

BALLINGER INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended August 31, 2011

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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

____ approved ____ disapproved for the year ended August 31, 2011, at a meeting of the Board of Trustees of such School District
(Check One)

on the _____ day of _____, 20__.

<Signature on File with TEA>
Signature of Board Secretary

<Signature on File with TEA>
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

Jerry L. Tinkler, CPA
Michael E. Oliphant, CPA
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Texas Society of CPAs

INDEPENDENT AUDITORS' REPORT

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

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administration. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 34, 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 the administration regarding the methods of preparing the information and comparing the information for consistency with the administration'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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ballinger Independent School District's financial statements as a whole. 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 financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of the administration and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated in all material respects in relation to the financial statements as a whole. The fund balance and cash flow calculation worksheet which is marked "Unaudited," has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on it..

<Signature on File with TEA>

November 21, 2011



BALLINGER I.S.D.



"THE TRADITION LIVES ON"

P.O. Box 231
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MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

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, 2011. It should be read in conjunction with the District's basic financial statements and independent auditors' report.

Financial Highlights

The District's assets exceeded its liabilities at the end of the current year by \$14,569,191 (net assets). Of this amount, \$4,969,438 (unrestricted net assets) may be used to meet the District's ongoing obligations.

The District's total net assets increased by \$1,031,424 or 7.6%. This amount consists of a \$928,225 increase attributable to current year operations and a \$103,199 increase attributable to prior period adjustments as explained in Note IV., J. to the financial statements. The District's statement of activities shows total revenues of \$12,635,447 and total expenses of \$11,707,222.

The total fund balance of the General Fund was \$4,759,421 which was a decrease of \$1,458,604 or 23.5% 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 assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the current year. All changes in net assets 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

UNAUDITED

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

UNAUDITED

Government-Wide Financial Analysis

Net Assets - A summary of the District's net assets is presented below:

NET ASSETS

	Governmental Activities	
	August 31,	
	2011	2010
Current and Other Assets	\$ 5,928,446	\$ 7,401,807
Capital Assets	9,471,353	7,338,873
Total Assets	\$ 15,399,799	\$ 14,740,680
Long-Term Liabilities Outstanding	\$ 350,450	\$ 745,293
Other Liabilities	480,158	457,620
Total Liabilities	\$ 830,608	\$ 1,202,913
Net Assets		
Invested in Capital Assets	\$ 9,471,353	\$ 7,338,873
Restricted	128,400	0
Unrestricted	4,969,438	6,198,894
Total Net Assets	\$ 14,569,191	\$ 13,537,767

A large portion of the District's net assets (\$9,471,353) reflects the District's investment in capital assets (land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. 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. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets (\$128,400) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$4,969,438) may be used to meet the District's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

UNAUDITED

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the District's net assets by \$928,225 and \$887,339 for the fiscal years ended August 31, 2011 and 2010, respectively. Key elements of these increases are as follows:

CHANGES IN NET ASSETS

	Governmental Activities	
	Year Ended August 31,	
	2011	2010
Revenues		
Program Revenues		
Charges for Services	\$ 490,043	\$ 372,235
Operating Grants and Contributions	3,082,147	3,600,166
General Revenues		
Maintenance and Operations Taxes	2,847,401	2,660,310
State Aid - Formula Grants	6,077,817	6,403,964
Grants and Contributions Not Restricted to Specific Programs	1,103	1,063
Investment Earnings	37,297	52,107
Other	99,639	118,942
Total Revenues	\$ 12,635,447	\$ 13,208,787
Expenses		
Instruction and Instructional-Related Services	\$ 6,443,163	\$ 7,101,084
Instructional and School Leadership	709,376	687,133
Support Services - Student (Pupil)	1,671,886	1,659,680
Administrative Support Services	521,311	533,708
Support Services - Nonstudent Based	1,364,787	1,349,714
Debt Service	6,659	1,313
Intergovernmental Charges	990,040	988,816
Total Expenses	\$ 11,707,222	\$ 12,321,448
Increase (Decrease) in Net Assets	\$ 928,225	\$ 887,339
Net Assets - Beginning	13,537,767	12,822,884
Prior Period Adjustments	103,199	(172,456)
Net Assets - Ending	\$ 14,569,191	\$ 13,537,767

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

Financial Analysis of the District's Funds - Continued

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 \$5,287,930, a decrease of \$1,502,289 or 22.1% in comparison with the prior year. This fund balance is reported in various governmental funds as follows:

General Fund \$4,759,421. Of this balance \$2,076,608 is committed for future construction, equipment purchases, and technology.

Special Revenue Funds \$528,509. This balance consists of the following:

Nonspendable for Prepaid Items	\$ 15,160
Restricted for:	
Child Nutrition	113,240
Committed for:	
Special Education Cooperative	334,336
Campus Activities	65,773

General Fund Budget

The original budget for the General Fund was \$9,228,842, and the final amended budget was \$11,927,392 which represents a \$2,698,550 increase in appropriations. Significant variances between the original budget and the final amended budget were caused by increases in Instruction (\$233,758), Security and Monitoring Services (\$241,000), Principal on Long-Term Debt (\$218,554), and Facilities Acquisition and Construction (\$1,978,150).

The District has adopted a budget for the General Fund in the amount of \$8,921,316 for the fiscal year 2012, which is a decrease of \$3,006,076 from the fiscal year 2011.

Capital Assets and Debt

Capital Assets - The District's investment in capital assets, net of depreciation, for its governmental type activities as of August 31, 2011 and 2010, was \$9,471,353 and \$7,338,873, respectively. This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2011.

Long-Term Debt - As of August 31, 2011 and 2010, the District had total long-term debt outstanding of \$350,450 and \$745,293, respectively. Long-term debt includes a capital lease. Financial statement footnote III., G. discloses the District's debt activity for the year ended August 31, 2011.

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: Will Brewer, Superintendent, Ballinger Independent School District, P.O. Box 231, Ballinger, TX 76821-0231.

Basic Financial Statements

BALLINGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2011

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Temporary Investments	\$ 5,104,013
1220 Property Taxes Receivable (Delinquent)	169,970
1230 Allowance for Uncollectible Taxes	(40,677)
1240 Due from Other Governments	673,499
1290 Other Receivables, Net	6,481
1410 Deferred Expenses	15,160
Capital Assets:	
1510 Land	298,884
1520 Buildings, Net	7,926,573
1530 Furniture and Equipment, Net	944,882
1580 Construction in Progress	301,014
1000 Total Assets	15,399,799
LIABILITIES	
2110 Accounts Payable	1,747
2140 Interest Payable	6,659
2160 Accrued Wages Payable	369,446
2200 Accrued Expenses	73,961
2300 Deferred Revenues	28,345
Noncurrent Liabilities	
2501 Due Within One Year	173,576
2502 Due in More Than One Year	176,874
2000 Total Liabilities	830,608
NET ASSETS	
3200 Invested in Capital Assets	9,471,353
3820 Restricted for Federal and State Programs	128,400
3900 Unrestricted Net Assets	4,969,438
3000 Total Net Assets	\$ 14,569,191

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, 2011

EXHIBIT B-1

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

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 6,223,454	\$ 7,298	\$ 1,590,757	\$ (4,625,399)
12 Instructional Resources and Media Services	200,032	-	15,775	(184,257)
13 Curriculum and Staff Development	19,677	-	9,369	(10,308)
21 Instructional Leadership	177,285	-	62,638	(114,647)
23 School Leadership	532,091	-	40,515	(491,576)
31 Guidance, Counseling, and Evaluation Services	332,342	-	49,994	(282,348)
33 Health Services	52,569	-	51,726	(843)
34 Student (Pupil) Transportation	198,646	-	7,300	(191,346)
35 Food Services	521,377	140,129	342,494	(38,754)
36 Extracurricular Activities	566,952	100,773	23,838	(442,341)
41 General Administration	521,311	-	35,444	(485,867)
51 Facilities Maintenance and Operations	953,786	1,783	37,690	(914,313)
52 Security and Monitoring Services	4,013	-	250	(3,763)
53 Data Processing Services	406,988	240,060	41,707	(125,221)
72 Debt Service - Interest on Long Term Debt	6,659	-	-	(6,659)
93 Payments related to Shared Services Arrangements	917,346	-	772,650	(144,696)
99 Other Intergovernmental Charges	72,694	-	-	(72,694)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 11,707,222	\$ 490,043	\$ 3,082,147	(8,135,032)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	2,847,401
SF	State Aid - Formula Grants	6,077,817
GC	Grants and Contributions not Restricted	1,103
IE	Investment Earnings	37,297
MI	Miscellaneous Local and Intermediate Revenue	99,639
TR	Total General Revenues	9,063,257
CN	Change in Net Assets	928,225
NB	Net Assets--Beginning	13,537,767
PA	Prior Period Adjustment	103,199
NE	Net Assets--Ending	\$ 14,569,191

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Temporary Investments	\$ 4,602,000	\$ 398,716	\$ 5,000,716
1220 Property Taxes - Delinquent	169,970	-	169,970
1230 Allowance for Uncollectible Taxes (Credit)	(40,677)	-	(40,677)
1240 Due from Other Governments	496,134	177,365	673,499
1260 Due from Other Funds	-	10,448	10,448
1290 Other Receivables	6,481	-	6,481
1410 Deferred Expenditures	-	15,160	15,160
1000 Total Assets	<u>\$ 5,233,908</u>	<u>\$ 601,689</u>	<u>\$ 5,835,597</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 1,180	\$ 567	\$ 1,747
2150 Payroll Deductions and Withholdings Payable	(2,524)	-	(2,524)
2160 Accrued Wages Payable	322,899	49,071	371,970
2170 Due to Other Funds	-	10,448	10,448
2200 Accrued Expenditures	5,542	2,847	8,389
2300 Deferred Revenues	147,390	10,247	157,637
2000 Total Liabilities	<u>474,487</u>	<u>73,180</u>	<u>547,667</u>
Fund Balances:			
Nonspendable Fund Balance:			
3430 Prepaid Items	-	15,160	15,160
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	113,240	113,240
Committed Fund Balance:			
3510 Construction	1,271,653	-	1,271,653
3530 Capital Expenditures for Equipment	469,955	-	469,955
3545 Other Committed Fund Balance	335,000	400,109	735,109
3600 Unassigned Fund Balance	2,682,813	-	2,682,813
3000 Total Fund Balances	<u>4,759,421</u>	<u>528,509</u>	<u>5,287,930</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,233,908</u>	<u>\$ 601,689</u>	<u>\$ 5,835,597</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 ASSETS
 AUGUST 31, 2011

Total Fund Balances - Governmental Funds	\$ 5,287,930
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 assets. The net effect of this consolidation is to increase (decrease) net assets.	37,724
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities, including notes and capital leases payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	6,592,267
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.	3,359,935
4 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(837,957)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	129,292
19 Net Assets of Governmental Activities	<u>\$ 14,569,191</u>

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, 2011

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 3,330,569	\$ 185,609	\$ 3,516,178
5800 State Program Revenues	6,488,004	336,826	6,824,830
5900 Federal Program Revenues	121,392	2,170,905	2,292,297
5020 Total Revenues	<u>9,939,965</u>	<u>2,693,340</u>	<u>12,633,305</u>
EXPENDITURES:			
Current:			
0011 Instruction	4,485,280	1,244,168	5,729,448
0012 Instructional Resources and Media Services	176,367	8,732	185,099
0013 Curriculum and Instructional Staff Development	9,921	9,082	19,003
0021 Instructional Leadership	-	177,285	177,285
0023 School Leadership	461,915	17,318	479,233
0031 Guidance, Counseling, and Evaluation Services	264,013	34,937	298,950
0033 Health Services	45,094	1,954	47,048
0034 Student (Pupil) Transportation	249,542	-	249,542
0035 Food Services	-	507,583	507,583
0036 Extracurricular Activities	537,989	13,128	551,117
0041 General Administration	465,714	15,035	480,749
0051 Facilities Maintenance and Operations	909,754	15,137	924,891
0052 Security and Monitoring Services	243,388	250	243,638
0053 Data Processing Services	373,364	20,618	393,982
Debt Service:			
0071 Principal on Long-Term Debt	394,843	-	394,843
0072 Interest on Long-Term Debt	1,446	-	1,446
Capital Outlay:			
0081 Facilities Acquisition and Construction	2,573,279	-	2,573,279
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	144,697	772,649	917,346
0099 Other Intergovernmental Charges	72,694	-	72,694
6030 Total Expenditures	<u>11,409,300</u>	<u>2,837,876</u>	<u>14,247,176</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,469,335)</u>	<u>(144,536)</u>	<u>(1,613,871)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	8,250	-	8,250
7080 Total Other Financing Sources (Uses)	<u>8,250</u>	<u>-</u>	<u>8,250</u>
1200 Net Change in Fund Balances	(1,461,085)	(144,536)	(1,605,621)
0100 Fund Balance - September 1 (Beginning)	6,218,025	572,194	6,790,219
1300 Increase (Decrease) in Fund Balance	2,481	100,851	103,332
3000 Fund Balance - August 31 (Ending)	<u>\$ 4,759,421</u>	<u>\$ 528,509</u>	<u>\$ 5,287,930</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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	(1,605,621)
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 assets.		17,843
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		3,360,068
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 assets.		(837,957)
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 deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(6,108)
Change in Net Assets of Governmental Activities	\$	928,225

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2011

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Temporary Investments	\$ 103,296
Total Assets	<u>103,296</u>
LIABILITIES	
Current Liabilities:	
Accrued Expenses	<u>65,572</u>
Total Liabilities	<u>65,572</u>
NET ASSETS	
Unrestricted Net Assets	<u>37,724</u>
Total Net Assets	<u><u>\$ 37,724</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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 35,000
Total Operating Revenues	<u>35,000</u>
OPERATING EXPENSES:	
Other Operating Costs	17,744
Total Operating Expenses	<u>17,744</u>
Operating Income	<u>17,256</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits and Investments	587
Total Nonoperating Revenues (Expenses)	<u>587</u>
Change in Net Assets	17,843
Total Net Assets - September 1 (Beginning)	<u>19,881</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 37,724</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, 2011

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 35,000
Cash Payments for Insurance Claims	(46,128)
Net Cash Used for Operating Activities	<u>(11,128)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>587</u>
Net Decrease in Cash and Cash Equivalents	(10,541)
Cash and Cash Equivalents at Beginning of the Year:	<u>113,837</u>
Cash and Cash Equivalents at the End of the Year:	<u><u>\$ 103,296</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 17,256
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (Decrease) in Accrued Expenses	<u>(28,384)</u>
Net Cash Used for Operating Activities	<u><u>\$ (11,128)</u></u>

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 AUGUST 31, 2011

EXHIBITE-1

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Temporary Investments	\$ -	\$ 73,191
Total Assets	-	\$ 73,191
LIABILITIES		
Due to Student Groups	-	\$ 73,191
Total Liabilities	-	\$ 73,191

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 15,500
Total Additions	<u>15,500</u>
DEDUCTIONS:	
Professional and Contracted Services	<u>15,500</u>
Total Deductions	<u>15,500</u>
Change in Net Assets	-
Total Net Assets - September 1 (Beginning)	<u>-</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ -</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, 2011

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 assets 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 assets 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 assets. 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 assets.

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, 2011

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 deferred revenues 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, 2011

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 assets.

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, which include property, plant, and equipment, 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment is 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2011

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. Fund Balances/Equity

The District implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

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 assets for proprietary funds represent the net assets available for future operations.

L. Net Assets on the Statement of Net Assets

Net assets on the statement of net assets including the following:

Invested in Capital Assets - This component of net assets represents the difference between capital assets less the accumulated depreciation.

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

Unrestricted - The difference between assets and liabilities that is not reported in net assets invested in capital assets or restricted net assets.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Property Tax Revenues

The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. Taxes are delinquent if not paid by June 30. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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.

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

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2011

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

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 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. That policy addresses the following risks:

Custodial Credit Risk - Deposits and Investments: 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 and investments in certificates of deposit 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. At August 31, 2011, all of the District's investments are in external investment pools or certificates of deposit with its depository bank. 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, 2011, the District was not significantly exposed to credit risk.

Interest Rate Risk: The District's investment policy limits its exposure to fair value losses arising from fluctuating interest rates by using final and weighted-average-maturity limits and diversification.

Foreign Currency Risk: Not applicable

The carrying amount of the District's cash and temporary investments at August 31, 2011, approximates fair value and consisted of the following:

Cash in Bank	\$ 1,438,303
Certificates of Deposit	3,611,679
Lone Star Investment Pool	42,075
TexPool	53,286
TexSTAR	<u>31,861</u>
Total Cash and Temporary Investments	<u><u>\$ 5,177,204</u></u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2011

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

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:

	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 464,456	\$ 0	\$ 31,678	\$ 496,134
Special Revenue Funds	<u>108,495</u>	<u>68,870</u>	<u>0</u>	<u>177,365</u>
Totals	<u>\$ 572,951</u>	<u>\$ 68,870</u>	<u>\$ 31,678</u>	<u>\$ 673,499</u>

C. Interfund Balances

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

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
Nonmajor Governmental Funds			
Special Revenue Fund	<u>\$ 10,448</u>	<u>\$ 10,448</u>	Reimbursement

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2011, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 298,884	\$ 0	\$ 0	\$ 298,884
Buildings and Improvements	14,695,109	2,510,540	0	17,205,649
Furniture and Equipment	2,569,363	158,883	108,040	2,620,206
Construction in Progress	<u>0</u>	<u>301,014</u>	<u>0</u>	<u>301,014</u>
Total Capital Assets	<u>\$ 17,563,356</u>	<u>\$ 2,970,437</u>	<u>\$ 108,040</u>	<u>\$ 20,425,753</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (8,636,379)	\$ (642,697)	\$ 0	\$ (9,279,076)
Furniture and Equipment	<u>(1,588,104)</u>	<u>(195,260)</u>	<u>(108,040)</u>	<u>(1,675,324)</u>
Total Accumulated Depreciation	<u>\$ (10,224,483)</u>	<u>\$ (837,957)</u>	<u>\$ (108,040)</u>	<u>\$ (10,954,400)</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,338,873</u>	<u>\$ 2,132,480</u>	<u>\$ 0</u>	<u>\$ 9,471,353</u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2011

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets - Continued

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 523,508
Instructional Resources and Media Services	15,356
Curriculum and Instructional Staff Development	698
School Leadership	53,965
Guidance, Counseling, and Evaluation Services	34,025
Health Services	5,629
Student (Pupil) Transportation	19,773
Food Services	25,298
Cocurricular/Extracurricular Activities	32,124
General Administration	41,678
Facilities Maintenance and Operations	45,550
Security and Monitoring Services	197
Data Processing Services	<u>40,156</u>
Total	<u><u>\$ 837,957</u></u>

E. Deferred Revenues

Deferred revenues at year end consisted of the following:

	General Fund	Special Revenue Funds	Total
Net Delinquent Taxes Receivable	\$ 129,293	\$ 0	\$ 129,293
State Grants	0	283	283
Other	<u>18,097</u>	<u>9,964</u>	<u>28,061</u>
Totals	<u><u>\$ 147,390</u></u>	<u><u>\$ 10,247</u></u>	<u><u>\$ 157,637</u></u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2011

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

F. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2011, as follows:

<u>Year Ending</u> <u>August 31,</u>	
2012	\$ 56,446
2013	55,192
2014	55,192
2015	<u>55,192</u>
Total Minimum Rentals	<u>\$ 222,022</u>

Rental expenditures during the year ended August 31, 2011, were \$68,268.

G. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended August 31, 2011:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Capital Lease	<u>\$ 745,293</u>	<u>\$ 0</u>	<u>\$ 394,843</u>	<u>\$ 350,450</u>	<u>\$ 173,576</u>

The District's outstanding capital lease payable is as follows:

Capital lease to finance the acquisition of laptop computers as authorized by Texas Education Code, Section 271. This lease agreement qualifies as a capital lease for accounting purposes and is payable from the General Fund with an interest rate of 1.9%.	<u>\$ 350,450</u>
--	-------------------

The annual debt service requirements are as follows:

<u>Year Ending</u> <u>August 31,</u>	<u>Capital Lease</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 173,576	\$ 6,659	\$ 180,235
2013	<u>176,874</u>	<u>3,361</u>	<u>180,235</u>
Totals	<u>\$ 350,450</u>	<u>\$ 10,020</u>	<u>\$ 360,470</u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2011

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

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	\$ 2,900,313	\$ 0	\$ 2,900,313
Tuition and Fees	800	0	800
Other Local Sources	361,237	42,299	403,536
Cocurricular, Enterprising Services, or Activities	64,481	143,310	207,791
Intermediate Sources	3,738	0	3,738
Totals	\$ 3,330,569	\$ 185,609	\$ 3,516,178

J. General Fund Federal Source Revenues

Program or Source	CFDA Number	Amount
E Rate-School and Library Program	--	\$ 74,206
School Health and Related Services (SHARS)	--	47,186
Totals		\$ 121,392

IV. OTHER INFORMATION

A. Pension Plan Obligations

Plan Description - The Ballinger Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trns.state.tx.us, under the TRS Publications heading.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2011

IV. OTHER INFORMATION - Continued

A. Pension Plan Obligations - Continued

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% 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 of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's 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. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010, and 2009 and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. In certain instances the District is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the Ballinger Independent School District's employees for the years ended August 31, 2011, 2010, and 2009, were \$427,894, \$407,952, and \$393,410, respectively. The District paid additional state contributions for the years ended August 31, 2011, 2010, and 2009, in the amount of \$59,613, \$52,321, and \$54,985, respectively, on the portion of the employees' salaries that exceeded the statutory minimum and on salaries paid from federal grants.

The Medicare Prescription Drug, Improvement, and 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 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. These on-behalf payments totaled \$16,430, \$15,806, and \$13,832 for the years ended August 31, 2011, 2010, and 2009, respectively. The total on-behalf payments made by the State of Texas and the federal government amounted to \$444,324, \$423,758, and \$407,242 for the years ended August 31, 2011, 2010, and 2009, respectively.

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 writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$61,666, \$61,116, and \$59,789, respectively, the active member contributions were \$40,083, \$39,725, and \$38,863, respectively, and the District's contributions were \$33,916, \$33,614, and \$32,884, respectively, which equaled the required contributions each year.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2011

IV. OTHER INFORMATION - Continued

C. 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. During fiscal year 2011, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

D. Health Care Coverage

During the year ended August 31, 2011, 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 \$180 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.

E. Property and Liability Coverage

During the year ended August 31, 2011, the District met its property and casualty 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. The Fund offers the following coverage: automobile liability, errors and omissions, general liability, and property including automobile physical damage. 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 seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsures. Reinsurance agreements permit recovery of a portion of losses from reinsures although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured policy.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan 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, 2010, are available at the Fund's offices.

F. Unemployment Compensation Coverage

During the year ended August 31, 2011, 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.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2011

IV. OTHER INFORMATION - Continued

F. Unemployment Compensation Coverage - Continued

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.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan 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, 2010, are available at the TASB's offices.

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 \$65,317 at August 31, 2011, 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 \$65,572 at August 31, 2011. Contributions to this pool for the current year were \$17,744.

Changes in the balances of claims liabilities are as follows:

	Year Ended August 31,	
	2011	2010
Unpaid Claims - Beginning	\$ 93,956	\$ 56,502
Incurred Claims	17,744	70,048
Claim Payments	<u>(46,128)</u>	<u>(32,594)</u>
Unpaid Claims - Ending	<u>\$ 65,572</u>	<u>\$ 93,956</u>

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 collectibility 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.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2011

IV. OTHER INFORMATION - Continued

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	\$ 87,418
Coleman Independent School District	76,604
Winters Independent School District	<u>73,236</u>
Total	<u><u>\$ 237,258</u></u>

J. Adjustments to Fund Balances

The fund balance of the General Fund was increased by \$10,569 to record a settle up for the prior year's state foundation funding and decreased by \$8,088 to adjust for the prior year's receivables that were uncollectible. The fund balance of Fund 437 Special Education Cooperative was increased \$100,851 to record a SHARS settle up due from the state.

K. Subsequent Events

The District's administration has evaluated subsequent events through November 21, 2011, 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, 2011

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	\$ 2,779,248	\$ 3,087,948	\$ 3,330,569	\$ 242,621
5800 State Program Revenues	6,434,594	6,434,594	6,488,004	53,410
5900 Federal Program Revenues	15,000	15,000	121,392	106,392
5020 Total Revenues	9,228,842	9,537,542	9,939,965	402,423
EXPENDITURES:				
Current:				
0011 Instruction	4,382,467	4,616,225	4,485,280	130,945
0012 Instructional Resources and Media Services	147,553	183,878	176,367	7,511
0013 Curriculum and Instructional Staff Development	20,490	19,890	9,921	9,969
0023 School Leadership	466,940	466,940	461,915	5,025
0031 Guidance, Counseling, and Evaluation Services	269,451	269,451	264,013	5,438
0033 Health Services	45,050	47,150	45,094	2,056
0034 Student (Pupil) Transportation	326,492	314,192	249,542	64,650
0036 Extracurricular Activities	533,879	569,746	537,989	31,757
0041 General Administration	503,563	503,563	465,714	37,849
0051 Facilities Maintenance and Operations	989,337	956,137	909,754	46,383
0052 Security and Monitoring Services	4,450	245,450	243,388	2,062
0053 Data Processing Services	371,411	383,511	373,364	10,147
Debt Service:				
0071 Principal on Long-Term Debt	180,375	398,929	394,843	4,086
0072 Interest on Long-Term Debt	-	1,446	1,446	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	750,000	2,728,150	2,573,279	154,871
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	144,234	144,734	144,697	37
0099 Other Intergovernmental Charges	78,000	78,000	72,694	5,306
6030 Total Expenditures	9,213,692	11,927,392	11,409,300	518,092
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	15,150	(2,389,850)	(1,469,335)	920,515
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	8,250	8,250
8911 Transfers Out (Use)	(15,150)	-	-	-
7080 Total Other Financing Sources (Uses)	(15,150)	-	8,250	8,250
1200 Net Change in Fund Balances	-	(2,389,850)	(1,461,085)	928,765
0100 Fund Balance - September 1 (Beginning)	6,218,025	6,218,025	6,218,025	-
1300 Increase (Decrease) in Fund Balance	-	-	2,481	2,481
3000 Fund Balance - August 31 (Ending)	\$ 6,218,025	\$ 3,828,175	\$ 4,759,421	\$ 931,246

Other Supplementary Information

BALLINGER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
ASSETS				
1110 Cash and Temporary Investments	\$ (213)	\$ (280)	\$ -	\$ 115,753
1240 Due from Other Governments	16,438	280	-	14,471
1260 Due from Other Funds	-	-	10,448	-
1410 Deferred Expenditures	-	-	-	15,160
1000 Total Assets	<u>\$ 16,225</u>	<u>\$ -</u>	<u>\$ 10,448</u>	<u>\$ 145,384</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	14,906	-	9,613	6,890
2170 Due to Other Funds	-	-	-	-
2200 Accrued Expenditures	1,319	-	835	130
2300 Deferred Revenues	-	-	-	9,964
2000 Total Liabilities	<u>16,225</u>	<u>-</u>	<u>10,448</u>	<u>16,984</u>
Fund Balances:				
Nonspendable Fund Balance:				
3430 Prepaid Items	-	-	-	15,160
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	113,240
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,400</u>
4000 Total Liabilities and Fund Balances	<u>\$ 16,225</u>	<u>\$ -</u>	<u>\$ 10,448</u>	<u>\$ 145,384</u>

242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund
\$ (1,186)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,186	3,539	-	-	-	-	-	14,686
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 3,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,686</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	3,249	-	-	-	-	-	14,413
-	-	-	-	-	-	-	-
-	290	-	-	-	-	-	273
-	-	-	-	-	-	-	-
<u>-</u>	<u>3,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,686</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 3,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,686</u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	364 SSA - ARRA IDEA, Pt. B Formula	
ASSETS					
1110	Cash and Temporary Investments	\$ -	\$ -	\$ -	\$ (7,822)
1240	Due from Other Governments	10,448	-	-	7,822
1260	Due from Other Funds	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1000	Total Assets	<u>\$ 10,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	10,448	-	-	-
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>10,448</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable Fund Balance:					
3430	Prepaid Items	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 10,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

365 SSA - ARRA IDEA, Part B Preschool	404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants	424 School Leadership Pilot Prog.	429 Other State Special Revenue Funds	437 SSA Special Education	461 Campus Activity Funds
\$ -	\$ (4,136)	\$ 283	\$ -	\$ -	\$ (3,507)	\$ 234,051	\$ 65,773
-	4,136	-	-	-	3,507	100,852	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,903</u>	<u>\$ 65,773</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 567	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	283	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>567</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	334,336	65,773
-	-	-	-	-	-	334,336	65,773
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,903</u>	<u>\$ 65,773</u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds	
ASSETS				
1110	Cash and Temporary Investments	\$ 398,716	\$ -	\$ 398,716
1240	Due from Other Governments	177,365	-	177,365
1260	Due from Other Funds	10,448	-	10,448
1410	Deferred Expenditures	15,160	-	15,160
1000	Total Assets	<u>\$ 601,689</u>	<u>\$ -</u>	<u>\$ 601,689</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	Accounts Payable	\$ 567	\$ -	\$ 567
2160	Accrued Wages Payable	49,071	-	49,071
2170	Due to Other Funds	10,448	-	10,448
2200	Accrued Expenditures	2,847	-	2,847
2300	Deferred Revenues	10,247	-	10,247
2000	Total Liabilities	<u>73,180</u>	<u>-</u>	<u>73,180</u>
Fund Balances:				
Nonspendable Fund Balance:				
3430	Prepaid Items	15,160	-	15,160
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	113,240	-	113,240
Committed Fund Balance:				
3545	Other Committed Fund Balance	400,109	-	400,109
3000	Total Fund Balances	<u>528,509</u>	<u>-</u>	<u>528,509</u>
4000	Total Liabilities and Fund Balances	<u>\$ 601,689</u>	<u>\$ -</u>	<u>\$ 601,689</u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 140,532
5800 State Program Revenues	-	-	-	11,138
5900 Federal Program Revenues	239,919	7,072	164,622	329,660
5020 Total Revenues	<u>239,919</u>	<u>7,072</u>	<u>164,622</u>	<u>481,330</u>
EXPENDITURES:				
Current:				
0011 Instruction	231,107	6,950	164,622	-
0012 Instructional Resources and Media Services	3,179	-	-	-
0013 Curriculum and Instructional Staff Development	-	67	-	-
0021 Instructional Leadership	5,633	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0033 Health Services	-	55	-	-
0035 Food Services	-	-	-	506,352
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	984
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>239,919</u>	<u>7,072</u>	<u>164,622</u>	<u>507,336</u>
1200 Net Change in Fund Balance	-	-	-	(26,006)
0100 Fund Balance - September 1 (Beginning)	-	-	-	154,406
1300 Increase (Decrease) in Fund Balance	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,400</u>

242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund
\$ 45	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
1,186	58,788	302,746	20,618	37,254	37,205	5,587	14,686
<u>1,231</u>	<u>58,788</u>	<u>302,746</u>	<u>20,618</u>	<u>37,254</u>	<u>37,205</u>	<u>5,587</u>	<u>14,686</u>
-	48,849	302,746	-	33,360	37,205	5,587	14,686
-	-	-	-	-	-	-	-
-	-	-	-	3,894	-	-	-
-	9,939	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,231	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	20,618	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,231</u>	<u>58,788</u>	<u>302,746</u>	<u>20,618</u>	<u>37,254</u>	<u>37,205</u>	<u>5,587</u>	<u>14,686</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	313 SSA IDEA, Part B Formula	314 SSA IDEA, Part B Preschool	315 SSA IDEA, Part B Discretionary	364 SSA - ARRA IDEA, Pt. B Formula	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	576,061	17,953	104,055	168,779
5020	Total Revenues	<u>576,061</u>	<u>17,953</u>	<u>104,055</u>	<u>168,779</u>
EXPENDITURES:					
Current:					
0011	Instruction	80,140	-	104,055	23,865
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	1,510	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling, and Evaluation Services	27,189	-	-	-
0033	Health Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	467,222	17,953	-	144,914
6030	Total Expenditures	<u>576,061</u>	<u>17,953</u>	<u>104,055</u>	<u>168,779</u>
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
1300	Increase (Decrease) in Fund Balance	-	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

365 SSA - ARRA IDEA, Part B Preschool	404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants	424 School Leadership Pilot Prog.	429 Other State Special Revenue Funds	437 SSA Special Education	461 Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,092	\$ 43,940
-	6,051	26,999	39,955	1,000	71,168	180,515	-
58	-	-	-	-	-	84,656	-
58	6,051	26,999	39,955	1,000	71,168	266,263	43,940
58	6,051	26,999	39,955	-	64,036	41,205	12,692
-	-	-	-	-	-	-	5,553
-	-	-	-	-	5,121	-	-
-	-	-	-	-	-	160,203	-
-	-	-	-	750	-	-	16,568
-	-	-	-	-	-	6,774	974
-	-	-	-	-	-	1,899	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	13,128
-	-	-	-	-	2,011	13,024	-
-	-	-	-	-	-	14,153	-
-	-	-	-	250	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	142,560	-
58	6,051	26,999	39,955	1,000	71,168	379,818	48,915
-	-	-	-	-	-	(113,555)	(4,975)
-	-	-	-	-	-	347,040	70,748
-	-	-	-	-	-	100,851	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 334,336	\$ 65,773

BALLINGER INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 185,609	\$ 185,609
5800	State Program Revenues	336,826	336,826
5900	Federal Program Revenues	2,170,905	2,170,905
5020	Total Revenues	<u>2,693,340</u>	<u>2,693,340</u>
EXPENDITURES:			
Current:			
0011	Instruction	1,244,168	1,244,168
0012	Instructional Resources and Media Services	8,732	8,732
0013	Curriculum and Instructional Staff Development	9,082	9,082
0021	Instructional Leadership	177,285	177,285
0023	School Leadership	17,318	17,318
0031	Guidance, Counseling, and Evaluation Services	34,937	34,937
0033	Health Services	1,954	1,954
0035	Food Services	507,583	507,583
0036	Extracurricular Activities	13,128	13,128
0041	General Administration	15,035	15,035
0051	Facilities Maintenance and Operations	15,137	15,137
0052	Security and Monitoring Services	250	250
0053	Data Processing Services	20,618	20,618
Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	772,649	772,649
6030	Total Expenditures	<u>2,837,876</u>	<u>2,837,876</u>
1200	Net Change in Fund Balance	(144,536)	(144,536)
0100	Fund Balance - September 1 (Beginning)	572,194	572,194
1300	Increase (Decrease) in Fund Balance	100,851	100,851
3000	Fund Balance - August 31 (Ending)	<u>\$ 528,509</u>	<u>\$ 528,509</u>

Required TEA Schedules

BALLINGER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
2003	1.500000	0.070000	150,742,481
2004	1.500000	0.070000	152,237,408
2005	1.500000	0.070000	163,629,597
2006	1.500000	0.070000	163,644,073
2007	1.370000	0.000000	174,416,463
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 (School year under audit)	1.170000	0.000000	243,697,532
1000 TOTALS			

(10) Beginning Balance 9/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2011
\$ 11,951	\$ -	\$ 198	\$ -	\$ (736)	\$ 11,017
2,707	-	135	-	(8)	2,564
3,671	-	143	-	(8)	3,520
4,020	-	71	-	(8)	3,941
2,975	-	193	-	60	2,842
9,355	-	2,720	-	108	6,743
11,826	-	1,889	-	351	10,288
33,444	-	14,396	-	39	19,087
92,677	-	55,208	-	(207)	37,262
-	2,851,261	2,778,554	-	-	72,707
<u>\$ 172,625</u>	<u>\$ 2,851,261</u>	<u>\$ 2,853,507</u>	<u>\$ -</u>	<u>\$ (409)</u>	<u>\$ 169,970</u>

BALLINGER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2011

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ 1,643	\$ -	\$ 110,086	\$ 211,510	\$ -	\$ -	\$ 323,239
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	8,623	-	1,000	-	9,623
6212	Audit Services	-	-	-	25,191	-	-	25,191
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	76,037	-	-	-	-	76,037
621X	Other Professional Services	-	-	25,668	324	-	-	25,992
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	1,097	13,175	-	-	14,272
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	6,648	6,641	-	-	13,289
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	12	12	-	-	24
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	268	-	5,329	11,027	-	-	16,624
6410	Travel, Subsistence, Stipends	6,424	-	6,262	1,820	-	-	14,506
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	1,440	-	-	-	-	-	1,440
6490	Miscellaneous Operating	14,732	-	8,655	920	-	-	24,307
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 24,507	\$ 76,037	\$ 172,380	\$ 270,620	\$ 1,000	\$ -	\$ 544,544

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 14,247,176

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 2,970,438
Total Debt & Lease(6500)	(11) 396,289
Plant Maintenance (Function 51, 6100-6400)	(12) 900,905
Food (Function 35, 6341 and 6499)	(13) 180,155
Stipends (6413)	(14) 907
Column 4 (above) - Total Indirect Cost	270,620

SubTotal: 4,719,314

Net Allowed Direct Cost \$ 9,527,862

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 17,205,649
Historical Cost of Building over 50 years old	(16) \$ 416,500
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 1,164,218
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 161,087
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs. \$72,694 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

BALLINGER INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUNDS AS OF AUGUST 31, 2011

EXHIBIT H-3

UNAUDITED

1	Total General Fund Balance as of 8/31/11 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 4,759,421
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ -	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	2,076,608	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
7	Estimate of two month's average cash disbursements during the fiscal year.	1,900,000	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>3,976,608</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ 782,813</u></u>

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

The District is concerned about the status of state funding and is attempting to maintain an adequate fund balance for unforeseen circumstances.

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, 2011

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	\$ 143,800	\$ 143,800	\$ 140,532	\$ (3,268)
5800 State Program Revenues	13,500	13,500	11,138	(2,362)
5900 Federal Program Revenues	289,621	289,621	329,660	40,039
5020 Total Revenues	446,921	446,921	481,330	34,409
EXPENDITURES:				
0034 Student (Pupil) Transportation	320	320	-	320
0035 Food Services	460,151	509,151	506,352	2,799
0051 Facilities Maintenance and Operations	1,450	1,450	984	466
6030 Total Expenditures	461,921	510,921	507,336	3,585
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,000)	(64,000)	(26,006)	37,994
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	15,000	15,000	-	(15,000)
7080 Total Other Financing Sources (Uses)	15,000	15,000	-	(15,000)
1200 Net Change in Fund Balances	-	(49,000)	(26,006)	22,994
0100 Fund Balance - September 1 (Beginning)	154,406	154,406	154,406	-
3000 Fund Balance - August 31 (Ending)	\$ 154,406	\$ 105,406	\$ 128,400	\$ 22,994

COMPLIANCE AND INTERNAL CONTROLS SECTION



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

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

We have audited 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ballinger Independent School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ballinger Independent School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow the administration 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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Trustees
Page 2

This report is intended solely for the information and use of the administration, the Board of Trustees, others within the District, the Texas Education Agency, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

<Signature on File with TEA>

November 21, 2011



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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Ballinger Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Ballinger Independent School District's major federal programs for the year ended August 31, 2011. The Ballinger Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Ballinger Independent School District's administration. Our responsibility is to express an opinion on the Ballinger Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of the Ballinger Independent School District's compliance with those requirements.

In our opinion, the Ballinger Independent School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The administration of the Ballinger Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Ballinger Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the administration or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the administration, the Board of Trustees, others within the District, the Texas Education Agency, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

<Signature on File with TEA>

November 21, 2011

BALLINGER INDEPENDENT SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended August 31, 2011

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Ballinger Independent School District.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the 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*.
3. No instances of noncompliance material to the basic financial statements of the Ballinger Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Ballinger Independent School District expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for the Ballinger Independent School District.
7. The programs tested as major programs included:

Special Education Cluster	
CFDA Number 84.027	IDEA - Part B, Formula
CFDA Number 84.027	IDEA - Part B, Discretionary
CFDA Number 84.173	IDEA - Part B, Preschool
CFDA Number 84.391	IDEA - Part B, Formula - ARRA
CFDA Number 84.392	IDEA - Part B, Preschool - ARRA
CFDA Number 84.394	Title XIV, State Fiscal Stabilization Fund - ARRA

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Ballinger Independent School District was determined to be a low-risk auditee.
10. Pass-Through Entity: Texas Education Agency

B. Findings - Financial Statements Audit

None

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

None

D. Findings - State Compliance

None

BALLINGER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

(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>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11-610101200901	\$ 223,694
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12 -610101200901	16,225
Total CFDA Number 84.010A			239,919
*ESEA, Title I, A - ARRA-Improving Basic Programs	84.389	11-10551001200901	5,587
Total Title I, Part A Cluster			245,506
ESEA, Title I, Part C - Migratory Children	84.011	11-615001200901	7,072
*IDEA - Part B, Formula	84.027	11-660012009016600	154,174
*IDEA - Part B, Formula	84.027	12-660012009016600	10,448
*SSA - IDEA - Part B, Formula	84.027	11-660012009016600	565,613
*SSA - IDEA - Part B, Formula	84.027	12-660012009016600	10,448
*SSA - IDEA - Part B, Discretionary	84.027	11-660012009016600	104,055
Total CFDA Number 84.027			844,738
*SSA - IDEA - Part B, Preschool	84.173	11-6610012009016610	17,953
*IDEA - Part B, Formula - ARRA	84.391	11-554001200901	37,205
*SSA - IDEA - Part B, Formula - ARRA	84.391	11-554001200901	168,779
Total CFDA Number 84.391			205,984
*SSA - IDEA - Part B, Preschool - ARRA	84.392	11-555001200901	58
Total Special Education Cluster (IDEA)			1,068,733
Title II D Enhancing Ed Through Technology - ARRA	84.386	11-10553001200901	37,254
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	11-696001200901	20,618
ESEA, Title II, Part A-Teacher/Principal Training	84.367A	11-694501200901	55,248
ESEA, Title II, Part A-Teacher/Principal Training	84.367A	12 -694501200901	3,539
Total CFDA Number 84.367A			58,787
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11-557001200901	302,746
Education Jobs Fund	84.410	12 -S410A100044	14,686
Total Passed Through State Department of Education			\$ 1,755,402
TOTAL DEPARTMENT OF EDUCATION			\$ 1,755,402
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	11-200901	\$ 86,873
*National School Lunch Program - Cash Assistance	10.555	11-200901	212,815
*National School Lunch Prog. - Non-Cash Assistance	10.555	11-200901	29,972
Total CFDA Number 10.555			242,787
*Summer Feeding Program - Cash Assistance	10.559	11-200901	1,186
Total Child Nutrition Cluster			330,846
Total Passed Through the State Department of Agriculture			\$ 330,846
TOTAL DEPARTMENT OF AGRICULTURE			\$ 330,846
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,086,248

*Clustered Programs

School Health and Related Services (SHARS) Program expenditures of \$131,843 and E Rate-School and Library expenditures of \$74,206 are not included in the above figures.

BALLINGER INDEPENDENT SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
August 31, 2011

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Ballinger Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.