270000 | 9,084,485,215 | 530,227 |
| 2012 | 1.040000 | 0.285000 | 9,279,574,505 | 611,056 |
| 2013 | 1.040000 | 0.275000 | 9,259,420,913 | 706,835 |
| 2014 | 1.040000 | 0.275000 | 9,783,235,099 | 885,274 |
| 2015 | 1.040000 | 0.275000 | 9,775,170,418 | 1,185,323 |
| 2016 | 1.040000 | 0.275000 | 9,648,331,407 | 1,466,325 |
| 2017 | 1.040000 | 0.275000 | 9,871,550,494 | 2,968,435 |
| 2018 | 1.040000 | 0.254050 | 10,268,422,996 | |
| 1000 Totals | | | | <u>\$ 11,990,685</u> |

Penalty and interest receivable on taxes

Total taxes receivable per Exhibit C-1

Exhibit J-1

| 20 | 31 | 32 | 40 | 50 |
|--|--|---|--|---|
| Current Year's Total Levy | Maintenance Total Collections | Debt Service Total Collections | Entire Year's Adjustments | Ending Balance 6/30/2018 |
| \$ | \$ 51,073 | \$ 3,026 | \$ (249,750) | \$ 2,905,418 |
| | 16,111 | 3,447 | (4,957) | 403,428 |
| | 22,587 | 5,864 | (6,723) | 495,053 |
| | 37,053 | 10,154 | (8,181) | 555,668 |
| | 51,044 | 13,497 | (7,407) | 634,887 |
| | 70,222 | 18,568 | (6,914) | 789,570 |
| | 105,323 | 30,621 | (22,229) | 1,027,150 |
| | 200,680 | 53,064 | (40,684) | 1,171,897 |
| | 992,697 | 262,493 | (201,410) | 1,511,835 |
| <u>132,878,528</u> | <u>102,851,197</u> | <u>26,560,162</u> | <u>(545,966)</u> | <u>2,921,203</u> |
| <u>\$ 132,878,528</u> | <u>\$ 104,397,987</u> | <u>\$ 26,960,896</u> | <u>\$ (1,094,221)</u> | <u>12,416,109</u> |
| | | | | <u>10,746,952</u> |
| | | | | <u>\$ 23,163,061</u> |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM FUND
For Fiscal Year Ended June 30, 2018

Exhibit J-2

| Data Control Codes | | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|-----------------------------------|--|-------------------------|---------------------|--|---|
| | | Original | Final | | |
| | Revenues | | | | |
| 5700 | Local revenues | \$ 1,933,375 | \$ 1,933,375 | \$ 1,464,225 | \$ (469,150) |
| 5800 | State program revenues | 57,650 | 57,650 | 58,261 | 611 |
| 5900 | Federal program revenues | 9,703,050 | 9,703,050 | 9,422,385 | (280,665) |
| 5020 | Total Revenues | <u>11,694,075</u> | <u>11,694,075</u> | <u>10,944,871</u> | <u>(749,204)</u> |
| | Expenditures | | | | |
| | Current: | | | | |
| 0035 | Food services | 11,523,559 | 11,657,527 | 10,545,274 | 1,112,253 |
| 0051 | Facilities maintenance and operations | 170,516 | 280,516 | 178,070 | 102,446 |
| | Capital Outlay: | | | | |
| 0081 | Facilities acquisition and construction | | 1,977,331 | 1,228,990 | 748,341 |
| 6030 | Total Expenditures | <u>11,694,075</u> | <u>13,915,374</u> | <u>11,952,334</u> | <u>1,963,040</u> |
| 1200 | Net change in fund balances | | (2,221,299) | (1,007,463) | 1,213,836 |
| 0100 | Fund balances - beginning | <u>4,005,285</u> | <u>4,005,285</u> | <u>4,005,285</u> | |
| 3000 | Fund balances - ending | <u>\$ 4,005,285</u> | <u>\$ 1,783,986</u> | <u>\$ 2,997,822</u> | <u>\$ 1,213,836</u> |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For Fiscal Year Ended June 30, 2018

Exhibit J-3

| Data Control Codes | | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|--------------------------|---|----------------------|----------------------|--|---|
| | | Original | Final | | |
| | Revenues | | | | |
| 5700 | Local and intermediate sources | \$ 26,275,917 | \$ 26,275,917 | \$ 27,355,300 | \$ 1,079,383 |
| 5800 | State program revenues | | | 581,192 | 581,192 |
| 5020 | Total Revenues | <u>26,275,917</u> | <u>26,275,917</u> | <u>27,936,492</u> | <u>1,660,575</u> |
| | Expenditures | | | | |
| | Debt Service: | | | | |
| 0071 | Principal on long-term debt | 10,635,000 | 10,635,000 | 10,665,000 | (30,000) |
| 0072 | Interest on long-term debt | 15,620,917 | 15,620,917 | 14,435,594 | 1,185,323 |
| 0073 | Bond issuance costs and fees | 20,000 | 997,525 | 952,168 | 45,357 |
| 6030 | Total Expenditures | <u>26,275,917</u> | <u>27,253,442</u> | <u>26,052,762</u> | <u>1,200,680</u> |
| 1100 | Excess (deficiency) of revenues over expenditures | | (977,525) | 1,883,730 | 2,861,255 |
| | Other Financing Sources (Uses) | | | | |
| 7901 | Refunding Bonds Issued | | 107,040,000 | 107,040,000 | |
| 7916 | Premium or discount on issuance of bonds | | 9,017,024 | 9,017,024 | |
| 8949 | Payment to Bond Refunding Escrow Agent | | (115,079,499) | (115,079,499) | |
| 7080 | Total other financing sources and uses | | <u>977,525</u> | <u>977,525</u> | |
| 1200 | Net change in fund balances | | | 2,861,255 | 2,861,255 |
| 0100 | Fund balances - beginning | <u>11,585,009</u> | <u>11,585,009</u> | <u>11,585,009</u> | |
| 3000 | Fund balances - ending | <u>\$ 11,585,009</u> | <u>\$ 11,585,009</u> | <u>\$ 14,446,264</u> | <u>\$ 2,861,255</u> |

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FEDERAL AWARDS SECTION

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

To the Board of Managers
Beaumont Independent School District
Beaumont, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beaumont Independent School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated November 8, 2018.

Internal Control Over Financial Reporting

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

To the Board of Managers
Beaumont Independent School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
November 8, 2018

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE *UNIFORM GUIDANCE***

To the Board of Managers
Beaumont Independent School District
Beaumont, Texas

Report on Compliance for Each Major Federal Program

We have audited Beaumont Independent School District's (the "District") 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 District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 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 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 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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 June 30, 2018.

Report on Internal Control Over Compliance

Management of the 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 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 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
November 8, 2018

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018

I. Summary of Auditors' Results

Financial Statements

| | |
|---|---------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness (es) identified? | No |
| Significant deficiency (ies) identified that is not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weakness (es) identified? | No |
| Significant deficiency (ies) identified that are not considered to be material weaknesses? | None Reported |
| Type of auditors' report issued on compliance with major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? | None |
| Identification of major programs: | |
| Name of Federal Program or Cluster | CFDA Numbers |

U.S. Department of Education:

| | |
|---|---------|
| Restart Hurricane Recovery | 84.938A |
| Temporary Emergency Impact Aid for Displaced Students | 84.938C |

Special Education Cluster (IDEA):

| | |
|---|---------|
| Special Education – Grants to States (IDEA, Part B) | 84.027A |
| Special Education – Preschool Grants (IDEA Preschool) | 84.173A |

U.S. Department of Agriculture:

Child Nutrition Cluster:

| | |
|-------------------------------|--------|
| School Breakfast Program | 10.553 |
| National School Lunch Program | 10.555 |
| Summer Feeding Program | 10.559 |

U.S. Department of Labor:

WIA Cluster:

| | |
|--------------------------------|--------|
| 2016-2018 Industry Cluster TWC | 17.258 |
|--------------------------------|--------|

| | |
|---|-----------|
| Dollar Threshold Considered Between Type A and Type B <i>Federal</i> Programs | \$854,348 |
| Auditee qualified as low-risk auditee? | No |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Fiscal Year Ended June 30, 2018

II. Financial Statement Findings

No current findings were noted.

III. Federal Award Findings and Questioned Costs

There were no current year federal award findings.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Exhibit K-1
Page 1 of 2

| (2A) Pass Through Entity Identifying Number | (1) Federal Grantor/ Pass-Through Grantor/ Program Title | District Fund Number | (2) Federal CFDA Number | (3) Federal Expenditures |
|---|---|----------------------------|----------------------------------|--------------------------------|
| U.S. Department of Defense | | | | |
| Direct Program: | | | | |
| N/A | Naval JROTC | 199 | 12.000 | \$ 121,724 |
| Total U.S. Department of Justice | | | | 121,724 |
| U.S. Department of Education | | | | |
| Passed Through Texas Education Agency: | | | | |
| <u>Special Education Cluster:</u> | | | | |
| 186600011239106600 | IDEA-B Formula | 224 | 84.027A | 2,713,584 |
| 176600011239106000 | IDEA-B Formula | 224 | 84.027A | 355,087 |
| 186600111239106000 | IDEA-B Discretionary - Deaf | 315 | 84.027A | 90,234 |
| 176600021239106000 | IDEA-B Discretionary | 226 | 84.027A | 49,310 |
| 66001806 | IDEA-B High Cost | 226 | 84.027A | |
| 186610011239106610 | IDEA-B Preschool | 225 | 84.173A | 61,830 |
| 176610011239106610 | IDEA-B Preschool | 225 | 84.173A | 1,357 |
| Total Special Education Cluster | | | | 3,271,402 |
| Title I Part A and Title I Part D: | | | | |
| 18610101123910 | ESEA, Title I, Part A - Improving Basic Programs | 211 | 84.010A | 6,770,860 |
| 17610101123910 | ESEA, Title I, Part A - Improving Basic Programs | 211 | 84.010A | 225,721 |
| 18610123123910 | Title I 1003 School Improvement | 211 | 84.010A | 494,829 |
| 18610103123910 | Title I, Part D, Subpart D - Delinquent Programs | 211 | 84.010A | 48,357 |
| 17610103123910 | Title I, Part D, Subpart D - Delinquent Programs | 211 | 84.010A | 62,587 |
| 17610112123910000 | Title I 1003(A) Priority and Focus School Grant | 211 | 84.010A | 52,404 |
| Total Title I Part A and Title I Part D | | | | 7,654,758 |
| 184200547110002 | 2017-2018 Perkins Career Center | 244 | 84.048A | 74,308 |
| 18420006123910 | Career and Technical - Basic Grant | 244 | 84.048A | 235,002 |
| 17420006123910 | Career and Technical - Basic Grant | 244 | 84.048A | 26,413 |
| 183911011239103000 | IDEA-C Early Intervention | 340 | 84.181A | 1,360 |
| 18694501123910 | Title II, Part A, Supporting Effective Educator | 255 | 84.367A | 567,529 |
| 17694501123910 | Title II, Part A, Teacher/Principal Training | 255 | 84.367A | 21,639 |
| 18671001123910 | Title III , Part A, ELA | 263 | 84.365A | 186,078 |
| 17671001123910 | Title III , Part A, LEP | 263 | 84.365A | 78,508 |
| 18511701223910 | Restart Hurricane Harvey | 289 | 84.938A | 1,337,960 |
| 51271901 | Temporary Emergency Impact Aid for Displaced Students | 289 | 84.938C | 1,887,519 |
| 18680101123910 | Title IV Part A Subpart 1 | 289 | 84.424A | 108,311 |
| 69551702 | Summer School LEP | 289 | 84.369A | 9,497 |
| Total Passed Through Texas Education Agency | | | | 15,460,284 |
| Total U.S. Department of Education | | | | 15,460,284 |
| U.S. Department of Health & Human Services | | | | |
| Direct Program: | | | | |
| 06CH7087-04-00 | Head Start | 205 | 93.600 | 131,441 |
| 06CH7087-05-00 | Head Start | 205 | 93.600 | 2,963,958 |
| Total Direct Program | | | | 3,095,399 |
| Passed Through Texas Health and Human Services: | | | | |
| N/A | Medicaid Administrative Claiming Program – MAC | 272 | 93.778 | 28,000 |
| Total Passed Through Texas Health and Human Services | | | | 28,000 |
| Total U.S. Department of Health & Human Services | | | | 3,123,399 |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Exhibit K-1
Page 2 of 2

| (2A) Pass Through Entity Identifying Number | (1) Federal Grantor/ Pass-Through Grantor/ Program Title | District Fund Number | (2) Federal CFDA Number | (3) Federal Expenditures |
|--|---|----------------------------|----------------------------------|--------------------------------|
| | U.S. Department of Labor | | | |
| | Passed Through Texas Education Agency: | | | |
| 173918017110005 | 2016-2018 Industry Cluster TWC-Adult | 289 | 17.258 | \$ 276,169 |
| | Total Passed Through Texas Education Agency | | | <u>276,169</u> |
| | Total U.S. Department of Labor | | | <u>276,169</u> |
| | U.S. Department of Agriculture | | | |
| | <u>Child Nutrition Cluster:</u> | | | |
| | Passed Through the Texas Department of Agriculture: | | | |
| | Non Cash assistance (Commodities): | | | |
| CE654 | National School Lunch Program | 240 | 10.555 | \$ 699,803 |
| | Cash Assistance: | | | |
| 00654 | Summer Feeding Program | 242 | 10.559 | <u>74,296</u> |
| | Total Passed Through Texas Department of Agriculture | | | <u>774,099</u> |
| | Passed Through Texas Education Agency: | | | |
| | Cash assistance: | | | |
| 71401801 | School Breakfast Program | 240 | 10.553 | 2,485,506 |
| 71301801 | National School Lunch Program | 240 | 10.555 | <u>6,237,076</u> |
| | Total Passed Through Texas Education Agency | | | <u>8,722,582</u> |
| | Total Child Nutrition Cluster | | | <u>9,496,681</u> |
| | Total U.S. Department of Agriculture | | | <u>9,496,681</u> |
| | Total Expenditures of Federal Awards | | | <u>\$ 28,478,257</u> |

Note 1 - Basis of Accounting

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

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. Generally, unused balances are returned to the grantor at the close of specified project periods. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-3:

| | |
|---|----------------------|
| Total Expenditures of Federal Awards on Exhibit K-1 | \$ 28,478,257 |
| Build America Bonds - Federal Interest Subsidy | 1,078,345 |
| Medicaid SHARS | 1,570,200 |
| E-Rate | 27,750 |
| Total Federal Revenue - Exhibit C-3 | <u>\$ 31,154,552</u> |

BEAUMONT INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Exhibit K-2
(continued)

Note 4 - General Fund Expenditures

Federal Awards reported in the general fund are summarized as follows:

Federal Revenue reported in the General Fund

| | |
|--|---------------------|
| Medicaid SHARS | \$ 1,570,200 |
| Build America Bonds - Federal Interest Subsidy | 1,078,345 |
| Naval JROTC | 121,724 |
| E-Rate | 27,750 |
| Indirect Costs: | |
| ESEA, Title I, Part A | 165,934 |
| IDEA-B Formula | 74,245 |
| SSA - IDEA - Part B, Discretionary | 1,557 |
| IDEA-B Preschool | 1,532 |
| Carl D. Perkins Basic Grant | 4,278 |
| Title III , Part A, LEP | 5,252 |
| Title II, Part A, Teacher/Principal Training | 12,361 |
| Temporary Emergency Impact Aid for Displaced Students Program | 37,750 |
| 2016-2018 Industry Cluster TWC-Adult | 2,690 |
| Total Federal Revenue reported in the General Fund | <u>\$ 3,103,618</u> |

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Fiscal Year Ended June 30, 2018

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and all audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

The Summary Schedule of Prior Audit Findings for the year ended June 30, 2018, has been prepared to address these requirements

I. Prior Year Findings

None reported

BEAUMONT INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Fiscal Year Ended June 30, 2018

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

The Corrective Action Plan for the year ended June 30, 2018 has been prepared to address these requirements.

V. Corrective Action Plan

Not Applicable

DO NOT BIND IN REPORT

Schedule L-1 – Required Responses to Selected School FIRST Indicators

| | | |
|------|---|--------------|
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end? | No |
| SF4 | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole? | Yes |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? | No |
| SF7 | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? | Yes |
| SF8 | Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship? | Yes |
| SF10 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end. | \$ 1,271,714 |
| SF11 | Net Pension Assets (1920) at fiscal year-end. | \$ 0 |
| SF12 | Net Pension Liabilities (2540) at fiscal year-end. | \$30,883,522 |
| SF13 | Pension Expense (6147) at fiscal year-end. | |