

BALLINGER INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended August 31, 2016

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF THE BOARD	1	
 FINANCIAL SECTION		
Independent Auditor’s Report	2-3	
Management’s Discussion and Analysis	4-8	
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements		
Statement of Net Position	9	A-1
Statement of Activities.....	10	B-1
Fund Financial Statements		
Balance Sheet - Governmental Funds.....	11	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14	C-4
Statement of Net Position - Proprietary Funds.....	15	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	16	D-2
Statement of Cash Flows - Proprietary Funds.....	17	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	18	E-1
Statement of Changes in Fiduciary Fund Net Position - Fiduciary Funds	19	E-2
Notes to the Financial Statements	20-39	
<u>Required Supplementary Information</u>		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	40	F-1
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas	41	F-2
Schedule of District’s Contributions - Teacher Retirement System of Texas	42	F-3
Notes to the Required Supplementary Information.....	43	
<u>Other Supplementary Information</u>		
Combining Balance Sheet - Nonmajor Governmental Funds.....	44-46	G-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	47-49	G-2
Required TEA Schedules		
Schedule of Delinquent Taxes Receivable.....	50-51	H-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Child Nutrition Program.....	52	H-2
 COMPLIANCE AND INTERNAL CONTROLS SECTION		
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53-54	
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	55-56	
Schedule of Findings and Questioned Costs.....	57-59	
Schedule of Status of Prior Findings	60	
Corrective Action Plan	61	
Schedule of Expenditures of Federal Awards.....	62	I-1
Notes to the Schedule of Expenditures of Federal Awards	63	

CERTIFICATE OF THE BOARD

BALLINGER INDEPENDENT SCHOOL DISTRICT
Name of School District

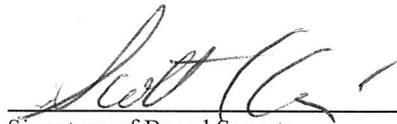
RUNNELS
County

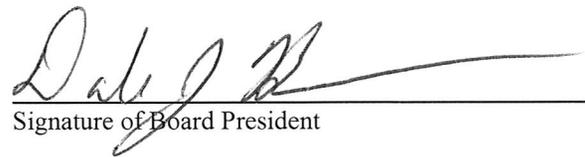
200-901
County -
District
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

X approved ___ disapproved for the year ended August 31, 2016, at a meeting of the Board of Trustees of such School District
(Check One)

on the 19th day of December, 2016


Signature of Board Secretary


Signature of Board President

If the Board of Trustees disapproved the annual financial report, the reason(s) for disapproving it is (are) (attach list as necessary):

FINANCIAL SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Calvin Featherston, CPA
Wayne Barr, CPA
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Members of
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Ballinger Independent School District
P.O. Box 231
Ballinger, TX 76821-0231

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ballinger Independent School District as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ballinger Independent School District as of August 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and net pension liability and contributions information for the Teacher Retirement System of Texas on pages 4 through 8, 40, and 41 through 42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ballinger Independent School District’s basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of the Ballinger Independent School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ballinger Independent School District’s internal control over financial reporting and compliance.

Eckert & Company, LLP

December 13, 2016



BALLINGER I.S.D.



"THE TRADITION LIVES ON"

P.O. Box 231
802 Conda Ave.
Ballinger, Texas 76821-0231

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Ballinger Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2016. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current year by \$16,302,438 (net position). Of this amount, \$7,522,572 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position increased by \$287,808 or 2%. This amount consists of an \$85,490 decrease attributable to current year operations and a \$373,298 increase attributable to prior period adjustments described in Note IV., J. to the financial statements. The District's statement of activities shows total revenues of \$12,096,312 and total expenses of \$12,181,802.

The total fund balance of the General Fund is \$7,718,699 which is an increase of \$785,705 or 11% compared to the prior 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 consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains 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 of resources and liabilities/deferred inflows of resources, with the difference between the two 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 current 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 years.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District.

The District has no component units.

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 current year.

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.

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 which is considered to be a major fund. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund and Food Service Special Revenue Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

Proprietary Funds - The District's Internal Service Fund is used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its workers' compensation insurance program. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. 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 accounting used for fiduciary funds is much like that used for proprietary 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the District's net position is presented below:

NET POSITION

	Governmental Activities	
	August 31,	
	2016	2015
Current and Other Assets	\$ 8,823,739	\$ 8,061,984
Capital Assets	8,760,883	9,091,211
Total Assets	\$ 17,584,622	\$ 17,153,195
Deferred Outflows of Resources	\$ 1,125,260	\$ 191,256
Total Liabilities	\$ 2,278,209	\$ 1,155,883
Deferred Inflows of Resources	\$ 129,235	\$ 173,938
Net Position		
Net Investment in Capital Assets	\$ 8,760,883	\$ 9,091,211
Restricted	18,983	34,470
Unrestricted	7,522,572	6,888,949
Total Net Position	\$ 16,302,438	\$ 16,014,630

A large portion of the District's net position (\$8,760,883) reflects the District's investment in capital assets. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. An additional portion of the District's net position (\$18,983) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,522,572) may be used to meet the District's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities decreased the District's net position by \$85,490 and increased the District's net position by \$141,859 for the fiscal years ended August 31, 2016 and 2015, respectively. Key elements of these increases (decreases) are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended August 31,	
	2016	2015
Revenues		
Program Revenues		
Charges for Services	\$ 261,544	\$ 385,902
Operating Grants and Contributions	2,577,498	2,338,451
General Revenues		
Maintenance and Operations Taxes	3,066,214	3,256,995
State Aid - Formula Grants	5,924,006	5,648,883
Investment Earnings	63,603	35,847
Other	203,447	39,152
Total Revenues	\$ 12,096,312	\$ 11,705,230
Expenses		
Instruction and Instructional-Related Services	\$ 6,660,694	\$ 6,071,598
Instructional and School Leadership	811,506	805,920
Support Services - Student (Pupil)	1,863,954	1,941,988
Administrative Support Services	645,237	544,670
Support Services - Nonstudent Based	1,392,041	1,386,351
Intergovernmental Charges	808,370	812,844
Total Expenses	\$ 12,181,802	\$ 11,563,371
Change in Net Position	\$ (85,490)	\$ 141,859
Net Position - Beginning	16,014,630	16,444,755
Prior Period Adjustments	373,298	(571,984)
Net Position - Ending	\$ 16,302,438	\$ 16,014,630

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the District's Funds

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. The unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the current year.

The District's governmental funds reported combined ending fund balances of \$8,150,343 an increase of \$812,940 or 11% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$7,718,699. Of this balance \$2,726,608 is committed for future construction, equipment purchases, and technology.

Special Revenue Funds \$431,644. This balance consists of the following:

Restricted for:		
Child Nutrition	\$	18,983
Committed for:		
Special Education Cooperative		364,038
Campus Activities		48,623

General Fund Budget

The original budget for the General Fund was \$10,156,621 and the final amended budget was \$11,055,771 which represents a \$899,150 increase in appropriations. Variances between the original budget and the final amended budget are reflected in Exhibit F-1 in the required supplementary information section of the audit report.

The District has adopted a budget for the General Fund in the amount of \$10,384,495 for the fiscal year 2017, which is a decrease of \$671,276 from the fiscal year 2016.

Capital Assets and Debt

Capital Assets - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2016.

Long-Term Debt - The District had no long-term debt outstanding.

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Jeff Butts, Superintendent, Ballinger Independent School District, P.O. Box 231, Ballinger, TX 76821-0231.

Basic Financial Statements

BALLINGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 8,168,310
1220 Property Taxes - Delinquent	148,777
1230 Allowance for Uncollectible Taxes	(40,544)
1240 Due from Other Governments	472,242
1260 Due From Other Funds	550
1290 Other Receivables, Net	1,860
1490 Other Current Assets	72,544
Capital Assets:	
1510 Land	298,885
1520 Buildings, Net	7,617,596
1530 Furniture and Equipment, Net	803,829
1580 Construction in Progress	40,573
1000 Total Assets	17,584,622
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	1,125,260
1700 Total Deferred Outflows of Resources	1,125,260
LIABILITIES	
2110 Accounts Payable	4,917
2150 Payroll Deductions & Withholdings	1,169
2160 Accrued Wages Payable	370,260
2180 Due to Other Governments	10,334
2200 Accrued Expenses	46,330
2300 Unearned Revenue	107,706
Noncurrent Liabilities	
2540 Net Pension Liability (District's Share)	1,737,493
2000 Total Liabilities	2,278,209
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	129,235
2600 Total Deferred Inflows of Resources	129,235
NET POSITION	
3200 Net Investment in Capital Assets	8,760,883
3820 Restricted for Federal and State Programs	18,983
3900 Unrestricted	7,522,572
3000 Total Net Position	\$ 16,302,438

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	3	4	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 6,430,887	\$ 31,831	\$ 1,053,171	\$ (5,345,885)
12 Instructional Resources and Media Services	174,889	-	13,116	(161,773)
13 Curriculum and Instructional Staff Development	54,918	-	1,370	(53,548)
21 Instructional Leadership	204,899	-	185,508	(19,391)
23 School Leadership	606,607	-	36,098	(570,509)
31 Guidance, Counseling, and Evaluation Services	388,021	-	117,857	(270,164)
32 Social Work Services	23,667	-	21,765	(1,902)
33 Health Services	66,642	-	9,728	(56,914)
34 Student (Pupil) Transportation	248,887	-	19,426	(229,461)
35 Food Services	524,113	138,562	359,536	(26,015)
36 Extracurricular Activities	612,624	56,547	20,360	(535,717)
41 General Administration	645,237	-	47,024	(598,213)
51 Facilities Maintenance and Operations	1,041,335	150	50,820	(990,365)
52 Security and Monitoring Services	6,165	-	-	(6,165)
53 Data Processing Services	344,541	34,454	74,479	(235,608)
93 Payments Related to Shared Services Arrangements	721,703	-	567,241	(154,462)
99 Other Intergovernmental Charges	86,667	-	-	(86,667)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 12,181,802	\$ 261,544	\$ 2,577,498	(9,342,760)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		3,066,214
SF	State Aid - Formula Grants		5,924,006
IE	Investment Earnings		63,603
MI	Miscellaneous Local and Intermediate Revenue		203,447
TR	Total General Revenues		9,257,270
CN	Change in Net Position		(85,490)
NB	Net Position - Beginning		16,014,630
PA	Prior Period Adjustment		373,298
NE	Net Position--Ending		\$ 16,302,438

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 7,927,155	\$ 180,337	\$ 8,107,492
1220 Property Taxes - Delinquent	148,777	-	148,777
1230 Allowance for Uncollectible Taxes	(40,544)	-	(40,544)
1240 Due from Other Governments	235,790	236,452	472,242
1260 Due from Other Funds	550	13,222	13,772
1290 Other Receivables	1,860	-	1,860
1490 Other Current Assets	-	72,544	72,544
1000 Total Assets	<u>\$ 8,273,588</u>	<u>\$ 502,555</u>	<u>\$ 8,776,143</u>
LIABILITIES			
2110 Accounts Payable	\$ 4,917	\$ -	\$ 4,917
2160 Accrued Wages Payable	336,030	35,399	371,429
2170 Due to Other Funds	-	13,222	13,222
2180 Due to Other Governments	-	10,334	10,334
2200 Accrued Expenditures	6,553	3,406	9,959
2300 Unearned Revenue	99,156	8,550	107,706
2000 Total Liabilities	<u>446,656</u>	<u>70,911</u>	<u>517,567</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	108,233	-	108,233
2600 Total Deferred Inflows of Resources	<u>108,233</u>	<u>-</u>	<u>108,233</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	18,983	18,983
Committed Fund Balance:			
3510 Construction	1,921,653	-	1,921,653
3530 Capital Expenditures for Equipment	469,955	-	469,955
3545 Other Committed Fund Balance	335,000	412,661	747,661
3600 Unassigned Fund Balance	4,992,091	-	4,992,091
3000 Total Fund Balances	<u>7,718,699</u>	<u>431,644</u>	<u>8,150,343</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,273,588</u>	<u>\$ 502,555</u>	<u>\$ 8,776,143</u>

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2016

Total Fund Balances - Governmental Funds	\$	8,150,343
1 The District uses an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.		24,447
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term liabilities in the governmental activities is to increase (decrease) net position.		8,539,924
3 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase (decrease) net position.		409,907
4 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(739,747)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68, a Deferred Resource Inflow related to TRS, and a Deferred Resource Outflow related to TRS. The net effect of these adjustments is to increase (decrease) net position.		(190,181)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		107,745
19 Net Position of Governmental Activities	\$	16,302,438

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 3,438,728	\$ 158,627	\$ 3,597,355
5800 State Program Revenues	6,346,246	256,705	6,602,951
5900 Federal Program Revenues	63,332	1,582,245	1,645,577
5020 Total Revenues	<u>9,848,306</u>	<u>1,997,577</u>	<u>11,845,883</u>
EXPENDITURES:			
Current:			
0011 Instruction	5,261,874	578,640	5,840,514
0012 Instructional Resources and Media Services	149,836	4,541	154,377
0013 Curriculum and Instructional Staff Development	52,622	-	52,622
0021 Instructional Leadership	-	197,935	197,935
0023 School Leadership	507,460	24,380	531,840
0031 Guidance, Counseling, and Evaluation Services	244,720	98,188	342,908
0032 Social Work Services	-	21,765	21,765
0033 Health Services	54,452	4,149	58,601
0034 Student (Pupil) Transportation	316,112	-	316,112
0035 Food Services	-	513,586	513,586
0036 Extracurricular Activities	567,667	105	567,772
0041 General Administration	567,740	14,315	582,055
0051 Facilities Maintenance and Operations	1,086,893	11,437	1,098,330
0052 Security and Monitoring Services	5,849	-	5,849
0053 Data Processing Services	284,502	18,468	302,970
Capital Outlay:			
0081 Facilities Acquisition and Construction	11,123	-	11,123
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	139,631	582,072	721,703
0099 Other Intergovernmental Charges	86,667	-	86,667
6030 Total Expenditures	<u>9,337,148</u>	<u>2,069,581</u>	<u>11,406,729</u>
1200 Net Change in Fund Balances	511,158	(72,004)	439,154
0100 Fund Balance - September 1 (Beginning)	6,932,994	404,409	7,337,403
1300 Increase (Decrease) in Fund Balance	274,547	99,239	373,786
3000 Fund Balance - August 31 (Ending)	<u>\$ 7,718,699</u>	<u>\$ 431,644</u>	<u>\$ 8,150,343</u>

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

BALLINGER 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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	439,154
The District uses an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The net income (loss) of the internal service fund is reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.		(2,077)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase (decrease) net position.		409,907
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.		(739,747)
Current year changes required by GASB 68 include amortization of deferred resource inflows and outflows related to the District's pension liability. The District's current pension expense was also adjusted for items related to the difference between the District's fiscal year end and the measurement date used for pension liability reporting by the plan. The amount of state contributions made on behalf of plan participants reported in the Statement of Activities included additional expense not reported in the governmental funds statements. The impact of all of these is to increase (decrease) net position.		(190,181)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(2,546)
Change in Net Position of Governmental Activities	\$	(85,490)

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2016

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 60,818
Total Assets	<u>60,818</u>
LIABILITIES	
Current Liabilities:	
Accrued Expenses	<u>36,371</u>
Total Liabilities	<u>36,371</u>
NET POSITION	
Unrestricted Net Position	<u>24,447</u>
Total Net Position	<u><u>\$ 24,447</u></u>

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 58
Total Operating Revenues	<u>58</u>
OPERATING EXPENSES:	
Other Operating Costs	2,554
Total Operating Expenses	<u>2,554</u>
Operating Income (Loss)	<u>(2,496)</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits and Investments	419
Total Nonoperating Revenues (Expenses)	<u>419</u>
Change in Net Position	(2,077)
Total Net Position - September 1 (Beginning)	<u>26,524</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 24,447</u></u>

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Others	\$ 45
Cash Payments for Insurance Claims	(8,729)
Net Cash Used for Operating Activities	<u> (8,684)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u> 419</u>
Net Decrease in Cash and Cash Equivalents	(8,265)
Cash and Cash Equivalents at Beginning of Year	<u> 69,083</u>
Cash and Cash Equivalents at End of Year	<u><u> \$ 60,818</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (2,496)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	<u> (6,188)</u>
Net Cash Used for Operating Activities	<u><u> \$ (8,684)</u></u>

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2016

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 112,854
Restricted Assets	31,794	-
Total Assets	31,794	\$ 112,854
LIABILITIES		
Due to Other Funds	550	\$ -
Due to Student Groups	-	112,854
Total Liabilities	550	\$ 112,854
NET POSITION		
Restricted for Scholarships	31,244	
Total Net Position	\$ 31,244	

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 17,211
Total Additions	<u>17,211</u>
DEDUCTIONS:	
Professional and Contracted Services	<u>19,000</u>
Total Deductions	<u>19,000</u>
Change in Net Position	(1,789)
Total Net Position - September 1 (Beginning)	<u>33,033</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 31,244</u></u>

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ballinger Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally, the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Ballinger Independent School District (the primary government). There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due froms on the governmental funds balance sheet and on the 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 funds statement of revenues, expenses, and changes in fund net position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included in the balance sheet. 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 government 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.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as unearned revenue until related and authorized expenditures have been made.

The proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the period in which they are incurred and become measurable.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

The Internal Service Fund accounts for the operations of a workers' compensation insurance program.

The Private Purpose Trust Fund accounts for resources used to provide scholarships for former students. These scholarships are provided from donations.

Agency Funds account for the activities of funds which are the property of student groups.

D. Cash and Cash Equivalents - Proprietary Funds

For purposes of the statement of cash flows for proprietary fund types, the District considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

F. Receivables and Payables

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year.

G. Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-50
Vehicles	2-15
Furniture and Equipment	3-15

H. Restricted Assets

Restricted assets consist of donations held to fund student scholarships.

I. Pensions

In accordance with accounting guidance prescribed by GASB Statement No. 68, the fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Compensated Absences

The District's policy does not permit employees to accumulate unused vacation and sick leave to be paid to the employees upon separation from service.

K. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents capital assets net of accumulated depreciation.

Restricted for Federal and State Programs - This component of net position represents the balance of the Child Nutrition Program.

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets or Restricted for Federal and State Programs.

L. Fund Balances/Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Unrestricted net position for proprietary funds represents the net position available for future operations.

M. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all 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 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Property Tax Revenues - Continued

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

Allowances for uncollectibles are based upon historical experience. 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.

N. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Food Service Special Revenue Fund. The remaining Special Revenue Funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

B. Excess Expenditures Over Appropriations

Expenditures exceeded appropriations in one function as shown on Exhibit F-1.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

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, and (10) 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 in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The District is not exposed to this risk as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2016, the District was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

At August 31, 2016, the District's investments with respective maturities and credit ratings consisted of the following:

	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
<u>Public Funds Investment Pools</u>				
Lone Star				
Government Overnight Fund	\$ 42,325	38%	23 Days	AAAm
TexPool	38,504	34%	42 Days	AAAm
TexSTAR	<u>32,050</u>	<u>28%</u>	38 Days	AAAm
Total Public Funds Investment Pools	<u>\$ 112,879</u>	<u>100%</u>		

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District’s investment in Pools is reported at an amount determined by the fair value per share of the Pool’s underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940.

B. Due 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. Amounts due from other governments are summarized as follows:

	State Entitlements	Federal Grants	Other	Total
General Fund	\$ 224,627	\$ 0	\$ 11,163	\$ 235,790
Special Revenue Funds	0	236,452	0	236,452
Totals	\$ 224,627	\$ 236,452	\$ 11,163	\$ 472,242

C. Interfund Balances

The following is a summary of amounts due from and due to other funds:

	Due From	Due To	Purpose
General Fund			
Fiduciary Funds	\$ 550	\$ 0	Operating Advance
Nonmajor Governmental Funds			
Special Revenue Fund	13,222	13,222	Reimbursement
Fiduciary Funds			
General Fund	0	550	Operating Advance
Totals	\$ 13,772	\$ 13,772	

All amounts due are expected to be repaid within one year.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Prior Period Adjustments</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 298,885	\$ 0	\$ 0	\$ 0	\$ 298,885
Buildings and Improvements	19,015,040	101,725	0	0	19,116,765
Furniture and Equipment	2,985,030	297,059	0	(488)	3,281,601
Construction in Progress	29,450	11,123	0	0	40,573
Total Capital Assets	<u>\$ 22,328,405</u>	<u>\$ 409,907</u>	<u>\$ 0</u>	<u>\$ (488)</u>	<u>\$ 22,737,824</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (10,952,958)	\$ (546,211)	\$ 0	\$ 0	\$ (11,499,169)
Furniture and Equipment	(2,284,236)	(193,536)	0	0	(2,477,772)
Total Accumulated Depreciation	<u>\$ (13,237,194)</u>	<u>\$ (739,747)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (13,976,941)</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,091,211</u>	<u>\$ (329,840)</u>	<u>\$ 0</u>	<u>\$ (488)</u>	<u>\$ 8,760,883</u>

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 483,041
Instructional Resources and Media Services	13,516
Curriculum and Instructional Staff Development	2,284
School Leadership	48,689
Guidance, Counseling, and Evaluation Services	26,057
Health Services	5,499
Student (Pupil) Transportation	20,325
Food Services	1,018
Extracurricular Activities	25,723
General Administration	40,894
Facilities Maintenance and Operations	44,803
Security and Monitoring Services	316
Data Processing Services	27,582
Total	<u>\$ 739,747</u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Deferred Outflows and Inflows of Resources

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District has the following items that qualify for reporting in these categories:

Deferred Outflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) deferred outflows as detailed in financial statement footnote IV., A.

Deferred Inflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) deferred inflows as detailed in financial statement footnote IV., A.

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

F. Unearned Revenue

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Funds	Total
Advance Ticket Sales	\$ 9,625	\$ 0	\$ 9,625
Foundation School Program Act Entitlements	89,531	0	89,531
Advance Meal Sales	0	8,550	8,550
Totals	\$ 99,156	\$ 8,550	\$ 107,706

G. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2016, as follows:

Year Ending August 31,	
2017	\$ 64,446
2018	64,446
2019	64,446
2020	20,352
Total Minimum Rentals	\$ 213,690

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

G. Commitments Under Noncapitalized Leases - Continued

Rental expenditures during the year ended August 31, 2016, were \$71,810

H. Outstanding Encumbrances

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

I. Revenues from Local and Intermediate Sources

Local and intermediate source revenues consists of the following:

	General Fund	Special Revenue Funds	Total
Property Taxes	\$ 3,109,069	\$ 0	\$ 3,109,069
Tuition and Fees	13,279	0	13,279
Other Local Sources	259,833	0	259,833
Cocurricular, Enterprising Services, or Activities	56,547	158,627	215,174
Totals	\$ 3,438,728	\$ 158,627	\$ 3,597,355

J. General Fund Federal Source Revenues

Program or Source	CFDA Number	Amount
Impact Aid-P.L. 81.874 (Note A)	84.041	\$ 6,178
E-Rate School and Library Program	--	27,112
School Health and Related Services (SHARS)	--	30,042
Total		\$ 63,332

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description - The Ballinger Independent School District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position - Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512)542-6592. The information provided in the notes the financial statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the pension plan fiduciary net position as of August 31, 2015:

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
Net Position as Percentage of Total Pension Liability	78.43%

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the 5 highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered; for those the 3 highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the plan description above.

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015, and the 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017:

Contribution Rates		
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2016 Employer Contributions		\$ 152,906
District's 2016 Member Contributions		442,238
District's 2015 NECE On-Behalf Contributions		353,198

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) program for certain employees, it must contribute 1.5% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Actuarial Assumptions - The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.0%
Long-Term Expected Investment Rate of Return	8.0%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate - The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2015, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Hedge Funds (Stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			<u>1.0%</u>
Totals	<u>100.0%</u>		<u>8.7%</u>

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

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 net pension liability.

	<u>1% Decrease in Discount Rate (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase in Discount Rate (9%)</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 2,722,324</u>	<u>\$ 1,737,493</u>	<u>\$ 917,190</u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2016, the Ballinger Independent School District reported a net pension liability of \$1,737,493 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 1,737,493
State's Proportionate Share that is Associated with the District	<u>4,215,194</u>
Total	<u><u>\$ 5,952,687</u></u>

The net pension liability was measured as of August 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015, the employer's proportion of the collective net pension liability was 0.000049153% which was an increase of 0.000027866% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3% to 2.5%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.5% to 2.5%.

Mortality Assumptions

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

For the measurement period August 31, 2015, the Ballinger Independent School District recognized pension expense of \$600,597 and revenue of \$600,597 for support provided by the State.

At August 31, 2016, the Ballinger Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 7,314	\$ 66,773
Changes in Actuarial Assumptions	30,738	61,986
Difference Between Projected and Actual Investment Earnings	297,564	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	636,738	476
Contributions Paid to TRS Subsequent to the Measurement Date	<u>152,906</u>	<u>-</u>
Totals	<u>\$ 1,125,260</u>	<u>\$ 129,235</u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	Pension Expense Amount
2017	\$ 157,203
2018	157,203
2019	157,203
2020	200,650
2021	93,216
Thereafter	77,644

B. Retiree Health Plan

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

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. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and contribution amounts for fiscal years 2016-2014 are shown in the table below:

Fiscal Year	Active Member		State On-Behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 39,924	1.0%	\$ 61,422	0.55%	\$ 33,782
2015	0.65%	38,840	1.0%	59,754	0.55%	32,865
2014	0.65%	38,630	1.0%	59,431	0.55%	32,687

The Medicare Modernization Act of 2003 which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for Texas Public School

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

IV. OTHER INFORMATION - Continued

B. Retiree Health Plan - Continued

Retired Employee Group Insurance Program (TRS-Care), administered by TRS, to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D payments made on behalf of the District for fiscal years 2016-2014 are shown in the table below:

<u>Fiscal Year</u>	<u>Medicare Part D</u>
2016	\$ 24,222
2015	28,177
2014	16,259

C. Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan) through the TRS - Active Care Program administered by the Teacher Retirement System. The District contributed \$220 of the employee-only premium per month, and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under the Plan, the District is not liable for costs incurred beyond the premiums paid.

D. 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, for which the District participated in a public entity risk pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding coverage for each of the past three fiscal years.

E. Property and Liability Coverage

During the year ended August 31, 2016, the District met its property and liability obligations through participation in the Texas Association of Public Schools Property and Liability Fund (the Fund) which was created effective September 1, 2001, as a public entity risk-sharing pool for Texas public schools, junior or community colleges, and education service centers. The Fund was created in accordance with the Interlocal Cooperation Act, Chapters 791 and 2259 of the Texas Government Code and operates within the appropriate rules, regulations, and laws of the State of Texas. Most coverage is on an occurrence basis, with the exception of errors and omissions, which is on a claims-made basis.

The Fund was formed for the purpose of providing competitive costs for coverage, loss control, and administrative services for members. Members join the Fund by executing Interlocal Participation Agreements.

In the normal course of business, the Fund engages independent actuaries to determine the expected losses within the Fund's retention for each line of coverage. Rates are promulgated and approved by the Board of Trustees to cover these losses, the cost of reinsurance and administrative costs. Losses above the Fund's retention per claim are reimbursed by the reinsurers. In addition, reinsurance provides aggregate excess coverage to provide reimbursement to the Fund when actual retain losses exceed actuarial expected losses. Through the use of its risk management staff and education programs, the Fund seeks to reduce the total losses sustained by each member. Reinsurance agreements permit recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured. For the year ended August 31, 2016, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

IV. OTHER INFORMATION - Continued

E. Property and Liability Coverage - Continued

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund’s Board of Trustees. The Fund’s audited financial statements as of August 31, 2015, are available at the Fund’s offices.

F. Unemployment Compensation Coverage

During the year ended August 31, 2016, the District provided unemployment compensation coverage to its employees through participation in 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. The Fund’s Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2016, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

During the year ended August 31, 2016, the District provided unemployment compensation coverage to its employees through participation in 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. The Fund’s Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2015, are available on the TASB Risk Management Fund website.

G. Workers' Compensation Insurance

The District is partially uninsured with respect to workers' compensation insurance. The District participates in a shared risk pool, the “West Texas Educational Insurance Association,” administered by Claims Administrative Services, Inc. Individual claims that exceed the loss fund maximum, stated at \$66,710 at August 31, 2016, are paid by the Association through a reinsurance program. The District is responsible for all claims up to the loss fund maximum. Cumulative unpaid claims (including “incurred but not reported” claims) the District is responsible for paying totaled \$69,752 at August 31, 2016. Contributions to this pool for the current year were \$22,118.

Changes in the balances of claims liabilities are as follows:

	Year Ended August 31,	
	2016	2015
Unpaid Claims - Beginning	\$ 42,559	\$ 53,840
Incurred Claims	2,432	799
Claim Payments	(8,620)	(12,080)
Unpaid Claims - Ending	\$ 36,371	\$ 42,559

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2016

IV. OTHER INFORMATION - Continued

H. Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

I. Shared Services Arrangements

The Ballinger Independent School District participates in a shared services arrangement for IDEA - Part B, Formula, Discretionary, and Preschool with two other school districts. The Ballinger Independent School District is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement. All of the financial activities of the shared services arrangement are accounted for and included in the financial statements of the Ballinger Independent School District in Special Revenue Fund Number 437. Expenditures of the shared services arrangement are summarized as follows:

Ballinger Independent School District	\$	65,747
Coleman Independent School District		69,876
Winters Independent School District		<u>62,011</u>
Total	\$	<u><u>197,634</u></u>

J. Adjustments to Net Position/Fund Balances

The financial statements reflect the following prior period adjustments:

	Net Position <u>Exhibit B-1</u>	Fund Balances <u>Exhibit C-3</u>
General Fund		
Foundation Adjustment	\$ 312,076	\$ 312,076
Payroll Fund Liabilities	(31,617)	(31,617)
Shared Services Arrangements Refunds	106,522	106,522
Various Other Adjustments	(13,195)	(13,195)
Capital Assets	<u>(488)</u>	<u>0</u>
Total General Fund	<u><u>\$ 373,298</u></u>	<u><u>\$ 373,786</u></u>

K. Subsequent Events

The District's management has evaluated subsequent events through December 13, 2016, the date which the financial statements were available for issue.

Required Supplementary Information

BALLINGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,197,482	\$ 3,466,135	\$ 3,438,728	\$ (27,407)
5800	State Program Revenues	6,145,989	6,153,233	6,346,246	193,013
5900	Federal Program Revenues	-	-	63,332	63,332
5020	Total Revenues	9,343,471	9,619,368	9,848,306	228,938
EXPENDITURES:					
Current:					
0011	Instruction	4,816,319	5,313,340	5,261,874	51,466
0012	Instructional Resources and Media Services	151,497	151,497	149,836	1,661
0013	Curriculum and Instructional Staff Development	40,410	58,785	52,622	6,163
0021	Instructional Leadership	9,766	9,766	-	9,766
0023	School Leadership	528,197	529,897	507,460	22,437
0031	Guidance, Counseling, and Evaluation Services	253,586	254,386	244,720	9,666
0033	Health Services	55,137	55,137	54,452	685
0034	Student (Pupil) Transportation	447,728	374,678	316,112	58,566
0036	Extracurricular Activities	572,451	578,251	567,667	10,584
0041	General Administration	522,441	525,816	567,740	(41,924)
0051	Facilities Maintenance and Operations	1,034,248	1,125,033	1,086,893	38,140
0052	Security and Monitoring Services	5,400	8,400	5,849	2,551
0053	Data Processing Services	311,708	312,708	284,502	28,206
Capital Outlay:					
0081	Facilities Acquisition and Construction	300,000	300,000	11,123	288,877
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	163,500	157,500	139,631	17,869
0099	Other Intergovernmental Charges	87,500	87,500	86,667	833
6030	Total Expenditures	9,299,888	9,842,694	9,337,148	505,546
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	43,583	(223,326)	511,158	734,484
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	817,550	1,152,077	-	(1,152,077)
8911	Transfers Out (Use)	(856,733)	(1,213,077)	-	1,213,077
7080	Total Other Financing Sources (Uses)	(39,183)	(61,000)	-	61,000
1200	Net Change in Fund Balances	4,400	(284,326)	511,158	795,484
0100	Fund Balance - September 1 (Beginning)	6,932,994	6,932,994	6,932,994	-
1300	Increase (Decrease) in Fund Balance	-	-	274,547	274,547
3000	Fund Balance - August 31 (Ending)	\$ 6,937,394	\$ 6,648,668	\$ 7,718,699	\$ 1,070,031

BALLINGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.000049153%	0.000021287%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,737,493	\$ 568,605
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	4,215,194	3,735,656
Total	<u>\$ 5,952,687</u>	<u>\$ 4,304,261</u>
District's Covered-Employee Payroll	\$ 5,975,385	\$ 5,943,106
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	29.07%	9.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2016

EXHIBIT F-3

	2016	2015
Contractually Required Contribution	\$ 152,906	\$ 145,502
Contribution in Relation to the Contractually Required Contribution	(152,906)	(145,502)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 6,142,190	\$ 5,975,385
Contributions as a Percentage of Covered-Employee Payroll	2.49%	2.43%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Required Supplementary Information
August 31, 2016

Note A - Net Pension Liability

Changes of Benefit Terms

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

Changes of Assumptions

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

Economic Assumptions

1. The inflation assumption was decreased from 3% to 2.5%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.5% to 2.5%.

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

Other Supplementary Information

BALLINGER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ (932)	\$ -	\$ -	\$ (59,862)
1240	Due from Other Governments	5,669	16,494	-	14,851
1260	Due from Other Funds	-	-	13,222	-
1490	Other Current Assets	-	-	-	72,544
1000	Total Assets	<u>\$ 4,737</u>	<u>\$ 16,494</u>	<u>\$ 13,222</u>	<u>\$ 27,533</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ 4,317	\$ 15,042	\$ 12,072	\$ -
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	420	1,452	1,150	-
2300	Unearned Revenue	-	-	-	8,550
2000	Total Liabilities	<u>4,737</u>	<u>16,494</u>	<u>13,222</u>	<u>8,550</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	18,983
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,983</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,737</u>	<u>\$ 16,494</u>	<u>\$ 13,222</u>	<u>\$ 27,533</u>

242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	392 Non-Ed. Community Based Support	410 State Textbook Fund	437 SSA Special Education
\$ -	\$ -	\$ -	\$ (63,878)	\$ -	\$ (1,130)	\$ -	\$ 257,516
-	4,352	-	86,320	1,114	1,130	-	106,522
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 4,352</u>	<u>\$ -</u>	<u>\$ 22,442</u>	<u>\$ 1,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,038</u>
\$ -	\$ 3,968	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	13,222	-	-	-	-
-	-	-	9,220	1,114	-	-	-
-	384	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>4,352</u>	<u>-</u>	<u>22,442</u>	<u>1,114</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	364,038
-	-	-	-	-	-	-	<u>364,038</u>
<u>\$ -</u>	<u>\$ 4,352</u>	<u>\$ -</u>	<u>\$ 22,442</u>	<u>\$ 1,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,038</u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	461 Campus Activity Funds	Total Nonmajor Governmental Funds	
ASSETS			
1110	Cash and Cash Equivalents	\$ 48,623	\$ 180,337
1240	Due from Other Governments	-	236,452
1260	Due from Other Funds	-	13,222
1490	Other Current Assets	-	72,544
1000	Total Assets	\$ 48,623	\$ 502,555
LIABILITIES			
2160	Accrued Wages Payable	\$ -	\$ 35,399
2170	Due to Other Funds	-	13,222
2180	Due to Other Governments	-	10,334
2200	Accrued Expenditures	-	3,406
2300	Unearned Revenue	-	8,550
2000	Total Liabilities	-	70,911
FUND BALANCES			
Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	18,983
Committed Fund Balance:			
3545	Other Committed Fund Balance	48,623	412,661
3000	Total Fund Balances	48,623	431,644
4000	Total Liabilities and Fund Balances	\$ 48,623	\$ 502,555

BALLINGER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 138,383
5800 State Program Revenues	-	-	-	2,796
5900 Federal Program Revenues	<u>81,058</u>	<u>262,392</u>	<u>166,198</u>	<u>356,740</u>
5020 Total Revenues	<u>81,058</u>	<u>262,392</u>	<u>166,198</u>	<u>497,919</u>
EXPENDITURES:				
Current:				
0011 Instruction	59,293	256,405	100,128	-
0012 Instructional Resources and Media Services	-	-	-	-
0021 Instructional Leadership	-	5,987	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	66,070	-
0032 Social Work Services	21,765	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	513,406
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>81,058</u>	<u>262,392</u>	<u>166,198</u>	<u>513,406</u>
1200 Net Change in Fund Balance	-	-	-	(15,487)
0100 Fund Balance - September 1 (Beginning)	-	-	-	34,470
1300 Increase (Decrease) in Fund Balance	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,983</u>

242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	392 Non-Ed. Community Based Support	410 State Textbook Fund	437 SSA Special Education
\$ 180	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,710
-	-	-	-	-	2,022	52,608	199,279
-	49,741	18,468	518,746	17,231	-	-	111,671
180	49,741	18,468	518,746	17,231	2,022	52,608	312,660
-	41,242	-	16,237	-	-	52,608	52,123
-	-	-	-	-	-	-	-
-	8,499	-	6,052	-	-	-	177,397
-	-	-	-	-	-	-	-
-	-	-	25,742	-	-	-	5,161
-	-	-	-	-	-	-	-
-	-	-	-	-	2,022	-	2,127
180	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	14,315
-	-	-	-	-	-	-	11,437
-	-	18,468	-	-	-	-	-
-	-	-	470,715	17,231	-	-	94,126
180	49,741	18,468	518,746	17,231	2,022	52,608	356,686
-	-	-	-	-	-	-	(44,026)
-	-	-	-	-	-	-	301,542
-	-	-	-	-	-	-	106,522
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 364,038

BALLINGER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	461 Campus Activity Funds	Total Nonmajor Governmental Funds	
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 18,354	\$ 158,627
5800	State Program Revenues	-	256,705
5900	Federal Program Revenues	-	1,582,245
5020	Total Revenues	<u>18,354</u>	<u>1,997,577</u>
EXPENDITURES:			
Current:			
0011	Instruction	604	578,640
0012	Instructional Resources and Media Services	4,541	4,541
0021	Instructional Leadership	-	197,935
0023	School Leadership	24,380	24,380
0031	Guidance, Counseling, and Evaluation Services	1,215	98,188
0032	Social Work Services	-	21,765
0033	Health Services	-	4,149
0035	Food Services	-	513,586
0036	Extracurricular Activities	105	105
0041	General Administration	-	14,315
0051	Facilities Maintenance and Operations	-	11,437
0053	Data Processing Services	-	18,468
Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	-	582,072
6030	Total Expenditures	<u>30,845</u>	<u>2,069,581</u>
1200	Net Change in Fund Balance	(12,491)	(72,004)
0100	Fund Balance - September 1 (Beginning)	68,397	404,409
1300	Increase (Decrease) in Fund Balance	<u>(7,283)</u>	<u>99,239</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 48,623</u>	<u>\$ 431,644</u>

Required TEA Schedules

BALLINGER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.170000	0.000000	189,401,662
2009	1.170000	0.000000	217,292,206
2010	1.170000	0.000000	228,785,992
2011	1.170000	0.000000	243,697,532
2012	1.170000	0.000000	242,226,603
2013	1.170000	0.000000	243,237,286
2014	1.170000	0.000000	266,369,852
2015	1.170000	0.000000	279,086,457
2016 (School year under audit)	1.170000	0.000000	263,114,633
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 12,043	\$ -	\$ 131	\$ -	\$ (1,986)	\$ 9,926
3,370	-	262	-	(38)	3,070
4,511	-	440	-	(40)	4,031
5,149	-	771	-	(198)	4,180
9,875	-	2,039	-	(217)	7,619
15,953	-	2,296	-	(5,101)	8,556
18,906	-	4,805	-	(2,056)	12,045
25,917	-	8,197	-	(351)	17,369
55,043	-	27,216	-	(1,684)	26,143
-	3,078,441	3,022,603	-	-	55,838
<u>\$ 150,767</u>	<u>\$ 3,078,441</u>	<u>\$ 3,068,760</u>	<u>\$ -</u>	<u>\$ (11,671)</u>	<u>\$ 148,777</u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 178,972	\$ 178,972	\$ 138,383	\$ (40,589)
5800	State Program Revenues	3,000	3,000	2,796	(204)
5900	Federal Program Revenues	355,853	355,853	356,740	887
5020	Total Revenues	537,825	537,825	497,919	(39,906)
EXPENDITURES:					
0035	Food Services	589,535	589,535	513,406	76,129
6030	Total Expenditures	589,535	589,535	513,406	76,129
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,710)	(51,710)	(15,487)	36,223
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	61,000	-	(61,000)
1200	Net Change in Fund Balances	(51,710)	9,290	(15,487)	(24,777)
0100	Fund Balance - September 1 (Beginning)	34,470	34,470	34,470	-
3000	Fund Balance - August 31 (Ending)	\$ (17,240)	\$ 43,760	\$ 18,983	\$ (24,777)

COMPLIANCE AND INTERNAL CONTROLS 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*

Board of Trustees
Ballinger Independent School District
P.O. Box 231
Ballinger, TX 76821-0231

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ballinger Independent School District as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Ballinger Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ballinger Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ballinger Independent School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. The reference number of the finding is: 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ballinger Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item: 2016-002.

District's Response to Findings

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

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eckert & Company, LLP

December 13, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Ballinger Independent School District
P.O. Box 231
Ballinger, TX 76821-0231

Report on Compliance for Each Major Federal Program

We have audited the Ballinger Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Ballinger Independent School District's major federal programs for the year ended August 31, 2016. The Ballinger 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Ballinger 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Ballinger 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 the Ballinger Independent School District's compliance.

Opinion of Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Ballinger 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 the Ballinger 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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

Eckert & Company, LLP

December 13, 2016

BALLINGER INDEPENDENT SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended August 31, 2016

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting

Material weaknesses identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes X No

Identification of Major Programs

<u>CFDA</u> <u>Number</u>	<u>Name of Federal Program or Cluster</u>
	Special Education Cluster
84.027	IDEA - Part B, Formula
84.173	IDEA - Part B, Preschool

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

BALLINGER INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Continued
Year Ended August 31, 2016

B. Findings - Financial Statements Audit

Reference Number: 2016-001

Criteria:

Account reconciliations are common control procedures which help identify errors and irregularities that require adjustments to ensure accuracy and completeness of the District's financial records.

Condition:

The District's payroll fund accounts were not reconciled to supporting documentation throughout the year.

Cause:

The District's personnel were not performing their duties of maintaining the District's financial records to ensure accuracy and completeness due to a lack of training and proper oversight by management.

Effect:

The payroll fund account balances contained numerous errors and did not accurately reflect the District's finances. Various accounts were either overpaid or underpaid.

Auditors' Recommendation:

All account balances must be monitored and reconciled with supporting documentation on a continuing basis to insure that accurate and complete financial information is available.

Management's Response:

The District will secure additional training for personnel. Account balances will be monitored on a continual basis to see that they agree with supporting documentation and reflect accurate and complete information.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

BALLINGER INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Continued
Year Ended August 31, 2016

D. Findings - State Compliance

Reference Number: 2016-002

Criteria:

Section 44.006 of the Texas Education Code states that public funds of the District may not be spent in any manner other than as provided for in the budget, as amended by the Board of Trustees.

Condition:

Expenditures exceeded appropriations in the following function:

General Fund	
Function 41 - Administration	<u>\$ 41,924</u>

Cause:

As a result of a required audit adjustment to correct a posting error, expenditures exceeded appropriations in Function 41. The final amended budget was not adequate to ensure that adjusted expenditures did not exceed appropriations during the year.

Effect:

Public funds of the District were spent that were not provided for in the budget.

Auditor's Recommendation:

The District should monitor the budget closely to see that amendments are made as necessary.

Management's Response:

The District will place more emphasis on the budget and see that the amounts appropriated are adequate to cover all expenditures.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Findings
Year Ended August 31, 2016

(Prepared by the District's Management)

Prior Year Finding:

2015-001 Actual expenditures exceeded the budget.

Status of Prior Year Finding:

Actual expenditures exceeded the budget in the prior year and also exceeded the budget in the current year.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Corrective Action Plan
Year Ended August 31, 2016

(Prepared by the District's Management)

The Ballinger Independent School District submits the following corrective action plan for the year ended August 31, 2016:

Findings - Financial Statements Audit

2016-001 Reconciliation of Account Balances

Recommendation:

All account balances must be monitored and reconciled with supporting documentation on a continuing basis to insure that accurate and complete financial information is available.

Action Taken:

The District will secure additional training for personnel. Account balances will be monitored on a continual basis to see that they agree with supporting documentation and reflect accurate and complete information.

Anticipated Completion Date: Throughout Fiscal Year Ending August 31, 2017

Findings - State Compliance

2016-002 Budget Overexpenditure

Recommendation:

The District should monitor the budget closely to see that amendments are made as necessary.

Action Taken:

The District will place more emphasis on the budget and see that the amounts appropriated are adequate to cover all expenditures.

Anticipated Completion Date: Throughout Fiscal Year Ending August 31, 2017

Contact Person

Jeff Butts, Superintendent
325/365-3588

BALLINGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041	16-200901	\$ 6,178
Total Direct Programs			<u>\$ 6,178</u>
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16-610101200901	\$ 245,898
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17-610101200901	<u>16,493</u>
Total CFDA Number 84.010A			<u>262,391</u>
*IDEA - Part B, Formula	84.027	16-6600012009016600	152,976
*IDEA - Part B, Formula	84.027	17-6600012009016600	13,222
*SSA - IDEA - Part B, Formula	84.027	16-6600012009016600	496,304
*SSA - IDEA - Part B, Formula	84.027	17-6600012009016600	<u>22,442</u>
Total CFDA Number 84.027			<u>684,944</u>
*SSA - IDEA - Part B, Preschool	84.173	16-6610012009016610	16,117
*SSA - IDEA - Part B, Preschool	84.173	17-6600012009016600	<u>1,114</u>
Total CFDA Number 84.173			<u>17,231</u>
Total Special Education Cluster (IDEA)			<u>702,175</u>
ESEA, Title VI, Part B - Rural and Low Income Prog.	84.358B	16-16696001200901	18,468
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	16-694501200901	45,389
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	17-694501200901	<u>4,352</u>
Total CFDA Number 84.367A			<u>49,741</u>
Total Passed Through State Department of Education			<u>\$ 1,032,775</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 1,038,953</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	16-06CH7152/01	\$ 69,570
Head Start	93.600	17-06CH7152/01	<u>11,487</u>
Total CFDA Number 93.600			<u>81,057</u>
Total Passed Through State Department of Education			<u>\$ 81,057</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 81,057</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	16-200901	\$ 80,506
*National School Lunch Program - Cash Assistance	10.555	16-200901	239,129
*National School Lunch Prog. - Non-Cash Assistance	10.555	16-200901	<u>37,105</u>
Total CFDA Number 10.555			<u>276,234</u>
Total Child Nutrition Cluster			<u>356,740</u>
Total Passed Through the State Department of Agriculture			<u>\$ 356,740</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 356,740</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,476,750</u>

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
August 31, 2016

Note A - Summary of Significant Accounting Policies

The District utilizes the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*.

Federal and state awards generally are accounted for in a Special Revenue Fund, a component of the governmental fund types. A Special Revenue Fund is used to account for resources restricted to, or committed for, specific purposes by a grantor.

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. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note B - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note C - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards programs per the schedule of expenditures of federal awards and federal revenues reported on Exhibit C-3:

Total Expenditures of Federal Awards	\$ 1,476,750
E-Rate School and Library Program	27,112
School Health and Related Services (SHARS) Program	141,715
Federal Program Revenues Per Exhibit C-3	\$ 1,645,577

SCHOOLS FIRST QUESTIONNAIRE

BALLINGER INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	Yes
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	1737493
SF13	Pension Expense (6147) at fiscal year-end.	190181

Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

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Members of
American Institute of CPAs
Texas Society of CPAs

December 13, 2016

Board of Trustees and
Jeff Butts, Superintendent
Ballinger Independent School District
P.O. Box 231
Ballinger, TX 76821-0231

In planning and performing our audit of the basic financial statements of the Ballinger Independent School District for the year ended August 31, 2016, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on internal control.

However, during our audit we became aware of the following matters that we wish to bring to your attention:

Purchasing (Specifically Amazon.com)

A significant amount of supplies is purchased through the Amazon.com website. The entire process of order initiation, order approval, order placement, and order payment needs to be reviewed and more effective controls put into effect as soon as possible.

Student Activity Funds

We noted that a number of student organization groups appear to have not had any financial activity during the last fiscal year. We recommend that a review be made of such accounts to determine whether each group is still active. For inactive or disbanded groups there needs to be a policy of how, when, and to whom the groups' funds will be disbursed.

Conflict of Interest Affidavit

Board member Galvan noted that he has a pecuniary interest in an enterprise with which the District transacts some business on occasion. The affidavit on file with the District appears to need updating.

Training of Personnel

The District has experienced turnover during the past several years in key positions in the finance office. Relatively new personnel are working in payroll, capital asset accounting, and student activity fund accounting. Experienced personnel have seen increased responsibilities due to performing their duties while assisting personnel with new job duties. As a result, some account reconciliations have not been performed and monitored as needed. Some of the oversight was due to lack of training. The areas most affected were bank account reconciliations, third-party liability accounts related to payroll deductions, and student activity accounts. The District has secured assistance with bank account reconciliation by outsourcing that task to the Education Service Center Region XV. We believe all personnel in the financial office of the District would greatly benefit from additional training as soon as possible.

Board of Trustees and
Jeff Butts, Superintendent
Page 2
December 13, 2106

This letter does not affect our report dated December 13, 2016, on the basic financial statements of the Ballinger Independent School District.

We have already discussed these comments with the District's personnel, and we will be pleased to discuss them in further detail at your convenience. We appreciate the cooperation and hospitality extended to us by the administrative staff during our visit. If you have any questions regarding our audit, please let us know.

Eckert & Company, LLP