

**BEAUMONT INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For the Ten Months Ended June 30, 2017

BEAUMONT INDEPENDENT SCHOOL DISTRICT
TABLE OF CONTENTS

	Page	Exhibit
Introductory Section		
Certificate of the Board	i	
Financial Section		
Independent Auditor's Report	1	
Management's Discussion and Analysis	7	
Basic Financial Statements:		
Government-wide Financial Statements		
Statement of Net Position	16	A-1
Statement of Activities	17	B-1
Governmental Fund Financial Statements		
Balance Sheet	18	C-1
Reconciliation of Balance Sheet for Governmental Funds to Statement of Net Position	19	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance	20	C-3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	21	C-4
Proprietary Fund Financial Statements		
Statement of Net Position	22	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position	23	D-2
Statement of Cash Flows	24	D-3
Fiduciary Fund Financial Statements		
Statement of Fiduciary Assets and Liabilities	25	E-1
Statement of Changes in Fiduciary Net Position	26	E-2
Notes to the Financial Statements	27	F-1
Required Supplementary Information:		
Budgetary Comparison Schedule - General Fund	58	G-1
Notes to Required Supplementary Information - Budgetary Comparison Schedule	59	G-2
Schedule of the District's Proportionate Share of the Net Pension Liability – TRS	60	G-3
Schedule of District Contributions – TRS	61	G-4
Notes to Required Supplementary Information – TRS Schedules	62	G-5

BEAUMONT INDEPENDENT SCHOOL DISTRICT**TABLE OF CONTENTS (continued)**

	<u>Page</u>	<u>Exhibit</u>
Other Supplementary Information:		
Combining Fund Statements:		
Nonmajor Governmental Funds		
Combining Balance Sheet	64	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	74	H-2
Combining Statement of Fiduciary Net Position	84	H-3
Combining Statement of Changes in Fiduciary Net Position	86	H-4
Required TEA Schedules:		
Schedule of Delinquent Taxes Receivable	90	J-1
Budgetary Comparison Schedule - Child Nutrition Program Fund	92	J-2
Budgetary Comparison Schedule - Debt Service Fund	93	J-3
Federal Awards Section		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	97	
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the <i>Uniform Guidance</i>	99	
Schedule of Findings and Questioned Costs	101	
Schedule of Expenditures of Federal Awards	103	K-1
Notes to Schedule of Expenditures of Federal Awards	105	K-2
Summary Schedule of Prior audit Findings	107	
Corrective Action Plan	111	

INTRODUCTORY SECTION

(This page intentionally left blank.)

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 ten months ended June 30, 2017, at a meeting of the Board of Managers of such school district on November 16, 2017.



President of the Board



Secretary of the Board

(This page intentionally left blank.)

FINANCIAL SECTION

(This page intentionally left blank.

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 ten months ended June 30, 2017, 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, 2017 and the respective changes in financial position, and, where applicable, cash flows thereof for the ten months ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 to 14, the budgetary comparison schedule, the Schedule of the District's Proportionate Share of Net Pension Liability- TRS, and the Schedule of District Contributions – TRS on pages 58 to 62; 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 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.

To the Board of Managers
Beaumont Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2017, 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.

Whitley Penn LLP

Houston, Texas
November 9, 2017

(This page intentionally left blank.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page intentionally left blank.)

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 ten months ended June 30, 2017. The District changed its fiscal year from August 31st to June 30th during 2017.

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 \$97,831,061 (*net position*). Of this amount, \$23,993,772 (unrestricted net position) may be used to meet the District's ongoing obligations to students and creditors.

- The District's total net position at year end increased by \$20,299,396.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$56,401,963, an increase of \$29,438,043 in comparison with the prior year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund of \$36,995,361 is 27 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$18,760,000 (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).

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 and a schedule of District contributions – TRS for the past three years.

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

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$97,831,061 at the close of the most recent fiscal year.

The largest portion of the District's net position (\$62,994,090) 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, 2017 , the District's net position included the following:

	Governmental Activities	
	2017	2016
Current and other assets	\$ 96,152,029	\$ 58,015,063
Capital assets, net of depreciation and noncurrent assets	431,586,703	432,979,491
Total Assets	527,738,732	490,994,554
Deferred charge on refunding	4,064,329	1,326,473
Deferred outflows relating to pension activities	16,916,110	11,561,975
Total Deferred Outflows of Resources	20,980,439	12,888,448
Current liabilities	37,141,601	23,430,687
Long term liabilities	408,411,811	400,872,754
Total Liabilities	445,553,412	424,303,441
Deferred inflows relating to pension activities	5,334,698	2,047,896
Total Deferred Inflows of Resources	5,334,698	2,047,896
Net Position:		
Net investment in capital assets	62,994,090	64,791,806
Restricted	10,843,199	5,732,983
Unrestricted	23,993,772	7,006,876
Total Net Position	\$ 97,831,061	\$ 77,531,665

Net position is restricted for various purposes as follows:

	Governmental Activities	
	2017	2016
Federal and state programs	\$ 4,128,740	\$ 3,919,701
Debt service	6,714,459	1,801,480
Other Purposes		11,802
	\$ 10,843,199	\$ 5,732,983

The balance of unrestricted net position (\$23,993,772) may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District reports positive balances in all three categories of net position. The District's net position increased by \$20,299,396 during the current fiscal year.

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

Comparative Schedule of Changes in Net Position
For the Ten Months Ended June 30, 2017 and the Year Ended August 31, 2016

	Governmental Activities	
	2017	2016
Program Revenues		
Charges for services	\$ 4,422,252	\$ 5,720,716
Operating grants and contributions	37,541,626	43,542,327
General Revenues		
Property taxes	129,347,806	127,513,295
State Aid - Formula Grants	37,594,841	37,574,290
Investment earnings	521,886	235,997
Other	154,097	19,196
Total Revenues	209,582,508	214,605,821
Expenses		
Instruction	93,494,433	101,088,042
Instructional resources and media services	1,320,417	1,515,790
Curriculum and staff development	1,135,877	1,813,883
Instructional leadership	4,949,606	5,605,309
School leadership	9,782,992	10,383,775
Guidance, counseling, and evaluation services	5,088,938	5,504,582
Social work services	590,264	551,936
Health services	2,093,155	2,198,177
Student transportation	6,239,493	8,056,830
Food service	11,065,649	11,721,213
Extracurricular activities	4,730,645	4,265,513
General administration	6,140,047	7,206,346
Plant, maintenance and operations	19,044,573	21,264,319
Security and monitoring services	2,028,725	2,080,976
Data processing services	1,778,392	1,656,196
Community services	1,207,502	1,298,230
Interest on long-term debt	12,336,970	18,172,489
Debt issuance costs and fees	1,549,630	12,584
Facilities repairs and maintenance	46,400	177,572
Payments to fiscal agent/member districts of SSA	184,844	136,066
Payments to Juvenile Justice Alternative Education	150,000	150,000
Other intergovernmental charges	1,116,347	1,040,684
Total Expenses	186,074,899	205,900,512
Excess (deficiency) before special items	23,507,609	8,705,309
Special items	(3,208,213)	
Increase (Decrease) in Net Position	20,299,396	8,705,309
Beginning Net Position	77,531,665	88,601,284
Prior Period Adjustment		(19,774,928)
Ending Net Position	\$ 97,831,061	\$ 77,531,665

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

Governmental Activities

Governmental activities increased the District's net position by \$20,299,396. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent \$5,098,235 or of total revenues. The remaining is generated from charges for services, investment earnings and other revenues.

	Total Revenues	% of Total Revenues
Property taxes	\$ 129,347,806	61.7%
State Aid - Formula Grants	37,594,841	17.9%
Operating grants and contributions	37,541,626	17.9%
Charges for services	4,422,252	2.1%
Investment earnings	521,886	0.2%
Other revenue	154,097	0.1%
Total Revenues	\$ 209,582,508	100%

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	\$ 93,494,433	50.2%
School Leadership	9,782,992	5.3%
Food service	11,065,649	5.9%
Facilities repairs and maintenance	19,044,573	10.2%
Interest expense	12,336,970	6.6%
Other expenses	40,350,282	21.7%
Total Expenses	\$ 186,074,899	100%

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 \$29,438,043 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 \$36,995,361, while total fund balance reached \$39,117,425. 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 27 percent of total general

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

fund expenditures, while total fund balance represents 28 percent of that same amount. The fund balance of the District's general fund increased by \$18,110,845 during the current fiscal year, primarily due to revenues being higher than expenditures.

The *debt service fund* has a total fund balance of \$11,585,009, all of which is restricted for the retirement of funded indebtedness. The net increase in fund balance during the current year of \$10,181,465 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	\$ 152,986,224	\$ 153,060,158
Total expenditures	146,151,305	159,259,244
Net change in fund balance	\$ 6,834,919	\$ (6,199,086)

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.

Capital Assets and Long-term Liabilities

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2017 includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets for the current year was . The following table summarizes the investment in capital assets as of June 30, 2017 and August 31, 2016:

	2017	2016
Land	\$ 14,664,846	\$ 14,664,846
Buildings and improvements	523,012,887	522,742,243
Furniture and equipment	19,348,713	16,255,402
Vehicles	11,518,046	10,378,483
Construction in progress	1,961,257	
Total	570,505,749	564,040,974
Accumulated depreciation	(138,919,046)	(131,061,483)
Net capital assets	\$ 431,586,703	\$ 432,979,491

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 \$350,245,000 in bonded debt outstanding, a decrease of \$18,760,000 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

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

of the bonds from Standard and Poor's is "BBB+" and from Moody's Investors Service is "Baaa1" for general obligation debt.

Changes in general obligation bonds, for the ten months ended June 30, 2017 are as follows:

Outstanding 09/01/16	Issued	Retired	Outstanding 06/30/17
<u>\$ 369,005,000</u>	<u>\$ 132,155,000</u>	<u>\$ (150,915,000)</u>	<u>\$ 350,245,000</u>

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 2017-2018:

- The maintenance and operations tax rate for fiscal year 2017-2018 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, 2018 of \$156.4 million in revenues and \$156.4 million in expenditures.
- The Debt Service revenues and expenditures are budgeted for \$26.3 million.
- The Child Nutrition budget is set for \$11.7 million in revenues and \$11.7 million in expenditures.

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

On March 10, 2017 Fitch Ratings upgraded the District's general obligation debt rating to an A- from BBB+ rating and changed the outlook to Stable from Negative. On May 18, 2017 Standard & Poor's Global Ratings upgraded the District's general obligation debt rating to an A- from BBB+ rating. The District continues to work diligently to restore the ratings to original status.

At the July 19, 2017 regular meeting, the following Board of Managers resigned, effective July 31, 2017: Dr. James Simmons, Jack Carroll, and Lenny Caballero. At the August 17, 2017 regular meeting, Robert Turner resigned from the board effective August 31, 2017 and the TEA Commissioner appointed Mitch Templeton and Angela Corbin Bransford to the Board of Managers as replacements. 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, 2017

Exhibit A-1

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 73,397,944
1220	Property taxes receivables, net	6,299,041
1240	Due from other governments	13,623,078
1267	Due from fiduciary funds	827
1290	Other receivables, net	514,374
1300	Inventories	102,123
1410	Prepaid items	2,214,642
	Capital assets not subject to depreciation:	
1510	Land	14,664,846
1580	Construction in progress	1,961,257
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	406,413,791
1530	Furniture and equipment, net	2,265,440
1531	Vehicles, net	6,281,369
1000	Total Assets	527,738,732
	Deferred outflows of resources	
1701	Deferred charge on refunding	4,064,329
1705	Deferred outflows relating to pension activities	16,916,110
	Total deferred outflows of resources	20,980,439
	Liabilities	
2110	Accounts payable	9,505,357
2140	Interest payable	5,857,845
2150	Payroll deductions and withholdings	1,207,146
2160	Accrued wages payable	14,794,822
2180	Due to other governments	4,385,819
2300	Unearned revenue	1,390,612
	Noncurrent Liabilities:	
2501	Due within one year	13,898,232
2502	Due in more than one year	362,315,824
2540	Net Pension Liability	32,197,755
2000	Total Liabilities	445,553,412
	Deferred Inflows of Resources	
2605	Deferred inflows relating to pension activities	5,334,698
2600	Deferred Inflows of Resources	5,334,698
	Net Position	
3200	Net investment in capital assets	62,994,090
	Restricted for:	
3820	Federal and state programs	4,128,740
3850	Debt service	6,714,459
3890	Other purposes	
3900	Unrestricted	23,993,772
3000	Total Net Position	\$ 97,831,061

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Ten Months Ended June 30, 2017

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position Primary Government
			Charges for Services	Operating Grants and Contributions	
	Governmental activities:				
11	Instruction	\$ 93,494,433	\$ 2,114,887	\$ 17,928,217	\$ (73,451,329)
12	Instructional resources and media	1,320,417		122,951	(1,197,466)
13	Curriculum and staff development	1,135,877		495,966	(639,911)
21	Instructional leadership	4,949,606		1,501,679	(3,447,927)
23	School leadership	9,782,992	427,498	799,984	(8,555,510)
31	Guidance, counseling, and evaluation services	5,088,938		439,424	(4,649,514)
32	Social work services	590,264		263,181	(327,083)
33	Health services	2,093,155		1,894,298	(198,857)
34	Student transportation	6,239,493		261,665	(5,977,828)
35	Food service	11,065,649	1,581,058	9,439,675	(44,916)
36	Extracurricular activities	4,730,645	277,559	205,739	(4,247,347)
41	General administration	6,140,047		491,912	(5,648,135)
51	Facilities maintenance and operations	19,044,573	21,250	732,246	(18,291,077)
52	Security and monitoring services	2,028,725		106,776	(1,921,949)
53	Data processing services	1,778,392		421,749	(1,356,643)
61	Community services	1,207,502		1,096,145	(111,357)
72	Interest on long-term debt	12,336,970		1,155,175	(11,181,795)
73	Debt issuance costs and fees	1,549,630			(1,549,630)
81	Facilities repairs and maintenance	46,400			(46,400)
93	Payments to fiscal agent/member districts of SSA	184,844		184,844	
95	Payments to Juvenile Justice Alternative Education Programs	150,000			(150,000)
99	Other intergovernmental charges	1,116,347			(1,116,347)
TG	Total governmental activities	\$ 186,074,899	\$ 4,422,252	\$ 37,541,626	(144,111,021)

**Data
Control
Codes**

General revenues:		
Taxes:		
MT	Property taxes, levied for general purposes	102,239,646
DT	Property taxes, levied for debt service	27,108,160
SF	State-aid formula grants	37,594,841
IE	Investment earnings	521,886
MI	Miscellaneous	154,097
SI	Special item	(3,208,213)
TR	Total general revenues	164,410,417
CN	Change in net position	20,299,396
NB	Net position - beginning	77,531,665
NE	Net position - ending	\$ 97,831,061

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
Exhibit C-1
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

Data Control Codes		General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
	Assets				
1110	Cash and Cash Equivalents	\$ 58,775,823	\$ 11,322,269	\$ 3,299,852	\$ 73,397,944
	Receivables:				
1220	Property taxes - delinquent	17,023,933	5,308,373		22,332,306
1230	Allowance for uncollectible taxes (credit)	(11,861,203)	(4,172,062)		(16,033,265)
1240	Receivables from other governments	6,062,934		7,560,144	13,623,078
1260	Due from other funds	5,158,159		4,888,936	10,047,095
1290	Other receivables	406,764	105,692	1,918	514,374
1300	Inventories, at cost	46,394		55,729	102,123
1410	Prepaid items	2,075,670	9,500		2,085,170
1000	Total Assets	<u>\$ 77,688,474</u>	<u>\$ 12,573,772</u>	<u>\$ 15,806,579</u>	<u>\$ 106,068,825</u>
	Liabilities, Deferred Inflows of Resources, and Fund Balance				
	Liabilities				
2110	Accounts payable	\$ 5,093,040	\$	\$ 1,837,490	\$ 6,930,530
2150	Payroll deduction and withholdings payable	1,161,969		45,177	1,207,146
2160	Accrued wages payable	12,828,923		1,965,899	14,794,822
2170	Due to other funds	10,217,662	1,469	5,155,861	15,374,992
2180	Payable to other governments	4,375,210		10,609	4,385,819
2300	Unearned revenues	298,598		1,092,014	1,390,612
2000	Total Liabilities	<u>33,975,402</u>	<u>1,469</u>	<u>10,107,050</u>	<u>44,083,921</u>
	Deferred Inflows of Resources				
2601	Unavailable revenues - property taxes	4,595,647	987,294		5,582,941
	Total Deferred Inflows of Resources	<u>4,595,647</u>	<u>987,294</u>		<u>5,582,941</u>
	Fund Balance				
	Non-Spendable				
3410	Inventories	46,394			46,394
3430	Prepaid items	2,075,670			2,075,670
	Restricted				
3450	Federal/State funds grant restrictions			4,128,740	4,128,740
3470	Capital acquisitions and contractual obligations				
3480	Retirement of long-term debt		11,585,009		11,585,009
	Committed				
3545	Other purposes			1,570,789	1,570,789
	Assigned				
3600	Unassigned	36,995,361			36,995,361
3000	Total fund balances	<u>39,117,425</u>	<u>11,585,009</u>	<u>5,699,529</u>	<u>56,401,963</u>
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 77,688,474</u>	<u>\$ 12,573,772</u>	<u>\$ 15,806,579</u>	<u>\$ 106,068,825</u>

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
June 30, 2017

Exhibit C-2

Data Control Codes	Total fund balance, governmental funds	\$ 56,401,963
	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.	431,586,703
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).	5,582,941
3	Deferred charge on refunding	4,064,329
4	Deferred outflows relating to pension activities	16,916,110
	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:	
5	General obligation bonds	(350,245,000)
6	Premium/Discount on issuance	(12,468,669)
7	Accumulated accretion on capital appreciation bonds	(1,242,047)
8	Capital leases payable	(9,943,273)
9	Accrued compensated absences	(2,315,067)
10	Accrued interest payable	(5,857,845)
11	Net pension liability	(32,197,755)
12	Deferred inflows relating to pension activities	(5,334,698)
13	Addition of Internal Service fund net position (see D-1)	2,883,369
19	Total net position-governmental activities	\$ 97,831,061

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Ten Months Ended June 30, 2017

Exhibit C-3

Data Control Codes		General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
5700	Local, intermediate, and out-of-state	\$ 104,634,854	\$ 27,347,052	\$ 2,772,121	\$ 134,754,027
5800	State program revenues	42,930,189	616,870	2,424,627	45,971,686
5900	Federal program revenues	2,402,580	538,305	23,115,150	26,056,035
5020	Total revenues	<u>149,967,623</u>	<u>28,502,227</u>	<u>28,311,898</u>	<u>206,781,748</u>
Expenditures					
Current:					
0011	Instruction	71,713,095		12,561,462	84,274,557
0012	Instruction resources and media services	1,334,607		56,441	1,391,048
0013	Curriculum and instructional staff development	573,675		491,025	1,064,700
0021	Instructional leadership	3,181,280		1,288,006	4,469,286
0023	School leadership	8,268,423		616,931	8,885,354
0031	Guidance, counseling and evaluation services	4,474,666		169,899	4,644,565
0032	Social work services	277,363		251,458	528,821
0033	Health services	1,772,867		151,101	1,923,968
0034	Student transportation	11,151,661		584	11,152,245
0035	Food services			10,381,221	10,381,221
0036	Extracurricular activities	4,311,058		58,408	4,369,466
0041	General administration	5,626,400			5,626,400
0051	Facilities maintenance and operations	17,466,747		363,773	17,830,520
0052	Security and monitoring services	1,888,755			1,888,755
0053	Data processing services	2,119,290			2,119,290
0061	Community services	90,815		1,090,606	1,181,421
Debt service:					
0071	Principal on long-term debt		10,830,000		10,830,000
0072	Interest on long-term debt		7,503,189		7,503,189
0073	Debt issuance costs and fees	70,000	1,479,630		1,549,630
Capital outlay:					
0081	Facilities acquisition and construction	2,045,552		468,718	2,514,270
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA			184,844	184,844
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	150,000			150,000
0099	Other intergovernmental charges	1,116,347			1,116,347
6030	Total Expenditures	<u>137,632,601</u>	<u>19,812,819</u>	<u>28,134,477</u>	<u>185,579,897</u>
	Excess (deficiency) of revenues				
1100	over expenditures	<u>12,335,022</u>	<u>8,689,408</u>	<u>177,421</u>	<u>21,201,851</u>
Other Financing Sources (Uses)					
7901	Refunding bonds issued		132,155,000		132,155,000
7912	Sale of real or personal property	9,075			9,075
7914	Proceeds from loan	9,943,273			9,943,273
7915	Transfers in			968,312	968,312
7916	Premium or discount on issuance of bonds		12,539,680		12,539,680
8911	Transfers out	(968,312)			(968,312)
8949	Payments to refunding bond escrow agent		(143,202,623)		(143,202,623)
7080	Total other financing sources (uses)	<u>8,984,036</u>	<u>1,492,057</u>	<u>968,312</u>	<u>11,444,405</u>
Special Item					
8912	Special item - (Use)	(3,208,213)			(3,208,213)
8080	Total special items	<u>(3,208,213)</u>			<u>(3,208,213)</u>
1200	Net change in fund balances	18,110,845	10,181,465	1,145,733	29,438,043
0100	Fund Balance - September 1 (Beginning)	<u>21,006,580</u>	<u>1,403,544</u>	<u>4,553,797</u>	<u>26,963,921</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ 39,117,425</u>	<u>\$ 11,585,009</u>	<u>\$ 5,699,529</u>	<u>\$ 56,401,963</u>

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 the Ten Months Ended June 30, 2017*

Data Control Codes		
	Net change in fund balances - total governmental funds (from C-3)	\$ 29,438,043
	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	9,150,764
2	Governmental funds depreciation expense	(10,520,472)
3	Net effect of other retirements and adjustments to capital assets	(23,080)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	446,041
5	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.	2,658,195
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.	10,830,000
	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.	(132,155,000)
7	Premium on issuance of refunding bonds	(12,539,681)
8	Payments to refunding agent	143,202,623
9	Proceeds from loan payable	(9,943,273)
	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:	
10	Increase in interest payable not recognized in fund statements	(5,085,656)
11	Decrease in accrued compensated absences	122,090
12	Amortization of premium/discount	653,458
13	Increase in accumulated accretion on capital appreciation bonds	(21,816)
14	Amortization of deferred charge on refunding	(379,767)
15	Pension expense for the pension plan measurement year	(5,160,698)
	Change in net position of governmental activities (see B-1)	\$ 20,299,396

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT*Exhibit D-1***STATEMENT OF NET POSITION****PROPRIETARY FUNDS***June 30, 2017*

Data Control Codes		Governmental Activities - Internal Service Fund
	Assets	
	Current Assets:	
1110	Cash and cash equivalents	\$ -
1260	Due from other funds	5,328,724
1410	Prepaid Items	129,472
	Total Current Assets	<u>5,458,196</u>
1000	Total Assets	<u>5,458,196</u>
	Liabilities	
	Current Liabilities:	
2200	Accrued expenses	<u>2,574,827</u>
	Total Current Liabilities	<u>2,574,827</u>
2000	Total Liabilities	<u>2,574,827</u>
	Net Position	
3900	Unrestricted net position	<u>2,883,369</u>
3000	Total Net Position	<u>\$ 2,883,369</u>

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 Ten Months Ended June 30, 2017*

Data Control Codes		Governmental Activities - Internal Service Fund
	Operating Revenues	
5700	Miscellaneous revenue from local sources	\$ 159,120
5754	Interfund services provided	518,293
5020	Total Operating Revenues	677,413
	Operating Expenses	
6400	Claims expense and other operating expenses	1,049,788
6030	Total Operating Expenses	1,049,788
1200	Change in Net Position	(372,375)
0100	Net Position - September 1 (Beginning)	3,255,744
3300	Net Position - June 30 (Ending)	\$ 2,883,369

See Notes to the Financial Statements.

BEAUMONT INDEPENDENT SCHOOL DISTRICT*Exhibit D-3***STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS***For Ten Months Ended June 30, 2017*

	Governmental Activities - Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash receipts from interfund services provided	\$ 912,316
Cash payments for insurance claims	(1,165,678)
Net Cash Provided by (Used for) Operating Activities	<u>(253,362)</u>
 Net change in Cash and Cash Equivalents	 (253,362)
Cash and Cash Equivalents at Beginning of Year	
Cash and Cash Equivalents at End of Year	<u><u>\$ (253,362)</u></u>
 Reconciliation to Balance Sheet	
Cash and Cash Equivalents Per Cash Flow	<u>\$</u>
 Cash and Cash Equivalents per Balance Sheet	<u><u>\$</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (372,375)
Adjustments to Reconcile Operating Income to Net Cash	
Change in Assets and Liabilities:	
Decrease (increase) in Interfund Receivables	234,903
Decrease (increase) in Prepaid Items	10,791
Increase (decrease) in Accrued Expenses	<u>(126,681)</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ (253,362)</u></u>

See Notes to the Financial Statements.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2017

Exhibit E-1

Data Control Codes		Private Purpose Trust Funds	Agency Funds
	Assets		
	Current Assets		
1110	Cash and cash equivalents	\$ 54,654	\$ 388,977
	Receivables:		
1260	Due from other Funds		
1000	Total Assets	<u>54,654</u>	<u>\$ 388,977</u>
	Liabilities		
	Current Liabilities		
2110	Accounts payable		\$ 1,729
2170	Due to other funds		829
2190	Due to student groups		386,419
2000	Total Liabilities		<u>\$ 388,977</u>
	Net Position		
3800	Restricted	<u>\$ 54,654</u>	

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Ten Months Ended June 30, 2017

Exhibit E-2

	Private Purpose Trust Funds
Additions	
Gifts and contributions	\$ 1,000
Total additions	<u>1,000</u>
Deductions	
Non-operating expenses	<u>2,500</u>
Total deductions	<u>2,500</u>
Change in net position	(1,500)
Net position beginning of year	<u>56,154</u>
Net position end of year	<u><u>\$ 54,654</u></u>

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)

- Capital Projects Funds - The proceeds from long-term debt financing and revenues and expenditures related to authorized acquisition, construction, or renovations as well as furnishing and equipping capital facilities are accounted for in a capital projects fund.

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:

Assets	Years
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, 2017 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 net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category:

- Deferred outflows of resources for refunding - Reported in the government-wide 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 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; 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 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 deferred outflows 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 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two 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 of resources in the period that the amounts become available.
- Deferred inflows of resources for pension - Reported in the government wide financial statement of net position, these deferred inflows result primarily from 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. These 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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. 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.
- 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.
- Restricted for Other Purposes - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted for local grants.
- 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.

M. 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.

Note 1 - Summary of Significant Accounting Policies (continued)

M. Fund Balance (continued)

- 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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

N. 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.

O. 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.

P. New Accounting 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 82, Pension Issues-An amendment of GASB Statements No. 67, No. 68 and No. 73, addresses the presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

GASB Statement No 77, Tax Abatement Disclosures, requires disclosure of tax abatement information about a reporting government’s own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government’s tax revenues.

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, 2017, the carrying amount of the District's cash deposits (cash and interest-bearing accounts) was \$2,994,859 and the bank balance was \$5,020,218. The District's cash deposits at June 30, 2017, 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.

At June 30, 2017, the District's cash and investment balances, the weighted average maturity, and the credit ratings of these investments were as follows:

	Carrying Value	Weighted Average Maturity (Days)	Credit Rating
Governmental Activities			
Cash and deposits	\$ 2,551,228	N/A	N/A
<i>Investments</i>			
Local Government Investment Pools			
TexPool	3,878,432	38	AAA
Lone Star Corporate Overnight Fund	3,831,686	40	AAA
Lone Star Corporate Overnight Plus Fund	61,293,744	43	AAA
Lone Star Government Overnight Fund	1,842,854	22	AAA
Total Investments	<u>70,846,716</u>	42	
Total Governmental Activities	<u>73,397,944</u>		
Fiduciary Funds			
Cash and Deposits	443,631	N/A	N/A
Total Fiduciary Funds	<u>443,631</u>		
Total	<u>\$ 73,841,575</u>		

Due to the immediate availability of the funds, the District's temporary investments at June 30, 2017 are included in cash and cash equivalents. Local government investment pools are recorded at amortized cost. 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.

Note 2 - Deposits and Investments (continued)

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.

At June 30, 2017, the District's exposure to interest risk as measured by the segmented time distribution by investment type is summarized below:

	Fair Value	Investment
		Maturity in Years Less than 1
Local Government Investment Pools:		
TexPool	\$ 3,878,432	\$ 3,878,432
Lone Star Corporate Overnight Fund	3,831,686	3,831,686
Lone Star Corporate Overnight Plus Fund	61,293,744	61,293,744
Lone Star Government Overnight Fund	1,842,854	1,842,854
	<u>\$ 70,846,716</u>	<u>\$ 70,846,716</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, 2017, the District's investments in Texas Pool were rated AAA.

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, 2017, 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	\$ 17,023,933	\$ 5,308,373	\$	\$ 22,332,306
Due from other governments	6,062,934		7,560,144	13,623,078
Other	406,764	105,692	1,918	514,374
Gross Receivables	23,493,631	5,414,065	7,562,062	36,469,758
Less allowance for doubtful accounts	(11,861,203)	(4,172,062)		(16,033,265)
Net Total Receivables	\$ 11,632,428	\$ 1,242,003	\$ 7,562,062	\$ 20,436,493

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

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the fiscal year 2017, the various components of unearned revenues reported in the governmental funds were as follows:

	Unearned
Advanced collection of fees	\$ 298,598
Unearned federal revenue	231,776
Unearned state and local revenue	860,238
	\$ 1,390,612

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, 2017, is as follows:

	Interfund Receivable	Interfund Payable	Net
Governmental Activities:			
General Fund	\$ 5,158,159	\$ 10,217,662	\$ (5,059,503)
Debt Service		1,469	(1,469)
Nonmajor Governmental Funds	4,888,938	5,155,861	(266,923)
Nonmajor Internal Service Funds	5,328,724		5,328,724
Total Governmental Activities	15,375,821	15,374,992	829
Fiduciary Funds		829	(829)
Total	\$ 15,375,821	\$ 15,375,821	\$

The General Fund transferred \$968,312 to a special revenue fund to cover its cost for the Fleet Program.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Exhibit F-1
(continued)

Note 5 - Capital Assets

Capital asset activity for the ten months ended June 30, 2017, was as follows:

Governmental Activities:

	Restated Balance September 01, 2016	Additions	(Retirements) and Transfers	Balance June 30, 2017
Governmental Capital Assets				
Capital assets, not being depreciated:				
Land	\$ 14,664,846	\$	\$	\$ 14,664,846
Construction in progress		1,961,257		1,961,257
Total Capital assets, not being depreciated	14,664,846	1,961,257		16,626,103
Capital assets, being depreciated:				
Buildings and improvements	522,742,243	270,644		523,012,887
Furniture and equipment	10,378,483	1,139,563		11,518,046
Vehicles	16,255,402	5,779,300	(2,685,989)	19,348,713
Total Capital assets, being depreciated	549,376,128	7,189,507	(2,685,989)	553,879,646
Less accumulated depreciation for:				
Buildings and improvements	(107,675,715)	(8,923,381)		(116,599,096)
Furniture and equipment	(8,726,802)	(525,804)		(9,252,606)
Vehicles	(14,658,966)	(1,071,287)	2,662,909	(13,067,344)
Total Accumulated depreciation	(131,061,483)	(10,520,472)	2,662,909	(138,919,046)
Governmental Capital Assets	\$ 432,979,491	\$ (1,369,708)	\$ (23,080)	\$ 431,586,703

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

Function	Depreciation Expense
Governmental Activities:	
Instruction	\$ 5,518,358
Instructional resources and media services	91,242
Curriculum and staff development	69,836
Instructional leadership	293,153
School leadership	587,361
Guidance, counseling and evaluation services	300,103
Social work services	34,687
Health services	126,199
Student transportation	731,506
Food Services	679,920
Extracurricular activities	286,604
General administration	369,056
Plant maintenance and operations	1,169,553
Security and monitoring services	123,889
Data processing services	139,005
Total Governmental Activities	\$ 10,520,472

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, 2017 was \$2,916,020 and is presented as other long-term liabilities in these financial statements.

	Balance September 01, 2016	Additions	Deductions - Payments to Participants	Balance June 30, 2017
Compensated absences payable	\$ 2,437,157	\$ 119,470	\$ 241,560	\$ 2,315,067

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 activity for the fiscal year ended June 30, 2017, was as follows:

	Balance September 01, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
General Obligation Bonds	\$ 369,005,000	\$ 132,155,000	\$ 150,915,000	\$ 350,245,000	\$ 10,635,000
Premiums on bonds	582,447	12,539,680	653,458	12,468,669	
Accumulated accretion on capital appreciation bonds	1,220,231	21,816		1,242,047	
Loan payable		9,943,273		9,943,273	948,165
Accrued compensated absences	2,437,157	119,470	241,560	2,315,067	2,315,067
Total Governmental Long-term Liabilities	\$ 373,244,835	\$ 154,779,239	\$ 151,810,018	\$ 376,214,056	\$ 13,898,232

General Obligation Bonds

General Obligation Bonds outstanding, at June 30, 2017, are comprised of the following:

Issue	Original Issuance Amount	Interest Rate (%)	Maturity Date	Debt Outstanding
<u>General Obligation Bonds:</u>				
Unlimited Tax School Building Bonds, Series 2009	\$ 116,570,000	3.00% to 5.25%	2/15/2038	\$ 113,940,000
Unlimited Tax Qualified School Construction Bonds, Series 2010	14,450,000	0.00%	2/15/2026	8,685,000
Unlimited Tax School Building Bonds, Series 2010A	10,085,000	2.00% to 5.00%	2/15/2019	3,210,000
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	27,990,000
Unlimited Tax Refunding Bonds, Series 2012	8,070,000	2.00% to 3.00%	2/15/2038	7,525,000
Unlimited Tax Refunding Bonds, Series 2016	132,155,000	3.00% to 5.00%	2/15/2038	129,405,000
				<u>\$ 350,245,000</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
2018	\$ 10,635,000	\$ 15,620,918	\$ 26,255,918
2019	11,085,000	15,180,368	26,265,368
2020	11,550,000	14,727,468	26,277,468
2021	12,045,000	14,219,590	26,264,590
2022	12,565,000	13,685,977	26,250,977
2023 - 2027	70,150,000	60,808,615	130,958,615
2028 - 2032	88,910,000	41,443,935	130,353,935
2033 - 2037	108,810,000	20,073,782	128,883,782
2038	24,495,000	1,074,914	25,569,914
	<u>\$ 350,245,000</u>	<u>\$ 196,835,567</u>	<u>\$ 547,080,567</u>

On September 19, 2016, the District issued \$132,155,000 in Unlimited Tax Refunding Bonds, Series 2016 to refund certain outstanding bonds. The proceeds of the refunding net of debt issuance costs of \$425,000 amounted to \$143,202,623 and was deposited with an escrow agent. As a result of the refunding, the District decreased its aggregate debt service payment to maturity by \$41.6 million and realized an economic gain (difference between the present value of debt service payments on the old debt and new debt) of \$31.9 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 \$3.1 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
2018	\$ 948,165	\$ 166,800
2019	913,024	201,940
2020	933,522	181,443
2021	954,479	160,485
2022	975,907	139,057
2023-2027	5,218,178	356,644
	<u>\$ 9,943,274</u>	<u>\$ 1,206,369</u>

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, 2017, there are no defeased bonds outstanding.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Exhibit F-1
(continued)

Note 7 - Long-term Liabilities (continued)

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	\$ 1,282,047	\$ 40,000	\$ 1,242,047	\$ 1,545,000	2026 and 2027

Deferred charge on refunding

The balance of deferred charge on refunding at June 30, 2017 was \$1,326,473 and is presented as a deferred outflow of resources in the Statement of Net Position:

	<u>Balance September 01, 2016</u>	<u>Deferred Charge on New Issues</u>	<u>Recognized Amortization</u>	<u>Balance June 30, 2017</u>
Deferred charge on refunding	\$ 1,326,473	\$ 3,117,623	\$ 379,767	\$ 4,064,329

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	\$ 101,611,192	\$ 27,290,573	\$	\$ 128,901,765
Foreign Trade Zone Revenue	705,703			705,703
Insurance Recovery	84,447			84,447
Chapter 313 Agreement Revenue	1,002,998			1,002,998
Campus Activity			427,498	427,498
Enterprise Sales				
Food Service Activity			1,581,058	1,581,058
Shared Services Arrangement				
Extracurricular Activities	277,559			277,559
Tuition and Fees				
Investment Income	464,944	56,479	463	521,886
Local Grants			763,102	763,102
Rent	21,250			21,250
Other	466,761			466,761
	<u>\$ 104,634,854</u>	<u>\$ 27,347,052</u>	<u>\$ 2,772,121</u>	<u>\$ 134,754,027</u>

Note 9 - General Fund Federal Source Revenues

For the ten months ended June 30, 2017, the General Fund reports the following federal revenues:

<u>Program or Source</u>	<u>CFDA #</u>	<u>Amount</u>
SHARS	N/A	\$ 1,632,210
E-Rate	N/A	373,104
Navy JROTC	12.000	143,947
Indirect Costs:		
ESEA, Title I, Part A	84.010A	130,951
IDEA-B Formula	84.027A	82,460
IDEA-B Formula - Deaf	84.027A	
IDEA-B Preschool	84.173A	853
IDEA-B Preschool - Deaf	84.173A	
Carl D. Perkins Basic Grant	84.048A	6,955
Title III , Part A, LEP	84.365A	4,382
Title II, Part A, Teacher/Principal Training	84.367A	27,718
		<u>\$ 2,402,580</u>

Note 10 - Operating Leases

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 ten months ended June 30, 2017 amounted to \$1,353,777. These leases primarily support governmental activities.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 1,047,658
2019	568,296
2020	253,943
	<u>\$ 1,869,897</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.

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.

Note 11 - Defined Benefit Pension Plan (continued)

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.

	Contribution Rates	
	Plan Fiscal Year	
	2016	2017
Member (Employee)	7.20%	7.70%
Non-employer contributing agency (State)	6.80%	6.80%
District	6.80%	6.80%

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 (2016)		Fiscal Year (2017)
	Contributions Required and Made	Pension Expense	TRS Contributions
Member (Employee)	\$ 7,100,590	\$	\$ 6,487,666
Non-employer contributing agency (State)	5,513,076	6,791,046	4,326,021
District	2,707,669	5,157,799	2,658,195

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.

Note 11 - Defined Benefit Pension Plan (continued)

D. Contributions (continued)

- 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.

E. Actuarial Assumptions

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

Note 11 - Defined Benefit Pension Plan (continued)

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 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. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	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 2016 Net Pension Liability.

	1% Decrease	Current Discount Rate	1% Increase
	7%	8%	9%
District's proportional share of the net pension liability	\$ 49,831,279	\$ 32,197,755	\$ 17,240,963

At June 30, 2017, the District reported a liability of \$32,197,755 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 Proportionate share of the net pension liability	\$ 32,197,755
State's proportionate share of the net pension liability associated with the District	65,439,366
Total	<u>\$ 97,637,121</u>

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

At August 31, 2016, the employer's proportion of the collective net pension liability was .0852% which was an increase from its proportion measured as of August 31, 2015 of 0.0782%.

Changes since the Prior Actuarial Valuation

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions:

1. The inflation assumption was decreased from 3.00% to 2.50%
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%

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 (continued)

Mortality Assumptions:

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the ten months ended June 30, 2017, the District recognized pension expense of \$5,157,799 as well as revenue of \$6,791,046 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 (continued)

At June 30, 2017, 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	\$ 504,855	\$ (961,406)
Changes in actuarial assumptions	981,330	(892,479)
Net difference between projected and actual investment earnings	6,204,551	(3,478,112)
Changes in proportion and differences between District contributions and proportionate share of contributions	6,567,179	(2,701)
Contributions paid to TRS subsequent to the measurement date	2,658,195	
Total	<u>\$ 16,916,110</u>	<u>\$ (5,334,698)</u>

The \$2,658,195 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 ended June 30, 2017. 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
2018	\$ (1,507,343)
2019	(1,507,343)
2020	(3,246,399)
2021	(1,373,726)
2022	(885,592)
Thereafter	(402,814)
	<u>\$ (8,923,217)</u>

Note 12 - Retiree Health Plan

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.00% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.00%.

Contributions made by the State, District and staff members for the ten months ended June 30, 2017 and fiscal years ended August 31, 2016 and 2015 are as follows:

Fiscal Year	State TRS Contributions Made on Behalf Of the District	District Required Contributions To TRS	Staff Members' Contributions To TRS
June 30, 2017	\$ 778,948	\$ 547,962	\$ 547,660
August 31, 2016	908,121	615,572	641,034
August 31, 2015	832,637	602,570	607,527

For the current fiscal year and each of the past two fiscal years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the state on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

Note 12 - Retiree Health Plan (continued)

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 ten months ended June 30, 2017 and fiscal years ended August 31, 2016 and 2015, the subsidy payments received by TRS-Care on behalf of the District are as follows:

Fiscal Year	Medicare Part D
June 30, 2017	\$ 301,122
August 31, 2016	399,172
August 31, 2015	396,508

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.

Note 13 - Risk Management (continued)

Estimates of claims payable and of claims incurred but not reported at June 30, 2017, 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, 2017. 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:

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claims Payments</u>	<u>End of Year Accrual</u>
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

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:

	<u>Local Services for the Deaf</u>
Beaumont ISD	\$ 251,490
Bridge City ISD	34,090
Buna ISD	17,045
Deweyville ISD	8,523
Evadale ISD	8,523
Hardin-Jefferson ISD	8,523
Little-Cypress Mauriceville CISD	7,493
Lumberton ISD	20,791
Nederland ISD	42,612
Orangefield ISD	17,045
Port Arthur ISD	76,702
Port-Neches ISD	19,105
Port-Neches Groves ISD	14,985
Silsbee ISD	11,239
Spurger ISD	8,523
Vidor ISD	51,135
West Orange Cove CISD	17,044
Woodville ISD	17,043
	<u>\$ 631,911</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, 2017.

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 - Amount Due to State

As of June 30, 2017, the District reported a total of \$4.4 million of amounts payable to other governments. Of this amount, \$3.2 million is due and payable to the Texas Education Agency to resolve prior year findings in the District's single audits for the years 2012-2013, 2013-2014 and 2014-2015. This amount was also recorded as a special item on Exhibit C-3 and B-1. The remaining \$1.2 million is a State Aid overpayment related to the 2016-2017 Foundation School Program allotment.

Note 19 - Subsequent Event

Bond Refunding

In August 2017 (subsequent to year end) the District issued \$107,040,000 in Unlimited Tax Refunding Bonds, Series 2017 to refund certain outstanding bonds. The proceeds of the refunding, including the net premium of \$9,017,024, less the debt issuance costs of \$350,000 and Underwriter's Discount of \$977,525 amounted to \$114,727,977 which was deposited with the 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.

Note 19 - Subsequent Event (continued)

Hurricane Harvey

On August 25, 2017, Hurricane Harvey, characterized as a Category 4 hurricane at its peak, made landfall in the Texas coast before stalling over the Houston-Galveston area and producing significant flooding. Harvey then moved back into the Gulf and then made landfall again over the Beaumont area on August 28th. As a result of District officials cancelled classes beginning on August 28, 2017.

Many residences and commercial and industrial properties sustained damage due to flooding. The City of Beaumont's water supply was cut off due to the pump station being flooded by the rising Neches River. Due to no water supply in the City, classes could not be scheduled to resume until September 13, 2017 at all District campuses. On September 14, 2017, heavy rains and high winds in the area again caused water intrusion to the main building of Central Medical Magnet High School. Classes were cancelled for that school so could be dried and cleaned. As the rain continued, the water intrusion could not be stopped. Those students and faculty remained cancelled until a plan to relocate them to other another campus was devised. Currently the 10th-12th graders have been relocated to the Austin campus while the 9th graders remain at the Central location in buildings with minor damage that have been repaired by district personnel.

The Texas Education Agency has notified districts in the disaster declared areas that they are eligible to apply for missed school day waivers for the time period that the District cancelled classes.

While the District experienced damage to some facilities, with the exception of damage to Central Medical Magnet High School, such damage will not have a substantial negative effect on the operation of the facilities. The remediation and restoration at Central Medical Magnet High School has not been determined and is anticipated that the main building will remain closed for the 2017-2018 school year.

On August 25, 2017, the President of the United States issued a major disaster declaration, which was amended on August 30, 2017 to include Jefferson County, where the District is located. The major disaster declaration made federal assistance available for debris removal and emergency protective measures, including direct federal assistance, under the Public Assistance program. The District expects to utilize the District's general fund balance to initially cover Hurricane Harvey related expenses and to seek reimbursement from the Federal Emergency Management Agency for eligible disaster-related expenses. The District also intends to file insurance claims to cover eligible losses at sites that sustained damage. The District's insurance policies generally carry a windstorm deductible at each site.

Note 20 - 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 20 - 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 \$161,051 for the ten months ended June 30, 2017. The project value's value limitation is \$30,000,000, with a total project value of \$64,891,800. The applicant's M&O taxes have been reduced by \$362,875.

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 \$162,368,500. The applicant's M&O taxes were reduced by \$1,376,632. However, the net benefit to the District was \$1,106,998.

Natgasoline LLC's (Application No. 311) first year's value limitation will be fiscal year 2018. However, there was no current year value limitation, reduction in taxes or benefit/loss.

BASF Corporation (Application No. 375) first year's value limitation will be fiscal year 2018. However, there was no current year value limitation, reduction in taxes or benefit/loss.

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.

REQUIRED SUPPLEMENTARY INFORMATION

BEAUMONT INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit G-1

For the Ten Months Ended June 30, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local revenues	\$ 106,626,273	\$ 106,700,207	\$ 104,634,854	\$ (2,065,353)
5800	State program revenues	43,339,726	43,339,726	42,930,189	(409,537)
5900	Federal program revenues	3,020,225	3,020,225	2,402,580	(617,645)
5020	Total revenues	152,986,224	153,060,158	149,967,623	(3,092,535)
Expenditures					
Current:					
0011	Instruction	78,248,966	77,625,088	71,713,095	5,911,993
0012	Instruction resources and media services	1,602,111	1,589,434	1,334,607	254,827
0013	Curriculum and instructional staff development	934,690	906,465	573,675	332,790
0021	Instructional leadership	3,200,563	3,411,030	3,181,280	229,750
0023	School leadership	8,083,051	8,279,152	8,268,423	10,729
0031	Guidance, counseling and evaluation services	4,432,350	4,528,322	4,474,666	53,656
0032	Social work services	370,918	370,918	277,363	93,555
0033	Health services	1,950,748	1,986,433	1,772,867	213,566
0034	Student transportation	6,715,952	16,213,913	11,151,661	5,062,252
0036	Extracurricular activities	4,568,700	5,018,498	4,311,058	707,440
0041	General administration	7,146,114	7,529,452	5,626,400	1,903,052
0051	Facilities maintenance and operations	20,386,688	19,883,847	17,466,747	2,417,100
0052	Security and monitoring services	2,468,840	2,508,840	1,888,755	620,085
0053	Data processing services	2,967,211	2,885,619	2,119,290	766,329
0061	Community services	66,728	148,928	90,815	58,113
Debt Service:					
0073	Debt issuance costs and fees		70,000	70,000	
Capital Outlay:					
0081	Facilities acquisition and construction	1,625,075	4,920,705	2,045,552	2,875,153
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	5,600	5,600		5,600
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	150,000	150,000	150,000	
0099	Other Intergovernmental Charges	1,227,000	1,227,000	1,116,347	110,653
6030	Total Expenditures	146,151,305	159,259,244	137,632,601	21,626,643
1100	Excess (deficiency) of revenues over expenditures	6,834,919	(6,199,086)	12,335,022	18,534,108
Other Financing Sources (Uses)					
7912	Sale of property			9,075	9,075
7914	Loan Proceeds - Loan Payable			9,943,273	9,943,273
8911	Transfers out		(968,312)	(968,312)	
7080	Total other financing sources and uses		(968,312)	8,984,036	9,952,348
Special Item					
8912	Special items (use)			(3,208,213)	(3,208,213)
1200	Net change in fund balances	6,834,919	(7,167,398)	18,110,845	25,278,243
0100	Fund balances - beginning	21,006,580	21,006,580	21,006,580	
3000	Fund balances - ending	\$ 27,841,499	\$ 13,839,182	\$ 39,117,425	\$ 25,278,243

See Notes to Required Supplementary Information

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE

BUDGETARY COMPARISON SCHEDULE

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 ten months ended June 30, 2017, 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	\$ 13,107,939	\$ 760,000	\$ 1,492,056

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, 2016. 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 Three Measurement Years Ended August 31 (1)

Exhibit G-3

	2016	2015	2014
District's proportion of the net pension liability	0.0852%	0.0782%	0.0581%
District's proportionate share of the net pension liability	\$ 32,197,755	\$ 27,627,919	\$ 15,529,731
State's proportionate share of the net pension liability associated with the District	65,439,366	62,807,388	68,127,998
Total	<u>\$ 97,637,121</u>	<u>\$ 90,435,307</u>	<u>\$ 83,657,729</u>
District's covered-employee payroll (for Measurement Year)	\$ 98,619,316	\$ 93,463,819	\$ 115,538,311
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	32.65%	29.56%	13.44%
Plan fiduciary net position as a percentage of the total pension liability *	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered-employee payroll *	92.75%	91.94%	72.89%

Notes: Five years of data should be presented in this schedule but data is unavailable prior to 2014.
Net pension liability is calculated using an new methodology and will be presented prospectively in accordance with GASB 68.
The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

* Per TRS' CAFR

BEAUMONT INDEPENDENT SCHOOL DISTRICT*Exhibit G-4***SCHEDULE OF DISTRICT CONTRIBUTIONS***Teachers Retirement System of Texas**Last Three Fiscal Years Ended June 30th**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 2,652,811	\$ 2,702,669	\$ 2,417,013
Contributions in relation to the contractual required contributions	<u>2,652,811</u>	<u>2,702,669</u>	<u>2,417,013</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered employee payroll	\$ 84,255,425	\$ 98,619,316	\$ 93,461,105
Contributions as a percentage of covered employee payroll	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.

Notes to Required Supplementary Information

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

New actuarial assumptions were adopted by the Teacher Retirement System of Texas' Board of Trustees on September 24, 2015 and are effective with the valuation as of August 31, 2015. The major assumptions changes were the adoption of the use of generational mortality for the purpose of predicting future mortality improvement and the reduction in the inflation rate from 3.00% to 2.50%.

Changes of Benefit Terms

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

OTHER SUPPLEMENTARY INFORMATION

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

Data Control Codes		205	211	224
		Head Start	ESEA Title I, A - Improving Basic Ed.	IDEA B - Formula
	Assets			
1110	Cash and temporary investments	\$	\$ 1	\$
	Receivables:			
1240	Receivables from other governments	743,236	1,857,761	1,190,175
1260	Due from other funds			6,007
1290	Other receivables			
1310	Inventories, at cost			
1000	Total Assets	<u>\$ 743,236</u>	<u>\$ 1,857,762</u>	<u>\$ 1,196,182</u>
	Liabilities and Fund Balances			
	Liabilities:			
2110	Accounts payable	\$ 2,392	\$ 24,560	\$ 270,802
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable	388,983	622,444	294,875
2170	Due to other funds	351,861	1,210,758	630,505
2180	Due to other governments			
2300	Unearned revenues			
2000	Total Liabilities	<u>743,236</u>	<u>1,857,762</u>	<u>1,196,182</u>
	Fund Balance:			
	Restricted:			
3450	Federal/State funds grant restrictions			
3470	Capital acquisitions and contractual obligations			
3480	Other purposes			
	Committed:			
3545	Other purposes			
3600	Unassigned			
3000	Total Fund Balances	<u></u>	<u></u>	<u></u>
4000	Total Liabilities and Fund Balance	<u>\$ 743,236</u>	<u>\$ 1,857,762</u>	<u>\$ 1,196,182</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	\$	\$ 1,450,036	\$ 65,856	\$	\$
7,016	33,512		136,773	122,240	261,115
1,975		3,524,108			
		55,729			
<u>\$ 8,992</u>	<u>\$ 33,512</u>	<u>\$ 5,029,873</u>	<u>\$ 202,629</u>	<u>\$ 122,240</u>	<u>\$ 261,115</u>
\$	\$	\$ 578,861	\$	\$ 4,507	\$ 18,261
		45,177			
3,482		399,978	31,698	6,179	85,624
5,510	33,512	572	62,329	111,554	157,230
<u>8,992</u>	<u>33,512</u>	<u>1,024,588</u>	<u>94,027</u>	<u>122,240</u>	<u>261,115</u>
		4,005,285	108,602		
		4,005,285	108,602		
<u>\$ 8,992</u>	<u>\$ 33,512</u>	<u>\$ 5,029,873</u>	<u>\$ 202,629</u>	<u>\$ 122,240</u>	<u>\$ 261,115</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

Data Control Codes		263 ESEA Title III, A - English Lang. Acquisition	265 Title IV, Part B - 21st Century Community Learning Centers	272 Medicaid Administrative Claiming Program - MAC
	Assets			
1110	Cash and temporary investments	\$	\$	\$ 23,322
	Receivables:			
1240	Receivables from other governments	88,798		
1260	Due from other funds		10,609	201,464
1290	Other receivables			
1310	Inventories, at cost			
1000	Total Assets	<u>\$ 88,798</u>	<u>\$ 10,609</u>	<u>\$ 224,786</u>
	Liabilities and Fund Balances			
	Liabilities:			
2110	Accounts payable	\$ 1,089	\$	\$
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable	10,113		
2170	Due to other funds	77,596		
2180	Due to other governments		10,609	
2300	Unearned revenues			224,786
2000	Total Liabilities	<u>88,798</u>	<u>10,609</u>	<u>224,786</u>
	Fund Balance:			
	Restricted:			
3450	Federal/State funds grant restrictions			
3470	Capital acquisitions and contractual obligations			
3480	Other purposes			
	Committed:			
3545	Other purposes			
3600	Unassigned			
3000	Total Fund Balances	<u></u>	<u></u>	<u></u>
4000	Total Liabilities and Fund Balance	<u>\$ 88,798</u>	<u>\$ 10,609</u>	<u>\$ 224,786</u>

282	289	315	316	317	340
FEMA - Hurricane Expenditures	Summer School LEP	SSA - IDEA - Part B, Discretionary	SSA - IDEA - Part B, Deaf	SSA - IDEA - Part B, Preschool Deaf	SSA - IDEA, Part C, Early Intervention (Deaf)
\$	\$ 6,990	\$	\$	\$	\$ 597
1,682,532		89,445			204
<u>\$ 1,682,532</u>	<u>\$ 6,990</u>	<u>\$ 89,445</u>	<u>\$</u>	<u>\$</u>	<u>\$ 801</u>
\$	\$	\$ 533	\$	\$	\$
1,682,532		11,753 77,159			801
<u>1,682,532</u>	<u>6,990</u> <u>6,990</u>	<u>89,445</u>	<u></u>	<u></u>	<u>801</u>
<u>\$ 1,682,532</u>	<u>\$ 6,990</u>	<u>\$ 89,445</u>	<u>\$</u>	<u>\$</u>	<u>\$ 801</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

Data Control Codes		410	423	429
		Instructional Materials Allotment	Barbara Bush Family Literacy	Technology Lending Grant
	Assets			
1110	Cash and temporary investments	\$ 1	\$ 15,557	\$ 1,006,446
	Receivables:			
1240	Receivables from other governments	1,152,897		100,971
1260	Due from other funds	327,605		
1290	Other receivables			
1310	Inventories, at cost			
1000	Total Assets	<u>\$ 1,480,503</u>	<u>\$ 15,557</u>	<u>\$ 1,107,417</u>
	Liabilities and Fund Balances			
	Liabilities:			
2110	Accounts payable	\$ 900,075	\$	\$
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable			3,525
2170	Due to other funds	580,262		109,094
2180	Due to other governments			
2300	Unearned revenues	166	15,557	26,486
2000	Total Liabilities	<u>1,480,503</u>	<u>15,557</u>	<u>139,105</u>
	Fund Balance:			
	Restricted:			
3450	Federal/State funds grant restrictions			
3470	Capital acquisitions and contractual obligations			
3480	Other purposes			
	Committed:			
3545	Other purposes			968,312
3600	Unassigned			
3000	Total Fund Balances			<u>968,312</u>
4000	Total Liabilities and Fund Balance	<u>\$ 1,480,503</u>	<u>\$ 15,557</u>	<u>\$ 1,107,417</u>

435 SSA - Regional Day School for the Deaf State	446 State Local Funded Regional Day School Deaf - Local	461 Campus Activity Fund	481 BASF Foundation - Science	482 Success Grant - Susser	483 Natatorium Swim Program
\$	\$	\$ 622,505	\$ 7,662	\$	\$
93,469					
510	236,121	13,654	286	75,000	
<u>\$ 93,979</u>	<u>\$ 236,121</u>	<u>\$ 636,159</u>	<u>\$ 7,948</u>	<u>\$ 75,000</u>	<u>\$</u>
\$	\$ 26,927	\$ 4,146	\$	\$	\$
65,561	41,684				
25,367		29,536			
	167,510		7,948	75,000	
<u>90,928</u>	<u>236,121</u>	<u>33,682</u>	<u>7,948</u>	<u>75,000</u>	
3,051					
		602,477			
<u>3,051</u>		<u>602,477</u>			
<u>\$ 93,979</u>	<u>\$ 236,121</u>	<u>\$ 636,159</u>	<u>\$ 7,948</u>	<u>\$ 75,000</u>	<u>\$</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

Data Control Codes		484	485	486
		Campus After School Program	Exxon-Mobil Future Leaders	ExxonMobil - Project Boost
	Assets			
1110	Cash and temporary investments	\$ 680	\$ 494	\$ 2,144
	Receivables:			
1240	Receivables from other governments			
1260	Due from other funds		896	
1290	Other receivables			
1310	Inventories, at cost			
1000	Total Assets	<u>\$ 680</u>	<u>\$ 1,390</u>	<u>\$ 2,144</u>
	Liabilities and Fund Balances			
	Liabilities:			
2110	Accounts payable	\$ 363	\$	\$
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable			
2170	Due to other funds	317		
2180	Due to other governments			
2300	Unearned revenues		1,390	2,144
2000	Total Liabilities	<u>680</u>	<u>1,390</u>	<u>2,144</u>
	Fund Balance:			
	Restricted:			
3450	Federal/State funds grant restrictions			
3470	Capital acquisitions and contractual obligations			
3480	Other purposes			
	Committed:			
3545	Other purposes			
3600	Unassigned			
3000	Total Fund Balances			
4000	Total Liabilities and Fund Balance	<u>\$ 680</u>	<u>\$ 1,390</u>	<u>\$ 2,144</u>

487	489	492	493	495
Exxon-Mobil Reading Initiative	Community Education Program	Thomas Center - Scoreboard	DaVinci Minds Grant	Texas Data Champions
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$	\$ 17,335	\$	\$ 2,085	\$ 19,168
60,184		403,972		
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 60,184</u>	<u>\$ 17,335</u>	<u>\$ 403,972</u>	<u>\$ 2,085</u>	<u>\$ 19,168</u>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 3,325	\$	\$ 1,106	\$	\$
1,175		7,716		
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
55,684	17,335	395,150	2,085	19,168
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
60,184	17,335	403,972	2,085	19,168
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 60,184</u>	<u>\$ 17,335</u>	<u>\$ 403,972</u>	<u>\$ 2,085</u>	<u>\$ 19,168</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

Data Control Codes		498 District Incentive Program	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
	Assets			
1110	Cash and temporary investments	\$ 16,235	\$ 42,737	\$ 3,299,852
	Receivables:			
1240	Receivables from other governments			7,560,144
1260	Due from other funds		26,545	4,888,936
1290	Other receivables		1,918	1,918
1310	Inventories, at cost			55,729
1000	Total Assets	<u>\$ 16,235</u>	<u>\$ 71,200</u>	<u>\$ 15,806,579</u>
	Liabilities and Fund Balances			
	Liabilities:			
2110	Accounts payable	\$	\$ 543	\$ 1,837,490
2150	Payroll deduction and withholdings payable			45,177
2160	Accrued wages payable			1,965,899
2170	Due to other funds		475	5,155,861
2180	Due to other governments			10,609
2300	Unearned revenues	16,235	58,380	1,092,014
2000	Total Liabilities	<u>16,235</u>	<u>59,398</u>	<u>10,107,050</u>
	Fund Balance:			
	Restricted:			
3450	Federal/State funds grant restrictions		11,802	4,128,740
3470	Capital acquisitions and contractual obligations			
	Other purposes			
	Committed:			
3545	Other purposes			1,570,789
3600	Unassigned			
3000	Total Fund Balances		<u>11,802</u>	<u>5,699,529</u>
4000	Total Liabilities and Fund Balance	<u>\$ 16,235</u>	<u>\$ 71,200</u>	<u>\$ 15,806,579</u>

Exhibit H-1
Page 5 of 5

634

Unlimited Tx Sch Bldg Bond 2011	Total Nonmajor Governmental Funds
<hr/>	<hr/>
\$	\$ 3,299,852
	7,560,144
	4,888,936
	1,918
	55,729
<hr/>	<hr/>
\$	\$ 15,806,579
<hr/>	<hr/>
\$	\$ 1,837,490
	45,177
	1,965,899
	5,155,861
	10,609
	1,092,014
<hr/>	<hr/>
<hr/>	10,107,050
	4,128,740
	1,570,789
<hr/>	<hr/>
	5,699,529
<hr/>	<hr/>
\$	\$ 15,806,579
<hr/>	<hr/>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Ten Months Ended June 30, 2017

		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	2,775,887	5,559,299	3,319,724
5020	Total Revenues	<u>2,775,887</u>	<u>5,559,299</u>	<u>3,319,724</u>
	Expenditures			
	Current:			
0011	Instruction	2,033,456	3,315,281	3,031,880
0012	Instruction resources and media services	35,872	3,874	
0013	Curriculum and instructional staff development	16,679	146,396	16,652
0021	Instructional leadership	101,553	1,128,893	22,630
0023	School leadership	170,599	37,780	
0031	Guidance, counseling and evaluation services		2,996	63,168
0032	Social work services	250,908		550
0033	Health services	109,783	5,323	
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities	2,472		
0051	Facilities maintenance and operations	916		
0061	Community services	53,649	918,756	
	Capital outlay:			
0081	Facilities acquisition and construction			
	Intergovernmental:			
0093	Payments related to shared services arrangement			184,844
6030	Total Expenditures	<u>2,775,887</u>	<u>5,559,299</u>	<u>3,319,724</u>
1100	Excess (deficiency) of revenues over expenditures			
	Other Financing Sources (Uses)			
7915	Transfers in			
7080	Total other financing sources and uses			
1200	Net change in fund balances			
0100	Fund balance - September 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
\$	\$	\$ 1,581,058 60,199	\$	\$	\$
34,321	33,512	9,558,250	136,774	277,762	1,115,815
34,321	33,512	11,199,507	136,774	277,762	1,115,815
34,321	33,512			265,660	794,824
				11,937	283,606
				165	461
					34,527
		10,318,147	63,074		
		362,857			
					2,397
		394,966			
34,321	33,512	11,075,970	63,074	277,762	1,115,815
		123,537	73,700		
		123,537	73,700		
		3,881,748	34,902		
\$	\$	\$ 4,005,285	\$ 108,602	\$	\$

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Ten Months Ended June 30, 2017

Data Control Codes		263 ESEA Title III, A - English Lang. Acquisition	265 Title IV, Part B - 21st Century Community Learning Centers	272 Medicaid Administrative Claiming Program - MAC
	Revenues			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues			
5900	Federal program revenues	183,157		31,000
5020	Total Revenues	<u>183,157</u>	<u></u>	<u>31,000</u>
	Expenditures			
	Current:			
0011	Instruction	105,601		
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development	11,447		
0021	Instructional leadership			
0023	School leadership			
0031	Guidance, counseling and evaluation services			
0032	Social work services			
0033	Health services			31,000
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities			
0051	Facilities maintenance and operations			
0061	Community services	66,109		
	Capital outlay:			
0081	Facilities acquisition and construction			
	Intergovernmental:			
0093	Payments related to shared services			
6030	Total Expenditures	<u>183,157</u>	<u></u>	<u>31,000</u>
1100	Excess (deficiency) of revenues over expenditures			
	Other Financing Sources (Uses)			
7915	Transfers in			
7080	Total other financing sources and uses	<u></u>	<u></u>	<u></u>
1200	Net change in fund balances			
0100	Fund balance - September 1 (beginning)	<u></u>	<u></u>	<u></u>
3000	Fund balance - June 30 (ending)	<u>\$</u>	<u>\$</u>	<u>\$</u>

[illegible]

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Ten Months Ended June 30, 2017

		410	423	429
Data Control Codes		Instructional Materials Allotment	Barbara Bush Family Literacy	Technology Lending Grant
	Revenues			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues	1,191,776		736,223
5900	Federal program revenues			
5020	Total Revenues	<u>1,191,776</u>	<u></u>	<u>736,223</u>
	Expenditures			
	Current:			
0011	Instruction	1,191,776		727,227
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			
0051	Facilities maintenance and operations			
0061	Community services			8,996
	Capital outlay:			
0081	Facilities acquisition and construction			
	Intergovernmental:			
0093	Payments related to shared services			
6030	Total Expenditures	<u>1,191,776</u>	<u></u>	<u>736,223</u>
	Excess (deficiency) of revenues over expenditures			
1100		<u></u>	<u></u>	<u></u>
	Other Financing Sources (Uses)			
7915	Transfers in			968,312
7080	Total other financing sources and uses	<u></u>	<u></u>	<u>968,312</u>
1200	Net change in fund balances			968,312
0100	Fund balance - September 1 (beginning)	<u></u>	<u></u>	<u></u>
3000	Fund balance - June 30 (ending)	<u>\$</u>	<u>\$</u>	<u>\$ 968,312</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
\$ 436,429	\$ 631,911	\$ 427,498	\$	\$	\$
436,429	631,911	427,498			
403,620	521,789				
	4,308				
	34,304				
		374,025			
32,809	70,926				
	584				
436,429	631,911	374,025			
		53,473			
		53,473			
3,051		549,004			
\$ 3,051	\$	\$ 602,477	\$	\$	\$

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Ten Months Ended June 30, 2017

		484	485	486
Data Control Codes		Campus After School Program	Exxon-Mobil Future Leaders	ExxonMobil - Project Boost
	Revenues			
5700	Local, intermediate, and out-of-state	\$ 35,624	\$	\$
5800	State program revenues			
5900	Federal program revenues			
5020	Total Revenues	<u>35,624</u>		
	Expenditures			
	Current:			
0011	Instruction			
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			
0051	Facilities maintenance and operations			
0061	Community services	35,624		
	Capital outlay:			
0081	Facilities acquisition and construction			
	Intergovernmental:			
0093	Payments related to shared services			
6030	Total Expenditures	<u>35,624</u>		
	Excess (deficiency) of revenues over expenditures			
1100				
	Other Financing Sources (Uses)			
7915	Transfers in			
7080	Total other financing sources and uses			
1200	Net change in fund balances			
0100	Fund balance - September 1 (beginning)			
3000	Fund balance - June 30 (ending)	<u>\$</u>	<u>\$</u>	<u>\$</u>

487	489	492	494	498	499 Other Local Special Revenue Funds
Exxon-Mobil Reading Initiative	Community Education Program	Thomas Center - Scoreboard	Locally Funded 9	District Incentive Program	
\$ 5,075	\$ 12,665	\$ 21,090	\$	\$	\$ 56,737
5,075	12,665	21,090			56,737
	12,665				201 16,695
					4,995
		21,090			34,846
5,075					
5,075	12,665	21,090			56,737
\$	\$	\$	\$	\$	\$

(This page intentionally left blank.)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Ten Months Ended June 30, 2017

Exhibit H-2
Page 5 of 5

634

Data Control Codes		Total Nonmajor Special Revenue Funds	Unlimited Tx Sch Bldg Bond 2011	Total Nonmajor Governmental Funds
	Revenues			
5700	Local, intermediate, and out-of-state	\$ 2,771,658	\$ 463	\$ 2,772,121
5800	State program revenues	2,424,627		2,424,627
5900	Federal program revenues	23,115,150		23,115,150
5020	Total Revenues	<u>28,311,435</u>	<u>463</u>	<u>28,311,898</u>
	Expenditures			
	Current:			
0011	Instruction	12,561,462		12,561,462
0012	Instruction resources and media services	56,441		56,441
0013	Curriculum and instructional staff development	491,025		491,025
0021	Instructional leadership	1,288,006		1,288,006
0023	School leadership	616,931		616,931
0031	Guidance, counseling and evaluation services	169,899		169,899
0032	Social work services	251,458		251,458
0033	Health services	151,101		151,101
0034	Student transportation	584		584
0035	Food service	10,381,221		10,381,221
0036	Extracurricular activities	58,408		58,408
0051	Facilities maintenance and operations	363,773		363,773
0061	Community services	1,090,606		1,090,606
	Capital outlay:			
0081	Facilities acquisition and construction	394,966	73,752	468,718
	Intergovernmental:			
0093	Payments related to shared services arrangement	184,844		184,844
6030	Total Expenditures	<u>28,060,725</u>	<u>73,752</u>	<u>28,134,477</u>
1100	Excess (deficiency) of revenues over expenditures	<u>250,710</u>	<u>(73,289)</u>	<u>177,421</u>
	Other Financing Sources (Uses)			
7915	Transfers in	968,312		968,312
7080	Total other financing sources and uses	<u>968,312</u>		<u>968,312</u>
1200	Net change in fund balances	1,219,022	(73,289)	1,145,733
0100	Fund balance - September 1 (beginning)	<u>4,480,507</u>	<u>73,289</u>	<u>4,553,796</u>
3000	Fund balance - June 30 (ending)	<u>\$ 5,699,529</u>	<u>\$</u>	<u>\$ 5,699,529</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT**COMBINING STATEMENT OF FIDUCIARY NET POSITION***June 30, 2017*

Data Control Codes		836	837	838
		Alex Durley Scholarship	Joe H Tonahill Scholarship	Mike Taylor Scholarship
	Assets			
	Current Assets			
1110	Cash and cash equivalents	\$ 17,819	\$ 20,491	\$ 3,553
	Receivables:			
1260	Due from other Funds			
1000	Total Assets	<u>17,819</u>	<u>20,491</u>	<u>3,553</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>

839 Charles Weinbaum Scholarship	841 Paul A Brown Scholarship	842 Wells, Peyton, Greenburg & Hunt	Total Private Purpose Trust Funds	Total Agency Funds
\$ 1,058	\$ 10,233	\$ 1,500	\$ 54,654	\$ 388,977
<u>1,058</u>	<u>10,233</u>	<u>1,500</u>	<u>54,654</u>	<u>\$ 388,977</u>
				\$ 1,729
				829
				386,419
				<u>\$ 388,977</u>
<u>\$ 1,058</u>	<u>\$ 10,233</u>	<u>\$ 1,500</u>	<u>\$ 54,654</u>	

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Ten Months Ended June 30, 2017

	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	Total Private Purpose Trust Funds
\$	\$ 1,000	\$	\$ 1,000
	1,000		1,000
	2,500		2,500
	2,500		2,500
	(1,500)		(1,500)
1,058	11,733	1,500	56,154
\$ 1,058	\$ 10,233	\$ 1,500	\$ 54,654

(This page intentionally left blank.)

REQUIRED TEA SCHEDULES

BEAUMONT INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DELINQUENT TAXES RECEIVABLE***For Ten Months Ended June 30, 2017*

	1	2	3	10
Last Ten Fiscal Years	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 7/1/2016
	Maintenance	Debt Service		
2008 and prior	Various	Various	Various	\$ 3,130,878
2009	1.040000	0.152500	9,344,043,352	380,054
2010	1.040000	0.222250	9,164,709,866	462,294
2011	1.040000	0.270000	9,084,485,215	569,179
2012	1.040000	0.285000	9,279,574,505	661,888
2013	1.040000	0.275000	9,259,420,913	792,555
2014	1.040000	0.275000	9,783,235,099	1,002,493
2015	1.040000	0.275000	9,775,170,418	1,411,408
2016	1.040000	0.275000	9,648,331,407	2,229,615
2017	1.040000	0.275000	9,871,550,494	
1000 Totals				\$ 10,640,364

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 6/30/2017
\$	\$ 60,587	\$ 2,924	\$ (212,929)	\$ 2,854,438
	14,095	2,067	(9,063)	354,829
	19,125	4,092	(11,134)	427,943
	23,465	6,092	(9,395)	530,227
	36,665	10,048	(4,119)	611,056
	64,226	16,983	(4,511)	706,835
	88,493	23,400	(5,326)	885,274
	159,550	42,189	(24,346)	1,185,323
	603,064	159,464	(762)	1,466,325
<u>129,810,889</u>	<u>99,488,754</u>	<u>26,767,104</u>	<u>(586,596)</u>	<u>2,968,435</u>
<u>\$ 129,810,889</u>	<u>\$ 100,558,024</u>	<u>\$ 27,034,363</u>	<u>\$ (868,181)</u>	<u>11,990,685</u>
				<u>10,341,621</u>
				<u>\$ 22,332,306</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
Exhibit J-2
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM FUND
For Ten Months Ended June 30, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
		Original	Final		
	Revenues				
5700	Local revenues	\$ 1,692,400	\$ 1,692,400	\$ 1,581,058	\$ (111,342)
5800	State program revenues	72,500	72,500	60,199	(12,301)
5900	Federal program revenues	8,927,000	8,927,000	9,558,250	631,250
5020	Total Revenues	<u>10,691,900</u>	<u>10,691,900</u>	<u>11,199,507</u>	<u>507,607</u>
	Expenditures				
	Current:				
0035	Food services	10,269,768	10,324,768	10,318,147	6,621
0051	Facilities maintenance and operations	284,029	524,029	362,857	161,172
	Capital Outlay:				
0081	Facilities acquisition and construction	852,500	1,317,500	394,966	922,534
6030	Total Expenditures	<u>11,406,297</u>	<u>12,166,297</u>	<u>11,075,970</u>	<u>1,090,327</u>
1200	Net change in fund balances	(714,397)	(1,474,397)	123,537	1,597,934
0100	Fund balances - beginning	<u>3,881,748</u>	<u>3,881,748</u>	<u>3,881,748</u>	
3000	Fund balances - ending	<u>\$ 3,167,351</u>	<u>\$ 2,407,351</u>	<u>\$ 4,005,285</u>	<u>\$ 1,597,934</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
Exhibit J-3
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For Ten Months Ended June 30, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 27,282,955	\$ 27,282,955	\$ 27,347,052	\$ 64,097
5800	State program revenues	132,755	132,755	616,870	484,115
5900	Federal program revenues	535,992	535,992	538,305	2,313
5020	Total Revenues	<u>27,951,702</u>	<u>27,951,702</u>	<u>28,502,227</u>	<u>550,525</u>
	Expenditures				
	Debt Service:				
0071	Principal on long-term debt	10,365,000	10,365,000	10,830,000	(465,000)
0072	Interest on long-term debt	17,571,702	17,571,702	7,503,189	10,068,513
0073	Bond issuance costs and fees	15,000	1,507,056	1,479,630	27,426
6030	Total Expenditures	<u>27,951,702</u>	<u>29,443,758</u>	<u>19,812,819</u>	<u>9,630,939</u>
1100	Excess (deficiency) of revenues over expenditures		(1,492,056)	8,689,408	10,181,464
	Other Financing Sources (Uses)				
7901	Refunding Bonds Issued		132,155,000	132,155,000	
7916	Premium or discount on issuance of bonds		12,539,680	12,539,680	
	Payment to Bond Refunding Escrow				
8949	Agent		(143,202,624)	(143,202,623)	1
7080	Total other financing sources and uses		<u>1,492,056</u>	<u>1,492,057</u>	<u>1</u>
1200	Net change in fund balances			10,181,465	10,181,465
0100	Fund balances - beginning	<u>1,403,544</u>	<u>1,403,544</u>	<u>1,403,544</u>	
3000	Fund balances - ending	<u>\$ 1,403,544</u>	<u>\$ 1,403,544</u>	<u>\$ 11,585,009</u>	<u>\$ 10,181,465</u>

(This page intentionally left blank.)

FEDERAL AWARDS SECTION

(This page intentionally left blank)

**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 ten months ended June 30, 2017, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated November 9, 2017.

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 9, 2017

**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 ten months ended June 30, 2017. 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 ten months ended June 30, 2017.

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 9, 2017

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Ten Months Ended June 30, 2017

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:

ESEA Title I, Part A - Improving Basic Programs	84.010A
Title I, Part D, Subpart D - Delinquent Programs	84.010A
Title I 1003(A) Priority and Focus School Grant	84.010A

Special Education Cluster (IDEA):

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

ESEA, Title II, Part A - Teacher/Principal Training and Recruiting	84.367A
ESEA, Title III, Part A, LEP	84.365A

U.S. Department of Health and Human Services:

Head Start	93.600
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low-risk auditee?	No

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Ten Months Ended June 30, 2017

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 Ten Months Ended June 30, 2017

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	<i>Naval JROTC</i>	199	12.000	\$ 143,947
	Total U.S. Department of Justice			<u>143,947</u>
	U.S. Department of Education			
	Passed Through Texas Education Agency:			
	<u>Special Education Cluster:</u>			
176600011239106000	<i>IDEA-B Formula</i>	224	84.027A	3,158,361
166600011239106000	<i>IDEA-B Formula</i>	224	84.027A	243,825
166600111239106000	<i>IDEA-B Discretionary - Deaf</i>	315	84.027A	89,445
166600111239106000	<i>IDEA-B Discretionary</i>	226	84.027A	33,512
176610011239106610	<i>IDEA-B Preschool</i>	225	84.173A	31,462
166610011239106610	<i>IDEA-B Preschool</i>	225	84.173A	3,711
	Total Special Education Cluster			<u>3,560,316</u>
	Title I Part A:			
17610101123910	<i>ESEA, Title I, Part A - Improving Basic Programs</i>	211	84.010A	4,986,329
16610101123910	<i>ESEA, Title I, Part A - Improving Basic Programs</i>	211	84.010A	416,254
17610103123910	<i>Title I, Part D, Subpart D - Delinquent Programs</i>	211	84.010A	65,144
16610103123910	<i>Title I, Part D, Subpart D - Delinquent Programs</i>	211	84.010A	18,615
17610112123910000	<i>Title I 1003(A) Priority and Focus School Grant</i>	211	84.010A	141,703
16610112123910000	<i>Title I 1003(A) Priority and Focus School Grant</i>	211	84.010A	62,205
	Total Title I Part A			<u>5,690,250</u>
17420006123910	<i>Carl D. Perkins Basic Grant</i>	244	84.048A	284,717
173911011239103000	<i>IDEA-C Early Intervention</i>	340	84.181A	204
17694501123910	<i>Title II, Part A, Teacher/Principal Training</i>	255	84.367A	1,072,320
16694501123910	<i>Title II, Part A, Teacher/Principal Training</i>	255	84.367A	71,213
17671001123910	<i>Title III, Part A, LEP</i>	263	84.365A	180,797
16671001123910	<i>Title III, Part A, LEP</i>	263	84.365A	6,741
	Total Passed Through Texas Education Agency			<u>10,866,558</u>
	Total U.S. Department of Education			<u>10,866,558</u>
	U.S. Department of Health & Human Services			
	Direct Program:			
06CH7087-03-00	<i>Head Start</i>	205	93.600	2,775,887
	Total Direct Program			<u>2,775,887</u>
	Passed Through Texas Health and Human Services:			
N/A	<i>Medicaid Administrative Claiming Program – MAC</i>	272	93.778	31,000
	Total Passed Through Texas Health and Human Services			<u>31,000</u>
	Total U.S. Department of Health & Human Services			<u>2,806,887</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Ten Months Ended June 30, 2017

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 Agriculture			
	<u>Child Nutrition Cluster:</u>			
	Passed Through the Texas Department of Agriculture:			
	Non Cash assistance (Commodities):			
CE654	<i>National School Lunch Program</i>	240	10.555	\$ 784,540
	Cash Assistance:			
00654	<i>Summer Feeding Program</i>	242	10.559	136,774
	Total Passed Through Texas Department of Agriculture			<u>921,314</u>
	Passed Through Texas Education Agency:			
	Cash assistance:			
71401601	<i>School Breakfast Program</i>	240	10.553	2,479,433
71301601	<i>National School Lunch Program</i>	240	10.555	6,294,277
	Total Passed Through Texas Education Agency			<u>8,773,710</u>
	Total Child Nutrition Cluster			<u>9,695,024</u>
	Total U.S. Department of Agriculture			<u>9,695,024</u>
	Total Expenditures of Federal Awards			<u>\$ 23,512,416</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 ten months ended June 30, 2017. 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

\$ 23,512,416

Total Expenditures of Federal Awards on Exhibit K-1
Build America Bonds - Federal Interest Subsidy

\$ 23,512,416
538,305

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:

Medicaid SHARS	1,632,210
E-Rate	373,104
Total Federal Revenue - Exhibit C-3	<u>\$ 26,056,035</u>

Federal Revenue reported in the General Fund

Medicaid SHARS	\$ 1,632,210
Naval JROTC	143,947
E-Rate	373,104
Indirect Costs:	
ESEA, Title I, Part A	130,951
IDEA-B Formula	82,462
IDEA-B Preschool	852
Carl D. Perkins Basic Grant	6,955

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Ten Months Ended June 30, 2017

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 ten months ended June 30, 2017, has been prepared to address these requirements

I. Status of Prior Year Findings

Financial Statement Findings

Finding 2016-001 Payroll Control Activities

Condition: During our review of selected payroll activities, we noted that the District does not maintain effective internal control policies and procedures. We noted 5 out of 40 instances on which employees were not paid accurately (3 were related to not paying the correct amount of stipend in a timely manner and 2 for incorrect salary pay).

Status: We noted no similar instances during the current year audit.

Finding 2016-002: Accounts Payable Control Activities

Condition: During our review of selected nonpayroll activities, we noted that the District does not maintain effective internal control policies and procedures. From a sample of 40 nonpayroll transactions, we noted one instance of a purchase order not being obtained prior to services being performed and in a separate instance the District did not obtain three formal quotes prior to making a purchase in excess of \$2,000 as the District’s local policy.

Status: We noted no similar instances during the current year audit.

Finding 2016-003: Procurement Procedures

Condition: During the course of our audit, we noted that the District does not have a formal procedure to review vendor listing in order to identify duplicate vendors. In addition, the District does not have a formal procedure to monitor that a commodity type or vendor is approaching \$50,000.

Status: We noted no similar instances during the current year audit

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)
For the Ten Months Ended June 30, 2017

I. Status of Prior Year Findings (continued)

Finding 2016-004: Student Attendance

Condition: During fiscal year 2016, we requested an attendance change report for regular attendance days for four campuses and selected a total of 40 students with attendance changes that moved a student to or from a funded category. 1) Ozen High School - We noted one instance out of 10 in which a student's excused absence was not supported. 2) Smith Middle School - We noted one instance in which a student's excused absence was not properly supported, the form was not completed showing the signature of the appropriate personnel. We also noted that one in-school suspension (ISS) roster was completed and the signature of the appropriate personnel was not present; the ISS Student Attendance Log was not completed. 3) Vincent Middle School - We noted one instance out of 10 in which a student's excused absence was not supported.

Status: We noted no similar instances during the current year audit

Finding 2016-005: Information Technology Management and Organization

Condition: The District does not have a formal policy for security incident breaches of its computer systems. In addition, the District does not have formal anti-virus policies and procedure documented.

Status: We noted no similar instances during the current year audit

Finding 2016-006: Information Technology Security: Policies and Procedures

Condition: (1) The District does not currently document any monitoring of logs or security activity. (2) During our audit, we obtained a system generated list of Network Administrators and noted that non IT personnel and programmers had administrative access which is not appropriate based on their job function. (3) We obtained a system generated list of IT and Finance employees that have privileged access to TEAMS and found the finance users access to be inappropriate; financial employees with that much access poses a risk that fraud could occur unnoticed. (4) The District reviews TEAMS user access at least annually; however, at the time of our audit, there was no process in place to document the review. (5) The District does not currently review active directory user access.

Status: We noted no similar instances during the current year audit

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)
For the Ten Months Ended June 30, 2017

I. Status of Prior Year Findings (continued)

Finding 2016-007: Information Technology Security: Data Protection

Condition: (1) The current Firewall version in use by the District is not the most current version available. (2) We obtained the password parameters for Active Directory and noted that there is no maximum age, the password requirement is 6 characters in length, and password complexity is not enabled. (3) There is currently not a policy in place to log users off the system after a period of inactivity. (4) We obtained a listing of users with access to the IT server room and noted that multiple users had access that did not seem appropriate. Per discussion with the Director of Information Services and Technology, these users require access due to many reasons including periodic maintenance, access to secure paper and supplies in the file cabinet, having access to the hallway that includes the server room, and contractors.

Status: We noted no similar instances during the current year audit.

Federal Award Findings

Finding 2016-008: Child Nutrition Cluster (CFDA 10.553, 10.555 10.559) - Activities Allowed or Unallowed & Allowable Costs/Cost Principles: Capital Expenditures

Condition: No prior approval was obtained from the TDA for a capital expenditure purchase using this federal award, lack of approval constitutes an unallowable charge to the federal award.

Status: We noted no similar instances during the current year audit.

Finding 2016-009: ESEA, Title, I Part A (CFDA 84.010A) - Special Tests and Provisions: Highly Qualified Teachers and Paraprofessionals

Condition: Per review of the Highly Qualified Teachers Summary Report submitted by the District to TEA, the District Reported that 91.50% of the teachers teaching core academic subject classes were highly qualified.

Status: We noted no similar instances during the current year audit. Per Texas Education Agency, Beginning with the 2016-2017 school year, schools and teachers will only need to meet state requirements for certification. The federal term of “highly qualified teacher status” will no longer apply.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)
For the Ten Months Ended June 30, 2017

I. Status of Prior Year Findings (continued)

Finding 2016-010: ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A)
- Allowable Costs/Cost Principles: Nonpayroll expenditures

Condition: During our audit we noted one expenditure that did not meet the purpose and intent of this federal award and therefore was considered an unallowable expenditure. Subsequent to our review, management reclassified this unallowable expenditure out of the federal award and evaluated the allowability of expenditures coded to the same account noted no additional unallowable expenditures.

Status: We noted no similar instances during the current year audit.

Finding 2016-011: ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A)
- Allowable Costs/Cost Principles: Semi Annual Certifications

Condition: The semi-annual certification for one selected employee with salary charged to this federal award was not signed by the employee.

Status: We noted no similar instances during the current year audit.

Finding 2016-012: ESEA, Title I, Part A (CFDA 84.010A), and Special Education Cluster (CFDA 84.027A & 84.173A) – Procurement: Suspension and Debarment

Condition: During the course of our procurement testwork, we noted that the District has no formal process for verification of vendors for suspension or debarment. For two vendors selected with expenditures coded to federal funds, the District did not maintain documentation as evidence that the vendors were not suspended or debarred. None of the selected vendors were suspended or debarred as per our search on the System for Award Management (SAM) website.

Status: We noted no similar instances during the current year audit.

Finding 2016-013: Child Nutrition Cluster (CFDA 10.553, 10.555 10.559), Special Education Cluster (CFDA 84.027A & 84.173A), ESEA, Title I Part A (CFDA 84.010A), ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A), and Head Start (CFDA 93.600) – Activities Allowed and Unallowed; Allowable Costs/Cost Principles: Payroll expenditures

Condition: During the course of our audit, we selected a sample of 40 employees charged to the federal major programs selected. For the selected employees, there was no formal and consistent procedure in place to ensure that the Director of Federal Programs approves or reviews the employees paid out of federal awards.

Status: We noted no similar instances during the current year audit.

BEAUMONT INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Ten Months Ended June 30, 2017

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 ten months ended June 30, 2017 has been prepared to address these requirements.

V. Corrective Action Plan

Not Applicable

(This page intentionally left blank.)

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?	Yes
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.	\$ 1,242,047
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ 0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$32,197,755
SF13	Pension Expense (6147) at fiscal year-end.	