

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2013**





# 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 the attached annual financial reports of the above named School District were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2013, at a meeting of the Board of Managers of such School District on the \_\_\_\_<sup>th</sup> day of \_\_\_\_\_ 2015.

\_\_\_\_\_  
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 Managers  
Beaumont Independent School District

We were engaged to audit 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### 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 the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the basis for disclaimer of opinions paragraph, however, we are not able to obtain sufficient appropriate audit evidence to provide a basis for the audit opinions.

### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
General Fund	Disclaimer
Major Governmental Fund - Debt Service	Disclaimer
Major Governmental Fund - Capital Projects	Disclaimer
Aggregate Remaining Fund Information	Disclaimer

### ***Basis for Disclaimer of Opinions***

Substantive procedures were not sufficient to support opinions as a result of the lack of internal controls and the lack of supporting documentation. In addition, fraudulent activities occurred during the period we were engaged to audit and multiple fraud investigations are ongoing. As such, we were not able to quantify the financial effect of any potential misstatements.

### ***Disclaimer of Opinions***

Because of the significance of the matters described in the Basis for Disclaimer of Opinions paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions. Accordingly, we do not express an opinion on these financial statements.

### **Emphasis of Matter**

#### ***Change in Accounting Principle***

As described in Note I. F. to the financial statements, the District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which was new guidance, in 2013. Our opinion is not modified with respect to this matter.

### **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the matter discussed above in the Basis for Disclaimer of Opinions paragraph. We do not express an opinion or provide any assurance on the information.

#### ***Supplementary and Other Information***

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. 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.

Because of the significance of the matters discussed in the Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

The required TEA schedules have not been subjected to the auditing procedures, 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 June 25, 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 engagement to perform an audit 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  
June 25, 2015

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

## **BEAUMONT INDEPENDENT SCHOOL DISTRICT**

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)***

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, 2013. 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 \$87,723,177 (net position). Of this amount, \$73,971,889 was the District's net investment in capital assets, which represents the amount invested in capital assets net of accumulated depreciation and related debt, \$1,922,464 was restricted for debt service, \$2,412,083 was restricted for federal and state programs, \$1,343,697 was restricted for capital projects, and \$8,073,044 was unrestricted.

- The District's total net position decreased by \$15,578,293 during the current fiscal year.
- The District's governmental funds reported a combined ending fund balance of \$15,450,636 as of August 31, 2013. Of this amount, \$6,825,369 is classified as unassigned and is available for spending at the District's discretion. This unassigned balance represents 4 percent of total general fund expenditures.
- The District's bonded debt decreased by \$8,600,000 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

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

Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Acquisition and Construction, Payments to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges.

**Fund Financial Statements**

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

**Governmental Funds**

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

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

The District maintains 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 bonds 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 an internal service fund for workers' compensation insurance coverage. In addition, the District reports a second internal service fund for the remnants of the District's health self-insurance, which was discontinued in a prior year. 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.

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

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

**Fiduciary 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 private purpose trust funds.

**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.

**Supplementary and 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 \$87,723,177 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., land, buildings and improvements, furniture and equipment, and construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**Comparative Schedule of Net Position**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>Re stated 2012</b>
Current and other assets	\$ 39,261,932	\$ 73,858,709
Capital and non current assets	473,120,182	479,581,742
<b>Total Assets</b>	<b>512,382,114</b>	<b>553,440,451</b>
Deferred loss on refunding	2,063,318	1,099,624
<b>Total Deferred Outflows of Resources</b>	<b>2,063,318</b>	<b>1,099,624</b>
Current liabilities	17,651,853	21,039,103
Long term liabilities	409,767,285	419,352,424
<b>Total Liabilities</b>	<b>427,419,138</b>	<b>440,391,527</b>
Net Position:		
Net investment in capital assets	73,971,889	80,591,366
Restricted	5,678,244	2,850,534
Unrestricted	8,073,044	30,706,648
<b>Total Net Position</b>	<b>\$ 87,723,177</b>	<b>\$ 114,148,548</b>

The District's net position of the governmental activities decreased by \$26,425,371 of which \$15,578,293 is the result of current year activity and \$10,847,078 is related to prior period adjustments.

**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 94.4 percent of total revenues. The remaining 5.6 percent is generated from investment earnings and miscellaneous revenues.

The primary functional expenses of the District are instruction and facilities maintenance and operations, which represents 61 percent of total expenses. The remaining individual functional categories of expenses are each less than 8 percent of total expenses.

### Comparative Schedule of Changes in Net Position

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012*</b>
<b>Program Revenues</b>		
Charges for services	\$ 3,029,190	\$ 16,854,670
Operating grants	43,297,649	41,855,717
<b>General Revenues</b>		
Property taxes	122,565,498	116,681,708
State Aid - Formula Grants	36,172,511	-
Grants and contributions not restricted to specific		19,557,084
Interest earnings	54,657	305,082
Other	12,031,163	70,079,244
<b>Total Revenues</b>	<b>217,150,668</b>	<b>265,333,505</b>
<b>Expenses</b>		
Instruction	113,060,725	108,290,034
Instructional resources and media services	2,318,991	2,220,616
Curriculum and staff development	1,984,223	1,655,063
Instructional leadership	6,104,999	4,853,642
School leadership	10,800,784	10,070,311
Guidance, counseling, and evaluation services	5,346,152	4,915,089
Social work services	890,648	809,853
Health services	2,072,511	1,874,905
Student transportation	10,328,850	9,896,788
Food service	12,184,900	10,648,365
Extracurricular activities	4,205,403	4,273,265
General administration	9,081,293	7,415,083
Facilities maintenance and operations	28,539,292	107,803,461
Security and monitoring services	2,800,550	2,765,351
Data processing services	1,875,859	1,546,248
Community services	1,394,258	1,146,572
Interest on long-term debt	18,152,678	19,373,896
Debt issuance costs and fees	182,181	13,320
Payments related to shared services arrangements	38,225	201,304
Payments to Juvenile Justice Alternative Education	131,250	131,250
Other governmental charges	1,235,189	-
<b>Total Expenses</b>	<b>232,728,961</b>	<b>299,904,416</b>
Increase (Decrease) in Net Position	(15,578,293)	(34,570,911)
<b>Beginning net position</b>	<b>114,148,548</b>	<b>148,719,459</b>
Prior Period Adjustment	(10,847,078)	-
<b>Ending Net Position</b>	<b>\$ 87,723,177</b>	<b>\$ 114,148,548</b>

\* Comparative figures were taken from the District's prior year financial report.



## 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 a combined ending fund balance of \$15,450,636, a decrease of \$37,275,929 including prior period adjustments of approximately \$5.9 million due to unavailable property taxes and unearned state foundation revenue being prematurely recognized in prior fiscal years.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,825,369, while total fund balance reached \$9,822,902. 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.

During the current fiscal year, the total fund balance of the District's general fund decreased by \$23,923,201, which included prior period adjustments of \$4,737,045. Total general fund expenditures showed an increase of \$6,941,004 over the prior year.

The debt service fund has an ending fund balance of \$1,744,376, all of which is restricted for the payment of debt service. The net decrease in the debt service fund balance during the current year of \$760,596 included a negative prior period adjustment of \$1,342,484.

The capital projects bonds fund has a total fund balance of \$1,343,697, all of which is restricted for authorized construction and technology projects/enhancements. The net decrease in fund balance during the current year of \$12,920,547 was due to the renovation of facilities and included a positive prior period adjustment of \$148,842.

### General Fund Budgetary Highlights

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

	Budget	
	Original	Final Amended
Total revenues	\$ 160,618,709	\$ 161,579,649
Total expenditures	159,321,143	166,899,378
Other financing sources (uses)	(1,297,570)	(1,297,570)
<b>Net change in fund balance</b>	<b>\$ (4)</b>	<b>\$ (6,617,299)</b>

## Capital Assets and Long-Term Liabilities

### Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2013, includes land, buildings and improvements, furniture and equipment, and construction in progress. The investment in capital assets (capital outlays) during the current year amounted to \$11,620,480. The following table summarizes the investment in capital assets as of August 31, 2013 and 2012.

	<b>2013</b>	<b>Restated 2012</b>
Land	\$ 14,672,207	\$ 14,672,207
Buildings and improvements	494,220,288	483,090,604
Furniture and equipment	32,530,479	32,039,683
Construction in progress	19,852,778	19,852,778
<b>Total</b>	<b>561,275,752</b>	<b>549,655,272</b>
Accumulated depreciation	(88,155,570)	(81,249,978)
<b>Net capital assets</b>	<b>\$ 473,120,182</b>	<b>\$ 468,405,294</b>

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

### Long-term Liabilities

At the end of the current fiscal year, the District had \$400,475,000 in bonded debt outstanding, a decrease of \$8,600,000 over the previous year. The District's bonds are sold with a "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Moody's Investors Service is "Aa2" for general obligation debt.

Changes in long-term debt, for the year ended August 31, 2013, is as follows:

	<b>Outstanding 09/01/12</b>	<b>Additions</b>	<b>Deletions</b>	<b>Outstanding 08/31/13</b>
General Obligation Bonds	\$ 405,525,000	8,070,000	(15,550,000)	\$ 398,045,000
Premiums on Bonds	-	770,823	(34,212)	736,611
Accreted Interest on capital appreciation bonds	849,440	1,122,371	(875,000)	1,096,811
Lease Revenue Bonds	3,550,000	-	(1,120,000)	2,430,000
Accrued Compensated Absences	7,516,117	-	(754,107)	6,762,010
	<b>\$ 417,440,557</b>	<b>\$ 9,963,194</b>	<b>(18,333,319)</b>	<b>\$ 409,070,432</b>

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

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

Indicators, both financial and non-financial, that will impact the District in the immediate future are:

- The District's enrollment was projected to remain stable.
- The District's average daily attendance rate is expected to remain stable.
- Taxable property values in the District decreased by 20 million or less than 1.0% over the prior year.
- The maintenance and operations tax rate for fiscal year 2013-2014 is \$1.04 while the debt service tax rate is \$.275 for a total tax rate of \$1.315.

These indicators were taken into account when adopting the budget for 2013-2014. The Beaumont Independent School District general fund adopted budget for 2013-2014 is as follows:

Estimated Revenues/Other Sources	\$ 154,849,240
Appropriations / Other Uses	<u>(157,873,689)</u>
Changes in Fund Balance	<u>\$ (3,024,449)</u>

Subsequent to fiscal year ended August 31, 2013, investigations into allegations of fraud, theft, and misappropriation of assets were launched and have resulted in fraud indictments of certain individuals of prior upper management. Investigations continue and the full potential effect on the District's future financial position has not yet been determined.

## **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, 2013

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 27,263,447
1220 Property Taxes Receivable (Delinquent)	20,860,996
1230 Allowance for Uncollectible Taxes	(15,509,044)
1240 Due from Other Governments	3,419,676
1290 Other Receivables	103,476
1300 Inventories	756,058
1410 Prepayments	2,367,353
Capital Assets:	
1510 Land	14,672,207
1520 Buildings, Net	421,189,463
1530 Furniture and Equipment, Net	17,405,734
1580 Construction in Progress	19,852,778
1000 Total Assets	512,382,144
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Loss on Refunding	2,063,318
1700 Total Deferred Outflows of Resources	2,063,318
<b>LIABILITIES</b>	
2110 Accounts Payable	6,075,886
2150 Payroll Deductions & Withholdings	2,712,192
2160 Accrued Wages Payable	5,344,203
2180 Due to Other Governments	1,556,289
2210 Accrued Interest	814,264
2300 Unearned Revenue	1,149,019
Noncurrent Liabilities	
2501 Due Within One Year	12,045,000
2502 Due in More Than One Year	397,025,432
2000 Total Liabilities	426,722,285
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	73,971,889
3820 Restricted for Federal and State Programs	2,412,083
3850 Restricted for Debt Service	1,922,464
3860 Restricted for Capital Projects	1,343,697
3900 Unrestricted	8,073,044
3000 Total Net Position	\$ 87,723,177

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, 2013

EXHIBIT B-1

FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 113,060,725	\$ 523,324	\$ 21,357,434	\$ (91,179,967)
12 Instructional Resources and Media Services	2,318,991	-	165,639	(2,153,352)
13 Curriculum and Staff Development	1,984,223	-	1,270,837	(713,386)
21 Instructional Leadership	6,104,999	114,923	3,267,310	(2,722,766)
23 School Leadership	10,800,784	-	859,186	(9,941,598)
31 Guidance, Counseling and Evaluation Services	5,346,152	-	613,770	(4,732,382)
32 Social Work Services	890,648	-	350,803	(539,845)
33 Health Services	2,072,511	-	921,740	(1,150,771)
34 Student (Pupil) Transportation	10,328,850	-	290,489	(10,038,361)
35 Food Services	12,184,900	2,071,762	10,286,780	173,642
36 Extracurricular Activities	4,205,403	275,240	165,751	(3,764,412)
41 General Administration	9,081,293	-	394,675	(8,686,618)
51 Facilities Maintenance and Operations	28,539,292	43,941	769,097	(27,726,254)
52 Security and Monitoring Services	2,800,550	-	106,433	(2,694,117)
53 Data Processing Services	1,875,859	-	236,595	(1,639,264)
61 Community Services	1,394,258	-	1,066,802	(327,456)
72 Debt Service - Interest on Long Term Debt	18,152,678	-	1,174,308	(16,978,370)
73 Debt Service - Bond Issuance Costs and Fees	182,181	-	-	(182,181)
93 Payments related to Shared Services Arrangements	38,225	-	-	(38,225)
95 Payments to Juvenile Justice Alternative Ed. Prg.	131,250	-	-	(131,250)
99 Other Intergovernmental Charges	1,235,189	-	-	(1,235,189)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 232,728,961	\$ 3,029,190	\$ 43,297,649	(186,402,122)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		97,348,269
DT	Property Taxes, Levied for Debt Service		25,217,229
SF	State Aid - Formula Grants		36,172,511
IE	Investment Earnings		54,657
MI	Miscellaneous Local and Intermediate Revenue		12,031,163
TR	Total General Revenues		170,823,829
CN	Change in Net Position		(15,578,293)
NB	Net Position - Beginning		114,148,548
PA	Prior Period Adjustment		(10,847,078)
NE	Net Position--Ending		\$ 87,723,177

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, 2013

Data Control Codes	10 General Fund	Debt Service Fund	Capital Projects Bonds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 7,444,138	\$ 172,587	\$ 10,743,255
1220 Property Taxes - Delinquent	16,018,059	4,842,937	-
1230 Allowance for Uncollectible Taxes (Credit)	(11,747,357)	(3,761,687)	-
1240 Receivables from Other Governments	-	7,912	-
1260 Due from Other Funds	11,750,390	1,475,579	-
1290 Other Receivables	963	-	-
1300 Inventories	630,180	-	-
1410 Prepayments	2,367,353	-	-
1000 Total Assets	<u>\$ 26,463,726</u>	<u>\$ 2,737,328</u>	<u>\$ 10,743,255</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 1,615,162	\$ 4,000	\$ 430,615
2150 Payroll Deductions and Withholdings Payable	2,712,182	-	-
2160 Accrued Wages Payable	5,281,533	-	-
2170 Due to Other Funds	1,549,054	-	8,968,943
2180 Due to Other Governments	1,513,800	-	-
2300 Unearned Revenues	75,388	-	-
2000 Total Liabilities	<u>12,747,119</u>	<u>4,000</u>	<u>9,399,558</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	3,893,705	988,952	-
2600 Total Deferred Inflows of Resources	<u>3,893,705</u>	<u>988,952</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	630,180	-	-
3430 Prepaid Items	2,367,353	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	1,343,697
3480 Retirement of Long-Term Debt	-	1,744,376	-
3600 Unassigned Fund Balance	6,825,369	-	-
3000 Total Fund Balances	<u>9,822,902</u>	<u>1,744,376</u>	<u>1,343,697</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 26,463,726</u>	<u>\$ 2,737,328</u>	<u>\$ 10,743,255</u>

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

Other Funds	Total Governmental Funds
\$ 3,983,788	\$ 22,343,768
-	20,860,996
-	(15,509,044)
3,411,764	3,419,676
73,475	13,299,444
102,513	103,476
125,878	756,058
-	2,367,353
<u>\$ 7,697,418</u>	<u>\$ 47,641,727</u>
\$ 582,998	\$ 2,632,775
-	2,712,182
677,192	5,958,725
2,781,447	13,299,444
42,489	1,556,289
1,073,631	1,149,019
<u>5,157,757</u>	<u>27,308,434</u>
-	4,882,657
<u>-</u>	<u>4,882,657</u>
125,878	756,058
-	2,367,353
2,412,083	2,412,083
-	1,343,697
1,700	1,746,076
-	6,825,369
<u>2,539,661</u>	<u>15,450,636</u>
<u>\$ 7,697,418</u>	<u>\$ 47,641,727</u>

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BEAUMONT INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2013

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 15,450,636</b>
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. A prior period adjustment was recorded to write-off an outstanding receivable amount in the internal service fund and adjust the asset balance to the proper amount. The net effect of this consolidation is to increase net position.	1,476,558
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 \$549,655,772 and the accumulated depreciation was \$81,249,978. 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. Prior period adjustments were recorded for both the beginning balances for capital assets and long-term liabilities. The net effect of including the adjusted beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	49,787,813
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 2013 capital outlays and debt principal payments is to increase net position.	22,532,830
4 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(7,021,839)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, 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. In addition, a prior period adjustment for previously unrecognized property tax revenue is included in this category. The net effect of these reclassifications and recognitions is to increase net position.	5,497,179
<b>19 Net Position of Governmental Activities</b>	<b>\$ 87,723,177</b>

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, 2013

Data Control Codes		10 General Fund	Debt Service Fund	Capital Projects Bonds
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 108,521,896	\$ 26,225,329	\$ 49,280
5800	State Program Revenues	43,441,350	-	-
5900	Federal Program Revenues	1,133,587	1,106,098	-
5020	Total Revenues	153,096,833	27,331,427	49,280
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011	Instruction	92,028,756	-	-
0012	Instructional Resources and Media Services	2,212,605	-	-
0013	Curriculum and Instructional Staff Development	740,487	-	-
0021	Instructional Leadership	2,747,546	-	-
0023	School Leadership	10,063,154	-	-
0031	Guidance, Counseling and Evaluation Services	4,700,373	-	-
0032	Social Work Services	537,534	-	-
0033	Health Services	1,825,356	-	-
0034	Student (Pupil) Transportation	10,132,425	-	-
0035	Food Services	245,003	-	-
0036	Extracurricular Activities	4,111,368	-	-
0041	General Administration	8,991,894	-	-
0051	Facilities Maintenance and Operations	26,267,454	-	-
0052	Security and Monitoring Services	2,775,726	-	-
0053	Data Processing Services	1,677,239	-	-
0061	Community Services	302,053	-	-
<b>Debt Service:</b>				
0071	Principal on Long Term Debt	-	8,355,000	-
0072	Interest on Long Term Debt	-	18,747,765	-
0073	Bond Issuance Cost and Fees	-	182,181	-
<b>Capital Outlay:</b>				
0081	Facilities Acquisition and Construction	-	-	12,205,656
<b>Intergovernmental:</b>				
0093	Payments to Fiscal Agent/Member Districts of SSA	38,225	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	131,250	-	-
0099	Other Intergovernmental Charges	1,235,189	-	-
6030	Total Expenditures	170,763,637	27,284,946	12,205,656
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,666,804)	46,481	(12,156,376)
<b>OTHER FINANCING SOURCES (USES):</b>				
7911	Capital Related Debt Issued (Regular Bonds)	-	8,070,000	-
7912	Sale of Real and Personal Property	153,505	-	-
7915	Transfers In	-	378,746	-
7916	Premium or Discount on Issuance of Bonds	-	1,860,109	-
8911	Transfers Out (Use)	(1,672,857)	-	(913,013)
8949	Other (Uses)	-	(9,773,448)	-
7080	Total Other Financing Sources (Uses)	(1,519,352)	535,407	(913,013)
1200	Net Change in Fund Balances	(19,186,156)	581,888	(13,069,389)
0100	Fund Balance - September 1 (Beginning)	33,746,103	2,504,972	14,264,244
1300	Prior Period Adjustments	(4,737,045)	(1,342,484)	148,842
3000	Fund Balance - August 31 (Ending)	\$ 9,822,902	\$ 1,744,376	\$ 1,343,697

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

		Total Governmental Funds	
Other Funds			
\$	3,236,766	\$	138,033,271
	1,618,782		45,060,132
	31,505,004		33,744,689
	36,360,552		216,838,092
	16,975,178		109,003,934
	72,596		2,285,201
	1,239,423		1,979,910
	3,158,321		5,905,867
	406,171		10,469,325
	392,024		5,092,397
	323,006		860,540
	152,917		1,978,273
	368		10,132,793
	11,806,620		12,051,623
	87,217		4,198,585
	1,334		8,993,228
	210,992		26,478,446
	1,284		2,777,010
	186,994		1,864,233
	1,063,233		1,365,286
	1,120,000		9,475,000
	128,570		18,876,335
	-		182,181
	913,013		13,118,669
	-		38,225
	-		131,250
	-		1,235,189
	38,239,261		248,493,500
	(1,878,709)		(31,655,408)
	-		8,070,000
	-		153,505
	2,207,124		2,585,870
	-		1,860,109
	-		(2,585,870)
	-		(9,773,448)
	2,207,124		310,166
	328,415		(31,345,242)
	2,211,246		52,726,565
	-		(5,930,687)
\$	2,539,661	\$	15,450,636

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, 2013

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (31,345,242)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, 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.	96,887
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 2013 capital outlays and debt principal payments is to increase net position.	22,532,830
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.	(7,021,839)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, 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 increase net position.	159,071
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (15,578,293)</u></u>

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, 2013

EXHIBIT D-1

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 4,919,679
Total Assets	<u>4,919,679</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	3,443,111
Payroll Deductions and Withholdings Payable	<u>10</u>
Total Liabilities	<u>3,443,121</u>
<b>NET POSITION</b>	
Unrestricted Net Position	<u>1,476,558</u>
Total Net Position	<u><u>\$ 1,476,558</u></u>

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

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2013

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 2,294,000
Total Operating Revenues	<u>2,294,000</u>
OPERATING EXPENSES:	
Other Operating Expenses	<u>2,197,113</u>
Total Operating Expenses	<u>2,197,113</u>
Operating Income	96,887
Total Net Position - September 1 (Beginning)	1,841,372
Prior Period Adjustment	<u>(461,701)</u>
Total Net Position - August 31 (Ending)	<u>\$ 1,476,558</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, 2013

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 192
Cash Received from Assessments - Other Funds	2,293,808
Cash Payments for Insurance Claims	(2,604,285)
Net Cash Used for Operating Activities	(310,285)
Net Decrease in Cash and Cash Equivalents	(310,285)
Cash and Cash Equivalents at Beginning of Year	5,229,964
Cash and Cash Equivalents at End of Year	\$ 4,919,679
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 96,887
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(407,172)
Net Cash Used for Operating Activities	\$ (310,285)

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, 2013

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 59,024	\$ 832,634
Total Assets	<u>59,024</u>	<u>\$ 832,634</u>
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 832,634
Total Liabilities	<u>-</u>	<u>\$ 832,634</u>
<b>NET POSITION</b>		
Unrestricted Net Position	<u>59,024</u>	
Total Net Position	<u>\$ 59,024</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, 2013

EXHIBIT E-2

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 5,078
Total Additions	<u>5,078</u>
DEDUCTIONS:	
Other Operating Expenses	<u>500</u>
Total Deductions	<u>500</u>
Change in Net Position	4,578
 Total Net Position - September 1 (Beginning)	 <u>54,446</u>
 Total Net Position - August 31 (Ending)	 <u>\$ 59,024</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, 2013

---

### 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. In July 2014, the District's Board of Trustees was replaced by a Board of Managers appointed by the State Commissioner of Education.

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 therefore data from this unit is combined with data of the primary government.

For financial reporting purposes, the Beaumont Independent School District Public Facility Corporation (Public Facility Corporation) is included in the operations and activities of the District because of the fiscal dependency criteria outlined in the Standards. The members of the District's 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 obligations in favor of the corporation to serve as security for the bonds issued by the Public Facility Corporation.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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, 2013

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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 and so will not be recognized as an outflow of resources (expense/expenditures) until that time. This District has only one item that qualifies for reporting in this category, the deferred charge on refunding reported 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 shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement category represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenues from property taxes, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 properly not included in program revenues are reported as *general revenues*.

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to or due from on the Governmental Funds Balance Sheet and Proprietary Funds Statement of Net Position and as other resources and other uses on the Governmental Funds 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, 2013

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

Operating expenses for the internal service funds 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, 2013

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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 the long-term general obligation debt of governmental funds.
3. The *capital project's bonds fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

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. Most federal and some state financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specific project periods.
5. The *local capital projects fund* accounts for construction and improvements financed with local funds.

#### *Proprietary Funds*

6. The *internal service fund* accounts for workers' compensation benefits provided to other funds and/or employees of the District on a cost reimbursement basis. The District reports a second internal service fund for the remnants of the Districts' health self-insurance, which was discontinued in a prior year.

#### *Fiduciary Funds*

6. The *private purpose trust funds* are 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 operations.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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

#### E. Other Accounting Policies

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of a 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 2013-08.
5. Additional policies and contractual provisions governing deposits and investments for the District are specified below:

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

Deposits - The District is not exposed to credit risk.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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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 and public funds investment pools to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2013, 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 - The District is not exposed to concentration of credit risk.

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

#### ***Interest Rate Risk:***

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

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

(Continued)



BEAUMONT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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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 revenue 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 nonspendable to reflect minimum inventory quantities considered necessary for the District's continuing operations. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

### 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, are reported as debt service expenditures.

10. Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment are reported in the governmental column in the government-wide financial statements. 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 the asset life 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's	50 - 60
Buildings Improvements	*
Furniture and Equipment	5 - 10
Automobiles and 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, 2013

### 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 a position normally requiring 240 days of service, earns vacation days during the first full year of employment on a pro rata basis depending on the date of hire; thereafter, 12 days of paid vacation are earned between July 1 and 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, 2013 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, 2013

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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 covenants 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).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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

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

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. When the District incurs an expense for which both restricted and unrestricted net position is available, it uses the restricted resources first unless unrestricted resources will have to be returned because they were not used.
15. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.
16. In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.
17. The District receives substantial amounts of funding from special revenue sources. The majority of this money is cost reimbursement to the District by the federal government or Texas Education Agency. The portion of revenue allowable for indirect cost is reported as revenue in the General Fund. These indirect costs are fully allocated to function 41.
18. Preparation of these financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### F. Implementation of New Pronouncements

The District implemented the following new standards in the current fiscal year and these financial statements are presented in accordance with the guidance provided by these Statements:

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*, provides financial reporting guidance for inclusion of component units in the financial reporting entity.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates the applicable guidance from FASB and AICPA Pronouncements issued on or before November 30, 1989 into the state and local government accounting and financial reporting standards.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources and identifies net position as the residual of all other elements presented in a statement of financial position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

### 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.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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### II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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 Exhibits J-2 and J-3, respectively.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, a few amendments were necessary during the year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The District did not utilize encumbrance accounting for this fiscal year as there was no assigned fund balance at August 31, 2013.

(Continued)

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

AUGUST 31, 2013

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS****A. Deposits and Investments**

At August 31, 2013, the carrying amount of the District's deposits in the general fund, major and nonmajor governmental funds, internal service funds, and private purpose trust funds were a net (\$1,973,889) and in the agency fund \$832,634 and the total bank balance was \$1,049,086. The District's cash deposits at August 31, 2013 and during the year ended August 31, 2013 were fully insured by federal depository insurance or pledged collateral held by the District's agent bank in the District's name. Although the carrying amount listed above is negative, it is not considered an overdraft as the accounts are zero balance accounts and cash is transferred from the investment pool accounts as needed to avoid any overdrafts. Therefore, the cash and cash equivalents balance reported in the Balance Sheet represents the net balance of cash deposits and investments in investment pools.

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

- a. Depository: Bank of America
- b. The highest combined balances of cash, savings, and time deposit accounts amounted to \$1,085,177 and occurred during the month of May 2013.
- c. The total amount of FDIC coverage on the date of the highest combined balance was \$250,000.
- d. The market value of securities pledged as of the date of the highest combined balance on deposit was \$918,695.

Due to the immediate availability of the funds, the District's temporary investments at August 31, 2013 are included in cash and cash equivalents and are shown below:

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

<u>Temporary Investments</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Rating</u>
TexPool	\$ 3,846,607	\$ 3,846,607	AAAm (S&P)
Lone Star Corporate Overnight Fund	895	895	AAAm (S&P)
Lone Star Corporate Overnight Plus Fund	25,128,358	25,128,358	AAAf (S&P)
Lone Star Government Overnight Fund	320,500	320,500	AAAm (S&P)
Total	<u>\$ 29,296,360</u>	<u>\$ 29,296,360</u>	

(Continued)



# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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

Temporary Investments	Amortized Cost
Allocated to:	
General Fund	\$ 16,064,542
Debt Service Fund	172,587
Capital Projects Fund	8,398,174
Special Revenue Funds	1,317,472
Internal Service Funds	3,292,756
Private Purpose Trust Funds	50,829
Total	<u>\$ 29,296,360</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.

Although TexPool and Lone Star are not registered with the SEC as investment companies, they operate 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 District's positions in TexPool and Lone Star is the same as the value of its pool 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, 2013, are summarized below. A majority of the federal grants are passed through TEA. Amounts due from federal, state, and other governments at August 31, 2013 are summarized below:

	Debt Service Fund	Nonmajor Special Revenue Funds	Total
State Grants/ Entitlements	\$ 7,912	\$ 138,697	\$ 146,609
Federal Grants	-	3,273,067	3,273,067
Total	<u>\$ 7,912</u>	<u>\$ 3,411,764</u>	<u>\$ 3,419,676</u>

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

AUGUST 31, 2013

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

**C. Interfund Receivables, Payables, and Transfers**

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Management intends to payout these balances within one year.

The composition of interfund balances as of August 31, 2013 is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Debt Service Fund	\$ -	\$ 1,475,579
Capital Projects Bonds Fund	8,968,943	-
Nonmajor Governmental Funds	<u>2,781,447</u>	<u>73,475</u>
General Fund Total	<u>11,750,390</u>	<u>1,549,054</u>
Debt Service Fund:		
General Fund	<u>1,475,579</u>	<u>-</u>
Capital Projects Bonds Fund:		
General Fund	<u>-</u>	<u>8,968,943</u>
Nonmajor Governmental Funds:		
General Fund	<u>73,475</u>	<u>2,781,447</u>
Total	<u>\$ 13,299,444</u>	<u>\$ 13,299,444</u>

Interfund transfers for the fiscal year ended August 31, 2013 consisted of the following:

	<u>Transfer from Other Funds</u>	<u>Transfer to Other Funds</u>
General Fund:		
Debt Service Fund	\$ -	\$ 378,746
Nonmajor Governmental Funds	<u>-</u>	<u>1,294,111</u>
General Fund Total	<u>-</u>	<u>1,672,857</u>
Debt Service Fund:		
General Fund	<u>378,746</u>	<u>-</u>
Capital Projects Bonds Fund:		
Nonmajor Governmental Funds	<u>-</u>	<u>913,013</u>

(Continued)



**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

AUGUST 31, 2013

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

	<u>Transfer from Other Funds</u>	<u>Transfer to Other Funds</u>
Non-major Governmental Funds:		
General Fund	1,294,111	-
Capital Projects Bonds Fund	<u>913,013</u>	<u>-</u>
Nonmajor Governmental Funds Total	<u>2,207,124</u>	<u>-</u>
Total	<u><u>\$ 2,585,870</u></u>	<u><u>\$ 2,585,870</u></u>

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

**D. Capital Asset Activity**

Capital asset activity for the year ended August 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions and Reclassifications</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 14,672,207	\$ -	\$ -	\$ 14,672,207
Construction in Progress	19,852,778	11,293,375	(11,293,375)	19,852,778
Totals Capital Assets	<u>34,524,985</u>	<u>11,293,375</u>	<u>(11,293,375)</u>	<u>34,524,985</u>
Capital assets, being depreciated:				
Buildings and Improvements	483,090,604	1,600	11,128,084	494,220,288
Furniture and Equipment	32,039,683	385,562	49,044	32,474,289
Vehicles	-	56,190	-	56,190
Totals Capital Assets, being depreciated	<u>515,130,287</u>	<u>443,352</u>	<u>11,177,128</u>	<u>526,750,767</u>
Less accumulated depreciation for:				
Buildings and improvements	(68,004,840)	(5,025,985)	-	(73,030,825)
Furniture and equipment	(13,245,138)	(1,991,514)	116,247	(15,120,405)
Vehicles	-	(4,340)	-	(4,340)
Total accumulated depreciation	<u>(81,249,978)</u>	<u>(7,021,839)</u>	<u>116,247</u>	<u>(88,155,570)</u>
Governmental Capital Assets	<u><u>\$ 468,405,294</u></u>	<u><u>\$ 4,714,888</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 473,120,182</u></u>

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

AUGUST 31, 2013

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

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

Function	Depreciation Expense
Instruction	\$ 4,670,357
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	30,340
Health services	94,848
Student (pupil) transportation	213,334
Food services	188,196
Cocurricular/extracurricular activities	7,010
General administration	159,697
Plant maintenance and operations	484,441
Security and monitoring services	45,402
Data processing services	58,623
Community services	29,229
	<u>\$ 7,021,839</u>

**E. Deferred Loss on Refunding**

The deferred loss on refunding for the year ended August 31, 2013 was as follows:

Description	Beginning Balance	Deferred Loss on New Issues	Net Amortization Recognized	Ending Balance
Series 2003, 2004 and 2005	\$ 571,416	\$ -	\$ 132,052	\$ 439,364
Series 2012	-	1,703,448	79,494	1,623,954
	<u>\$ 571,416</u>	<u>\$ 1,703,448</u>	<u>\$ 211,546</u>	<u>\$ 2,063,318</u>

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

AUGUST 31, 2013

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

**F. 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, 2013, TEA indicated that it overpaid the District by \$993,800 initially and an additional \$520,000 resulting from a subsequent ADA audit by TEA of fiscal year 2013 data for a total of \$1,513,800. TEA has recouped this amount by reducing its payments to the District for fiscal years 2014 and 2015.

**G. Unearned Revenue**

Unearned revenue as of August 31, 2013 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Local Grants and Revenue	\$ -	\$ 990,422	\$ 990,422
State Grants and Revenue	75,388	32,647	108,035
Federal Grants and Revenue	-	50,562	50,562
Total Unearned Revenue	<u>\$ 75,388</u>	<u>\$ 1,073,631</u>	<u>\$ 1,149,019</u>

**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, 2013:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds	\$ 405,525,000	\$ 8,070,000	\$ (15,550,000)	\$ 398,045,000	\$ 9,365,000
Premiums on bonds	-	770,823	(34,212)	736,611	-
Accumulated accretion on capital appreciation bonds	849,440	1,122,371	(875,000)	1,096,811	-
Lease revenue bonds	3,550,000	-	(1,120,000)	2,430,000	1,180,000
Accrued compensated absences	7,516,117	-	(754,107)	6,762,010	1,500,000
	<u>\$ 417,440,557</u>	<u>\$ 9,963,194</u>	<u>\$ (18,333,319)</u>	<u>\$ 409,070,432</u>	<u>\$ 12,045,000</u>

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2013**

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

**General Obligation Bonds**

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

Bonds payable for the year ended August 31, 2013 were as follows:

<b>Issue</b>	<b>Original Issuance</b>	<b>Interest Rate</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Debt Outstanding</b>	<b>Due within one year</b>
Unlimited Tax Refunding Bonds, Series 2003; 2/15/2015	8,660,000	2.50% to 3.40%	\$ 3,810,000	\$ -	\$ 1,230,000	\$ 2,580,000	\$ 1,270,000
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	-
Unlimited Tax Refunding Bonds, Series 2005; 2/15/2017	11,900,000	3.00% to 5.00%	6,805,000	-	760,000	6,045,000	775,000
Unlimited Tax School Building Bonds, Series 2008; 2/15/2038	89,800,000	3.00% to 5.25%	88,985,000	-	8,970,000	80,015,000	1,000,000
Unlimited Tax Refunding Bonds, Series 2008; 2/15/2014	9,815,000	3.17% to 3.50%	4,180,000	-	2,045,000	2,135,000	2,135,000
Unlimited Tax School Building Bonds, Series 2008A; 2/15/2038	65,000,000	4.375% to 5.00%	64,800,000	-	145,000	64,655,000	510,000
Unlimited Tax School Building Bonds, Series 2009; 2/15/2038	116,570,000	3.00% to 5.25%	115,680,000	-	80,000	115,600,000	530,000
Unlimited Tax Qualified School Construction Bonds, Series 2010; 2/15/2026	14,450,000	0.00%	13,490,000	-	960,000	12,530,000	960,000
Unlimited Tax School Building Bonds, Series 2010A; 2/15/2019	10,085,000	2.00% to 5.00%	9,680,000	-	700,000	8,980,000	1,370,000
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%	31,500,000	-	500,000	31,000,000	720,000
Unlimited Tax Refunding Bonds, Series 2012; 2/15/2038	8,070,000	2.00% to 3.00%	-	8,070,000	160,000	7,910,000	95,000
			<u>405,525,000</u>	<u>8,070,000</u>	<u>15,550,000</u>	<u>398,045,000</u>	<u>9,365,000</u>

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

AUGUST 31, 2013

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

Debt service requirements to maturity are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2014	\$ 9,365,000	\$ 18,572,741	\$ 27,937,741
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 - 2023	60,780,000	78,674,728	139,454,728
2024 - 2028	73,275,000	65,327,907	138,602,907
2029 - 2033	94,205,000	43,373,294	137,578,294
2034 - 2038	119,610,000	15,937,062	135,547,062
Total	\$ 398,045,000	\$ 292,813,575	\$ 690,858,575

Unamortized premium on debt for the fiscal year ended August 31, 2013 was as follows:

Description	Beginning Balance	Premiums on New Issues	Amortization Recognized	Ending Balance
Unlimited Tax Refunding Bonds, Series 2012	\$ -	\$ 770,823	\$ (34,212)	\$ 736,611

Accumulated Accretion on Capital Appreciation Bonds

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

Issue	Accretion Outstanding 9/1/2012	Issued	Current Year Accretion	Accretion Retired	Accretion Outstanding 8/31/2013	Due Within One Year
Unlimited Tax School Building Bonds, Series 2008	\$ 258,066	\$ -	\$ 6,934	\$ 265,000	\$ -	\$ -
Unlimited Tax School Building Bonds, Series 2009	591,374	-	8,626	600,000	-	-
Unlimited Tax Refunding Bonds, Series 2012	-	1,089,286	17,525	10,000	1,096,811	-
Total Accretion	\$ 849,440	\$ 1,089,286	\$ 33,085	\$ 875,000	\$ 1,096,811	\$ -

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

AUGUST 31, 2013

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

Lease Revenue Bonds

The Public Facility Corporation, a blended component unit, issued lease revenue bonds for the construction of Ozen High School. Lease Revenue Bonds outstanding at year-end were as follows:

Issue	Original Issuance	Interest Rate	Beginning Balance	Additions	Retirements	Debt Outstanding	Due within one year
Public School Facilities Project, Series 2000; Final Maturity 2/15/2015	13,100,000	4.30%	\$ 3,550,000	\$ -	\$ 1,120,000	\$ 2,430,000	\$ 1,180,000

Debt Service requirements to maturity for the Lease Revenue Bonds are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2014	\$ 1,180,000	\$ 79,120	\$ 1,259,120
2015	1,250,000	26,875	1,276,875
Total	\$ 2,430,000	\$ 105,995	\$ 2,535,995

Refunding

On December 20, 2012, the District issued \$8,070,000 in Unlimited Tax Refunding Bonds, Series 2012, with an interest rate range of 2.00 to 3.00 percent to advance refund a portion of the Unlimited Tax School Building Bonds, Series 2008 in the amount of \$8,070,000 and an interest rate of 5.25 percent. The issuance includes capital appreciation bonds in the amount of \$200,000.

The net proceeds of \$9,773,448, after issuance costs of \$156,061, were used to purchase U.S. government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, \$8,070,000 of the Unlimited Tax School Building Bonds, Series 2008, are considered to be defeased, and the liability for the bonds has been removed from the District's liabilities. As of August 31, 2013, \$8,070,000 of the defeased bonds are outstanding.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,703,448. This difference, reported in the accompanying financial statements in the deferred outflows of resource's category as deferred loss on refunding, is amortized over the life of the bond, using the straight line method. The District completed the advance refunding to reduce its total debt service payments by \$1,648,279 and to obtain an economic gain of \$1,427,798.

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2013.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

AUGUST 31, 2013

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

Compensated Absences and Other Retirement/Sick Leave Benefits

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

Restated Balance, September 1, 2012	\$ 7,516,117
Additions	-
Payments to Eligible Employees	<u>(754,107)</u>
Balance, August 31, 2013	<u><u>\$ 6,762,010</u></u>

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

**I. Fund Balances**

As of August 31, 2013, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Projects Bonds Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ 630,180	\$ -	\$ -	\$ 125,878	\$ 756,058
Prepaid Items	2,367,353	-	-	-	2,367,353
Restricted:					
Federal or State Funds Grant Restriction	-	-	-	2,412,083	2,412,083
Capital Acquisition and Contractual Obligation	-	-	1,343,697	-	1,343,697
Retirement of Long-Term Debt	-	1,744,376	-	1,700	1,746,076
Unassigned Fund Balance	<u>6,825,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,825,369</u>
Total Fund Balances	<u><u>\$ 9,822,902</u></u>	<u><u>\$ 1,744,376</u></u>	<u><u>\$ 1,343,697</u></u>	<u><u>\$ 2,539,661</u></u>	<u><u>\$ 15,450,636</u></u>

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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

#### J. Revenues from Local and Intermediate Sources

For the year ended August 31, 2013, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Bonds Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 96,890,743	\$ 26,130,197	\$ -	\$ -	\$123,020,940
Foreign Trade Zone Revenue	6,546,585	-	-	-	6,546,585
Oil/Gas Lease Royalties	1,864,313	-	-	-	1,864,313
Food Service Activity	-	-	-	2,071,762	2,071,762
Shared Services Arrangement	-	-	-	499,665	499,665
Extracurricular Activities	275,240	-	-	-	275,240
Tuition and Fees	123,335	-	-	-	123,335
Investment income	-	5,374	49,280	-	54,654
Rent	43,941	-	-	-	43,941
Other	2,777,739	89,758	-	665,339	3,532,836
	<u>\$108,521,896</u>	<u>\$ 26,225,329</u>	<u>\$ 49,280</u>	<u>\$ 3,236,766</u>	<u>\$138,033,271</u>

#### 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, 2013, rentals approximated \$9,304 for such leases. These leases primarily support governmental activities. Future minimum rental payments are as follows:

Year	Amount
2014	\$ 441,422
2015	441,422
2016	434,519
2017	432,218
Total	<u>\$ 1,749,581</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

(Continued)



# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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

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 2013, 2012, and 2011.

**Contributions:** Contribution rates and amounts are equal to the required contributions for each year and are shown in the table below for fiscal years 2011 to 2013. 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 employees' salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts

Year	Staff Members to TRS		State TRS Made on Behalf of District		District, Federal and Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
2013	6.4%	\$ 6,626,686	6.4%	\$ 6,340,692	\$ 1,396,470
2012	6.4%	7,687,363	6.0%	7,207,083	1,183,545
2011	6.4%	7,941,095	6.644%	8,243,850	1,379,026

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.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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

#### 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.

**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 2013, 2012, and 2011. 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, 2013, 2012, and 2011 are as follows:

Contribution Rates and Contribution Amounts						
Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
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
2011	0.65%	802,536	1.0%	1,263,480	0.55%	802,536

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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

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

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on-behalf of the District were \$317,349, \$316,122, and \$287,693, 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, 2013, the District participated in the TRS - Active Care, a statewide health coverage program for public education employees established by the 77<sup>th</sup> Texas Legislature. TRS Active Care is a self-funded program and rates and benefits are established by the TRS Trustees based on the claims experience of the plan. Employees have three plan options. The District contributed approximately \$460 per month per employee to the Plan.

#### 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.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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

Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$400,000. 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
2013 - Workers' Compensation	\$ 3,850,283	\$ 1,505,041	\$ 1,912,213	\$ 3,443,111
2012 - Workers' Compensation	3,850,283	545,535	545,535	3,850,283

#### 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, 2013, 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 Terrorism.

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, 2013, management was not aware of any such claim which would have a material adverse effect on the financial statements.

(Continued)

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

AUGUST 31, 2013

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)****R. Shared Service Arrangements / Joint Ventures**

The District is the fiscal agent for a Shared Service Arrangement ("SSA") which provides services under the Regional Day School Program for the Deaf 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.

Expenditures of the SSA for fiscal year ended August 31, 2013 are as follows:

Member Districts	Local Services for the Deaf
Beaumont ISD	\$ 38,225
Bridge City ISD	5,730
Colmesneil ISD	1,432
Deweyville ISD	1,432
Evadale ISD	2,865
Hamshire-Fannett ISD	1,432
Hardin-Jefferson ISD	2,865
Kountze ISD	5,105
Little Cypress - Mauriceville CISD	7,162
Lumberton ISD	5,105
Nederland ISD	7,970
Newton ISD	3,672
Orangefield ISD	2,865
Port Arthur ISD	18,363
Port Neches-Groves ISD	7,163
Silsbee ISD	4,298
Spurger ISD	2,240
Vidor ISD	15,315
Warren ISD	1,433
West Orange - Cove CISD	6,538
Woodville ISD	1,433
Total	<u>\$ 142,643</u>

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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

#### 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 Y for further discussion.

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, 2013.

#### 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, 2013.

#### 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, 2013

**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 the improper recognition of unavailable property taxes on the modified accrual basis of accounting	\$ (2,550,778)
To correct the improper recognition of overpayment of School Foundation revenues in the prior fiscal year	(2,265,599)
To correct unearned revenue erroneously recorded in the prior year	82,513
To record a prior year liability	<u>(3,181)</u>
Total net effect on fund balance	<u>(4,737,045)</u>

**Debt Service Fund:**

To correct the improper recognition of unavailable property taxes on the modified accrual basis of an accounting	\$ <u>(1,342,484)</u>
Total net effect on fund balance	<u>(1,342,484)</u>

**Capital Projects Fund:**

To write-off prior year liability	<u>148,842</u>
Total net effect on fund balance	<u>148,842</u>

**Proprietary Funds:**

To remove uncollectible receivable	\$ <u>(461,701)</u>
Total net effect on fund net position	<u>(461,701)</u>

**Government Wide:**

Governmental funds prior period adjustments	\$ (6,392,388)
To account for improper exclusion of unavailable property taxes	5,338,099
To correct improperly stated accreted interest in prior year financial statements	898,900
To account for the amortization of deferred loss on refunding for the years 2009 to 2012	(528,208)
To correct improperly stated compensated absences in prior year financial statements	1,012,967
To adjust capital assets	<u>(11,176,448)</u>
Total net effect on net position	<u>(10,847,078)</u>

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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

#### X. Subsequent Events

The District spent approximately \$1.3 million on capital assets in fiscal year 2014. The District had a decrease of fund balance in fiscal year 2014 of approximately \$9.1 million.

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

On September 18, 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

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. In November 2013, the TEA conducted an investigation and audited the 2012-2013 attendance data. In November 2014, the TEA issued its report which disclosed fraud and errors related to attendance data submitted to the State. As a result, TEA reduced the Foundation School Program funding by approximately \$520,000 in 2015. This amount is reported as a liability in the Due to Other Governments within the General fund.

#### Y. Ongoing Investigations

A special task force was created to target potential corruption in the District. The task force continues its investigation into allegations 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.



**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, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final	(GAAP BASIS)	
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 115,011,232	\$ 115,011,232	\$ 108,521,896	\$ (6,489,336)
5800 State Program Revenues	43,957,477	44,918,417	43,441,350	(1,477,067)
5900 Federal Program Revenues	1,650,000	1,650,000	1,133,587	(516,413)
5020 Total Revenues	160,618,709	161,579,649	153,096,833	(8,482,816)
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	90,253,895	91,520,743	92,028,756	(508,013)
0012 Instructional Resources and Media Services	2,290,784	2,296,403	2,212,605	83,798
0013 Curriculum and Instructional Staff Development	753,250	895,223	740,487	154,736
0021 Instructional Leadership	2,731,471	2,805,081	2,747,546	57,535
0023 School Leadership	11,279,766	11,275,313	10,063,154	1,212,159
0031 Guidance, Counseling and Evaluation Services	4,656,984	4,769,110	4,700,373	68,737
0032 Social Work Services	392,475	637,969	537,534	100,435
0033 Health Services	2,034,016	2,040,032	1,825,356	214,676
0034 Student (Pupil) Transportation	7,143,886	9,148,150	10,132,425	(984,275)
0035 Food Services	41,370	45,870	245,003	(199,133)
0036 Extracurricular Activities	4,126,798	4,304,964	4,111,368	193,596
0041 General Administration	6,130,637	7,646,026	8,991,894	(1,345,868)
0051 Facilities Maintenance and Operations	23,128,938	25,116,739	26,267,454	(1,150,715)
0052 Security and Monitoring Services	2,207,979	2,282,814	2,775,726	(492,912)
0053 Data Processing Services	1,674,042	1,754,887	1,677,239	77,648
0061 Community Services	162,352	164,328	302,053	(137,725)
<b>Intergovernmental:</b>				
0093 Payments to Fiscal Agent/Member Districts of	155,000	38,226	38,225	1
0095 Payments to Juvenile Justice Alternative Ed.	157,500	157,500	131,250	26,250
0099 Other Intergovernmental Charges	-	-	1,235,189	(1,235,189)
6030 Total Expenditures	159,321,143	166,899,378	170,763,637	(3,864,259)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	1,297,566	(5,319,729)	(17,666,804)	(12,347,075)
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	1,000	1,000	153,505	152,505
8911 Transfers Out (Use)	(1,298,570)	(1,298,570)	(1,672,857)	(374,287)
7080 Total Other Financing Sources (Uses)	(1,297,570)	(1,297,570)	(1,519,352)	(221,782)
1200 Net Change in Fund Balances	(4)	(6,617,299)	(19,186,156)	(12,568,857)
0100 Fund Balance - September 1 (Beginning)	33,746,103	33,746,103	33,746,103	-
1300 Prior Period Adjustments	-	-	(4,737,045)	(4,737,045)
3000 Fund Balance - August 31 (Ending)	\$ 33,746,099	\$ 27,128,804	\$ 9,822,902	\$ (17,305,902)

**SUPPLEMENTARY INFORMATION**

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2013

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>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 145,453	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	632	14,043	191,165	584
1260	Due from Other Funds	-	-	1,088	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 146,085</u>	<u>\$ 14,043</u>	<u>\$ 192,253</u>	<u>\$ 584</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 17,617	\$ -	\$ 28,980	\$ -
2160	Accrued Wages Payable	128,468	-	163,273	-
2170	Due to Other Funds	-	14,043	-	584
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>146,085</u>	<u>14,043</u>	<u>192,253</u>	<u>584</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	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 146,085</u>	<u>\$ 14,043</u>	<u>\$ 192,253</u>	<u>\$ 584</u>

224	225	226	227	228	240	244	253
IDEA - Part B Formula	IDEA - Part B Preschool	IDEA - Part B Discretionary	IDEA - Part B Deaf	IDEA - Part B Preschool Deaf	National Breakfast and Lunch Program	Career and Technical - Basic Grant	IDEA Part C Deaf - Early Intervention
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,689,572	\$ -	\$ -
74,669	12,800	3,849	17,222	154	226,460	2,461	-
62,770	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	125,878	-	-
<u>\$ 137,439</u>	<u>\$ 12,800</u>	<u>\$ 3,849</u>	<u>\$ 17,222</u>	<u>\$ 154</u>	<u>\$ 3,041,910</u>	<u>\$ 2,461</u>	<u>\$ -</u>
\$ 73,150	\$ -	\$ -	\$ -	\$ -	\$ 371,748	\$ 214	\$ -
64,289	2,025	2,272	1,041	130	132,201	2,071	-
-	10,775	1,577	16,181	24	-	176	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>137,439</u>	<u>12,800</u>	<u>3,849</u>	<u>17,222</u>	<u>154</u>	<u>503,949</u>	<u>2,461</u>	<u>-</u>
-	-	-	-	-	125,878	-	-
-	-	-	-	-	2,412,083	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,537,961</u>	<u>-</u>	<u>-</u>
<u>\$ 137,439</u>	<u>\$ 12,800</u>	<u>\$ 3,849</u>	<u>\$ 17,222</u>	<u>\$ 154</u>	<u>\$ 3,041,910</u>	<u>\$ 2,461</u>	<u>\$ -</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2013

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	\$ -	\$ -	\$ -	\$ 50,562
1240 Receivables from Other Governments	363,230	7,400	183,323	-
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 363,230</u>	<u>\$ 7,400</u>	<u>\$ 183,323</u>	<u>\$ 50,562</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 15,550	\$ 1,913	\$ 58	\$ -
2160 Accrued Wages Payable	25,442	2,446	27,242	-
2170 Due to Other Funds	322,238	3,041	156,023	-
2180 Due to Other Governments	-	-	-	-
2300 Unearned Revenues	-	-	-	50,562
2000 Total Liabilities	<u>363,230</u>	<u>7,400</u>	<u>183,323</u>	<u>50,562</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	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 363,230</u>	<u>\$ 7,400</u>	<u>\$ 183,323</u>	<u>\$ 50,562</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
\$ -	\$ -	\$ 8,648	\$ -	\$ 6,463	\$ -	\$ -	\$ -
1,707,231	347,566	-	82,591	37,687	-	7,586	13,269
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,707,231</u>	<u>\$ 347,566</u>	<u>\$ 8,648</u>	<u>\$ 82,591</u>	<u>\$ 44,150</u>	<u>\$ -</u>	<u>\$ 7,586</u>	<u>\$ 13,269</u>
\$ -	\$ 36,052	\$ -	\$ 1,586	\$ 3,131	\$ -	\$ -	\$ -
-	25,148	8,648	15,246	8,113	-	376	-
1,707,231	286,366	-	24,284	31,892	-	7,210	13,269
-	-	-	41,475	1,014	-	-	-
-	-	-	-	-	-	-	-
<u>1,707,231</u>	<u>347,566</u>	<u>8,648</u>	<u>82,591</u>	<u>44,150</u>	<u>-</u>	<u>7,586</u>	<u>13,269</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,707,231</u>	<u>\$ 347,566</u>	<u>\$ 8,648</u>	<u>\$ 82,591</u>	<u>\$ 44,150</u>	<u>\$ -</u>	<u>\$ 7,586</u>	<u>\$ 13,269</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2013

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	\$ 33,263	\$ -	\$ -	\$ 6,033
1240	Receivables from Other Governments	-	-	-	1,612
1260	Due from Other Funds	-	-	6,700	2,917
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 33,263</u>	<u>\$ -</u>	<u>\$ 6,700</u>	<u>\$ 10,562</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 616	\$ -	\$ 4,200	\$ 3,843
2160	Accrued Wages Payable	-	-	2,500	6,719
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	32,647	-	-	-
2000	Total Liabilities	<u>33,263</u>	<u>-</u>	<u>6,700</u>	<u>10,562</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	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 33,263</u>	<u>\$ -</u>	<u>\$ 6,700</u>	<u>\$ 10,562</u>



435 SSA Regional Day School - Deaf	446 Regional Day School for the Deaf	483 Natatorium Swim Program	484 After School Programs	485 ExxonMobil Future Leaders	487 Exxon Mobil Reading Initiative	488 Texas School Ready Project	489 Community Education
\$ -	\$ 638,976	\$ 10,111	\$ 11,785	\$ 2,046	\$ 76,718	\$ 2,190	\$ -
116,230	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	82,513	20,000
-	-	-	-	-	-	-	-
<u>\$ 116,230</u>	<u>\$ 638,976</u>	<u>\$ 10,111</u>	<u>\$ 11,785</u>	<u>\$ 2,046</u>	<u>\$ 76,718</u>	<u>\$ 84,703</u>	<u>\$ 20,000</u>
\$ 10,095	\$ -	\$ -	\$ -	\$ -	\$ 186	\$ 560	\$ -
22,115	17,534	10,111	5,588	-	-	1,630	-
84,020	-	-	-	-	-	82,513	20,000
-	-	-	-	-	-	-	-
-	621,442	-	6,197	2,046	76,532	-	-
<u>116,230</u>	<u>638,976</u>	<u>10,111</u>	<u>11,785</u>	<u>2,046</u>	<u>76,718</u>	<u>84,703</u>	<u>20,000</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 116,230</u>	<u>\$ 638,976</u>	<u>\$ 10,111</u>	<u>\$ 11,785</u>	<u>\$ 2,046</u>	<u>\$ 76,718</u>	<u>\$ 84,703</u>	<u>\$ 20,000</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2013

Data Control Codes	490 Adult Education GE Testing	491 Entergy Grants	492 Thomas Center Scoreboard	493 DaVinci Minds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 2,546	\$ -	\$ 273,483	\$ 2,094
1240 Receivables from Other Governments	-	-	-	-
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 2,546</u>	<u>\$ -</u>	<u>\$ 273,483</u>	<u>\$ 2,094</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 1,482	\$ -	\$ 7,359	\$ 9
2160 Accrued Wages Payable	1,064	-	1,500	-
2170 Due to Other Funds	-	-	-	-
2180 Due to Other Governments	-	-	-	-
2300 Unearned Revenues	-	-	264,624	2,085
2000 Total Liabilities	<u>2,546</u>	<u>-</u>	<u>273,483</u>	<u>2,094</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	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 2,546</u>	<u>\$ -</u>	<u>\$ 273,483</u>	<u>\$ 2,094</u>

495 Texas Data Champions	497 Public Facilities Corporation	Total Nonmajor Special Revenue Funds	650 Local Capital Projects	Total Nonmajor Governmental Funds
\$ 19,168	\$ 1,700	\$ 3,980,811	\$ 2,977	\$ 3,983,788
-	-	3,411,764	-	3,411,764
-	-	73,475	-	73,475
-	-	102,513	-	102,513
-	-	125,878	-	125,878
<u>\$ 19,168</u>	<u>\$ 1,700</u>	<u>\$ 7,694,441</u>	<u>\$ 2,977</u>	<u>\$ 7,697,418</u>
\$ 1,672	\$ -	\$ 580,021	\$ 2,977	\$ 582,998
-	-	677,192	-	677,192
-	-	2,781,447	-	2,781,447
-	-	42,489	-	42,489
17,496	-	1,073,631	-	1,073,631
<u>19,168</u>	<u>-</u>	<u>5,154,780</u>	<u>2,977</u>	<u>5,157,757</u>
-	-	125,878	-	125,878
-	-	2,412,083	-	2,412,083
-	1,700	1,700	-	1,700
<u>-</u>	<u>1,700</u>	<u>2,539,661</u>	<u>-</u>	<u>2,539,661</u>
<u>\$ 19,168</u>	<u>\$ 1,700</u>	<u>\$ 7,694,441</u>	<u>\$ 2,977</u>	<u>\$ 7,697,418</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		205	206	211	220
		Head Start	ESEA Title X, Pt.C Homeless	ESEA I, A Improving Basic Program	Adult Education Federal
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	3,031,741	29,438	6,649,929	13,647
5020	Total Revenues	3,031,741	29,438	6,649,929	13,647
EXPENDITURES:					
Current:					
0011	Instruction	2,186,728	26,340	3,783,479	13,647
0012	Instructional Resources and Media Services	37,548	-	-	-
0013	Curriculum and Instructional Staff Development	14,255	-	136,058	-
0021	Instructional Leadership	163,527	3,098	1,614,353	-
0023	School Leadership	188,853	-	126,438	-
0031	Guidance, Counseling and Evaluation Services	-	-	152,718	-
0032	Social Work Services	207,944	-	18,000	-
0033	Health Services	116,122	-	4,219	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	2,646	-	-	-
0041	General Administration	-	-	1,144	-
0051	Facilities Maintenance and Operations	55,731	-	-	-
0052	Security and Monitoring Services	-	-	1,284	-
0053	Data Processing Services	-	-	123,503	-
0061	Community Services	58,387	-	688,733	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	3,031,741	29,438	6,649,929	13,647
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

224	225	226	227	228	240	244	253
IDEA - Part B Formula	IDEA - Part B Preschool	IDEA - Part B Discretionary	IDEA - Part B Deaf	IDEA - Part B Preschool Deaf	National Breakfast and Lunch Program	Career and Technical - Basic Grant	IDEA Part C Deaf - Early Intervention
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,071,762	\$ -	\$ -
-	-	-	-	-	64,929	-	-
3,733,589	75,856	49,776	39,186	3,050	10,107,286	319,670	869
3,733,589	75,856	49,776	39,186	3,050	12,243,977	319,670	869
3,578,310	75,856	49,776	39,186	3,050	-	297,149	869
-	-	-	-	-	-	-	-
57,951	-	-	-	-	-	13,963	-
39,451	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,558	-
57,877	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	11,796,422	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	114,681	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,733,589	75,856	49,776	39,186	3,050	11,911,103	319,670	869
-	-	-	-	-	332,874	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	332,874	-	-
-	-	-	-	-	2,205,087	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,537,961	\$ -	\$ -

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

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 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	1,319,113	185,276	1,470,553	105,107
5020 Total Revenues	1,319,113	185,276	1,470,553	105,107
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	469,014	77,272	1,330,326	80,230
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	428,008	34,074	5,560	-
0021 Instructional Leadership	324,718	9,969	126,532	-
0023 School Leadership	22,794	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	1,036
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	8,135	23,841
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	17,312	-	-	-
0061 Community Services	57,267	63,961	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	1,319,113	185,276	1,470,553	105,107
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

282 FEMA Hurricane Grants	286 Title I SIP Academy Grant ARRA	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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	2,281	201,729	526,377
-	3,789,825	50,502	444,382	86,209	-	-	-
-	3,789,825	50,502	444,382	86,209	2,281	201,729	526,377
-	2,805,043	-	416,484	86,209	-	108,055	482,168
-	34,942	-	-	-	-	-	-
-	463,359	-	5,655	-	-	65,258	-
-	212,367	-	22,243	-	-	25,368	39,134
-	60,958	-	-	-	-	3,048	4,080
-	150,656	-	-	-	-	-	-
-	-	39,185	-	-	-	-	-
-	600	-	-	-	-	-	-
-	-	-	-	-	-	-	368
-	10,198	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	190
-	11,143	-	-	-	-	-	437
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	40,559	11,317	-	-	2,281	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,789,825	50,502	444,382	86,209	2,281	201,729	526,377
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	427 Statewide Tools for Teaching	429 District A- wards Teacher Excellence	431 SSA - ABE Educational Technology	432 SSA - TANF Temporary Assistance
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	27,951	125,106	89,317	26,280
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	27,951	125,106	89,317	26,280
EXPENDITURES:				
Current:				
0011 Instruction	24,589	96,000	49,073	26,280
0012 Instructional Resources and Media Services	-	106	-	-
0013 Curriculum and Instructional Staff Development	3,209	-	-	-
0021 Instructional Leadership	153	-	40,244	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	29,000	-	-
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	27,951	125,106	89,317	26,280
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -



435 SSA Regional Day School - Deaf	446 Regional Day School for the Deaf	483 Natatorium Swim Program	484 After School Programs	485 ExxonMobil Future Leaders	487 Exxon Mobil Reading Initiative	488 Texas School Ready Project	489 Community Education
\$ -	\$ 499,665	\$ 49,576	\$ 50,516	\$ 8,745	\$ 23,825	\$ 414,367	\$ 7,200
554,812	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
554,812	499,665	49,576	50,516	8,745	23,825	414,367	7,200
458,216	382,335	-	-	-	23,825	-	-
-	-	-	-	-	-	-	-
12,073	-	-	-	-	-	-	-
5,467	117,330	-	-	-	-	414,367	-
-	-	-	-	-	-	-	-
79,056	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	49,576	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	50,516	8,745	-	-	57,200
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
554,812	499,665	49,576	50,516	8,745	23,825	414,367	57,200
-	-	-	-	-	-	-	(50,000)
-	-	-	-	-	-	-	50,000
-	-	-	-	-	-	-	50,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	490 Adult Education GE Testing	491 Entergy Grants	492 Thomas Center Scoreboard	493 DaVinci Minds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 24,267	\$ 433	\$ 34,995	\$ 5,236
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>24,267</u>	<u>433</u>	<u>34,995</u>	<u>5,236</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	-	433	-	5,236
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	34,995	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	24,267	-	-	-
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>24,267</u>	<u>433</u>	<u>34,995</u>	<u>5,236</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

495 Texas Data Champions	497 Public Facilities Corporation	Total Nonmajor Special Revenue Funds	650 Local Capital Projects	Total Nonmajor Governmental Funds
\$ 46,179	\$ -	\$ 3,236,766	\$ -	\$ 3,236,766
-	-	1,618,782	-	1,618,782
-	-	31,505,004	-	31,505,004
46,179	-	36,360,552	-	36,360,552
-	-	16,975,178	-	16,975,178
-	-	72,596	-	72,596
-	-	1,239,423	-	1,239,423
-	-	3,158,321	-	3,158,321
-	-	406,171	-	406,171
-	-	392,024	-	392,024
-	-	323,006	-	323,006
-	-	152,917	-	152,917
-	-	368	-	368
-	-	11,806,620	-	11,806,620
-	-	87,217	-	87,217
-	-	1,334	-	1,334
-	-	210,992	-	210,992
-	-	1,284	-	1,284
46,179	-	186,994	-	186,994
-	-	1,063,233	-	1,063,233
-	1,120,000	1,120,000	-	1,120,000
-	128,570	128,570	-	128,570
-	-	-	913,013	913,013
46,179	1,248,570	37,326,248	913,013	38,239,261
-	(1,248,570)	(965,696)	(913,013)	(1,878,709)
-	1,244,111	1,294,111	913,013	2,207,124
-	1,244,111	1,294,111	913,013	2,207,124
-	(4,459)	328,415	-	328,415
-	6,159	2,211,246	-	2,211,246
\$ -	\$ 1,700	\$ 2,539,661	\$ -	\$ 2,539,661

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
AUGUST 31, 2013

EXHIBIT H-3

	771 ISF - Health Insurance Fund	772 ISF - Workers Compensation Fund	Total Internal Service Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 107,418	\$ 4,812,261	\$ 4,919,679
Total Assets	107,418	4,812,261	4,919,679
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	-	3,443,111	3,443,111
Payroll Deductions and Withholdings Payable	-	10	10
Total Liabilities	-	3,443,121	3,443,121
<b>NET POSITION</b>			
Unrestricted Net Position	107,418	1,369,140	1,476,558
Total Net Position	\$ 107,418	\$ 1,369,140	\$ 1,476,558

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2013

	771 ISF - Health Insurance Fund	772 ISF - Workers Compensation Fund	Total Internal Service Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ 192	\$ 2,293,808	\$ 2,294,000
Total Operating Revenues	<u>192</u>	<u>2,293,808</u>	<u>2,294,000</u>
OPERATING EXPENSES:			
Other Operating Expenses	<u>-</u>	<u>2,197,113</u>	<u>2,197,113</u>
Total Operating Expenses	<u>-</u>	<u>2,197,113</u>	<u>2,197,113</u>
Operating Income	192	96,695	96,887
Total Net Position - September 1 (Beginning)	107,226	1,734,146	1,841,372
Prior Period Adjustment	<u>-</u>	<u>(461,701)</u>	<u>(461,701)</u>
Total Net Position August 31 (Ending)	<u>\$ 107,418</u>	<u>\$ 1,369,140</u>	<u>\$ 1,476,558</u>

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BEAUMONT INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

	771 ISF - Health Insurance Fund	772 ISF - Workers Compensation Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 192	\$ -	\$ 192
Cash Received from Assessments - Other Funds	-	2,293,808	2,293,808
Cash Payments for Insurance Claims	-	(2,604,285)	(2,604,285)
Net Cash Provided by (Used for) Operating Activities	<u>192</u>	<u>(310,477)</u>	<u>(310,285)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	192	(310,477)	(310,285)
Cash and Cash Equivalents at Beginning of Year	<u>107,226</u>	<u>5,122,738</u>	<u>5,229,964</u>
Cash and Cash Equivalents at End of Year	<u>\$ 107,418</u>	<u>\$ 4,812,261</u>	<u>\$ 4,919,679</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income:	\$ 192	\$ 96,695	\$ 96,887
Effect of Increases and Decreases in Current Assets and Liabilities:			
Increase (decrease) in Accounts Payable	-	(407,172)	(407,172)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 192</u>	<u>\$ (310,477)</u>	<u>\$ (310,285)</u>

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 AUGUST 31, 2013

	836	837	838	839
	Alex Durley	Joe Tonahill	Mike Taylor	Charles
	Scholarship	Scholarship	Scholarship	Weinbaum
	Scholarship	Scholarship	Scholarship	Scholarship
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 17,809	\$ 20,479	\$ 3,551	\$ 1,057
Total Assets	<u>17,809</u>	<u>20,479</u>	<u>3,551</u>	<u>1,057</u>
<b>NET POSITION</b>				
Unrestricted Net Position	<u>17,809</u>	<u>20,479</u>	<u>3,551</u>	<u>1,057</u>
Total Net Position	<u><u>\$ 17,809</u></u>	<u><u>\$ 20,479</u></u>	<u><u>\$ 3,551</u></u>	<u><u>\$ 1,057</u></u>



841	842	Total
Paul Brown	Wells, Peyton	Private
Scholarship	Greenberg &	Purpose
	Hunt Schlrsdp	Trust Funds
\$ 14,628	\$ 1,500	\$ 59,024
14,628	1,500	59,024
14,628	1,500	59,024
\$ 14,628	\$ 1,500	\$ 59,024

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, 2013

	836	837	838	839
	Alex Durley Scholarship	Joe Tonahill Scholarship	Mike Taylor Scholarship	Charles Weinbaum Scholarship
ADDITIONS:				
Local and Intermediate Sources	\$ 30	\$ 33	\$ 5	\$ 1
Total Additions	30	33	5	1
DEDUCTIONS:				
Other Operating Expenses	-	-	-	-
Total Deductions	-	-	-	-
Change in Net Position	30	33	5	1
Total Net Position - September 1 (Beginning)	17,779	20,446	3,546	1,056
Total Net Position - August 31 (Ending)	\$ 17,809	\$ 20,479	\$ 3,551	\$ 1,057

841	842	Total
Paul Brown Scholarship	Wells, Peyton Greenberg & Hunt Schlrsdp	Private Purpose Trust Funds
\$ 5,009	\$ -	\$ 5,078
5,009	-	5,078
500	-	500
500	-	500
4,509	-	4,578
10,119	1,500	54,446
<u>\$ 14,628</u>	<u>\$ 1,500</u>	<u>\$ 59,024</u>

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**OTHER INFORMATION - REQUIRED TEA SCHEDULES**

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.470000	0.070000	6,748,474,727
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 (School year under audit)	1.040000	0.275000	9,259,420,913
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 3,312,794	\$ -	\$ 31,695	\$ 1,375	\$ (104,254)	\$ 3,175,470
389,234	-	13,696	652	(1,788)	373,098
453,149	-	24,496	1,079	(1,851)	425,723
410,254	-	26,193	1,101	(5,270)	377,690
430,105	-	34,937	1,848	(3,453)	389,867
580,879	-	49,864	7,312	(3,834)	519,869
838,226	-	130,265	27,869	(4,152)	675,940
1,267,906	-	246,472	63,988	(16,384)	941,062
2,217,487	-	743,506	203,749	4,795	1,275,027
-	121,761,385	94,272,052	25,488,997	253,422	2,253,758
<u>\$ 9,900,034</u>	<u>\$ 121,761,385</u>	<u>\$ 95,573,176</u>	<u>\$ 25,797,970</u>	<u>\$ 117,231</u>	<u>10,407,504</u>
Penalty and interest receivable on taxes					<u>10,453,492</u>
Total taxes receivable per Exhibit C-1					<u><u>\$ 20,860,996</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, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(GAAP BASIS)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 4,357,194	\$ 4,357,194	\$ 2,071,762	\$ (2,285,432)
5800 State Program Revenues	69,625	69,625	64,929	(4,696)
5900 Federal Program Revenues	10,198,777	10,233,943	10,107,286	(126,657)
5020 Total Revenues	14,625,596	14,660,762	12,243,977	(2,416,785)
<b>EXPENDITURES:</b>				
0035 Food Services	14,500,438	14,535,604	11,796,422	2,739,182
0051 Facilities Maintenance and Operations	125,158	125,158	114,681	10,477
6030 Total Expenditures	14,625,596	14,660,762	11,911,103	2,749,659
1200 Net Change in Fund Balances	-	-	332,874	332,874
0100 Fund Balance - September 1 (Beginning)	2,205,087	2,205,087	2,205,087	-
3000 Fund Balance - August 31 (Ending)	\$ 2,205,087	\$ 2,205,087	\$ 2,537,961	\$ 332,874



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, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(GAAP BASIS)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 26,081,266	\$ 26,131,266	\$ 26,225,329	\$ 94,063
5900 Federal Program Revenues	-	-	1,106,098	1,106,098
5020 Total Revenues	26,081,266	26,131,266	27,331,427	1,200,161
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long Term Debt	8,185,000	8,185,000	8,355,000	(170,000)
0072 Interest on Long Term Debt	17,866,176	17,866,176	18,747,765	(881,589)
0073 Bond Issuance Cost and Fees	-	50,000	182,181	(132,181)
6030 Total Expenditures	26,051,176	26,101,176	27,284,946	(1,183,770)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	30,090	30,090	46,481	16,391
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	8,070,000	8,070,000
7915 Transfers In	-	-	378,746	378,746
7916 Premium or Discount on Issuance of Bonds	-	-	1,860,109	1,860,109
8949 Other (Uses)	-	-	(9,773,448)	(9,773,448)
7080 Total Other Financing Sources (Uses)	-	-	535,407	535,407
1200 Net Change in Fund Balances	30,090	30,090	581,888	551,798
0100 Fund Balance - September 1 (Beginning)	2,504,972	2,504,972	2,504,972	-
1300 Prior Period Adjustments	-	-	(1,342,484)	(1,342,484)
3000 Fund Balance - August 31 (Ending)	\$ 2,535,062	\$ 2,535,062	\$ 1,744,376	\$ (790,686)

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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 were engaged to audit, 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, 2013, 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 June 25, 2015. Our report disclaims opinions on such financial statements because we were unable to obtain sufficient appropriate audit evidence to support such opinions as a result of the lack of internal controls and the lack of supporting documentation. In addition, fraudulent activities occurred during the period we were engaged to audit and multiple fraud investigations are ongoing. As such, we were not able to quantify the financial effect of any potential misstatements.

**Internal Control Over Financial Reporting**

In connection with our engagement to audit the financial statements of Beaumont Independent School District, 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 Beaumont Independent School District's 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 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 2013-011, 2013-012, 2013-013, 2013-014, 2013-015 to be material weaknesses.

## **Compliance and Other Matters**

In connection with our engagement to audit the financial statements of Beaumont Independent School District, 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 2013-001, 2013-002, 2013-003, 2013-004, 2013-005, 2013-006, 2013-007, 2013-008, 2013-009, 2013-010, 2013-019 and 2013-023. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the financial statements, other instances of noncompliance or other matters may have been identified and reported therein.

## **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 engagement to perform an audit 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  
June 25, 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, 2013. Beaumont Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Basis for Adverse Opinions***

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 that program.

<b>Child Nutrition Cluster, CFDA 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	2013-020
B - Allowable Costs/Cost Principles	2013-020 and 2013-027
I - Procurement and Suspension and Debarment	2013-017
N - Special Tests and Provisions	2013-038 and 2013-039

<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	2013-024
B - Allowable Costs/Cost Principles	2013-024 and 2013-027
E - Eligibility	2013-040
G - Matching, Level of Effort, Earmarking	2013-032, 2013-033, 2013-041
I - Procurement and Suspension and Debarment	2013-017, 2013-018, 2013-019, 2013-030
L - Reporting	2014-036 and 2014-042
N - Special Tests and Provisions	2013-043, 2013-044, 2013-045

<b>Special Education Cluster, CFDA 84.027A and 84.173</b>	
<b><i>Compliance Requirement</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2013-022
B - Allowable Costs/Cost Principles	2013-022 and 2013-027
G - Matching, Level of Effort, Earmarking	2013-032 and 2013-048
I - Procurement and Suspension and Debarment	2013-017, 2013-018, 2013-030
L - Reporting	2013-036



<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	2013-025
B - Allowable Costs/Cost Principles	2013-025 and 2013-027
G - Matching, Level of Effort, Earmarking	2013-032
H - Period of Availability	2013-028
I - Procurement and Suspension and Debarment	2013-031
L - Reporting	2013-036

<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	2013-023
B - Allowable Costs/Cost Principles	2013-023 and 2013-027
G - Matching, Level of Effort, Earmarking	2013-032
I - Procurement and Suspension and Debarment	2013-017, 2013-018, 2013-019, 2013-030
L - Reporting	2013-036
N - Special Tests and Provisions	2013-043 and 2013-046

<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	2013-021
B - Allowable Costs/Cost Principles	2013-021 and 2013-027
G - Matching, Level of Effort, Earmarking	2013-033
I - Procurement and Suspension and Debarment	2013-017, 2013-018, 2013-030
L - Reporting	2013-036
N - Special Tests and Provisions	2013-047

<b>Head Start, CFDA 93.600</b>	
<b><i>Compliance Requirement</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2013-026
B - Allowable Costs/Cost Principles	2013-026 and 2013-027
H - Period of Availability of Federal Funds	2013-028
I - Procurement and Suspension and Debarment	2013-030
L - Reporting	2013-036

### **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, 2013.

### **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 2013-016. Our opinion on each major federal program is not modified with respect to this matter.

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

### **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 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.

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 and listed in the table below to be material weaknesses.

<b>Child Nutrition Cluster, CFDA 10.553, 10.555 and 10.559</b>	
<b><i>Internal Control over Compliance</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2013-034
B - Allowable Costs/Cost Principles	2013-034 and 2013-035
I - Procurement and Suspension and Debarment	2013-029 and 2013-030
J - Program Income	2013-037
N - Special Tests and Provisions	2013-038 and 2013-039

<b>ESEA Title I, Part A, CFDA 84.010A</b>	
<b><i>Internal Control over Compliance</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2013-034
B - Allowable Costs/Cost Principles	2013-034 and 2013-035
E - Eligibility	2013-040
G - Matching, Level of Effort, Earmarking	2013-032, 2013-033, 2013-041
I - Procurement and Suspension and Debarment	2013-029 and 2013-030
L - Reporting	2013-036 and 2013-042
N - Special Tests and Provisions	2013-043 and 2013-045

<b>Special Education Cluster, CFDA 84.027A and 84.173</b>	
<b><i>Internal Control over Compliance</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2013-034
B - Allowable Costs/Cost Principles	2013-034 and 2013-035
G - Matching, Level of Effort, Earmarking	2013-048 and 2013-032
I - Procurement and Suspension and Debarment	2013-029 and 2013-030
L - Reporting	2013-036

<b>ESEA Title IV, Pt B - 21<sup>st</sup> Century, CFDA 84.287C</b>	
<b><i>Internal Control over Compliance</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2013-034
B - Allowable Costs/Cost Principles	2013-034 and 2013-035
G - Matching, Level of Effort, Earmarking	2013-032
H - Period of Availability	2013-028
I - Procurement and Suspension and Debarment	2013-031 and 2013-032
L - Reporting	2013-036

<b>ESEA Title II, Part A-Teacher/Principal Training and Recruiting, CFDA 84.367A</b>	
<b><i>Internal Control over Compliance</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2013-034
B - Allowable Costs/Cost Principles	2013-034
G - Matching, Level of Effort, Earmarking	2013-032
I - Procurement and Suspension and Debarment	2013-029 and 2013-030
L - Reporting	2013-036
N - Special Tests and Provisions	2013-043 and 2013-046

<b>Texas Title I Priority School CY2 - ARRA, CFDA 84.388A</b>	
<b><i>Internal Control over Compliance</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2013-034
B - Allowable Costs/Cost Principles	2013-034
G - Matching, Level of Effort, Earmarking	2013-033
I - Procurement and Suspension and Debarment	2013-029 and 2013-030
L - Reporting	2013-036
N - Special Tests and Provisions	2013-047

<b>Head Start, CFDA 93.600</b>	
<b><i>Internal Control over Compliance</i></b>	<b><i>Finding Number</i></b>
A - Activities Allowed or Unallowed	2013-034
B - Allowable Costs/Cost Principles	2013-034
G - Matching, Level of Effort, Earmarking	2013-049
H - Period of Availability of Federal Funds	2013-028
L - Reporting	2013-036

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

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  
June 25, 2015

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

<b>PROGRAM</b>	<b>DESCRIPTION</b>
<b><u>SUMMARY OF AUDITOR'S RESULTS</u></b>	
<b><u>FINANCIAL STATEMENTS</u></b>	
<b>Type of Auditor's Report issued:</b>	Disclaimer of Opinion
<b>Internal control over financial reporting:</b>	
<b>Material weaknesses identified?</b>	Yes
<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>	None reported
<b>Noncompliance material to the financial statements:</b>	Yes
<b><u>FEDERAL AWARDS</u></b>	
<b>Internal control over major programs:</b>	
<b>Material weaknesses identified?</b>	Yes
<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>	None reported.
<b>Type of auditor's report issued on compliance for major programs:</b>	Adverse
<b>Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?</b>	Yes
<b>Major Federal Programs:</b>	<b>Child Nutrition Cluster -</b> CFDA 10.553 School Breakfast Program (SBP); CFDA 10.555 National School Lunch Program (NSLP) and CFDA 10.559 Summer Food Service Program <b>ESEA, Title I, Part A - CFDA 84.010A</b> <b>Special Education Cluster -</b> CFDA 84.027A - IDEA - Part B Formula; CFDA 84.173A - IDEA - Part B Preschool <b>ESEA Title IV, Part B - 21<sup>st</sup> Century -</b> CFDA 84.287C <b>ESEA Title II, Part A - Teacher Principal Training and Recruiting - CFDA 84.367A</b>

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

<b>PROGRAM</b>	<b>DESCRIPTION</b>
<b><u>SUMMARY OF AUDITOR'S RESULTS (Continued)</u></b>	
	<b>Texas Title I Priority School CY 2 ARRA - CFDA 84.388A</b>
	<b>Head Start - CFDA 93.600</b>
<b>Dollar threshold used to distinguish between type A and type B programs:</b>	<b>\$958,635</b>
<b>Auditee qualified as low-risk auditee?</b>	<b>No</b>

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS**

**2013-001 - 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 within 150 days after year-end in accordance with state law.

Effect: The necessary information was not provided to TEA within the statutory time limit. Therefore, the District is not in compliance with state law.

Cause: The District's previous external auditor engaged to perform the audit for the year ended August 31, 2013 did not complete the audit and did not issue 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: See corrective action plan.

**2013-002 - 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 2013 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: See corrective action plan.

(Continued)



**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2013-003 - State Compliance - Procurement**

Criteria: At the time the solicitation was evaluated, the Education Code 44.038(g) required the district to select the offeror that submits the proposal that offers the best value for the district based on the published selection criteria and on its ranking evaluation.

Condition Found: Based on bid tabulation provided by the interim purchasing director, it appeared that the highest ranked proposal was not awarded the contract. The vendor awarded the contract was ranked third in the evaluation of the RFP. Many members of management in place during fiscal year 2013 have since then been replaced, including the purchasing director and no one was able to provide an explanation for the discrepancy.

Effect: It appears the District did not comply with the Education Code 44.038(g) and awarded the contract to the wrong vendor. 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, which includes this contract.

Cause: The District has been troubled by incompetence and untrustworthy personnel and lack of oversight by its then governing board. The Commissioner of Education appointed a Board of Managers to provide the necessary oversight in July 2014.

Recommendation: All procurement actions should be fully justified and documented in the procurement files.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2013-004 - State Compliance - Procurement**

Criteria: In determining whom to award a contract, the District shall consider certain criteria. Education Code 44.031(b)(2) and 44.031(b)(4) require the District to consider the reputation of the vendor and of the vendor's goods or services and the vendor's past relationship with the District.

Condition Found: Although the District was in litigation with Walker's Electric for past services, the BISD Board of Trustees approved the fifth year renewal of the contract for electrical services in August 2013. The State of Texas debarred Walker's Electric Company on August 28, 2012.

Effect: The District conducted business with a debarred vendor with whom the District did not have a favorable past relationship with. This was one of the factors that the Texas Commissioner of Education considered when he appointed a Board of Managers in July 2014.

Cause: The District has been troubled by incompetence and untrustworthy personnel and lack of oversight by its then governing board. Many members of management in place during fiscal year 2013 have since then been replaced, including the purchasing director.

Recommendation: The District should verify that vendors are not suspended or debarred by the State or Federal government. In addition, consideration such as vendor reputation and past relationships with the vendor should be considered in making an award to the vendor. Furthermore, all procurement actions should be fully justified and documented in the procurement files.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2013-005 - State Compliance - State Mandated Programs - Required Expenditure Percentage**

Criteria: The District is required to spend a certain percentage of state allotted program 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 \$7,995,195, but only spent \$6,664,642 on direct costs.

Effect: The District is not 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: See corrective action plan.

**2013-006 - State Compliance - State Mandated Programs - Allowable Direct Costs**

Criteria: The District is required to spend a certain percentage of state allotted program funds on direct costs for allowable activities in accordance with the Texas Education Code.

Condition Found: During our audit, we noted numerous instances in which no documentation was provided or the information was insufficient to determine if nonpayroll charges to the Special Education, Bilingual Education, State Compensatory Education, and High School Allotment programs were for allowable activities. In addition, payroll charges to the Gifted and Talented and Career and Technical, Bilingual Education, and State Compensatory Education (SCE) programs were unallowable. The unallowable expenditures in SCE were primarily related to the activities not being included in the District or Campus Improvement Plans. Furthermore, the District charged teacher salaries to the Bilingual Education program, however, under State Bilingual Education program guidelines teacher salaries can not be charged to the program.

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

Cause: Personnel was not familiar with the details of the various requirements for each program.

Recommendation: We recommend the District provide training to personnel regarding the program requirements for each program, including training on allowable costs and positions. The District should also assign responsible individuals to conduct periodic reviews of charges to each program to ensure that only allowable costs are charged to the program. In addition, adequate documentation should be maintained to support all charges.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2013-007 - 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: The District did not develop Campus Improvement Plans for two Alternative Education campuses with State Compensatory Education (SCE) funding. Furthermore, the District and the two Campus Improvement Plans reviewed did not contain the required components as required by state law. Activities charged to the SCE program were not properly documented in the District and Campus Improvement Plans.

Effect: The District was 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 contain the required components, including those for the SCE Program. In addition, the District must ensure that Campus Improvement Plans are developed, reviewed, and approved for all campuses.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2013-008 - 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 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 and that the Board of Trustees adopted a list of qualified brokers that are authorized to engage in investment transactions. 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 complete the required number of hours of 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 and balances.

Effect: The District did not provide the Board of Trustees 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: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2013-009 - 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: Expenditures exceeded appropriations in the General Fund in the following functions: 11-Instruction, 34-Student Transportation, 35-Food Services, 41-General Administration, 51-Facilities Maintenance and Operations, 52-Security and Monitoring Services, 61-Community Services, and 99-Other Intergovernmental Charges, as well as transfers out within Other Financing Uses. In the Debt Service Fund, expenditures exceeded appropriations for principal, interest and bond issuance costs as well as payments to the Escrow Agent for the bond refinancing, which was not budgeted.

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 implement procedures that ensure adequate budget is available for expenditures. Those responsible for submitting purchase requisitions should be made aware of the importance of entering requests for budget transfers. Budget management should monitor and be alert as to when these requests result in official budget amendments requiring board approval in order for action to be taken.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2013-010 - State Compliance - Student Attendance**

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

Condition Found: The Texas Education Agency (TEA) Division of Financial Compliance conducted a special accreditation investigation over attendance records for 2012-2013. According to the report dated November 14, 2014, general attendance-taking rules were not followed. Student sign-in sheets were being used to record attendance. Investigators found that the District reported students as present for funding purposes, however, those students were not included in the attendance documents provided to TEA. Documentation to support field trips could not be located for some students. They also noted that there was fraudulent documentation maintained for other students. The report noted that changes to student attendance were made without proper evidence to support the changes.

Effect: The Texas Education Agency determined that the District was overpaid approximately \$520,000 as a result of the over-reporting of student attendance.

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: See corrective action plan

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2013-011 - 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 grantor or pass-through entity 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, 2013, which 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 receivables are properly recognized. We recommend that the District cease the use of the "Negative Cash" report as the basis for requesting reimbursements and use the District's accounting records, i.e., expenditures in the general ledger for the program. We also recommend the District provide training to appropriate personnel regarding the reimbursement process for grant funds.

View of Responsible Official: See corrective action plan.

(Continued)



**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2013-012 - 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 valid.

Condition Found: Cash accounts were not properly reconciled on a monthly basis. The due to/from accounts were not reconciled and did not 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 had 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 more than \$4,000,000 by making wire transfers to their personal accounts. Some of the fraudulent transactions were recorded on the general ledger via journal entries. 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, there were multiple errors in posting journal entries. The Personnel Office Manager 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 were not reconciled on a periodic basis which did not provide timely detection of fraud or errors. 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 form should be recorded in order to ensure that due to/from accounts balance and net to zero. Pay rate changes entered into the system should be supported by an approved pay rate change form from an authorized individual other than the person who enters the pay rate.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2013-013 - Financial Reporting - Internal Controls - 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.

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

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 is possible that documents were not returned or were misfiled. In some instances, it is possible that the approval documentation was never obtained.

Recommendation: We strongly recommend management implement procedures that require documentation, including approvals, to be maintained in order to support all expenditures and journal entries posted in the accounting system. In addition, due to the various ongoing investigations by outside entities, we recommend the District maintain a log that will track all documentation requests made by these outside entities. This will help ensure that all invoices and other support are returned and properly filed.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2013-014 - Financial Reporting - Internal Controls - 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 the campus activity fund code, 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, we have disclaimed an opinion on the financial statements as a whole. The financial statements cannot be relied upon for 2013. In addition, PEIMS submissions reported to TEA 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: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** - (Continued)

**2013-015 - Financial Reporting - Internal Controls - 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 a vendor name maintained in the accounting system. For example, Region 5 was in the vendor listing as Region 5, Region V and Region 5 ESC. In addition, we noted instances in which the check was issued to one vendor but recorded in the general ledger under a different vendor name. 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 the current and 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. In addition, the vendor name on the check should match the name recorded in the general ledger.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS**

**2013-016 - All Federal Programs - Compliance - 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 auditor's report or nine months after the end of the audit period.

Condition Found: The District did not submit the single audit data collection form for the year ended August 31, 2013 to the Federal Audit Clearinghouse within the time constraints specified in OMB Circular A-133 guidelines.

Questioned Costs/Basis: N/A

Instances/Universe: One out of one required submission.

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

Cause: The audit for the year ended August 31, 2013 was not completed by the required May 2014 deadline.

Recommendation: We recommend management implement a timeline to ensure that all future audits are completed on a timely basis and the data collection form is submitted within the required time.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-017 - 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), and Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559) - Compliance - Procurement and Suspension and Debarment: 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 2013 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 - \$583,141  
Teacher Principal Training and Recruiting - \$36,674  
Special Education Cluster - \$54,501  
Texas Title I Priority School CY 2 ARRA - \$556,698  
Child Nutrition Cluster - \$3,983,317.

Instances/Universe:

Title I, Part A - \$583,141 out of \$1,213,868  
Teacher Principal Training and Recruiting - \$36,674 out of \$111,014  
Special Education Cluster - \$54,501 out of \$1,434,346  
Texas Title I Priority School CY 2 ARRA - \$556,698 out of \$1,184,694  
Child Nutrition Cluster - \$3,983,317 out of \$5,003,033.

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 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: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-018 - ESEA, Title I, Part A (CFDA 84.010A), ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A), Special Education Cluster (CFDA 84.027A & 84.173A), and Texas Title I Priority School CY 2 ARRA (84.388A) - Compliance - Procurement and Suspension and Debarment: 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 process conforms 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 2013 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. In fact, the bid tabulation did not indicate that a response was received from this vendor.

Title I, Part A, Teacher Principal Training and Recruiting, and Texas Title I Priority School CY 2 ARRA - The District did not obtain quotes from at least two demonstrated competent and qualified vendors for consulting and staff training services. 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, SPED Assessment (Psychological) Services, as each of these services exceeded \$100,000. In addition, the District was required to obtain at least two quotes for SPED Data Software, Speech Therapy, Legal Services, Diagnostician, Visual Impaired Services, Autism Therapy and other miscellaneous services but did not do so. 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 2013 transaction ledger for the particular vendor that was not procured appropriately as described in this finding.

Title I, Part A - \$76,806

Teacher Principal Training and Recruiting - \$49,841

Special Education Cluster - \$1,214,095

Texas Title I Priority School CY 2 ARRA - \$324,790.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

Instances/Universe:

Title I, Part A - \$76,806 out of \$1,213,868 or three out of twenty-six vendors

Teacher Principal Training and Recruiting - \$49,841 out of \$111,014 or three out of twelve vendors

Special Education Cluster - \$1,214,095 out of \$1,434,346 or twenty-five out of thirty-one vendors

Texas Title I Priority School CY 2 ARRA - \$324,790 out of \$1,184,694 or eight out of twenty-two 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 2013 and we were unable to speak to her. 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: See corrective action plan.

(Continued)



**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-019 - ESEA, Title I, Part A (CFDA 84.010A) and ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A) - Compliance - Procurement and Suspension and Debarment: Procurement**

Criteria: Federal law, specifically 34 C.F.R. 80.36, requires grantees and subgrantees to maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer or agent of the grantee or subgrantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved. Conflicts of interest arise with any member of the employee's immediate family. 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.

Condition Found: According to the federal indictment filed on February 4, 2015, an Associate Superintendent assisted a close family member in becoming an authorized vendor with BISD. From 2007-2013, the Associate Superintendent directed that all printing and graphic work prepared for Central Medical Magnet High School (CMMHS), be done through her family member's companies. The close family member dealt almost exclusively with the Associate Superintendent in doing business with CMMHS and BISD. The Associate Superintendent would instruct him on what items to produce and the quantity needed. During the time period the Associate Superintendent's family member was doing work for CMMHS and BISD, his business had no employees other than himself, and no equipment to print or mass produce any of the items he was asked to provide. Rather, he would take his order to other printing businesses that would fill the orders. The District spent more than \$50,000 for printing and graphic work and did not procure this commodity in accordance with the most restrictive requirement.

Questioned Costs/Basis: Questioned costs were determined by totaling the charges in the program fiscal year 2013 transaction ledger for those particular vendors described in this finding.

Title I, Part A - \$69,969  
Teacher Principal Training and Recruiting - \$6,494

Instances/Universe:

Title I, Part A - \$69,969 out of \$69,969 or two out of two vendors  
Teacher Principal Training and Recruiting - \$6,494 out of \$6,494 or one out of one vendor

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: The District lacked a monitoring mechanism to identify vendor services which were not appropriately procured. During this time, it was alleged that corruption was ongoing in the Central Office.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

Recommendation: We recommend the District limit the number of personnel authorized to enter into contracts and require personnel involved with recommending/awarding contracts to disclose any and all potential conflicts of interest. The District should adhere to State law and formally procure goods over \$50,000. In addition, we strongly recommend the District consider requiring the solicitation reference/method on the purchase requisition/contract documents.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-020 - 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 nonpayroll and payroll transactions, we noted there were several instances in which documentation to support the charges could not be located. Therefore, we were unable to 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 this program. Likely questioned costs were determined by dividing the amount of errors found by the total sample amount and multiplying that percentage times the total population amount. Calculations were separate for payroll and nonpayroll populations and added for total known and likely questioned costs.

Known Questioned Cost: \$11,823. Likely Questioned Cost: \$287,482.

Instances/Universe: Nonpayroll - 3 out of 60 transactions tested or \$512 of \$19,613 of a total population of \$6,272,856. Payroll - 14 out of 22 items tested or \$11,310 of \$394,608 of a total population of \$4,724,066.

Effect: Due to a lack of documentation the charges are unallowable. The District may be subject to audit by State or Federal entities and may be required to refund monies to the grantor. The District is not in compliance with provisions of the grant agreement.

Cause: Poor internal controls led to inadequate retention and maintenance of documents. 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 they are reasonable and necessary to carry out the program. In addition, documentation should be maintained to support all charges.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-021 -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, such as office supplies, life guard services, international festival and gifts. 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. In various instances, there was no description for the charges. Therefore, we could not determine if the activities were 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 this program. Likely questioned costs were determined by dividing the amount of errors found by the total sample amount and multiplying that percentage times the total population amount. Calculations were separate for payroll and nonpayroll populations and added for total known and likely questioned costs.

Known Questioned Cost: \$31,251. Likely Questioned Cost: \$561,413.

Instances/Universe: Nonpayroll - 29 out of 60 transactions tested or \$13,071 of \$37,798 of a total population of \$1,549,985. Payroll - 4 out of 16 items tested or \$3,068 of \$138,362 of a total population of \$1,874,179.

Effect: Costs incurred for unallowable activities are ineligible for reimbursement. The District may be subject to audit by State or Federal entities and may be required to refund monies to the grantor. The District is not in 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. Poor internal controls led to inadequate retention and maintenance of documents. 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 regarding 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, documentation should be maintained to support all charges.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-022 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 duplicate payments to a vendor. In addition, 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. Furthermore, sufficient documentation for charges to the program through journal entries was not available. Therefore we could not determine if the activities were allowable. In addition, the District did not perform the excess cost calculation. Therefore, we were unable to determine the District's compliance with the excess cost requirement.

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

Known questioned costs were determined by totaling the items tested that were found to be improperly charged to this program. Likely questioned costs were determined by dividing the amount of errors found by the total sample amount and multiplying that percentage times the total population amount. Calculations were separate for payroll, nonpayroll, and journal entry populations and added for total known and likely questioned costs.

Known Questioned Cost: \$71,379. Likely Questioned Cost: \$1,024,747.

Instances/Universe: Six instances of \$28,264 from a universe of \$127,746. Universe is made up of the transactions paid to one specific vendor out of the Special Education Cluster. Nonpayroll - 31 out of 60 transactions tested or \$38,217 of \$74,424 of a total population of \$1,511,163. Payroll - 8 out of 17 items tested or \$1,179 of \$170,627 of a total population of \$2,118,340. Journal entries - 3 out of 3 entries tested or \$31,983 of \$31,983 of a total population of \$277,230.

Effect: Costs incurred for unallowable activities are ineligible for reimbursement. The District may be subject to audit by State or Federal entities and may be required to refund monies to the grantor. The District is not in compliance with provisions of the grant agreement.

Cause: There appears to be no review or monitoring of expenditures for this program. Poor internal controls led to inadequate retention and maintenance of documents. 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, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

Recommendation: We recommend the District provide training to program personnel regarding program requirements and assign a responsible individual to conduct periodic reviews of charges to the program in order to ensure that they are reasonable and necessary to carry out the program. In addition, documentation should be maintained to support all charges. The District should consider segregating grant management duties amongst the various grant accountants. These duties typically include reviewing and monitoring the detailed transaction ledger periodically to identify and research unusual activity. Furthermore, the excess cost calculation should be performed annually to satisfy compliance with the requirement.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-023 - 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. We noted three positions which were not listed in the NCLB Application were charged to the program. 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. Furthermore, sufficient documentation for charges made to the program through journal entries was not available for our review. Therefore we could not determine if the activities were allowable.

As stated in the federal indictment filed February 4, 2015, an Associate Superintendent assisted a close family member in becoming an authorized vendor with BISD. From 2007-2013, the Associate Superintendent directed that all printing and graphic work prepared for Central Medical Magnet High School (CMMHS). During the time period the Associate Superintendent's family member was doing work for CMMHS and BISD, his business had no employees other than himself, and no equipment to print or mass produce any of the items he was asked to provide. Rather, he would take his order to other printing businesses that would fill the orders. After paying those vendors, the Associate Superintendent's family member would bill CMMHS or BISD, after adding an additional mark-up of up to 300% for his services. The family member would sometimes include extraordinary charges for shipping the items to CMMHS or BISD.

Questioned Costs/Basis: For items individually tested, such as journal entries and selected nonpayroll transactions, known questioned costs were determined by the amount of the improper charges.

Known questioned costs were determined by totaling the items tested that were found to be improperly charged to this program. Likely questioned costs were determined by dividing the amount of errors found by the total sample amount and multiplying that percentage times the total population amount. Calculations were separate for payroll, nonpayroll, and journal entry populations and added for total known and likely questioned costs.

Known Questioned Cost: \$452,589. Likely Questioned Cost: \$524,503.

Instances/Universe: Seven instances of \$268,168 from a universe of \$311,367.25. Universe is made up of journal entries and selected nonpayroll transactions deemed individually important. Nonpayroll - 31 out of 60 transactions tested or \$33,080 of \$54,299 of a total population of \$402,628. Payroll - 9 out of 21 items tested or \$151,007 of \$202,329 of a total population of \$620,758.

Effect: Costs incurred for unallowable activities are ineligible for reimbursement. The District may be subject to audit by State or Federal entities and may be required to refund monies to the grantor. The District is not in compliance with provisions of the grant agreement.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

Cause: Personnel was not aware of program requirements. Poor internal controls led to inadequate retention and maintenance of documents. 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 regarding program requirements and assign a responsible individual to conduct periodic reviews of the charges to ensure that they are reasonable and necessary to carry out the program. In addition, documentation should be maintained to support all charges.

View of Responsible Official: See corrective action plan.

(Continued)



**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-024 - 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: During the audit, we noted numerous instances in which unallowable expenditures were charged to the program. 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 or were insufficient to determine if the charges were allowed. Furthermore, sufficient documentation for charges made to the program through journal entries was not available for our review. Therefore we could not determine if the activities were allowable.

As stated in an indictment filed February 4, 2015, an Associate Superintendent assisted a close family member in becoming an authorized vendor with BISD. From 2007-2013, the Associate Superintendent directed that all printing and graphic work prepared for Central Medical Magnet High School (CMMHS), identified by organization code one in the official financial chart of accounts, be done through her family member's companies. The close family member dealt almost exclusively with the Associate Superintendent in doing business with CMMHS and BISD. The Associate Superintendent would instruct him on what items to produce and the quantity needed. During the time period the Associate Superintendent's family member was doing work for CMMHS and BISD, his business had no employees other than himself, and no equipment to print or mass produce any of the items he was asked to provide. Rather, he would take his order to other printing businesses that would fill the orders. After paying those vendors, the Associate Superintendent's family member would bill CMMHS or BISD, after adding an additional mark up of up to 300% for his services. The family member would sometimes include extraordinary charges for shipping the items to CMMHS or BISD.

Questioned Costs/Basis: For selected nonpayroll items individually tested, known questioned costs were determined by the amount of the improper charges.

Known questioned, costs were determined by totaling the items tested that were found to be improperly charged to this program. Likely questioned costs were determined by dividing the amount of errors found by the total sample amount and multiplying that percentage times the total population amount. Calculations were separate for payroll, nonpayroll, and journal entry populations and added for total known and likely questioned costs.

Known Questioned Cost: \$200,451. Likely Questioned Cost: \$1,750,867.

Instances/Universe: Fourteen instances of \$71,025 from a universe of \$100,678. Universe is made up of selected nonpayroll transactions deemed individually important. Nonpayroll - 46 out of 60 transactions tested or 21,053 of \$32,894 of a total population of \$1,464,448. Payroll - 24 out of 60 items tested or \$39,172 of \$461,168 of a total population of \$4,749,068. Journal entries - 6 out of 12 entries tested or \$69,201 of \$70,893 of a total population of \$549,893.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

Effect: Costs incurred for unallowable activities are ineligible for reimbursement. The District may be subject to audit by State or Federal entities and may be required to refund monies to the grantor. The District is not in compliance with provisions of the grant agreement.

Cause: There appears to be no review or monitoring of expenditures for this program. Poor internal controls led to inadequate retention and maintenance of documents. 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 regarding program requirements and assign a responsible individual to conduct periodic reviews of charges to the program in order to ensure that they are reasonable and necessary to carry out the program. In addition, documentation should be maintained to support all charges.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-025 - 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 instances in which unallowable expenditures were charged to the program through journal entries. We also noted that there was a lack of documentation or insufficient documentation to support payroll charges and other charges recorded through journal entries. Therefore we could not determine if the activities were allowable.

Questioned Costs/Basis: Known questioned costs were determined by totaling the items tested that were found to be improperly charged to this program. Likely questioned costs were determined by dividing the amount of errors found by the total sample amount and multiplying that percentage times the total population amount. Calculations were separate for payroll and journal entry populations and added for total known and likely questioned costs.

Known Questioned Cost: \$1,729. Likely Questioned Cost: \$198,356.

Instances/Universe: Payroll - 3 out of 18 items tested or \$1,427 of \$234,609 of a total population of \$1,228,460. Journal Entries - 4 out of 5 entries or \$302 of \$302 of a total population of \$192,613.

Effect: Costs incurred for unallowable activities are ineligible for reimbursement. The District may be subject to audit by State or Federal entities and may be required to refund monies to the grantor. The District is not in compliance with provisions of the grant agreement.

Cause: Personnel were not aware of program requirements. Poor internal controls led to inadequate retention and maintenance of documents. 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 regarding 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: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-026 - Head Start (CFDA 93.600) - 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 unallowable nonpayroll and payroll charges to this program. We also noted that there was insufficient documentation to support nonpayroll charges. Therefore we could not determine if the activities were allowable. We also noted that at year-end payroll expenditures of nearly \$550,000 were reclassified out of this program into the general fund, which may negate questioned costs.

Questioned Costs/Basis: For selected nonpayroll items individually tested, known questioned costs were determined by the amount of the improper charges.

Known questioned costs were determined by totaling the items tested that were found to be improperly charged to this program. Likely questioned costs were determined by dividing the amount of errors found by the total sample amount and multiplying that percentage times the total population amount. Calculations were separate for nonpayroll and journal entry populations and added for total known and likely questioned costs.

Known Questioned Cost: \$33,218. Likely Questioned Cost: \$241,156.

Instances/Universe: Two instances of \$827 from a universe of \$10,253. Universe is made up of selected nonpayroll transactions deemed individually important. Nonpayroll - 7 out of 60 transactions tested or \$4,414 of \$39,212 of a total population of \$165,287. Payroll - 2 out of 9 items tested or \$27,977 of \$370,312 of a total population of \$3,374,491.

Effect: Costs incurred for unallowable activities are ineligible for reimbursement. The District may be subject to audit by Federal entities and may be required to refund monies to the grantor. The District is not in compliance with provisions of the grant agreement.

Cause: Poor internal controls led to inadequate retention and maintenance of documents. 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 regarding program requirements and assign a responsible individual to conduct periodic reviews of charges to the program in order to ensure that they are reasonable and necessary to carry out the programs. In addition, supporting documentation should be maintained to support all charges.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-027 -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), ESEA, Title IV, Part B - 21st Century(CFDA 84.287C), Texas Title I Priority School CY 2 ARRA (CFDA 84.388A), Special Education Cluster (CFDA 84.027A & 84.173A), Head Start (CFDA 93.600) - Compliance - Allowable Costs/Cost Principles: Semi-Annual Certifications and Time and Effort**

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. Personnel activity reports must be used to support charges for multiple cost objectives.

Condition Found: Semi-annual certifications were not maintained for any of the employees paid with Child Nutrition Cluster funds. The majority of the semi-annual certifications for the employees sampled for the other programs listed in this finding were dated before the end of each certificate period. In addition, the following was noted for the programs listed below:

Title I, Part A: Two semi-annual certifications were not dated and one could not be located. For one split-funded employee, time and effort worksheets were maintained but did not include all required information.

Title II, Part A - Teacher Principal Training and Recruiting: One semi-annual certification listed the incorrect CFDA number, and three could not be located.

Title IV, Part B - 21st Century: The first semester semi-annual certifications for the selected employees reviewed were not dated.

Special Education Cluster: Three semi-annual certifications could not be located.

Head Start: Two semi-annual certifications could not be located.

We also noted a semi-annual certification for "vacant". It appears that semi-annual certifications were either pre-signed or not properly reviewed.

Questioned Costs/Basis: Unknown

Instances/Universe: Unknown

Effect: The District may be subject to audits by State or Federal entities and may be required to refund monies to the grantor. The District is not in compliance with provisions of the grant agreements.

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

Recommendation: The 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 semiannual certifications and any other time and effort documents are properly maintained.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-028 -ESEA, Title IV, Part B - 21st Century(CFDA 84.287C), Head Start (CFDA 93.600) - 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: Documentation to support various nonpayroll transactions for Head Start could not be located and documentation for journal entries for Title IV, Part B - 21<sup>st</sup> Century was not maintained. Therefore, we were unable to determine if the charges resulted from obligations incurred with the funding period.

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 amount of errors found by the total sample amount and multiplying that percentage times the total population amount for each program.

Title IV, Part B - 21<sup>st</sup> Century: Known Questioned Costs - \$71. Likely Questioned Costs - \$45,212.

Head Start: Known Questioned Costs - \$4,378. Likely Questioned Costs - \$14,078.

Instances/Universe:

Title IV, Part B - 21<sup>st</sup> Century: 2 out of 5 journal entries tested or \$71 of \$302 of a total population of 33 or \$192,613.

Head Start: 6 out of 60 nonpayroll transactions tested or \$4,378 of \$39,212 of a total population of 615 or \$165,287.

Effect: Charges to the program for which supporting documentation is not maintained are ineligible for reimbursement. These funds are subject to a refund to the grantor.

Cause: Poor internal controls led to inadequate retention and maintenance of documents. 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 ensures that documentation is maintained to support all charges.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-029 - 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), and Child Nutrition Cluster (CFDA 10.553, 10.555 & 10.559)**  
- Internal Control over Compliance - Procurement and Suspension and Debarment: Procurement

Criteria: The District is required to maintain internal controls over compliance with procurement requirements 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 lacked adequate controls over the procurement process. It appears that the prior Purchasing Director, who is no longer with the District, was unfamiliar with the federal procurement requirements as these purchases requiring procurement were not new to the District. The new Interim Purchasing Director, who was hired in 2014, is on a significant learning curve and is in need of procurement training, including training over federal procurement requirements.

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 adequate internal controls over compliance for the procurement process, the District is noncompliant with grant provisions. The District may be subject to audits by State or Federal entities and may be required to refund monies to the grantor.

Cause: The District has been troubled by incompetence and dishonest personnel in the past.

Recommendation: These findings relate to federal procurement requirements described in the Code of Federal Regulations, specifically 34 CFR Section 80.36 - Procurement. 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). The Purchasing Director should become very familiar with the new guidance.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-030 - 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), and Child Nutrition Cluster (CFDA 10.553, 10.555 & 10.559)**  
- Internal Control over Compliance and Compliance - Procurement and Suspension and Debarment: Suspension and Debarment

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

Condition Found: Based on our federal procurement walkthrough, it appears that the District does not have any policies or procedures related to suspension and debarment including the prohibition of contracting with suspended or debarred parties. Because the audit was performed long after year-end, we were unable to test compliance with information available on SAM.gov because the website provides only a current list.

Questioned Costs/Basis: Questioned costs were determined by totaling charges from vendors charged to major federal programs and paid \$25,000 or more in FY 2013, regardless of funding source.

Title I, Part A - \$1,258,807  
Teacher Principal Training and Recruiting - \$116,019  
Special Education Cluster - \$1,413,269  
Texas Title I Priority School CY 2 ARRA - \$1,524,970  
Child Nutrition Cluster - \$5,043,631

Instances/Universe:

Title I, Part A - \$1,258,807 out of \$1,258,807 or thirty-seven out of thirty-seven vendors  
Teacher Principal Training and Recruiting - \$116,019 out of \$116,019 or sixteen out of sixteen vendors  
Special Education Cluster - \$1,413,269 out of \$1,413,269 or thirty-one out of thirty-one vendors  
Texas Title I Priority School CY 2 ARRA - \$1,524,970 out of \$1,524,970 or thirty-five out of thirty-five vendors  
Child Nutrition Cluster - \$5,043,631 out of \$5,043,631 or five out of five vendors

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

Cause: The District has been troubled by incompetence and dishonest personnel in the past.

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 suspension and debarment certifications for all vendors, including sole source, internal solicitations and vendors utilized through interlocal agreements prior to awarding a contract. Policies and procedures related to suspension and debarment, including reference to the federal requirement, should be drafted and finalized.

View of Responsible Official: See corrective action plan.

(Continued)



**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-031 - ESEA, Title IV, Part B - 21st Century(CFDA 84.287C) - Internal Control over Compliance and Compliance - Procurement and Suspension and Debarment**

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.

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 process conforms 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.

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: Due to staff turnover, the Interim Purchasing Director was unsure as to when purchasing cooperatives utilized by the District in fiscal year 2013 were originally approved by board resolution.

21<sup>st</sup> Century - The District did not obtain quotes from at least two demonstrated competent and qualified vendors for consulting and staff training services as required by federal law. Professional services totaled an amount below \$100,001 and were paid with funds including federal funds.

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. Because the audit was performed long after year-end, we were unable to test compliance with information available on SAM.gov because the website provides only a current list.

Questioned Costs/Basis: Questioned costs were determined by totaling (1) the amount charged related to vendors in the programs identified within this finding that were procured under the interlocal agreement/purchasing cooperative methods; plus the charges in the program fiscal year 2013 transaction ledger for the particular vendor that was not procured appropriately as described in this finding and (3) and a separate total for charges from vendors charged to major federal programs and paid \$25,000 or more in FY 2013, regardless of funding source.

21st Century - \$37,485 of which \$26,233 relates to procurement and \$11,252 relates to suspension and debarment.

(Continued)

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2013

### FEDERAL AWARD FINDINGS (Continued)

#### Instances/Universe:

21st Century - \$37,485 out of \$50,883 of which \$26,233 or three out of forty-three vendors relates to procurement and \$11,252 or eight out of eight vendors relates to suspension and debarment requirement.

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

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.

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

Cause: The District has been troubled by incompetence and dishonest personnel in the past. 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 2013, therefore we were unable to speak to her. In addition, the District's written guidance related to procurement processes/requirements did not address federal procurement requirements.

Recommendation: The Board of Managers recently approved purchasing cooperatives expected to be utilized in fiscal year 2015 at the October 14, 2014 meeting. We believe this action has already reduced future noncompliance 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.

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 purchasing personnel in order to ensure they stay current on all purchasing requirements. Lastly, we recommend the District document all purchasing policies and procedures, including federal procurement requirements.

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

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-032 - ESEA, Title I, Part A (CFDA 84.010A), Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A), ESEA, Title IV, Part B - 21st Century (CFDA 84.287C), ESEA, Special Education Cluster (CFDA 84.027A & 84.173A) - Internal Control over Compliance and Compliance - Matching, Level of Effort, Earmarking: 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) The District does not utilize TEA's MOE calculator tool. The tool created 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) - We were unable to perform recalculations to determine compliance due to a lack of reliable information. 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 program directors and all grant related personnel regarding the different program requirements. We also recommend that the District implement procedures to ensure that the correct MOE calculator is used. In addition, controls should be implemented to closely monitor compliance on a period basis.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-033 - ESEA, Title I, Part A (CFDA 84.010A), Texas Title I Priority School CY 2 ARRA (84.388A)**

- Internal Control over Compliance and Compliance - Matching, Level of Effort, Earmarking: Level of Effort  
- 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 used to supplant non-federal funding sources.

Condition Found: We noted that controls over compliance were not properly designed or implemented. The fiscal year 2013 general fund budget did not exceed or equal fiscal year 2012 actual expenditures, however, we were unable to obtain sufficient audit evidence to support an opinion on the financial statements as a whole. As a result, we were unable to determine compliance with this program requirement. For the two campuses tested, the District did not prepare campus budgets with general funds that equaled or exceeded actual expenditures for the prior fiscal year. This fails to ensure that the District provides the same level of services with non-federal funds that were provided in the prior year. It was noted that the general fund campus budgets do not include payroll costs; they are budgeted under separate categories at the District level and by function. We were not able to obtain the budgeted payroll costs by campus.

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.

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: See corrective action plan.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-034 - 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), ESEA, Title IV, Part B - 21st Century (CFDA 84.287C), Texas Title I Priority School CY 2 ARRA (84.388A); Special Education Cluster (CFDA 84.027A & 84.173A), Head Start (CFDA 93.600) - Internal Control over Compliance - Activities Allowed or Unallowed; Allowable Costs/Cost Principles**

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

Condition Found: During the audit, we noted approvals by unauthorized individuals, lack of and inadequate supporting documentation and incorrectly coded transactions primarily because the item was unallowable, 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 or inadequate supporting documentation and lack of internal controls increase the risk of misappropriation of assets and potential misreporting of financial statement and federal award amounts due to fraud or error. 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: 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 segregating grant management duties amongst the various grant accountants. These duties typically include reviewing and monitoring the detailed transaction ledger periodically to identify and research unusual activity. 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: See corrective action plan.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-035 - 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), ESEA, Title IV, Part B - 21st Century (CFDA 84.287C), Special Education Cluster (CFDA 84.027A & 84.173A) - Internal Controls over Compliance - Allowable Costs/Cost Principles: Segregation of Duties and 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 fraud and error.

Condition Found: Individuals in the finance department had the ability to initiate, approve and post journal entries in 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 subsequently reversed as a result of errors. Furthermore, there was inadequate documentation to support journal entries and no procedures 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 fraud or error.

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

View of Responsible Official: See corrective action plan.

(Continued)

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-036 - ESEA, Title I, Part A (CFDA 84.010A), ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A), ESEA, Title IV, Part B - 21st Century (CFDA 84.287C), Texas Title I Priority School CY 2 ARRA (CFDA 84.388A), Special Education Cluster (CFDA 84.027A & 84.173A), Head Start (CFDA 93.600) - 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 with general fund resources before reimbursement is requested. 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 for the federal grants listed for this finding 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 in specific programs were written off as of August 31, 2013. The District may end up requesting funds from the grantor or pass-through entity before actually incurring the program costs.

Cause: Turnover and reassignment of personnel along with lack of training for grant accountants and directors.

Recommendation: We recommend monthly grant reconciliations be performed to ensure revenue and the related receivables are properly recognized. We recommend that the District cease the use of the "Negative Cash" report as the basis for requesting reimbursements and use the District's accounting records, i.e., expenditures in the general ledger for the program. We also recommend the District provide training to appropriate personnel regarding the reimbursement process for federal funds.

View of Responsible Official: See corrective action plan.

(Continued)

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-037 - 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.

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 periodic reviews. In addition, supporting documentation should be maintained.

View of Responsible Official: We agree with the finding.



**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-038 -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 \$2.51 for school year 2012-13) 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 for school year 2012-2013 was not provided. Therefore, we were unable to determine compliance with the requirement.

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: We recommend that the District maintain appropriate documentation and implement adequate controls to satisfy compliance with program requirements.

View of Responsible Official: See corrective action plan.

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-039 - Child Nutrition Cluster (CFDA 10.553, 10.555 & 10.559) - Internal Controls over Compliance and Compliance - Special Tests and Provisions: Verification of Free and Reduced Price Applications (NSLP)**

Criteria: By November 15<sup>th</sup> of each school year, the District must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals, unless the District is otherwise exempt from the verification requirement. The verification sample size is based on the total number of approved applications on file on October 1<sup>st</sup>. In accordance with OMB A-102, records pertinent to a federal award must be retained for a period of three years from the date of submission, while the State statute requires that all documentation be maintained for seven years.

Condition Found: Due to a computer crash of an individual computer, the data supporting the verification of free and reduced price meal applications, was not retrievable. The information was stored on the individual computer; no backup procedures were performed. As a result, we were not able to test whether or not the District was in compliance with this program requirement.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: The District is not in compliance with provisions of the grant agreement or with federal record retention requirements.

Cause: Storage of pertinent information on an individual computer with no data backup.

Recommendation: We recommend that the District implement proper data backup and recovery procedures to ensure compliance with federal and state record retention requirements.

View of Responsible Official: See corrective action plan.

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-040 - ESEA, Title I Part A (CFDA 84.010A) - Internal Control over Compliance and Compliance - Eligibility**

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

Condition Found: Based on the Title I, Part A campus allocation planning budget provided, it appears the District allocated a higher amount per child to schools with lower percentages of poverty than to a school with a higher percentage. Furthermore, the schedule did not show reservations for neglected and homeless children before campus allocations. In addition, the final amount listed for summer school does not follow the calculation applied and appears unreasonable when compared to the prior year and actual expenditures. Therefore, due to a lack of additional information or justification, we determined that the District was not in compliance with the requirement and that controls were not properly designed and implemented.

Instances/Universe: N/A

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

Cause: Unknown as staff responsible for the budget allocations were not available at the time of our audit.

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

View of Responsible Official: See corrective action plan.

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-041 - ESEA, Title I Part A (CFDA 84.010A) - Internal Control over Compliance and Compliance - Matching, Level of Effort, Earmarking: Earmarking**

Criteria: In a school in its first year of school improvement under Section 1116(b)(1)(A) of the ESEA, the District is required to provide choice-related transportation. In a school in its second year of school improvement under Section 1116(b)(5), corrective action under Section 1116(b)(7), or restructuring under Section 1116(b)(8), the District is required to provide choice-related transportation and supplemental educational services. The District must spend an amount equal to at least 20 percent of its allocation to provide such services, unless a lesser amount is needed to satisfy all requests. In accordance with OMB A-102, records pertinent to a federal award must be retained for a period of three years from the date of submission, while the State statute requires that all documentation be maintained for seven years.

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

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: The District was not in compliance with this federal requirement and may be required to refund certain monies to the awarding agency.

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

Recommendation: As a result of the flexibility waiver, this requirement is not applicable effective for the year 2013-2014. However, We recommend the District adheres to record retention policies in order to ensure that adequate documentation is maintained to satisfy compliance with program requirements.

View of Responsible Official: See corrective action plan.

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-042 - ESEA, Title I, Part A (CFDA 84.010A) - Internal Control over Compliance and Compliance - Reporting: Special Reporting**

Criteria: The District is required to submit a mid-year collection report of Actual Financial Data and per pupil expenditures to the Texas Education Agency.

Condition Found: We noted discrepancies in General Fund expenditures and All Funds revenues and expenditures between the Actual Financial Data Review 2012-2013 Mid-Year Collection report for Fiscal Year 2012, dated February 15, 2013 and the 2012 Comprehensive Annual Financial Report with an issue date of January 18, 2013.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: The District submitted inaccurate summary and per student financial data to the Texas Education Agency.

Cause: Unknown as staff responsible for verifying the accuracy of the data were not available at the time of our audit.

Recommendation: We recommend that the PEIMS reports data be reviewed and approved by a qualified individual before submitting the data to the Texas Education Agency in order to ensure accurate reporting.

View of Responsible Official: See corrective action plan.

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-043 - 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 and Compliance - Special Tests and Provisions: Participation of Private School Children**

Criteria: (1) For programs funded under Title I, Part A, the District, after timely and meaningful consultation with private school officials, must provide equitable services to eligible private school children, their teachers, and their families. Title I, Part A funds must be allocated to each participating public school attendance area on the basis of the total number of children from low-income families residing in that area. (2) For all other programs, the District receiving financial assistance must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under the program.

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

Condition Found: The District could not provide the information related to the allocation and amount of expenditures for private school children. Therefore, we were unable to determine if the District's controls were properly designed and implemented and if it complied with the requirement.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

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

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

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

View of Responsible Official: See corrective action plan.

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-044 - ESEA, Title I Part A (CFDA 84.010A) - Compliance - Special Tests and Provisions: Schoolwide Programs**

Criteria: To operate a schoolwide program, a school must include three core elements and the schoolwide plan must include specific components in accordance with 34 CFR section 200.28.

Condition Found: The two Campus Improvement Plans reviewed did not contain all components required by 34 CFR section 200.28.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: The District was not in compliance with the requirement.

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 Campus Improvement Plans contain the required components. In addition, the District must ensure that a Campus Improvement Plan is developed for each schoolwide campus and approved by the Board.

View of Responsible Official: See corrective action plan.

BEAUMONT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-045 - ESEA, Title I Part A (CFDA 84.010A) - Internal Control over Compliance and Compliance - Special Tests and Provisions: Identifying Schools Needing Improvements**

Criteria: The District must annually review the progress of each school served under Title I, Part A to determine whether the school has made adequate yearly progress. The District must identify for school improvement any school that fails to make adequate yearly progress, as defined by TEA, for two consecutive school years.

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

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

Questioned Costs/Basis: N/A

Instances/Universe: N/A

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

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

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

View of Responsible Official: See corrective action plan.



**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-046 - ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A) - Internal Control over Compliance and Compliance - Special Tests and Provisions: Assessment of Need**

Criteria: The District must conduct an assessment of local needs for professional development and hiring, as identified by the District and school staff. The needs assessment must be conducted with the involvement of teachers, including teachers who work in Title I, Part A targeted assistance programs and schoolwide program schools.

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

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

Questioned Costs/Basis: N/A

Instances/Universe: N/A

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

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

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

View of Responsible Official: See corrective action plan.

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-047 - Texas Title I Priority School CY 2 ARRA (CFDA 84.388A) - Internal Control over Compliance and Compliance - Special Tests and Provisions: Total Cost per Year Limitation**

Criteria: Based on the grant application for Smith Middle School, total costs for each grant year may not exceed \$2,000,000.

Condition Found: Expenditures for grant year two for Smith MS exceeded the \$2,000,000 cost per year limitation imposed by TEA by \$799,562. No documentation was provided that indicated that the requirement was waived by TEA. Therefore, the District is in noncompliance with the requirement.

Questioned Costs/Basis: \$799,562

Instances/Universe: N/A

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

Cause: Unknown as staff responsible for monitoring compliance with this requirement were not available at the time of our audit.

Recommendation: We recommend that the District provide adequate training to personnel regarding program requirements and assign a responsible individual to monitor expenditures to ensure that spending limitations are observed.

View of Responsible Official: See corrective action plan.

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-048 - Special Education Cluster (CFDA 84.027A & 84.173A) - Internal Control over Compliance and Compliance - Matching, Level of Effort, Earmarking: Earmarking**

Criteria: The District can use not more than 15 percent of the amount of federal funds in combination with other funds for early intervening services for children in kindergarten through grade 12 who have not been identified under IDEA but need additional academic and behavioral support to succeed in the general education environment (20 USC 1413(f); 34 CFR section 300.226).

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

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

Questioned Costs/Basis: N/A

Instances/Universe: N/A

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

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

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

View of Responsible Official: See corrective action plan.

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-049 - Head Start (CFDA 93.600) - Internal Control over Compliance - Matching, Level of Effort, Earmarking: Matching**

Criteria: The District is required to maintain internal controls over compliance, including Matching, to provide a high level of assurance that activities and costs used for matching are from an allowable source and in compliance with cost principles.

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

Condition Found: We noted that the mileage summary sheet for May 2013 used for matching appears to be a copy of the April 2013 mileage summary. The District could not locate the individual mileage sheets for May 2013 to determine the appropriate mileage.

Questioned Costs/Basis: N/A

Instances/Universe: N/A

Effect: Lack of supporting documentation and lack of internal controls increases the risk that activities used for matching are unallowable and that amounts are misreported due to fraud or error and may result in termination or reduced funding of future awards.

Cause: Unknown.

Recommendation: We recommend that the District maintain appropriate documentation to support the monthly mileage summaries and have a second individual verify the accuracy of the summary, including verifying the existence of the underlying individual mileage sheets. The District should adhere to its record retention policies in order to ensure that adequate documentation is maintained to satisfy compliance with program requirements.

View of Responsible Official: See corrective action plan.

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS**

**FOR THE YEAR ENDED AUGUST 31, 2013**

<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**

There were no prior year findings.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior year findings.

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS**

**2013-001 - State Compliance - Submission of Audited Financial Statements**

Corrective Action Plan: The District will submit the August 31, 2013 audit to the Texas Education Agency immediately after it is released to the District. The District has already begun planning for the fiscal year 2015 audit to ensure that it is submitted within 150 days after August 31, 2015.

Anticipated Completion Date: No later than January 27, 2016

Responsible Party: Chief Financial Officer

**2013-002 - State Compliance - Procurement - Interlocal Agreements/Purchasing Cooperatives**

Corrective Action Plan: 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.

Anticipated Completion Date: Immediately

Responsible Party: Purchasing Coordinator/Director

**2013-003 - State Compliance - Procurement**

Corrective Action Plan: The District will implement procedures to ensure all procurement actions are fully justified and properly documented in the procurement files.

Anticipated Completion Date: Immediately

Responsible Party: Purchasing Coordinator/Director

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** (Continued)

**2013-004 - State Compliance - Procurement**

Corrective Action Plan: The District will verify that vendors are not suspended or debarred by the State or Federal governments by checking the Texas Comptrollers website as well as the sam.gov website prior to awarding any contracts to vendors. The District will also take into consideration vendor reputation and past relationships when awarding contracts to vendors and will document all decisions regarding procurement actions in the appropriate procurement files.

Anticipated Completion Date: Immediately

Responsible Party: Purchasing Coordinator/Director

**2013-005 - State Compliance - State Mandated Programs - Required Expenditure Percentage**

Corrective Action Plan: The District will monitor expenditures charged to the state-mandated program to ensure that the spending requirements are met.

Anticipated Completion Date: Immediately

Responsible Party: Chief Financial Officer

**2013-006 - State Compliance - State Mandated Programs - Allowable Direct Costs**

Corrective Action Plan: The District will review expenditures charged to the state mandated programs and verify their allowability. The District will maintain documentation to support all charges to the state mandated programs.

Anticipated Completion Date: Immediately

Responsible Party: Chief Financial Officer

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** (Continued)

**2013-007 - State Compliance - District and Campus Improvement Plans**

Corrective Action Plan: The District will follow the requirements of the Texas Education Code and Module 9 of the Financial Accountability Resource Guide (FASRG) to ensure that all required components of the District and Campus Improvement Plans are included.

Anticipated Completion Date: Immediately

Responsible Party: Director of Title Programs

**2013-008 - State Compliance - Public Funds Investment Act**

Corrective Action Plan: The District will ensure that the local investment policy is reviewed and approved by the Board. In addition, the Board will approve the independent sources that are allowed to provide training to the investment officers. All investment officers will receive the required number of hours of investment training. In addition, management will present to the Board Quarterly Investment Reports.

Anticipated Completion Date: No later than August 31, 2015

Responsible Party: Chief Financial Officer

**2013-009 - State Compliance - Budget Overages**

Corrective Action Plan: The District will prepare monthly budget-to-actual financial reports to ensure adherence to the adopted budget.

Anticipated Completion Date: Immediately

Responsible Party: Chief Financial Officer



**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** (Continued)

**2013-010 - State Compliance - Student Attendance**

Corrective Action Plan: 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.

Anticipated Completion Date: Immediately

Responsible Party: Chief Financial Officer and Supervisor of Student Attendance

**2013-011 - Financial Reporting - Internal Controls - Reconciliation of Grants**

Corrective Action Plan: The District will utilize 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.

Anticipated Completion Date: Immediately

Responsible Party: Chief Financial Office

**2013-012 - Financial Reporting - Internal Controls - Segregation of Duties and Reconciliation of Accounts**

Corrective Action Plan: The District has already set up controls over wire transfers, bank reconciliation processes and segregation of duties over journal entries and rate changes. 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.

Anticipated Completion Date: Immediately

Responsible Party: Chief Financial Officer

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FINANCIAL STATEMENT FINDINGS** (Continued)

**2013-013 - Financial Reporting - Internal Controls - Documentation**

Corrective Action Plan: 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.

Anticipated Completion Date: No later than August 31, 2015

Responsible Party: Chief Financial Officer

**2013-014 - Financial Reporting - Internal Controls - Coding**

Corrective Action Plan: 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.

Anticipated Completion Date: Immediately

Responsible Party: Chief Financial Officer

**2013-015 - Financial Reporting - Internal Controls - Duplicate Vendors**

Corrective Action Plan: 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.

Anticipated Completion Date: Immediately

Responsible Party: Purchasing Director

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS**

**2013-016 - All Federal Programs - Compliance - Data Collection Form**

Corrective Action Plan: The District will ensure that the Data Collection Form is submitted to the Federal Clearinghouse in a timely manner.

Anticipated Completion Date: Immediately

Responsible Party: Chief Financial Officer

**2013-017 - 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), and Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559) - Compliance - Procurement and Suspension and Debarment: Procurement**

Corrective Action Plan: The Board of Manager has approved purchasing cooperatives expected to be utilized in fiscal year 2015 during the October 4, 2014 meeting.

Anticipated Completion Date: Immediately

Responsible Party: Purchasing Director

**2013-018 - ESEA, Title I, Part A (CFDA 84.010A), ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A), Special Education Cluster (CFDA 84.027A & 84.173A), and Texas Title I Priority School CY 2 ARRA (84.388A) - Compliance - Procurement and Suspension and Debarment: Procurement**

Corrective Action Plan: 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.

Anticipated Completion Date: Immediately

Responsible Party: Purchasing Director

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-019 - ESEA, Title I, Part A (CFDA 84.010A) and ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A) - Compliance - Procurement and Suspension and Debarment: Procurement**

Corrective Action Plan: The District will require all employees to disclose conflicts of interest. 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.

Anticipated Completion Date: Immediately

Responsible Party: Purchasing Director

**2013-020 - Child Nutrition Cluster (CFDA 10.553, 10.555 & 10.559) - Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles**

Corrective Action Plan: The District will implement procedures to ensure adequate documentation is maintained to support all charges to the federal program.

Anticipated Completion Date: Immediately

Responsible Party: Chief Financial Officer

**2013-021 - Texas Title I Priority School CY 2 ARRA (84.388A) - Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles**

Corrective Action Plan: Through the electronic approval process, the program director will ensure that only allowable activities and costs are charged to the federal program. The District will implement procedures to ensure adequate documentation is maintained to support all charges to the federal program.

Anticipated Completion Date: Immediately

Responsible Party: Title Programs Director and Grant Accountant

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-022 Special Education Cluster (CFDA 84.027A & 84.173A) - Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles**

Corrective Action Plan: 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. The District will perform the excess calculation and ensure compliance with federal requirements.

Anticipated Completion Date: Immediately

Responsible Party: Special Education Director, Grant Accountant, Payroll and Benefits Specialist

**2013-023 - ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A) - Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles**

Corrective Action Plan: 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. The District will maintain adequate documentation support all charges to the federal program.

Anticipated Completion Date: Immediately

Responsible Party: Title Program Director, Grant Accountant, Payroll and Benefits Specialists

**2013-024 - ESEA, Title I, Part A (CFDA 84.010A) Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles**

Corrective Action Plan: 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.

Anticipated Completion Date: Immediately

Responsible Party: Title Program Director, Grant Accountant, Payroll and Benefits Specialists

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-025 - ESEA, Title IV, Part B - 21<sup>st</sup> Century (CFDA 84.287C) - Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles**

Corrective Action Plan: 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.

Anticipated Completion Date: Immediately

Responsible Party: Title Programs Director, Grant Accountant, Payroll and Benefits Specialists

**2013-026 - Head Start (CFDA 93.600) - Compliance - Activities Allowed or Unallowed & Allowable Costs/Cost Principles**

Corrective Action Plan: 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.

Anticipated Completion Date: Immediately

Responsible Party: Program Director, Grant Accountant, Payroll and Benefits Specialist.

**2013-027 -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), ESEA, Title IV, Part B - 21st Century(CFDA 84.287C), Texas Title I Priority School CY 2 ARRA (CFDA 84.388A), Special Education Cluster (CFDA 84.027A & 84.173A), Head Start (CFDA 93.600) - Compliance - Allowable Costs/Cost Principles: Semi-Annual Certifications and Time and Effort**

Corrective Action Plan: Program directors will ensure that semi-annual certifications for employees funded 100 percent from their federal programs are prepared on a timely basis and by the appropriate personnel. 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.

Anticipated Completion Date: No later than August 31, 2015

Responsible Party: Federal Program Directors, Grant Accountant and Chief Financial Officer

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-028 - ESEA, Title IV, Part B - 21st Century (CFDA 84.287C), Head Start (CFDA 93.600) - Internal Control over Compliance and Compliance - Period of Availability**

Corrective Action Plan: 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.

Anticipated Completion Date: Immediately

Responsible Party: Grant Accountant, Title Programs Director and Chief Financial Officer

**2013-029 - 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), and Child Nutrition Cluster (CFDA 10.553, 10.555 & 10.559) - Internal Control over Compliance - Procurement and Suspension and Debarment: Procurement**

Corrective Action Plan: The Purchasing Director will receive training to ensure that all state and federal procurement requirements are understood and followed.

Anticipated Completion Date: Immediately

Responsible Party: Chief Financial Officer and Purchasing Director

**2013-030 - 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), and Child Nutrition Cluster (CFDA 10.553, 10.555 & 10.559) - Internal Control over Compliance and Compliance - Procurement and Suspension and Debarment: Suspension and Debarment**

Corrective Action Plan: 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 [www.sam.gov](http://www.sam.gov) to ensure vendors the district is contemplating doing business with are not suspended or debarred.

Anticipated Completion Date: Immediately

Responsible Party: Purchasing Director

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-031 - ESEA, Title IV, Part B - 21st Century(CFDA 84.287C) - Internal Control over Compliance and Compliance - Procurement and Suspension and Debarment**

Corrective Action Plan: The Purchasing Director will receive training to ensure that all state and federal procurement requirements are understood and followed.

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

Anticipated Completion Date: Immediately

Responsible Party: Purchasing Director

**2013-032 - ESEA, Title I, Part A (CFDA 84.010A), Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A), ESEA, Title IV, Part B - 21st Century (CFDA 84.287C), ESEA, Special Education Cluster (CFDA 84.027A & 84.173A) - Internal Control over Compliance and Compliance - Matching, Level of Effort, Earmarking: Level of Effort - Maintenance of Effort**

Corrective Action Plan: 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.

Anticipated Completion Date: No later than May 2015

Responsible Party: Special Education Department and Chief Financial Officer

**2013-033 - ESEA, Title I, Part A (CFDA 84.010A), Texas Title I Priority School CY 2 ARRA (84.388A)**  
- Internal Control over Compliance and Compliance - Matching, Level of Effort, Earmarking: Level of Effort  
- Supplement not Supplant

Corrective Action Plan: 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.

Anticipated Completion Date: Immediately

Responsible Party: Title Programs Director and Chief Financial Officer



BEAUMONT INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2013

**FEDERAL AWARD FINDINGS** (Continued)

**2013-034 - 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), ESEA, Title IV, Part B - 21st Century (CFDA 84.287C), Texas Title I Priority School CY 2 ARRA (84.388A); Special Education Cluster (CFDA 84.027A & 84.173A), Head Start (CFDA 93.600) - Internal Control over Compliance - Activities Allowed or Unallowed; Allowable Costs/Cost Principles**

Corrective Action Plan: 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.

Anticipated Completion Date: Immediately

Responsible Party: Program Directors and Grant Accountants

**2013-035 - 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), ESEA, Title IV, Part B - 21st Century (CFDA 84.287C), Special Education Cluster (CFDA 84.027A & 84.173A) - Internal Controls over Compliance - Allowable Costs/Cost Principles: Segregation of Duties and Documentation**

Corrective Action Plan: 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.

Anticipated Completion Date: Immediately

Responsible Party: Chief Financial Officer

**2013-036 - ESEA, Title I, Part A (CFDA 84.010A), ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A), ESEA, Title IV, Part B - 21st Century (CFDA 84.287C), Texas Title I Priority School CY 2 ARRA (CFDA 84.388A), Special Education Cluster (CFDA 84.027A & 84.173A), Head Start (CFDA 93.600) - Internal Controls over Compliance and Compliance - Reporting: Financial Reporting**

Corrective Action Plan: 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.

Anticipated Completion Date: Immediately

Responsible Party: Grant Accountant

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-037 - Child Nutrition Cluster (CFDA 10.553, 10.555 & 10.559) - Internal Control over Compliance - Program Income**

Corrective Action Plan: 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.

Anticipated Completion Date: August 31, 2015

Responsible Party: Child Nutrition Director and Business Office Accountants

**2013-038 - Child Nutrition Cluster (CFDA 10.553, 10.555 & 10.559) - Internal Controls over Compliance and Compliance - Special Tests and Provisions: Paid Lunch Equity**

Corrective Action Plan: All documentation will be maintained for the paid lunch equity calculation and the Grant Accountant or Chief Financial Officer will review the calculation.

Anticipated Completion Date: Immediately

Responsible Party: Grant Accountant and Child Nutrition Director

**2013-039 - Child Nutrition Cluster (CFDA 10.553, 10.555 & 10.559) - Internal Controls over Compliance and Compliance - Special Tests and Provisions: Verification of Free and Reduced Price Applications (NSLP)**

Corrective Action Plan: The District will ensure that data is properly backed up and recovery procedures are in place to ensure compliance with record retention requirements.

Anticipated Completion Date: Immediately

Responsible Party: Director of Children Nutrition and Director of Information Technology

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-040 - ESEA, Title I Part A (CFDA 84.010A) - Internal Control over Compliance and Compliance - Eligibility**

Corrective Action Plan: The Title I Program director, in conjunction with the grant accountant, will prepare the campus allocation in accordance with federal requirements. The Chief Financial Officer will review the calculation to ensure compliance and accuracy.

Anticipated Completion Date: August 31, 2015

Responsible Party: Title Programs Director, Grant Accountant and Chief Financial Officer

**2013-041 - ESEA, Title I Part A (CFDA 84.010A) - Internal Control over Compliance and Compliance - Matching, Level of Effort, Earmarking: Earmarking**

Corrective Action Plan: This requirement is no longer applicable effective for the year 2013-2014 as a result of the Flexibility Waiver. However, the District will adhere to record retention policies to ensure adequate documentation is maintained to satisfy compliance with all federal requirements.

Anticipated Completion Date: Immediately

Responsible Party: Chief Financial Officer

**2013-042 - ESEA, Title I, Part A (CFDA 84.010A) - Internal Control over Compliance and Compliance - Reporting: Special Reporting**

Corrective Action Plan: The PEIMS reports will be reviewed and approved by the Grant Accountant.

Anticipated Completion Date: January 2016

Responsible Party: Chief Financial Officer

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-043 - 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 and Compliance - Special Tests and Provisions: Participation of Private School Children**

Corrective Action Plan: The District will provide equitable services to eligible private school children, their teachers and their families. In addition, the District will adhere to record retention policies to ensure adequate documentation is maintained to satisfy compliance with all federal requirements.

Anticipated Completion Date: August 31, 2015

Responsible Party: Title Programs Direct and Chief Financial Officer

**2013-044 - ESEA, Title I Part A (CFDA 84.010A) - Compliance - Special Tests and Provisions: Schoolwide Programs**

Corrective Action Plan: The campus improvement plans will be reviewed to ensure all required components are included in the plans. The District will present the campus improvement plans to the Board for approval.

Anticipated Completion Date: Immediately

Responsible Party: Title Programs Director

**2013-045 - ESEA, Title I Part A (CFDA 84.010A) - Internal Control over Compliance and Compliance - Special Tests and Provisions: Identifying Schools Needing Improvements**

Corrective Action Plan: The District will adhere to record retention policies to ensure adequate documentation is maintained to satisfy compliance with all federal requirements.

Anticipated Completion Date: Immediately

Responsible Party: Title Programs Director and Chief Financial Officer

**BEAUMONT INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2013**

**FEDERAL AWARD FINDINGS** (Continued)

**2013-046 - ESEA, Title II, Part A - Teacher Principal Training and Recruiting (CFDA 84.367A) - Internal Control over Compliance and Compliance - Special Tests and Provisions: Assessment of Need**

Corrective Action Plan: The District will conduct a professional development needs assessment and involve teachers to participate in the assessment. The District will also adhere to record retention policies to ensure adequate documentation is maintained to satisfy compliance with all federal requirements.

Anticipated Completion Date: Immediately

Responsible Party: Title Programs Director and Chief Financial Officer

**2013-047 - Texas Title I Priority School CY 2 ARRA (CFDA 84.388A) - Internal Control over Compliance and Compliance - Special Tests and Provisions: Total Cost per Year Limitation**

Corrective Action Plan: The Grant Accountant will monitor expenditures on a monthly basis.

Anticipated Completion Date: Immediately

Responsible Party: Grant Accountant and Chief Financial Officer

**2013-048 - Special Education Cluster (CFDA 84.027A & 84.173A) - Internal Control over Compliance and Compliance - Matching, Level of Effort, Earmarking: Earmarking**

Corrective Action Plan: The District will track expenditures to ensure that no more than 15% are spent on early intervening services. In addition, the District will adhere to record retention policies to ensure adequate documentation is maintained to satisfy compliance with all federal requirements.

Anticipated Completion Date: Immediately

Responsible Party: Special Education Director and Grant Accountant

**2013-049 - Head Start (CFDA 93.600) - Internal Control over Compliance - Matching, Level of Effort, Earmarking: Matching**

Corrective Action Plan: The Grant Accountant, in conjunction with the Head Start Director, will track expenditures used for matching to ensure they are allowable. The District will also adhere to record retention policies to ensure adequate documentation is maintained to satisfy compliance with all federal requirements.

Anticipated Completion Date: Immediately

Responsible Party: Grant Accountant, Head Start Director and Chief Financial Officer

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2013

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Programs</u>			
Naval JROTC	12.000	N/A	\$ 195,586
Total Direct Programs			\$ 195,586
<b>TOTAL DEPARTMENT OF DEFENSE</b>			<b>\$ 195,586</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through ESC - Region 10</u>			
McKinney-Vento Texas Support for Homeless Ed.	84.196	123910	\$ 29,438
Total Passed Through ESC - Region 10			\$ 29,438
<u>Passed Through State Department of Education</u>			
Adult Education (ABE) - Federal	84.002A	134100017110484	\$ 458,029
ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101123910	6,602,624
ESEA, Title I, Part D, Subpart 2 - Delinquent	84.010A	13610103123910	85,440
Title I - School Improvement Program	84.010A	13610112123910008	236
Title I - School Improvement Program	84.010A	13610112123910104	6,303
Title I - School Improvement Program	84.010A	13610112123910125	36,130
Total CFDA Number 84.010A			6,730,733
*IDEA - Part B, Formula	84.027A	136600011239106600	3,779,832
*IDEA - Part B, Formula RDSPD	84.027A	136600011239106601	39,186
*IDEA - Part B, High Cost Risk Pool	84.027A	136600021239106673	50,381
Total CFDA Number 84.027A			3,869,399
*IDEA - Part B, Preschool	84.173A	136610011239106610	75,856
*IDEA - Part B, Preschool Deaf	84.173A	136610011239106611	3,050
Total CFDA Number 84.173A			78,906
IDEA, Part C - Early Intervention (Deaf)	84.181A	133911011239103911	869
Career and Technical - Basic Grant	84.048A	13420006123910	323,563
Title IV, Pt B-21st Century Community Learning	84.287C	126950147110008	1,488,559
Title III, Part A - English Language Acquisition	84.365A	13671001123910	187,508
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501123910	1,335,152
Summer School LEP	84.369A	69551202	11,154
Texas Title I Priority School (ARRA)	84.388A	105520017110007	1,399,113
Texas Title I Priority School CY 2 (ARRA)	84.388A	105520067110003	2,465,671
Total CFDA Number 84.388A			3,864,784
Total Passed Through State Department of Education			\$ 18,348,656
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 18,378,094</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Direct Programs</u>			
Head Start	93.600	2E16G	\$ 3,031,741
Total Direct Programs			\$ 3,031,741
<u>Passed Through Texas Workforce Commission</u>			
Child Care and Development Fund - TWC Partnership	93.596	1813CCM000	\$ 50,502
Total Passed Through Texas Workforce Commission			\$ 50,502
<u>Passed Through Texas Department of Education</u>			
Temporary Assistance for Needy Families	93.558	133625017110457	\$ 86,209
Total Passed Through Texas Department of Education			\$ 86,209

BEAUMONT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2013

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<u>Passed Through Texas Dept of Health &amp; Human Svcs</u>			
Medicaid Administrative Claiming Program - MAC	93.778	123910	\$ 105,107
Total Passed Through Texas Dept of Health & Human Svcs			\$ 105,107
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 3,273,559</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401401	\$ 2,563,655
*National School Lunch Program - Cash Assistance	10.555	71301401	6,625,754
**National School Lunch Prog. - Non-Cash Assistance	10.555	00654	662,889
Total CFDA Number 10.555			7,288,643
*Summer Food Service Program	10.559	00654	219,822
Child and Adult Care Food Program	10.558	00654	14,990
Fresh Fruit and Vegetable Program	10.582	00654	20,176
Total Passed Through State Department of Agriculture			\$ 10,107,286
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 10,107,286</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 31,954,525</b>

\* and \*\* Clustered Programs as required by OMB A-133 Compliance Supplement, March 2013

# BEAUMONT INDEPENDENT SCHOOL DISTRICT

## NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2013

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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 either the General Fund, a Special Revenue Fund, or the Debt Service Fund which are Governmental Fund types. With this measurement focus, only current assets and deferred outflows of resources, 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 2013.
4. Commodity assistance is reported by the CFDA numbers of the programs under which USDA donated the commodities.



**BEAUMONT INDEPENDENT SCHOOL DISTRICT****NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS****YEAR ENDED AUGUST 31, 2013**

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

Program Title	Federal CFDA Number	Amount
Naval JROTC	12.000	\$ 195,586
Summer School LEP	84.369A	11,154
Indirect costs - Various	84.XXX	<u>242,781</u>
		449,521
SHARS (not included on Exhibit K-1)		<u>684,066</u>
		<u>\$ 1,133,587</u>

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

Expenditures of federal awards per Exhibit K-1	\$ 31,954,525
Build America Bonds - Federal interest subsidy	1,106,098
School Health and Related Services (SHARS) reimbursements	<u>684,066</u>
Total federal revenue per Exhibit C-3	<u>\$ 33,744,689</u>

