

**BEAUMONT INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For the Year Ended August 31, 2016

BEAUMONT INDEPENDENT SCHOOL DISTRICT
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INTRODUCTORY SECTION

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CERTIFICATE OF THE BOARD

Beaumont Independent School District
Name of School District

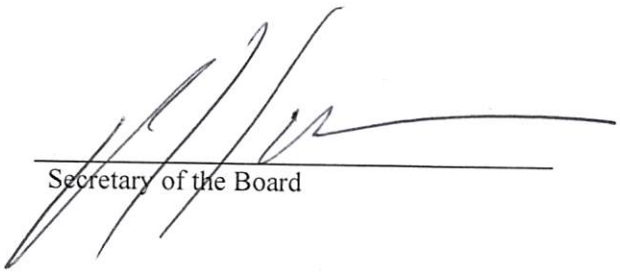
Jefferson County
County

123-910
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the fiscal year August 31, 2016, at a meeting of the Board of Managers of such school district on January 19, 2017.



President of the Board



Secretary of the Board

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
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 year ended August 31, 2016, 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 August 31, 2016 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 56 to 60; be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 Trustees
Beaumont Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 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
January 12, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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BEAUMONT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Beaumont Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2016.

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 \$77,531,665 (*net position*). Of this amount, \$7,006,876 (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 decreased by \$11,069,619, including a prior period adjustment to decrease net position by \$19,774,928.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$26,963,920, an increase of \$7,754,002 in comparison with the prior year, including a prior period adjustment to decrease fund balance by \$418,699.
- As of the close of the current fiscal year, unassigned fund balance for the general fund is 13 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$10,000,000 (3 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 thirty-five (35) 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 other thirty-three (33) 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 two 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 \$77,531,665 at the close of the most recent fiscal year.

The largest portion of the District's net position (\$64,791,806) 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 August 31, 2016 , the District's net position included the following:

	Governmental Activities	
	2016	2015
		Restated
Current and other assets	\$ 58,015,063	\$ 48,370,121
Capital assets, net of depreciation and noncurrent assets	432,979,491	461,508,133
Total Assets	490,994,554	509,878,254
Deferred charge on refunding	1,326,473	1,572,088
Deferred outflows relating to pension activities	11,561,975	3,666,635
Total Deferred Outflows of Resources	12,888,448	5,238,723
Current liabilities	23,430,687	22,499,299
Long term liabilities	400,872,754	399,265,803
Total Liabilities	424,303,441	421,765,102
Deferred inflows relating to pension activities	2,047,896	4,750,591
Total Deferred Inflows of Resources	2,047,896	4,750,591
Net Position:		
Net investment in capital assets	64,791,806	83,441,386
Restricted	5,732,983	4,370,069
Unrestricted	7,006,876	789,829
Total Net Position	\$ 77,531,665	\$ 88,601,284

Net position is restricted for various purposes as follows:

	Governmental Activities	
	2016	2015
Federal and state programs	\$ 3,919,701	\$ 3,106,699
Debt service	1,801,480	912,041
Capital Projects		339,527
Other Purposes	11,802	11,802
	\$ 5,732,983	\$ 4,370,069

The balance of unrestricted net position (\$7,006,876) 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 decreased by \$11,069,619 during the current fiscal year, including a prior period adjustment to decrease net position by \$19,774,928.

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

Comparative Schedule of Changes in Net Position
For the Years Ended August 31, 2016 and 2015

	Governmental Activities	
	2016	2015
Program Revenues		
Charges for services	\$ 5,720,716	\$ 2,869,974
Operating grants and contributions	43,542,327	38,241,967
General Revenues		
Property taxes	127,513,295	127,899,704
State Aid - Formula Grants	37,574,290	34,390,440
Investment earnings	235,997	26,903
Other	19,196	7,115,418
Total Revenues	214,605,821	210,544,406
Expenses		
Instruction	101,088,042	92,595,032
Instructional resources and media services	1,515,790	1,582,944
Curriculum and staff development	1,813,883	676,501
Instructional leadership	5,605,309	4,191,588
School leadership	10,383,775	9,281,994
Guidance, counseling, and evaluation services	5,504,582	4,354,092
Social work services	551,936	602,604
Health services	2,198,177	1,970,584
Student transportation	8,056,830	7,323,212
Food service	11,721,213	10,901,493
Extracurricular activities	4,265,513	3,706,716
General administration	7,206,346	8,324,878
Plant, maintenance and operations	21,264,319	20,387,787
Security and monitoring services	2,080,976	1,892,767
Data processing services	1,656,196	1,311,656
Community services	1,298,230	1,206,946
Interest on long-term debt	18,172,489	18,492,363
Debt issuance costs and fees	12,584	24,509
Facilities repairs and maintenance	177,572	
Payments to fiscal agent/member districts of SSA	136,066	88,407
Payments to Juvenile Justice Alternative Educ	150,000	150,000
Other intergovernmental charges	1,040,684	893,729
Enterprising Activities		
Total Expenses	205,900,512	189,959,802
Increase (Decrease) in Net Position	8,705,309	20,584,604
Beginning Net Position	88,601,284	82,826,267
Prior Period Adjustment	(19,774,928)	(14,809,587)
Ending Net Position	\$ 77,531,665	\$ 88,601,284

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

Governmental Activities

Governmental activities increased the District's net position by \$8,705,309 before considering the prior period adjustment to decrease net position by \$19,774,928. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent \$208,629,912 or 97 percent of total revenues. The remaining \$5,975,909 is generated from charges for services, investment earnings and other revenues.

	Total Revenues	% of Total Revenues
Property taxes	\$ 127,513,295	59.4%
State Aid - Formula Grants	37,574,290	17.5%
Operating grants and contributions	43,542,327	20.3%
Charges for services	5,720,716	2.7%
Investment earnings	235,997	0.1%
Other revenue	19,196	0.0%
Total Revenues	\$ 214,605,821	100%

The primary functional expenses of the District are instruction, school leadership, food service, and facilities maintenance and operations, which represent \$144,457,349 or 70 percent total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.

	Total Expenses	% of Total Expenses
Instruction	\$ 101,088,042	49.1%
School Leadership	10,383,775	5.0%
Food service	11,721,213	5.7%
Facilities repairs and maintenance	21,264,319	10.3%
Other expenses	61,443,163	29.8%
Total Expenses	\$ 205,900,512	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 of \$26,963,920, an increase of \$7,754,002 in comparison with the prior year, including a prior period adjustment to decrease fund balance by \$418,699. The increase in ending governmental fund balances is primarily due a decrease in the nonmajor governmental fund balance, specifically due higher revenues than expenditures in the General Fund.

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

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 \$18,161,469, while total fund balance reached \$21,006,580. 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 13 percent of total general fund expenditures, while total fund balance represents 14 percent of that same amount. The fund balance of the District's general fund increased by \$6,208,340 during the current fiscal year, primarily due to revenues being higher than expenditures.

The *debt service fund* has a total fund balance of \$1,403,544, all of which is restricted for the retirement of funded indebtedness. The net increase in fund balance during the current year of \$826,125 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	\$ 151,909,449	\$ 159,395,284
Total expenditures	144,889,869	153,248,142
Net change in fund balance	\$ 7,019,580	\$ 6,147,142

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 August 31, 2016 includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets for the current year was \$432,979,491. The following table summarizes the investment in capital assets as of August 31, 2016 and 2015:

	2016	2015 Restated
Land	\$ 14,664,846	\$ 14,664,846
Buildings and improvements	522,742,243	522,121,518
Furniture and equipment	16,255,402	11,252,289
Vehicles	10,378,483	16,255,402
Total	564,040,974	564,294,055
Accumulated depreciation	(131,061,483)	(122,142,151)
Net capital assets	\$ 432,979,491	\$ 442,151,904

The restated 2015 net capital assets balance includes a prior period adjustment to decrease net capital assets by \$19,356,229. Additional information on the District's capital assets can be found in the notes to the financial statements.

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

Long-term Liabilities

At the end of the current fiscal year, the District had \$369,005,000 in bonded debt outstanding, a decrease of \$10,000,000 over the previous year. The District's bonds are sold and guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "BBB+" and from Moody's Investors Service is "Baa1" for general obligation debt.

Changes in general obligation bonds, for the year ended August 31, 2016 are as follows:

Outstanding 09/01/15	Issued	Retired	Outstanding 08/31/16
<u>\$ 379,005,000</u>	<u>\$</u>	<u>\$ (10,000,000)</u>	<u>\$ 369,005,000</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 2016-2017:

- The maintenance and operations tax rate for fiscal year 2016-2017 is \$1.04 while the debt service tax rate is \$.275 for a total tax rate of \$1.315.
- The District adopted a General Fund budget of \$152.9 million in revenues and \$146.1 million in expenditures.
- The Debt Service revenues and expenditures are budgeted for \$27.9 million.
- The Child Nutrition budget is set for \$10 million in revenues and \$11.4 million in expenditures to utilize fund balance for special projects.

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

On August 15, 2016 the Moody's Investors Service upgraded the District's general obligation debt rating to an A3 from Baa1 rating. Standard & Poor's Global Ratings affirmed its previous rating of the district, BBB+, which is the firm's fourth-highest rating but upgraded its assessment of the district's prospects. The District continues to work diligently to restore the ratings to original status.

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
August 31, 2016

Exhibit A-1

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 44,588,485
1220	Property taxes receivables, net	5,590,271
1240	Due from other governments	4,522,272
1290	Other receivables, net	69,880
1300	Inventories	360,504
1410	Prepaid items	2,883,651
	Capital assets not subject to depreciation:	
1510	Land	14,664,846
	Capital assets net of depreciation:	
1520	Buildings and improvements, net	415,066,528
1530	Furniture and equipment, net	1,651,681
1531	Vehicles, net	1,596,436
1000	Total Assets	490,994,554
	Deferred outflows of resources	
1701	Deferred charge on refunding	1,326,473
1705	Deferred outflows relating to pension activities	11,561,975
	Total deferred outflows of resources	12,888,448
	Liabilities	
2110	Accounts payable	7,043,469
2140	Interest payable	772,188
2150	Payroll deductions and withholdings	1,190,817
2160	Accrued wages payable	7,320,835
2177	Due to fiduciary funds	3,039
2180	Due to other governments	5,588,359
2300	Unearned revenue	1,511,980
	Noncurrent Liabilities:	
2501	Due within one year	12,802,157
2502	Due in more than one year	360,442,678
2540	Net Pension Liability	27,627,919
2000	Total Liabilities	424,303,441
	Deferred Inflows of Resources	
2605	Deferred inflows relating to pension activities	2,047,896
2600	Deferred Inflows of Resources	2,047,896
	Net Position	
3200	Net investment in capital assets	64,791,806
	Restricted for:	
3820	Federal and state programs	3,919,701
3850	Debt service	1,801,480
3890	Other purposes	11,802
3900	Unrestricted	7,006,876
3000	Total Net Position	\$ 77,531,665

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2016

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Primary Government
	Governmental activities:				Governmental Activities
11	Instruction	\$ 101,088,042	\$ 3,109,184	\$ 20,861,393	\$ (77,117,465)
12	Instructional resources and media	1,515,790		133,015	(1,382,775)
13	Curriculum and staff development	1,813,883		916,938	(896,945)
21	Instructional leadership	5,605,309		2,163,300	(3,442,009)
23	School leadership	10,383,775	500,086	943,283	(8,940,406)
31	Guidance, counseling, and evaluation services	5,504,582		787,226	(4,717,356)
32	Social work services	551,936		220,222	(331,714)
33	Health services	2,198,177		2,076,702	(121,475)
34	Student transportation	8,056,830		304,423	(7,752,407)
35	Food service	11,721,213	1,749,949	10,010,233	38,969
36	Extracurricular activities	4,265,513	315,578	176,649	(3,773,286)
41	General administration	7,206,346		534,923	(6,671,423)
51	Facilities maintenance and operations	21,264,319	45,919	634,261	(20,584,139)
52	Security and monitoring services	2,080,976		96,845	(1,984,131)
53	Data processing services	1,656,196		687,554	(968,642)
61	Community services	1,298,230		1,279,438	(18,792)
72	Interest on long-term debt	18,172,489		1,713,099	(16,459,390)
73	Debt issuance costs and fees	12,584			(12,584)
81	Facilities repairs and maintenance	177,572		2,823	(174,749)
93	Payments to fiscal agent/member districts of SSA	136,066			(136,066)
95	Payments to Juvenile Justice Alternative Education Programs	150,000			(150,000)
99	Other intergovernmental charges	1,040,684			(1,040,684)
TG	Total governmental activities	\$ 205,900,512	\$ 5,720,716	\$ 43,542,327	(156,637,469)

**Data
Control
Codes**

General revenues:

Taxes:

MT	Property taxes, levied for general purposes	100,443,123
DT	Property taxes, levied for debt service	27,070,172
SF	State-aid formula grants	37,574,290
IE	Investment earnings	235,997
MI	Miscellaneous	19,196
TR	Total general revenues	<u>165,342,778</u>
CN	Change in net position	8,705,309
NB	Net position - beginning	88,601,284
PA	Prior period adjustment	<u>(19,774,928)</u>
NE	Net position - ending	<u><u>\$ 77,531,665</u></u>

See Notes to the Financial Statements

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

August 31, 2016

Data Control Codes		General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
	Assets				
1110	Cash and Cash Equivalents	\$ 42,101,848	\$ 1,290,094	\$ 1,196,543	\$ 44,588,485
	Receivables:				
1220	Property taxes - delinquent	15,239,563	5,392,626		20,632,189
1230	Allowance for uncollectible taxes (credit)	(10,911,586)	(4,130,332)		(15,041,918)
1240	Receivables from other governments	768,753		3,753,519	4,522,272
1260	Due from other funds	2,844,121	81	5,220,406	8,064,608
1290	Other receivables	53,963	13,999	1,918	69,880
1300	Inventories, at cost	111,223		249,281	360,504
1410	Prepaid items	2,733,888	9,500		2,743,388
1000	Total Assets	<u>\$ 52,941,773</u>	<u>\$ 2,575,968</u>	<u>\$ 10,421,667</u>	<u>\$ 65,939,408</u>
	Liabilities, Deferred Inflows of Resources, and Fund Balance				
	Liabilities				
2110	Accounts payable	\$ 3,550,594	\$ 2,300	\$ 1,042,429	\$ 4,595,323
2150	Payroll deduction and withholdings payable	1,167,063		23,754	1,190,817
2160	Accrued wages payable	6,534,658		786,177	7,320,835
2170	Due to other funds	10,774,984		2,856,290	13,631,274
2180	Payable to other governments	5,577,750		10,609	5,588,359
2300	Unearned revenues	363,368		1,148,612	1,511,980
2000	Total Liabilities	<u>27,968,417</u>	<u>2,300</u>	<u>5,867,871</u>	<u>33,838,588</u>
	Deferred Inflows of Resources				
2601	Unavailable revenues - property taxes	3,966,776	1,170,124		5,136,900
	Total Deferred Inflows of Resources	<u>3,966,776</u>	<u>1,170,124</u>		<u>5,136,900</u>
	Fund Balance				
	Non-Spendable				
3410	Inventories	111,223			111,223
3430	Prepaid items	2,733,888			2,733,888
	Restricted				
3450	Federal/State funds grant restrictions			3,919,701	3,919,701
3470	Capital acquisitions and contractual obligations			73,289	73,289
3480	Retirement of long-term debt		1,403,544		1,403,544
3490	Other purposes			11,802	11,802
	Committed				
3545	Other purposes			549,004	549,004
3600	Unassigned	<u>18,161,469</u>			<u>18,161,469</u>
3000	Total fund balances	<u>21,006,580</u>	<u>1,403,544</u>	<u>4,553,796</u>	<u>26,963,920</u>
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 52,941,773</u>	<u>\$ 2,575,968</u>	<u>\$ 10,421,667</u>	<u>\$ 65,939,408</u>

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
August 31, 2016

Exhibit C-2

Data Control Codes	Total fund balance, governmental funds	
		\$ 26,963,920
	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.	432,979,491
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).	5,136,900
3	Deferred charge on refunding	1,326,473
4	Deferred outflows relating to pension activities	11,561,975
	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	(369,005,000)
6	Premium/Discount on issuance	(582,447)
7	Accumulated accretion on capital appreciation bonds	(1,220,231)
8	Accrued compensated absences	(2,437,157)
9	Accrued interest payable	(772,188)
10	Net pension liability	(27,627,919)
11	Deferred inflows relating to pension activities	(2,047,896)
12	Addition of Internal Service fund net position (see D-1)	3,255,744
19	Total net position-governmental activities	<u><u>\$ 77,531,665</u></u>

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2016

Exhibit C-3

Data Control Codes		General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
5700	Local, intermediate, and out-of-state	\$ 104,283,937	\$ 27,056,724	\$ 2,828,964	\$ 134,169,625
5800	State program revenues	44,305,991	635,332	2,201,182	47,142,505
5900	Federal program revenues	2,988,479	1,077,767	25,804,877	29,871,123
5020	Total revenues	<u>151,578,407</u>	<u>28,769,823</u>	<u>30,835,023</u>	<u>211,183,253</u>
Expenditures					
Current:					
0011	Instruction	79,188,701		13,099,864	92,288,565
0012	Instruction resources and media services	1,447,891		41,518	1,489,409
0013	Curriculum and instructional staff development	820,778		888,347	1,709,125
0021	Instructional leadership	3,263,036		1,942,312	5,205,348
0023	School leadership	9,070,821		709,166	9,779,987
0031	Guidance, counseling and evaluation services	4,656,184		476,975	5,133,159
0032	Social work services	319,918		200,757	520,675
0033	Health services	1,911,821		141,433	2,053,254
0034	Student transportation	7,605,997		77	7,606,074
0035	Food services			11,140,312	11,140,312
0036	Extracurricular activities	4,007,609		50,262	4,057,871
0041	General administration	6,737,515		12,937	6,750,452
0051	Facilities maintenance and operations	19,949,868		114,478	20,064,346
0052	Security and monitoring services	1,976,619			1,976,619
0053	Data processing services	1,560,499		16,457	1,576,956
0061	Community services	37,143		1,277,435	1,314,578
Debt service:					
0071	Principal on long-term debt		10,000,000		10,000,000
0072	Interest on long-term debt		17,931,114		17,931,114
0073	Debt issuance costs and fees		12,584		12,584
Capital outlay:					
0081	Facilities acquisition and construction	1,071,868		3,156	1,075,024
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	136,066			136,066
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	150,000			150,000
0099	Other intergovernmental charges	1,040,684			1,040,684
6030	Total Expenditures	<u>144,953,018</u>	<u>27,943,698</u>	<u>30,115,486</u>	<u>203,012,202</u>
	Excess (deficiency) of revenues				
1100	over expenditures	<u>6,625,389</u>	<u>826,125</u>	<u>719,537</u>	<u>8,171,051</u>
Other Financing Sources (Uses)					
7912	Sale of real or personal property	1,650			1,650
7080	Total other financing sources (uses)	<u>1,650</u>			<u>1,650</u>
1200	Net change in fund balances	6,627,039	826,125	719,537	8,172,701
0100	Fund Balance - September 1 (Beginning)	14,798,240	577,419	3,834,259	19,209,918
1300	Prior period adjustment	<u>(418,699)</u>			<u>(418,699)</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 21,006,580</u>	<u>\$ 1,403,544</u>	<u>\$ 4,553,796</u>	<u>\$ 26,963,920</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 Year Ended August 31, 2016*

Data Control Codes		
	Net change in fund balances - total governmental funds (from C-3)	\$ 8,172,701
	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	1,156,560
2	Governmental funds depreciation expense	(10,204,103)
3	Net effect of other retirements and adjustments to capital assets	(124,870)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(103,719)
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.	2,707,669
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.	10,000,000
	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:	
7	Decrease in interest payable not recognized in fund statements	21,318
8	Decrease in accrued compensated absences	508,315
9	Amortization of premium/discount	51,388
10	Increase in accumulated accretion on capital appreciation bonds	(68,466)
11	Amortization of deferred charge on refunding	(245,615)
12	Pension expense for the pension plan measurement year	(4,207,822)
13	Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-2).	1,041,953
	Change in net position of governmental activities (see B-1)	<u><u>\$ 8,705,309</u></u>

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT*Exhibit D-1***STATEMENT OF NET POSITION****PROPRIETARY FUNDS***August 31, 2016*

Data Control Codes		Governmental Activities - Internal Service Fund
	Assets	
	Current Assets:	
1110	Cash and cash equivalents	\$
1260	Due from other funds	5,563,627
1400	Other current assets	140,263
	Total Current Assets	<u>5,703,890</u>
1000	Total Assets	<u>5,703,890</u>
	Liabilities	
	Current Liabilities:	
2200	Accrued expenses	<u>2,448,146</u>
	Total Current Liabilities	<u>2,448,146</u>
2000	Total Liabilities	<u>2,448,146</u>
	Net Position	
3900	Unrestricted net position	<u>3,255,744</u>
3000	Total Net Position	<u><u>\$ 3,255,744</u></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 the Year Ended August 31, 2016*

Data Control Codes		Governmental Activities - Internal Service Fund
	Operating Revenues	
5700	Miscellaneous revenue from local sources	\$ 414,985
5754	Interfund services provided	1,656,512
5020	Total Operating Revenues	<u>2,071,497</u>
	Operating Expenses	
6400	Claims expense and other operating expenses	1,029,544
6030	Total Operating Expenses	<u>1,029,544</u>
1200	Change in Net Position	1,041,953
0100	Net Position - September 1 (Beginning)	<u>2,213,791</u>
3300	Net Position - August 31 (Ending)	<u>\$ 3,255,744</u>

See Notes to the Financial Statements.

BEAUMONT INDEPENDENT SCHOOL DISTRICT*Exhibit D-3***STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS***For the Year Ended August 31, 2016*

	Governmental Activities - Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash receipts from interfund services provided	\$ 10,015
Cash payments for insurance claims	(1,249,133)
Net Cash Provided by (Used for) Operating Activities	<u>(1,239,118)</u>
Net decrease in Cash and Cash Equivalents	(1,239,118)
Cash and Cash Equivalents at Beginning of Year	<u>1,239,118</u>
Cash and Cash Equivalents at End of Year	<u><u>\$</u></u>
Reconciliation to Balance Sheet	
Cash and Cash Equivalents Per Cash Flow	\$
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)	\$ 1,041,953
Adjustments to Reconcile Operating Income to Net Cash	
Change in Assets and Liabilities:	
Decrease (increase) in Interfund Receivables	(2,061,482)
Decrease (increase) in Other Assets	67,556
Increase (decrease) in Accrued Expenses	<u>(287,145)</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ (1,239,118)</u></u>

See Notes to the Financial Statements.

BEAUMONT INDEPENDENT SCHOOL DISTRICT*Exhibit E-1***STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES***August 31, 2016*

Data Control Codes		Private Purpose Trust Funds	Agency Funds
	Assets		
	Current Assets		
1110	Cash and cash equivalents	\$ 56,154	\$ 448,094
	Receivables:		
1260	Due from other Funds		3,039
1000	Total Assets	<u>56,154</u>	<u>\$ 451,133</u>
	Liabilities		
	Current Liabilities		
2110	Accounts payable		\$ 25,181
2190	Due to student groups		425,952
2000	Total Liabilities		<u>\$ 451,133</u>
	Net Position		
3800	Restricted	<u>\$ 56,154</u>	

See Notes to the Financial Statements

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2016

Exhibit E-2

	Private Purpose Trust Funds
Additions	
Gifts and contributions	\$ 100
Total additions	<u>100</u>
Deductions	
Non-operating expenses	<u> </u>
Total deductions	<u> </u>
Change in net position	100
Net position beginning of year	<u>56,054</u>
Net position end of year	<u><u>\$ 56,154</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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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 - 50
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 August 31, 2015 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 and premiums charged to employees. 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 No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, clarifies the application of certain provisions of Statement No. 68 with regard to information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures include information about any limitations or restrictions on participant withdrawals.

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, 2016, the carrying amount of the District's cash deposits (cash and interest-bearing accounts) was \$1,441,970 and the bank balance was \$2,622,618. The District's cash deposits at June 30, 2016, 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 August 31, 2016, the District's cash and investment balances, the weighted average maturity, and the credit ratings of these investments were as follows:

	Amortized Cost	Weighted Average Maturity (Days)	Credit Rating
Governmental Activities			
Cash and deposits	\$ 1,441,970	N/A	N/A
<i>Investments</i>			
Local Government Investment Pools			
TexPool	3,860,138	42	AAA
Lone Star Corporate Overnight Fund	901	37	AAA
Lone Star Corporate Overnight Plus Fund	38,013,688	41	AAA
Lone Star Government Overnight Fund	1,271,788	23	AAA
Total Investments	43,146,515	41	
Total Governmental Activities	44,588,485		
Fiduciary Funds			
Cash and Deposits	504,248	N/A	N/A
Total Fiduciary Funds	504,248		
Total	\$ 45,092,733		

Due to the immediate availability of the funds, the District's temporary investments at August 31, 2016 are included in cash and cash equivalents.

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 August 31, 2016, 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	1-5
Local Government Investment Pools:			
TexPool	\$ 3,860,138	\$ 3,860,138	\$
Lone Star Corporate Overnight Fund	901	901	
Lone Star Corporate Overnight Plus Fund	38,013,688	38,013,688	
Lone Star Government Overnight Fund	1,271,788	1,271,788	
	<u>\$ 43,146,515</u>	<u>\$ 43,146,515</u>	<u>\$</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 August 31, 2016, 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 August 31, 2016, 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	\$ 15,239,563	\$ 5,392,626	\$	\$ 20,632,189
Due from other governments	768,753		3,753,519	4,522,272
Other	53,963	13,999	1,918	69,880
Gross Receivables	16,062,279	5,406,625	3,755,437	25,224,341
Less allowance for doubtful accounts	(10,911,586)	(4,130,332)		(15,041,918)
Net Total Receivables	\$ 5,150,693	\$ 1,276,293	\$ 3,755,437	\$ 10,182,423

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 2016, the various components of unearned revenues reported in the governmental funds were as follows:

	Unearned
Advanced collection of fees	\$ 303,368
Unearned federal revenue	224,520
Unearned state and local revenue	984,092
	\$ 1,511,980

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 August 31, 2016, is as follows:

	Interfund Receivable	Interfund Payable	Net
Governmental Activities:			
General Fund	\$ 2,844,121	\$ 10,774,984	\$ (7,930,863)
Debt Service	81		81
Nonmajor Governmental Funds	5,220,406	2,856,290	2,364,116
Nonmajor Internal Service Funds	5,563,627		5,563,627
Total Governmental Activities	13,628,235	13,631,274	(3,039)
Fiduciary Funds	3,039		3,039
Total	\$ 13,631,274	\$ 13,631,274	\$

BEAUMONT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Exhibit F-1
(continued)

Note 5 - Capital Assets

Capital asset activity for the year ended August 31, 2016, was as follows:

Governmental Activities:

	Restated Balance September 01, 2015	Additions	(Retirements) and Transfers	Balance August 31, 2016
Governmental Capital Assets				
Capital assets, not being depreciated:				
Land	\$ 14,664,846	\$	\$	\$ 14,664,846
Total Capital assets, not being depreciated	<u>14,664,846</u>			<u>14,664,846</u>
Capital assets, being depreciated:				
Buildings and improvements	522,121,518	1,024,134	(403,409)	522,742,243
Furniture and equipment	11,252,289	132,426	(1,006,232)	10,378,483
Vehicles	16,255,402			16,255,402
Total Capital assets, being depreciated	<u>549,629,209</u>	<u>1,156,560</u>	<u>(1,409,641)</u>	<u>549,376,128</u>
Less accumulated depreciation for:				
Buildings and improvements	(99,049,819)	(8,906,296)	280,400	(107,675,715)
Furniture and equipment	(9,147,341)	(583,832)	1,004,371	(8,726,802)
Vehicles	(13,944,991)	(713,975)		(14,658,966)
Total Accumulated depreciation	<u>(122,142,151)</u>	<u>(10,204,103)</u>	<u>1,284,771</u>	<u>(131,061,483)</u>
Governmental Capital Assets	<u>\$ 442,151,904</u>	<u>\$ (9,047,543)</u>	<u>\$ (124,870)</u>	<u>\$ 432,979,491</u>

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

Function	Depreciation Expense
Governmental Activities:	
Instruction	\$ 5,531,414
Instructional resources and media services	89,181
Curriculum and staff development	102,636
Instructional leadership	311,835
School leadership	585,531
Guidance, counseling and evaluation services	306,804
Social work services	31,277
Health services	122,476
Student transportation	442,614
Food Services	644,674
Extracurricular activities	231,984
General administration	396,035
Plant maintenance and operations	1,197,854
Security and monitoring services	118,119
Data processing services	91,669
Total Governmental Activities	<u>\$ 10,204,103</u>

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 August 31, 2016 was \$2,437,157 and is presented as other long-term liabilities in these financial statements.

	Balance September 01, 2015	Additions	Deductions - Payments to Participants	Balance August 31, 2016
Compensated absences payable	\$ 2,945,472	\$ 465,832	\$ 974,147	\$ 2,437,157

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 August 31, 2016, was as follows:

	Balance September 01, 2015	Additions	Retirements	Balance August 31, 2016	Due Within One Year
General Obligation Bonds	\$ 379,005,000	\$	\$ 10,000,000	\$ 369,005,000	\$ 10,365,000
Premiums on bonds	633,835		51,388	582,447	
Accumulated accretion on capital appreciation bonds	1,151,765	68,466		1,220,231	
Accrued compensated absences	2,945,472	465,832	974,147	2,437,157	2,437,157
Total Governmental Long-term Liabilities	\$ 383,736,072	\$ 534,298	\$ 11,025,535	\$ 373,244,835	\$ 12,802,157

General Obligation Bonds

General Obligation Bonds outstanding, at August 31, 2016, are comprised of the following:

Issue	Original Issuance Amount	Interest Rate (%)	Maturity Date	Debt Outstanding
General Obligation Bonds:				
Unlimited Tax Adjustable Rate Refunding Bonds Series 2004	\$ 17,810,000	2.75% to 3.00%	2/15/2017	\$ 2,480,000
Unlimited Tax Refunding Bonds, Series 2005	11,900,000	3.00% to 5.00%	2/15/2017	2,285,000
Unlimited Tax Building Bonds, Series 2008	89,800,000	3.00% to 5.25%	2/15/2031	76,765,000
Unlimited Tax School Building Bonds, Series 2008A	65,000,000	4.375% to 5.00%	2/15/2038	62,950,000
Unlimited Tax School Building Bonds, Series 2009	116,570,000	3.00% to 5.25%	2/15/2038	114,260,000
Unlimited Tax Qualified School Construction Bonds, Series 2010	14,450,000	0.00%	2/15/2026	9,650,000
Unlimited Tax School Building Bonds, Series 2010A	10,085,000	2.00% to 5.00%	2/15/2019	4,720,000
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	28,780,000
Unlimited Tax Refunding Bonds, Series 2012	8,070,000	2.00% to 3.00%	2/15/2038	7,625,000
				<u>\$ 369,005,000</u>

Note 7 - Long-term Liabilities (continued)

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

Year Ending				
August 31	Principal	Interest	Totals	
2017	\$ 10,365,000	\$ 17,571,702	\$ 27,936,702	
2018	10,770,000	17,165,377	27,935,377	
2019	11,205,000	16,730,727	27,935,727	
2020	11,655,000	16,267,568	27,922,568	
2021	12,130,000	15,764,309	27,894,309	
2022 - 2026	68,030,000	70,973,132	139,003,132	
2027 - 2031	84,835,000	53,237,961	138,072,961	
2032 - 2036	108,725,000	27,678,931	136,403,931	
2037-2038	51,290,000	2,660,363	53,950,363	
	<u>\$ 369,005,000</u>	<u>\$ 238,050,070</u>	<u>\$ 607,055,070</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 August 31, 2016, \$8,070,000 of defeased bonds remain outstanding.

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

Series	Accreted Value	Original Bond Principal	Accreted Interest	Maturity Value	Maturity Dates
2012 Refunding	<u>\$ 1,260,231</u>	<u>\$ 40,000</u>	<u>\$ 1,220,231</u>	<u>\$ 1,545,000</u>	2026 and 2027

Deferred charge on refunding

The balance of deferred charge on refunding at August 31, 2016 was \$1,326,473 and is presented as a deferred outflow of resources in the Statement of Net Position:

	Balance September 01, 2015	Deferred Charge on New Issues	Recognized Amortization	Balance August 31, 2016
Deferred charge on refunding	<u>\$ 1,572,088</u>	<u>\$</u>	<u>\$ 245,615</u>	<u>\$ 1,326,473</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Exhibit F-1
(continued)

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:

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
Property Taxes	\$ 100,588,838	\$ 27,028,176	\$	\$ 127,617,014
Foreign Trade Zone Revenue	818,217			818,217
Insurance Recovery	517,546			517,546
Chapter 313 Agreement Revenue	1,182,398			1,182,398
Campus Activity			500,086	500,086
Food Service Activity			1,749,949	1,749,949
Extracurricular Activities	315,578			315,578
Tuition and fees	80,390			80,390
Investment Income	206,872	28,548	577	235,997
Local Grants			578,352	578,352
Rent	45,919			45,919
Other	528,179			528,179
	<u>\$ 104,283,937</u>	<u>\$ 27,056,724</u>	<u>\$ 2,828,964</u>	<u>\$ 134,169,625</u>

Note 9 - General Fund Federal Source Revenues

For the year ended August 31, 2016, the General Fund reports the following federal revenues:

Program or Source	CFDA #	Amount
SHARS	N/A	\$ 1,805,336
E-Rate	N/A	611,453
Navy JROTC	12.000	275,226
Summer School LEP	84.369A	10,018
Indirect Costs:		
ESEA, Title I, Part A	84.010A	163,211
IDEA-B Formula	84.027A	86,221
IDEA-B Formula - Deaf	84.027A	713
IDEA-B Preschool	84.173A	752
IDEA-B Preschool - Deaf	84.173A	51
Carl D. Perkins Basic Grant	84.048A	5,494
Title III , Part A, LEP	84.365A	3,164
Title II, Part A, Teacher/Principal Training	84.367A	26,840
		<u>\$ 2,988,479</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 year ended August 31, 2016 amounted to \$1,698,750. These leases primarily support governmental activities.

Future minimum lease payments are as follows:

Year	Amount
2017	\$ 1,058,704
2018	1,048,939
2019	495,136
2020	253,943
	<u>\$ 2,856,722</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	
	2015	2016
Member (Employee)	6.70%	7.20%
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 (2015)		Fiscal Year (2016)
	Contributions Required and Made	Pension Expense	TRS Contributions
Member (Employee)	\$ 6,262,077	\$	\$ 7,100,590
Non-employer contributing agency (State)	5,262,731	8,949,042	5,425,155
District	2,314,300	4,207,822	2,707,669

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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
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, 2015 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 2015 Net Pension Liability.

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
District's proportional share of the net pension liability	\$ 43,287,741	\$ 27,627,919	\$ 14,584,260

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

At August 31, 2016, the District reported a liability of \$27,627,919 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	\$ 27,627,919
State's proportionate share of the net pension liability associated with the District	62,807,388
Total	<u>\$ 90,435,307</u>

The net pension liability was measured as of August 31, 2015 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, 2014 thru August 31, 2015.

At August 31, 2015, the employer's proportion of the collective net pension liability was 0.0782% which was an increase from its proportion measured as of August 31, 2014 of 0.0581%.

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)

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%

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.

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)

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 year ended August 31, 2016, the District recognized pension expense of \$4,207,822 as well as revenue of \$8,949,042 representing pension expense incurred by the State on behalf of the District.

At August 31, 2016, 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	\$ 199,743	\$ (1,061,766)
Changes in actuarial assumptions	839,526	(985,643)
Net difference between projected and actual investment earnings	3,244,251	
Changes in proportion and differences between District contributions and proportionate share of contributions	4,570,786	(487)
Contributions paid to TRS subsequent to the measurement date	2,707,669	
Total	<u>\$ 11,561,975</u>	<u>\$ (2,047,896)</u>

The \$2,707,669 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 August 31, 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 August 31	Amount
2017	\$ (1,152,140)
2018	(1,152,140)
2019	(1,152,140)
2020	(2,338,770)
2021	(625,247)
2022	(385,973)
	<u>\$ (6,806,410)</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 2016, 2015 and 2014. 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 fiscal year June 30, 2016, 2015 and 2014 are as follows:

Fiscal Year	State TRS Contributions Made on Behalf Of the District	District Required Contributions To TRS	Staff Members' Contributions To TRS
2016	\$ 908,121	\$ 615,572	\$ 641,034
2015	832,637	602,570	607,527
2014	713,558	738,909	751,000

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 years ended August 31, 2016, 2015 and 2014, the subsidy payments received by TRS-Care on behalf of the District are as follows:

Fiscal Year	Medicare Part D
2016	\$ 399,172
2015	396,508
2014	294,902

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 August 31, 2016, 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 August 31, 2016. Liability for claims is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing the liabilities is an estimate. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

Changes in the balances of claims liabilities are as follows:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2016	\$ 2,735,291	\$ 961,988	\$ 1,249,133	\$ 2,448,146
2015	3,271,460	445,524	981,693	\$ 2,735,291

Note 14 - Shared Service Arrangements

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

	Local Services for the Deaf
Beaumont ISD	\$ 163,975
Bridge City ISD	11,183
Buna ISD	13,401
Deweyville ISD	5,592
Evadale ISD	5,592
Hamshire-Fannett ISD	5,592
Kirbyville ISD	3,905
Kountze ISD	5,592
Little-Cypress Mauriceville CISD	11,184
Lumberton ISD	19,571
Nederland ISD	30,176
Orangefield ISD	11,184
Port Arthur ISD	63,630
Port-Neches Groves ISD	24,584
Silsbee ISD	18,993
Spurger ISD	5,593
Vidor ISD	40,365
Warren ISD	7,809
West Orange Cove CISD	15,618
Woodville ISD	11,183
	<u>\$ 474,722</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.

On May 27, 2016 the District entered into a cooperative audit resolution (CAR) process with the Texas Education Agency (TEA) to resolve prior year findings in the District's single audits for years 2012-13, 2013-14 and 2014-15. The objective is to provide the TEA with all the requested documentation in an effort to reduce, or eliminate, any questioned costs eligible for the CAR process. It is not possible to determine the status of the findings or estimate any possible amounts due to the TEA this early in the process.

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 August 31, 2016.

Note 17 - Other Postemployment Benefits

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

Note 18 - Prior Period Adjustment

Correction of an Error

The District recorded a prior period adjustment for the correction of errors related to several items during the current fiscal year upon evaluation of the current year end balances, including inventory balances and capital asset balances.

Summary

The following is a summary of the prior period adjustments to the net position of the governmental activities:

Net Position as originally presented	\$ 88,601,284
Prior Period Restatement:	
Effect of correction of an error - overstated net book value of capital assets in prior years	(19,356,229)
Effect of correction of an error - overstated prior year inventory balances	(518,957)
Effect of correction of an error - overstated prior year accounts payable	100,258
Net Position as restated	<u><u>\$ 68,826,356</u></u>

The following is a summary of the prior period adjustment to the fund balance in the General Fund:

Fund balance as originally presented	\$ 14,798,240
Prior period restatement	
Effect of correction of an error - overstated prior year inventory balances	(518,957)
Effect of correction of an error - overstated prior year accounts payable	100,258
Fund balance as restated	<u><u>\$ 14,379,541</u></u>

Note 19 - Subsequent Event

Bond Refunding

In September 2016 (subsequent to year end) 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.

Capital Lease

In December 2016 the District entered into a capital lease to purchase 97 new buses. The total amount financed is \$9,943,273 with an interest rate of 2.245% for 10 annual payments of \$1,114,964.

REQUIRED SUPPLEMENTARY INFORMATION

BEAUMONT INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended August 31, 2016
Exhibit G-1

Data Control Codes		Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
		Original	Final		
Revenues					
5700	Local revenues	\$ 108,053,876	\$ 108,113,739	\$ 104,283,937	\$ (3,829,802)
5800	State program revenues	41,630,573	48,599,728	44,305,991	(4,293,737)
5900	Federal program revenues	2,225,000	2,681,817	2,988,479	306,662
5020	Total revenues	151,909,449	159,395,284	151,578,407	(7,816,877)
Expenditures					
Current:					
0011	Instruction	78,018,363	79,282,812	79,188,701	94,111
0012	Instruction resources and media services	1,457,975	1,589,998	1,447,891	142,107
0013	Curriculum and instructional staff development	451,097	1,020,485	820,778	199,707
0021	Instructional leadership	3,038,516	3,383,356	3,263,036	120,320
0023	School leadership	8,005,900	9,052,410	9,070,821	(18,411)
0031	Guidance, counseling and evaluation services	4,047,325	4,641,441	4,656,184	(14,743)
0032	Social work services	505,715	524,384	319,918	204,466
0033	Health services	1,749,493	1,976,539	1,911,821	64,718
0034	Student transportation	6,266,556	7,826,727	7,605,997	220,730
0035	Food services				
0036	Extracurricular activities	2,579,073	4,886,256	4,007,609	878,647
0041	General administration	9,947,343	8,794,194	6,737,515	2,056,679
0051	Facilities maintenance and operations	23,098,459	22,142,874	19,949,868	2,193,006
0052	Security and monitoring services	2,087,844	2,458,038	1,976,619	481,419
0053	Data processing services	1,719,932	2,225,990	1,560,499	665,491
0061	Community services	204,278	218,278	37,143	181,135
Capital Outlay:					
0081	Facilities acquisition and construction		1,629,174	1,071,868	557,306
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	105,000	136,066	136,066	
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	150,000	150,000	150,000	
0099	Other Intergovernmental Charges	1,457,000	1,307,000	1,040,684	266,316
6030	Total Expenditures	144,889,869	153,246,022	144,953,018	8,293,004
1100	Excess (deficiency) of revenues over expenditures	7,019,580	6,149,262	6,625,389	476,127
Other Financing Sources (Uses)					
7912	Sale of property			1,650	1,650
7080	Total other financing sources and uses			1,650	1,650
1200	Net change in fund balances	7,019,580	6,149,262	6,627,039	477,777
0100	Fund balances - beginning	14,798,240	14,798,240	14,798,240	
1300	Prior period adjustment			(418,699)	(418,699)
3000	Fund balances - ending	\$ 21,817,820	\$ 20,947,502	\$ 21,006,580	\$ 59,078

See Notes to Required Supplementary Information

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

Exhibit G-2

A. Budgets and Budgetary Accounting

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

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year August 31, 2016, 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	\$ 8,356,153	\$ 4,118	\$

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 August 31, 2015. 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.

Budget Overages

As of the end of the fiscal year, the District had budget overages in various functions in the General Fund but overall operated within the adopted final budget, the explanations for the budget overages include \$18,411 in function 23 and \$14,743 in function 31 due to final adjustments for salary accruals after year end in preparation of the financial audit.

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

Exhibit G-3

	2015	2014
District's proportion of the net pension liability	0.0782%	0.0581%
District's proportionate share of the net pension liability	\$ 27,627,919	\$ 15,529,731
State's proportionate share of the net pension liability associated with the District	62,807,388	68,127,998
Total	<u>\$ 90,435,307</u>	<u>\$ 83,657,729</u>
District's covered-employee payroll (for Measurement Year)	\$ 93,463,819	\$ 115,538,311
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	29.56%	13.44%
Plan fiduciary net position as a percentage of the total pension liability *	78.43%	83.25%
Plan's net pension liability as a percentage of covered-employee payroll *	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 and related ratios will be presented prospectively as data becomes available.

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 Two Fiscal Years Ended August 31*

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 2,702,669	\$ 2,417,013
Contributions in relation to the contractual required contributions	<u>2,702,669</u>	<u>2,417,013</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>
District's covered employee payroll	\$ 98,619,316	\$ 93,461,105
Contributions as a percentage of covered employee payroll	2.74%	2.59%

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
August 31, 2016

Data Control Codes		205	211	224
		Head Start	ESEA Title I, A - Improving Basic Ed.	IDEA B - Formula
	Assets			
1110	Cash and temporary investments	\$	\$	\$
	Receivables:			
1240	Receivables from other governments	285,932	262,697	432,097
1260	Due from other funds			
1290	Other receivables			
1310	Inventories, at cost			
1000	Total Assets	<u>\$ 285,932</u>	<u>\$ 262,697</u>	<u>\$ 432,097</u>
	Liabilities and Fund Balances			
	Liabilities:			
2110	Accounts payable	\$ 23,782	\$ 19,570	\$ 36,945
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable	171,339	215,064	120,486
2170	Due to other funds	90,811	28,063	274,666
2180	Due to other governments			
2300	Unearned revenues			
2000	Total Liabilities	<u>285,932</u>	<u>262,697</u>	<u>432,097</u>
	Fund Balance:			
	Restricted:			
3450	Federal/State funds grant restrictions			
3470	Capital acquisitions and contractual obligations			
3480	Other purposes			
	Committed:			
3545	Other purposes			
3000	Total Fund Balances	<u></u>	<u></u>	<u></u>
4000	Total Liabilities and Fund Balance	<u>\$ 285,932</u>	<u>\$ 262,697</u>	<u>\$ 432,097</u>

225 IDEA B - Preschool	240 Child Nutrition	242 Summer Feeding Program	244 Vocational Ed. - Basic	255 ESEA Title II, A - Training and Recruiting	263 ESEA Title III, A - English Lang. Acquisition
\$ 2,094	\$ 224,131	\$ 123,393	\$	\$	\$
752	271,765	26,857	37,319	633,298	21,851
2,100	4,019,695				
	249,281				
<u>\$ 4,946</u>	<u>\$ 4,764,872</u>	<u>\$ 150,250</u>	<u>\$ 37,319</u>	<u>\$ 633,298</u>	<u>\$ 21,851</u>
\$	\$ 673,753	\$ 32,282	\$ 300	\$ 47,072	\$ 1,190
	23,754				
1,256	185,045	1,678	2,228	34,581	4,296
	572	81,388	34,791	551,645	16,365
3,690					
<u>4,946</u>	<u>883,124</u>	<u>115,348</u>	<u>37,319</u>	<u>633,298</u>	<u>21,851</u>
	3,881,748	34,902			
	3,881,748	34,902			
<u>\$ 4,946</u>	<u>\$ 4,764,872</u>	<u>\$ 150,250</u>	<u>\$ 37,319</u>	<u>\$ 633,298</u>	<u>\$ 21,851</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2016

Data Control Codes		265 Title IV, Part B - 21st Century Community Learning Centers	272 Medicaid Administrative Claiming Program - MAC	282 FEMA - Hurricane Expenditures
	Assets			
1110	Cash and temporary investments	\$	\$ 19,366	\$
	Receivables:			
1240	Receivables from other governments			1,682,532
1260	Due from other funds	10,609	201,464	
1290	Other receivables			
1310	Inventories, at cost			
1000	Total Assets	<u>\$ 10,609</u>	<u>\$ 220,830</u>	<u>\$ 1,682,532</u>
	Liabilities and Fund Balances			
	Liabilities:			
2110	Accounts payable	\$	\$	\$
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable			
2170	Due to other funds			1,682,532
2180	Due to other governments	10,609		
2300	Unearned revenues		220,830	
2000	Total Liabilities	<u>10,609</u>	<u>220,830</u>	<u>1,682,532</u>
	Fund Balance:			
	Restricted:			
3450	Federal/State funds grant restrictions			
3470	Capital acquisitions and contractual obligations			
3480	Other purposes			
	Committed:			
3545	Other purposes			
3000	Total Fund Balances			
4000	Total Liabilities and Fund Balance	<u>\$ 10,609</u>	<u>\$ 220,830</u>	<u>\$ 1,682,532</u>

315	316	317	340	410	429
SSA - IDEA - Part B, Discretionary	SSA - IDEA - Part B, Deaf	SSA - IDEA - Part B, Preschool Deaf	SSA - IDEA, Part C, Early Intervention (Deaf)	Instructional Materials Allotment	Technology Lending Grant
\$	\$	\$	\$	\$	\$ 26,459
54,343	12,628	679	801	130,978	
<u>\$ 54,343</u>	<u>\$ 12,628</u>	<u>\$ 679</u>	<u>\$ 801</u>	<u>\$ 130,978</u>	<u>\$ 26,459</u>
\$	\$ 1,599	\$	\$	\$ 130,978	\$
54,343	11,029	679	801		26,459
<u>54,343</u>	<u>12,628</u>	<u>679</u>	<u>801</u>	<u>130,978</u>	<u>26,459</u>
<u>\$ 54,343</u>	<u>\$ 12,628</u>	<u>\$ 679</u>	<u>\$ 801</u>	<u>\$ 130,978</u>	<u>\$ 26,459</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2016

Data Control Codes		435	446	461
		SSA - Regional Day School for the Deaf State	State Local Funded Regional Day School Deaf - Local	Campus Activity Fund
	Assets			
1110	Cash and temporary investments	\$	\$	\$ 592,366
	Receivables:			
1240	Receivables from other governments	29,968		
1260	Due from other funds	4,377	403,532	572
1290	Other receivables			
1310	Inventories, at cost			
1000	Total Assets	<u>\$ 34,345</u>	<u>\$ 403,532</u>	<u>\$ 592,938</u>
	Liabilities and Fund Balances			
	Liabilities:			
2110	Accounts payable	\$	\$ 51,397	\$ 15,329
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable	31,294	17,166	
2170	Due to other funds			28,605
2180	Due to other governments			
2300	Unearned revenues		334,969	
2000	Total Liabilities	<u>31,294</u>	<u>403,532</u>	<u>43,934</u>
	Fund Balance:			
	Restricted:			
3450	Federal/State funds grant restrictions	3,051		
3470	Capital acquisitions and contractual obligations			
3480	Other purposes			
	Committed:			
3545	Other purposes			549,004
3000	Total Fund Balances	<u>3,051</u>		<u>549,004</u>
4000	Total Liabilities and Fund Balance	<u>\$ 34,345</u>	<u>\$ 403,532</u>	<u>\$ 592,938</u>

481	483	484	485	486	487
BASF Foundation - Science	Natatorium Swim Program	Campus After School Program	Exxon-Mobil Future Leaders	ExxonMobil - Project Boost	Exxon-Mobil Reading Initiative
\$ 662	\$	\$ 13,280	\$ 494	\$ 2,144	\$ 27,759
286	740		896		20,000
<u>\$ 948</u>	<u>\$ 740</u>	<u>\$ 13,280</u>	<u>\$ 1,390</u>	<u>\$ 2,144</u>	<u>\$ 47,759</u>
\$	\$	\$	\$	\$	\$
	740	1,004			
948		12,276	1,390	2,144	47,759
<u>948</u>	<u>740</u>	<u>13,280</u>	<u>1,390</u>	<u>2,144</u>	<u>47,759</u>
<u>\$ 948</u>	<u>\$ 740</u>	<u>\$ 13,280</u>	<u>\$ 1,390</u>	<u>\$ 2,144</u>	<u>\$ 47,759</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2016

Data Control Codes		492	493	495
		Thomas Center - Scoreboard	DaVinci Minds Grant	Texas Data Champions
	Assets			
1110	Cash and temporary investments	\$	\$ 2,085	\$ 19,168
	Receivables:			
1240	Receivables from other governments			
1260	Due from other funds	404,472		
1290	Other receivables			
1310	Inventories, at cost			
1000	Total Assets	\$ 404,472	\$ 2,085	\$ 19,168
	Liabilities and Fund Balances			
	Liabilities:			
2110	Accounts payable	\$ 8,232	\$	\$
2150	Payroll deduction and withholdings payable			
2160	Accrued wages payable			
2170	Due to other funds			
2180	Due to other governments			
2300	Unearned revenues	396,240	2,085	19,168
2000	Total Liabilities	404,472	2,085	19,168
	Fund Balance:			
	Restricted:			
3450	Federal/State funds grant restrictions			
3470	Capital acquisitions and contractual obligations			
3480	Other purposes			
	Committed:			
3545	Other purposes			
3000	Total Fund Balances			
4000	Total Liabilities and Fund Balance	\$ 404,472	\$ 2,085	\$ 19,168

498	499		634	
District Incentive Program	Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	Unlimited Tx Sch Bldg Bond 2011	Total Nonmajor Governmental Funds
\$ 7,291	\$ 62,562	\$ 1,123,254	\$ 73,289	\$ 1,196,543
		3,753,519		3,753,519
	20,685	5,220,406		5,220,406
	1,918	1,918		1,918
		249,281		249,281
<u>\$ 7,291</u>	<u>\$ 85,165</u>	<u>\$ 10,348,378</u>	<u>\$ 73,289</u>	<u>\$ 10,421,667</u>
\$	\$	\$ 1,042,429	\$	\$ 1,042,429
		23,754		23,754
		786,177		786,177
		2,856,290		2,856,290
		10,609		10,609
<u>7,291</u>	<u>73,363</u>	<u>1,148,612</u>		<u>1,148,612</u>
<u>7,291</u>	<u>73,363</u>	<u>5,867,871</u>		<u>5,867,871</u>
		3,919,701		3,919,701
			73,289	73,289
	11,802	11,802		11,802
		549,004		549,004
	<u>11,802</u>	<u>4,480,507</u>	<u>73,289</u>	<u>4,553,796</u>
<u>\$ 7,291</u>	<u>\$ 85,165</u>	<u>\$ 10,348,378</u>	<u>\$ 73,289</u>	<u>\$ 10,421,667</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2016

		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	2,942,624	7,544,357	3,555,483
5020	Total Revenues	<u>2,942,624</u>	<u>7,544,357</u>	<u>3,555,483</u>
	Expenditures			
	Current:			
0011	Instruction	2,166,919	4,350,549	3,121,949
0012	Instruction resources and media services	37,210	4,308	
0013	Curriculum and instructional staff development	12,725	383,822	35,426
0021	Instructional leadership	115,030	1,639,073	18,377
0023	School leadership	179,030	67,973	
0031	Guidance, counseling and evaluation services		88,593	324,185
0032	Social work services	145,211		55,546
0033	Health services	113,546	3,650	
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities	2,472		
0041	General administration			
0051	Facilities maintenance and operations	13,592		
0053	Data processing services			
0061	Community services	156,889	1,006,389	
	Capital outlay:			
0081	Facilities acquisition and construction			
6030	Total Expenditures	<u>2,942,624</u>	<u>7,544,357</u>	<u>3,555,483</u>
1200	Net change in fund balances			
0100	Fund balance - September 1 (beginning)			
3000	Fund balance - August 31 (ending)	<u>\$</u>	<u>\$</u>	<u>\$</u>

225	240	242	244	255	263
IDEA B - Preschool	Child Nutrition	Summer Feeding Program	Vocational Ed. - Basic	ESEA Title II, A - Training and Recruiting	ESEA Title III, A - English Lang. Acquisition
\$	\$ 1,749,682	\$ 267	\$	\$	\$
	61,603				
31,350	9,891,697	149,984	263,103	1,138,383	137,214
31,350	11,702,982	150,251	263,103	1,138,383	137,214
31,350			251,184	532,842	24,817
			10,209	383,814	39,580
			970	132,339	
				69,184	
			740		
	11,024,963	115,349			
	100,886				
				13,872	
				6,332	72,817
	3,156				
31,350	11,129,005	115,349	263,103	1,138,383	137,214
	573,977	34,902			
	3,307,771				
\$	\$ 3,881,748	\$ 34,902	\$	\$	\$

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2016

Data Control Codes		265 Title IV, Part B - 21st Century Community Learning Centers	272 Medicaid Administrative Claiming Program - MAC	282 FEMA - Hurricane Expenditures
	Revenues			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues			
5900	Federal program revenues		24,237	
5020	Total Revenues		24,237	
	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		24,237	
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities			
0041	General administration			
0051	Facilities maintenance and operations			
0053	Data processing services			
0061	Community services			
	Capital outlay:			
0081	Facilities acquisition and construction			
6030	Total Expenditures		24,237	
1200	Net change in fund balances			
0100	Fund balance - September 1 (beginning)			
3000	Fund balance - August 31 (ending)	\$	\$	\$

315	316	317	340	410	429
SSA - IDEA - Part B, Discretionary	SSA - IDEA - Part B, Deaf	SSA - IDEA - Part B, Preschool Deaf	SSA - IDEA, Part C, Early Intervention (Deaf)	Instructional Materials Allotment	Technology Lending Grant
\$	\$	\$	\$	\$	\$
				1,521,708	12,221
94,875	28,697	2,072	801		
94,875	28,697	2,072	801	1,521,708	12,221
94,875	28,697	2,072	801	1,521,708	9,374
					262
					2,585
94,875	28,697	2,072	801	1,521,708	12,221
\$	\$	\$	\$	\$	\$

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2016

Data Control Codes		435	446 State Local Funded Regional Day School Deaf - Local	461 Campus Activity Fund
	Revenues			
5700	Local, intermediate, and out-of-state	\$	\$ 474,722	\$ 500,086
5800	State program revenues	605,650		
5900	Federal program revenues			
5020	Total Revenues	<u>605,650</u>	<u>474,722</u>	<u>500,086</u>
	Expenditures			
	Current:			
0011	Instruction	547,060	415,172	
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development		15,109	
0021	Instructional leadership	119	36,404	
0023	School leadership			392,979
0031	Guidance, counseling and evaluation services	55,420	8,037	
0032	Social work services			
0033	Health services			
0034	Student transportation			77
0035	Food service			
0036	Extracurricular activities			
0041	General administration			
0051	Facilities maintenance and operations			
0053	Data processing services			
0061	Community services			
	Capital outlay:			
0081	Facilities acquisition and construction			
6030	Total Expenditures	<u>602,599</u>	<u>474,722</u>	<u>393,056</u>
1200	Net change in fund balances	3,051		107,030
0100	Fund balance - September 1 (beginning)			<u>441,974</u>
3000	Fund balance - August 31 (ending)	<u>\$ 3,051</u>	<u>\$</u>	<u>\$ 549,004</u>

481	483	484	485	486	487
BASF Foundation - Science	Natatorium Swim Program	Campus After School Program	Exxon-Mobil Future Leaders	ExxonMobil - Project Boost	Exxon-Mobil Reading Initiative
\$ 7,400	\$	\$ 33,523	\$ 46	\$ 1,439	\$
7,400		33,523	46	1,439	
7,400					
		33,523	46	1,439	
7,400		33,523	46	1,439	
\$	\$	\$	\$	\$	\$

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2016

		492	493	495
Data Control Codes		Thomas Center - Scoreboard	DaVinci Minds Grant	Texas Data Champions
	Revenues			
5700	Local, intermediate, and out-of-state	\$ 21,915	\$	\$
5800	State program revenues			
5900	Federal program revenues			
5020	Total Revenues	<u>21,915</u>	<u></u>	<u></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	21,915		
0041	General administration			
0051	Facilities maintenance and operations			
0053	Data processing services			
0061	Community services			
	Capital outlay:			
0081	Facilities acquisition and construction			
6030	Total Expenditures	<u>21,915</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 - August 31 (ending)	<u>\$</u>	<u>\$</u>	<u>\$</u>

498	499	634		
District Incentive Program	Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	Unlimited Tx Sch Bldg Bond 2011	Total Nonmajor Governmental Funds
\$ 12,937	\$ 26,370	\$ 2,828,387	\$ 577	\$ 2,828,964
		2,201,182		2,201,182
		25,804,877		25,804,877
12,937	26,370	30,834,446	577	30,835,023
	495	13,099,864		13,099,864
		41,518		41,518
		888,347		888,347
		1,942,312		1,942,312
		709,166		709,166
		476,975		476,975
		200,757		200,757
		141,433		141,433
		77		77
		11,140,312		11,140,312
	25,875	50,262		50,262
12,937		12,937		12,937
		114,478		114,478
		16,457		16,457
		1,277,435		1,277,435
		3,156		3,156
12,937	26,370	30,115,486		30,115,486
		718,960	577	719,537
	11,802	3,761,547	72,712	3,834,259
\$	\$ 11,802	\$ 4,480,507	\$ 73,289	\$ 4,553,796

BEAUMONT INDEPENDENT SCHOOL DISTRICT**COMBINING STATEMENT OF FIDUCIARY NET POSITION***August 31, 2016*

		836	837	838
Data	Control	Alex Durley	Joe H Tonahill	Mike Taylor
Codes		Scholarship	Scholarship	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	\$	\$	\$
2190	Due to others			
2000	Total Liabilities	<u>\$</u>	<u>\$</u>	<u>\$</u>
	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	\$ 11,733	\$ 1,500	\$ 56,154	\$ 448,094
				3,039
<u>1,058</u>	<u>11,733</u>	<u>1,500</u>	<u>56,154</u>	<u>451,133</u>
\$	\$	\$	\$	\$ 25,181
				425,952
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 451,133</u>
<u>\$ 1,058</u>	<u>\$ 11,733</u>	<u>\$ 1,500</u>	<u>\$ 56,154</u>	

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2016

	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

Exhibit H-4

839	841	842	
Charles Weinbaum Scholarship	Paul A Brown Scholarship	Wells, Peyton, Greenburg & Hunt	Total Private Purpose Trust Funds
<u>\$</u>	<u>\$ 100</u>	<u>\$</u>	<u>\$ 100</u>
	<u>100</u>		<u>100</u>
	100		100
<u>1,058</u>	<u>11,633</u>	<u>1,500</u>	<u>56,054</u>
<u>\$ 1,058</u>	<u>\$ 11,733</u>	<u>\$ 1,500</u>	<u>\$ 56,154</u>

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REQUIRED TEA SCHEDULES

BEAUMONT INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DELINQUENT TAXES RECEIVABLE***For the Year Ended August 31, 2016*

	1	2	3	10
	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/2015
Last Ten Fiscal Years	Maintenance	Debt Service		
2007 and prior	Various	Various	Various	\$ 3,834,480
2008	1.040000	0.055000	8,500,936,929	333,103
2009	1.040000	0.152500	9,344,043,352	418,736
2010	1.040000	0.222250	9,164,709,866	511,298
2011	1.040000	0.270000	9,084,485,215	644,595
2012	1.040000	0.285000	9,279,574,505	769,610
2013	1.040000	0.275000	9,259,420,913	963,159
2014	1.040000	0.275000	9,783,235,099	1,317,261
2015	1.040000	0.275000	9,775,170,418	2,711,402
2016	1.040000	0.275000	9,648,331,407	
1000 Totals				<u>\$ 11,503,644</u>

Penalty and interest receivable on taxes

Total taxes receivable per Exhibit C-1

Exhibit J-1

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/2016
\$	\$ 47,542	\$ 2,146	\$ (968,895)	\$ 2,815,897
	9,918	526	(7,678)	314,981
	21,935	3,217	(13,530)	380,054
	28,835	6,169	(14,000)	462,294
	50,896	13,213	(11,307)	569,179
	79,164	21,694	(6,864)	661,888
	130,446	34,493	(5,665)	792,555
	244,438	64,635	(5,695)	1,002,493
	858,891	227,111	(213,992)	1,411,408
<u>126,875,558</u>	<u>98,194,867</u>	<u>26,451,076</u>	<u></u>	<u>2,229,615</u>
<u>\$ 126,875,558</u>	<u>\$ 99,666,932</u>	<u>\$ 26,824,280</u>	<u>\$ (1,247,626)</u>	<u>10,640,364</u>
				<u>9,991,825</u>
				<u>\$ 20,632,189</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM FUND
For the Year Ended August 31, 2016

Exhibit J-2

Data Control Codes		Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
		Original	Final		
	Revenues				
5700	Local revenues	\$ 3,946,697	\$ 3,950,815	\$ 1,749,682	\$ (2,201,133)
5800	State program revenues	67,125	67,125	61,603	(5,522)
5900	Federal program revenues	10,548,457	10,548,457	9,891,697	(656,760)
5020	Total Revenues	<u>14,562,279</u>	<u>14,566,397</u>	<u>11,702,982</u>	<u>(2,863,415)</u>
	Expenditures				
	Current:				
0035	Food services	14,756,749	14,690,867	11,024,963	3,665,904
0051	Facilities maintenance and operations	125,758	125,758	100,886	24,872
	Capital Outlay:				
0081	Facilities acquisition and construction		70,000	3,156	66,844
6030	Total Expenditures	<u>14,882,507</u>	<u>14,886,625</u>	<u>11,129,005</u>	<u>3,757,620</u>
1200	Net change in fund balances	(320,228)	(320,228)	573,977	894,205
0100	Fund balances - beginning	<u>3,307,771</u>	<u>3,307,771</u>	<u>3,307,771</u>	
3000	Fund balances - ending	<u>\$ 2,987,543</u>	<u>\$ 2,987,543</u>	<u>\$ 3,881,748</u>	<u>\$ 894,205</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
Exhibit J-3
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended August 31, 2016

Data Control Codes		Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 28,169,436	\$ 28,169,436	\$ 27,056,724	\$ (1,112,712)
5800	State program revenues			635,332	635,332
5900	Federal program revenues			1,077,767	1,077,767
5020	Total Revenues	<u>28,169,436</u>	<u>28,169,436</u>	<u>28,769,823</u>	<u>600,387</u>
	Expenditures				
	Debt Service:				
0071	Principal on long-term debt	10,000,000	10,000,000	10,000,000	
0072	Interest on long-term debt	17,931,114	17,931,114	17,931,114	
0073	Bond issuance costs and fees	15,000	15,000	12,584	2,416
6030	Total Expenditures	<u>27,946,114</u>	<u>27,946,114</u>	<u>27,943,698</u>	<u>2,416</u>
1200	Net change in fund balances	223,322	223,322	826,125	602,803
0100	Fund balances - beginning	<u>577,419</u>	<u>577,419</u>	<u>577,419</u>	
3000	Fund balances - ending	<u>\$ 800,741</u>	<u>\$ 800,741</u>	<u>\$ 1,403,544</u>	<u>\$ 602,803</u>

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FEDERAL AWARDS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beaumont Independent School District (the “District”), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated January 12, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses and or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses; findings 2016-004, and 2016-006.

To the Board of Trustees
Beaumont Independent School District

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. We consider the deficiencies described in the accompanying *schedule of findings and questioned costs* to be significant deficiencies; findings 2016-001, 2016-002, 2016-003, 2016-005, and 2016-007.

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*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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
January 12, 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 Trustees
Beaumont Independent School District
Beaumont, Texas

Report on Compliance for Each Major Federal Program

We have audited Beaumont Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as findings 2016-008, 2016-009, 2016-011, 2016-012 and 2016-013. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings of questioned costs as findings 2016-008, 2016-009, 2016-010, 2016-011, 2016-012 and 2016-013, considered to be significant deficiencies.

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.



Houston, Texas
January 12, 2017

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2016

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	Yes. Findings 2016-004, and 2016-006
Significant deficiency (ies) identified that is not considered to be material weaknesses?	Yes. Findings 2016-001, 2016-002, 2016-003, 2016-005, and 2016-007
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?	Yes. Findings 2016-008, 2016-009, 2016-010, 2016-011, 2016-012, and 2016-013
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)?	Yes. Findings 2016-008, 2016-009, 2016-010, 2016-011, 2016-012, and 2016-013
Identification of major programs:	
Name of Federal Program or Cluster	CFDA Numbers

U.S. Department of Agriculture:

Child Nutrition Cluster:

<i>School Breakfast Program</i>	10.553
<i>National School Lunch Program</i>	10.555
<i>Summer Feeding Program</i>	10.559

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2016

I. Summary of Auditors' Results (continued)

Name of Federal Program or Cluster (continued): CFDA Numbers

U.S. Department of Education:

Title I, Part A:

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

Special Education Cluster (IDEA):

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

<i>ESEA, Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A
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U.S. Department of Health and Human Services:

<i>Head Start</i>	93.600
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Dollar Threshold Considered Between Type A and Type B Federal Programs	\$791,297
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Auditee qualified as low-risk auditee?	No
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BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

II. Financial Statement Findings

Finding 2016-001 Payroll Control Activities

Criteria: Management is responsible for designing control activities to achieve proper internal controls and proper accurate reporting.

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).

Cause: Improperly designed internal controls.

Effect: Payroll expenditures to be materially misstated and the misstatement might not be detected by management on a timely manner.

Recommendation: Management should review the current internal control policies and procedures to ensure payroll expenditures are properly reviewed and supported.

Finding 2016-002: Accounts Payable Control Activities

Criteria: Management is responsible for designing control activities to achieve proper internal controls and proper accurate reporting.

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.

Cause: Improperly designed internal controls.

Effect: Nonpayroll expenditures to be materially misstated and the misstatement might not be detected by management on a timely manner.

Recommendation: Management should review the current internal control policies and procedures to ensure payroll expenditures are properly reviewed and supported.

Finding 2016-003: Procurement Procedures

Criteria: Proper internal controls require that standard procurement procedures are developed, formally documented, and implemented. The District is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial amounts are accurate and valid.

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. This a repeat from Finding 2015-005.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

II. Financial Statement Findings (continued)

Finding 2016-003: Procurement Procedures (continued)

Cause: Improperly designed internal controls.

Effect: There is a risk of fraud or error in maintaining multiple vendors and could result in overpayment to the vendor or payment to a fictitious vendor. In addition, there is a risk that a vendor with expenditures above \$50,000 will be overlooked and the proper competitive procurement methods will not be followed.

Recommendation: We recommend the District have a formal procedure in place to review the vendor listing periodically, maintain a proof of review, and review the access rights to Accounts Payable and Purchasing modules (TEAMS). The procedure should also include the monitoring the commodity type or vendor approaching \$50,000.

Finding 2016-004: Student Attendance

Criteria: Per sections 2.3.5 and 3.6.3 of the Texas Education Agency's Student Attendance Accounting Handbook (SAAH), school districts must maintain proper documentation when changing a student's attendance record from "Absent" to "Present" for Foundation School Program (FSP) funding purposes.

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. This a repeat from Finding 2015-012.

Cause: The supporting documentation for the missing support was not submitted for review. Each campus stated that they were still looking in their files as unbeknownst to them, some of their records had been moved over the summer and were not in order.

Effect: The District is not in compliance with the Texas Education Agency's SAAH's documentation requirements and the lack of documentation could negatively affect the District's FSP funding levels.

Recommendation: The District should ensure that all attendance changes are properly documented, maintained by the campuses, and is readily available for audit purposes.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

II. Financial Statement Findings

Finding 2016-005: Information Technology Management and Organization

Criteria: Management is responsible for designing control activities over the Accounting System to ensure the operation of a reliable system.

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.

Cause: Improperly designed internal controls.

Effect: Breakdowns in performance may not be detected and corrected in a timely fashion. Information assets may be lost in addition to lost time and business function due to virus impacts; impacts may also alter financial reporting data.

Recommendation: Management should ensure that a security incident response process exists to support timely response and investigation of unauthorized activities. In addition, management should establish procedures across the organization to protect information systems and technology from computer viruses.

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

Criteria: Management is responsible for designing control activities over the Accounting System to ensure policies and procedures are properly administered.

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. This condition is similar to finding 2015-007.

Cause: Improperly designed internal controls.

Effect: Unauthorized activity may impact data integrity and financial reporting. Unauthorized access to information and/or assets may jeopardize the integrity of the information or existence of the assets. Unauthorized user access may lead to erroneous transaction, undetected transactions, and compromised data resulting in unreliable financial reports

Recommendation: IT security administration should document monitoring of logs or security activity, and identified security violations should be reported to senior management. In addition, the number of users with administrator rights should be limited. Access rights should be periodically reviewed, properly documented and adequate actions should be taken to address issues noted.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

II. Financial Statement Findings (continued)

Finding 2016-007: Information Technology Security: Data Protection

Criteria: Management is responsible for designing control activities over the Accounting System to ensure 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.

Cause: Improperly designed internal controls.

Effect: Unauthorized access compromises the systems internal control environment impacting the ability to achieve regulatory compliance. Unauthorized user access may lead to erroneous transaction, undetected transactions, and compromised data resulting in unreliable financial reports. Unauthorized activity may impact data integrity and financial reporting.

Recommendation: (1) We recommend updating the firmware to ensure systems are protected. (2) Password policy should be reviewed, a maximum age should be 90 days, length should be at least 8 characters, and complexity should be enabled. (3) A procedure should be in place that includes time-out settings for system users. (4) Access to facilities should be restricted to authorized personnel and access should require appropriate authentication, the type of users identified above should have their access removed and request temporary access when needed.

III. Federal Award Findings and Questioned Costs

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

Criteria: Per 2 CFR 200.403, in order to be allowable under Federal awards costs must be necessary and reasonable for the performance of the Federal award. In addition, allowance costs must conform to any limitations set forth in the Federal award as to types of cost items. Per the Texas Department of Agriculture's (TDA) Administrator's Reference Manual Section 14.36 for a capital expenditure to be considered allowable, the District must submit a request to the TDA and the TDA must approve capital expenditures before the District makes a capital expenditure purchase.

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. This is a repeat from Finding 2015-015.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

III. Federal Award Findings and Questioned Costs (continued)

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

Cause: Key Personnel turnover caused a lack of oversight in this area.

Effect: The District is not in compliance with the TDA requirements.

Questioned Cost: Below \$25,000

Recommendation: The District should obtain proper TDA approval for capital expenditure purchases prior to incurring the expenditure and coding the cost to the federal award.

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

Criteria: Beginning after the first day of the 2002–2003 school year, the District is required to ensure that any teacher whom it hired to teach a core academic subject and who worked in a program supported with Title I, Part A funds was highly qualified as defined in 34 CFR section 200.56.

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. This a repeat from Finding 2015-021.

Cause: Key Personnel turnover caused a lack of oversight in this area.

Effect: The District is not in compliance with the Highly Qualified Teachers and Paraprofessionals compliance requirement.

Questioned Cost: Unknown

Recommendation: The District should take appropriate measures to ensure all teachers and paraprofessionals are highly qualified.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

III. Federal Award Findings and Questioned Costs (continued)

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

Criteria: Per the Appendix XI to 2 CFR Part 200 – Compliance supplement, consistent with the District's assessment of need for professional development and hiring, the District may use funds for a broad span of activities designed to improve teacher quality that are identified in Section 2123(a) of the ESEA. In addition, per 2 CFR 200.403, in order to be allowable under Federal awards costs must be necessary and reasonable for the performance of the Federal award.

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. This a repeat from Finding 2015-018.

Cause: Improper coding of expenditures.

Effect: Internal controls over compliance are not working as intended.

Questioned Cost: None.

Recommendation: The District should monitor costs charged to federal awards. In addition we recommend the District provide compliance training to the personnel involved in the coding of charges to the federal awards.

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

Criteria: Costs of compensation for personal services are allowable to the extent that they satisfy the specific requirements of 2 CFR 200.430. Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. A semi-annual certification can be used to support charges of salaries and wages to a single cost objective and should be signed after the work is performed by the employee or a supervisor having first-hand knowledge of the work performed.

Condition: The semi-annual certification for one selected employee with salary charged to this federal award was not signed by the employee. This a repeat from Finding 2015-019.

Cause: The employee was terminated prior to signing the semiannual certification.

Effect: The District is not in compliance with federal requirements related to cost of compensation for personal services and the employee's salary in question might be unallowable since it does not satisfy the specific requirements of 2 CFR 200.430.

Questioned Cost: Unknown.

Recommendation: Management should review the requirements related to charges to federal awards for salaries and wages, and provide training to District personnel.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

III. Federal Award Findings and Questioned Costs (continued)

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

Criteria: Per 2 CFR 200.213, the District is subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

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. This a repeat from Finding 2015-032.

Cause: District personnel was not monitoring this requirement.

Effect: The lack of a process in place to ensure compliance with this requirement could lead the District to purchase goods or services from ineligible vendors subjecting the District to repayment of federal funds from local resources.

Questioned Cost: Unknown.

Recommendation: Management should review the procurement and suspension and debarment compliance requirements, implement policies and procedures to ensure compliance, and maintain supporting documentation to evidence compliance.

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

Criteria: Costs of compensation for personal services are allowable to the extent that they satisfy the specific requirements of 2 CFR 200.430. Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

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. This a repeat from Finding 2015-034.

Cause: Improperly designed internal controls over compliance.

Effect: The improperly designed internal controls over approval to charge employees' salaries to federal awards could lead the District to code unallowable payroll expenditures to the federal awards subjecting the District to repayment of federal funds from local resources.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

III. Federal Award Findings and Questioned Costs (continued)

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 (continued)

Questioned Cost: Unknown.

Recommendation: We recommend the District to have a formal procedure of the Federal Program Director's monitoring of the employees to be paid out of federal awards and include the Federal Program Director in the Human Resources workflow.

IV. Status of Prior Year Findings

Financial Statement Findings

Finding 2015-001: Financial Reporting - Internal Controls over Financial Reporting - Segregation of duties and reconciliation of accounts.

Condition: Cash accounts were not properly reconciled on a monthly basis. Individuals in the finance department had the ability to initiate, approve and post journal entries into the accounting system without a second review or approval. Controls over journal entries in the TEAMS accounting software were implemented in October 2014. While conducting our testing, we noted numerous instances in which journal entries were posted and reversed as a result of errors. In addition, up until August 2015 when a new Human Resource Director was hired, the Personnel Office Manager had access to enter and change pay rates without any second review or approval.

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

Finding 2015-002: Financial Reporting - Internal Controls over Financial Reporting - Reconciliation of Grants

Condition: The District does not reconcile grants on a regular basis. We noted that the "Negative Cash" report was used to request reimbursement from the State for certain federal grants instead of expenditures as is required for grants on a reimbursement basis.

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

Finding 2015-003: Financial Reporting - Internal Controls over Financial Reporting - Documentation

Condition: We noted numerous instances in which documentation such as invoices could not be located to support journal entries posted to the general ledger. In addition, we noted that invoices could not be located to support some expenditures. There was one instance in which there was no documentation to support the amounts paid to an employee.

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

IV. Status of Prior Year Findings (continued)

Financial Statement Findings (continued)

Finding 2015-004: Financial Reporting - Internal Controls over Financial Reporting - Coding

Condition: There appears to be no review of account coding and as a result we noted several instances where various elements of the account string were initially miscoded. We also noted that the activity for the Summer Feeding Program is being recorded in Fund 240 instead of Fund 242 as required by the FASRG.

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

Finding 2015-005: Financial Reporting - Internal Controls over Financial Reporting - Duplicate Vendors

Condition: As part of the corrective action for prior year findings, the purchasing staff conducted a review of all vendors and removed the multiple variations of the same vendor name from TEAMS. However, subsequent to the change, a patch was applied by the TEAMS support staff to the TEAMS accounting software which overrode the changes made by purchasing staff. As a result, the District continues to have multiple variation of the same vendor name. For example, Region 5 can be found in the vendor listing as Region 5, Region V and Region ESC. We also noted nine instances in which the vendor name in the general ledger did not agree to the vendor name on the check and/or invoice.

Status: A similar situation continues to exist, see Finding 2016-003.

Finding 2015-006: Financial Reporting - Internal Controls over Financial Reporting - Capital Assets

Condition: A physical inventory of capital assets was completed before the end of August 31, 2015. However, we noted that records were not properly updated. As a result, we were unable to locate numerous assets that were on the asset listing. There were several instances in which assets were found in a location different than the one specified in the listing. Many of the assets were not properly tagged and could only be identified based on the description on the asset listing. Finally, the depreciation schedule is not being maintained and updated.

Status: We noted improvement in this area.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

IV. Status of Prior Year Findings (continued)

Financial Statement Findings (continued)

Finding 2015-007: Financial Reporting - Internal Controls over Financial Reporting - Accounting System

Condition: It appears that there is no effective electronic log of changes made to the system. As a result, there were instances in which we could not see the history of previous activity. For example, due to turnover at the District, numerous people held the same position during the year. Whenever the authorized approver's name for a position (i.e. program director) was updated, the system automatically changed all previous entries to the current name of the person holding the position. As a result, we noted numerous instances in which the approval in the system showed the name of the new program director as the person who approved a transaction months prior to the date he/she was hired. We also noted instances where corrections had been made by the District, such as corrections to the approval process or to duplicate vendors, but as a result of patches being applied to the software by the vendor, the changes were deleted and the settings reverted back to the original settings. There was no log of who approved the changes and when the changes were made. Controls over journal entries in the TEAMS accounting software were implemented in October 2014. However, upon our return in September 2015, it appeared that the controls were deleted and the settings reverted back to the original setting. Upon further inquiry, it appeared that the approval was in the system, but we had to dig deep into the system to find it. The system does not allow easily accessible view of approvals.

Status: A similar situation continues to exist, see Finding 2016-006.

Finding 2015-008: State Compliance - Submission of Audited Financial Statements

Condition: The District submitted audited financial statements for the fiscal year ended August 31, 2014 to the Texas Education Agency on February 26, 2015, which was 28 days after the deadline.

Status: Resolved. The District submitted the audited financial statements for fiscal year ended August 31, 2015 to the Texas Education Agency on February 26, 2016 which is within 30 days of January 28, 2016 deadline.

Finding 2015-009: State Compliance - State Mandated Programs

Condition: The District charged teacher base salaries to the Bilingual Education allotment. We also were not able to determine compliance with the Gifted and Talented program professional development requirement as the District did not have any records indicating whether the teachers attended the required training.

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

IV. Status of Prior Year Findings (continued)

Financial Statement Findings (continued)

Finding 2015-010: State Compliance - Public Funds Investment Act

Condition: The investment policy was reviewed and adopted by the Board of Managers in June 2015 after they became aware of noncompliance in February 2015. The District was not able to provide documentation to prove that a written copy of the investment policy was provided to the person/firms offering to engage in an investment transaction with the District. The Board of Managers did not approve the independent sources that are allowed to provide training to the investment officers. The investment officers did not have the required investment training. There was no documentation to prove that the investment officer prepared and submitted to the Board of Trustees a quarterly report of investment transactions.

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

Finding 2015-011: State Compliance - District and Campus Improvement Plans

Condition: We were unable to obtain evidence to show that the Campus Improvement Plans for four of the five campuses we tested were reviewed and approved for fiscal year 2015. The District and Campus Improvement Plans did not contain the required components as required by state law. Activities charged to the State Compensatory Education (SCE) program were not properly documented in the District and Campus Improvement Plans.

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

Finding 2015-012: State Compliance - Student Attendance

Condition: 1) Central High School - We noted three out of five instances in which there was no supporting documentation for the change from absent to present. 2) Ozen High School - We noted one instance in which a student's excused absence was changed from a non-funded code to a funded code. 3) Smith Middle School - The signed 2nd six weeks interval report we selected for testing could not be provided. The ISS documentation did not show time in or out and the log was not signed or dated by staff. We also noted that in-school suspension rosters were not properly completed nor signed by the appropriate personnel. 4) Vincent Middle School - We also noted that in-school suspension rosters were not properly completed nor signed by the appropriate personnel.

Status: A similar situation continues to exist, see Finding 2016-004.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

IV. Status of Prior Year Findings (continued)

Financial Statement Findings (continued)

Finding 2015-013: State Compliance - Procurement

Condition: 1) The District did not use one of the seven methods for the purchase of Alarm Permits & Fees, Security and Fire commodity category in accordance with the TEC §44.031(a). 2) We were unable to determine procurement compliance in several other instances because documentation could not be provided. Specifically, we were unable to determine if payments to certain vendors related to the HVAC commodity category were awarded vendors in the District's internal solicitation 14.01 or on an approved purchasing cooperative. We were also not provided the renewal extension for Wrecker Services or bid documents for Stadium Beverage Products for payments made to vendors which were in excess of \$50,000 and unable to determine procurement compliance. Nor, were we provided with the competitive sealed proposal responses from two vendors for the Odom MS Air Handlers, internal solicitation 15.14 to determine procurement compliance. Lastly, we could not determine compliance for internal solicitation 15.06, Pipe Insulation Services, because the Purchasing Director indicated that there likely were no evaluations done for the request for proposal.

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

Finding 2015-014: State Compliance - Bank Depository Contract

Condition: The District selected the request for proposal option but did not evaluate and rank each submitted proposal in relation to the stated selection criteria as required by TEC §45.206(d).

Status: We noted no similar instances during the current year audit. The Depository Contract that the District entered into during the prior fiscal year is effective from September 1, 2015 to August 31, 2017.

Finding 2015-015: Child Nutrition Cluster (CFDA 10.553, 10.555 10.559) - Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Condition: We noted one instance in which supporting documentation could not be located for a nonpayroll transaction. In a separate instance, we were not provided sufficient documentation to support a payroll charge to the program. Therefore, we were unable to determine whether the expenditures were allowable.

Status: Although we noted improvement in this area, we noted a similar instance during the current year, see Finding 2016-008.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

IV. Status of Prior Year Findings (continued)

Federal Award Findings

Finding 2015-016: ESEA, Title I, Part A (CFDA 84.010A) Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Condition: While conducting our review of payroll and nonpayroll transactions, we noted several instances in which there was a lack of documentation to support the charges to the program. Therefore, we could not determine if the activity was allowable. In addition, there was inadequate documentation to support the charges to the program made via journal entry.

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

Finding 2015-017: Special Education Cluster (CFDA 84.027A & 84.173A) - Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Condition: We noted one instance in which an invoice could not be located and therefore we could not determine if the activity was allowable. In addition, we noted numerous instances in which unallowable expenditures were charged to the program for item such as office supplies. The District also did not perform the excess cost calculation. However, we recalculated the amount and determined that the District was not in compliance with this requirement.

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

Finding 2015-018: ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A) - Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Condition: During the audit, we noted numerous instances in which the expenditures did not meet the purpose and intent of the program and therefore were considered unallowable expenditures. We noted numerous instance in which the hotel and travel costs exceeded applicable GSA rates. In addition, there was a lack of documentation to support charges (i.e. invoice and agendas could not be located, reimbursement for mileage could not be substantiated, travel settle-ups were not provided) and therefore we could not determine if the activity was allowable. We also noted one instance in which in-district travel appeared to be excessive in nature.

Status: Although we noted improvement in this area, we noted a similar instance during the current year, see Finding 2016-010.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

IV. Status of Prior Year Findings (continued)

Federal Award Findings (continued)

Finding 2015-019: Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559) -ESEA, Title I, Part A (CFDA 84.010A), ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A), Special Education Cluster (CFDA 84.027A & 84.173A), Head Start (CFDA 93.600) - Compliance - Allowable Costs/Cost Principles: Semi Annual Certifications

Condition: Child Nutrition Cluster - Semi-annual certifications for the first semester were not maintained for any of the employees paid with Child Nutrition funds.

Title II, Part A - Teacher Principal Training and Recruiting - Semi-annual certifications were signed between late October and November for the first semester and in late April to mid-May in the second semester.

Special Education Cluster - Semi Annual certifications were signed between late October and early December for the first semester and in late May for the second semester.

Head Start - Semi-annual certifications for the Head Start were signed close to the end of the first and second semester. We also noted that employees used for matching purposes did not have the required semi-annual certifications.

Title I, Part A - Semi-annual certifications were signed close to the end of the first and second semester. A few employees did not have any semi-annual certifications on file.

Status: Although we noted improvement in this area, we noted a similar instance during the current year audit for Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A), see Finding 2016-011.

Finding 2015-020: ESEA, Title I, Part A (CFDA 84.010A), ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A), Special Education Cluster (CFDA 84.027A & 84.173A), - Compliance - Procurement

Condition: Title I, Part A and Title II, Part A – The District only obtained one quote for services such as consultants, presenters and professional development services. Professional services totaled an amount below \$100,001 and were paid with funds including federal funds. Quotes from an adequate number (at least more than one) were not obtained.

Special Education Cluster – The District entered into professional service contracts with various vendors which required formal competitive procurement, as these services were paid with federal funds passed through TEA from the U.S. Department of Education. The District should have conducted formal competitive procurement methods, except a competitive bid, for Physical & Occupational Therapy Services and SPED Educational and Related Services as each of these services exceeded \$100,000. In addition, the District was required to obtain more than one quote for SPED Assessment Services, Speech Therapy, Behavior Analyst, Diagnostician and Regional Day Deaf Program services as these amounts were below \$100,001 and paid with funds including federal funds.

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

IV. Status of Prior Year Findings (continued)

Federal Award Findings (continued)

Finding 2015-021: ESEA, Title, I Part A (CFDA 84.010A) - Compliance - Special Tests & Provisions - Highly Qualified

Condition: The Highly Qualified Teacher Summary report submitted by the District to TEA shows that only 94.4% of the teachers are highly qualified for the 2014-2015 school year.

Status: This situation continues to exist, see Finding 2016-009.

Finding 2015-022: ESEA, Title, I Part A (CFDA 84.010A) - Compliance - Reporting: Special Reporting - Midyear Collection Report

Condition: The data in the mid-year collection report did not agree to the August 31, 2014 audited financial statements.

Status: This situation was resolved. Per the FIRST rating based on 2014-2015 school year data indicator test 13, the TEA awarded to the District the maximum of 10 points indicating that the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR resulted in a total variance of less than 3 percent of all expenditures by function.

Finding 2015-023: ESEA, Title I Part A (CFDA 84.010A), ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A), Special Education Cluster (CFDA 84.027A & 84.173A)- Internal Control over Compliance and Compliance - Level of Effort - Maintenance of Effort

Condition: 1) It was noted that the District does not use TEA's MOE calculator tool for Title I, Part A and Title II, Part A and therefore we were unable to determine compliance with this requirement. 2) The District did not use the TEA's MOE calculator tool for the Special Education Cluster and therefore we were unable to determine compliance with this requirement. In addition, we noted that there are no internal controls in place to ensure that the District is in compliance with the Maintenance of Effort requirements.

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

Finding 2015-024: Head Start (CFDA 93.600); Title I, Part A (CFDA 84.010A); Special Education Cluster (CFDA 84.027A); Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A) - Internal Controls over Compliance and Compliance - Reporting: Financial Reporting

Condition: Requests for reimbursements and are not reviewed or approved by a second individual.

Head Start: We noted that the "Negative Cash" report was used to request reimbursement from the State instead of expenditures as is required for grants on a reimbursement basis. The District requested more funds than what was recorded in expenditures in the general ledger. The District is required to submit quarterly cash transactions report that include expenditures up to a certain date. We noted that the December 2014 report included expenditures from January 2015.

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

IV. Status of Prior Year Findings (continued)

Federal Award Findings (continued)

Finding 2015-025: Child Nutrition Cluster (CFDA 10.553, 10.555 10.559) - Internal Controls over Compliance and Compliance - Special Tests and Provisions: Paid Lunch Equity

Condition: Although the Program Director stated that she reviewed the calculation based on guidance provided during an audit by the Texas Department of Agriculture, there was no formal written documentation that the review was done as supporting documentation for the calculation could not be located.

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

Finding 2015-026: ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A) - Internal Control over Compliance and Compliance - Special Tests and Provisions: Assessment of Need

Condition: The District could not provide any information related to this requirement. Therefore, we were unable to determine if the District's controls were properly designed and implemented and if it complied with the requirement.

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

Finding 2015-027: ESEA, Title I Part A (CFDA 84.010A) - Internal Control over Compliance and Compliance - Special Tests and Provisions: Comparability

Condition: The Budget Specialist prepares and submits the comparability report to the State without a second person reviewing it or approving it. In addition, we noted that the report is not completed properly as some of the some sections have been pre-filled and all the campuses have been "skipped".

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

Finding 2015-028: ESEA, Title I Part A (CFDA 84.010A) - Internal Control over Compliance and Compliance - Special Tests and Provisions: Schoolwide Programs

Condition: The five Campus Improvement Plans reviewed did not contain all components required by 34 CFR Section 200.28

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

IV. Status of Prior Year Findings (continued)

Federal Award Findings (continued)

Finding 2015-029: ESEA, Title I Part A (CFDA 84.010A) - Internal Control over Compliance and Compliance - Special Tests and Provisions: Annual Report Card, High School Graduation Rate

Condition: We noted four instances in which there was no evidence of review or approval by an authorized person to remove a student from the cohort. We also noted three instances in which the supporting documentation provided did not agree to the leaver code used to remove the student from the cohort.

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

Finding 2015-030: ESEA, Title I Part A (CFDA 84.010A) - Internal Control over Compliance and Compliance - Eligibility

Condition: Although the campus allocation was done, the documentation to support the calculation could not be located. In addition, we noted that the calculation did not show any reservation of funds to provide comparable services to neglected and homeless children before the campus allocation.

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

Finding 2015-031: - ESEA, Title I, Part A (CFDA 84.010A), ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A), Special Education Cluster (CFDA 84.027A & 84.173A), and Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559) - Internal Control over Compliance - Procurement

Condition: We noted the District is lacking adequate controls over the procurement process. The Interim Purchasing Director was on a significant learning curve and in need of procurement training, including federal procurement requirements. It appears the prior Purchasing Director was also unfamiliar with the federal procurement requirements as these purchases requiring procurement were not new to the District. Not having the proper training within the Purchasing department has contributed to non-compliance with federal procurement requirements within federal funds received by the District.

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

Finding 2015-032: ESEA, Title I, Part A (CFDA 84.010A), ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A), Special Education Cluster (CFDA 84.027A & 84.173A), and Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559)- Internal Control over Compliance - Suspension and Debarment

Condition: Based on our federal procurement walkthrough, it appears that the District does not have any policies or procedures related to suspension and debarment including the prohibition of contracting with suspended or debarred parties.

Status: Although we noted improvement in this area, we noted a similar instance during the current year, see Finding 2016-012.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

IV. Status of Prior Year Findings (continued)

Federal Award Findings (continued)

Finding 2015-033: ESEA, Title I Part A (CFDA 84.010A), ESEA and ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A) - Internal Control over Compliance- Level of Effort: Supplement not Supplant

Condition: During our walkthrough, we noted that controls over compliance are not properly designed nor implemented. It appears that no one was monitoring expenditures to ensure compliance.

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

Finding 2015-034: Head Start (CFDA 93.600), 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) - Internal Control over Compliance - Activities Allowed and Unallowed; Allowable Costs/Cost Principles

Condition: Head Start - For payroll, we noted seven instances in which a payroll clerk approved time instead of the authorized campus personnel.

Child Nutrition Cluster -

For payroll, we noted five instances in which there was no documentation to confirm that extra duty and substitute pay was properly approved. There is no internal control in place to show that the program director has approved the position or employees charged to the program.

For non-payroll, we also noted one instance in which an invoice could not be located to support an expenditure charged to the program. There were two instances in which the transaction was not coded properly. We noted three instances in which the vendor's name recorded in the general ledger did not agree to the check and/or invoice.

Special Education Cluster -

For non-payroll transactions, we noted one instance in which we could not locate the invoice to support the charge to the program. There were 13 instances in which the transaction was not coded properly. We noted three instances in which the vendor's name recorded in the general ledger did not agree to the check and or/invoice.

For payroll, there is no internal control in place to show that the program director has approved the position or employees charged to the program. We noted five instances in which the coding of the transaction was not correct. There were six instances in which the payroll clerk approved the extra duty pay instead of the appropriate campus personnel.

ESEA Title I, Part A -

For non-payroll transactions, there were ten instances in which the supporting documentation could not be located to support the amount charged to the program. There were five instances in which the coding of the transaction was not correct. We noted one instance in which the vendor's name recorded in the general ledger did not agree to the check and or/invoice.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

IV. Status of Prior Year Findings (continued)

Federal Award Findings (continued)

Finding 2015-034 (continued)

Condition: For payroll, there is no internal control in place to show that the program director has approved the position or employees charged to the program. We noted five instances in which the coding of the transaction was not correct.

ESEA Title II, Part A - Teacher Principal Training and Recruiting -

For non-payroll transactions, we noted ten instances in which supporting documentation could not be located to support the charge to the program. There were 14 instances in which the coding of the transaction was not correct. We noted two instances in which the vendor's name recorded in the general ledger did not agree to the check and or/invoice.

For payroll, there is no internal control in place to show that the program director has approved the position or employees charged to the program.

Status: A similar situation continues to exist, see Finding 2016-013.

Finding 2015-035: Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559) - Internal Control over Compliance - Program Income

Condition: No controls appear to be designed or implemented for the receipt, deposit, and recording of Program Income related to the Child Nutrition Cluster program.

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

Finding 2015-036: Head Start (CFDA 93.600); 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); Title II, Part A (CFDA 84.367) - Internal Controls over Compliance - Inadequate segregation of duties

Condition: Individuals in the finance department had the ability to initiate, approve and post journal entries into the accounting system without a second review or approval. Controls over journal entries in the TEAMS accounting software were implemented in October 2014. However, the controls were deleted and the settings reverted back to the original setting. As a result, the individuals in the finance department had the ability again to initiate, approve and post journal entries without a second review or approval.

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

V. Corrective Action Plan

Financial Statement Findings

Finding 2016-001 Payroll Control Activities

Response: For the 5 instances noted, catch up pays were made. The District hired a well-experienced Executive Director of HR and is on the process of improving their controls and procedures related to Human Resources and Payroll.

Contact Person: Lillie Babino, Executive Director of Human Resources.

Estimated Completion Date: June 30, 2017.

Finding 2016-002: Accounts Payable Control Activities

Response: The District is in the process of improving their purchasing procedures and communicating them to the new leadership and staff.

Contact Person: Clifton English, Purchasing Agent, Stacey Fitch, Comptroller, and Cheryl Hernandez, CFO.

Estimated Completion Date: June 30, 2017.

Finding 2016-003: Procurement Procedures

Response: The Purchasing Department is on the process of implementing a formal procedure to review the vendor listing. The District will maintain a log of all changes made by the District to TEAMS, the purpose for the change and who approved the change. The District will ensure TEAMS provides information about all patches applied to the system. In addition, the Purchasing Department is on the process of implementing a formal procedure to monitor vendor expenditures and commodity type to ensure that proper procurement method will be used. The Purchasing Agent will become familiar with the guidance and “Bear Claw” illustration and the grant terms and conditions of federal awards. The District will determine if procurement policies and procedures will be in accordance with either old or new standards and document its determination.

Contact Person: Clifton English, Purchasing Agent, Stacey Fitch, Comptroller, and Cheryl Hernandez, CFO.

Estimated Completion Date: June 30, 2017.

Finding 2016-004: Student Attendance

Response: In January 2017, there will be changes in personnel at some of the campuses regarding attendance accounting. As part of a corrective action from a prior audit, the district made a decision back in September to effectively end the position of attendance clerk on December 16, 2016 and restructure the position to that of PEIMS Data Clerk, which requires a greater skill set for attendance accounting and managing PEIMS records than had previously been required of attendance clerks.

Contact Person: Senecia Saveat, Assistant Director of Student Services.

Estimated Completion Date: June 30, 2017.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

V. Corrective Action Plan (continued)

Financial Statement Findings (continued)

Finding 2016-005: Information Technology Management and Organization

Response: The Information Services Department, in coordination with other relevant departments, is currently developing a formal policy for security incident breaches of the district's computer systems, and a formal anti-virus policy and procedure document. The District currently has systems in place that keep Windows updates current on district computers, and the District also uses Kaspersky Endpoint Security on our servers and high risk end user computers. They also monitor network traffic for unusually high amounts of traffic coming to or from any one machine, which is usually indicative of some type of malware. When found, those machines are removed from the network and either cleaned or reimaged.

Contact Person: Jarod Parnell, Director of Information Services and Technology, and Rosemarie Delano, Chief of Staff and Operations.

Estimated Completion Date: The District anticipate the policies will be complete and in effect by March 1, 2017.

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

Response: (1) The Director of Information Services and Technology uses a document shared with appropriate department staff to reflect times and dates logs were monitored and when security activities took place. This document logs the date, time, file monitored, file location, security activities, observations/alerts, and person reviewing logs or making security changes. (2) All non-IT personnel have been removed from the Network Administrators list. The users removed were granted local admin access to the systems they manage. They no longer have system-wide access. (3) The Director of Information Services and Technology is reviewing finance user security with CFO, Comptroller, and Systems Operator Programmer to limit finance user access and ensure that appropriate controls are in place. Finance users will not be able to change security for any user, and approval workflows will be adjusted to ensure accountability by at least two senior finance users. In addition, the district will engage Prologic Technology Systems, our finance system vendor, to conduct a security review in TEAMS and train technology staff to manage TEAMS security. (4) Senior technology staff will be trained to manage TEAMS security and a security review will be conducted by Prologic Technology Systems. The Information Services and Technology department will then review TEAMS security annually using a sample of users to determine whether security is being managed appropriately. This will be documented in a spreadsheet shared with appropriate IT Staff. (5) The district currently has automated processes that add, change, and delete users to and from Active Directory based on employment/enrollment status. These processes occur on a real-time basis as an individual's employment status is added/changed in TEAMS. All of these adds, changes, and deletes are logged by the system. Senior IT staff will annually review these logs and sample a random amount of users whose status has changed in the logs, reconciling the logs to what is currently in Active Directory. This will be documented on a spreadsheet shared with appropriate IT Staff.

Contact Person: Jarod Parnell, Director of Information Services and Technology, and Rosemarie Delano, Chief of Staff and Operations.

Estimated Completion Date: (1) and (2) Immediately. (3) and (4) We anticipate these activities will be complete by March 1, 2017. (5) We anticipate that the first annual review will be completed by March 1, 2017. Thereafter, the reviews will be conducted annually in June of each year.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

V. Corrective Action Plan (continued)

Financial Statement Findings (continued)

Finding 2016-007: Information Technology Security: Data Protection

Response: (1) The Cisco ASA firewall will be replaced with a pair of Juniper firewalls. This equipment is being replaced utilizing a combination of district funds and E-rate program funds. The district's application for funding is currently in review by the Universal Services Administrative Company (USAC). (2) The district does not currently have a password maximum age policy. The district does have a minimum length for passwords of at least 6 characters. The district will implement and enforce a maximum age password policy of no more than 90 days, and will require a password length of at least 8 characters with complexity enabled. (3) The TEAMS system currently logs a user out after thirty minutes of inactivity. District computers utilizing Windows 7 currently have no logout policy after a period of inactivity. Users are encouraged to lock their computer when they leave their computer for any reason. An automatic logout policy will be implemented and enforced for all district computers. (4) The Information Services and Technology department has removed access to the IT server room from all personnel except IT staff. If Maintenance staff need to perform electrical or HVAC system maintenance, IT staff will let them in and remain with them while the work is being performed.

Contact Person: Jarod Parnell, Director of Information Services and Technology, and Rosemarie Delano, Chief of Staff and Operations.

Estimated Completion Date: (1) We anticipate that this replacement will occur by April 1, 2017. (2) and (3) We anticipate this policy will be in place by March 1, 2017. (4) Immediately.

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

Response: The Child Nutrition program will implement a procedure and provide training to ensure that capital expenditures subject to section 14.36 of the Texas Department of Agriculture's Reference Manual are submitted and approved by the TDA before the expenditure is made.

Contact Person: Joanna Genuardi, Director of Food Service, and Rosemarie Delano, Chief of Staff and Operations.

Estimated Completion Date: June 30, 2017.

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

Response: The District has hired a qualified Director of Human Resources to work in conjunction with program directors to ensure teachers are highly qualified.

Contact Person: Lillie Babino, Executive Director of Human Resources, and Jody Slaughter, Director Federal Program Grants.

Estimated Completion Date: June 30, 2017.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

V. Corrective Action Plan (continued)

Federal Award Findings (continued)

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

Response: The District is monitoring closely the coding of the expenditures with different levels of reviews including the Federal Program Directors and CFO.

Contact Person: Vonda Washington, Assistant Superintendent Curriculum and Instruction, Cheryl Hernandez, CFO, and Stacey Fitch, Comptroller.

Estimated Completion Date: June 30, 2017.

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

Response: Program directors will ensure that semi-annual certifications for employees funded 100 percent from their federal program are prepared on a timely basis and by the appropriate personnel. If the employee is split funded, program directors will ensure the time and effort documentation is maintained. The budget specialist will periodically monitor this process.

Contact Person: Jodi Slaughter, Director Federal Programs Grants, Fred Shafer, Executive Director of Special Education, Stacey Fitch, Comptroller, and Cheryl Hernandez, CFO.

Estimated Completion Date: June 30, 2017.

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

Response: The District will ensure that vendors paid with federal funds are not suspended or debarred. The District will utilize one of the three methods to verify a vendor is not suspended or debarred: (1) a clause in the bid documentation, which is signed by the vendor; (2) a certification stating the vendor is not suspended or debarred; (3) the District will verify on www.sam.gov to ensure vendors the district is contemplating doing business with the district are not suspended or debarred.

Contact Person: Clifton English, Purchasing Agent, Stacey Fitch, Comptroller, and Cheryl Hernandez, CFO.

Estimated Completion Date: June 30, 2017.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2016

V. Corrective Action Plan (continued)

Federal Award Findings (continued)

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

Response: The District will implement a formal procedure for the Federal Program Director's to monitor and sign off on the employees paid out of the grants.

Contact Person: Joanna Genuardi, Director of Child Nutrition, Fred Shafer, Executive Director of Special Education, Vonda Washington, Assistant Superintendent Curriculum and Instruction, Stacey Fitch, Comptroller, and Cheryl Hernandez, CFO.

Estimated Completion Date: June 30, 2017.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2016

Exhibit K-1
Page 1 of 2

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
	U.S. Department of Defense			
	Direct Program:			
N/A	Naval JROTC	199	12.000	\$ 275,226
	Total U.S. Department of Justice			<u>275,226</u>
	U.S. Department of Education			
	Passed Through Texas Education Agency:			
	<u>Special Education Cluster:</u>			
166600011239106000	IDEA-B Formula	224	84.027A	3,557,274
156600011239106000	IDEA-B Formula	224	84.027A	84,430
166600111239106000	IDEA-B Discretionary - Deaf	315	84.027A	94,875
166600011239106000	IDEA-B Formula - Deaf	316	84.027A	29,410
166610011239106000	IDEA-B Preschool - Deaf	317	84.173A	2,123
166610011239106000	IDEA-B Preschool	225	84.173A	31,036
156610011239106000	IDEA-B Preschool	225	84.173A	1,066
	Total Special Education Cluster			<u>3,800,214</u>
	Title I Part A:			
16610101123910	ESEA, Title I, Part A	211	84.010A	7,541,157
16610103123910	Title I, Part D, Subpart D - Delinquent Programs	211	84.010A	66,382
16610112123910000	Title I 1003(A) Priority and Focus School Grant	211	84.010A	100,029
	Total Title I Part A			<u>7,707,568</u>
16420006123910	Carl D. Perkins Basic Grant	244	84.048A	268,597
163911011239103000	IDEA-C Early Intervention	340	84.181A	801
16694501123910	Title II, Part A, Teacher/Principal Training	255	84.367A	1,107,338
15694501123910	Title II, Part A, Teacher/Principal Training	255	84.367A	57,885
16671001123910	Title III, Part A, LEP	263	84.365A	130,525
15671001123910	Title III, Part A, LEP	263	84.365A	9,853
69551502	Summer School LEP	199	84.369A	10,018
	Total Passed Through Texas Education Agency			<u>13,092,799</u>
	Total U.S. Department of Education			<u>13,092,799</u>
	U.S. Department of Health & Human Services			
	Direct Program:			
06CH7087-03-00	Head Start	205	93.600	2,942,624
	Total Direct Program			<u>2,942,624</u>
	Passed Through Texas Health and Human Services:			
N/A	Medicaid Administrative Claiming Program – MAC	272	93.778	24,237
	Total Passed Through Texas Health and Human Services			<u>24,237</u>
	Total U.S. Department of Health & Human Services			<u>2,966,861</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2016

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	\$ 756,921
	Cash Assistance:			
00654	<i>Summer Feeding Program</i>	242	10.559	<u>149,984</u>
	Total Passed Through Texas Department of Agriculture			<u>906,905</u>
	Passed Through Texas Education Agency:			
	Cash assistance:			
71401601	<i>School Breakfast Program</i>	240	10.553	2,540,606
71301601	<i>National School Lunch Program</i>	240	10.555	<u>6,594,170</u>
	Total Passed Through Texas Education Agency			<u>9,134,776</u>
	Total Child Nutrition Cluster			<u>10,041,681</u>
	Total U.S. Department of Agriculture			<u>10,041,681</u>
	Total Expenditures of Federal Awards			<u>\$ 26,376,567</u>

Note 1 - Basis of Accounting

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

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

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

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

Total Expenditures of Federal Awards on Exhibit K-1	\$ 26,376,567
Build America Bonds - Federal Interest Subsidy	1,077,767
Medicaid SHARS	1,805,336
E-Rate	611,453
Total Federal Revenue - Exhibit C-3	<u>\$ 29,871,123</u>

Note 4 - General Fund Expenditures

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

Medicaid SHARS	\$ 1,805,336
Naval JROTC	275,226
E-Rate	611,453
Summer School LEP	10,018
Indirect Costs:	
ESEA, Title I, Part A	163,211
IDEA-B Formula	86,221
IDEA-B Formula - Deaf	713
IDEA-B Preschool	752
IDEA-B Preschool - Deaf	51
Carl D. Perkins Basic Grant	5,494
Title III , Part A, LEP	3,164
Title II, Part A, Teacher/Principal Training	26,840
Total Federal Revenue reported in the General Fund	<u>\$ 2,988,479</u>

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.	\$ 1,220,231
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ 0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$27,627,919
SF13	Pension Expense (6147) at fiscal year-end.	\$ 4,207,822