

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2014**



# BEAUMONT INDEPENDENT SCHOOL DISTRICT

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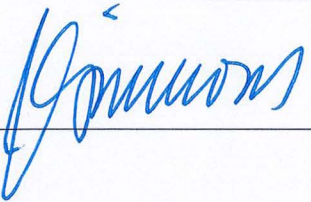
## CERTIFICATE OF BOARD

Beaumont Independent School District  
Name of School District


Jefferson  
County

123-910  
Co.-Dist. No.

We the undersigned, certify that at a meeting held the 26th day of February 2015, the attached annual financial reports of the above named school district was disapproved by the Board of Managers for the reason that the District received the report at 4:00 on the 26th day of February 2015, the audit was in draft form and the board members had insufficient time to review and analyze the data and information within the draft report.



President of the Board



Vice President of the Board

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Beaumont Independent School District

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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
Major Governmental Fund - Capital Projects	Qualified
Aggregate Remaining Fund Information	Qualified

### **Basis for Qualified Opinion on Governmental Activities**

We were not able to determine the validity of the Capital Asset balance, stated at \$467,371,812 in the Statement of Net Position as of August 31, 2014. Management of the District was unable to provide appropriate records to support the Capital Asset balances for the year ended August 31, 2014.

The previous year has not been audited and although we were able to perform alternative procedures on many significant beginning balances, there were certain accounts that we were unable to apply procedures that would provide sufficient audit evidence. As such, we have a scope limitation to the effect of the possible misstatement of these beginning balances as of August 31, 2014.

### **Basis for Qualified Opinion on General Fund**

The District has stated inventories at a cost of \$630,180 for the in the Governmental Funds Balance Sheet. We were unable to observe the counting of physical inventories as of August 31, 2014 for the general fund and, therefore, we were not able to quantify the financial effect.

The previous year has not been audited and although we were able to perform alternative procedures on many significant beginning balances, there were certain accounts that we were unable to apply procedures that would provide sufficient audit evidence. As such, we have a scope limitation to the effect of the possible misstatement of these beginning balances as of August 31, 2014.

### **Basis for Qualified Opinion on Capital Projects**

The previous year has not been audited and although we were able to perform alternative procedures on many significant beginning balances, there were certain accounts that we were unable to apply procedure that would provide sufficient audit evidence. As such, we have a scope limitation to the effect of the possible misstatement of these beginning balances.

### **Basis for Qualified Opinion on Aggregate Remaining Fund Information**

The District has stated inventories at a cost of \$189,925 for the aggregate remaining fund information in the Governmental Funds Balance Sheet. We were unable to observe the counting of physical inventories as of August 31, 2014 for the general fund and therefore we were not able to quantify the financial effect.

The previous year has not been audited and although we were able to perform alternative procedures on many significant beginning balances, there were certain accounts that we were unable to apply procedures that would provide sufficient audit evidence. As such, we have a scope limitation to the effect of the possible misstatement of these beginning balances as of August 31, 2014.

### **Qualified Opinions**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities”, “Basis for Qualified Opinion on General Fund”, “Basis for Qualified Opinion on Capital Projects” 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, capital projects fund and aggregate remaining fund information of Beaumont Independent School District as of August 31, 2014, 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 major fund of Beaumont Independent School District as of August 31, 2014, 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.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 9 through 17 and 72 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 effect on the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards of the validity of the inventories and beginning balances 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 26, 2015, 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 26, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **BEAUMONT INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Beaumont Independent School District's annual financial report presents the administration's discussion and analysis of the District's financial performance during the fiscal period ended August 31, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

#### **Financial Highlights**

The assets and deferred outflows of the District exceeded its liabilities at the close of the most recent fiscal year by \$82.8 million (net position). Of this amount, \$78.6 million was the District's net investment in capital assets, which represents the amount invested in capital assets net of accumulated depreciation and related debt, \$0.8 million was restricted for debt service, \$2.3 million was restricted for federal and state programs, \$0.1 million for capital projects and \$1.1 million was unrestricted.

- The District's total net position decreased by \$12.6 million during the current fiscal year.
- The District's governmental funds reported combined ending fund balances of \$5.3 million as of August 31, 2014. Of this amount, \$0.3 is classified as negative unassigned fund balance.
- The District's bonded debt decreased by \$10.5 million as a result of principal payments made during the current fiscal year.

#### **Overview of the Financial Statements**

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

#### **Government-wide Financial Statements**

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

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

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

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Cocurricular/

## **BEAUMONT INDEPENDENT SCHOOL DISTRICT**

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

Extracurricular Activities, General Administration, Plant 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, and Payments to Juvenile Justice Alternative Education Programs.

#### **Fund Financial Statements**

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

#### **Governmental Funds**

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

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

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

#### **Proprietary Funds**

The District maintains one internal service fund for workers' compensation insurance coverage. Internal service funds, one type of proprietary fund, are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. Because this service predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements. The District does not have any business-type funds.

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

## **BEAUMONT INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Fiduciary Funds**

The fiduciary funds are used to account for resources held for the benefit of students and employees. The 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 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 a private purpose trust fund.

#### **Notes to the Financial Statements**

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

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information.

#### **Other Information**

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

#### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities by \$82.8 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, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Comparative Schedule of Net Position**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013*</b>
Current and other assets	\$ 27,579,690	\$ 39,523,783
Capital and non current assets	467,371,812	481,339,272
<b>Total Assets</b>	<b>494,951,502</b>	<b>520,863,055</b>
Deferred charge on refunding	1,817,703	2,063,318
<b>Total Deferred Outflows of Resources</b>	<b>1,817,703</b>	<b>2,063,318</b>
Current liabilities	16,519,061	18,452,403
Long term liabilities	397,423,877	409,070,432
<b>Total Liabilities</b>	<b>413,942,938</b>	<b>427,522,835</b>
Net Position:		
Net investment in capital assets	78,574,293	79,822,079
Restricted	3,170,639	3,572,605
Unrestricted	1,081,335	12,008,854
<b>Total Net Position</b>	<b>\$ 82,826,267</b>	<b>\$ 95,403,538</b>

\* Fiscal Year 2013 figures are unaudited

The District's net position decreased by \$12.6 million during fiscal year 2014.

**Governmental Activities**

Revenues are generated primarily from four sources. Property taxes, state-aid formula grants, operating grants and contributions and charges for services which represent 97.8 percent of total revenues. The remaining 2.2 percent is generated from, investment earnings, and miscellaneous revenues.

The primary functional expenses of the District are instruction, food services, facilities maintenance and operations, debt service, which represent 64 percent of total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.



**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Comparative Schedule of Changes in Net Position**

		<b>Governmental Activities</b>	
		<b>2014</b>	<b>2013</b>
<b>Program Revenues</b>			
Charges for services	\$	3,235,829	\$ 2,514,475
Operating grants		43,555,935	42,813,446
<b>General Revenues</b>			
Property taxes		124,240,050	122,655,256
State Aid - Formula Grants		39,526,258	36,693,911
Grants and contributions not restricted to specific functions			1,073,142
Interest earnings		32,984	60,143
Other		4,598,377	13,081,562
<b>Total Revenues</b>		<b>215,189,433</b>	<b>218,891,935</b>
<b>Expenses</b>			
11 Instruction		110,027,921	115,001,312
12 Instructional resources and media services		1,966,654	2,334,959
13 Curriculum and staff development		936,205	1,978,402
21 Instructional leadership		6,219,745	6,152,435
23 School leadership		10,259,063	11,054,084
31 Guidance, counseling, and evaluation services		5,026,454	5,419,952
32 Social work services		765,278	898,553
33 Health services		2,110,844	2,096,868
34 Student transportation		7,874,332	10,374,292
35 Food service		12,379,745	12,008,420
36 Extracurricular activities		3,758,744	4,187,880
41 General administration		8,232,353	9,468,851
51 Plant, maintenance and operations		24,099,494	29,278,903
52 Security and monitoring services		2,622,830	2,795,532
53 Data processing services		1,385,202	1,928,364
61 Community services		1,547,524	1,395,403
72 Interest on long-term debt		18,868,673	18,887,727
73 Debt issuance costs and fees		13,265	520,274
81 Facilities repairs and maintenance		82,843	
93 Payments related to shared services arrangements		104,749	38,225
95 Payments to Juvenile Justice Alternative Education Programs		150,000	131,250
99 Other governmental charges		1,654,425	1,235,189
<b>Total Expenses</b>		<b>220,086,343</b>	<b>237,186,875</b>
Increase (Decrease) in Net Position		(4,896,910)	(18,294,940)
<b>Beginning net position</b>		<b>95,403,538</b>	<b>114,148,548</b>
Prior Period Adjustment		(7,680,361)	(450,070)
<b>Ending Net Position</b>	<b>\$</b>	<b>82,826,267</b>	<b>\$ 95,403,538</b>

\* Fiscal Year 2013 figures are unaudited

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5.4 million, a decrease of \$9.6 million including a prior period adjustment of \$0.5 million. The decrease is primarily due to excess expenditures over revenues of \$9.1 million.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the general fund had a deficit unassigned fund balance, while total fund balance reached \$2.1 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 1.3 percent of general fund expenditures.

During the current fiscal year, the total fund balance of the District's general fund decreased by \$8.7 million, which included a prior period adjustment of \$0.4 million. Total general fund expenditures decreased by \$10.4 million.

The debt service fund balance totaled \$0.6 million, which is restricted for the retirement of long-term debt. The net decrease in the debt service fund balance was \$86 thousand during the current year was due expenditures of \$28.0 million exceeding revenues of \$27.9 million.

The capital projects fund had a total fund balance of \$0.1 million, all of which is restricted for authorized construction. The net decrease in fund balance during the current year of \$0.7 million 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:

	<b>Budget</b>	
	<b>Original</b>	<b>Final Amended</b>
Total revenues	\$ 154,848,240	\$ 148,796,043
Total expenditures	157,873,689	158,932,206
Other financing sources (uses)	(1,308,120)	266,880
<b>Net change in fund balance</b>	<b>\$ (4,333,569)</b>	<b>\$ (9,869,283)</b>

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The District decreased its original revenue budget by approximately \$6.1 million. The other local and State Foundation Program revenues were decreased by approximately \$4.0 million and \$2.2 million, respectively.

The District increased appropriations by approximately \$1.1 million. The primary function affected by the increase was budget for Instruction, which increased by \$1.2 million.

The District's actual revenues exceeded the final budget by approximately by \$4.5 million, but the District exceeded its expenditure budget by \$2.3 million. As shown previously, the District budgeted for a net decrease in fund balance of \$9.9 million. The actual decrease to fund balance was \$8.7 million.

**Capital Assets and Long-Term Liabilities**

**Capital Assets**

The District's investment in capital assets for its governmental type activities as of August 31, 2014, includes land, buildings and improvements, furniture and equipment, and construction in progress. The following table summarizes the investment in capital assets as of August 31, 2014 and 2013.

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

	<b>2014</b>	<b>2013</b>
Land	\$ 14,664,846	\$ 14,672,207
Buildings and improvements, net	417,028,596	421,189,463
Furniture and equipment, net	15,825,592	17,405,734
Construction in progress	19,852,778	19,852,778
<b>Total</b>	<b>467,371,812</b>	<b>473,120,182</b>

**Long-term Liabilities**

At the end of the current fiscal year, the District had \$389.9 million in bonded debt outstanding, a decrease of \$10.5 million over the previous year.

Changes in long-term debt, for the year ended August 31, 2014, are as follows:

	<b>Beginning Balance</b>			<b>Ending Balance</b>
	<b>September 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>August 31, 2014</b>
General Obligation Bonds	\$ 398,045,000		\$ (9,365,000)	\$ 388,680,000
Premiums on Bonds	736,611		(51,388)	685,223
Accreted Interest on capital appreciation bonds	1,096,811	27,153		1,123,964
Lease Revenue Bonds	2,430,000		(1,180,000)	1,250,000
Accrued Compensated Absences	6,762,010	645,684	(1,723,004)	5,684,690
	<b>\$ 409,070,432</b>	<b>\$ 672,837</b>	<b>\$(12,319,392)</b>	<b>\$ 397,423,877</b>

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Economic Factors and Next Year's Budgets and Rates**

These indicators were taken into account when adopting the budget for 2014-2015. The Beaumont Independent School District general fund adopted budget for 2014-2015 is as follows:

- The maintenance and operations tax rate for fiscal year 2014-2015 is \$1.04 while the debt service tax rate is \$.2954 for a total tax rate of \$1.3354.
- The District adopted a General Fund Budget of \$144.9 million in revenues and \$135.0 million in expenditures.
- The Debt Service revenues and expenditures are budgeted for \$28.5 million and \$29.2 million, respectively.
- The Child Nutrition budget is set for \$14.6 million.

As discussed in the Notes to the Financial Statements in Note BB, 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 the District's

**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

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## **BASIC FINANCIAL STATEMENTS**

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

Data Control Codes	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 14,619,000
1220 Property Taxes Receivable (Delinquent)	22,182,757
1230 Allowance for Uncollectible Taxes	(16,577,491)
1240 Due from Other Governments	4,381,784
1290 Other Receivables, net	174,181
1300 Inventories	820,105
1410 Prepayments	1,979,354
Capital Assets:	
1510 Land	14,664,846
1520 Buildings, Net	417,028,596
1530 Furniture and Equipment, Net	15,825,592
1580 Construction in Progress	19,852,778
1000 Total Assets	<u>494,951,502</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	<u>1,817,703</u>
1700 Total Deferred Outflows of Resources	<u>1,817,703</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	6,375,623
2150 Payroll Deductions & Withholdings	1,146,681
2160 Accrued Wages Payable	4,978,050
2177 Due to Fiduciary Funds	118,880
2180 Due to Other Governments	1,960,751
2200 Accrued Expenses	809,696
2300 Unearned Revenue	1,129,380
Noncurrent Liabilities	
2501 Due Within One Year	12,346,173
2502 Due in More Than One Year	385,077,704
2000 Total Liabilities	<u>413,942,938</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	78,574,293
3820 Restricted for Federal and State Programs	2,281,794
3850 Restricted for Debt Service	776,686
3860 Restricted for Capital Projects	112,159
3900 Unrestricted	1,081,335
3000 Total Net Position	<u>\$ 82,826,267</u>

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, 2014

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	Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 110,027,921	\$ 665,636	\$ 21,618,460	\$ (87,743,825)
12 Instructional Resources and Media Services	1,966,654	-	81,310	(1,885,344)
13 Curriculum and Staff Development	936,205	-	633,333	(302,872)
21 Instructional Leadership	6,219,745	117,367	3,404,723	(2,697,655)
23 School Leadership	10,259,063	-	823,729	(9,435,334)
31 Guidance, Counseling and Evaluation Services	5,026,454	-	501,985	(4,524,469)
32 Social Work Services	765,278	-	211,501	(553,777)
33 Health Services	2,110,844	-	2,839,338	728,494
34 Student (Pupil) Transportation	7,874,332	-	105,406	(7,768,926)
35 Food Services	12,379,745	2,077,073	10,484,495	181,823
36 Extracurricular Activities	3,758,744	323,867	129,879	(3,304,998)
41 General Administration	8,232,353	-	87,858	(8,144,495)
51 Facilities Maintenance and Operations	24,182,337	51,886	190,680	(23,939,771)
52 Security and Monitoring Services	2,622,830	-	28,146	(2,594,684)
53 Data Processing Services	1,385,202	-	39,294	(1,345,908)
61 Community Services	1,547,524	-	1,302,657	(244,867)
72 Debt Service - Interest on Long Term Debt	18,868,673	-	1,073,141	(17,795,532)
73 Debt Service - Bond Issuance Cost and Fees	13,265	-	-	(13,265)
93 Payments related to Shared Services Arrangements	104,749	-	-	(104,749)
95 Payments to Juvenile Justice Alternative Ed. Prg.	150,000	-	-	(150,000)
99 Other Intergovernmental Charges	1,654,425	-	-	(1,654,425)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 220,086,343	\$ 3,235,829	\$ 43,555,935	(173,294,579)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			97,778,987
DT	Property Taxes, Levied for Debt Service			26,461,063
SF	State Aid - Formula Grants			39,526,258
IE	Investment Earnings			32,984
MI	Miscellaneous Local and Intermediate Revenue			4,598,377
TR	Total General Revenues			168,397,669
CN	Change in Net Position			(4,896,910)
NB	Net Position - Beginning			95,403,538
PA	Prior Period Adjustment			(7,680,361)
NE	Net Position--Ending			\$ 82,826,267

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



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## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 5,630,699	\$ 226,391	\$ 2,088,020
1220 Property Taxes - Delinquent	17,080,471	5,102,286	-
1230 Allowance for Uncollectible Taxes (Credit)	(12,639,161)	(3,938,330)	-
1240 Receivables from Other Governments	28,022	7,912	-
1260 Due from Other Funds	6,251,415	186,423	-
1290 Other Receivables	140,474	-	-
1300 Inventories	630,180	-	-
1410 Prepayments	1,979,354	-	-
1000 Total Assets	<u>\$ 19,101,454</u>	<u>\$ 1,584,682</u>	<u>\$ 2,088,020</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 2,063,735	\$ -	\$ 423,411
2150 Payroll Deductions and Withholdings Payable	1,146,671	-	-
2160 Accrued Wages Payable	4,321,388	-	-
2170 Due to Other Funds	3,561,861	-	1,552,450
2180 Due to Other Governments	1,956,015	-	-
2300 Unearned Revenues	75,388	-	-
2000 Total Liabilities	<u>13,125,058</u>	<u>-</u>	<u>1,975,861</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	3,902,785	1,032,546	-
2600 Total Deferred Inflows of Resources	<u>3,902,785</u>	<u>1,032,546</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	630,180	-	-
3430 Prepaid Items	1,979,354	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	112,159
3480 Retirement of Long-Term Debt	-	552,136	-
3600 Unassigned Fund Balance	(535,923)	-	-
3000 Total Fund Balances	<u>2,073,611</u>	<u>552,136</u>	<u>112,159</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 19,101,454</u>	<u>\$ 1,584,682</u>	<u>\$ 2,088,020</u>

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

		Total	
Other		Governmental	
Funds		Funds	
\$	3,644,528	\$	11,589,638
	-		22,182,757
	-		(16,577,491)
	4,345,850		4,381,784
	1,450,211		7,888,049
	33,707		174,181
	189,925		820,105
	-		1,979,354
<u>\$</u>	<u>9,664,221</u>	<u>\$</u>	<u>32,438,377</u>
\$	617,017	\$	3,104,163
	-		1,146,671
	656,662		4,978,050
	4,698,971		9,813,282
	4,736		1,960,751
	1,053,992		1,129,380
	<u>7,031,378</u>		<u>22,132,297</u>
	-		4,935,331
	-		4,935,331
	189,925		820,105
	-		1,979,354
	2,281,794		2,281,794
	-		112,159
	1,700		553,836
	159,424		(376,499)
	<u>2,632,843</u>		<u>5,370,749</u>
<u>\$</u>	<u>9,664,221</u>	<u>\$</u>	<u>32,438,377</u>

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BEAUMONT INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

<b>Total Fund Balances - Governmental Funds</b>	\$ 5,370,749
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	1,564,245
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 \$561,275,752 and the accumulated depreciation was \$88,155,570. 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.	65,298,804
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 2014 capital outlays and debt principal payments is to increase net position.	12,741,074
4 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(7,083,936)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, 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.	4,935,331
<b>19 Net Position of Governmental Activities</b>	<u>\$ 82,826,267</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, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Local and Intermediate Sources	\$ 103,327,226	\$ 26,791,723	\$ 11,483
5800 State Program Revenues	47,360,836	-	-
5900 Federal Program Revenues	2,641,621	1,073,141	-
5020 Total Revenues	153,329,683	27,864,864	11,483
EXPENDITURES:			
Current:			
0011 Instruction	89,697,467	-	-
0012 Instructional Resources and Media Services	1,865,945	-	-
0013 Curriculum and Instructional Staff Development	335,617	-	-
0021 Instructional Leadership	3,167,783	-	-
0023 School Leadership	9,569,399	-	-
0031 Guidance, Counseling and Evaluation Services	4,551,465	-	-
0032 Social Work Services	559,398	-	-
0033 Health Services	1,875,839	-	-
0034 Student (Pupil) Transportation	7,705,058	-	-
0035 Food Services	164,280	-	-
0036 Extracurricular Activities	3,630,470	-	-
0041 General Administration	7,872,266	-	268,958
0051 Facilities Maintenance and Operations	24,072,754	-	-
0052 Security and Monitoring Services	2,584,111	-	-
0053 Data Processing Services	1,312,238	-	-
0061 Community Services	403,823	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	9,365,000	-
0072 Interest on Long Term Debt	-	18,572,741	-
0073 Bond Issuance Cost and Fees	-	13,265	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	707,248
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	104,749	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	150,000	-	-
0099 Other Intergovernmental Charges	1,654,425	-	-
6030 Total Expenditures	161,277,087	27,951,006	976,206
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,947,404)	(86,142)	(964,723)
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	13,734	-	-
7915 Transfers In	107,482	-	-
8911 Transfers Out	(1,296,016)	-	-
7080 Total Other Financing Sources (Uses)	(1,174,800)	-	-
1200 Net Change in Fund Balances	(9,122,204)	(86,142)	(964,723)
0100 Fund Balance - September 1 (Beginning)	10,770,747	638,278	791,229
1300 Inc (Dec) in Beginning Fund Balance	425,068	-	285,653
3000 Fund Balance - August 31 (Ending)	\$ 2,073,611	\$ 552,136	\$ 112,159

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

Other Funds	Total Governmental Funds
\$ 2,927,839	\$ 133,058,271
3,646,028	51,006,864
27,957,650	31,672,412
34,531,517	215,737,547
16,176,345	105,873,812
43,069	1,909,014
596,443	932,060
2,919,379	6,087,162
348,916	9,918,315
336,379	4,887,844
175,801	735,199
155,150	2,030,989
-	7,705,058
12,108,384	12,272,664
122,778	3,753,248
350	8,141,574
107,526	24,180,280
1,857	2,585,968
15,323	1,327,561
1,115,212	1,519,035
1,180,000	10,545,000
79,120	18,651,861
-	13,265
252,319	959,567
-	104,749
-	150,000
-	1,654,425
35,734,351	225,938,650
(1,202,834)	(10,201,103)
-	13,734
1,296,016	1,403,498
-	(1,296,016)
1,296,016	121,216
93,182	(10,079,887)
2,759,639	14,959,893
(219,978)	490,743
\$ 2,632,843	\$ 5,370,749



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, 2014

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (10,079,887)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	87,687
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 2014 capital outlays and debt principal payments is to increase net position.	12,741,074
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.	(7,083,936)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the 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, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(561,848)
<b>Change in Net Position of Governmental Activities</b>	<hr/> \$ (4,896,910) <hr/>

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

## **PROPRIETARY FUND FINANCIAL STATEMENTS**

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2014

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,029,362
Due from Other Funds	1,806,353
	<hr/>
Total Assets	4,835,715
	<hr/>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	3,271,460
Payroll Deductions and Withholdings Payable	10
	<hr/>
Total Liabilities	3,271,470
	<hr/>
<b>NET POSITION</b>	
Unrestricted Net Position	1,564,245
	<hr/>
Total Net Position	\$ 1,564,245
	<hr/> <hr/>

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, 2014

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 1,742,392
Total Operating Revenues	<u>1,742,392</u>
OPERATING EXPENSES:	
Other Operating Costs	<u>1,547,223</u>
Total Operating Expenses	<u>1,547,223</u>
Income Before Transfers	195,169
Transfers Out	<u>(107,482)</u>
Change in Net Position	87,687
Total Net Position - September 1 (Beginning)	1,938,259
Prior Period Adjustment	<u>(461,701)</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 1,564,245</u></u>

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, 2014

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 64
Advances to Other Funds	(64,025)
Cash Payments for Insurance Claims	(1,718,874)
Net Cash Used for Operating Activities	<u>(1,782,835)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	<u>(107,482)</u>
Net Decrease in Cash and Cash Equivalents	(1,890,317)
Cash and Cash Equivalents at Beginning of Year	<u>4,919,679</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 3,029,362</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 195,169
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Due from Other Funds	(1,806,353)
Increase (decrease) in Accounts Payable	(171,651)
Net Cash Used for Operating Activities	<u><u>\$ (1,782,835)</u></u>

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

## **FIDUCIARY FUND FINANCIAL STATEMENTS**

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BEAUMONT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2014

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 58,304	\$ 747,782
Due from Other Funds	-	118,880
Total Assets	<u>58,304</u>	<u>\$ 866,662</u>
<b>LIABILITIES</b>		
Accounts Payable	3,500	\$ -
Due to Student Groups	-	866,662
Total Liabilities	<u>3,500</u>	<u>\$ 866,662</u>
<b>NET POSITION</b>		
Restricted for Other Purposes	<u>54,804</u>	
Total Net Position	<u>\$ 54,804</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, 2014

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 28
Total Additions	<u>28</u>
DEDUCTIONS:	
Other Operating Costs	4,250
Total Deductions	<u>4,250</u>
Change in Net Position	(4,222)
 Total Net Position - September 1 (Beginning)	 <u>59,026</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 54,804</u></u>

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

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

---

### 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. On July 14, 2014, the Texas Education Agency officially replaced the Superintendent and Board of Trustees with an Interim Superintendent and Board of Managers.

This 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 so 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 of public facilities of its governmental sponsor. It further authorizes the governmental sponsor to incur lease purchase obligation 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 non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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### 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(s) and so will not be recognized as an outflow of resources (expense/expenditures) until that time. This District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding in the amount of \$1,817,703 reporting in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the short 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item is reported only in the governmental funds balance sheet. 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 amount of deferred inflows in the governmental funds related to unavailable revenue for property taxes at August 31, 2014, was \$4,935,331.

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

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

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 a separate column.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 reporting 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 financial 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.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 and Public Facilities Corporation's lease revenue bond.
3. The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements. Major revenue sources for the Local Capital Projects Fund are insurance proceeds, and transfers from other governmental funds, the Capital Projects Fund source of revenue is bond proceeds.

Additionally, the District reports the following fund types:

#### *Nonmajor Governmental Funds*

4. The *special revenue funds* account for resources restricted to, or designated for, specific purposes by a grantor in a special revenue fund. Most Federal and 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.

#### *Proprietary Funds*

5. The *internal service fund* accounts for workers' compensation benefits provided to other funds and/or employees of the District on a cost reimbursement basis.

#### *Fiduciary Funds*

6. The *private purpose trust fund* is used to report all trust arrangements by the District. This fund type is used to account for the District's scholarship funds.
7. 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 (assets equal liabilities) and does not involve measurement of results of operation.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implementation of GASB 65 is reflected in the financial statements.

#### 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 2014-06.
5. Additional policies and contractual provisions governing deposits and investments for the District are specified below:

#### ***Credit Risk:***

Deposits - This is not applicable to the District.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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### 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, 2014, the District's investment in TexPool and LoneStar Investment Pool was 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 - This is not applicable to the District.

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 - This is not applicable to the District.

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, 2014

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### 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 consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, and office and instructional supplies. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. 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. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(Continued)



# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. The District's infrastructure includes parking lots and roads associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$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:

Assets	In Years
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, 2014

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. 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 apposition 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 the calendar year; therefore, the liability for unused vacation days at August 31, 2014 is not material to the financial statements.

12. Net Position and Fund Balances

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

*Net of Investment in Capital Assets* - this component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.

*Restricted for Federal and State Programs* - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.

*Restricted for Debt Service* - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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### 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 covenant(s) for the purpose of capital acquisition.

*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 Trustees). 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.

**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 Trustees 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.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as commitments of the fund (such as for special incentives).

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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.

13. 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.
14. 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.
15. 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.
16. 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 Texas Education Agency.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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### 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, 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.

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Data

The Board of Trustees 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.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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, 2014.

### IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

#### A. Deposits and Investments

At August 31, 2014 the carrying amount of the District's deposits in the general fund, major, and nonmajor governmental funds, internal service funds, and agency funds were \$907,822 and the total bank balance was \$1,624,379. The District's cash deposits at August 31, 2014 and during the year ended August 31, 2014 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
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$21,510,352.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$19,804,865 and occurred during the month of February 2014.

(Continued)

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

AUGUST 31, 2014

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

Due to the immediate availability of the funds, the District's temporary investments at August 31, 2014 are included in cash and cash equivalents and are shown below:

At year-end, the District's cash and investments balances and the weighted average maturity of these investments were as follows:

Temporary Investments	Amortized Cost	Fair Value	WAM (in days)	Rating
Tex Pool	\$ 3,848,125	\$ 3,848,125	79	AAAm (S&P)
Lone Star Corporate Overnight Fund	896	896	49	AAAm (S&P)
Lone Star Corporate Overnight Plus Fund	8,083,944	8,083,944	67	AAAf (S&P)
Lone Star Government Overnight Fund	2,584,299	2,584,299	108	AAAm (S&P)
Total	<u>\$ 14,517,264</u>	<u>\$ 14,517,264</u>		

## Allocated To:

General Fund	\$ 10,570,823
Special Revenue Funds	1,318,107
Debt Service Funds	172,704
Capital Projects Funds	225,430
Internal Service Funds	2,179,341
Agency Funds	50,859
Total	<u>\$ 14,517,264</u>

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.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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

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. Amounts due from federal and state governments as of August 31, 2014, are summarized below. A majority of the federal grants are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State and Local Entitlements	Federal Grants	Total
General	\$ 28,022	\$ -	\$ 28,022
Special Revenue	2,562,830	1,783,020	4,345,850
Debt Service	7,912	-	7,912
Total	<u>\$ 2,598,764</u>	<u>\$ 1,783,020</u>	<u>\$ 4,381,784</u>

#### C. Capital Asset Activity

Capital asset activity for the year ended August 31, 2014, was as follows:

	Balance September 1, 2013	Additions	(Retirements) and Transfers	Balance August 31, 2014
Capital assets, not being depreciated:				
Land	\$ 14,672,207	\$ -	\$ (7,361)	\$ 14,664,846
Construction in Progress	19,852,778	-	-	19,852,778
Totals Capital Assets	<u>34,524,985</u>	<u>-</u>	<u>-</u>	<u>34,517,624</u>
Capital assets, being depreciated:				
Buildings and improvements	494,220,288	872,746	-	495,093,034
Furniture and equipment	32,474,289	470,181	(14,727)	32,929,743
Vehicles	56,190	-	-	56,190
Totals Capital Assets, being depreciated	<u>526,750,767</u>	<u>1,342,927</u>	<u>(14,727)</u>	<u>528,078,967</u>

(Continued)



**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2014**

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

	Balance September 1, 2013	Additions	(Retirements) and Transfers	Balance August 31, 2014
Less accumulated depreciation for:				
Buildings and improvements	(73,030,825)	(5,033,613)	-	(78,064,438)
Furniture and equipment	(15,120,405)	(2,044,704)	14,727	(17,150,382)
Vehicles	(4,340)	(5,619)	-	(9,959)
Total accumulated depreciation	(88,155,570)	(7,083,936)	14,727	(95,224,779)
Governmental Capital Assets	\$ 473,120,182	\$ (5,741,009)	\$ -	\$ 467,371,812

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

Function	Depreciation Expense
Instruction	\$ 4,691,206
Instructional resources and media services	93,980
Curriculum and staff development	4,439
Instructional leadership	207,624
School leadership	478,959
Guidance, counseling and evaluation services	255,360
Social work services	30,341
Health services	94,848
Student (pupil) transportation	213,334
Food services	196,925
Cocurricular/extracurricular activities	11,571
General administration	160,762
Plant maintenance and operations	508,785
Security and monitoring services	47,400
Data processing services	59,173
Community services	29,229
	<u>\$ 7,083,936</u>

(Continued)

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

AUGUST 31, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)****D. Interfund Receivables, Payable, 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 payout these balances within one year.

The composition of interfund balances as of August 31, 2014, is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Internal Service Fund	\$ -	\$ 1,806,347
Debt Service Fund		186,423
Non-major Governmental Funds	4,698,965	1,450,211
Capital Projects Fund	1,552,450	-
Agency Fund	-	118,880
General Fund Total	<u>6,251,415</u>	<u>3,561,861</u>
Debt Service Fund:		
General Fund	<u>186,423</u>	<u>-</u>
Non-major Governmental Funds:		
General Fund	<u>1,450,211</u>	<u>4,698,971</u>
Non-major Governmental Funds Total	<u>1,450,211</u>	<u>4,698,971</u>
Internal Service Fund:		
General Fund	<u>1,806,353</u>	<u>-</u>
Agency Fund:		
General Fund	<u>118,880</u>	<u>-</u>
Capital Projects Fund:		
General Fund	<u>-</u>	<u>1,552,450</u>
Total	<u>\$ 9,813,282</u>	<u>\$ 9,813,282</u>

(Continued)

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

AUGUST 31, 2014

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

The following is a schedule of interfund transfers for the fiscal year ended August 31, 2014:

	Transfer from Other Funds	Transfer to Other Funds
General Fund:		
Non-major Governmental Funds	\$ -	\$ 1,296,016
Internal Service Fund	107,482	-
Non-major Governmental Funds:		
General Fund	1,296,016	-
Internal Service Fund:		
General Fund	-	107,482
Total	\$ 1,403,498	\$ 1,403,498

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. In one instance, the General Fund made a transfer to the Public Facilities Corporation to cover the debt payment. In another instance, the Health Fund was closed and the remaining fund balance was transferred to the general fund.

**E. 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, 2014, TEA indicates that it overpaid the District by \$1,956,015. TEA has recouped this amount by reducing its payments to the District for fiscal year 2015.

**F. Unearned Revenue**

Unearned revenue as of August 31, 2014 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Local Grants and Revenue	\$ 75,388	\$ 919,845	\$ 995,233
State Grants and Revenue	-	32,647	32,647
Federal Grants and Revenue	-	101,500	101,500
Total Unearned Revenue	\$ 75,388	\$ 1,053,992	\$ 1,129,380

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT****NOTES TO THE FINANCIAL STATEMENTS****AUGUST 31, 2014****IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)****G. Compensated Absences and Other Retirement/Sick Leave Benefits**

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

Balance, September 1, 2013	\$ 6,762,010
Additions	645,684
Payments to Eligible Employees	<u>(1,723,004)</u>
Balance, August 31, 2014	<u><u>\$ 5,684,690</u></u>

All compensated absences liabilities are normally liquidated by the general fund, and is only comprised of one item sick leave pay outs.

**H. 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, 2014:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds	\$ 398,045,000	\$ -	\$ (9,365,000)	\$388,680,000	\$ 9,675,000
Premiums/discounts on bonds	736,611	-	(51,388)	685,223	-
Accumulated accretion on capital appreciation bonds	1,096,811	27,153	-	1,123,964	-
Lease revenue bonds	2,430,000	-	(1,180,000)	1,250,000	1,250,000
Accrued compensated absences	6,762,010	645,684	(1,723,004)	5,684,690	1,421,173
	<u>\$ 409,070,432</u>	<u>\$ 672,837</u>	<u>\$(12,319,392)</u>	<u>\$ 397,423,877</u>	<u>\$ 12,346,173</u>

**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.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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

Bonds payable for the year ended August 31, 2014 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%	\$ 2,580,000	\$ -	\$ 1,270,000	\$ 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	-	-	7,105,000	2,265,000
Unlimited Tax Refunding Bonds, Series 2005; 2/15/2017	11,900,000	3.00% to 5.00%	6,045,000	-	775,000	5,270,000	795,000
Unlimited Tax School Building Bonds, Series 2008; 2/15/2031	89,800,000	3.00% to 5.25%	80,015,000	-	1,000,000	79,015,000	1,100,000
Unlimited Tax Refunding Bonds, Series 2008; 2/15/2014	9,815,000	3.17% to 3.50%	2,135,000	-	2,135,000	-	-
Unlimited Tax School Building Bonds, Series 2008A; 2/15/2038	65,000,000	4.375% to 5.00%	64,655,000	-	510,000	64,145,000	560,000
Unlimited Tax School Building Bonds, Series 2009; 2/15/2038	116,570,000	3.00% to 5.25%	115,600,000	-	530,000	115,070,000	430,000
Unlimited Tax Qualified School Construction Bonds, Series 2010; 2/15/2026	14,450,000	0.00%	12,530,000	-	960,000	11,570,000	960,000
Unlimited Tax School Building Bonds, Series 2010A; 2/15/2019	10,085,000	2.00% to 5.00%	8,980,000	-	1,370,000	7,610,000	1,420,000
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%	31,000,000	-	720,000	30,280,000	740,000
Unlimited Tax Refunding Bonds, Series 2012; 2/15/2038	8,070,000	2.00% to 3.00%	7,910,000	-	95,000	7,815,000	95,000
			<u>398,045,000</u>	<u>-</u>	<u>9,365,000</u>	<u>388,680,000</u>	<u>9,675,000</u>

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

AUGUST 31, 2014

**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
2015	\$ 9,675,000	\$ 18,259,650	\$ 27,934,650
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 - 2024	63,300,000	76,020,850	139,320,850
2025 - 2029	76,630,000	61,832,277	138,462,277
2030 - 2034	98,820,000	38,380,901	137,200,901
2035 - 2038	97,915,000	10,348,236	108,263,236
Total	<u>\$ 388,680,000</u>	<u>\$ 274,240,834</u>	<u>\$ 662,920,834</u>

Accreted Interest 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 interest on these obligations will be paid upon maturity in the fiscal year 2027. The values associated with the bonds are reflected in the table below:

Issue	Accretion Outstanding 9/1/2013	Issued	Accrual Accretion	Accretion Retired	Accretion Outstanding 8/31/2014	Due Within One Year
Unlimited Tax Refunding Bonds, Series 2012	\$ 1,096,811	\$ -	\$ 27,153	\$ -	\$ 1,123,964	\$ -

Unamortized premium on debt for the fiscal year ended August 31, 2014 was as follows:

Description	Beginning Balance	Additions	Net Amortization Recognized	Ending Balance
Unlimited Tax Refunding Bonds, Series 2012	\$ 736,611	\$ -	\$ (51,388)	\$ 685,223

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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

#### 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, 2014 was \$8,070,000.

#### I. Fund Balances

As of August 31, 2014, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ 630,180	\$ -	\$ -	\$ 189,925	\$ 820,105
Prepaid Items	1,979,354	-	-	-	1,979,354
Restricted:					
Federal or State Funds Grant					2,281,794
Restriction	-	-		2,281,794	
Capital Acquisition and contractual Obligation	-	-	112,159	-	112,159
Retirement of Long-Term Debt	-	552,136	-	1,700	553,836
Unassigned Fund Balance	(535,923)	-	-	159,424	(376,499)
Total fund balances	\$ 2,073,611	\$ 552,136	\$ 112,159	\$ 2,632,843	\$ 5,370,749

#### J. Revenues from Local, Intermediate, and Out-Of-State Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Property taxes	\$ 99,678,326	\$ 26,791,625	\$ -	\$ -	\$ 126,469,951
Investment income	21,403	98	11,483		32,984
Co-Curricular student activities	441,772	-	-	-	441,772
Food Sales	-	-	-	2,077,073	2,077,073
Shared Service Arrangements	-	-	-	451,410	451,410
Other	3,185,725	-	-	399,356	3,585,081
	\$ 103,327,226	\$ 26,791,723	\$ 11,483	\$ 2,927,839	\$ 133,058,271

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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

K. 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, 2014, rentals approximated \$441,422 for such leases. These leases primarily support governmental activities.

Year	Amount
2015	\$ 744,401
2016	765,169
2017	332,951
Total	<u>\$ 1,842,521</u>

L. Defined Benefit Pension Information

**Plan Description:** The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of the employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, 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](http://www.trs.state.tx.us), under the TRS Publications heading.

**Funding Policy:** Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action(s), the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years; or, (3) if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013, and 2012.

(Continued)



BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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

**Contributions:** Contribution rates and amounts are equal to the required contributions for each year and are shown in the table below for fiscal years 2012 to 2014. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts

Year	Staff Members to TRS		State TRS Made on Behalf to District		District, Federal and Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
2014	6.4%	\$ 7,394,452	6.8%	\$ 5,565,755	\$ 1,473,630
2013	6.4%	6,626,686	6.4%	6,340,692	1,396,470
2012	6.0%	7,687,363	6.0%	7,207,083	1,183,545

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.

M. 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](http://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.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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

**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 2014, 2013, and 2012. 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, 2014, 2013, and 2012 are as follows:

Contribution Rates and Contribution Amounts						
Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
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
2012	0.65%	780,767	1.0%	1,201,180	0.55%	761,831

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, 2014, 2013, and 2012, the subsidy payments received by TRS-Care on-behalf of the District were \$294,902, \$317,349, and \$316,122, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

#### N. Health Care Coverage

During the year ended August 31, 2014, the District participated in the TRS - Active Care Health Insurance Program. During the year ended August 31, 2014, employees of the Center were covered by the Center's insurance plan (the "Plan"). The Center contributed approximately \$460 per month per employee to the Plan. The Plan was authorized by Section 21.922 of the Texas Education Code and was documented by a contractual agreement. There were no other liabilities associated with the Plan.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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

#### O. 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.

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:

Self-Insurance Liability	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014 - Workers' Compensation	\$ 3,443,111	\$ 1,547,223	\$ 1,718,874	\$ 3,271,460
2013 - Workers' Compensation	3,850,283	1,505,041	1,912,213	3,443,111

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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

#### P. 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, 2014, 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.

#### Q. Litigation

During the normal course of business, the District is subject to various legal claims. As of August 31, 2014, management was not aware of any such claim which would have a material adverse effect on the financial statements.

#### R. Shared Service Arrangements / Joint Ventures

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 the special revenue fund and is accounted for using Model 2 in the SSA section of the Resource Guide.

(Continued)

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

AUGUST 31, 2014

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

Expenditures of the SSA for fiscal year ended August 31, 2014 are as follows:

<u>Member Districts</u>	<u>Local Services for the Deaf</u>
Beaumont ISD	\$ 104,749
Bridge City ISD	12,675
Buna ISD	10,185
Coimesneil ISD	2,113
Deweyville ISD	4,225
East Chambers ISD	2,113
Evadale ISD	8,450
Hamshire-Fannett ISD	4,225
Hardin-Jefferson ISD	4,225
Kountze ISD	11,430
Little-Cypress Mauriceville CISD	12,675
Lumberton ISD	10,562
Nederland ISD	19,910
Newton ISD	4,225
Orangefield ISD	8,450
Port Arthur ISD	59,921
Port-Neches Groves ISD	26,840
Silsbee ISD	10,563
Spurger ISD	5,960
Vidor ISD	32,703
Warren ISD	4,225
West Orange Cove CISD	10,185
Woodville ISD	4,225
Total	<u>\$ 374,834</u>

**S. 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. The District is not aware of any loss of funding related to disallowed activities. See Note BB for further discussion.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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

The District receives payments from a large corporate taxpayer through a federal trade zone agreement. During fiscal year 2014, it was determined by both the District and the corporate taxpayer that the District was overpaid in previous years. The taxpayer is not requesting a refund for this overpayment, but in future years, will pay in accordance with the revised calculation agreed upon by both parties.

#### T. 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, 2014.

#### U. 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, 2014.

#### V. 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, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)****W. Prior Period Adjustment**

The District had the following prior period adjustments to the fund balances and net position for governmental funds and governmental activities as follows:

**General Fund:**

To correct due to/due from amounts from prior years	\$ 662,894
To write off prior year receivables deemed uncollectible	(217,070)
To correct TRS Statutory Minimum improperly recorded in prior years	676,583
To record prior year accruals	(303,193)
To transfer remaining Local Capital Projects Fund that ended in 2012	266,815
To adjust erroneous debit liability balances	(140,961)
To record the liability to the state related to the attendance audit results	<u>(520,000)</u>
Total Prior Period Adjustment	<u>425,068</u>

**Capital Projects Fund:**

To write-off prior year liability	\$ 770,654
To record retainage related to prior year	(423,412)
To write off prior year prepaid expenditures	<u>(61,589)</u>
Total Prior Period Adjustments	<u>285,653</u>

**Proprietary Funds:**

To remove uncollectible receivable	\$ <u>(461,701)</u>
Total Prior Period Adjustments	<u>(461,701)</u>

**Nonmajor Governmental Funds:**

To record prior year accruals	\$ <u>(219,978)</u>
Total Prior Period Adjustments	<u>(219,978)</u>

**Government Wide:**

Governmental funds prior period adjustments	\$ 490,743
To adjust capital assets	<u>(8,171,104)</u>
Total Prior Period Adjustments	<u>(7,680,361)</u>

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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

#### X. Subsequent Events

Subsequent to the fiscal year end of August 31, 2014, the former Director of Finance and Comptroller of the Beaumont Independent School District (BISD) were sentenced to federal prison for embezzling approximately \$4 million from the District. The District was able to recover a portion of the embezzled funds on January 21, 2015, in the amount of \$896,915. The recovered funds have not been included in these financial statements.

On February 4, 2015, the former Associate Superintendent was indicted for embezzling approximately \$750,000 from the District as well as for conspiring with a school principal to cheat on standardized test results in prior years. No provision has been made in these financial statements.

#### Y. 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 Statements No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, to be applied simultaneously with GASB Statement No. 68. The Statements require that the net present value of pension liabilities be reported in the financial statements and that any contributions between the measurement date of the reported net pension liability and the end of the reporting period be recognized as a deferred outflow of resources.

(Continued)



# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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

#### AA. Deficit Fund Balance

On August 31, 2014, the following funds had deficit fund balance. It is management's intent that the general fund will cover any deficit balances.

Fund	Deficit Fund Balance
427 - Statewide Tools for Teaching	\$ 5,017
482 - Natatorium Swim Program	29,346
484 - After School Program	6,789
485 - ExxonMobil Future Leaders	837
489 - Community Education	6,863
490 - Adult Education GED Testing	5,808
493 - DaVinci Minds	1,616
496 - Gift of Life	34,625
Total	<u>\$ 90,901</u>

#### BB. 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.

Subsequent to year end, 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 adjustment. Foundation Revenue recognized by the District for fiscal year 2014 is based on the TEA's Summary of Finances and Payment Legers before any possible TEA enrollment and attendance audits. However, the 2012-2013 attendance data was audited by TEA and in November of 2014, the audit findings disclosed errors in attendance data. The TEA will reduce the Foundation School Program funding by approximately \$520,000, which has been recorded as a liability in the General Fund.

## **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, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 105,674,136	\$ 101,674,136	\$ 103,327,226	\$ 1,653,090
5800	State Program Revenues	47,524,104	45,471,907	47,360,836	1,888,929
5900	Federal Program Revenues	1,650,000	1,650,000	2,641,621	991,621
5020	Total Revenues	154,848,240	148,796,043	153,329,683	4,533,640
EXPENDITURES:					
Current:					
0011	Instruction	87,772,728	89,036,572	89,697,467	(660,895)
0012	Instructional Resources and Media Services	2,247,599	1,902,435	1,865,945	36,490
0013	Curriculum and Instructional Staff Development	706,337	315,851	335,617	(19,766)
0021	Instructional Leadership	2,848,507	2,684,883	3,167,783	(482,900)
0023	School Leadership	11,190,056	9,554,683	9,569,399	(14,716)
0031	Guidance, Counseling and Evaluation Services	4,591,725	4,646,106	4,551,465	94,641
0032	Social Work Services	411,045	490,872	559,398	(68,526)
0033	Health Services	2,005,483	1,783,483	1,875,839	(92,356)
0034	Student (Pupil) Transportation	7,065,636	7,839,126	7,705,058	134,068
0035	Food Services	1,500	-	164,280	(164,280)
0036	Extracurricular Activities	4,344,536	3,668,266	3,630,470	37,796
0041	General Administration	6,109,081	7,893,189	7,872,266	20,923
0051	Facilities Maintenance and Operations	22,976,363	22,224,113	24,072,754	(1,848,641)
0052	Security and Monitoring Services	2,208,229	2,594,312	2,584,111	10,201
0053	Data Processing Services	1,668,972	1,622,327	1,312,238	310,089
0061	Community Services	159,352	162,367	403,823	(241,456)
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	801,801	-	801,801
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	99,920	104,820	104,749	71
0095	Payments to Juvenile Justice Alternative Ed.	157,500	150,000	150,000	-
0099	Other Intergovernmental Charges	1,309,120	1,457,000	1,654,425	(197,425)
6030	Total Expenditures	157,873,689	158,932,206	161,277,087	(2,344,881)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,025,449)	(10,136,163)	(7,947,404)	2,188,759
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	1,000	1,000	13,734	12,734
7915	Transfers In	-	1,575,000	107,482	(1,467,518)
8911	Transfers Out	(1,309,120)	(1,309,120)	(1,296,016)	13,104
7080	Total Other Financing Sources (Uses)	(1,308,120)	266,880	(1,174,800)	(1,441,680)
1200	Net Change in Fund Balances	(4,333,569)	(9,869,283)	(9,122,204)	747,079
0100	Fund Balance - September 1 (Beginning)	10,770,747	10,770,747	10,770,747	-
1300	Inc (Dec) in Beginning Fund Balance	-	-	425,068	425,068
3000	Fund Balance - August 31 (Ending)	\$ 6,437,178	\$ 901,464	\$ 2,073,611	\$ 1,172,147

## **SUPPLEMENTARY INFORMATION**

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes		205	206	211	220
		Head Start	ESEA Title X, Pt.C Homeless	ESEA I, A Improving Basic Program	Adult Education Federal
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 651
1240	Receivables from Other Governments	71,509	4,281	412,429	44,780
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 71,509</u>	<u>\$ 4,281</u>	<u>\$ 412,429</u>	<u>\$ 45,431</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 839	\$ -	\$ 37,124	\$ 67
2160	Accrued Wages Payable	-	1,759	147,715	-
2170	Due to Other Funds	70,670	2,522	227,590	45,364
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>71,509</u>	<u>4,281</u>	<u>412,429</u>	<u>45,431</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 71,509</u>	<u>\$ 4,281</u>	<u>\$ 412,429</u>	<u>\$ 45,431</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,339,933	\$ -	\$ -
197,484	2,311	5,927	1,978	2,172	207,131	28,076	1,607
-	-	-	-	-	1,448,781	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	189,925	-	-
<u>\$ 197,484</u>	<u>\$ 2,311</u>	<u>\$ 5,927</u>	<u>\$ 1,978</u>	<u>\$ 2,172</u>	<u>\$ 3,185,770</u>	<u>\$ 28,076</u>	<u>\$ 1,607</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 369,895	\$ -	\$ 677
70,319	1,974	2,272	1,041	244	344,156	2,185	-
127,165	337	3,655	937	1,928	-	25,891	930
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>197,484</u>	<u>2,311</u>	<u>5,927</u>	<u>1,978</u>	<u>2,172</u>	<u>714,051</u>	<u>28,076</u>	<u>1,607</u>
-	-	-	-	-	189,925	-	-
-	-	-	-	-	2,281,794	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,471,719</u>	<u>-</u>	<u>-</u>
<u>\$ 197,484</u>	<u>\$ 2,311</u>	<u>\$ 5,927</u>	<u>\$ 1,978</u>	<u>\$ 2,172</u>	<u>\$ 3,185,770</u>	<u>\$ 28,076</u>	<u>\$ 1,607</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2014

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
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 2,991	\$ -	\$ -	\$ 101,501
1240	Receivables from Other Governments	45,386	67,225	54,015	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 48,377</u>	<u>\$ 67,225</u>	<u>\$ 54,015</u>	<u>\$ 101,501</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 11,996	\$ 2,360	\$ 1,169	\$ -
2160	Accrued Wages Payable	-	6,364	-	-
2170	Due to Other Funds	33,391	58,501	52,846	-
2180	Due to Other Governments	2,990	-	-	-
2300	Unearned Revenues	-	-	-	101,501
2000	Total Liabilities	<u>48,377</u>	<u>67,225</u>	<u>54,015</u>	<u>101,501</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 48,377</u>	<u>\$ 67,225</u>	<u>\$ 54,015</u>	<u>\$ 101,501</u>

282 FEMA Hurricane Grants	286 Title I SIP Academy Grant ARRA	288 Child Care Local Initiative	309 SSA Adult Basic Education	312 SSA - TANF Family Assistance	392 Non-Ed. Community Based Support	404 Student Success Initiative	410 State Textbook Fund
\$ -	\$ -	\$ -	\$ 95,996	\$ 34,632	\$ -	\$ 375	\$ 422,548
1,707,231	1,296,166	-	-	8,136	-	-	-
-	-	1,430	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,707,231</u>	<u>\$ 1,296,166</u>	<u>\$ 1,430</u>	<u>\$ 95,996</u>	<u>\$ 42,768</u>	<u>\$ -</u>	<u>\$ 375</u>	<u>\$ 422,548</u>
\$ -	\$ 5,488	\$ 123	\$ 115	\$ -	\$ -	\$ -	\$ 177,195
-	7,578	1,307	-	-	-	-	-
1,707,231	1,281,354	-	95,881	42,768	-	375	65,420
-	1,746	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,707,231</u>	<u>1,296,166</u>	<u>1,430</u>	<u>95,996</u>	<u>42,768</u>	<u>-</u>	<u>375</u>	<u>242,615</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	179,933
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,933</u>
<u>\$ 1,707,231</u>	<u>\$ 1,296,166</u>	<u>\$ 1,430</u>	<u>\$ 95,996</u>	<u>\$ 42,768</u>	<u>\$ -</u>	<u>\$ 375</u>	<u>\$ 422,548</u>



BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes		427 Statewide Tools for Teaching	429 District A- wards Teacher Excellence	431 SSA - ABE Educational Technology	432 SSA - TANF Temporary Assistance
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 28,246	\$ 12,582	\$ 3,578	\$ 1,865
1240	Receivables from Other Governments	-	-	63,280	316
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 28,246</u>	<u>\$ 12,582</u>	<u>\$ 66,858</u>	<u>\$ 2,181</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 616	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	2,176
2170	Due to Other Funds	-	-	66,858	-
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	32,647	-	-	-
2000	Total Liabilities	<u>33,263</u>	<u>-</u>	<u>66,858</u>	<u>2,176</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3600	Unassigned Fund Balance	(5,017)	12,582	-	5
3000	Total Fund Balances	<u>(5,017)</u>	<u>12,582</u>	<u>-</u>	<u>5</u>
4000	Total Liabilities and Fund Balances	<u>\$ 28,246</u>	<u>\$ 12,582</u>	<u>\$ 66,858</u>	<u>\$ 2,181</u>

435 SSA Regional Day School - Deaf	446 Regional Day School for the Deaf	480 Civil Rights Historical Tour	481 BASF Foundation Science	483 Natatorium Swim Program	484 After School Programs	485 ExxonMobil Future Leaders	487 ExxonMobil Reading Initiative
\$ - 124,410 - - -	\$ 927,072 - - - -	\$ 11,798 - - - -	\$ 6,000 - - - -	\$ 1,716 - - - -	\$ 33,256 - - - -	\$ 10,746 - - - -	\$ 122,687 - - - -
<u>\$ 124,410</u>	<u>\$ 927,072</u>	<u>\$ 11,798</u>	<u>\$ 6,000</u>	<u>\$ 1,716</u>	<u>\$ 33,256</u>	<u>\$ 10,746</u>	<u>\$ 122,687</u>
\$ 408 17,772 106,230 - -	\$ - 20,769 361,438 - 544,865	\$ - - - - -	\$ - - - - 6,000	\$ - 15,444 15,618 - -	\$ 129 934 32,785 - 6,197	\$ - - 9,537 - 2,046	\$ - - 18,381 - 76,531
<u>124,410</u>	<u>927,072</u>	<u>-</u>	<u>6,000</u>	<u>31,062</u>	<u>40,045</u>	<u>11,583</u>	<u>94,912</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	11,798	-	(29,346)	(6,789)	(837)	27,775
-	-	11,798	-	(29,346)	(6,789)	(837)	27,775
<u>\$ 124,410</u>	<u>\$ 927,072</u>	<u>\$ 11,798</u>	<u>\$ 6,000</u>	<u>\$ 1,716</u>	<u>\$ 33,256</u>	<u>\$ 10,746</u>	<u>\$ 122,687</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes		488	489	490	492
		Texas School Ready Project	Community Education	Adult Education GED Testing	Thomas Center Scoreboard
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 156,213	\$ 13,551	\$ 3,367	\$ 290,262
1240	Receivables from Other Governments	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	33,707	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 189,920</u>	<u>\$ 13,551</u>	<u>\$ 3,367</u>	<u>\$ 290,262</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 7,144
2160	Accrued Wages Payable	10,118	-	-	262
2170	Due to Other Funds	179,802	20,414	9,175	-
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	-	-	264,624
2000	Total Liabilities	<u>189,920</u>	<u>20,414</u>	<u>9,175</u>	<u>272,030</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3600	Unassigned Fund Balance	-	(6,863)	(5,808)	18,232
3000	Total Fund Balances	<u>-</u>	<u>(6,863)</u>	<u>(5,808)</u>	<u>18,232</u>
4000	Total Liabilities and Fund Balances	<u>\$ 189,920</u>	<u>\$ 13,551</u>	<u>\$ 3,367</u>	<u>\$ 290,262</u>

493	495	496	497	Total
DaVinci Minds	Texas Data Champions	Gift of Life	Public Facilities Corporation	Nonmajor Governmental Funds
\$ 2,094	\$ 19,168	\$ -	\$ 1,700	\$ 3,644,528
-	-	-	-	4,345,850
-	-	-	-	1,450,211
-	-	-	-	33,707
-	-	-	-	189,925
<u>\$ 2,094</u>	<u>\$ 19,168</u>	<u>\$ -</u>	<u>\$ 1,700</u>	<u>\$ 9,664,221</u>
\$ -	\$ 1,672	\$ -	\$ -	\$ 617,017
-	-	2,273	-	656,662
1,625	-	32,352	-	4,698,971
-	-	-	-	4,736
2,085	17,496	-	-	1,053,992
<u>3,710</u>	<u>19,168</u>	<u>34,625</u>	<u>-</u>	<u>7,031,378</u>
-	-	-	-	189,925
-	-	-	-	2,281,794
-	-	-	1,700	1,700
(1,616)	-	(34,625)	-	159,424
<u>(1,616)</u>	<u>-</u>	<u>(34,625)</u>	<u>1,700</u>	<u>2,632,843</u>
<u>\$ 2,094</u>	<u>\$ 19,168</u>	<u>\$ -</u>	<u>\$ 1,700</u>	<u>\$ 9,664,221</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		205  Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	220 Adult Education Federal
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	2,873,711	26,688	6,123,699	50,252
5020	Total Revenues	2,873,711	26,688	6,123,699	50,252
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	2,102,610	16,435	3,453,879	50,252
0012	Instructional Resources and Media Services	38,256	-	4,786	-
0013	Curriculum and Instructional Staff Development	6,174	2,942	55,033	-
0021	Instructional Leadership	156,181	2,786	1,680,769	-
0023	School Leadership	203,347	-	102,159	-
0031	Guidance, Counseling and Evaluation Services	-	4,525	167,116	-
0032	Social Work Services	14,991	-	48,750	-
0033	Health Services	116,928	-	3,293	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	2,476	-	-	-
0041	General Administration	-	-	350	-
0051	Facilities Maintenance and Operations	2,247	-	-	-
0052	Security and Monitoring Services	-	-	1,857	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	230,501	-	605,707	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	2,873,711	26,688	6,123,699	50,252
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
1300	Inc (Dec) in Beginning Fund Balance	-	-	-	-
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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,076,565	\$ -	\$ -
-	-	-	-	-	67,559	-	-
3,492,688	59,632	136,101	24,297	5,244	10,253,062	262,602	1,607
3,492,688	59,632	136,101	24,297	5,244	12,397,186	262,602	1,607
3,367,265	59,632	136,101	24,297	5,244	-	246,969	1,607
-	-	-	-	-	-	-	-
12,268	-	-	-	-	-	6,033	-
34,273	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
17,194	-	-	-	-	-	9,600	-
58,100	-	-	-	-	-	-	-
3,588	-	-	-	-	-	-	-
-	-	-	-	-	12,108,384	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	102,725	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	252,319	-	-
3,492,688	59,632	136,101	24,297	5,244	12,463,428	262,602	1,607
-	-	-	-	-	(66,242)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(66,242)	-	-
-	-	-	-	-	2,757,939	-	-
-	-	-	-	-	(219,978)	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,471,719	\$ -	\$ -

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

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
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	899,188	179,224	1,030,154	30,612
5020	Total Revenues	899,188	179,224	1,030,154	30,612
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	300,893	82,939	921,399	6,375
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	138,355	14,894	1,331	-
0021	Instructional Leadership	370,858	7,480	100,320	-
0023	School Leadership	21,075	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	-	-
0033	Health Services	-	-	7,104	24,237
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	15,323	-	-	-
0061	Community Services	52,684	73,911	-	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	899,188	179,224	1,030,154	30,612
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
1300	Inc (Dec) in Beginning Fund Balance	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

282 FEMA Hurricane Grants	286 Title I SIP Academy Grant ARRA	288 Child Care Local Initiative	309 SSA Adult Basic Education	312 SSA - TANF Family Assistance	392 Non-Ed. Community Based Support	404 Student Success Initiative	410 State Textbook Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	1,945	-	2,778,264
-	1,933,171	77,300	464,051	34,367	-	-	-
-	1,933,171	77,300	464,051	34,367	1,945	-	2,778,264
-	1,401,496	-	357,622	31,097	-	-	2,534,480
-	-	-	-	-	-	-	-
-	337,113	-	-	2,649	-	-	590
-	108,197	-	106,429	621	-	-	63,261
-	22,335	-	-	-	-	-	-
-	62,058	-	-	-	-	-	-
-	-	53,960	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,972	23,340	-	-	1,945	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,933,171	77,300	464,051	34,367	1,945	-	2,598,331
-	-	-	-	-	-	-	179,933
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	179,933
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 179,933



BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		427 Statewide Tools for Teaching	429 District A- wards Teacher Excellence	431 SSA - ABE Educational Technology	432 SSA - TANF Temporary Assistance
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	27	12,582	113,073	36,199
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>27</u>	<u>12,582</u>	<u>113,073</u>	<u>36,199</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	4,977	-	105,029	34,233
0012	Instructional Resources and Media Services	27	-	-	-
0013	Curriculum and Instructional Staff Development	40	-	-	1,961
0021	Instructional Leadership	-	-	8,044	-
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	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	-	-	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	<u>5,044</u>	<u>-</u>	<u>113,073</u>	<u>36,194</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,017)	12,582	-	5
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	-	-	-
1200	Net Change in Fund Balance	(5,017)	12,582	-	5
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
1300	Inc (Dec) in Beginning Fund Balance	-	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ (5,017)</u>	<u>\$ 12,582</u>	<u>\$ -</u>	<u>\$ 5</u>

435 SSA Regional Day School - Deaf	446 Regional Day School for the Deaf	480 Civil Rights Historical Tour	481 BASF Foundation Science	483 Natatorium Swim Program	484 After School Programs	485 ExxonMobil Future Leaders	487 ExxonMobil Reading Initiative
\$ - 636,379 -	\$ 451,410 - -	\$ 11,798 - -	\$ - - -	\$ 47,742 - -	\$ 47,070 - -	\$ 8,700 - -	\$ 50,000 - -
<u>636,379</u>	<u>451,410</u>	<u>11,798</u>	<u>-</u>	<u>47,742</u>	<u>47,070</u>	<u>8,700</u>	<u>50,000</u>
540,108	334,556	-	-	-	-	-	22,225
-	-	-	-	-	-	-	-
15,444	-	-	-	-	-	-	-
4,941	116,854	-	-	-	-	-	-
-	-	-	-	-	-	-	-
75,886	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	74,534	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,554	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	53,859	9,537	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>636,379</u>	<u>451,410</u>	<u>-</u>	<u>-</u>	<u>77,088</u>	<u>53,859</u>	<u>9,537</u>	<u>22,225</u>
-	-	11,798	-	(29,346)	(6,789)	(837)	27,775
-	-	-	-	-	-	-	-
-	-	11,798	-	(29,346)	(6,789)	(837)	27,775
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,798</u>	<u>\$ -</u>	<u>\$ (29,346)</u>	<u>\$ (6,789)</u>	<u>\$ (837)</u>	<u>\$ 27,775</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	488 Texas School Ready Project	489 Community Education	490 Adult Education GED Testing	492 Thomas Center Scoreboard
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 158,365	\$ 3,900	\$ 8,289	\$ 64,000
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>158,365</u>	<u>3,900</u>	<u>8,289</u>	<u>64,000</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	-	-	-	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	158,365	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	45,768
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	47,659	14,097	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>158,365</u>	<u>47,659</u>	<u>14,097</u>	<u>45,768</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(43,759)	(5,808)	18,232
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	36,896	-	-
1200 Net Change in Fund Balance	-	(6,863)	(5,808)	18,232
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Inc (Dec) in Beginning Fund Balance	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ (6,863)</u>	<u>\$ (5,808)</u>	<u>\$ 18,232</u>

493	495	496	497	Total
DaVinci Minds	Texas Data Champions	Gift of Life	Public Facilities Corporation	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,927,839
-	-	-	-	3,646,028
-	-	-	-	27,957,650
-	-	-	-	34,531,517
-	-	34,625	-	16,176,345
-	-	-	-	43,069
1,616	-	-	-	596,443
-	-	-	-	2,919,379
-	-	-	-	348,916
-	-	-	-	336,379
-	-	-	-	175,801
-	-	-	-	155,150
-	-	-	-	12,108,384
-	-	-	-	122,778
-	-	-	-	350
-	-	-	-	107,526
-	-	-	-	1,857
-	-	-	-	15,323
-	-	-	-	1,115,212
-	-	-	1,180,000	1,180,000
-	-	-	79,120	79,120
-	-	-	-	252,319
1,616	-	34,625	1,259,120	35,734,351
(1,616)	-	(34,625)	(1,259,120)	(1,202,834)
-	-	-	1,259,120	1,296,016
(1,616)	-	(34,625)	-	93,182
-	-	-	1,700	2,759,639
-	-	-	-	(219,978)
\$ (1,616)	\$ -	\$ (34,625)	\$ 1,700	\$ 2,632,843

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 AUGUST 31, 2014

	771	772	Total
	Health	Workers'	Internal
	Insurance	Compensation	Service Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ 3,029,362	\$ 3,029,362
Due from Other Funds	-	1,806,353	1,806,353
Total Assets	-	4,835,715	4,835,715
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	-	3,271,460	3,271,460
Payroll Deductions and Withholdings Payable	-	10	10
Total Liabilities	-	3,271,470	3,271,470
<b>NET POSITION</b>			
Unrestricted Net Position	-	1,564,245	1,564,245
Total Net Position	\$ -	\$ 1,564,245	\$ 1,564,245

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2014

	771	772	Total
	Health Insurance	Workers' Compensation	Internal Service Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ 64	\$ 1,742,328	\$ 1,742,392
Total Operating Revenues	64	1,742,328	1,742,392
OPERATING EXPENSES:			
Other Operating Costs	-	1,547,223	1,547,223
Total Operating Expenses	-	1,547,223	1,547,223
Income Before Transfers	64	195,105	195,169
Transfers Out	(107,482)	-	(107,482)
Change in Net Position	(107,418)	195,105	87,687
Total Net Position - September 1 (Beginning)	107,418	1,830,841	1,938,259
Prior Period Adjustment	-	(461,701)	(461,701)
Total Net Position August 31 (Ending)	\$ -	\$ 1,564,245	\$ 1,564,245

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BEAUMONT INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2014

	771	772	Total Internal Service Funds
	Health Insurance	Workers' Compensation	
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 64	\$ -	\$ 64
Advances to Other Funds	-	(64,025)	(64,025)
Cash Payments for Insurance Claims	-	(1,718,874)	(1,718,874)
Net Cash Provided by (Used for) Operating Activities	64	(1,782,899)	(1,782,835)
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer Out	(107,482)	-	(107,482)
Net Decrease in Cash and Cash Equivalents	(107,418)	(1,782,899)	(1,890,317)
Cash and Cash Equivalents at Beginning of Year	107,418	4,812,261	4,919,679
Cash and Cash Equivalents at End of Year	\$ -	\$ 3,029,362	\$ 3,029,362
<u>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income:	\$ 64	\$ 195,105	\$ 195,169
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Due from Other Funds	-	(1,806,353)	(1,806,353)
Increase (decrease) in Accounts Payable	-	(171,651)	(171,651)
Net Cash Provided by (Used for) Operating Activities	\$ 64	\$ (1,782,899)	\$ (1,782,835)



BEAUMONT INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 AUGUST 31, 2014

	Alex Durley Scholarship	Joe Tonahill Scholarship	Mike Taylor Scholarship	Charles Weinbaum Scholarship
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 17,819	\$ 20,491	\$ 3,553	\$ 1,058
Total Assets	<u>17,819</u>	<u>20,491</u>	<u>3,553</u>	<u>1,058</u>
<b>LIABILITIES</b>				
Accounts Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Restricted for Other Purposes	<u>17,819</u>	<u>20,491</u>	<u>3,553</u>	<u>1,058</u>
Total Net Position	<u><u>\$ 17,819</u></u>	<u><u>\$ 20,491</u></u>	<u><u>\$ 3,553</u></u>	<u><u>\$ 1,058</u></u>

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Paul Brown Scholarship	Wells, Payton Greeberg & Hunt Schlrsbp	Total Private Purpose Trust Funds
\$ 13,883	\$ 1,500	\$ 58,304
<u>13,883</u>	<u>1,500</u>	<u>58,304</u>
3,500	-	3,500
<u>3,500</u>	<u>-</u>	<u>3,500</u>
10,383	1,500	54,804
<u>\$ 10,383</u>	<u>\$ 1,500</u>	<u>\$ 54,804</u>

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, 2014

	Alex Durley Scholarship	Joe Tonahill Scholarship	Mike Taylor Scholarship	Charles Weinbaum Scholarship
ADDITIONS:				
Local and Intermediate Sources	\$ 10	\$ 11	\$ 2	\$ -
Total Additions	<u>10</u>	<u>11</u>	<u>2</u>	<u>-</u>
DEDUCTIONS:				
Other Operating Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	10	11	2	-
Total Net Position - September 1 (Beginning)	<u>17,809</u>	<u>20,480</u>	<u>3,551</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>

Paul Brown Scholarship	Wells, Payton Greeberg & Hunt Schlrsbp	Total Private Purpose Trust Funds
\$ 5	\$ -	\$ 28
5	-	28
4,250	-	4,250
4,250	-	4,250
(4,245)	-	(4,222)
14,628	1,500	59,026
<u>\$ 10,383</u>	<u>\$ 1,500</u>	<u>\$ 54,804</u>

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**OTHER INFORMATION - REQUIRED TEA SCHEDULES**

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.475000	0.065000	7,368,263,580
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 (School year under audit)	1.040000	0.275000	9,783,235,099
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 3,548,568	\$ -	\$ 36,991	\$ 1,761	\$ (37,967)	\$ 3,471,849
425,723	-	14,232	627	(2,828)	408,036
377,690	-	19,866	835	(1,982)	355,007
389,867	-	32,397	1,713	(1,910)	353,847
519,869	-	49,014	7,187	(3,067)	460,601
675,940	-	84,152	18,004	(4,422)	569,362
941,062	-	138,548	35,969	(6,413)	760,132
1,275,027	-	225,143	61,698	(44,550)	943,636
2,253,758	-	581,598	153,788	(267,486)	1,250,886
-	126,116,974	97,074,556	26,263,819	(377,359)	2,401,240
<u>\$ 10,407,504</u>	<u>\$ 126,116,974</u>	<u>\$ 98,256,497</u>	<u>\$ 26,545,401</u>	<u>\$ (747,984)</u>	<u>10,974,596</u>
Penalty and interest receivable on taxes					<u>11,208,161</u>
Total taxes receivable per Exhibit C-1					<u><u>\$ 22,182,757</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, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Local and Intermediate Sources	\$ 4,079,980	\$ 4,654,980	\$ 2,076,565	\$ (2,578,415)
5800 State Program Revenues	69,625	69,625	67,559	(2,066)
5900 Federal Program Revenues	10,626,777	11,075,528	10,253,062	(822,466)
5020 Total Revenues	14,776,382	15,800,133	12,397,186	(3,402,947)
EXPENDITURES:				
0035 Food Services	14,650,624	15,099,375	12,108,384	2,990,991
0051 Facilities Maintenance and Operations	125,758	125,758	102,725	23,033
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	282,627	252,319	30,308
Intergovernmental:				
0099 Other Intergovernmental Charges	-	575,000	-	575,000
6030 Total Expenditures	14,776,382	16,082,760	12,463,428	3,619,332
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(282,627)	(66,242)	216,385
OTHER FINANCING SOURCES (USES):				
7961 Transfers Out	-	(575,000)	-	575,000
1200 Net Change in Fund Balances	-	(857,627)	(66,242)	791,385
0100 Fund Balance - September 1 (Beginning)	2,757,939	2,757,939	2,757,939	-
1300 Inc (Dec) in Beginning Fund Balance	-	-	(219,978)	(219,978)
3000 Fund Balance - August 31 (Ending)	\$ 2,757,939	\$ 1,900,312	\$ 2,471,719	\$ 571,407

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, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Local and Intermediate Sources	\$ 28,212,960	\$ 28,212,960	\$ 26,791,723	\$ (1,421,237)
5900 Federal Program Revenues	-	-	1,073,141	1,073,141
5020 Total Revenues	28,212,960	28,212,960	27,864,864	(348,096)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	9,270,000	9,270,000	9,365,000	(95,000)
0072 Interest on Long Term Debt	18,769,318	18,769,318	18,572,741	196,577
0073 Bond Issuance Cost and Fees	25,000	25,000	13,265	11,735
6030 Total Expenditures	28,064,318	28,064,318	27,951,006	113,312
1200 Net Change in Fund Balances	148,642	148,642	(86,142)	(234,784)
0100 Fund Balance - September 1 (Beginning)	638,278	638,278	638,278	-
3000 Fund Balance - August 31 (Ending)	\$ 786,920	\$ 786,920	\$ 552,136	\$ (234,784)

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## **FEDERAL AWARDS SECTION**

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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, 2014, 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 26, 2015.

**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 2014-004, 2014-005, 2014-008, 2014-010, and 2014-011 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 2014-001, 2014-002, 2014-003, 2014-006, 2014-007, 2014-009, and 2014-012.

## **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 26, 2015

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 Circular A-133 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, 2014. 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 Qualified Opinion on the Head Start Program***

As described in the accompanying schedule of findings and questioned costs, Beaumont Independent School District did not comply with requirements regarding CFDA 93.600 Head Start as described in finding number 2014-022 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for Beaumont Independent School District to comply with the requirements applicable to that program.



### ***Qualified Opinion***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Beaumont Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Head Start for the year ended August 31, 2014.

### ***Basis for Adverse Opinions***

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.

<b>Child Nutrition Cluster, CFDA #s 10.553, 10.555 and 10.559</b>	
<b><i>Compliance Requirement</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2014-016
B - Allowable Costs/Cost Principles	2014-016 and 2014-022
I - Procurement and Suspension and Debarment	2014-014
N - Special Tests and Provisions	2014-034

<b>ESEA Title I, Part A, CFDA #84.010A</b>	
<b><i>Compliance Requirement</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2014-020
B - Allowable Costs/Cost Principles	2014-020 and 2014-022
G - Matching, Level of Effort, Earmarking	2014-028 and 2014-029
I - Procurement and Suspension and Debarment	2014-014 and 2014-015
L - Reporting	2014-024 and 2014-025

<b>Special Education Cluster, CFDA #s 84.027A and 84.173</b>	
<b><i>Compliance Requirement</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2014-018
B - Allowable Costs/Cost Principles	2014-018 and 2014-022
G - Matching, Level of Effort, Earmarking	2014-028
I - Procurement and Suspension and Debarment	2014-014 and 2014-015
L - Reporting	2014-033

<b>ESEA Title IV, Pt B - 21<sup>st</sup> Century, CFDA# 84.287C</b>	
<b><i>Compliance Requirement</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2014-021
B - Allowable Costs/Cost Principles	2014-021 and 2014-022
G - Matching, Level of Effort, Earmarking	2014-028 and 2014-029
I - Procurement and Suspension and Debarment	2014-014

<b>ESEA Title II, Part A-Teacher/Principal Training and Recruiting, CFDA# 84.367A</b>	
<b><i>Compliance Requirement</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2014-019
B - Allowable Costs/Cost Principles	2014-019 and 2014-022
G - Matching, Level of Effort, Earmarking	2014-028 and 2014-029
I - Procurement and Suspension and Debarment	2014-014 and 2014-015

<b>Texas Title I Priority School CY2 - ARRA, CFDA# 84.388A</b>	
<b><i>Compliance Requirement</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2014-017
B - Allowable Costs/Cost Principles	2014-017 and 2014-022
G - Matching, Level of Effort, Earmarking	2014-014 and 2014-029
H - Period of Availability of Federal Funds	2014-023
I - Procurement and Suspension and Debarment	2014-014 and 2014-015
L - Reporting	2014-033

### ***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, 2014.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-013.

## 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 2014-023, 2014-026, 2014-027, 2014-028, 2014-029, 2014-030, 2014-031, 2014-032, 2014-033, and 2014-034 to be material weaknesses.

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 26, 2015

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

**SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

**Type of Auditor's Report Issue:**    Qualified

**Internal control over financial reporting:**

**Material weaknesses identified?**    Yes

**Significant deficiencies identified that are not considered to be material weaknesses?**    Yes

**Noncompliance material to the financial statements:**    Yes

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

**SUMMARY OF AUDITOR'S RESULTS** (Continued)

**FEDERAL AWARDS**

**Internal control over major programs:**

**Material weaknesses identified?** Yes

**Significant deficiencies identified that are not considered to be material weaknesses?** Yes

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

**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 Feeding 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

**ESEA Title IV, Part B - 21<sup>st</sup> Century - CFDA 84.287C**

**ESEA Title II, Part A - Teacher Principal Training and Recruiting - CFDA 84.367A**

**Texas Title I Priority School CY 2 ARRA - CFDA 84.388A**

**Head Start - CFDA 93.600**

**Dollar threshold used to distinguish between type A and type B programs:** \$ 839,097

**Auditee qualified as low-risk auditee?** No

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

**FINANCIAL STATEMENT FINDINGS**

**2014-001 - 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 did not submit audited financial statements for the fiscal year ended August 31, 2013 in accordance with state law.

Effect: The necessary information has not been provided to TEA and the District is not in compliance with state law.

Cause: The District's previous external auditor did not complete the audit and has not issued the report.

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.

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

Criteria: The Texas Government Code 791.011(d)(1) requires that the Board of Trustees/Managers approve through a resolution all interlocal agreements or purchasing cooperatives prior to being used as a method of procurement.

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.

Effect: We were unable to determine if the District was in compliance with this state statute.

Cause: Staff turnover within department and management turnover.

Recommendation: We recommend management review all interlocal agreements and purchasing cooperatives to ensure that the Board of Trustees/Managers has approved them as required by state law.

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, 2014**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2014-003 - State Mandated Programs - Required Expenditure Percentage**

Criteria: The District is required to spend a certain percentage of state allotted funds on direct costs.

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.

Effect: The District did not spend a significant portion of the SCE funding in compliance with state law.

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.

View of Responsible Official: We agree with this finding.

**2014-004 - Financial Reporting - Internal Controls - 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: Significant amounts previously recorded as due from state were written off as of August 31, 2014 and reduced fund balance.

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, 2014**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2014-005 - Financial Reporting** - Internal Controls - 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 accurate and valid.

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.

Effect: It appears that individuals took advantage of the lack of internal controls and defrauded the District of over \$4,000,000 by making wire transfers to their personal accounts. Some of the fraudulent transactions were recorded on the general ledger via journal entry. Because there was no segregation of duties, the fraudulent transactions went undetected. Also, because the controls weren't implemented until October 2014, and there was no review by a second individual of journal entries, we noted that there were multiple errors in posting journal entries. has the opportunity to commit fraud by changing her pay rate or anyone else's pay rate.

Cause: Two former employees who were knowledgeable about the accounting system were able to collude and manipulate accounts. The accounting system was set up in a manner in which individuals had the ability to initiate, approve and post journal entries to the accounting system to avoid any segregation of duties. Segregation of duties over journal entries was not implemented until October 2014. Financial statement accounts are not reconciled on a periodic basis which does not provide timely detection of errors or fraud. There was no oversight over the change in pay rates.

Recommendation: In order to strengthen internal controls, we recommend management segregate duties over journal entries, cash and entering/changing pay rates. Cash, due to/froms and other account balances should be reconciled on a regular basis. In addition, whenever a due to is recorded, an offsetting due from should be recorded in order to ensure that due to/froms balance and net to zero. 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, 2014**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2014-006 - 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 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.

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 lack of oversight. It is unknown if prior personnel were aware of the requirements.

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, 2014**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2014-007 - 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: 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.

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

Cause: The District was 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.

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, 2014**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2014-008 - 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 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. .

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 the Teacher Service Records in TEAMS did not agree to the years of service being paid for certain employees by the District.

Recommendation: We strongly recommend Management implement procedures that require documentation, including approvals, to be maintained in order to support all journal entries posted in the accounting system and employee compensation. 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. Calculation of service years and determination of the applicable service level should be reviewed by knowledgeable personnel and those involved with making the calculation should be properly trained and supervised.

View of Responsible Official: We agree with this finding.

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(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2014-009 - 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 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.

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 are 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, 2014**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2014-010 - 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. 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).

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. We also recommend management implement procedures to ensure that campus activity funds are recorded in the special revenue fund 461.

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, 2014**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2014-011 - 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: 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.

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: Fraud occurred at the District in previous years and it is possible that legitimate vendors were set up in the system with different name variations in order to hide fraudulent vendors.

Recommendation: We recommend the District review the vendor list in detail and eliminate duplicate vendors in the system and ensure an approval process exists before vendors are actually entered into the accounting system.

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, 2014**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2014-012 - State Compliance - Budget Overages**

Criteria: State law requires that each District adopt a budget prior to any funds being expended. The adopted budget gives administration the legal authority to expend funds accordingly.

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.

Effect: These expenditures were made without proper legal authorization.

Cause: The turnover in personnel as well as a lack of understanding of both accounting and budget compliance rules.

Recommendation: We recommend the District provide adequate training to personnel and ensure adequate budget is available for expenditures. Those responsible for submitting purchase requisitions should be made aware of entering requests for budget transfers as necessary and budget management should monitor and be alert as to when these requests result in official budget amendments requiring board approval and proper action be taken.

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, 2014**

**FEDERAL AWARD FINDINGS**

**2014-013 - All Federal Programs - Data Collection Form**

Criteria: OMB Circular A-133 requires the District to submit the Data Collection Form to the Federal Audit Clearinghouse the earlier of 30 days after receipt of the auditors report or nine months after the end of the audit period.

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.

Questioned Costs/Basis: N/A

Instances/Universe: One out of one required submissions.

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

Cause: The audit for the period ended August 31, 2013 has not been completed.

Recommendation: We recommend the District complete the audit for the period ended August 31, 2013 and submit the data collection form.

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, 2014

**FEDERAL AWARD FINDINGS** (Continued)

**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**

Criteria: Federal procurement law requires that the most restrictive law be followed when determining compliance. As such, Texas state law has the most restrictive requirement and should be followed. According to the Texas Government Code 791.011(d)(1), the Board of Trustees/Managers is required to approve by way of Board resolution any interlocal agreement or purchasing cooperative the District enters into.

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.

Questioned Costs/Basis: Questioned costs were determined by totaling the amount charged related to vendors in the programs identified within this finding that were procured under the interlocal agreement/purchasing cooperative methods.

Title I, Part A - \$65,509  
Teacher Principal Training and Recruiting - \$41,367  
Special Education Cluster - \$63,030  
Texas Title I Priority School CY 2 ARRA - \$276,607  
Child Nutrition Cluster - \$30,205  
21st Century - \$11,938.

Instances/Universe:

Title I, Part A - \$65,509 out of \$65,509  
Teacher Principal Training and Recruiting - \$41,367 out of \$41,367  
Special Education Cluster - \$63,030 out of \$63,030  
Texas Title I Priority School CY 2 ARRA - \$276,607 out of \$276,607  
Child Nutrition Cluster - \$30,205 out of \$30,205  
21st Century - \$11,938 out of \$11,938.

Effect: We were unable to determine compliance with the state statute under federal procurement requirements.

Cause: Staff turnover within department and management turnover.

Recommendation: The Board of Managers recently approved purchasing cooperatives expected to be utilized in fiscal year 2015 (same as those used in fiscal year 2014) at the October 14, 2014 meeting. We believe this action has already reduced future non-compliance and minimizes incurring additional resources to locate old board resolutions. We recommend the Purchasing Office maintain a copy of board resolutions related to purchasing/procurement matters.

View of Responsible Official: We agree with this finding.

**FEDERAL AWARD FINDINGS** (Continued)

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2014

**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**

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 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.

Questioned Costs/Basis: Questioned costs were determined by totaling the charges in the program fiscal year 2014 transaction ledger for the particular vendor that was not procured appropriately as described in this finding.

Title I, Part A - \$74,836

Teacher Principal Training and Recruiting - \$19,318

Special Education Cluster - \$901,311

Texas Title I Priority School CY 2 ARRA - \$23,000

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED AUGUST 31, 2014**

**FEDERAL AWARD FINDINGS** (Continued)

**Instances/Universe:**

Title I, Part A - \$74,836 out of \$373,258 or two out of nine vendors

Teacher Principal Training and Recruiting - \$19,318 out of \$36,445 or one out of five vendors

Special Education Cluster - \$901,311 out of \$1,052,190 or seven out of thirteen vendors

Texas Title I Priority School CY 2 ARRA - \$23,000 out of \$238,659 or one out of four vendors

**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.

**Cause:** According to the Interim Purchasing Director, there was poor communication between the Purchasing department and campuses and other departments under the previous Purchasing Director. The former Purchasing Director was terminated during fiscal year 2014 and we were unable to speak to her. It appears that the Interim Purchasing Director does not have a procurement background and needs training in order to gain an understanding of procurement requirements and practices. In addition, the District's written guidance related to procurement processes/requirements did not address federal procurement requirements.

**Recommendation:** Staff responsible for submitting purchase requisitions and entering into contracts should be able to verify the vendor against an approved vendor list. In addition, we strongly recommend the District consider requiring the solicitation reference/method (i.e. IFB 14-001, TCPN, Sole Source, etc) on the purchase requisition/contract documents. This will help ensure that vendors used are in fact an approved vendor and it will also help reduce the risk of errors prior to approving the purchase requisition. We recommend the District provide ongoing training to all the purchasing personnel in order to ensure that they stay current on all purchasing requirements. Lastly, we recommend the District document, in writing, all purchasing policies and procedures, including federal procurement 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, 2014**

**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**

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 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.

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. Likely Questioned Costs were determined by dividing the number of errors found by the total number of items tested, and multiplying that percentage times the total population.

Known Questioned Cost: \$40,819. Likely Questioned Cost: \$2,346,093.

Instances/Universe: 54 instances out of 114 items tested. Total population - \$4,952,863.

Effect: The amount of overtime paid does not appear reasonable and is therefore unallowable under OMB Circular A-87. 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: Overtime pay appears to be a common practice at the District. No one questioned the excessive overtime charged to the program. Poor internal controls allowed for documentation not to be maintained. There appears to be no review or monitoring process in place to ensure documentation is maintained to support all charges.

Recommendation: We recommend the District provide training to program personnel on program requirements and assign a responsible individual to conduct periodic reviews of overtime charged to the program in order to ensure that it is reasonable and necessary to carry out the programs. 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, 2014**

**FEDERAL AWARD FINDINGS** (Continued)

**2014-017 -Texas Title I Priority School CY 2 ARRA (84.388A)-** 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 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.

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. Likely Questioned Costs were determined by dividing the number of errors found by the total number of items tested, and multiplying that percentage times the total population. Calculations were separate for payroll and nonpayroll populations, and added for a total Known and Likely Questioned Cost.

Known Questioned Cost: \$19,246. Likely Questioned Cost: \$450,720.

Instances/Universe: Nonpayroll - 20 instances out of 60 items tested. Total population - \$905,551. Payroll - 4 instances out of 29 items tested. Total population - \$1,079,305.

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: There appears to be no review or monitoring of expenditures for this program. The personnel overseeing the program do not appear to understand the program requirements.

Recommendation: We recommend the District provide training to program personnel on program requirements and assign a responsible individual to conduct a review of charges to the program on a periodic basis and identify any potential unallowable activities. 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, 2014**

**FEDERAL AWARD FINDINGS** (Continued)

**2014-018 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.

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 overtime 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.

Questioned Costs/Basis: In the case of the duplicate checks, known questioned costs were determined by the amount of the duplicate payment.

Known questioned costs were determined by totaling the items tested that were found to be improperly charged to the program identified within this finding. Likely Questioned Costs were determined by dividing the number of errors found by the total number of items tested, and multiplying that percentage times the total population. Calculations were separate for payroll and nonpayroll populations, and added for a total Known and Likely Questioned Cost.

Known Questioned Cost: \$80,021. Likely Questioned Cost: \$486,691.

Instances/Universe: One instance of \$47,319 from a universe of \$187,074. Universe is made up of the transactions paid to the vendors with similar names out of the Special Education Cluster.

Nonpayroll - 3 instances out of 60 items tested. Total population - \$1,769,402. Payroll - 9 instances out of 45 items tested. Total population - \$1,991,106.

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: Overtime pay appears to be a common practice at the District. No one questioned the excessive overtime charged to the program. Poor internal controls allowed for documentation not to be maintained. There appears to be no review or monitoring process in place to ensure documentation is maintained to support all charges.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

**FEDERAL AWARD FINDINGS** (Continued)

Recommendation: We recommend the District provide training to program personnel on program requirements and assign a responsible individual to conduct periodic reviews of overtime charged to the program in order to ensure that it is reasonable and necessary to carry out the programs. In addition, supporting documentation should be maintained to support all charges. 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 and research unusual activity.

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, 2014**

**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**

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 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.

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. Likely Questioned Costs were determined by dividing the number of errors found by the total number of items tested, and multiplying that percentage times the total population. Calculations were separate for payroll and nonpayroll populations, and added for a total Known and Likely Questioned Cost.

Known Questioned Cost: \$59,379. Likely Questioned Cost: \$230,997.

Instances/Universe: Nonpayroll - 16 instances out of 60 items tested. Total population - \$320,862. Payroll - 7 instances out of 28 items tested. Total population - \$581,737.

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. Poor internal controls allowed for documentation not to be maintained. There appears to be no review or monitoring process in place to ensure documentation is maintained to support all charges.

Recommendation: We recommend the District provide training to program personnel on program requirements and assign a responsible individual to conduct periodic reviews of overtime pay charged to the program in order to ensure that it is reasonable and necessary to carry out the programs. 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, 2014

**FEDERAL AWARD FINDINGS** (Continued)

**2014-020 - 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 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.

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. Likely Questioned Costs were determined by dividing the number of errors found by the total number of items tested, and multiplying that percentage times the total population. Calculations were separate for payroll and nonpayroll populations, and added for a total Known and Likely Questioned Cost.

Known Questioned Cost: \$20,688. Likely Questioned Cost: \$1,230,749.

Instances/Universe: Nonpayroll - 12 instances out of 60 items tested. Total population - \$1,156,416. Payroll - 27 instances out of 134 items tested. Total population - \$4,960,314.

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: Overtime pay appears to be a common practice at the District. No one questioned the excessive overtime charged to the program. Poor internal controls allowed for documentation not to be maintained. There appears to be no review or monitoring process in place to ensure documentation is maintained to support all charges.

Recommendation: We recommend the District provide training to program personnel on program requirements and assign a responsible individual to conduct periodic reviews of overtime charged to the program in order to ensure that it is reasonable and necessary to carry out the programs. 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, 2014**

**FEDERAL AWARD FINDINGS** (Continued)

**2014-021 - ESEA, Title IV, Part B - 21<sup>st</sup> Century (CFDA 84.287C) - 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 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.

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. Likely Questioned Costs were determined by dividing the number of errors found by the total number of items tested, and multiplying that percentage times the total population. Calculations were separate for payroll and nonpayroll populations, and added for a total Known and Likely Questioned Cost.

Known Questioned Cost: \$48,958. Likely Questioned Cost: \$206,818.

Instances/Universe: Nonpayroll - 9 instances out of 60 items tested. Total population - \$1,156,416. Payroll - 2 instances out of 58 items tested. Total population - \$967,299.

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 were not aware of program requirements. Poor internal controls allowed for documentation not to be maintained. There appears to be no review or monitoring process in place to ensure documentation is maintained to support all charges.

Recommendation: We recommend the District provide training to program personnel on program requirements and assign a responsible individual to conduct periodic reviews of charges to the program in order to ensure that it is reasonable and necessary to carry out the programs. 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, 2014

**FEDERAL AWARD FINDINGS** (Continued)

**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**

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: 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, 21<sup>st</sup> 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.

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 is 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, 2014**

**FEDERAL AWARD FINDINGS** (Continued)

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

Criteria: Where a funding period is specified, the District may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. The District is required to maintain internal controls over compliance to provide a high level of assurance that costs charged to the program fall within the grant's period of availability. Costs charged should benefit the 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.

Questioned Costs/Basis:

Known questioned costs - \$177,047 for the purchase of the IPADS and related installation costs.

Likely questioned costs - \$35,095 based on an exception rate of 4.8% applied to the non payroll population of \$731,153.

Instances/Universe:

Eleven out of seventy-five instances tested or \$12,649 of \$102,031 were for transactions that did not benefit the period of availability of a total population of 1331 instances or \$1,984,856.

Effect: Costs incurred that do not benefit the funding period are ineligible for reimbursement. These funds are subject to be returned to the TEA.

Cause: Amendments to the application were necessary after the District determined that the funds would be used to implement a different program than originally approved by TEA. The approval of the amendments took a significant amount of time and the program implementation was delayed. In addition, in anticipation of the District closing one of the middle schools and transferring the students to the campus that implemented this initiative, the District purchased additional IPADs for those new students. Program directors felt that failure to provide IPADs to the new transferred students could cause issues for the District.

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 costs outside the funding period. In addition, the District should ensure grant/program directors understand the grant requirements, including the applicable period of availability, and have them responsible for reviewing the transaction ledger detail on a periodic basis, to identify any potential non-compliance.

View of Responsible Official: We agree with this finding.

**FEDERAL AWARD FINDINGS** (Continued)

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

**2014-024 - ESEA, Title, I Part A (CFDA 84.010A) - Compliance - Reporting: Special Reporting - 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 97.5% of the teachers are highly qualified for the 2013-2014 school year.

Questioned Costs/Basis: Unknown

Instances/Universe: N/A

Effect: The District is not in compliance with federal grant requirements and parents of students being taught by non-highly qualified teachers must be notified in writing.

Cause: Personnel were unaware of the requirement.

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, 2014**

**FEDERAL AWARD FINDINGS** (Continued)

**2014-025 - 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 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.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: We cannot with certainty determine if the compliance requirement has been met.

Cause: The previous auditor did not complete the 2013 audit.

Recommendation: We recommend the District complete the audit for the period ended August 31, 2013.

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, 2014

**FEDERAL AWARD FINDINGS** (Continued)

**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**

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 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.

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 subject District funds to be refunded.

Cause: The District has been troubled by incompetence and un-trustworthy personnel in the past. It also appears that the prior independent auditor did not address this area as the District was not issued any findings or a management letter in the last several years. The Interim Purchasing Director does not have a procurement background and was not aware of the federal procurement requirements.

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 2017, 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, 2014

**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**

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: 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.

Questioned Costs/Basis: None/For vendors charged to major federal programs and paid \$25,000 or more in FY 2014, regardless of funding source, we verified the resulting list against the SAM.gov listing generated October 27, 2014 and none of these identified vendors were shown as suspended or debarred.

Instances/Universe: None/Major Federal Programs

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. It also appears that the prior independent auditor did not address this area as the District was not issued any findings or a management letter in the last several years. The Interim Purchasing Director does not have a procurement background and was not aware of the federal procurement requirements.

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, 2014**

**FEDERAL AWARD FINDINGS** (Continued)

**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**

Criteria: 1) Title I, Part A, 21st Century, 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. 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.

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: 1) Personnel were not aware of the TEA's MOE calculator tool. 2) There was significant turnover in the Special Education department 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, 2014

**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**

Criteria: Federal funds may be used only to supplement and, to the extent practical, increase the level of funds that would, in the absence of the Federal funds, be made available from non-Federal sources for funding of specified services. 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. 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.

Questioned Costs/Basis: Unknown

Instances/Universe: N/A

Effect: Funds are subject to being returned to the awarding agency and may result in termination or reduced funding of future awards.

Cause: The personnel responsible for preparing the budget at the time are no longer employed by the District and it is unknown why the budget was prepared in such a manner. In addition, the previous auditor did not complete the 2013 audit and therefore information was not available.

Recommendation: We recommend Management provide adequate training to personnel preparing the overall budget in order to ensure the budget is prepared in compliance with the various 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, 2014

**FEDERAL AWARD FINDINGS** (Continued)

**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**

Criteria: The District is required to maintain internal controls over compliance, including Activities Allowed and Unallowed, Allowable Costs/Costs Principles and Period of Availability, 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.

Condition Found: During the audit, we noted approvals by unauthorized individuals, lack of and inadequate 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.

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. 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 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, 2014**

**FEDERAL AWARD FINDINGS** (Continued)

**2014-031 - 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 the finding.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED AUGUST 31, 2014**

**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

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 adequate documentation is maintained to support all transactions recorded. 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 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.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: The lack of segregated duties and maintaining adequate documentation 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 accounting system was set up in a manner in which individuals had the ability to initiate, approve and post journal entries to the accounting system to avoid any segregation of duties. Segregation of duties over journal entries was not implemented until October 2014.

Recommendation: We recommend management segregate duties for the journal entries and document all reviews and approvals. We recommend management implement procedures to ensure adequate documentation is maintained to support the amounts paid, including payroll, and ensure all disbursements are approved prior to being incurred.

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, 2014**

**FEDERAL AWARD FINDINGS** (Continued)

**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**

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: 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.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: Significant amounts previously recorded as due from state were written off as of August 31, 2014. The District may end up requesting funds from TEA before the program costs have been incurred during the course of the program.

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.

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, 2014**

**FEDERAL AWARD FINDINGS** (Continued)

**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**

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 \$2.59 for school year 2013-14) have already met the requirement (42 USC 1760(p);7 CFR sections 210.14(a) and 210.14(e)).

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.

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.

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, 2014**

<b>Schedule Reference Number</b>	<b>PRIOR YEAR FINDING/ NONCOMPLIANCE</b>	<b>STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE</b>
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**FINANCIAL STATEMENT FINDINGS**

Fiscal year 2012-2013 has not been audited.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Fiscal year 2012-2013 has not been audited.



BEAUMONT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Texas Workforce Commission</u>			
Adult Education (ABE) - Federal	84.002	18414ABE000	\$ 514,303
Total Passed Through Texas Workforce Commission			\$ 514,303
<u>Passed Through ESC - Region 10</u>			
McKinney-Vento Texas Support for Homeless Ed.	84.196	123910	\$ 26,688
Total Passed Through ESC - Region 10			\$ 26,688
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101123910	\$ 6,096,012
Title I, Part D, Subpart 2 - Del	84.010A	14610103123910	23,097
TTL I 1003(A) Priority and Focus	84.010A	14610112123910100	4,590
Total CFDA Number 84.010A			6,123,699
*IDEA - Part B, Formula	84.027A	146600011239106000	3,492,688
*IDEA - Part B, Formula - RDSPD	84.027A	146600011239106000	24,297
Total CFDA Number 84.027A			3,516,985
*IDEA - Part B, Preschool	84.173A	146610011239106000	59,632
*IDEA - Part B, Preschool Deaf	84.173A	146610011239106000	5,244
Total CFDA Number 84.173A			64,876
*IDEA - Part B, High Cost Risk Pool	84.027A	146600111239106000	136,101
Total Special Education Cluster (IDEA)			3,717,962
IDEA, Part C - Early Intervention (Deaf)	84.181A	143911011239103000	1,607
Vocation Education - Carl D. Perkins	84.048A	14420006123910	262,602
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501123910	899,188
ESEA Title III, Part A - English Language Acq.	84.365A	14671001123910	179,224
ESEA Title IV, Pt B-21st Century	84.287C	136950147110008	1,030,153
Summer School LEP	84.369A	69551302	12,244
Texas Title I Priority School CY2 (ARRA)	84.388A	10552067110003	1,933,172
Total Passed Through State Department of Education			\$ 14,159,851
<b>TOTAL DEPARTMENT OF EDUCATION</b>			\$ 14,700,842
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Direct Programs</u>			
Head Start	93.600	2E16G	\$ 2,873,711
Total Direct Programs			\$ 2,873,711
<u>Passed Through Texas Workforce Commission</u>			
Child Care Development Funds - TWC Partnership	93.596	1814CCM000	\$ 77,300
Temporary Assistance for Needy Families	93.558	18414ABE000	34,367
Total Passed Through Texas Workforce Commission			\$ 111,667
<u>Passed Through Texas Dept of Health &amp; Human Srvc.</u>			
Medicaid Administrative Claims - MAC	93.778	123910	\$ 30,612
Total Passed Through Texas Dept of Health & Human Srvc.			\$ 30,612
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			\$ 3,015,990

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
**National School Lunch Prog.- Non-Cash Assistance	10.555	00654	\$ 757,980
Fresh Fruit and Vegetables	10.579	00654	75,916
Child and Adult Care Food Program	10.558	00654	117,126
**Summer Feeding Program	10.559	00654	153,123
Total Passed Through the State Department of Agriculture			<u>\$ 1,104,145</u>
<u>Passed Through State Department of Education</u>			
**School Breakfast Program	10.553	71401401	\$ 2,484,138
**National School Lunch Program	10.555	71301401	6,664,779
Total Passed Through State Department of Education			<u>\$ 9,148,917</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>\$ 10,253,062</u>
 <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			 <u><u>\$ 27,969,894</u></u>

\*, \*\* Clustered Programs as required by the OMB A-133 Compliance Supplement, March 2014

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2014

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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 a 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 availability 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 Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement - March 2014.
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, 2014**

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
Summer School LEP	84.369A	<u>\$ 12,244</u>
		12,244
SHARS (not included on Exhibit K-1)		<u>2,629,377</u>
		<u><u>\$ 2,641,621</u></u>

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

Expenditures of federal awards per Exhibit K-1	\$ 27,969,894
QSCB Federal Subsidy	1,073,141
School Health and Related Services (SHARS) reimbursements	<u>2,629,377</u>
Total federal revenue per Exhibit C-3	<u><u>\$ 31,672,412</u></u>

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**CORRECTIVE ACTION PLAN (continued)**  
*For the Year Ended August 31, 2014*

<b><u>FINANCIAL STATEMENT FINDINGS:</u></b>	
<b><u>Finding 2014-001 - Submission of Audited Financial Statements</u></b>	
<b>Corrective Action:</b>	The District has already began planning for the fiscal year 2015 audit to ensure that it is submitted within 150 days after August 31, 2015.
<b>Implementation Date:</b>	No later than January 27, 2016
<b>Responsible Party:</b>	Chief Financial Officer
<b><u>Finding 2014-002 - Procurement - Interlocal Agreements/Purchasing Cooperatives</u></b>	
<b>Corrective Action:</b>	The District has already taken Interlocal Agreements and Purchasing Cooperatives to be used during fiscal year 2015 to the Board of Managers for approval. This is evidenced in the October 2014 board meeting minutes.
<b>Implementation Date:</b>	Immediately
<b>Responsible Party:</b>	Purchasing Coordinator/Director
<b><u>Finding 2014-003 - Required Expenditure Percentage</u></b>	
<b>Corrective Action:</b>	The District will monitor expenditures charged to state mandated program to ensure that the spending requirements are met.
<b>Implementation Date:</b>	Immediately
<b>Responsible Party:</b>	Chief Financial Officer
<b><u>Finding 2014-004 - Internal Controls - Reconciliation of Grants</u></b>	
<b>Corrective Action:</b>	The District will utilize actual expenditure reports from the financial software to prepare its draw down requests from various grantors and will reconcile all receivables and revenues to the general ledger on a monthly basis.
<b>Implementation Date:</b>	Immediately
<b>Responsible Party:</b>	Chief Financial Officer

**BEAUMONT INDEPENDENT SCHOOL DISTRICT*****CORRECTIVE ACTION PLAN (continued)******For the Year Ended August 31, 2014***

<b><u>FINANCIAL STATEMENT FINDINGS (continued):</u></b>		
<b><u>Finding 2014-005 - Internal Controls - Segregation of Duties and Reconciliations of Accounts</u></b>		
<b>Corrective Action:</b>		The District has already set up controls over wires, bank reconciliation processes and segregation of duties over journal entries. Each month, management reconciles the District's bank accounts and has reviewed information system access rights that affect the review, approval and posting of journal entries.
<b>Implementation Date:</b>		Immediately.
<b>Responsible Party:</b>		Chief Financial Officer
<b><u>Finding 2014-006 - Public Fund Investment Act</u></b>		
<b>Corrective Action:</b>		The District will ensure that the local investment policy is reviewed and approved by Board. In addition, the Board will approve the independent sources that are allowed to provide training to the investment officers. In addition, the management will present to the Board Quarterly Investment Reports.
<b>Implementation Date:</b>		No later than August 31, 2015
<b>Responsible Party:</b>		Chief Financial Officer
<b><u>Finding 2014-007 - District and Campus Improvement Plans</u></b>		
<b>Corrective Action:</b>		The District will follow the requirements of the Texas Education Code and the Module 9 of the Financial Accountability Resource Guide (FASRG) to ensure that all required components of the District and Campus Improvement Plans are included.
<b>Implementation Date:</b>		Immediately.
<b>Responsible Party:</b>		Director of Title Programs
<b><u>Finding 2014-008 - Internal Controls over Financial Reporting - Documentation</u></b>		
<b>Corrective Action:</b>		The District has already begun attaching supporting documentation for all journal entries posted to the general ledger. In addition, a filing system is in place where individuals in the finance office have to sign out the documentation in the filing cabinets. Finally the District will ensure that personnel entering and applying employees' years of service are properly trained and records are reviewed on a periodic

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

***CORRECTIVE ACTION PLAN (continued)***

***For the Year Ended August 31, 2014***

		basis.
<b>Implementation Date:</b>		No later than August 31, 2015
<b>Responsible Party:</b>		Chief Financial Officer

**BEAUMONT INDEPENDENT SCHOOL DISTRICT*****CORRECTIVE ACTION PLAN (continued)******For the Year Ended August 31, 2014***

<b><u>FINANCIAL STATEMENT FINDINGS (continued):</u></b>	
<b><u>Finding 2014-009 - Student Attendance</u></b>	
<b>Corrective Action:</b>	The District will ensure that individuals handling attendance information at both the campus and district-wide level are properly trained in accordance with the Texas Education Agency's Student Attendance Accounting Handbook.
<b>Implementation Date:</b>	Immediately.
<b>Responsible Party:</b>	Chief Financial Officer and Supervisor of Student Attendance
<b><u>Finding 2014-010 - Internal Controls over Financial Reporting - Coding</u></b>	
<b>Corrective Action:</b>	All individuals involved in the procurement process will ensure that requisitions and purchase orders include the correct account coding. The grant accountants will also verify that items charged to the grants are properly coded in accordance with Module 1 of the FASRG. In addition, all individuals involved in setting up employees in the human resources module for coding purposes will ensure that they understand the duties of the employees involved to ensure accuracy of the entire account string.
<b>Implementation Date:</b>	Immediately.
<b>Responsible Party:</b>	Chief Financial Officer
<b><u>Finding 2014-011 - Internal Controls over Financial Reporting - Duplicate Vendors</u></b>	
<b>Corrective Action:</b>	Management will continue to review vendor lists, addresses and will ensure that the vendors are valid. Variations of vendor names will continue to be reviewed and corrected as deemed appropriate.
<b>Implementation Date:</b>	Immediately.
<b>Responsible Party:</b>	Purchasing Director
<b><u>Finding 2014-012 - Budget Overages</u></b>	
<b>Corrective Action:</b>	The District will prepare monthly budget-to-actual financial reports to ensure adherence to the adopted budget.



**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

***CORRECTIVE ACTION PLAN (continued)***

***For the Year Ended August 31, 2014***

<b>Implementation Date:</b>		May 2015
<b>Responsible Party:</b>		Chief Financial Officer

**BEAUMONT INDEPENDENT SCHOOL DISTRICT*****CORRECTIVE ACTION PLAN (continued)******For the Year Ended August 31, 2014***

<b><u>FEDERAL AWARD FINDINGS :</u></b>		
<b><u>Finding 2014-013 - Data Collection Form (All Federal Programs)</u></b>		
<b>Corrective Action:</b>		The District will ensure that the Data Collection Form is submitted to the Federal Clearinghouse beginning with the fiscal year 2014 audit.
<b>Implementation Date:</b>		March 26, 2015
<b>Responsible Party:</b>		Chief Financial Officer
<b><u>Finding 2014-014 - Compliance – Procurement (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 &amp; 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))</u></b>		
<b>Corrective Action:</b>		The Board of Manager has approved purchasing cooperatives expected to be utilized in fiscal year 2015 during the October 4, 2014 meeting.
<b>Implementation Date:</b>		Immediately
<b>Responsible Party:</b>		Purchasing Director
<b><u>Finding 2014-015 - Compliance – Procurement (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 &amp; 84.173A), Texas Title I Priority School CY 2 ARRA (84.388A))</u></b>		
<b>Corrective Action:</b>		The Purchasing department will ensure that vendors shown on the requisition are approved vendors that were solicited under an allowable competitive procurement method in accordance with State and Federal guidelines.
<b>Implementation Date:</b>		Immediately
<b>Responsible Party:</b>		Purchasing Director
<b><u>Finding 2014-016 - Compliance - Activities Allowed or Unallowed &amp; Allowable Costs/Cost Principles (Child Nutrition Cluster – CFDA 10.553, 10.555, 10.559)</u></b>		

**BEAUMONT INDEPENDENT SCHOOL DISTRICT*****CORRECTIVE ACTION PLAN (continued)******For the Year Ended August 31, 2014***

<b>Corrective Action:</b>		The Child Nutrition Director will verify that only Child Nutrition employees are charged to the federal program. The department will ensure that all salaries and wages are supported by adequate documentation. Furthermore, the department, in conjunction with the business office, will conduct a periodic review of overtime charges to the federal program and ensure that the time is reasonable and necessary and properly supported.
<b>Implementation Date:</b>		Immediately
<b>Responsible Party:</b>		Child Nutrition Director, Chief Financial Officer, Payroll and Benefits Specialists

**BEAUMONT INDEPENDENT SCHOOL DISTRICT*****CORRECTIVE ACTION PLAN (continued)******For the Year Ended August 31, 2014***

<b><u>FEDERAL AWARD FINDINGS (continued):</u></b>	
<b><u>Finding 2014-017 - Compliance - Activities Allowed or Unallowed &amp; Allowable Costs/Cost Principles (Texas Title I Priority School CY 2 ARRA (84.388A))</u></b>	
<b>Corrective Action:</b>	Through the electronic approval process, the program director will ensure that only allowable activities and costs are charged to the federal program.
<b>Implementation Date:</b>	Immediately
<b>Responsible Party:</b>	Title Programs Director and Grant Accountant
<b><u>Finding 2014-018 - Compliance - Activities Allowed or Unallowed &amp; Allowable Costs/Cost Principles (Special Education Cluster (CFDA 84.027A &amp; 84.173A))</u></b>	
<b>Corrective Action:</b>	The Special Education Director will verify that the correct employees are charged to the Special Education Cluster. The department will ensure that all salaries and wages are supported by adequate documentation. Furthermore, the department in conjunction with the finance office will conduct a periodic review of overtime charges to the federal program and ensure that the time is reasonable and necessary and properly supported.
<b>Implementation Date:</b>	Immediately
<b>Responsible Party:</b>	Special Education Director, Grant Accountant, Payroll and Benefits Specialist
<b><u>Finding 2014-019 - Compliance - Activities Allowed or Unallowed &amp; Allowable Costs/Cost Principles (ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A))</u></b>	
<b>Corrective Action:</b>	Supporting documentation for all charges to the federal program will be maintained and the program director through the electronic approval process will ensure that only allowable activities/costs are charged to the federal program. The grant accountant will also review transactions posted for reasonableness. In addition, the payroll department and the federal program director will review overtime charges to the federal program for reasonableness and proper documentation.
<b>Implementation Date:</b>	Immediately.
<b>Responsible Party:</b>	Title Program Director, Grant Accountant, Payroll and Benefits Specialists

**BEAUMONT INDEPENDENT SCHOOL DISTRICT*****CORRECTIVE ACTION PLAN (continued)******For the Year Ended August 31, 2014***

<b><u>Finding 2014-020 - Compliance - Activities Allowed or Unallowed &amp; Allowable Costs/Cost Principles (ESEA, Title I, Part A (CFDA 84.010A))</u></b>	
<b>Corrective Action:</b>	Supporting documentation for all charges to the federal program will be maintained and the program director through the electronic approval process will ensure that only allowable activities/costs are charged to the federal program. The grant accountant will also review transactions posted for reasonableness. In addition, the payroll department and the federal program director will review overtime charges to the federal program for reasonableness and proper documentation.
<b>Implementation Date:</b>	Immediately.
<b>Responsible Party:</b>	Title Program Director, Grant Accountant, Payroll and Benefits Specialists

**BEAUMONT INDEPENDENT SCHOOL DISTRICT*****CORRECTIVE ACTION PLAN (continued)******For the Year Ended August 31, 2014***

<b><u>FEDERAL AWARD FINDINGS (continued):</u></b>	
<b><u>Finding 2014-021 - Compliance - Activities Allowed or Unallowed &amp; Allowable Costs/Cost Principles (ESEA, Title IV, Part B - 21<sup>st</sup> Century (CFDA 84.287C))</u></b>	
<b>Corrective Action:</b>	Supporting documentation for all charges to the federal program will be maintained and the program director through the electronic approval process will ensure that only allowable activities/costs are charged to the federal program. The grant accountant will also review transactions posted for reasonableness. In addition, the payroll department and the federal program director will review overtime charges to the federal program for reasonableness and proper documentation.
<b>Implementation Date:</b>	Immediately.
<b>Responsible Party:</b>	Title Program Director, Grant Accountant, Payroll and Benefits Specialists
<b><u>Finding 2014-022 - Compliance - Allowable Costs/Cost Principles: Semi Annual Certifications (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 &amp; 84.173A), Texas Title I Priority School CY 2 ARRA (84.388A), ESEA, Title IV, Part B - 21<sup>st</sup> Century(CFDA 84.287C, Head Start (CFDA 93.600))</u></b>	
<b>Corrective Action:</b>	Program directors will ensure that semi-annual certifications for employees funded 100 percent from their federal programs are prepared on a timely basis. In addition, if employees are split funded program directors will ensure that time and effort documentation is maintained. The grant accountant will periodically check that this is done. The district will provide training to these program directors to ensure they understand the requirements.
<b>Implementation Date:</b>	No later than August 31, 2015
<b>Responsible Party:</b>	Federal Program Directors, Grant Accountant and Chief Financial Officer
<b><u>Finding 2014-023 - Compliance - Internal Control over Compliance and Compliance - Period of Availability (Texas Title I Priority School CY 2 ARRA (84.388A) )</u></b>	
<b>Corrective Action:</b>	Program directors and grant accountants will ensure that supporting documentation for expenditures fall within the federal grant's period of availability. Cut off procedures for purchase orders will also be strictly enforced to ensure that funds are spent on a timely basis.

**BEAUMONT INDEPENDENT SCHOOL DISTRICT*****CORRECTIVE ACTION PLAN (continued)******For the Year Ended August 31, 2014***

<b>Implementation Date:</b>		Immediately.
<b>Responsible Party:</b>		Grant Accountant, Title Programs Director and Chief Financial Officer
<b><u>Finding 2014-024 - Compliance - Reporting: Special Reporting - Highly Qualified (ESEA, Title, I Part A (CFDA 84.010A))</u></b>		
<b>Corrective Action:</b>		The Human Resources Department will work with the Title Programs Director to ensure that all individuals working under NCLB grants are highly qualified. If employees are not found to be highly qualified, the District will take the necessary steps to ensure the employees become highly qualified.
<b>Implementation Date:</b>		Immediately
<b>Responsible Party:</b>		Title Programs Director and Human Resources Director

**BEAUMONT INDEPENDENT SCHOOL DISTRICT*****CORRECTIVE ACTION PLAN (continued)******For the Year Ended August 31, 2014***

<b><u>FEDERAL AWARD FINDINGS (continued):</u></b>	
<b><u>Finding 2014-025 - Compliance - Reporting: Special Reporting - Mid-year Collection Report</u></b>	
<b>Corrective Action:</b>	The District is in the process of completing the 2013 audit.
<b>Implementation Date:</b>	No later than June 30, 2015
<b>Responsible Party:</b>	Chief Financial Officer
<b><u>Finding 2014-026 - Internal Control over Compliance – Procurement (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 &amp; 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))</u></b>	
<b>Corrective Action:</b>	The Purchasing Director will receive training to ensure that all state and federal procurement requirements are understood.
<b>Implementation Date:</b>	Immediately.
<b>Responsible Party:</b>	Chief Financial Officer and Purchasing Director
<b><u>Finding 2014-027 - Internal Control over Compliance - Suspension and Debarment (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 &amp; 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))</u></b>	
<b>Corrective Action:</b>	The Purchasing Director will ensure that vendors paid with federal funds are not suspended or debarred. The District will utilize one of the three methods to verify a vendor is not suspended or debarred: (1) a clause in the bid documentation, which is signed by the vendor; (2) a certification stating the vendor is not suspended or debarred; (3) the District will verify on <a href="http://www.sam.gov">www.sam.gov</a> to ensure vendors the district is contemplating doing business with the district are not suspended or debarred.
<b>Implementation Date:</b>	Immediately
<b>Responsible Party:</b>	



**BEAUMONT INDEPENDENT SCHOOL DISTRICT*****CORRECTIVE ACTION PLAN (continued)******For the Year Ended August 31, 2014***

	Purchasing Director
<b><u>Finding 2014-028 - Internal Control over Compliance and Compliance - Level of Effort - Maintenance of Effort</u></b> 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)-	
<b>Corrective Action:</b>	The Special Education Director and the Title Programs Director, in conjunction with the business office, will ensure that the latest TEA's MOE calculator is utilized and monitored periodically throughout the year.
<b>Implementation Date:</b>	No later than May 2015
<b>Responsible Party:</b>	Special Education Department and Chief Financial Officer

**BEAUMONT INDEPENDENT SCHOOL DISTRICT*****CORRECTIVE ACTION PLAN (continued)******For the Year Ended August 31, 2014***

<b><u>FEDERAL AWARD FINDINGS (continued):</u></b>	
<b><u>Finding 2014-029 - Internal Control over Compliance and Compliance - Supplement not Supplant</u></b> (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))	
<b>Corrective Action:</b>	The District will monitor the overall General Fund budget by campus and will ensure that overall local funds have not been supplanted by the federal funds listed above.
<b>Implementation Date:</b>	Immediately
<b>Responsible Party:</b>	Title Programs Director and Chief Financial Officer
<b><u>Finding 2014-030 - Internal Control over Compliance - Activities Allowed and Unallowed; Allowable Costs/Cost Principles</u></b> (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))	
<b>Corrective Action:</b>	The federal program directors, in conjunction with the grant accountant, will review expenditures through the electronic approval process before processing a transaction and also periodically review amounts charged to the federal programs.
<b>Implementation Date:</b>	Immediately.
<b>Responsible Party:</b>	Program Directors and Grant Accountants
<b><u>Finding 2014-031 - Internal Control over Compliance - Program Income</u></b> ((CFDA 10.553, 10.555, 10.559))	
<b>Corrective Action:</b>	The District will ensure that all campuses are reconciling cash collections to the Point of Sale system as well as to the general ledger. Proper documentation will be maintained for all cash collections related to program income and that the amounts received are only used for the Child Nutrition Program.
<b>Implementation Date:</b>	August 31, 2015
<b>Responsible Party:</b>	Child Nutrition Director and Business Office Accountants

**BEAUMONT INDEPENDENT SCHOOL DISTRICT*****CORRECTIVE ACTION PLAN (continued)******For the Year Ended August 31, 2014***

<b><u>Finding 2014-032 - Internal Control over Compliance - Inadequate Segregation of Duties and Inadequate Documentation</u></b> – (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))	
<b>Corrective Action:</b>	Controls over reviewing, approving and posting journal entries to the general ledger have already been implemented. The District will also ensure that all journal entries have adequate supporting documentation.
<b>Implementation Date:</b>	Immediately
<b>Responsible Party:</b>	Chief Financial Officer

**BEAUMONT INDEPENDENT SCHOOL DISTRICT*****CORRECTIVE ACTION PLAN (continued)******For the Year Ended August 31, 2014***

<b><u>FEDERAL AWARD FINDINGS (continued):</u></b>	
<b><u>Finding 2014-033 - Internal Control over Compliance and Compliance - Reporting: Financial Reporting</u></b> (Texas Title I Priority School CY 2 ARRA (84.388A), Special Education Cluster (CFDA 84.027A & 84.173A))	
<b>Corrective Action:</b>	The District will utilize actual expenditure reports from the financial software to prepare its draw down requests from various grantors and will reconcile all receivables and revenues to the general ledger on a monthly basis.
<b>Implementation Date:</b>	Immediately
<b>Responsible Party:</b>	Grant Accountant
<b><u>Finding 2014-034 - Internal Control over Compliance and Compliance - Special Tests and Provisions: Paid Lunch Equity</u></b>	
<b>Corrective Action:</b>	All documentation will be maintained for the paid lunch equity calculation and the Grant Accountant or Chief Financial Officer will review the calculation.
<b>Implementation Date:</b>	Immediately
<b>Responsible Party:</b>	Grant Accountant and Child Nutrition Director