

BEAUMONT INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2015



BEAUMONT INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Certificate of Board	1	
FINANCIAL SECTION	3	
Independent Auditor's Report	5	
Management's Discussion and Analysis	9	
Basic Financial Statements:	19	
<u>Government-wide Financial Statements</u>		
Statement of Net Position	20	A-1
Statement of Activities	21	B-1
<u>Governmental Fund Financial Statements</u>	23	
Balance Sheet Governmental Funds	24	C-1
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position	25	C-2
Statement of Revenues, Expenditures, and Changes In Fund Balance	26	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	27	C-4
<u>Proprietary Fund Financial Statements</u>	29	
Statement of Net Position	30	D-1
Statement of Revenues, Expenses, and Changes In Fund Net Position	31	D-2
Statement of Cash Flows	32	D-3
<u>Fiduciary Fund Financial Statements</u>	33	
Statement of Fiduciary Net Position	34	E-1
Statement of Changes In Fiduciary Fund Net Position	35	E-2
<u>Notes to the Financial Statements</u>	37	
Required Supplementary Information:	75	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	76	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability Teacher Retirement System of Texas	77	G-2
Schedule of District Contributions - Teacher Retirement System of Texas	78	G-3
Notes to Required Supplementary Information	79	
Supplementary Information:	81	
<u>Nonmajor Governmental Funds</u>		
Combining Balance Sheet	82	H-1
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances	90	H-2
<u>Private Purpose Trust Funds</u>		
Combining Statement of Net Position	98	H-3
Combining Statement of Revenues, Expenses, and Changes In Fund Net Position	100	H-4

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

	<u>Page</u>	<u>Exhibit</u>
Other Information - Required TEA Schedules	103	
Schedule of Delinquent Taxes Receivable	104	J-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Child Nutrition Program	106	J-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Debt Service Fund	107	J-3
FEDERAL AWARDS SECTION	109	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	111	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	113	
Schedule of Findings and Questioned Costs	117	
Schedule of Status of Prior Year Findings	156	
Schedule of Expenditures of Federal Awards	168	K-1
Notes on Accounting Policies for Federal Awards	170	

CERTIFICATE OF BOARD

Beaumont Independent School District
Name of School District


Jefferson
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 (check one) ☒ approved ☐ disapproved for the year ended August 31, 2015, at a meeting of the Board of Managers of such School District on the 25th day of February 2016.



President of the Board



Vice President of the Board

This page is left blank intentionally.

FINANCIAL SECTION

This page is left blank intentionally.

INDEPENDENT AUDITOR'S REPORT

To the Board of Managers
Beaumont Independent School District

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 as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Beaumont Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Qualified
Major Governmental Fund - Debt Service	Unmodified
Aggregate Remaining Fund Information	Qualified

Basis for Qualified Opinion on Governmental Activities

We were not able to determine the validity of the Capital Assets beginning balances as well as the stated amount of \$461,508,133 in the Statement of Net Position as of August 31, 2015. Management of the District was unable to provide appropriate records to support the beginning and ending balances for Capital Assets for the year ended August 31, 2015.

Basis for Qualified Opinion on General Fund

The District has stated inventories at a cost of \$630,180 for the General Fund in the Governmental Funds Balance Sheet as of August 31, 2015. We were not able to determine the validity of the Inventories beginning balance and were not able to observe the counting of physical inventories as of August 31, 2015.

Basis for Qualified Opinion on Aggregate Remaining Fund Information

The District has stated inventories at a cost of \$201,072 for the aggregate remaining funds in the Governmental Funds Balance Sheet as of August 31, 2015. We were not able to determine the validity of the Inventories beginning balance and were not able to observe the counting of physical inventories as of August 31, 2015.

Qualified Opinions

In our opinion, except for the possible effects of the matters described in the “Basis for Qualified Opinion on Governmental Activities”, “Basis for Qualified Opinion on General Fund”, and “Basis for Qualified Opinion on Aggregate Remaining Fund Information” paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities, General Fund, and aggregate remaining fund information of Beaumont Independent School District as of August 31, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Debt Service Fund of Beaumont Independent School District as of August 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note I to the financial statements, in 2015 Beaumont Independent School District adopted new accounting guidance, GASB Statement no. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 9 through 17, 76, and 77 through 79 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Beaumont Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and required TEA schedules 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the possible effect on the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards as described in the "Basis for Qualified Opinion on Aggregate Remaining Fund Information", the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The required TEA schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2016, on our consideration of the Beaumont Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beaumont Independent School District's internal control over financial reporting and compliance.

Gibson, Ruddock, Patterson LLC

Gibson, Ruddock, Patterson LLC

El Paso, Texas

February 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of the Beaumont Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2015. We encourage readers to consider the information presented here in conjunction with the independent auditors' report, and the District's Basic Financial Statements that follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$88,601,284 at August 31, 2015.
- During the year, the District's expenses were \$20,584,604 less than the \$210,544,406 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased slightly from the period ended August 31, 2014. The District continues to enhance existing programs designed to assist students in at-risk, economically disadvantaged, and special education sub groups in order to comply with State of Texas Assessment of Academic Readiness and End of Course assessments as well as other federal and state mandates.
- The general fund balance increased significantly over the prior year. The general fund reported a fund balance this year of \$14,798,240. Of this amount, \$11,363,055 is for unrestricted use by the District.

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 include three components: (1) government-wide financial statements, (2) the basic financial statements, and (3) notes to the 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. They include the Statement of Net Position and the Statement of Activities that provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The Statement of Net Position presents information in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources to equal net position. Net position is displayed in three components – net investment in capital assets, restricted, and unrestricted. 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. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The *Statement of Activities* presents information showing how the government's net position changed during the current fiscal year. All changes in net position are reported for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

OVERVIEW OF THE FINANCIAL STATEMENTS – Continued

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, Cocurricular/Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Acquisition and Construction, Payments for Shared Service Arrangements, Payments to Juvenile Justice Alternative Education Programs, and 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 requirements. The fund financial statements provide detailed information about the District's most significant funds, not the District as a whole.

- Some funds are required by State law and by bond covenants.
- The Board of Managers establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of 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 government'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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several individual governmental funds organized according to their type. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the District's most significant funds. The District's major governmental funds are the General and Debt Service Funds. Data for the remaining governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The Texas Education Agency also requires the District to present a budgetary comparison statement for one of its special revenue funds (food service) and the debt service fund.

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

- **Proprietary Funds.** Proprietary funds reported by the District are generally used to account for services for which the District charges its employees or internal units. The District maintains an Internal Service fund to accumulate and allocate costs internally among the District's various functions. The District used an internal service fund to account for its self-insurance program for workers' compensation. The activities and balances of this fund have been included with governmental activities in the government-wide financial statements. The District does not have any business-type funds.
- **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

An Agency fund is a type of fiduciary fund used to report resources held by the District in a purely custodial capacity. The District accounts for the activities of student groups and refunds/overpayments due to taxpayers in this type of fund.

A private purpose trust fund is a second type of fiduciary fund. Private purpose trust funds are used to report all trust arrangements, other than those properly recorded in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments. The District accounts for student scholarships in private purpose trust funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a complete 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, beginning in fiscal year 2015, TRS pension information is also included in the required supplementary information.

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 an indicator of a District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities by \$88.6 million at the close of the most recent fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g., capitalized bond and debt issuance costs, land, buildings and improvements, furniture and equipment), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to

BEAUMONT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

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.

Our analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental activities. The District's combined net position was \$88,601,284 at August 31, 2015.

Table I
BEAUMONT INDEPENDENT SCHOOL DISTRICT
Comparative Schedule of Net Position

	August 31, 2015	August 31, 2014
Current and Other Assets	\$ 48,370,121	\$ 27,579,690
Capital Assets	461,508,133	467,371,812
Total Assets	509,878,254	494,951,502
Deferred loss on refunding	1,572,088	2,063,318
Deferred outflow related to TRS	-	2,063,318
Total Deferred Outflows of Resources	1,572,088	2,063,318
Current liabilities	22,499,299	16,519,061
Long-term liabilities	399,265,803	397,423,877
Total Liabilities	421,765,102	413,942,938
Net Position:		
Net investment in capital assets	83,441,386	78,574,293
Restricted	4,370,069	3,170,639
Unrestricted	789,829	1,081,335
Total Net Position	\$ 88,601,284	\$ 82,826,267

The District's net position increased by \$5.7 million during fiscal year 2015.

Changes in net position. The Districts total revenues were \$210.5 million. A portion, 61 percent, of the District's revenue comes from local property taxes, 34 percent comes from grants and contributions, while only 1 percent relates to charges for services and the remaining 4 percent relates to investment earnings and other miscellaneous revenue.

The primary functional expenses of the District are instruction, food services, facilities maintenance and operations, debt service, which represent 75 percent of total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.

Total Cost of all programs and services was \$189.9 million. The net position of the District for the current year increased \$20.5 million as a result of operations. The increase was offset by prior period adjustments. The combined effect on net position of the prior period adjustments was a decrease of \$14.8 million as described in Note IV Y of the financial statements. One of the prior period adjustments was a \$17.6 million decrease due to the implementation of *Governmental Accounting Standards Board (GASB) Statement number 68 -Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27 and GASB 71-Pension Transition for Contributions Made Subsequent to the Measurement Date and amendment of GASB Statement No. 68*. Please see Note IV Y for more detailed information on all prior period adjustments.

BEAUMONT INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Key elements of the governmental activities of the District are reflected in the following table:

Table II
Beaumont Independent School District
Comparative Schedule of Changes in Net Position

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,869,974	\$ 3,235,829
Operating Grants and Contributions	38,241,967	43,555,935
General Revenues:		
Maintenance and Operations Taxes	127,899,704	124,240,050
State Aid - Formula Grants	34,390,440	39,526,258
Investment Earnings	26,903	32,984
Miscellaneous	7,115,418	4,598,377
Total Revenue	<u>210,544,406</u>	<u>215,189,433</u>
Expenses:		
11 Instruction	92,595,032	110,027,921
12 Instructional Resources and Media Services	1,582,944	1,966,654
13 Curriculum/Instructional Development	676,501	936,205
21 Instructional Leadership	4,191,588	6,219,745
23 School Leadership	9,281,994	10,259,063
31 Guidance and Counseling Services	4,354,092	5,026,454
32 Social Work Services	602,604	765,278
33 Health Services	1,970,584	2,110,844
34 Student (Pupil) Transportation	7,323,212	7,874,332
35 Food Services	10,901,493	12,379,745
36 Cocurricular/Extracurricular Activities	3,706,716	3,758,744
41 General Administration	8,324,878	8,232,353
51 Facilities Maintenance and Operations	20,387,787	24,182,337
52 Security and Monitoring Services	1,892,767	2,622,830
53 Data Processing Services	1,311,656	1,385,202
61 Community Services	1,206,946	1,547,524
72 Debt Services - Interest on Long-Term Debt	18,492,363	18,868,673
73 Debt Services - Bond Issuance Cost & Fees	24,509	13,265
93 Payments to Fiscal Agent/Member Districts of SSA	88,407	104,749
95 Payments to Juvenile Justice Alternative Ed. Program	150,000	150,000
99 Other governmental charges	893,729	1,654,425
Total Expenses Governmental Activities	<u>189,959,802</u>	<u>220,086,343</u>
Increase (Decrease) in Net Assets	20,584,604	(4,896,910)
Net Position - September 1 (Beginning)	82,826,267	95,403,538
Prior Period Adjustment	(14,809,587)	(7,680,361)
Net Position - August 31 (Ending)	<u>\$ 88,601,284</u>	<u>\$ 82,826,267</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District continues to operate from a very conservative viewpoint due to a variety of issues. The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District completed many projects to meet student needs while remaining fiscally conservative.

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 \$19.2 million for all funds, an increase of \$13.8 million including a prior period adjustment of \$0.8 million. The majority of the increase was a planned and budgeted increase. In addition, expenditures were \$3.7 million less than budgeted for the current year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the general fund had unassigned fund balance of \$11.3 million, while total general fund balance reached \$14.8 million. 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. Total general fund balance represents 10.6 percent of general fund expenditures.

During the current fiscal year, the total fund balance of the District's general fund increased by \$12.7 million, which included a prior period adjustment of \$0.8 million. Total general fund expenditures decreased by \$22.5 million.

The debt service fund balance totaled \$577,419, which is restricted for the retirement of long-term debt. The net increase in the debt service fund balance was \$25,283 during the current year and was due to current year debt service fund revenues exceeding expenditures by \$25,283.

The capital projects fund, a nonmajor fund in the current year, had a total fund balance of \$72,712, all of which is restricted for authorized construction. The net decrease in fund balance during the current year of \$39,447 was due to retainage and construction audit costs.

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
Total revenues	\$ 144,940,241	\$ 152,809,487
Total expenditures	135,030,356	142,717,213
Other financing sources (uses)	(1,276,875)	(1,093,168)
Net change in fund balance	<u>\$ 8,633,010</u>	<u>\$ 8,999,106</u>

GENERAL FUND BUDGETARY HIGHLIGHTS, CONTINUED

The District increased its original revenue budget by approximately \$7.86 million. The local and intermediate sources budget increased \$1.45 million for unexpected miscellaneous receipts of insurance recovery and restitution due to the District. State program revenues budget increased \$6.41 million for amendments to TRS on behalf. The District increased appropriations by \$7.68 million. The majority of this increase was for instruction which was \$3.65 million. The remaining increase was spread out among multiple functions. The Districts actual revenues were \$860,023 less than budgeted, but expenditures were \$3.9 million less than anticipated. The actual increase to the general fund balance, including a prior period adjustment, was \$12.7 million.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets. At August 31, 2015 the District had \$461 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, furniture and equipment used for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$5.8 million (including additions and deductions) over last year.

Beaumont Independent School District**Capital Assets****Governmental Activities**

	August 31, 2015	August 31, 2014
Land	\$ 14,664,846	\$ 14,664,846
Buildings and Improvements, net	431,351,441	417,028,596
Furniture and equipment, net	15,491,846	15,825,592
Construction in progress	-	19,852,778
Totals at Historical Cost	<u>\$ 461,508,133</u>	<u>\$ 467,371,812</u>

Long-Term Debt. At year-end, the District had \$399 million in bonds and notes payable outstanding. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

	August 31, 2015	August 31, 2014
Governmental activities:		
General Obligation Bonds	\$ 379,005,000	\$ 388,680,000
Premium on Bonds	\$ 633,835	\$ 685,223
Accumulated accretion on capital appreciation bonds	\$ 1,151,765	\$ 1,123,964
Lease Revenue Bonds	-	1,250,000
Accrued Compensated Absences	2,945,472	3,888,295
Total	<u>\$ 383,736,072</u>	<u>\$ 395,627,482</u>

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

These indicators were taken into account when adopting the budget for 2015-2016. The Beaumont Independent School District general fund adopted budget for 2015–2016 is as follows:

- The maintenance and operations tax rate for fiscal year 2015-2016 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 \$151.9 million in revenues and \$144.89 million in expenditures.
- The Debt Service revenues and expenditures are budgeted for \$28.1 million and \$27.9 million, respectively.
- The Child Nutrition budget is set for \$14.9 million.

As discussed in the Notes to the Financial Statements in Note Z, the District is working with several law enforcement agencies and external forensic audit firms as they continue to investigate allegations of fraud, theft and misappropriation of assets. The District has also contracted with an external audit firm to conduct a forensic audit.

On September 30, 2015, The District received notification that Standard & Poor's Ratings Services lowered its underlying rating to 'BBB+' from 'A-' on the District's general obligation debt outstanding. The District is working diligently to remedy the situations that caused the rating downgrade, with aspirations of restoring the rating to its original status.

Contacting the District's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, 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 District's Business Office at Beaumont Independent School District, 3395 Harrison Beaumont, TX 77706-5009

This page is left blank intentionally.

BASIC FINANCIAL STATEMENTS

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 32,570,782
1220 Property Taxes Receivable (Delinquent)	22,908,799
1230 Allowance for Uncollectible Taxes	(16,960,276)
1240 Due from Other Governments	5,775,061
1267 Due from Fiduciary Funds	90,117
1290 Other Receivables, net	136,684
1300 Inventories	831,252
1410 Prepayments	2,746,010
Capital Assets:	
1510 Land	14,664,846
1520 Buildings, Net	431,351,441
1530 Furniture and Equipment, Net	15,491,846
1800 Restricted Cash	266,815
1000 Total Assets	509,873,377
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Loss on Refunding	1,572,088
1705 Deferred Outflow Related to TRS	3,666,635
1700 Total Deferred Outflows of Resources	5,238,723
LIABILITIES	
2110 Accounts Payable	9,812,948
2140 Interest Payable	793,506
2150 Payroll Deductions & Withholdings	295,052
2160 Accrued Wages Payable	5,503,509
2177 Due to Fiduciary Funds	48,609
2180 Due to Other Governments	4,674,671
2300 Unearned Revenue	1,366,127
Noncurrent Liabilities	
2501 Due Within One Year	11,029,172
2502 Due in More Than One Year	388,236,631
2000 Total Liabilities	421,760,225
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	4,750,591
2600 Total Deferred Inflows of Resources	4,750,591
NET POSITION	
3200 Net Investment in Capital Assets	83,441,386
3820 Restricted for Federal and State Programs	3,106,699
3850 Restricted for Debt Service	912,041
3860 Restricted for Capital Projects	339,527
3890 Restricted for Other Purposes	11,802
3900 Unrestricted	789,829
3000 Total Net Position	\$ 88,601,284

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 92,595,032	\$ 379,480	\$ 17,860,696	\$ (74,354,856)
12 Instructional Resources and Media Services	1,582,944	-	144,674	(1,438,270)
13 Curriculum and Staff Development	676,501	4,242	467,384	(204,875)
21 Instructional Leadership	4,191,588	106,055	2,166,297	(1,919,236)
23 School Leadership	9,281,994	-	1,020,546	(8,261,448)
31 Guidance, Counseling and Evaluation Services	4,354,092	-	551,643	(3,802,449)
32 Social Work Services	602,604	-	97,483	(505,121)
33 Health Services	1,970,584	-	2,188,271	217,687
34 Student (Pupil) Transportation	7,323,212	-	343,318	(6,979,894)
35 Food Services	10,901,493	2,190,501	9,964,105	1,253,113
36 Extracurricular Activities	3,706,716	48,804	194,097	(3,463,815)
41 General Administration	8,324,878	-	213,588	(8,111,290)
51 Facilities Maintenance and Operations	20,387,787	94,958	708,375	(19,584,454)
52 Security and Monitoring Services	1,892,767	-	93,934	(1,798,833)
53 Data Processing Services	1,311,656	-	68,721	(1,242,935)
61 Community Services	1,206,946	45,934	1,086,800	(74,212)
72 Debt Service - Interest on Long Term Debt	18,492,363	-	1,072,035	(17,420,328)
73 Debt Service - Bond Issuance Cost and Fees	24,509	-	-	(24,509)
93 Payments related to Shared Services Arrangements	88,407	-	-	(88,407)
95 Payments to Juvenile Justice Alternative Ed. Prg.	150,000	-	-	(150,000)
99 Other Intergovernmental Charges	893,729	-	-	(893,729)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 189,959,802	\$ 2,869,974	\$ 38,241,967	(148,847,861)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			101,358,273
DT	Property Taxes, Levied for Debt Service			26,541,431
SF	State Aid - Formula Grants			34,390,440
IE	Investment Earnings			26,903
MI	Miscellaneous Local and Intermediate Revenue			7,115,418
TR	Total General Revenues			169,432,465
CN	Change in Net Position			20,584,604
NB	Net Position - Beginning			82,826,267
PA	Prior Period Adjustment			(14,809,587)
NE	Net Position--Ending			\$ 88,601,284

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

This page intentionally left blank.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

BEAUMONT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 26,866,817	\$ 374,392	\$ 4,090,455	\$ 31,331,664
1220 Property Taxes - Delinquent	17,524,306	5,384,493	-	22,908,799
1230 Allowance for Uncollectible Taxes (Credit)	(12,848,297)	(4,111,979)	-	(16,960,276)
1240 Receivables from Other Governments	-	-	5,775,061	5,775,061
1260 Due from Other Funds	3,023,770	35,427	1,766,079	4,825,276
1290 Other Receivables	111,536	23,214	1,934	136,684
1300 Inventories	630,180	-	201,072	831,252
1410 Prepayments	2,538,191	-	-	2,538,191
1800 Restricted Cash	266,815	-	-	266,815
1000 Total Assets	<u>\$ 38,113,318</u>	<u>\$ 1,705,547</u>	<u>\$ 11,834,601</u>	<u>\$ 51,653,466</u>
LIABILITIES				
2110 Accounts Payable	\$ 3,865,263	\$ -	\$ 3,212,394	\$ 7,077,657
2150 Payroll Deductions and Withholdings Payable	295,052	-	-	295,052
2160 Accrued Wages Payable	4,820,755	-	682,754	5,503,509
2170 Due to Other Funds	5,283,326	-	3,002,587	8,285,913
2180 Due to Other Governments	4,638,307	-	36,364	4,674,671
2300 Unearned Revenues	299,884	-	1,066,243	1,366,127
2000 Total Liabilities	<u>19,202,587</u>	<u>-</u>	<u>8,000,342</u>	<u>27,202,929</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	4,112,491	1,128,128	-	5,240,619
2600 Total Deferred Inflows of Resources	<u>4,112,491</u>	<u>1,128,128</u>	<u>-</u>	<u>5,240,619</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	630,180	-	201,072	831,252
3430 Prepaid Items	2,538,190	-	-	2,538,190
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	3,106,699	3,106,699
3470 Capital Acquisition and Contractual Obligation	266,815	-	72,712	339,527
3480 Retirement of Long-Term Debt	-	577,419	-	577,419
3490 Other Restricted Fund Balance	-	-	11,802	11,802
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	441,974	441,974
3600 Unassigned Fund Balance	11,363,055	-	-	11,363,055
3000 Total Fund Balances	<u>14,798,240</u>	<u>577,419</u>	<u>3,834,259</u>	<u>19,209,918</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 38,113,318</u>	<u>\$ 1,705,547</u>	<u>\$ 11,834,601</u>	<u>\$ 51,653,466</u>

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2015

Total Fund Balances - Governmental Funds	\$ 19,209,918
1 The District uses an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	2,213,791
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$562,596,591 and the accumulated depreciation was (\$95,224,779). In addition, 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. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	71,765,638
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase net position.	13,408,104
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$15,529,731 a Deferred Resource Inflow related to TRS in the amount of \$4,750,591 and a Deferred Resource Outflow related to TRS in the amount of \$3,666,635. This resulted in a decrease in Net Position by \$16,613,687.	(16,613,687)
5 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(7,625,988)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	6,243,508
19 Net Position of Governmental Activities	<u><u>\$ 88,601,284</u></u>

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 107,613,292	\$ 26,905,994	\$ 3,474,100	\$ 137,993,386
5800 State Program Revenues	42,176,788	-	3,470,415	45,647,203
5900 Federal Program Revenues	2,159,384	1,072,035	22,298,753	25,530,172
5020 Total Revenues	151,949,464	27,978,029	29,243,268	209,170,761
EXPENDITURES:				
Current:				
0011 Instruction	75,918,497	-	12,276,756	88,195,253
0012 Instructional Resources and Media Services	1,440,357	-	39,208	1,479,565
0013 Curriculum and Instructional Staff Development	209,023	-	463,326	672,349
0021 Instructional Leadership	2,082,506	-	2,066,549	4,149,055
0023 School Leadership	8,268,590	-	546,003	8,814,593
0031 Guidance, Counseling and Evaluation Services	3,806,001	-	271,827	4,077,828
0032 Social Work Services	500,068	-	70,899	570,967
0033 Health Services	1,753,403	-	113,638	1,867,041
0034 Student (Pupil) Transportation	7,181,185	-	-	7,181,185
0035 Food Services	-	-	10,888,266	10,888,266
0036 Extracurricular Activities	3,547,576	-	150,016	3,697,592
0041 General Administration	8,189,886	-	40,834	8,230,720
0051 Facilities Maintenance and Operations	21,469,556	-	130,665	21,600,221
0052 Security and Monitoring Services	1,847,314	-	-	1,847,314
0053 Data Processing Services	1,313,302	-	1,250	1,314,552
0061 Community Services	89,996	-	1,107,361	1,197,357
Debt Service:				
0071 Principal on Long Term Debt	-	9,675,000	1,250,000	10,925,000
0072 Interest on Long Term Debt	-	18,259,650	26,875	18,286,525
0073 Bond Issuance Cost and Fees	-	18,096	6,413	24,509
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	88,407	-	-	88,407
0095 Payments to Juvenile Justice Alternative Ed. Prg.	150,000	-	-	150,000
0099 Other Intergovernmental Charges	893,729	-	-	893,729
6030 Total Expenditures	138,749,396	27,952,746	29,449,886	196,152,028
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	13,200,068	25,283	(206,618)	13,018,733
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	28,608	-	-	28,608
7915 Transfers In	-	-	1,295,875	1,295,875
8911 Transfers Out (Use)	(1,295,875)	-	-	(1,295,875)
7080 Total Other Financing Sources (Uses)	(1,267,267)	-	1,295,875	28,608
1200 Net Change in Fund Balances	11,932,801	25,283	1,089,257	13,047,341
0100 Fund Balance - September 1 (Beginning)	2,073,611	552,136	2,745,002	5,370,749
1300 Prior Period Adjustment	791,828	-	-	791,828
3000 Fund Balance - August 31 (Ending)	\$ 14,798,240	\$ 577,419	\$ 3,834,259	\$ 19,209,918

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ 13,047,341
The District uses an internal service fund to charge the costs of self insurance to appropriate functions in other funds. The net income of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase net position.	452,106
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase net position.	13,408,104
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(7,625,988)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	321,478
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$2,417,013. The District recorded its proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2015 were \$2,412,412 for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$976,962. This caused a net decrease in the change in net position of \$1,435,450. The impact of all of these is to increase net position.	981,563
Change in Net Position of Governmental Activities	<u><u>\$ 20,584,604</u></u>

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

This page is left blank intentionally.

PROPRIETARY FUND FINANCIAL STATEMENTS

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2015

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,239,118
Due from Other Funds	3,502,145
Prepayments	207,819
Total Assets	<u>4,949,082</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>2,735,291</u>
Total Liabilities	<u>2,735,291</u>
NET POSITION	
Unrestricted Net Position	<u>2,213,791</u>
Total Net Position	<u><u>\$ 2,213,791</u></u>

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 1,299,446
Total Operating Revenues	1,299,446
OPERATING EXPENSES:	
Other Operating Costs	847,340
Total Operating Expenses	847,340
Operating Income	452,106
Total Net Position - September 1 (Beginning)	1,564,245
Prior Period Adjustment	197,440
Total Net Position - August 31 (Ending)	\$ 2,213,791

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Insurance Coverage	\$ 542,679
Advances to Other Funds	(939,025)
Cash Payments for Insurance Claims	(1,037,637)
Cash Payments for Other Operating Expenses	(356,261)
Net Cash Used for Operating Activities	<u>(1,790,244)</u>
Net Decrease in Cash and Cash Equivalents	(1,790,244)
Cash and Cash Equivalents at Beginning of Year	<u>3,029,362</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,239,118</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
Used for Operating Activities:	
Operating Income:	\$ 452,106
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Due from Other Funds	(1,695,792)
Decrease (increase) in Prepaid Expenses	(10,379)
Increase (decrease) in Accounts Payable	(536,179)
Net Cash Used for Operating Activities	<u><u>\$ (1,790,244)</u></u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 7,445	\$ 686,880
Due from Other Funds	48,609	-
Total Assets	<u>56,054</u>	<u>\$ 686,880</u>
LIABILITIES		
Accounts Payable	-	\$ 66,234
Due to Other Funds	-	90,117
Due to Student Groups	-	530,529
Total Liabilities	<u>-</u>	<u>\$ 686,880</u>
NET POSITION		
Restricted for Other Purposes	<u>56,054</u>	
Total Net Position	<u>\$ 56,054</u>	

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Private Purpose Trust Funds
DEDUCTIONS:	
Other Operating Costs	\$ (1,250)
Total Deductions	<u>(1,250)</u>
Change in Net Position	1,250
Total Net Position - September 1 (Beginning)	<u>54,804</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 56,054</u></u>

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

This page is left blank intentionally.

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Beaumont Independent School District (District) was formed in April 1913 by a special act of the Texas State Legislature and is governed by a seven-member Board of Trustees (Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (GASB). On July 14, 2014, the Texas Education Agency officially replaced the Board of Trustees with a Board of Managers.

The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of the Texas Education Agency’s *Financial Accountability System Resource Guide* (Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds. In accordance with GASB, a financial reporting entity consists of the primary government and its component units. Component units are legally separate organization for which the elected officials of the District are financially accountable, or for which the relationship to the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete. The District’s blended component unit, although a legally separate entity, is in substance part of the District’s operations, and therefore data from this unit is combined with data of the primary government.

For financial reporting purposes, the Beaumont Independent School District Public Facility Corporation (Public Facility Corporation) is included in the operations and activities of the District because of the fiscal dependency criteria outlined in the Standards. The members of the District Board of Managers serve as the Board of the component unit.

The Public Facility Corporation is a public non-profit corporation, the creation of which was sponsored by the District pursuant to the Public Facility Corporation Act, Article 717s, Vernon’s Texas Civil Statutes, as amended (the “Public Facility Corporation Act”). The Act authorizes school construction, furnishing and placing in service public facilities of its governmental sponsor. It further authorizes the governmental sponsor to incur lease purchase obligations in favor of the corporation to serve as security for the bonds issued by the Public Facility Corporation.

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 District’s nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, charges to school districts for services, state funds, grants, and other intergovernmental revenues.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement category represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until that time. For pensions, this outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. 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 other pension related deferred outflows will be amortized over a systematic and rational method over a closed period. The deferred loss 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.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement category represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. For pensions, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a systematic and rational method over a closed period. Additionally, the governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function 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 revenue not included in program revenues are reported as *general revenues* used to support all of the District's functions.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 financing sources and 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.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds as major and reports their financial condition and results of operations in separate columns.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

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*. 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.

The proprietary and private purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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, deferred outflows of resources, current liabilities, deferred inflows of resources, and fund balances are included on the balance sheet. Operating statements of the funds present net increases and decreases in current assets, i.e., revenues and other financing sources and expenditures and other financing uses). Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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. Fund Accounting

The District reports the following major governmental funds:

1. The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the District reports the following fund types:

Nonmajor Governmental Funds

3. The *special revenue funds* account for resources restricted to, or designated for, specific purposes by a grantor. Most federal and some state financial assistance is accounted for in a special revenue fund, and sometimes unused balance must be returned to the grantor at the close of the specific project periods. Additionally, the activity of the District's blended component unit, the Public Facility Corporation, is reported in a special revenue fund.

Proprietary Funds

4. The *internal service fund* accounts for workers' compensation benefits provided to employees of the District on a cost reimbursement basis.

Fiduciary Funds

5. The *private purpose trust funds* report all trust arrangements by the District. This fund type is used to account for the District's scholarship funds.
6. The *agency fund* is used to account for assets held by the District as an agent for student organizations and taxpayer refunds and overpayments. The fund is custodial in nature i.e., assets equal liabilities, and does not involve measurement or results of operations.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Accounting Policies

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year end. Investments with an original maturity of less than one year are reported at amortized cost.
3. 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.
4. The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the 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. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is not in compliance with the requirements of the Act and with local policies. See Finding 2015-06.
5. Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Credit Risk:

Deposits - The District is not exposed to credit risk.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporary Investments - 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, 2015, the District's investments in both TexPool and LoneStar Investment Pools were rated AAA by Standard & Poor's.

Custodial Credit Risk:

Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. Since the District complies with this law, it has minimal custodial credit risk for deposits.

Temporary Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. Investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form.

Concentration of Credit Risk:

Deposits - The District is not exposed to concentration of credit risk.

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.

Interest Rate Risk:

Deposits - The District is not exposed to interest rate risk.

Temporary Investments - To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the District requires its investment portfolio to have maturities of less than one year on a weighted average maturity (WAM) basis. All of the District's investment pools qualify as 2a7-like pools and are excluded from the interest rate risk disclosure requirement. See Note IV for further details.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Risk:

Deposits - The District attempts to limit the risk that changes in exchange rates will adversely affect a deposit by avoiding deposits denominated in a foreign currency. Therefore, this is not a risk to the District.

Temporary and Long-term Investments - The District attempts to limit the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding investment pools or securities which are denominated in a foreign currency. Therefore, this is not a risk to the District.

6. Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.
7. 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.
8. Inventories of supplies and materials are reported at weighted average cost and they include consumable maintenance, instructional, office, athletic, and transportation items. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations. A portion of fund balance is classified as non-spendable to reflect minimum inventory quantities considered necessary for the District's continuing operations.
9. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. 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 loss on refunding is 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.

11. Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the Statement of Net Position. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>In Years</u>
Building	50 - 60
Buildings and Improvements	*
Furniture and equipment	5 - 10
Automobiles & Trucks	3 - 5
Buses	10 - 12

* Remaining life of building or 20 years whichever is less

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. 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.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in long-term liabilities on the statement of net position.

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.

13. Net Position and Fund Balances

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 is 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.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted for Capital Projects - 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 capital acquisition.

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 by external parties other than federal or state agencies.

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.

The District reports the following fund balances:

Nonspendable fund balance - amounts that are not in spendable form or are required to be maintained intact.

Restricted fund balance - amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., the Board of Managers). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund.

Assigned fund balance - 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 Managers delegates the authority. The Board has delegated authority to the Superintendent to establish fund balance assignments.

Unassigned fund balance - 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.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

14. 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.
15. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

When the District incurs an expense for which both restricted and unrestricted net position is available, it uses the restricted resources first unless unrestricted resources will have to be returned because they were not used.

16. 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.
17. The District receives substantial amounts of funding from special revenue sources. The majority of this money is cost reimbursement to the District by the federal government or the Texas Education Agency.
18. The District has implemented *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, the District implemented *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* which requires, at transition, that a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of *GASB Statement No. 71* are required to be applied simultaneously with the provisions of *GASB Statement No. 68*.

The District's financial statements as of August 31, 2015 are presented in accordance with the guidance provided by these Statements. See Note IV, Y, Prior Period Adjustment, for more information regarding implementation of this new pronouncement.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Preparation of these financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, and the District's proportionate share of the net pension liability are not due and payable in the current period and are not reported as liabilities in the funds.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

Exhibit C-4 provides the reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position.

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of reclassifying other resources, other uses, and various other items. With the implementation of GASB 68, certain pension expenditures were de-expended and the District recorded their proportionate share of the pension expense.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The Board of Managers adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Child Nutrition Program. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the Child Nutrition Program and the Debt Service Fund are in Exhibit J-2 and J-3, respectively.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, a few amendments were necessary during the year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The District did not utilize encumbrance accounting for this fiscal year as there was no assigned fund balance at August 31, 2015.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At August 31, 2015, the carrying amount of the District's deposits in the general fund, major, and nonmajor governmental funds, internal service fund, private purpose funds, and agency funds were \$8,554,857 and the total bank balance was \$9,834,797. This amount includes restricted cash for capital projects reported in the general fund in the amount of \$266,815. The District's cash deposits at August 31, 2015 and during the year ended August 31, 2015 were fully insured by federal depository insurance or pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Bank of America
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$17,752,007 and occurred during the month of August 2015.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$18,361,803.

Due to the immediate availability of the funds, the District's temporary investments at August 31, 2015 are included in cash and cash equivalents and are shown below:

At year-end, the District's cash and investments balances were as follows:

<u>Temporary Investments</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Rating</u>
Tex Pool	\$ 3,849,952	\$ 3,849,952	AAAm (S&P)
Lone Star Corporate Overnight Fund	898	898	AAAm (S&P)
Lone Star Corporate Overnight Plus Fund	11,449,531	11,449,531	AAAf (S&P)
Lone Star Government Overnight Fund	9,676,684	9,676,684	AAAm (S&P)
Total	<u>\$ 24,977,065</u>	<u>\$ 24,977,065</u>	
Allocated To:			
General Fund	\$ 24,578,488		
Debt Service Fund	172,821		
Capital Projects Fund	225,756		
Total	<u>\$ 24,977,065</u>		

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

TexPool is a local government investment pool in the State of Texas. The State Comptroller of Public Accounts oversees TexPool. There is also a TexPool Advisory Board, composed of participants which advises on TexPool's Investment policy and approves any fee increases. The advisory Board is composed equally of participants in TexPool and other persons who are qualified to advise TexPool. The Lone Star Corporate Overnight, Corporate Overnight Plus, and Government Overnight funds are a member owned, member-governed public funds investment pool. It is managed by an eleven member Board of Trustees and the Board is authorized to adopt and maintain bylaws.

Although TexPool is not registered with the SEC as investment companies, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the Center's positions in TexPool is the same as the value of TexPool shares. TexPool issues publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by calling TexPool at 1-866-TEXPOOL

B. Receivables from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. TEA has the right to offset the receivable and liability. A majority of the federal grants are passed through the TEA. Amounts due from federal and state governments as of August 31, 2015, are summarized below:

	Nonmajor Special Revenue Funds
State Grants/Allotments	\$ 2,348,168
Federal Grants	3,426,893
Total	<u>\$ 5,775,061</u>

C. Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds. Management intends to pay out these balances within one year.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

The composition of interfund balances as of August 31, 2015 is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Debt Service Fund	\$ -	\$ 35,427
Nonmajor Governmental Funds	2,976,855	1,697,145
Internal Service Fund	-	3,502,145
Fiduciary Funds	<u>46,915</u>	<u>48,609</u>
	<u>3,023,770</u>	<u>5,283,326</u>
Debt Service Fund:		
General Fund	<u>35,427</u>	<u>-</u>
Nonmajor Governmental Funds:		
General Fund	1,697,145	2,976,855
Nonmajor Governmental Funds	25,732	25,732
Fiduciary Funds	<u>43,202</u>	<u>-</u>
	<u>1,766,079</u>	<u>3,002,587</u>
Internal Service Fund:		
General Fund	<u>3,502,145</u>	<u>-</u>
Fiduciary Funds:		
General Fund	48,609	46,915
Nonmajor Governmental Funds	<u>-</u>	<u>43,202</u>
	<u>48,609</u>	<u>90,117</u>
	<u><u>\$ 8,376,030</u></u>	<u><u>\$ 8,376,030</u></u>

The following is a schedule of interfund transfers for the fiscal year ended August 31, 2015:

	<u>Transfer from Other Funds</u>	<u>Transfer to Other Funds</u>
General Fund:		
Nonmajor Governmental Funds	<u>\$ -</u>	<u>\$ 1,295,875</u>
Nonmajor Governmental Funds:		
General Fund	<u>1,295,875</u>	<u>-</u>
Total	<u><u>\$ 1,295,875</u></u>	<u><u>\$ 1,295,875</u></u>

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Interfund transfers generally fall within two categories: (1) transfers to cover debt service payments to comply with debt covenants, and (2) transfers to cover operating expenditures/deficits in accordance with District policy or legal requirements.

D. Prepayments

Prepayments as of August 31, 2015 consisted of the following:

	<u>General Fund</u>
Prepaid Insurance	\$ 2,189,006
TRS On Behalf	<u>349,185</u>
Total Prepayments	<u><u>\$ 2,538,191</u></u>

E. Capital Asset Activity

Capital asset activity for the year ended August 31, 2015, was as follows:

	Beginning Balance	Additions	Retirements and Reclassifications	Ending Balance
Non-depreciable assets:				
Land	\$ 14,664,846	\$ -	\$ -	\$ 14,664,846
Construction in progress	19,852,778	-	(19,852,778)	-
Total non-depreciable assets	<u>34,517,624</u>	-	(19,852,778)	<u>14,664,846</u>
Capital assets, being depreciated:				
Buildings and improvements	495,093,034	-	19,852,778	514,945,812
Furniture and equipment	32,929,743	42,733	-	32,972,476
Vehicles	56,190	1,719,576	-	1,775,766
Total depreciable assets	<u>528,078,967</u>	<u>1,762,309</u>	<u>19,852,778</u>	<u>549,694,054</u>
Less accumulated depreciation for:				
Buildings and improvements	(78,064,438)	(5,529,933)	-	(83,594,371)
Furniture and equipment	(17,150,382)	(2,089,327)	-	(19,239,709)
Vehicles	(9,959)	(6,728)	-	(16,687)
Total accumulated depreciation	<u>(95,224,779)</u>	<u>(7,625,988)</u>	-	<u>(102,850,767)</u>
Governmental Capital Assets	<u><u>\$ 467,371,812</u></u>	<u><u>\$ (5,863,679)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 461,508,133</u></u>

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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

Function	Depreciation Expense
Instruction	\$ 5,022,682
Instructional resources and media services	100,594
Curriculum and staff development	4,751
Instructional leadership	222,235
School leadership	512,664
Guidance, counseling and evaluation services	273,330
Social work services	32,476
Health services	101,522
Student (pupil) transportation	228,346
Food services	213,036
Cocurricular/extracurricular activities	12,225
General administration	172,038
Plant maintenance and operations	584,686
Security and monitoring services	50,665
Data processing services	63,452
Community services	31,286
	<u>\$ 7,625,988</u>

F. Deferred Loss on Refunding

The deferred loss on refunding for the year ended August 31, 2015 was as follows:

Description	Beginning Balance	Deferred Loss on New Issues	Net Amortization Recognized	Ending Balance
Series 2003, 2004 and 2005	\$ 307,312	\$ -	\$ 132,052	\$ 175,260
Series 2012	1,510,391	-	113,563	1,396,828
Total deferred loss on refunding	<u>\$ 1,817,703</u>	<u>\$ -</u>	<u>\$ 245,615</u>	<u>\$ 1,572,088</u>

G. Due to Other Governments

The Texas Education Agency (TEA) funds the District based on estimated average daily attendance (ADA), which is updated throughout the year. After final attendance information is available, TEA provides a Near-Final Summary of Finances which reports its calculation of the District's actual Foundation School Program Allotment, and presents any balance due from or owed to the District. TEA has the right to offset the receivable and liability. For the year ended August 31, 2015, TEA indicates that it overpaid the District by \$4,638,307. TEA has recuperated this amount by reducing its payments to the District for fiscal year 2016.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

H. Unearned Revenue

Unearned revenue as of August 31, 2015 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Local Grants and Revenue	\$ 221,501	\$ 860,111	\$ 1,081,612
State Grants and Revenue	78,383	33,558	111,941
Federal Grants and Revenue	-	172,574	172,574
Total Unearned Revenue	<u>\$ 299,884</u>	<u>\$ 1,066,243</u>	<u>\$ 1,366,127</u>

I. Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of changes in the District's total governmental long-term liabilities for the year ended August 31, 2015:

	Beginning Balance Restated	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds	\$ 388,680,000	\$ -	\$ 9,675,000	\$ 379,005,000	\$ 10,000,000
Premiums on bonds	685,223	-	51,388	633,835	-
Accumulated accretion on capital appreciation bonds	1,123,964	27,801	-	1,151,765	-
Lease revenue bonds	1,250,000	-	1,250,000	-	-
Accrued compensated absences	3,888,295	86,349	1,029,172	2,945,472	1,029,172
	<u>\$ 395,627,482</u>	<u>\$ 114,150</u>	<u>\$ 12,005,560</u>	<u>\$ 383,736,072</u>	<u>\$ 11,029,172</u>

In addition, \$15,529,731 related to the TRS Net Pension Liability is included in "Due in More than One Year" in the Statement of Net Position.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds, term bonds, and capital appreciation bonds (CAB) with various amounts of principal maturing each year.

Bonds payable for the year ended August 31, 2015 were as follows:

Issue	Original Issuance	Interest Rate	Beginning Balance	Additions	Retirements	Debt Outstanding	Due within one year
Unlimited Tax Refunding Bonds, Series 2003; 2/15/2015	8,660,000	2.50% to 3.40%	\$ 1,310,000	\$ -	\$ 1,310,000	\$ -	\$ -
Unlimited Tax Adjustable Rate Refunding Bonds Series 2004; 2/15/2017	17,810,000	2.75% to 3.00%	7,105,000	-	2,265,000	4,840,000	2,360,000
Unlimited Tax Refunding Bonds, Series 2005; 2/15/2017	11,900,000	3.00% to 5.00%	5,270,000	-	795,000	4,475,000	2,190,000
Unlimited Tax School Building Bonds, Series 2008; 2/15/2031	89,800,000	3.00% to 5.25%	79,015,000	-	1,100,000	77,915,000	1,150,000
Unlimited Tax School Building Bonds, Series 2008A; 2/15/2038	65,000,000	4.375% to 5.00%	64,145,000	-	560,000	63,585,000	635,000
Unlimited Tax School Building Bonds, Series 2009; 2/15/2038	116,570,000	3.00% to 5.25%	115,070,000	-	430,000	114,640,000	380,000
Unlimited Tax Qualified School Construction Bonds, Series 2010; 2/15/2026	14,450,000	0.00%	11,570,000	-	960,000	10,610,000	960,000
Unlimited Tax School Building Bonds, Series 2010A; 2/15/2019	10,085,000	2.00% to 5.00%	7,610,000	-	1,420,000	6,190,000	1,470,000
Unlimited Tax School Building Bonds, Series 2010B; 2/15/2038	59,490,000	4.49% to 5.81%	59,490,000	-	-	59,490,000	-
Unlimited Tax School Building Bonds, Series 2011; 2/15/2038	31,500,000	2.00% to 5.00%	30,280,000	-	740,000	29,540,000	760,000
Unlimited Tax Refunding Bonds, Series 2012; 2/15/2038	8,070,000	2.00% to 3.00%	7,815,000	-	95,000	7,720,000	95,000
			<u>388,680,000</u>	<u>-</u>	<u>9,675,000</u>	<u>379,005,000</u>	<u>10,000,000</u>

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Debt service requirements to maturity are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2016	\$ 10,000,000	\$ 17,931,114	\$ 27,931,114
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 - 2025	65,970,000	73,195,285	139,165,285
2026 - 2030	80,225,000	58,061,807	138,286,807
2031 - 2035	103,655,000	33,153,491	136,808,491
2036 - 2038	75,160,000	5,904,113	81,064,113
Total	<u>\$ 379,005,000</u>	<u>\$ 255,981,184</u>	<u>\$ 634,986,184</u>

Unamortized premium on debt for the fiscal year ended August 31, 2015 was as follows:

Description	Beginning Balance	Additions	Net Amortization Recognized	Ending Balance
Unlimited Tax Refunding Bonds, Series 2012	\$ 685,223	\$ -	\$ 51,388	\$ 633,835

Accumulated Accretion on Capital Appreciation Bonds

With capital appreciation bonds, the interest is paid upon maturity of the bonds. In order to properly reflect the amounts payable on these bonds, the annual interest is added to the long-term liabilities as accretion of interest on capital appreciation bonds. The values associated with the bonds are reflected in the table below:

Issue	Accretion Outstanding 9/1/2014	Issued	Current Year Accretion	Accretion Retired	Accretion Outstanding 8/31/2015	Due Within One Year
Unlimited Tax Refunding Bonds, Series 2012	\$ 1,123,964	\$ -	\$ 27,801	\$ -	\$ 1,151,765	\$ -

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS****AUGUST 31, 2015****IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)****Lease Revenue Bonds**

The Public Facility Corporation, a blended component unit, issued lease revenue bonds for the construction of Ozen High School. Lease Revenue Bonds activity was as follows:

Issue	Original Issuance	Interest Rate	Beginning Balance	Additions	Retirements	Debt Outstanding	Due within one year
Public School Facilities Project, Series 2000; Final Maturity 2/15/2015	13,100,000	4.30%	\$ 1,250,000	\$ -	\$ 1,250,000	\$ -	\$ -

Refunding

On December 20, 2012, the District issued \$8,070,000 Unlimited Tax Refunding Bonds, Series 2012, to advance refund a portion of the Unlimited Tax School Building Bonds, Series 2008, in the amount of \$8,070,000. As a result, \$8,070,000 of the Unlimited Tax School Building Bonds, Series 2008, are considered to be defeased and not presented in these financial statements. The amount of the defeased debt still outstanding at August 31, 2015 was \$8,070,000.

J. Compensated Absences and Other Retirement/Sick Leave Benefits

The following summarizes the District's liability and the changes for the year:

Restated Balance, September 1, 2014	\$ 3,888,295
Additions	86,349
Payments to Eligible Employees	<u>(1,029,172)</u>
Balance, August 31, 2015	<u>\$ 2,945,472</u>

The liability for compensated absences is normally liquidated by the general fund, and is only comprised of one item sick leave pay outs.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

K. Fund Balances

As of August 31, 2015, fund balances are composed of the following:

	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
Nonspendable:				
Inventories	\$ 630,180	\$ -	\$ 201,072	\$ 831,252
Prepaid Items	2,538,190	-	-	2,538,190
Restricted:				
Federal and State Programs	-	-	3,106,699	3,106,699
Capital Acquisition	266,815	-	72,712	339,527
Retirement of Long-Term Debt	-	577,419	-	577,419
Other	-	-	11,802	11,802
Assigned:				
Campus Activities	-	-	441,974	441,974
Unassigned Fund Balance	11,363,055	-	-	11,363,055
 Total Fund Balances	 \$ 14,798,240	 \$ 577,419	 \$ 3,834,259	 \$ 19,209,918

L. Revenues from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property taxes	\$ 102,071,348	\$ 26,905,858	\$ -	\$ 128,977,206
Foreign Trade Zone Revenue	2,806,209	-	-	2,806,209
Restitution	896,915	-	-	896,915
E-rate reimbursements	548,738	-	-	548,738
Campus Activity	-	-	757,515	757,515
Enterprise Sales	-	-	94,719	94,719
Food Service Activity	-	-	1,810,646	1,810,646
Shared Services Arrangement	-	-	424,219	424,219
Extracurricular Activities	379,873	-	-	379,873
Tuition and Fees	65,558	-	-	65,558
Investment Income	26,442	136	66,518	93,096
Local Grants	-	-	320,483	320,483
Rent	94,958	-	-	94,958
Other	723,251	-	-	723,251
	\$ 107,613,292	\$ 26,905,994	\$ 3,474,100	\$ 137,993,386

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

M. 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. For the year ended August 31, 2015, rentals approximated \$1,358,970 for such leases. These leases primarily support governmental activities. Future minimum lease payments are as follows:

Year	Amount
2016	\$ 1,648,609
2017	1,193,999
2018	667,471
2019	377,010
2020	<u>253,943</u>
Total	<u>\$ 4,141,032</u>

N. Defined Benefit Pension Information

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.

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. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014:

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Net Pension Liability	Total
Total Pension Liability	\$ 159,496,075,866
Less: Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$ 26,716,832,781</u>
Net Pension as percentage of Total Pension Liability	<u>83.25%</u>

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

Contributions: Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

	<u>Contribution Rates</u>	
	<u>Plan Fiscal Year</u>	
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Contributions Required and Made

Beaumont ISD 2014 Employer Contributions	\$	1,473,983
Beaumont ISD 2014 Member Contributions (Employee)		7,394,452
Beaumont ISD 2014 NECE On-Behalf Contributions (State)		6,452,250

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies, including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Actuarial Assumptions: The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rat of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate: The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. 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, 2014 are summarized below:

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha	-		1.0%
Total	100%		8.7%

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

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability:

	1% Decrease in Discount Rate (7%)	Current Discount Rate 8%	1% Increase in Discount Rate (9%)
District's Proportionate share of the net pension liability	\$ 27,750,688	\$ 15,529,731	\$ 6,390,731

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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

At August 31, 2015, the District reported a liability of \$ 15,529,731 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:

The District's Proportionate share of the collective net pension liability	\$ 15,529,731
State's proportionate share of the net pension liability associated with the District	68,127,998
	<hr/>
Total	<u>\$ 83,657,729</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.0581390%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015 the District recognized pension expense of \$6,298,307 and revenue of \$6,298,307 representing pension expense incurred by the State on behalf of the District. The amount of pension expense recognized by the District in the reporting period was \$1,435,450.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

At August 31, 2015, 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	\$ 240,172	\$ -
Changes in actuarial assumptions	1,009,450	-
Net difference between projected and actual earnings on pension plan investments	-	4,746,520
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	2,417,013	4,071
Total	<u>\$ 3,666,635</u>	<u>\$ 4,750,591</u>

The \$2,417,013 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, 2016. 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
2016	(976,506)
2017	(976,506)
2018	(976,506)
2019	(976,506)
2020	210,124
thereafter	194,931

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

O. 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 post-employment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under TRS. 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. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

The Texas Legislature determines the funding of benefits and has no continuing obligation to provide benefits beyond each fiscal year. Currently, the benefits of TRS-Care are financed through a combination of retiree premiums and percentage of payroll contributions from active employees, school districts, and the State of Texas.

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 .5% and .65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at .55% for fiscal years 2015, 2014, and 2013. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than .25% or greater than .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 .5%.

Contributions made by the State, District, and staff members for the years ended August 31, 2015, 2014, and 2013 are as follows:

Contribution Rates and Contribution Amounts							
Year	Active Member		State		School District		
	Rate	Amount	Rate	Amount	Rate	Amount	
2015	0.65%	\$ 607,527	1.0%	\$ 832,637	0.55%	\$ 602,570	
2014	0.65%	\$ 751,000	1.0%	\$ 713,558	0.55%	\$ 738,909	
2013	0.65%	\$ 788,661	0.5%	\$ 542,589	0.55%	\$ 728,859	

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100% 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.

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. For the years ended August 31, 2015, 2014, and 2013, the subsidy payments received by TRS-Care on-behalf of the District were \$396,508, \$294,902, and \$317,349, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

P. Health Care Coverage

During the year ended August 31, 2015, the District participated in the TRS - Active Care, a statewide health coverage program for public education employees established by the 77th Texas Legislature. TRS Active Care is a self-funded program and rates and benefits are established by the TRS Trustees based on the claims experience of the plan. Employees have three plan options. The District contributed approximately \$460 per month per employee to the Plan.

Q. Workers' Compensation Program

The District established a limited risk management program for workers' compensation in 1988 by participating as a self-funded member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. As a self-funded member of the Fund, Beaumont ISD is solely responsible for all claims costs, both reported and unreported. The Fund provides administrative service to its self-funded members including claims administration and customer service.

Premiums are paid from reserves in the internal service fund. The reserves are available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums are used to reduce the amount of claims expenditures reported in the general fund.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$400,000 and annual losses exceeding \$2,000,000. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverages for each of the past three fiscal years.

Changes in the balances of claims liabilities during the past two years are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
Self-Insurance Liability				
2015 - Workers' Compensation	\$ 3,271,460	\$ 445,524	\$ 981,693	\$ 2,735,291
2014 - Workers' Compensation	\$ 3,443,111	\$ 1,547,223	\$ 1,718,874	\$ 3,271,460

R. Risk Management

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 Board maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, dishonesty, errors and omissions, boiler and machinery, personal property, general liability, and athletic insurance. There have been no reductions in insurance coverage from prior years and settlements have not exceeded insurance coverage.

For the year ended August 31, 2015, Beaumont Independent School District carried insurance for building and personal property with a combined limit for both in the amount of \$500 million per occurrence, except for per occurrence sub-limits ranging from \$1 million to \$100 million for events such as Named Storm Wind/Hail, Flood, and Errors & Omissions.

Automobile liability is limited to \$100,000 per person for bodily injury; \$300,000 per occurrence for bodily injury; \$100,000 per occurrence for property damage and a deductible of \$10,000 per occurrence. The District also carried a General and Professional Legal Liability policy each with a limit of \$4,000,000 per occurrence and annual aggregate and a deductible of \$50,000 per occurrence.

S. Litigation

During the normal course of business, the District is subject to various legal claims. As of August 31, 2015, management was not aware of any such claim which would have a material adverse effect on the financial statements.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**T. Shared Service Arrangements**

The District is the fiscal agent for a Shared Service Arrangement (“SSA”), which provides services to the member districts listed below. All services are provided by the fiscal agent.

The member districts provide the funds to the fiscal agent. According to guidance provided in the Texas Education Agency’s Financial Accountability and Resources Guide, the District has accounted for the fiscal agent’s activities of the SSA in special revenue fund 446, Regional School for the Deaf.

Expenditures of the SSA for fiscal year ended August 31, 2015 are as follows:

Member Districts	Local Services for the Deaf
Beaumont ISD	\$ 127,078
Bridge City ISD	13,972
Buna ISD	17,907
Deweyville ISD	4,657
Evadale ISD	9,315
Hardin-Jefferson ISD	9,315
Little-Cypress Mauriceville Cisd	9,315
Lumberton ISD	20,411
Nederland ISD	22,740
Orangefield ISD	9,315
Port Arthur ISD	55,498
Port-Neches Groves ISD	29,726
Silsbee ISD	19,520
Spurger ISD	11,097
Vidor ISD	37,502
Warren ISD	4,657
West Orange Cove ISD	17,537
Woodville ISD	4,657
Total	<u>\$ 424,219</u>

U. Other Significant Commitments and Contingencies

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. See Note Z for further discussion.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

The Texas Education Agency (TEA) has issued two management decisions to the District related to the single audits conducted for the 2012-2013 and 2013-2014 school years. Both of these management decision describe findings and questioned costs that may have to be refunded to TEA. The total questioned costs for the 2012-2013 single audit are \$8,880,591. The total costs already disallowed by TEA related to the 2013-2014 single audit are \$1,882,255. Given the size of the potential refund owed to TEA, the TEA has offered the District the opportunity to participate in a cooperative audit resolution, which was in progress at the date of the audit report. Final determinations of actions to be taken and/or costs that have to be refunded, if any, have not been made at the date of this report.

Additionally, the Office of the Inspector General has identified questioned costs of \$4,378 and \$40,819 related to the awards from the Department of Health and Human Services and the Department of Agriculture, respectively, subject to the audit resolution process. Final determinations of actions to be taken and/or costs that may have to be refunded, if any, have not been made at the date of this report.

V. Related Party Transactions

From time to time, the District may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred during the year ended August 31, 2015.

W. 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 does not have an arbitrage liability as of August 31, 2015.

X. Other Post-Employment Benefits

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

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

Y. Prior Period Adjustment

The District's prior period adjustment consists of the following: (1) To increase general fund balance by \$791,828 as a result of an accumulated prepayment to TRS for future contributions as of August 31, 2014; (2) To increase the Worker's Compensation internal service fund balance by \$197,440 as a result of a prepayment for insurance paid in fiscal year 2014 for coverage extending into fiscal year 2015; (3) To increase governmental activities net position by \$1,796,395 as a result of inaccurate data provided in prior year related to compensated absences.

In addition, during fiscal year 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27*. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teacher Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$17,595,250. The combined net effect on net position of the prior period adjustments above is a decrease of \$14,809,587 and a restated beginning net position of \$68,016,680.

Z. Ongoing Investigations

A special task force was created to target potential corruption in the District. The task force continues their investigation into allegation of fraud, theft and misappropriation of assets.

In 2015, the District contracted a Certified Public Accounting firm to conduct a forensic audit of the \$388.6 million bond issue passed in 2007. The audit has not been concluded and results are not available at the date of this report.

One component of the Foundation School Program is student attendance data submitted to the Texas Education Agency (TEA) and is subject to audit and adjustments. Foundation revenue recognized by the District for fiscal year 2015 is based on the TEA's Summary of Finances and Payment Ledgers before any possible TEA enrollment and attendance audits. The TEA conducted an investigation for the 2012-2013 school year and disclosed errors in attendance data. As a result, the District was required to refund approximately \$520,000 in fiscal year 2015. No final determination has been made by TEA on whether additional investigations will be conducted. Such investigations could potentially result in the District having to pay back any funds related to noncompliance.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

AA. New Accounting Pronouncements

The District has not completed the process of evaluating the impact on its financial position that will result from adopting Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015, No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for fiscal years beginning after June 15, 2017, and No. 77, *Tax Abatement Disclosures*, effective for fiscal years beginning after December 15, 2015. GASB No. 72 addresses accounting and financial reporting issues related to fair value measurements. GASB No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. GASB No. 77 requires disclosures of certain information about tax abatements.

BB. Subsequent Event

In September 2015, the District received notification that Standard & Poor's Rating Services lowered its underlying rating to 'BBB+' from 'A-' on the District's general obligation debt outstanding.

This page is left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

BEAUMONT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 105,717,299	\$ 107,170,896	\$ 107,613,292	\$ 442,396
5800 State Program Revenues	36,997,942	43,413,591	42,176,788	(1,236,803)
5900 Federal Program Revenues	2,225,000	2,225,000	2,159,384	(65,616)
5020 Total Revenues	144,940,241	152,809,487	151,949,464	(860,023)
EXPENDITURES:				
Current:				
0011 Instruction	73,066,967	76,717,487	75,918,497	798,990
0012 Instructional Resources and Media Services	1,367,013	1,450,249	1,440,357	9,892
0013 Curriculum and Instructional Staff Development	457,296	319,279	209,023	110,256
0021 Instructional Leadership	2,197,173	2,362,474	2,082,506	279,968
0023 School Leadership	7,910,785	8,386,304	8,268,590	117,714
0031 Guidance, Counseling and Evaluation Services	3,754,834	3,814,906	3,806,001	8,905
0032 Social Work Services	380,962	503,831	500,068	3,763
0033 Health Services	1,432,892	1,715,880	1,753,403	(37,523)
0034 Student (Pupil) Transportation	5,926,682	6,876,907	7,181,185	(304,278)
0035 Food Services	1,500	1,500	-	1,500
0036 Extracurricular Activities	2,256,631	3,857,829	3,547,576	310,253
0041 General Administration	7,523,625	9,028,813	8,189,886	838,927
0051 Facilities Maintenance and Operations	22,976,813	22,431,707	21,469,556	962,151
0052 Security and Monitoring Services	2,283,130	1,995,622	1,847,314	148,308
0053 Data Processing Services	1,577,967	1,634,017	1,313,302	320,715
0061 Community Services	204,086	108,408	89,996	18,412
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	105,000	105,000	88,407	16,593
0095 Payments to Juvenile Justice Alternative Ed. Prg.	150,000	150,000	150,000	-
0099 Other Intergovernmental Charges	1,457,000	1,257,000	893,729	363,271
6030 Total Expenditures	135,030,356	142,717,213	138,749,396	3,967,817
1100 Excess of Revenues Over Expenditures	9,909,885	10,092,274	13,200,068	3,107,794
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	159,008	28,608	(130,400)
7915 Transfers In	-	24,699	-	(24,699)
8911 Transfers Out (Use)	(1,276,875)	(1,276,875)	(1,295,875)	(19,000)
7080 Total Other Financing Sources (Uses)	(1,276,875)	(1,093,168)	(1,267,267)	(174,099)
1200 Net Change in Fund Balances	8,633,010	8,999,106	11,932,801	2,933,695
0100 Fund Balance - September 1 (Beginning)	2,073,611	2,073,611	2,073,611	-
1300 Prior Period Adjustment	-	-	791,828	791,828
3000 Fund Balance - August 31 (Ending)	\$ 10,706,621	\$ 11,072,717	\$ 14,798,240	\$ 3,725,523

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-2

	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.058139%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 15,529,731
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	68,127,998
Total	<u>\$ 83,657,729</u>
District's Covered-Employee Payroll	\$ 115,538,311
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	13.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2015

EXHIBIT G-3

	<u>2015</u>
Contractually Required Contribution	\$ 2,417,013
Contribution in Relation to the Contractually Required Contribution	(2,417,013)
	<u>\$ -0-</u>
Contribution Deficiency (Excess)	
District's Covered-Employee Payroll	\$ 93,461,105
Contributions as a Percentage of Covered-Employee Payroll	2.59%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2015

Changes of benefit terms.

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

Changes of assumptions.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

This page is left blank intentionally.

SUPPLEMENTARY INFORMATION

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes		205	206	211
		Head Start	ESEA Title X, Pt.C Homeless	ESEA I, A Improving Basic Program
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 6
1240	Receivables from Other Governments	271,689	10,663	560,705
1260	Due from Other Funds	-	-	-
1290	Other Receivables	-	-	-
1300	Inventories	-	-	-
1000	Total Assets	<u>\$ 271,689</u>	<u>\$ 10,663</u>	<u>\$ 560,711</u>
LIABILITIES				
2110	Accounts Payable	\$ 19,213	\$ 105	\$ 89,928
2160	Accrued Wages Payable	138,225	-	172,523
2170	Due to Other Funds	114,251	10,558	275,673
2180	Due to Other Governments	-	-	22,587
2300	Unearned Revenues	-	-	-
2000	Total Liabilities	<u>271,689</u>	<u>10,663</u>	<u>560,711</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	Inventories	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-
3490	Other Restricted Fund Balance	-	-	-
Assigned Fund Balance:				
3590	Other Assigned Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 271,689</u>	<u>\$ 10,663</u>	<u>\$ 560,711</u>

224	225	226	227	228	240	244	253
IDEA - Part B Formula	IDEA - Part B Preschool	IDEA - Part B Discretionary	IDEA - Part B Deaf	IDEA - Part B Preschool Deaf	National Breakfast and Lunch Program	Career and Technical - Basic Grant	IDEA Part C Deaf - Early Intervention
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,037,939	\$ 56,929	\$ 8
491,512	4,011	9,495	2,848	232	260,636	1,911	66
-	-	-	-	-	1,700,426	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	201,072	-	-
<u>\$ 491,512</u>	<u>\$ 4,011</u>	<u>\$ 9,495</u>	<u>\$ 2,848</u>	<u>\$ 232</u>	<u>\$ 4,200,073</u>	<u>\$ 58,840</u>	<u>\$ 74</u>
\$ 53,632	\$ -	\$ -	\$ -	\$ -	\$ 717,802	\$ 4,785	\$ 74
106,147	1,524	-	-	129	174,000	1,164	-
331,733	2,487	9,495	2,848	103	500	52,891	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>491,512</u>	<u>4,011</u>	<u>9,495</u>	<u>2,848</u>	<u>232</u>	<u>892,302</u>	<u>58,840</u>	<u>74</u>
-	-	-	-	-	201,072	-	-
-	-	-	-	-	3,106,699	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,307,771</u>	<u>-</u>	<u>-</u>
<u>\$ 491,512</u>	<u>\$ 4,011</u>	<u>\$ 9,495</u>	<u>\$ 2,848</u>	<u>\$ 232</u>	<u>\$ 4,200,073</u>	<u>\$ 58,840</u>	<u>\$ 74</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes		255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	272 Medicaid Admin. Claim MAC
ASSETS					
1110	Cash and Cash Equivalents	\$ 12	\$ -	\$ -	\$ 153,208
1240	Receivables from Other Governments	97,821	32,772	-	-
1260	Due from Other Funds	-	-	10,609	19,366
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 97,833</u>	<u>\$ 32,772</u>	<u>\$ 10,609</u>	<u>\$ 172,574</u>
LIABILITIES					
2110	Accounts Payable	\$ 29,698	\$ 19,287	\$ -	\$ -
2160	Accrued Wages Payable	45,474	2,822	-	-
2170	Due to Other Funds	22,661	10,663	-	-
2180	Due to Other Governments	-	-	10,609	-
2300	Unearned Revenues	-	-	-	172,574
2000	Total Liabilities	<u>97,833</u>	<u>32,772</u>	<u>10,609</u>	<u>172,574</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 97,833</u>	<u>\$ 32,772</u>	<u>\$ 10,609</u>	<u>\$ 172,574</u>

282 FEMA Hurricane Grants	286 Title I SIP Academy Grant ARRA	410 State Textbook Fund	429 Technology Lending Program	432 SSA - TANF Temporary Assistance	435 SSA Regional Day School - Deaf	446 Regional School for the Deaf	461 Campus Activity Funds
\$ -	\$ 456	\$ 56,396	\$ 30,189	\$ -	\$ -	\$ 433,149	\$ 516,182
1,682,532	-	2,128,461	-	-	219,707	-	-
-	1,291	-	-	-	-	-	33,887
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,682,532</u>	<u>\$ 1,747</u>	<u>\$ 2,184,857</u>	<u>\$ 30,189</u>	<u>\$ -</u>	<u>\$ 219,707</u>	<u>\$ 433,149</u>	<u>\$ 550,069</u>
\$ -	\$ -	\$ 2,183,436	\$ 616	\$ -	\$ 2,146	\$ 471	\$ 70,016
-	-	-	-	-	22,259	16,908	-
1,682,532	-	-	-	-	191,317	-	38,079
-	1,747	1,421	-	-	-	-	-
-	-	-	29,573	-	3,985	415,770	-
<u>1,682,532</u>	<u>1,747</u>	<u>2,184,857</u>	<u>30,189</u>	<u>-</u>	<u>219,707</u>	<u>433,149</u>	<u>108,095</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	441,974
-	-	-	-	-	-	-	441,974
<u>\$ 1,682,532</u>	<u>\$ 1,747</u>	<u>\$ 2,184,857</u>	<u>\$ 30,189</u>	<u>\$ -</u>	<u>\$ 219,707</u>	<u>\$ 433,149</u>	<u>\$ 550,069</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes		481 BASF Foundation Science	483 Natatorium Swim Program	484 After School Programs	485 Exxon Mobil Future Leaders
ASSETS					
1110	Cash and Cash Equivalents	\$ 1,359	\$ -	\$ 7,614	\$ 11,571
1240	Receivables from Other Governments	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 1,359</u>	<u>\$ -</u>	<u>\$ 7,614</u>	<u>\$ 11,571</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	981	598
2170	Due to Other Funds	10	-	-	9,537
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	1,349	-	6,633	1,436
2000	Total Liabilities	<u>1,359</u>	<u>-</u>	<u>7,614</u>	<u>11,571</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,359</u>	<u>\$ -</u>	<u>\$ 7,614</u>	<u>\$ 11,571</u>

486 Exxon Mobil Project Boost	487 Exxon-Mobil Reading Initiative	488 Texas School Ready Project	489 Community Education	490 Adult Education GED Testing	492 Thomas Center Scoreboard	493 DaVinci Minds	495 Texas Data Champions
\$ 4,403	\$ 47,759	\$ 2,413	\$ 13,551	\$ 3,366	\$ 397,038	\$ 2,094	\$ 19,168
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	16	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 4,403</u>	<u>\$ 47,759</u>	<u>\$ 2,429</u>	<u>\$ 13,551</u>	<u>\$ 3,366</u>	<u>\$ 397,038</u>	<u>\$ 2,094</u>	<u>\$ 19,168</u>
\$ 820	\$ -	\$ -	\$ -	\$ -	\$ 20,365	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	2,429	13,551	3,366	42,561	9	-
-	-	-	-	-	-	-	-
3,583	47,759	-	-	-	334,112	2,085	19,168
<u>4,403</u>	<u>47,759</u>	<u>2,429</u>	<u>13,551</u>	<u>3,366</u>	<u>397,038</u>	<u>2,094</u>	<u>19,168</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,403</u>	<u>\$ 47,759</u>	<u>\$ 2,429</u>	<u>\$ 13,551</u>	<u>\$ 3,366</u>	<u>\$ 397,038</u>	<u>\$ 2,094</u>	<u>\$ 19,168</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes		497 Public Facility Corporation	498 District Incentive Program	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 3,250	\$ 66,639	\$ 3,864,699
1240	Receivables from Other Governments	-	-	-	5,775,061
1260	Due from Other Funds	-	-	500	1,766,079
1290	Other Receivables	-	-	1,918	1,934
1300	Inventories	-	-	-	201,072
1000	Total Assets	<u>\$ -</u>	<u>\$ 3,250</u>	<u>\$ 69,057</u>	<u>\$ 11,608,845</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 3,212,394
2160	Accrued Wages Payable	-	-	-	682,754
2170	Due to Other Funds	-	-	32,289	2,849,543
2180	Due to Other Governments	-	-	-	36,364
2300	Unearned Revenues	-	3,250	24,966	1,066,243
2000	Total Liabilities	<u>-</u>	<u>3,250</u>	<u>57,255</u>	<u>7,847,298</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	201,072
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	3,106,699
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3490	Other Restricted Fund Balance	-	-	11,802	11,802
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	441,974
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>11,802</u>	<u>3,761,547</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 3,250</u>	<u>\$ 69,057</u>	<u>\$ 11,608,845</u>

634	Total
Capital Projects	Nonmajor Governmental Funds
\$ 225,756	\$ 4,090,455
-	5,775,061
-	1,766,079
-	1,934
-	201,072
<u>\$ 225,756</u>	<u>\$ 11,834,601</u>
\$ -	\$ 3,212,394
-	682,754
153,044	3,002,587
-	36,364
-	1,066,243
<u>153,044</u>	<u>8,000,342</u>
-	201,072
-	3,106,699
72,712	72,712
-	11,802
-	441,974
<u>72,712</u>	<u>3,834,259</u>
<u>\$ 225,756</u>	<u>\$ 11,834,601</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	2,966,554	16,496	5,088,904
5020	Total Revenues	2,966,554	16,496	5,088,904
EXPENDITURES:				
Current:				
0011	Instruction	2,121,648	9,604	2,581,636
0012	Instructional Resources and Media Services	37,541	-	1,641
0013	Curriculum and Instructional Staff Development	27,602	949	85,123
0021	Instructional Leadership	156,147	928	1,443,465
0023	School Leadership	218,734	-	95,795
0031	Guidance, Counseling and Evaluation Services	-	15	161,315
0032	Social Work Services	-	-	18,000
0033	Health Services	110,078	-	3,560
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	22,049
0041	General Administration	-	-	1,062
0051	Facilities Maintenance and Operations	20,262	-	-
0053	Data Processing Services	-	-	-
0061	Community Services	274,542	5,000	675,258
Debt Service:				
0071	Principal on Long Term Debt	-	-	-
0072	Interest on Long Term Debt	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-
6030	Total Expenditures	2,966,554	16,496	5,088,904
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -

224	225	226	227	228	240	244	253
IDEA - Part B Formula	IDEA - Part B Preschool	IDEA - Part B Discretionary	IDEA - Part B Deaf	IDEA - Part B Preschool Deaf	National Breakfast and Lunch Program	Career and Technical - Basic Grant	IDEA Part C Deaf - Early Intervention
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,876,838	\$ -	\$ -
-	-	-	-	-	66,669	-	-
3,115,425	41,801	47,196	36,316	2,758	9,889,409	229,573	499
<u>3,115,425</u>	<u>41,801</u>	<u>47,196</u>	<u>36,316</u>	<u>2,758</u>	<u>11,832,916</u>	<u>229,573</u>	<u>499</u>
3,024,703	41,801	47,196	36,316	2,758	-	223,838	499
-	-	-	-	-	-	-	-
13,693	-	-	-	-	-	3,615	-
9,186	-	-	-	-	-	2,120	-
-	-	-	-	-	-	-	-
14,944	-	-	-	-	-	-	-
52,899	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	10,888,266	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	108,598	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,115,425</u>	<u>41,801</u>	<u>47,196</u>	<u>36,316</u>	<u>2,758</u>	<u>10,996,864</u>	<u>229,573</u>	<u>499</u>
-	-	-	-	-	836,052	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	836,052	-	-
-	-	-	-	-	2,471,719	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,307,771</u>	<u>\$ -</u>	<u>\$ -</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	272 Medicaid Admin. Claim MAC
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	714,240	149,582	-	-
5020	Total Revenues	714,240	149,582	-	-
EXPENDITURES:					
Current:					
0011	Instruction	237,322	33,552	-	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	270,279	40,253	-	-
0021	Instructional Leadership	134,492	5,897	-	-
0023	School Leadership	36,180	-	-	-
0031	Guidance, Counseling and Evaluation Services	999	-	-	-
0032	Social Work Services	-	-	-	-
0033	Health Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0053	Data Processing Services	1,250	-	-	-
0061	Community Services	33,718	69,880	-	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	714,240	149,582	-	-
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

282 FEMA Hurricane Grants	286 Title I SIP Academy Grant ARRA	410 State Textbook Fund	429 Technology Lending Program	432 SSA - TANF Temporary Assistance	435 SSA Regional Day School - Deaf	446 Regional School for the Deaf	461 Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 424,219	\$ 757,515
-	-	2,864,941	3,100	111	535,594	-	-
-	-	-	-	-	-	-	-
-	-	2,864,941	3,100	111	535,594	424,219	757,515
-	-	2,988,640	10,639	116	457,681	315,659	22,483
-	-	-	26	-	-	-	-
-	-	-	-	-	10,320	470	-
-	-	56,234	-	-	5,525	108,090	-
-	-	-	-	-	-	-	195,294
-	-	-	-	-	62,068	-	32,486
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	63,473
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,805
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,044,874	10,665	116	535,594	424,219	315,541
-	-	(179,933)	(7,565)	(5)	-	-	441,974
-	-	-	-	-	-	-	-
-	-	(179,933)	(7,565)	(5)	-	-	441,974
-	-	179,933	7,565	5	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 441,974

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		481 BASF Foundation Science	483 Natatorium Swim Program	484 After School Programs	485 Exxon Mobil Future Leaders
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,651	\$ 29,346	\$ 45,862	\$ 9,310
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>4,651</u>	<u>29,346</u>	<u>45,862</u>	<u>9,310</u>
EXPENDITURES:					
Current:					
0011	Instruction	-	-	-	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	4,651	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	-	-
0033	Health Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	-	39,073	8,473
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	<u>4,651</u>	<u>-</u>	<u>39,073</u>	<u>8,473</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	29,346	6,789	837
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
1200	Net Change in Fund Balance	-	29,346	6,789	837
0100	Fund Balance - September 1 (Beginning)	-	(29,346)	(6,789)	(837)
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

486 Exxon Mobil Project Boost	487 Exxon-Mobil Reading Initiative	488 Texas School Ready Project	489 Community Education	490 Adult Education GED Testing	492 Thomas Center Scoreboard	493 DaVinci Minds	495 Texas Data Champions
\$ 46,417	\$ 28,773	\$ 127,756	\$ -	\$ -	\$ 19,512	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
46,417	28,773	127,756	-	-	19,512	-	-
45,000	50,177	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	6,371	-	-	-	-	-	-
-	-	127,756	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	37,744	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,417	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
46,417	56,548	127,756	-	-	37,744	-	-
-	(27,775)	-	-	-	(18,232)	-	-
-	-	-	6,863	5,808	-	1,616	-
-	(27,775)	-	6,863	5,808	(18,232)	1,616	-
-	27,775	-	(6,863)	(5,808)	18,232	(1,616)	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BEAUMONT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		497 Public Facility Corporation	498 District Incentive Program	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ 103,576	\$ 3,473,775
5800	State Program Revenues	-	-	-	3,470,415
5900	Federal Program Revenues	-	-	-	22,298,753
5020	Total Revenues	-	-	103,576	29,242,943
EXPENDITURES:					
Current:					
0011	Instruction	-	-	25,488	12,276,756
0012	Instructional Resources and Media Services	-	-	-	39,208
0013	Curriculum and Instructional Staff Development	-	-	-	463,326
0021	Instructional Leadership	-	-	16,709	2,066,549
0023	School Leadership	-	-	-	546,003
0031	Guidance, Counseling and Evaluation Services	-	-	-	271,827
0032	Social Work Services	-	-	-	70,899
0033	Health Services	-	-	-	113,638
0035	Food Services	-	-	-	10,888,266
0036	Extracurricular Activities	-	-	26,750	150,016
0041	General Administration	-	-	-	1,062
0051	Facilities Maintenance and Operations	-	-	-	130,665
0053	Data Processing Services	-	-	-	1,250
0061	Community Services	-	-	-	1,107,361
Debt Service:					
0071	Principal on Long Term Debt	1,250,000	-	-	1,250,000
0072	Interest on Long Term Debt	26,875	-	-	26,875
0073	Bond Issuance Cost and Fees	6,413	-	-	6,413
6030	Total Expenditures	1,283,288	-	68,947	29,410,114
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,283,288)	-	34,629	(167,171)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	1,281,588	-	-	1,295,875
1200	Net Change in Fund Balance	(1,700)	-	34,629	1,128,704
0100	Fund Balance - September 1 (Beginning)	1,700	-	(22,827)	2,632,843
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 11,802	\$ 3,761,547

634		Total	
Capital		Nonmajor	
Projects		Governmental	
		Funds	
\$	325	\$	3,474,100
	-		3,470,415
	-		22,298,753
	325		29,243,268
	-		12,276,756
	-		39,208
	-		463,326
	-		2,066,549
	-		546,003
	-		271,827
	-		70,899
	-		113,638
	-		10,888,266
	-		150,016
39,772			40,834
-			130,665
-			1,250
-			1,107,361
-			1,250,000
-			26,875
-			6,413
39,772			29,449,886
(39,447)			(206,618)
-			1,295,875
(39,447)			1,089,257
112,159			2,745,002
\$	72,712	\$	3,834,259

BEAUMONT INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2015

	836	837	838	839
	Alex Durley	Joe Tonahill	Mike Taylor	Charles
	Scholarship	Scholarship	Scholarship	Weinbaum
	Scholarship	Scholarship	Scholarship	Scholarship
<hr/>				
ASSETS				
Cash and Cash Equivalents	\$ 6	\$ 6	\$ 1	\$ 150
Due from Other Funds	17,813	20,485	3,552	908
Total Assets	<u>17,819</u>	<u>20,491</u>	<u>3,553</u>	<u>1,058</u>
NET POSITION				
Restricted for Other Purposes	<u>17,819</u>	<u>20,491</u>	<u>3,553</u>	<u>1,058</u>
Total Net Position	<u>\$ 17,819</u>	<u>\$ 20,491</u>	<u>\$ 3,553</u>	<u>\$ 1,058</u>

841	842	Total
Paul Brown	Wells Peyton	Private
Scholarship	Greenberg &	Purpose
	Hunt Schlrschp	Trust Funds
\$ 5,782	\$ 1,500	\$ 7,445
5,851	-	48,609
11,633	1,500	56,054
11,633	1,500	56,054
\$ 11,633	\$ 1,500	\$ 56,054

BEAUMONT INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

	836	837	838	839
	Alex Durley Scholarship	Joe Tonahill Scholarship	Mike Taylor Scholarship	Charles Weinbaum Scholarship
DEDUCTIONS:				
Other Operating Costs	\$ -	\$ -	\$ -	\$ -
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	-	-	-	-
Total Net Position - September 1 (Beginning)	<u>17,819</u>	<u>20,491</u>	<u>3,553</u>	<u>1,058</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 17,819</u></u>	<u><u>\$ 20,491</u></u>	<u><u>\$ 3,553</u></u>	<u><u>\$ 1,058</u></u>

841	842	Total
Paul Brown	Wells Peyton	Private
Scholarship	Greenberg &	Purpose
	Hunt Schlrsbp	Trust Funds
\$ (1,250)	\$ -	\$ (1,250)
(1,250)	-	(1,250)
1,250	-	1,250
10,383	1,500	54,804
\$ 11,633	\$ 1,500	\$ 56,054

This page is left blank intentionally.

OTHER INFORMATION - REQUIRED TEA SCHEDULES

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.307900	0.055000	7,853,566,235
2008	1.040000	0.055000	8,500,936,929
2009	1.040000	0.152500	9,344,043,352
2010	1.040000	0.222500	9,164,709,866
2011	1.040000	0.270000	9,084,485,215
2012	1.040000	0.285000	9,279,574,505
2013	1.040000	0.275000	9,259,420,913
2014	1.040000	0.275000	9,783,235,099
2015 (School year under audit)	1.040000	0.275000	10,023,535,881
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 3,879,885	\$ -	\$ 62,993	\$ 2,986	\$ (315,551)	\$ 3,498,355
355,007	-	15,146	637	(3,099)	336,125
353,847	-	18,697	989	(1,058)	333,103
460,601	-	30,830	4,521	(6,514)	418,736
569,362	-	47,488	10,160	(416)	511,298
760,132	-	90,444	23,481	(1,612)	644,595
943,636	-	136,888	37,513	375	769,610
1,250,886	-	227,574	60,176	23	963,159
2,401,240	-	784,392	207,412	(92,175)	1,317,261
-	128,543,491	99,517,379	26,314,710	-	2,711,402
<u>\$ 10,974,596</u>	<u>\$ 128,543,491</u>	<u>\$ 100,931,831</u>	<u>\$ 26,662,585</u>	<u>\$ (420,027)</u>	<u>\$ 11,503,644</u>
Penalty and interest receivable on taxes					<u>11,405,155</u>
Total taxes receivable per Exhibit C-1					<u><u>\$ 22,908,799</u></u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,078,880	\$ 4,146,343	\$ 1,876,838	\$ (2,269,505)
5800	State Program Revenues	67,125	67,125	66,669	(456)
5900	Federal Program Revenues	10,609,277	10,678,719	9,889,409	(789,310)
5020	Total Revenues	14,755,282	14,892,187	11,832,916	(3,059,271)
EXPENDITURES:					
0035	Food Services	14,629,524	14,743,429	10,888,266	3,855,163
0051	Facilities Maintenance and Operations	125,758	148,758	108,598	40,160
6030	Total Expenditures	14,755,282	14,892,187	10,996,864	3,895,323
1200	Net Change in Fund Balances	-	-	836,052	836,052
0100	Fund Balance - September 1 (Beginning)	2,471,719	2,471,719	2,471,719	-
3000	Fund Balance - August 31 (Ending)	\$ 2,471,719	\$ 2,471,719	\$ 3,307,771	\$ 836,052

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)		
	Original	Final				
REVENUES:						
5700	Total Local and Intermediate Sources		\$ 28,545,831	\$ 28,545,831	\$ 26,905,994	\$ (1,639,837)
5900	Federal Program Revenues		-	-	1,072,035	1,072,035
5020	Total Revenues		28,545,831	28,545,831	27,978,029	(567,802)
EXPENDITURES:						
Debt Service:						
0071	Principal on Long Term Debt		9,365,000	9,675,500	9,675,000	500
0072	Interest on Long Term Debt		19,858,260	18,259,650	18,259,650	-
0073	Bond Issuance Cost and Fees		13,265	24,500	18,096	6,404
6030	Total Expenditures		29,236,525	27,959,650	27,952,746	6,904
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures		(690,694)	586,181	25,283	(560,898)
OTHER FINANCING SOURCES (USES):						
7915	Transfers In		1,276,875	-	-	-
1200	Net Change in Fund Balances		586,181	586,181	25,283	(560,898)
0100	Fund Balance - September 1 (Beginning)		552,136	552,136	552,136	-
3000	Fund Balance - August 31 (Ending)		\$ 1,138,317	\$ 1,138,317	\$ 577,419	\$ (560,898)

This page is left blank intentionally.

FEDERAL AWARDS SECTION

This page is left blank intentionally.

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

To the Board of Managers
Beaumont Independent School District

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 as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Beaumont Independent School District's basic financial statements and have issued our report thereon dated February 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Beaumont Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we do not express an opinion on the effectiveness of Beaumont Independent School 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses 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 what 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 *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. A *material weakness* is a deficiency, or 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 as items 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, and 2015-007 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beaumont Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-008, 2015-009, 2015-010, 2015-011, 2015-012, 2015-013, and 2015-014.

Beaumont Independent School District's Response to Findings

Beaumont Independent School District did not provide a corrective action plan.

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.

Gibson, Ruddock, Patterson LLC

Gibson, Ruddock, Patterson LLC
El Paso, Texas
February 18, 2016

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

To the Board of Managers
Beaumont Independent School District

Report on Compliance for Each Major Federal Program

We have audited Beaumont Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Beaumont Independent School District's major federal programs for the year ended August 31, 2015. Beaumont Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Beaumont Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Beaumont Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Adverse Opinions on Each Major Program

As described in the accompanying schedule of findings and questioned costs, Beaumont Independent School District did not comply with requirements for the individual major programs listed in the tables below. Compliance with such requirements is necessary, in our opinion, for Beaumont Independent School District to comply with the requirements applicable to each major program listed in the tables below.

Child Nutrition Cluster, CFDA #s 10.553, 10.555 and 10.559	
<i>Compliance Requirement</i>	<i>Finding Number</i>
A - Activities Allowed or Unallowed	2015-015
B - Allowable Costs/Cost Principles	2015-015 and 2015-019
N - Special Tests and Provisions	2015-025

ESEA Title I, Part A, CFDA #84.010A	
<i>Compliance Requirement</i>	<i>Finding Number</i>
A - Activities Allowed or Unallowed	2015-016
B - Allowable Costs/Cost Principles	2015-016 and 2015-019
E - Eligibility	2015-030
G - Matching, Level of Effort, Earmarking	2015-023
I - Procurement and Suspension and Debarment	2015-020
L - Reporting	2015-022 and 2015-024
N - Special Tests and Provisions	2015-021, 2015-027, 2015-028, and 2015-029

Special Education Cluster, CFDA #s 84.027A and 84.173	
<i>Compliance Requirement</i>	<i>Finding Number</i>
A - Activities Allowed or Unallowed	2015-017
B - Allowable Costs/Cost Principles	2015-017 and 2015-019
G - Matching, Level of Effort, Earmarking	2015-023
I - Procurement and Suspension and Debarment	2015-020
L - Reporting	2015-024

ESEA Title II, Part A-Teacher/Principal Training and Recruiting, CFDA# 84.367A	
<i>Compliance Requirement</i>	<i>Finding Number</i>
A - Activities Allowed or Unallowed	2015-018
B - Allowable Costs/Cost Principles	2015-018 and 2015-019
G - Matching, Level of Effort, Earmarking	2015-023
I - Procurement and Suspension and Debarment	2015-020
L - Reporting	2015-024
N - Special Tests and Provisions	2015-026

Head Start, CFDA# 93.600	
<i>Compliance Requirement</i>	<i>Finding Number</i>
B - Allowable Costs/Cost Principles	2015-019
L - Reporting	2015-024

Adverse Opinions

In our opinion, because of the significance of the effects of the noncompliance described in the Basis for Adverse Opinion paragraph, Beaumont Independent School District did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs listed in the tables above for the year ended August 31, 2015.

Other Matters

Beaumont Independent School District did not provide a corrective action plan for the compliance findings identified in our audit.

Report on Internal Control Over Compliance

Management of Beaumont Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Beaumont Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Beaumont Independent School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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. *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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-023, 2015-024, 2015-025, 2015-026, 2015-027, 2015-28, 2015-029, 2015-030, 2015-031, 2015-032, 2015-033, 2015-034, 2015-035, and 2015-036 to be material weaknesses.

Beaumont Independent School District did not provide a corrective action plan for the internal control over compliance findings identified in our audit.

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

Gibson, Ruddock, Patterson LLC

Gibson, Ruddock, Patterson LLC
El Paso, Texas
February 18, 2016

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

PROGRAM	DESCRIPTION
<u>SUMMARY OF AUDITOR'S RESULTS</u>	
<u>FINANCIAL STATEMENTS</u>	
Type of Auditor's Report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements:	Yes
<u>FEDERAL AWARDS</u>	
Internal control over major programs:	
Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Adverse
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
Major Programs:	Child Nutrition Cluster - CFDA 10.553 School Breakfast Program (SBP); CFDA 10.555 National School Lunch Program (NSLP) and CFDA 10.559 Summer Food Service Program ESEA, Title I, Part A - CFDA 84.010A Special Education Cluster - CFDA 84.027A - IDEA Part B Formula; CFDA 84.173A - IDEA Part B Preschool

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

PROGRAM	DESCRIPTION
<u>SUMMARY OF AUDITOR'S RESULTS (Continued)</u>	
	ESEA Title II, Part A - Teacher Principal Training and Recruiting - CFDA 84.367A
	Head Start - CFDA 93.600
Dollar threshold used to distinguish between type A and type B programs:	\$675,751
Auditee qualified as low-risk auditee?	No

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS

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

Criteria: 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 Found: 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.

Effect: The lack of internal controls results in the risk of nondetection of errors as well as the opportunity for individuals to commit fraud.

Cause: Due to changes in personnel and reorganization of the District, there was no oversight over the reconciliation of accounts as well as change in pay rates until August 2015.

Recommendation: In order to strengthen internal controls, we recommend management segregate duties over entering/changing pay rates. All cash should be reconciled on a monthly basis. Pay rate changes entered into the system should be matched with an approved pay rate change form by someone other than the person who entered the pay rate.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS - (Continued)

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

Criteria: The District is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial amounts are valid, and that financial reports are presented properly.

Condition Found: 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.

Effect: The District requested more funds than it was entitled to. As a result, the District was required to pay back funds to the grantor.

Cause: Turnover and reassignment of personnel as well as lack of proper training for individuals responsible for overseeing the grants.

Recommendation: We recommend monthly grant reconciliations be performed to ensure revenue and the related receivable are properly recognized. We recommend the District cease use of the "Negative Cash" report as the basis of requesting reimbursement and related personnel receive proper training. Calculation of periodic reimbursement amounts should be based upon the District's accounting records.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS - (Continued)

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

Criteria: 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. Documentation (i.e. invoices, purchase orders, bank statements) should always be maintained to support all transactions.

Condition Found: 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.

Effect: The lack of maintaining adequate documentation and lack of internal controls increases the risk of misappropriation of assets and potential misreporting of financial statement amounts due to error or fraud.

Cause: Finance personnel were not aware that documentation had to be maintained to support journal entries as it was never done previously. It is not known why invoices and approval documentation could not be located. Personnel stated that there were many requests for documentation from various auditors and investigators and it was possible that they were not returned or misfiled. In some instances, it is possible that the approval documentation was never obtained. It is unknown why there was no documentation to support payroll charges.

Recommendation: We strongly recommend Management implement procedures that require approvals and retention of adequate documentation to support employee compensation and all journal entries posted in the accounting system. In addition, due to the extenuating circumstances and all the requests being made by outside entities, we recommend the District maintain a log that will track documentation that is given to outside entities. This will help ensure that all invoices are returned and properly filed.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS - (Continued)

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

Criteria: 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. The Texas Education Code, Section 44.008, requires each school district to have an annual independent audit conducted and the annual audit must include the performance of certain audit procedures for the purpose of reviewing the accuracy of the fiscal information provided by the district through the Public Education Information Management System (PEIMS). The audit procedures are to be adequate to detect material errors in the school district's fiscal data to be reported through the PEIMS system for the fiscal period under audit. A major purpose of the accounting code structure is to establish the standard school district fiscal accounting system required by law. Although certain codes within the overview may be used at local option, the sequence of the codes within the structure, and the funds and chart of accounts, are to be uniformly used by all school districts in accordance with generally accepted accounting principles. Expenditures and transactions, in general, should be coded in accordance with the Financial Accountability Resource Guide (FASRG).

Condition Found: 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.

Effect: As a result of improper coding, Management contracted a third party to review expenditures and properly reclassify them to the appropriate accounts. A portion of the financial statements relies on certain coding elements. If coded incorrectly, the financial statements may be misreported and potentially result in modification to the auditors opinion and have direct impact on the FIRST rating. In addition, PEIMS submissions reported to TEA prior to the reclassifications contained material errors.

Cause: Turnover of personnel as well as lack of understanding of coding requirements.

Recommendation: We strongly recommend management provide training to all personnel involved in the coding of transactions. In order to strengthen internal controls, all transactions should be reviewed for proper account coding.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS - (Continued)

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

Criteria: 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 Found: 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.

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.

Cause: There appears to be a lack of communication between the District and TEAMS support staff regarding changes to the system. It is not known why the patch was necessary and why it affected the vendor listing.

Recommendation: We recommend the District communicate any changes made by the District to TEAMS support staff in order to ensure that TEAMS databases are properly updated. In addition, a log of the changes made to the system should be maintained in order to document why the change was necessary and who approved the changes to the system. The District should be well informed about the effect the patches applied to the TEAMS software by the TEAMS support staff have on the software.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS - (Continued)

2015-006 - Financial Reporting - Internal Control over Financial Reporting - Capital Assets

Criteria: The District is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly, and that related financial reports are presented properly.

Condition Found: 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.

Effect: We were unable to determine the existence and accuracy of capital assets reported on the financial statements. The lack of defined procedures over capital assets could potentially result in material misstatement in future financial statements; misappropriation of assets, noncompliance with grant provisions and additional outlay of District funding to replace misappropriated assets.

Cause: Turnover in key personnel contributed to capital assets not being properly recorded, tracked and depreciated.

Recommendation: We recommend the District conduct a complete inventory of capital assets and update the capital asset listing on a regular basis to ensure that the data is correct and properly reported. We recommend management review all contracts/agreements to ensure that any capital assets purchased with grant funds are properly tracked, capitalized and depreciated.

Management Response: We agree with this finding

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS - (Continued)

2015-007 - Financial Reporting - Internal Control over Financial Reporting - Accounting System

Criteria: The District is required to maintain internal controls over financial reporting, including computer controls, to provide a high level of assurance that the financial records are recorded properly, and that related financial reports are presented properly.

Condition Found: 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.

Effect: There is a risk of misappropriation of assets, potential misreporting of accounts in the financial statements due to error or fraud. This inadequate log of changes to the system has caused a duplication of effort from District personnel. The District had made significant progress to correct errors, but later realized that program changes had negated their work.

Cause: There appears to be a lack of communication between the District and TEAMS support staff regarding changes to the system. It is not known why the patch was necessary and why it affected the vendor listing. The accounting software does not allow easily accessible view of approvals.

Recommendation: In the short term, we recommend the District communicate any changes made by the District to TEAMS support staff in order to ensure that TEAMS databases are properly updated. In addition, a log of the changes made to the system should be maintained in order to document why the change was necessary and who approved the changes to the system. The District should be well informed about the effect the patches applied to the TEAMS software by the TEAMS support staff have on the software. However, the appropriate long-term solution is for the TEAMS software to be corrected to allow local modifications (as mentioned above) to be protected from manipulation by future updates as well as allow access to view all approvals in the system.

Management Response: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS - (Continued)

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

Criteria: Texas Education Code Section 44.008 requires the District to submit audited financial statements to the Texas Education Agency within 150 days after year end.

Condition Found: 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.

Effect: District is not in compliance with state law.

Cause: As a result of personnel turnover and of delays in the audit process, the audited financial statements were not submitted within the required 150 days.

Recommendation: We recommend management implement a timeline to ensure all future audits are completed and submitted to TEA on a timely basis.

View of Responsible Official: We agree with this finding.

2015-009 - State Compliance - State Mandated Programs

Criteria: In accordance with the Texas Education Code 42.143, the Bilingual Education allocation may be used for salary supplements for teachers but not for base salaries. The Texas Administrative Code 89.2 requires that educators providing services to gifted/talented students have adequate professional development which includes 1) prior to assignment in the program, a teacher must have a minimum of 30 hours of staff development related to the nature, needs, assessment, curriculum and instruction of gifted students. 2) each teacher must receive a minimum of six hours annually of professional development in gifted education.

Condition Found: 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.

Effect: The District is not in compliance with state laws.

Cause: Turnover and reassignment of personnel as well as a lack of understanding of program requirements.

Recommendation: We recommend the district budget and monitor expenditures on a periodic basis to ensure compliance with state spending requirements. We also recommend the District ensure all teachers charged to the Gifted and Talented allotment receive the required training.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS - (Continued)

2015-010 - State Compliance - Public Funds Investment Act

Criteria: The District is required to comply with all requirements contained in the Public Funds Investment Act (Texas Government Code, Chapter 2256).

Condition Found: 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.

Effect: The District did not provide the Board and others with the information required by the Public Funds Investment Act.

Cause: Significant turnover in personnel as well as changes to the organizational structure of the entity.

Recommendation: We recommend Management review the Public Funds Investment Act thoroughly and implement procedures to ensure compliance with all of the Act's requirements.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS - (Continued)

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

Criteria: The District is required to develop, review and approve the District and Campus Improvement Plans on an annual basis and ensure that all required components as promulgated by the Texas Education Code and Module 9 of the Financial Accountability Resource Guide (FASRG) are included therein.

Condition Found: 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.

Effect: The District is not in compliance with state laws.

Cause: Significant turnover in personnel as well as changes to the organizational structure of the entity. Previous District personnel were not aware of many of the requirements.

Recommendation: We recommend the District provide training to the appropriate personnel and ensure that the District and Campus Improvement Plans are properly reviewed and approved and contain the required components, including those for the SCE Program for every campus.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS - (Continued)

2015-012 - State Compliance - Student Attendance

Criteria: The District is required to comply with all requirements contained in the Student Attendance Accounting Handbook.

Condition Found: 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.

Effect: The District is not in compliance with the Student Attendance Accounting Handbook and there could potentially be overpayment of State funds to the District as a result of miscoding.

Cause: The attendance clerks at that time were not familiar with the rules in the student attendance accounting handbook.

Recommendation: We recommend the District provide personnel adequate training in order to ensure compliance with the Student Attendance Accounting Handbook.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS - (Continued)

2015-013 - State Compliance - Procurement

Criteria: State law, specifically Texas Education Code (TEC) §44.031(a), requires "all school district contracts for the purchase of goods and services, except for the purchase of produce and vehicle fuel, valued at \$50,000 or more in the aggregate for each 12 month period, shall be made by one of seven methods that provides the best value for the district. One of the seven methods includes interlocal contracts.

Condition Found: 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 for 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.

Effect: The District is not in compliance with the Texas Education Code §44.031(a).

Cause: 1) The Procurement Department thought the vendor utilized for the Alarm Permits & Fees, Security and Fire commodity was on a purchasing cooperative approved by the District's board of managers; however, the vendor was a part of an unapproved purchasing cooperative. 2) Due to reorganization of the Purchasing Department, we were not provided a response or evidence to demonstrate compliance for the HVAC and Wrecker Services vendors in question.

Recommendation: We recommend the District estimate the amount expected to be spent in the upcoming 12-month period and if the amount is expected to exceed \$50,000, the District should utilize one of the seven methods and comply with the Texas Education Code §44.031(a). In any case, the District should ensure all vendors utilized by the District comply with the state purchasing requirements.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS - (Continued)

2015-014 - State Compliance - Bank Depository Contract

Criteria: State law, specifically Texas Education Code (TEC) §45.206, requires school districts to select a depository through either competitive bidding or request for proposal procurement method. When the request for proposal option is selected, TEC §45.206(d) requires the school district to “state the selection criteria, including the factors specified under Section 45.207(c), in the request for proposals and shall select the proposal that offers the best value to the district based on the evaluation and ranking of each submitted proposal in relation to the stated selection criteria. A district may negotiate with the bank that submits the highest-ranked proposal to determine any terms of the proposed depository contract other than the interest rates proposed.”

Condition Found: 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).

Effect: The District is not in compliance with the TEC §45.206(d).

Cause: Those responsible for evaluating the proposals appear to have overlooked the specific requirements applicable to request for proposals.

Recommendation: In the future, we recommend the District select its bank depository in accordance with Texas Education Code, Chapter 45, Subchapter G, School District Depositories.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS

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

Criteria: In accordance with OMB Circular A-133, the District is required to spend funds on allowable activities. OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, requires that all charges to federal programs be reasonable and necessary to carry out the program.

Condition Found: 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.

Questioned Costs/Basis: Known questioned costs were determined by totaling the items tested that were found to be improperly charged to the program identified within this finding. Calculations were separate for payroll and nonpayroll calculations.

Known Questioned Cost: \$548

Instances/Universe:

Payroll: \$228 out of \$608,435 tested. Total remaining population - \$3,290,441

Non-Payroll: \$320 out of \$66,947 tested. Total remaining population - \$5,182,175

Effect: The District may be subject to audit by State or Federal entities and require the District to refund these monies. The District is in non-compliance with provisions of the grant agreement.

Cause: As a result of poor internal controls and turnover in key positions, adequate documentation was not maintained. There appears to be no review or monitoring process in place to ensure documentation is maintained to support all charges.

Recommendation: The District should implement procedures to ensure documentation is maintained to support all charges. We recommend the District provide training to program personnel regarding allowable costs under program guidelines as well as costs principles.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: In accordance with OMB Circular A-133, the District is required to spend funds on allowable activities. OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, requires that all charges to federal programs be reasonable and necessary to carry out the program.

Condition Found: While conducting our review of payroll and nonpayroll transactions, we noted several instances in which that 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.

Questioned Costs/Basis: Known questioned costs were determined by totaling the items tested that were found to be improperly charged to the program identified within this finding. Calculations were separate for payroll, nonpayroll and journal entry populations.

Known Questioned Cost: \$155,214

Instances/Universe:

Payroll - 2 instances out of 60 items tested. Total remaining population - \$2,352,452

Nonpayroll - 17 instances out of 60 items tested. Total remaining population - \$717,122

Journal Entries - 3 instances out of 5 items test. Total remaining population - \$91,095

Effect: Unallowable costs were charged to the grant. The District may be subject to audit by State or Federal entities and require the District to refund these monies. The District is in non-compliance with provisions of the grant agreement.

Cause: As a result of poor internal controls and turnover in key positions, adequate documentation was not maintained. There appears to be no review or monitoring process in place to ensure documentation is maintained to support all charges.

Recommendation: The District should implement procedures to ensure documentation is maintained to support all charges. We recommend the District provide training to program personnel regarding allowable costs under program guidelines as well as costs principles.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: In accordance with OMB A-133, the District is required to spend funds on allowable activities. OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Government, requires that all charges to federal programs be reasonable and necessary to carry out the program. Amounts provided to the District under Part B of the Individuals with Disabilities Education Act (IDEA) must be used only to pay the excess costs of providing special education to children with disabilities and must be used to supplement State, local, and other Federal funds and not to supplant those funds.

Condition Found: 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.

Questioned Costs/Basis:

Known questioned costs were determined by totaling the items tested that were found to be improperly charged to the program identified within this finding. Calculations were separate for nonpayroll transactions and excess costs.

Known Questioned Cost: \$163,135

Instances/Universe:

Nonpayroll - 12 instances out of 60 items tested. Total remaining population - \$1,097,786

Excess Cost Calculation - 1 out of 1 items tested.

Effect: Costs incurred for unallowable activities are ineligible for reimbursement. The District may be subject to audit by State or Federal entities and require the District to refund these monies. The District is in non-compliance with provisions of the grant agreement.

Cause: As a result of poor internal controls and turnover in key positions, adequate documentation was not maintained. There appears to be no review or monitoring process in place to ensure documentation is maintained to support all charges.

Recommendation: The District should implement procedures to ensure documentation is maintained to support all charges. We recommend the District provide training to program personnel regarding allowable costs under program guidelines as well as costs principles. Furthermore, the excess cost calculation should be performed annually to satisfy compliance with the requirement.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: In accordance with OMB Circular A-133, the District is required to spend funds on allowable activities. OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, requires that all charges to federal programs be reasonable and necessary to carry out the program.

Condition Found: 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.

Questioned Costs/Basis: Known questioned costs were determined by totaling the items tested that were found to be improperly charged to the program identified within this finding.

Known Questioned Cost: \$10,527.

Instances/Universe:

Nonpayroll - 30 instances out of 60 items tested. Total remaining population - \$303,306.

Effect: Unallowable costs were charged to the grant. The District may be subject to audit by State or Federal entities and require the District to refund these monies. The District is in non-compliance with provisions of the grant agreement.

Cause: Personnel was not aware of program requirements. As a result of poor internal controls and turnover in key positions, adequate documentation was not maintained.

Recommendation: We recommend the District provide training to program personnel on program requirements. In addition, supporting documentation should be maintained to support all charges.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: OMB Circular A-87 requires that charges to federal awards for salaries and wages be based on payroll documented in accordance with generally accepted practice of the governmental unit. A semi-annual certification can be used to support charges for single cost objectives and should be signed after the work has been performed by either the employee or a supervisor having first hand knowledge of the work performed. Payroll activity reports must be used to support charges for multiple cost objects.

Condition Found:

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.

Questioned Costs/Basis: Unknown

Instances/Universe: Unknown

Effect: The District may be subject to audit by State or Federal entities and require the District to refund these monies. The District is in non-compliance with provisions of the grant agreement.

Cause: Grant personnel were not aware of this requirement. In addition, there was very little oversight by management.

Recommendation: District should provide training to grant/program directors in order to ensure they understand the grant requirements. In addition, Management should assign an individual responsible for ensuring semi-annual certifications and any other time and effort documentation are properly maintained.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: Federal law, specifically, 34 C.F.R. 80.36, requires grantees and subgrantees to use their own procurement procedures which should reflect applicable State and local laws and regulations, provided that the procurement's conform to applicable Federal law and the standards identified in this section. It requires a) formal procurement if the amount is expected to be more than \$100,000, including professional services or b) quotes from an adequate number of qualified sources, if the amount is expected to be \$100,000 or less. Federal law also requires that since state law is more restrictive, formal procurement for non-professional services be used when the amount expected to be spent in a 12-month period exceeds \$50,000. Purchases for formally procured commodities should only be made from awarded vendors.

Condition Found: 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.

Questioned Costs/Basis: Questioned costs were determined by totaling the charges in the program fiscal year 2015 transaction ledger for the particular vendors that were not procured appropriately as described in this finding.

Title I, Part A - \$40,786
Title II, Part A - \$38,475
Special Education Cluster - \$662,323

Instances/Universe: N/A

Effect: The District is not in compliance with provisions of the grant agreement. The District may be subject to administrative audit review by State or Federal auditors which may lead to the District having to refund monies to the grantor.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

Cause: The Interim Purchasing Director did not have a procurement background and became aware of the procurement laws after some of the contracts had already been awarded and services were provided. In addition, the District's written guidance related to procurement processes/requirements did not address federal procurement requirements. Purchasing staff were not able to implement all the changes before the end of the fiscal year. Lastly, federal directors were also not familiar with the procurement requirements.

Recommendation: We recommend the District provide ongoing training to all the purchasing personnel and federal program directors in order to ensure that they stay current on all purchasing requirements, including the differences between federal and state procurement requirements. When obtaining professional services for federal programs, more than one quote should be obtained on purchases below \$100,000. If the District cannot employ the required special education services and must contract them, amounts of \$100,000 or more should be formally procured in accordance with federal regulations.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: By the end of the 2005-2006 school year, the District was required to ensure that all teachers of core academic subjects, whether or not they work in a program supported with Title I, Part A funds, are highly qualified.

Condition Found: 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.

Questioned Costs/Basis: Unknown

Instances/Universe: N/A

Effect: The District is not in compliance with federal grant requirements.

Cause: Personnel became aware of the requirement late in the fiscal year while we were conducting the prior year audit.

Recommendation: We recommend the District determine which teachers are not highly qualified and provide the resources necessary for them to become highly qualified, including completing an individual professional development plan, for each teacher not highly qualified.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: The District is required to submit a mid-year collection report to the Texas Education Agency.

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

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: The District is not in compliance with grant requirements.

Cause: The audit of the period ended August 31, 2014 was completed after the mid-year collection report was submitted.

Recommendation: We recommend the District implement procedures to ensure that all data submitted to the Texas Education Agency is reviewed for accuracy.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: 1) Title I, Part A and Teacher Principal Training and Recruiting - The combined fiscal effort per student or the aggregate expenditures of the District from State and local funds for free public education for the preceding year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding year. 2) Special Education Cluster - A specified level of expenditures from non-Federal or Federal sources for specified activities is to be maintained from one year to the next. 3) Special Education Cluster - The District must expend an amount of local funds, or a combination of State and local funds, for the education of children with disabilities that is at least equal, in either an aggregate or per capita basis, to the amount of local funds, or a combination of State and local funds expended for this purpose by the LEA in the prior fiscal year.

Condition Found: 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.

Questioned Costs/Basis: Unknown

Instances/Universe: N/A

Effect: Noncompliance with the federal requirement can lead to a reduction in funding for future years by the grantor.

Cause: There was significant turnover in the Title Programs and Special Education departments and the calculation could not be provided.

Recommendation: We recommend the District provide training to directors and all grant related personnel on the different program requirements. We also recommend that the District implement procedures to ensure that the District uses the correct MOE calculator in order to ensure compliance with federal guidelines.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: 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, and that financial reports are presented properly. When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. In addition, each recipient must report program outlays on a cash or accrual basis, as prescribed by the Federal awarding agency.

Condition Found: 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.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: The District requested funds before the program costs had been incurred. In addition, the reports generated do not contain accurate data. The District will need to return those funds that were not for allowable costs and there is a risk that additional refunds may be due to the grantor.

Cause: Turnover and reassignment of personnel as well as lack of training for individuals responsible for overseeing the grants.

Recommendation: We recommend monthly grant reconciliations be performed to ensure revenue and the related receivables are properly recognized. We recommend the District cease the use of the “Negative Cash” report as the basis of requesting reimbursement and instead use the District’s accounting records (i.e. expenditures in the general ledger for the program). We recommend the District provide training to the appropriate personnel on the appropriate procedures for requesting reimbursement and ensure that requests for reimbursement are properly reviewed and approved by a second individual.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: The District is required to maintain internal controls over compliance related to the “paid lunch equity” requirement to provide a high level of assurance that paid lunches are priced accordingly or contributions from non-Federal sources are made. A school food authority (SFA) participating in the national school lunch program (NSLP) is required to ensure that sufficient funds are provided to its nonprofit school food service accounts from lunches served to students not eligible for free or reduced price meals. A SFA currently charging less for a paid lunch than the difference between the Federal reimbursement rate for such a lunch and that for a free lunch is required to comply. This difference is known as “equity.” There are two ways to meet this requirement:(a) by raising the prices charged for paid lunches; or (b) through contributions from other non-Federal sources. SFAs with an average weighted price at or above equity (currently \$2.65 for school year 2014-2015) have already met the requirement (42 USC 1760(p);7 CFR sections 210.14(a) and 210.14(e)).

Condition Found: 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.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: The District may be required to refund certain monies to the Texas Department of Agriculture.

Cause: Unknown.

Recommendation: Management should review the paid lunch equity calculation to ensure accuracy and maintain documentation to support the amount used for the calculation.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: The District is required to maintain internal controls over compliance in order to provide a high level of assurance that an assessment of need is properly conducted. The District must conduct an assessment of local needs for professional development and hiring, as identified by the District and school staff. The needs assessment must be conducted with the involvement of teachers, including teachers who work in Title I, Part A targeted assistance programs and schoolwide program schools.

In accordance with OMB A-102, records pertinent to a federal award must be retained for a period of three years from the date of submission, while the State statute requires that all documentation be maintained for seven years.

Condition Found: 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.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: The District may be required to refund certain monies to the awarding agency.

Cause: Staff responsible for maintaining this documentation were not available at the time of our audit.

Recommendation: The District should adhere to its record retention policies in order to ensure that adequate documentation is maintained to satisfy compliance with program requirements.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: A District must use state and local funds to provide services at Title I, Part A campuses that are comparable to services provided to schools not receiving Title I, Part A funds. The District is required to maintain adequate documentation to support the calculation.

Condition Found: 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”.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: The District is not in compliance with federal requirements. The noncompliance could potentially result in the District having to reimburse the federal government for any noncompliance.

Cause: There was no oversight by the previous program director or by management to ensure compliance with these requirements.

Recommendation: We recommend the District adheres to record retention policies in order to ensure that adequate documentation is maintained to prove compliance with program requirements.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: To operate a schoowide program, a school must include three core elements and the schoowide plan must include specific components in accordance with 34 CFR Section 200.28. The District is required to maintain internal controls over compliance to provide a high level of assurance that the Schoolwide Program is properly operated.

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

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: Deficiencies in the schoowide plan could result in the District losing its flexibility to spend funds at a schoolwide campus.

Cause: The previous District employee responsible for compliance was not aware of many of the requirements.

Recommendation: We recommend the District provide training to the appropriate personnel and ensure that the Campus Improvement Plans contain the required components. In addition, the District must ensure that a Campus Improvement Plan is developed for each schoowide campus and approved by the Board.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: The District must report graduation rate data for all public high schools at the School and the District. Graduation rate data must be reported both in the aggregate and disaggregated by each subgroup in accordance with 34 CFR 200.13. The District must maintain appropriate written documentation to support the removal of a student from the regulatory adjusted cohort.

Condition Found: 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.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: The District is not in compliance with requirement.

Cause: The previous District employee responsible for compliance was not aware of many of the requirements.

Recommendation: The District should design and implement written procedures to ensure compliance with this requirement. We recommend the District maintain appropriate documentation to satisfy compliance with program requirements, which includes providing explanations and justifications for removal of students from the cohort.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: The District must allocate Title I, Part A funds to each participating school attendance area or school, in rank order, on the basis of the total number of children from low-income families residing in the area or attending the school. Before allocating Title, I Part A funds to school attendance areas and schools, the District must reserve funds to provide services to neglected and homeless children.

Condition Found: 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.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: The District may be required to refund certain monies to the awarding agency as a result of noncompliance with grant guidelines.

Cause: The staff responsible for the allocation is no longer with the District.

Recommendation: We recommend the District maintain appropriate documentation to satisfy compliance with program requirements, which should include explanations or justifications for omitted or irregular items.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: The District is required to maintain internal controls over compliance with procurement to provide a high level of assurance that the District is in compliance with grant provisions for federal funds received.

Condition Found: 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.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: Because the District was unaware of the federal procurement requirements and therefore unable to design and implement internal controls over compliance with procurement, the District is non-compliant with grant provisions. The District may be subject to administrative audit review by State or Federal entities which may result in the District having to refund monies.

Cause: The District has been troubled by incompetence and un-trustworthy personnel in the past. The Interim Purchasing Director does not have a procurement background and was not aware of the federal procurement requirements until we were conducting the audit of fiscal year 2014. There was insufficient time to implement all new policies and procedures.

Recommendation: These findings relate to federal procurement requirements described in the Code of Federal Regulations, specifically 34 CFR Section 80.36 - Procurement (34 C.F.R. § 80.36). However, effective December 26, 2014, revised federal procurement requirements are summarized within the Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R. §200). A summary of the various thresholds are illustrated within the procurement Bear Claw. The Purchasing Director should become very familiar with the guidance and "Bear Claw" illustration as well as the grant terms and conditions of federal awards. The federal grant's terms and conditions will specify whether the Uniform Guidance applies. For fiscal year 2016, the District should determine if procurement policies and procedures will be in accordance with either old or new standards and document its determination and ensure policies and procedures are in accordance with the District's determination. For fiscal year 2018, procurement policies and procedures must comply fully with the Uniform Guidance.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: The District is required to maintain internal controls over Suspension and Debarment to provide a high level of assurance that vendors paid with federal funds are not suspended or debarred. As specified in 2 CFR Section 180.220 which implements Executive Orders 12549 and 12689, non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred.

Condition Found: 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.

Questioned Costs/Basis: N/A

Instances/Universe: None

Effect: The lack of internal controls increases the risk of noncompliance with federal programs.

Cause: The District has been troubled by incompetence and un-trustworthy personnel in the past. The Interim Purchasing Director does not have a procurement background and did not become aware of the federal procurement requirements until we were conducting the audit of the fiscal year 2014.

Recommendation: Even though this requirement only relates to purchases charged to federal programs, it is difficult to segregate those vendors which are approved for federal activity. To ensure the District complies with this requirement, we recommend the District implement a mechanism to obtain and react to suspension and debarment certifications for all vendors, including sole source, internal solicitations and vendors utilized through interlocal agreements. Policies and procedures related to suspension and debarment, including reference to the federal requirement, should be drafted and finalized.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: The District is required to maintain internal controls over Supplement not Supplant to provide a high level of assurance that federal funds are not being supplanted.

Condition Found: 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.

Questioned Costs/Basis: Unknown

Instances/Universe: N/A

Effect: Failure to properly design and implement controls could result in noncompliance. Such noncompliance could result in termination or reduced funding of future awards by the awarding agency.

Cause: It appears that there was mis-communication as to whose responsibility it was to monitor the expenditures and the related budget for this requirement. The Budget Director and Federal Awards Director are no longer with the District.

Recommendation: We recommend Management design and implement controls over compliance related to the supplement not supplant provisions of these federal grants.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: The District is required to maintain internal controls over compliance, including Activities Allowed and Unallowed, Allowable Costs/Costs Principles to provide a high level of assurance that transactions charged to the federal award are for allowable activities, and reasonable and necessary for the performance of the federal award, in accordance with OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments. The District is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly and that adequate documentation is maintained to support all transactions recorded.

Condition Found:

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.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: Lack of supporting documentation or inadequate documentation and lack of internal controls increases the risk of misappropriation of assets and potential misreporting of financial statement and federal award amounts due to error or fraud. A third party consultant was hired to review and reclassify improper coding. Costs not in compliance with federal award requirements are subject to be returned to the awarding agency and may result in termination or reduced funding of future awards.

Cause: It appears that the individuals in charge of the programs did not have the required knowledge and experience to manage the programs. In addition, there was no oversight by anyone in the business office or any other part of Management.

Recommendation: The District should consider assigning grant accountants to the various grants and have them responsible for reviewing the transaction ledger detail on a periodic basis to identify potential non-compliance with federal requirements. In addition, the District should ensure grant/program directors understand the grant requirements and have them responsible for reviewing the transaction ledger detail on a periodic basis, as well.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: In accordance with OMB Circular A-133, the District is required to determine, record, and use program income in accordance with program requirements.

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

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: There is a risk of misappropriation of assets as well as program income not being properly recorded.

Cause: Personnel was not aware of program requirements. Proper documentation was not maintained due to poor internal controls and there appears to be no monitoring process.

Recommendation: We recommend the District establish procedures and guidelines related to program income; provide training to program personnel on program requirements and assign a responsible individual to conduct a review. In addition, supporting documentation should be maintained.

View of Responsible Official: We agree with this finding.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

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

Criteria: 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 accurate and valid. Segregation of duties is an element of internal control that should be implemented by every governmental entity to reduce the risk of error or fraud.

Condition Found: 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.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: The lack of segregated duties resulted in a weakness in internal controls. It increases the risk of misappropriation of assets and potential misreporting of financial statement amounts due to error or fraud.

Cause: The District has not been able to determine who, how or when the computer controls over journal entries were reverted to the original settings.

Recommendation: Management should determine the cause of the system reverting back to the original settings and ensure a log of changes made to the system is maintained in order to document why the change was necessary and who approved the changes in the system.

View of Responsible Official: We agree with this finding.

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS

2014-001 - State Compliance - Submission of Audited Financial Statements

Condition Found: The District did not submit audited financial statements for the fiscal year ended August 31, 2013 in accordance with state law.

Status: The District did not submit the August 31, 2014 financial statements in accordance with law. See current year finding 2015-008.

2014-002 - State Compliance - Procurement - Interlocal Agreements/Purchasing Cooperatives

Condition Found: There was no documentation to indicate that the purchasing cooperatives utilized by the District in fiscal year 2014 were approved by board resolution.

Status: This condition no longer exists.

2014-003 - State Mandated Programs - Required Expenditure Percentage

Condition Found: The District did not meet the required expenditure percentage in State Compensatory Education. The District was required to spend \$8,517,364, but only spent \$4,773,249.

Status: This condition no longer exists for the State Compensatory Education Program.

2014-004 - Financial Reporting - Internal Controls - Reconciliation of Grants

Condition Found: 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: The District continued to use the "Negative Cash" report for certain federal grants instead of expenditures as is required for grant on a reimbursement basis. The District did not reconcile grants on a regular basis. See current year finding 2015-002.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS (continued)

2014-005 - Financial Reporting - Internal Controls - Segregation of duties and reconciliation of accounts

Condition Found: Cash accounts were not properly reconciled on a monthly basis. The due to/from accounts were not reconciled to ensure they net to zero. Also, significant adjustments were necessary to correct invalid liability accounts. 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 were not implemented until October 2014 as a result of our visit to the District. While conducting our testing, we noted numerous instances in which journal entries were posted and reversed as a result of errors. The Personnel Office Manager has access to enter and change pay rates without any second review or approval.

Status: The due to/from accounts were reconciled at the end of the year to net to zero. We did not note any invalid liability accounts. However, the remaining conditions existed in 2015. See current year finding 2015-001.

2014-006 - State Compliance - Public Funds Investment Act

Condition Found: The investment policy was not reviewed or adopted by the Board of Trustees/Managers for fiscal year 2014 as required. In addition, 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 Trustees 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: This condition still exists. See current year finding 2015-010

2014-007 - State Compliance - District and Campus Improvement Plans

Condition Found: There was no evidence to support that the District and Campus Improvement Plans were reviewed and approved on an annual basis. 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: This condition still exists. See current year finding 2015-011.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS (continued)

2014-008 - Financial Reporting - Internal Controls over Financial Reporting - Documentation

Condition Found: 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 and in one instance approval documentation could not be provided for an employee being paid above their applicable max daily rate. We also noted our calculated years of service based upon the Teacher Service Records in TEAMS did not agree to the number of years of service being paid by the District for four out of 25 paychecks tested. Based on our calculations, this resulted in incorrect salary/pay amounts being paid to the employee.

Status: We did not note any discrepancies between the years of service based off of TEAMS and the years of service paid by the District. The remaining conditions still exist. See current year finding 2015-003.

2014-009 - State Compliance - Student Attendance

Condition Found: 1) Central High School - We noted three instances in which sick/parent notes were in the student file but the student was marked as present. It appeared that for one instance, the documentation provided was not original documentation. It appeared that the date on one document was scratched and replaced with a subsequent date and used again. The signed 2nd six weeks interval report we selected for testing could not be provided. 2) Amelia Elementary School - The signed 2nd six weeks interval report we selected for testing could not be provided. 3) Smith Middle School - We noted that two students were In-Student-Suspension and were not properly coded in accordance with the Student Attendance Handbook. We also noted that in-school suspension and field trip attendance rosters were not properly completed nor signed by the appropriate personnel. 4) Vincent Middle School - We noted that the field trip attendance rosters were not properly signed by the appropriate personnel.

Status: Similar instances were noted. See current year finding 2015-012.

2014-010 - Financial Reporting - Internal Controls over Financial Reporting - Coding

Condition Found: 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. In addition, while conducting our audit, we noted that there was no activity in Fund 461. Upon further inquiry, we determined that campus activity funds (Fund 461) were commingled with student activity funds (Fund 865).

Status: Numerous coding issues were noted in the current year. The District began using Fund 461 in the current year and has separated the campus and student activities. See current year finding 2015-004.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2015

FINANCIAL STATEMENT FINDINGS (continued)

2014-011 - Internal Controls over Financial Reporting - Duplicate Vendors

Condition Found: During our audit, we noted that there were multiple variations of the same vendor name. For example, Region 5 was in the vendor listing as Region 5, Region V and Region 5 ESC. No review is conducted to ensure that vendors are valid.

Status: A review was conducted and the multiple variation of vendor names were removed. However, a patch was applied by TEAMS to the accounting software that reversed the changes that had been made. See current year finding 2015-005.

2014-012 - State Compliance - Budget Overages

Condition Found: The overages in: Function 21, Instructional Leadership; Function 32, Social Work Services; and Function 35, Food Services, appear to be primarily related to the expenditures recorded for the retirement amounts that the state matches for all active members of the Teacher Retirement System. There is no effect on fund balance as the on-behalf expenditures are offset by the related revenue. The overage in Function 32, Social Work Services is related to the payment for processing fees for the District electronic filing system. The overage in function 61 is related to the TRS on-behalf expenditures recorded, as mentioned above, as well as the "Summit" expenditures that were deemed unallowable in the Teacher Principal Training and Recruiting program and were reclassified to the general fund. The overage in function 99, Other Intergovernmental Charges, was a result of an immaterial over accrual of one quarterly appraisal fee that was for the first quarter of fiscal year 2015.

Status: Although there were negative variances in function 33, Health Services and Function 34, Transportation, in total, actual expenditures did not exceed total budgeted expenditures.

2014-013 - All Federal Programs - Data Collection Form

Condition Found: The District did not submit the data collection form to the Federal Clearinghouse Single Audit in accordance with OMB Circular A-133 guidelines for the year ended August 31, 2013.

Status: This condition no longer exists. The District submitted both the August 31, 2013 and 2014 data collection form to the Federal Clearinghouse.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS

2014-014 - 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), Texas Title I Priority School CY 2 ARRA (84.388A), Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559) and ESEA, Title IV, Part B - 21st Century(CFDA 84.287C) - Compliance - Procurement

Condition Found: Due to staff turnover, the Interim Purchasing Director was unsure as to when purchasing cooperatives utilized by the District in fiscal year 2014 were originally approved by board resolution.

Status: This condition no longer exists. Purchasing cooperatives were properly approved by board resolution during fiscal year 2015.

2014-015 - 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), Texas Title I Priority School CY 2 ARRA (84.388A) - Compliance - Procurement

Condition Found: Title I, Part A and Teacher Principal Training and Recruiting - Instructional materials, a commodity which exceeds \$50,000 annually, were purchased from Teacher Created Materials throughout fiscal year 2014 without using an approved procurement method. The District conducted an instructional materials solicitation during FY 2009, referenced as IFB 09.035, however the bid tabulation did not show Teacher Created Materials as an awarded vendor. The bid tabulation did not even report a response received from the vendor.

Title I, Part A and Texas Title I Priority School CY 2 ARRA - The District did not obtain quotes from demonstrated competent and qualified vendors for staff training. Professional services totaled an amount below \$100,001 and were paid with funds including federal funds.

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 Therapy Services, Special Education (SPED) Residential Services, SPED Educational & Related Services as each of these services exceeded \$100,000. In addition, the District was required to obtain quotes for SPED Assessment Services but did not do so. Lastly, the District entered into a SPED data software contract which required a formal procurement method be used since more than \$50,000 was spent on this purchase. SPED data software is available from more than one vendor and therefore sole source cannot be claimed.

Status: This condition no longer exists for the Texas Title I Priority School CY 2 ARRA fund as the District no longer operates this program. Although there was improvement in this area, some of the conditions still exist. See current year finding 2015-020.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

2014-016 - Child Nutrition Cluster (CFDA 10.553, 10.555 10.559) - Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Condition Found: While conducting our review of payroll transactions, we noted there were several instances of unreasonable and excessive overtime pay. In several instances employees were paid their regular time in addition to local leave on the same day. As a result, some employees were paid for up to 17 hours per day. We also noted several instances in which documentation could not be provided for check adjustments. As a result we were unable to determine if the activity was allowable under the program guidelines.

Status: Although there was improvement in this area related to payroll charges, we did note instances in which documentation was not properly maintained to support nonpayroll charges. See current year finding 2015-015.

2014-017 -Texas Title I Priority School CY 2 ARRA (84.388A)- Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Condition Found: During the audit, we noted numerous instances in which unallowable expenditures were charged to the program. We noted unallowable activities such as office supplies, medical supplies, food and supplemental pay for IPAD check in/check out that were charged to the grant. We also noted that there was a lack of documentation to support charges as some invoices, receipts and support for payroll charges could not be located therefore we could not determine if the activity was allowable. We also noted that hotel and travel costs exceeded GSA rates.

Status: This condition no longer exists as the District no longer operates Texas Title I Priority School CY 2 ARRA program.

2014-018 Special Education Cluster (CFDA 84.027A & 84.173A) - Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Condition Found: During the audit we noted unusual payments of the same amount to two vendors with similar names. Upon further inquiry, the District determined that the initial check written to the incorrect vendor was never voided and therefore the grant was overcharged by this amount. While conducting our review of payroll transactions, we noted there were several instances of unreasonable and excessive over time pay. In two instances, employees were paid their regular time in addition to local leave on the same day. As a result, some employees were paid for up to 15.75 hours per day. We also noted that there was a lack of documentation to support charges as some invoices, receipts and support for payroll charges could not be located therefore we could not determine if the activity was allowable.

Status: We did not note any instances of unreasonable or excessive overtime or duplicate payments to vendors. Although there was improvement in this area, we noted that there was no documentation to support some of the nonpayroll transactions. See current year finding 2015-017.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

2014-019 - ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A) - Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Condition Found: During the audit, we noted numerous instances in which unallowable expenditures were charged to the program. The District held an annual event called the "Education Summit". The event included a job fair as well as workshops for parents to attend and become familiar with the services the District had to offer. Door prizes were awarded to attendees and entertainment was provided as well. We also noted that hotel and travel costs exceeded applicable GSA rates. In addition, there was a lack of documentation to support charges as some invoices, receipts and support for payroll charges could not be located therefore we could not determine if the activity was allowable.

Status: The Education Summit event was discontinued in fiscal year 2015. Although there was improvement with this program, some of the conditions still existed in current year. See current year finding 2015-018.

2014-020 - ESEA, Title I, Part A (CFDA 84.010A) Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Condition Found: While conducting our review of payroll transactions, we noted there were several instances of unreasonable and excessive overtime pay. We also noted that there was a lack of documentation to support payroll charges and adjustments and therefore we could not determine if the activity was allowable.

Status: We did not note any unreasonable or excessive overtime pay in current year. However, there was still a lack of documentation to support charges. See current year finding 2015-016.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

2014-021 - ESEA, Title IV, Part B - 21st Century (CFDA 84.287C) - Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles

Condition Found: During the audit, we noted numerous instances in which unallowable expenditures were charged to the program. We also noted that there was a lack of documentation to support charges as some invoices, receipts and support for payroll charges could not be located therefore we could not determine if the activity was allowable.

Status: This condition no longer exists as the District no longer operates the ESEA title IV, Part B - 21st Century program.

2014-022 -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), Texas Title I Priority School CY 2 ARRA (84.388A), ESEA, Title IV, Part B - 21st Century(CFDA 84.287C, Head Start (CFDA 93.600) - Compliance - Allowable Costs/Cost Principles: Semi Annual Certifications

Condition Found: Semi-annual certifications were not maintained for any of the employees paid with Child Nutrition funds. Semi-annual certifications for the Texas Title I Priority School, 21st Century and Teacher Principal Training and Recruiting programs were signed in between late October and November for the first semester and in late April to mid-May in the second semester. Semi Annual certifications for the Special Education Cluster were signed between late October and early December for the first semester and in late May for the second semester. Semi-annual certifications for the Head Start and Title I programs were signed close to the end of the first and second semester.

Status: The condition no longer exists for the Texas Title I Priority School CY 2 ARRA and ESEA title IV, Part B - 21st Century programs as the District no longer operated these programs in fiscal year 2015. Similar conditions existed for the other program in the current fiscal year. See current finding 2015-019.

2014-023 -Texas Title I Priority School CY 2 ARRA (84.388A) - Internal Control over Compliance and Compliance - Period of Availability

Condition Found: We noted several instances in which purchases were made after the end of the school year and did not appear to benefit the grant period. In three separate instances, we noted invoices or receipts were missing to support the expenditures and we could not determine compliance with the period of availability. The District purchased IPADs and vouchers to redeem apps, but they were not used within the period of availability.

Status: This condition no longer exists as the District no longer operated the Texas Title I Priority School CY 2 ARRA program in fiscal year 2015.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

2014-024 - ESEA, Title, I Part A (CFDA 84.010A) - Compliance - Reporting: Special Reporting - Highly Qualified

Condition Found: The Highly Qualified Teacher Summary report submitted by the District to TEA shows that only 97.5% of the teachers are highly qualified for the 2013-2014 school year.

Status: This condition still exists. See current year finding 2015-021.

2014-025 - ESEA, Title, I Part A (CFDA 84.010A) - Compliance - Reporting: Special Reporting - Mid-year Collection Report

Condition Found: The data in the mid-year collection report agrees to records that accumulate and summarize the data; however, the data utilized for this report is for FY 2013, which is unaudited. Because the data is unaudited, we cannot determine actual compliance with the requirement.

Status: The mid-year collection report did not agree to the 2014 audited financial statements. See current year finding 2015-022.

2014-026 - 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), Texas Title I Priority School CY 2 ARRA (84.388A), Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559) and ESEA, Title IV, Part B - 21st Century(CFDA 84.287C) - Internal Control over Compliance - Procurement

Condition Found: We noted the District is lacking adequate controls over the procurement process. The Interim Purchasing Director is on a significant learning curve and is 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: The condition no longer exists for the Texas Title I Priority School CY 2 ARRA and ESEA title IV, Part B - 21st Century programs as the District no longer operated these programs in fiscal year 2015. Similar conditions existed for the other programs in the current fiscal year. See current finding 2015-031.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

2014-027 - 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), Texas Title I Priority School CY 2 ARRA (84.388A), Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559) and ESEA, Title IV, Part B - 21st Century(CFDA 84.287C) - Internal Control over Compliance - Suspension and Debarment

Condition Found: Although not a direct and material requirement, 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: The condition no longer exists for the Texas Title I Priority School CY 2 ARRA and ESEA title IV, Part B - 21st Century programs as the District no longer operated these programs in fiscal year 2015. Similar conditions existed for the other programs in the current fiscal year. See current finding 2015-032.

2014-028 - ESEA, Title I Part A (CFDA 84.010A), ESEA, Title IV, Part B - 21st Century(CFDA 84.287C), 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 Found: 1) It was noted that the District does not use TEA's MOE calculator tool. A tool created and used by the District fails to include all the required information necessary for the calculation. 2) The District did not use the TEA's MOE calculator tool for the Special Education Cluster. 1) and 2) - Although it appears that the District is in compliance after reperforming the calculation using TEA's MOE calculator tool, we were unable to determine compliance since the 2013 numbers used in the calculation were not audited. 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: The condition no longer exists for the ESEA title IV, Part B - 21st Century program as the District no longer operated this program in fiscal year 2015. Similar conditions existed for the other program in the current fiscal year. See current year finding 2015-023.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

2014-029 - Texas Title I Priority School CY 2 ARRA (84.388A), ESEA, Title I Part A (CFDA 84.010A), ESEA, Title IV, Part B - 21st Century(CFDA 84.287C), ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A) - Internal Control over Compliance and Compliance - Supplement not Supplant

Condition Found: During our walkthrough, we noted that controls over compliance are not properly designed nor implemented. In three instances, the District did not prepare campus budgets with general funds that equaled or exceeded the prior fiscal year. We noted the one campus that does not receive Title I, Part A funds is also the same campus which experienced an actual and budgeted increase. This provides some evidence that campuses that do receive Federal funds may not get their fair share of state and local funds. It was noted that the FY 14 general fund budget did not exceed or equal the FY 13 actual expenditures. This fails to ensure that the District provides the same level of services that were provided in the prior year. It was noted that general fund expenditures decreased significantly when compared to FY 13. This indicates potential supplanting, however we were unable to determine compliance as the District does not have audited 2013 numbers.

Status: The condition no longer exists for the Texas Title I Priority School CY 2 ARRA and ESEA title IV, Part B - 21st Century programs as the District no longer operated these programs in fiscal year 2015. The District did not design or implement proper internal controls over compliance. All other conditions were corrected. See current year finding 2015-033.

2014-030 - Texas Title I Priority School CY 2 ARRA (84.388A); Head Start (CFDA 93.600), Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559), ESEA, Title IV, Part B - 21st Century(CFDA 84.287C), 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 Found: During the audit, we noted approvals by unauthorized individuals, lack of adequate supporting documentation and incorrectly coded transactions mainly because the item was unallowable or did not meet the OMB Circular A-87 cost principles or support could not be provided.

Status: The condition no longer exists for the Texas Title I Priority School CY 2 ARRA and ESEA title IV, Part B - 21st Century programs as the District no longer operated these programs in fiscal year 2015. Similar conditions existed for the other programs in the current fiscal year. See current finding 2015-034.

2014-031 - Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559) - Internal Control over Compliance - Program Income

Condition Found: 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: This condition still exists. See current year finding 2015-035.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2015

FEDERAL AWARD FINDINGS (Continued)

2014-032 - Texas Title I Priority CY 2 School ARRA (84.388A); Child Nutrition Cluster (CFDA 10.553, 10.555 10.559), ESEA, Title IV, Part B - 21st Century(CFDA 84.287C), Special Education Cluster (CFDA 84.027A & 84.173A), ESEA, Title I, Part A (CFDA 84.010A) - Internal Controls over Compliance - Inadequate segregation of duties and inadequate documentation

Condition Found: 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 were not implemented until October 2014 as a result of our visit to the District. While conducting our testing, we noted numerous instances in which journal entries were posted and reversed as a result of errors. There was inadequate documentation to support journal entries. There was no procedure in place to maintain documentation to support all transactions.

Status: The condition no longer exists for the Texas Title I Priority School CY 2 ARRA and ESEA title IV, Part B - 21st Century programs as the District no longer operated these programs in fiscal year 2015. Except for the Title I, Part A program, journal entries were not considered direct and material. There were still instances in which supporting documentation was not maintained to support journal entries. Controls over journal entries in the TEAMS accounting software were implemented in October 2014. However, the controls were reversed and again the individuals in the finance department had the ability to initiate, approve and post journal entries without a second review or approval. See 2015-034 and 2015-036.

2014-033 - Texas Title I Priority School CY 2 ARRA (84.388A), Special Education Cluster (CFDA 84.027A & 84.173A) - Internal Controls over Compliance and Compliance - Reporting: Financial Reporting

Condition Found: 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: The condition no longer exists for the Texas Title I Priority School CY 2 ARRA program as the District no longer operated this program in fiscal year 2015. This condition was corrected for the Special Education Cluster. However, this condition was found for the Head Start Program. See current year finding 2015-024.

2014-034 -Child Nutrition Cluster (CFDA 10.553, 10.555 10.559) - Internal Controls over Compliance and Compliance - Special Tests and Provisions: Paid Lunch Equity

Condition Found: The paid lunch equity calculation is prepared by the Program Director but is not reviewed by anyone. During our walkthrough, we were informed by the Program Director that during their latest Texas Department of Agriculture audit, there had been a finding related to their prices; however, supporting documentation was never provided.

Status: This condition still exists. See current year finding 2015-025.

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Naval JROTC	12.000	N/A	\$ 215,204
Total Direct Programs			\$ 215,204
TOTAL U.S. DEPARTMENT OF DEFENSE			\$ 215,204
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through ESC - Region 10</u>			
McKinney-Vento Texas Support for Homeless Ed.	84.196	123910	\$ 16,496
Total Passed Through ESC - Region 10			\$ 16,496
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101123910	\$ 4,899,059
ESEA, Title I, Part D, Subpart 2 - Delinquent	84.010A	15610103123910	83,709
Title I 1003(A) Priority and Focus	84.010A	15610112123910042	51,088
Title I 1003(A) Priority and Focus	84.010A	14610112123910127	9,396
Title I 1003(A) Priority and Focus	84.010A	15610112123910127	18,233
Title I 1003(A) Priority and Focus	84.010A	14610112123910131	8,653
Title I 1003(A) Priority and Focus	84.010A	15610112123910131	18,766
Total CFDA Number 84.010A			5,088,904
*IDEA - Part B, Formula	84.027A	146600011239106600	16,943
*IDEA - Part B, Formula	84.027A	156600011239106600	3,098,482
*IDEA - Part B, Formula RDSPD	84.027A	146600011239106601	15,052
*IDEA - Part B, Formula RDSPD	84.027A	156600011239106601	21,264
*IDEA - Part B, High Cost Risk Pool	84.027A	156600111239106673	47,196
Total CFDA Number 84.027A			3,198,937
*IDEA - Part B, Preschool	84.173A	156610011239106610	41,801
*IDEA - Part B, Preschool Deaf	84.173A	156610011239106611	2,758
Total CFDA Number 84.173A			44,559
IDEA, Part C - Early Intervention (Deaf)	84.181A	153911011239103911	499
Career and Technical - Basic Grant	84.048A	15420006123910	229,573
Title III, Part A - English Language Acquisition	84.365A	156710011223910	149,582
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501123910	714,240
Summer School LEP	84.369A	69551402	11,066
Total Passed Through State Department of Education			\$ 9,437,360
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 9,453,856
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Head Start	93.600	06CH7087-02	\$ 2,966,554
Total Direct Programs			\$ 2,966,554
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 2,966,554

BEAUMONT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401501	\$ 2,403,457
*National School Lunch Program - Cash Assistance	10.555	71301501	6,468,445
*National School Lunch Prog. - Non-Cash Assistance	10.555	00654	<u>776,973</u>
Total CFDA Number 10.555			<u>7,245,418</u>
*Summer Food Service Program	10.559	00654	155,659
Fresh Fruit and Vegetable Program	10.582	00654	<u>84,875</u>
Total Passed Through the State Department of Agriculture			<u>\$ 9,889,409</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 9,889,409</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 22,525,023</u></u>

* and ** are Clustered Programs

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2015

1. For all Federal programs, the District uses the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or committed for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special Revenue Fund. Generally, if balances have not been expended by the end of the project period, grantor may require the District to refund all or part of the unused amount.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the General Fund, a Special Revenue Fund, or the Debt Service Fund, which are Governmental Fund types. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources and the fund balance 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 the Governmental Fund Types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Due to the nature of the reporting process for the SHARS program, the District recognizes SHARS revenue upon receipt of the reimbursement notice from the granting agency.

3. The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H. Period of Performance, Part 3, OMB Compliance Supplement - June 2015.
4. Commodity assistance is reported by the CFDA numbers of the programs under which USDA donated the commodities.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2015

5. Of the federal expenditures presented in the schedule, the District accounted for certain funds in the General Fund as follows:

Program Title	Federal CFDA Number	Amount
Naval JROTC	12.000	\$ 215,204
Summer LEP	84.369A	<u>11,066</u>
		226,270
SHARS (not included on Exhibit K-1)		<u>1,933,114</u>
Total General Fund federal revenue per Exhibit C-3		<u><u>\$ 2,159,384</u></u>

6. The total federal revenue presented on schedule K-1 can be reconciled to Exhibit C-3 as follows:

Expenditures of federal awards per Exhibit K-1	\$ 22,525,023
Build America Bonds - Federal Interest Subsidy	1,072,035
School Health and Related Services (SHARS) reimbursements	<u>1,933,114</u>
Total federal revenue per Exhibit C-3	<u><u>\$ 25,530,172</u></u>