



CITY OF BALLINGER
The Greatest Little Town In Texas

ANNUAL FINANCIAL REPORT
FOR THE YEAR
ENDING SEPTEMBER 30, 2016



City of Ballinger
Annual Financial Report
Year Ending September 30, 2016

Table of Contents

Financial Section

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Government-wide Financial Statements:	
Statement of Net Assets (Net Position)	13
Statement of Activities (B-1).....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds (C-1)	16
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position (C-2)	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (C-3)	18
Statement of Net Position-Proprietary Funds (D-1).....	20
Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds (D-2).....	21
Statement of Cash Flows-Proprietary Funds (D-3)	22
Notes to the Financial Statements.....	23

Required Supplemental Information

Texas Municipal Retirement System- Schedule of Funding Progress.....	40
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-General Fund (G-1).....	41
Note to Required Supplementary Information	42
Schedule of Changes in Net Position Liability and Related Ratios-TMRS (G-2).....	43
Schedule of Contributions-TMRS (G-3).....	44
Notes to the Schedule of Contributions.....	44

Reports Related to Financial Statements Required by GAO

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	46
Summary of Auditors' Results.....	48
Status of Prior Year Audit Findings and Questioned Costs.....	50

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Independent Auditor's Report

To the City Council
City of Ballinger, Texas

We have audited the accompanying financial statements of the governmental activities and the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ballinger, Texas for the year ending September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

After careful review, we believe that the audit evidence obtained is sufficient and appropriate to provide a basis for these audit findings.

Opinion

In our opinion, based on our audit and report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, any aggregate discretely presented component units, major fund, and aggregate remaining fund information of the City of Ballinger as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the supplementary information, such as management's discussion and analysis and budgetary comparison information beginning on page 4 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 (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic and 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. These limited procedures consisted of inquiries of management about the methods of preparing the information, comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Furthermore; it is my opinion that the schedule of expenditures of federal awards is fairly stated in relation to the basic financial statements.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ballinger's basic financial statements. The introductory section and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the introductory section, budgetary comparison schedules and the schedule of expenditures of federal awards are fairly stated in all

material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated April 17, 2017, on my consideration of the City of Ballinger's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Ballinger's internal controls over financial reporting and compliance.

Sincerely yours,

A handwritten signature in black ink that reads "Gayla Fullerton, CPA". The signature is written in a cursive, flowing style.

Gayla D. Fullerton, CPA, CMGA
3444 North First
Abilene, Texas 79602

April 17, 2017

City of Ballinger, Texas
Management's Discussion & Analysis
Year Ended September 30, 2016

This is my discussion and analysis of the City of Ballinger's (the City) financial performance. This document provides an overview of the City's financial activities for the fiscal year ending September 30, 2016. It is to be read in conjunction with the City's financial statements beginning on page 10.

FINANCIAL HIGHLIGHTS

1. The Net Position of the City of Ballinger as of September 30, 2016 was **\$9,145,127**. The net position is defined as the amount of total assets exceeding total liabilities as of the end of the fiscal year. **\$8,579,157 (93.81%)** of the assets owned by the City are categorized as non-liquid capital assets. A non-liquid capital asset is defined here as an asset that does not generally create revenue for the City and cannot be sold to generate liquid capital without causing failure of required City services.
2. The remaining asset of **\$565,970 (6.19%)** are considered unrestricted assets and may be used to meet the government's continuing obligations as required.
3. The City's unrestricted net position increased by \$124,469 from operations in fiscal year 2016.
4. As of September 30, 2016, the City's governmental fund had an ending fund balance of \$315,882. This amount is unassigned and can be used for any lawful purpose. This is an increase of \$116,053 from the previous year.

USING THIS ANNUAL REPORT

To view the government wide financials for the long term, see The Statement of Net Position (Table 1) and the Statement of Activities (Exhibit B).

To view the status of the City's Funds, see the Fund financial statements. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the Governmental Wide financials (net position)

Question: Is the City, as a whole, in a better financial position as a result of the year's activities?
Answer: The Statement of Net Position and the Statement of Activities show the financial position of the City using an accrual basis of accounting. In these statements, all the current years' revenues and expenses are taken into account regardless of when cash is received or paid. Comparison of these statements to those of last fiscal year is the measure of a better or worse financial position for the City of Ballinger.

These numbers do not tell the entire story. As a citizen, you will need to consider the many non-financial factors such as changes in the quality of life, the City's property tax base, the City's waste and water services and the condition of the City's roads, to assess the overall health of the City.

City of Ballinger, Texas
Management's Discussion & Analysis
Year Ended September 30, 2016

The City of Ballinger conducts two types of activities:

- ❖ Governmental activities include such services as: police, fire, public works (streets), the city parks, (which include public spaces), and general City government and administration. Property taxes, franchise fees, and sales tax are used to pay for these activities.
- ❖ Business-type activities, generally known as City Services, are services provided by the City that charge a fee to cover the cost. The City's water and sewer system, trash collection/disposal and airport are considered Business-type activities.

The City's Funds

The Fund financial statements provide details regarding the different "Funds" (pools of money) that are managed by the City. Many Funds are required to be established by State law and bond covenants. Legally, the City Council has the authority to establish other Funds to help it segregate, control and manage money. These Funds track money used for specific purposes and help show that the City is meeting its legal obligations for the use of certain grants, taxes and other financial resources in the way they were designated when received. Money that was received with strict usage requirements is generally earmarked as "*restricted*" and must be used for the intended purpose. The City of Ballinger accounts for two kinds of Funds: Governmental and Proprietary. These Funds use different accounting approaches.

- ❖ Governmental funds - The Governmental Fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Most of the City's basic services are reported in Governmental Funds. These monies are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash with a focus on how money flows into and out of those accounts and the balances left at year-end. Governmental Fund information helps the City's management determine whether there are more or fewer financial resources available to finance the City's programs. The Statement of Net Position and the Statement of Activities are presented after the Fund financial statements.
- ❖ Proprietary funds are reported in the Statement of Net Position and the Statement of Activities. These funds are collected when the City charges customers for the services it provides. Proprietary Fund statements are a more detailed presentation of the business-type activities of the City. These activities include the City's enterprise.

City of Ballinger, Texas
Management's Discussion & Analysis
Year Ended September 30, 2016

THE CITY AS AN ENTITY

The City's net position decreased from \$9,414,165 as of September 30, 2015, to \$9,145,127 as of September 30, 2016. When you compare the overall net position and total expenses of governmental and business-type accounts, you can determine which programs are performing as expected and which are under-performing expectations.

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Net Position	Table 1					
	Governmental Activities		Business-Type Activities		Government Wide Activities	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 891,450	\$ 396,453	\$ 1,358,509	\$ 616,903	\$ 2,249,959	\$ 1,013,356
Capital Assets	1,662,588	1,697,379	12,560,149	13,140,202	14,222,737	14,837,581
Total Assets	<u>2,554,038</u>	<u>2,093,832</u>	<u>13,918,658</u>	<u>13,757,105</u>	<u>16,472,696</u>	<u>15,850,937</u>
Long-term Debt						
Outstanding	519,879	369,984	5,695,000	5,520,000	6,214,879	5,889,984
Other Liabilities	404,583	284,009	258,328	387,771	662,911	671,780
Total Liabilities	<u>924,462</u>	<u>653,993</u>	<u>5,953,328</u>	<u>5,907,771</u>	<u>6,877,790</u>	<u>6,561,764</u>
Net positions:						
Assets, Net of Debt, Restricted	1,313,694	1,327,395	7,715,242	7,645,269	9,028,936	8,972,664
Unrestricted	315,882	199,829	250,088	241,672	565,970	441,501
Total Net position	<u>\$ 1,629,576</u>	<u>\$ 1,527,224</u>	<u>\$ 7,965,330</u>	<u>\$ 7,886,941</u>	<u>\$ 9,594,906</u>	<u>\$ 9,414,165</u>

City of Ballinger, Texas
Management's Discussion & Analysis
Year Ended September 30, 2016

Changes in Net Position	Governmental Activities		Business-Type Activities		Government Wide Activities	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 773,004	\$ 699,011	\$ 2,262,534	\$ 2,225,574	\$ 3,035,538	\$ 2,924,585
Grant and Debt Forgiveness	226,448	1,038	352,161		578,609	1,038
General Revenues:						
Property Taxes	783,852	734,167			783,852	734,167
Franchise Taxes	104,490	119,046			104,490	119,046
Sales Taxes	1,013,689	852,508			1,013,689	852,508
Interest	3,346	2,227	1,186		4,532	2,227
Penalty and Interest	11,396	11,201			11,396	11,201
Hotel Motel Tax	29,949	23,178			29,949	23,178
Gross Receipts Tax	34,789	37,683			34,789	37,683
Sale of Asset	4,999				4,999	-
Transfers In/out		4,743		(4,743)	-	-
Miscellaneous	7,911	73,388		21,611	7,911	94,999
Total Revenue	2,993,873	2,558,190	2,615,881	2,242,442	5,609,754	4,800,632
Expenses:						
Governmental Activities	2,891,522	2,712,140			2,891,522	2,712,140
Business Type Activities			2,537,491	2,358,445	2,537,491	2,358,445
Total Expenses	2,891,522	2,712,140	2,537,491	2,358,445	5,429,013	5,070,585
Increase (decrease) in Net Position	102,351	(153,950)	78,390	(116,003)	180,741	(269,953)
Net Position - Beginning	1,527,225	1,548,729	7,886,940	7,946,178	9,414,165	9,494,907
Prior period adjustment		132,446		56,765		189,211
Net Position - Ending	\$ 1,629,576	\$ 1,527,225	\$ 7,965,330	\$ 7,886,940	\$ 9,594,906	\$ 9,414,165

Governmental Activities

“Governmental activities” cost the City a total of \$2,891,522 in 2016.

City taxes in the amount of \$1,994,421 paid for a portion of these activities.

Citizens who directly benefited from these programs paid \$773,004

Through various financial arrangements, outside people (ie: other cities, counties or entities provided grants and contributions amounting to \$226,448.

Business-Type Activities

Business-type activity Revenues increased by 14.28% or \$368,696.

Business-type activity Expenses went up by 7.06% or \$179,046.

This increase in net revenues for these activities can be attributed to grant revenue received.

THE CITY'S "FUNDS"

As the City of Ballinger completed the fiscal year ending September 30, 2016 with a combined fund balance of \$315,882. This compares favorably with 2015's balance of \$101,365.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets Summary

As of September 30, 2016, the City of Ballinger had capital assets of \$14,222,737. These monies are invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines.

Capital Assets at Year-end (Net of Depreciation)						
	Governmental Activities		Business-Type Activities		Government Wide Activities	
	2016	2015	2016	2015	2016	2015
Land	\$ 152,545	\$ 152,545	\$ 1,767,700	\$ 1,767,700	\$ 1,920,245	\$ 1,920,245
Buildings and improver	308,852	333,352	634,060	674,725	942,912	1,008,077
Infrastructure improvements			10,125,531	10,650,015	10,125,531	10,650,015
Equipment	1,165,161	1,211,482	32,858	47,762	1,198,019	1,259,244
Totals	<u>\$ 1,626,558</u>	<u>\$ 1,697,379</u>	<u>\$ 12,560,149</u>	<u>\$ 13,140,202</u>	<u>\$ 14,186,707</u>	<u>\$ 14,837,581</u>

This Year's Capital Asset additions include:	
Chip Spreader	\$ 31,500
Asphalt Spreader	32,000
2016 Chevy Tahoe	49,861
Various Equipment	64,871

Additional information can be found in Note 5 on page 27 of this report.

Debt

As of September 30, 2016, the City of Ballinger had \$6,214,879 in notes and bonds payable.

Outstanding Debt at Year-End						
	Governmental Activities		Business-Type Activities		Government Wide Activities	
	2016	2015	2016	2015	2016	2015
John Deere Credit	\$ 245,084	\$ 281,484	\$ -	\$ -	\$ 245,084	\$ 281,484
Tibbit Leasing	69,593	88,500	-	-	69,593	88,500
Government Capital	82,793	-	-	-	82,793	-
Government Capital	122,409	-	-	-	122,409	-
Water Treatment Plant	-	-	2,260,000	2,565,000	2,260,000	2,565,000
Water Treatment Plant	-	-	2,830,000	2,955,000	2,830,000	2,955,000
Water Meter Bond	-	-	605,000	-	605,000	-
	<u>\$ 519,879</u>	<u>\$ 369,984</u>	<u>\$ 5,695,000</u>	<u>\$ 5,520,000</u>	<u>\$ 6,214,879</u>	<u>\$ 5,889,984</u>

Additional information can be found in Notes 6 and 7 on pages 28 to 30 of this report.

ECONOMIC CONDITIONS EFFECTING THE CITY OF BALLINGER

One of the primary factors that is considered by management when setting tax rates and City budgets is the condition of the local, state and federal economy. The City of Ballinger is considered a stable economy that does not wildly fluctuate from year to year. Any changes in this stable economy like large percentage declines in population, employer layoffs or hiring's, increases in the number of water meters in service or decreases in trash customers are taken into account when the annual budget and tax rates are established. The City did not add any major new programs or initiatives in 2016.

This report and overview discussion is designed to summarize the accounting and management practices and financial condition of the City.

Any questions should be directed to:

City Manager
 City of Ballinger
 700 Railroad Street
 Ballinger, Texas 79567

325.365.3445 (M-F 8:00 am to 5:00 pm)

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Basic Financial Statements

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City of Ballinger
Statement of Net Assets
September 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and equivalents	\$ 95,541	\$ 1,025,372	\$ 1,120,913
Investments	126,629	110,951	237,580
Receivables	162,570	197,119	359,689
Other assets		25,067	25,067
Capital Assets:			
Land and improvements not being depreciated	152,545	1,767,700	1,920,245
Infrastructure and infrastructure in progress, net of depreciation		10,125,531	10,125,531
Buildings, net of depreciation	308,852	634,060	942,912
Equipment and furniture, net of depreciation	1,707,901	32,858	1,740,759
Total capital assets	<u>2,169,298</u>	<u>12,560,149</u>	<u>14,729,447</u>
Total assets	<u>2,554,038</u>	<u>13,918,658</u>	<u>16,472,696</u>
LIABILITIES			
Accounts payable and accrued expenses	113,180	181,779	294,959
Long-term liabilities:			
Due within one year			
Bonds, capital leases and contracts	131,832	500,000	631,832
Accrued interest	6,269	16,998	23,267
Compensated absences	6,496	5,955	12,451
Due in more than one year			
Bonds, capital leases and contracts	608,226	5,195,000	5,803,226
Compensated absences	58,459	53,596	112,055
Claims and judgments			
Total liabilities	<u>924,462</u>	<u>5,953,328</u>	<u>6,877,790</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,053,184	6,241,083	7,294,267
Restricted or Committed for:			
Capital projects	-	957,161	957,161
Debt Service	138,101	516,998	655,099
Other projects	122,409	-	122,409
Unassigned	315,882	250,088	565,970
Total net assets	<u>\$ 1,629,576</u>	<u>\$ 7,965,330</u>	<u>\$ 9,594,906</u>

**City of Ballinger
Statement of Activities
For Year Ended September 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental Activities				
Judicial	\$ 28,889	\$ 56,530	\$ -	\$ -
City Hall	48,030	-	-	-
Administration	545,577	31,818	-	-
Police	635,913	-	-	-
Fire Protection	102,505	10,500	-	-
Streets and Lights	760,994	67,291	-	226,448
Animal Control	46,563	2,006	-	-
Sanitation Disposal	513,223	562,378	-	-
City Pool	99,502	23,252	-	-
Parks and Lake	77,401	15,129	4,999	-
Community Center	32,925	4,100	-	-
Total governmental activities	<u>2,891,522</u>	<u>773,004</u>	<u>4,999</u>	<u>226,448</u>
Business-type activities				
Water & Sewer	2,493,636	2,207,800	-	352,161
Airport	43,855	54,734	-	-
Total business-type activities	<u>2,537,491</u>	<u>2,262,534</u>	<u>-</u>	<u>352,161</u>
Total primary government	<u>5,429,013</u>	<u>3,035,538</u>	<u>4,999</u>	<u>578,609</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Sales Taxes

Hotel Motel Taxes

Gross Receipts Business Taxes

Franchise taxes

Penalty and Interest

Miscellaneous

Investment Earnings

Total general revenues, special items, and transfers

Change in net assets

Net assets - beginning

Net assets - ending

Exhibit B-1

Net (Expense) Revenue and Changes in Net Assets
Primary Government

<u>Governmental</u> <u>I Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
27,641	\$ -	\$ 27,641
(48,030)	-	(48,030)
(513,759)	-	(513,759)
(635,913)	-	(635,913)
(92,005)	-	(92,005)
(467,255)	-	(467,255)
(44,557)	-	(44,557)
49,155	-	49,155
(76,250)	-	(76,250)
(57,273)	-	(57,273)
(28,825)	-	(28,825)
<u>(1,887,071)</u>		<u>(1,887,071)</u>
	66,325	66,325
	10,879	10,879
	<u>77,204</u>	<u>77,204</u>
<u>(1,887,071)</u>	<u>77,204</u>	<u>(1,809,867)</u>
\$ 783,852	\$ -	\$ 783,852
1,013,689	-	1,013,689
29,949	-	29,949
34,789	-	34,789
104,490	-	104,490
11,396	-	11,396
7,911	-	7,911
3,346	1,186	4,532
<u>1,989,422</u>	<u>1,186</u>	<u>1,990,608</u>
102,351	78,390	180,741
<u>1,527,225</u>	<u>7,886,940</u>	<u>9,414,165</u>
<u>\$ 1,629,576</u>	<u>\$ 7,965,330</u>	<u>\$ 9,594,906</u>

**City of Ballinger
Balance Sheet
Governmental Funds
September 30, 2016**

ASSETS

Cash and equivalents	\$	95,541
Investments		126,629
Taxes Receivable		100,828
Allowance for Uncollectible Taxes		18,051
Receivables		79,793
Total assets		420,842

LIABILITIES

Accounts payable		62,716
Unearned Revenue		42,244
Total liabilities		104,960

Fund Balances

Unassigned fund Balance		315,882
Total Fund Balances		315,882
Total Liabilities and Fund Balances	\$	420,842

City of Ballinger
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30,2016-2015

		<u>2016</u>	
Total Fund Balances - Governmental Funds	\$		315,882
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$4,198,534 and the accumulated depreciation was \$2,572,048. In addition, long-term liabilities, including notes payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.			1,662,588
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements. Debt payments were reclassified as a reduction in long-term debt in the government-wide financial statements. The net effect increased net position.			924,462
The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.			(313,924)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. Recognizing the effects of pension plan asset adjustments and recording compensated absences payable. The net effect of these reclassifications and recognitions is to decreased net position.			(1,093,491)
Net Position Of Government Activities	\$		1,629,576

City of Ballinger
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For Year Ending September 30, 2016

REVENUES:	<u>General Fund</u>
Taxes	
Property Taxes	783,852
General Sales and Use Taxes	1,013,689
Selective Sales and Use Tax for	29,949
Gross Receipts Business Tax	34,789
Franchise Tax	104,490
Penalty and Interest on Taxes	11,396
Gifts and Grants	231,447
Charges for Services	773,004
Investment Earnings	3,346
Other Revenue	7,911
Total Revenues	<u>2,993,873</u>
EXPENDITURES:	
General Government:	
Judicial	28,889
City Hall	48,030
Administration	545,577
Public Safety	
Police	635,913
Fire Protection	102,505
Public Works	
Streets & Lighting	760,994
Animal Control	46,563
Sanitation & Disposal	513,223
Culture and Recreation	
City Pool	99,502
Parks (including Lake Park)	77,401
Community Center	32,925
Total Expenditures	<u>2,891,522</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>102,351</u>
OTHER FINANCING SOURCES (USES):	
Non-Current Loans	214,517
Total Other Financing Sources (Uses)	<u>214,517</u>
Net Change in Fund Balances	316,868
Fund Balance - October 1, 2015	101,365
Fund Balance - September 30, 2016	<u>\$ 315,882</u>

**City of Ballinger
Proprietary Funds**

City of Ballinger
Statement of Net Position
Proprietary Funds
September 30, 2016

	Water & Sewer Fund	Airport Fund	Total Enterprise Funds
ASSETS:			
Current Assets:			
Cash and Equivalents	\$ 949,147	\$ 76,225	\$ 1,025,372
Investments - Cash Equivalents	110,951	-	110,951
Accounts Receivable - Net of Uncollectively Allowances	194,270	2,849	197,119
Total Current Assets	<u>1,254,368</u>	<u>79,074</u>	<u>1,333,442</u>
Non-Current Assets:			
Capital Assets:			
Land Purchase and Improvements	1,700,209	67,491	1,767,700
Buildings	1,340,810	345,055	1,685,865
Accumulated Depreciation - Buildings	(726,506)	(325,299)	(1,051,805)
Improvements other than Buildings	17,236,420	315,545	17,551,965
Accumulated Depreciation - Other Improvements	(7,239,190)	(187,244)	(7,426,434)
Machinery and Equipment	609,114	-	609,114
Accumulated Depreciation - Machinery and Equipment	(576,256)	-	(576,256)
Net Pension Asset	25,067	-	25,067
Total Non-current Assets	<u>12,369,668</u>	<u>215,548</u>	<u>12,585,216</u>
Total Assets	<u>13,624,036</u>	<u>294,622</u>	<u>13,918,658</u>
DEFERRED OUTFLOS OF RESOURCES			
Deferred Outflow Related To Pension Plan			
Total Deferred Outflows of Resources	<u>69,522</u>		<u>69,522</u>
LIABILITIES:			
Current Liabilities			
Accounts Payable	181,730	49	181,779
Compensated Absences Payable	5,955	-	5,955
Accrued Interest Payable	16,998	-	16,998
Bonds Payable - Current Portion	500,000	-	500,000
Total Current Liabilities	<u>704,683</u>	<u>49</u>	<u>704,732</u>
Non Current Liabilities			
Bonds Payable - Non-Current Debt	5,195,000	-	5,195,000
Compensated Absences Payable	53,596	-	53,596
Total Non Current Liabilities	<u>5,248,596</u>	<u>-</u>	<u>5,248,596</u>
Total Liabilities	<u>5,953,279</u>	<u>49</u>	<u>5,953,328</u>
NET POSITION			
Net Investment in Capital Assets	7,468,543	246,699	7,715,242
Unrestricted Net Position	171,014	79,074	250,088
TOTAL NET POSITION	<u>\$ 7,639,557</u>	<u>\$ 325,773</u>	<u>\$ 7,965,330</u>

City of Ballinger
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ending September 30, 2016

	Water and Sewer Fund	Airport Fund	Total Enterprise Funds
<i>OPERATING REVENUES:</i>			
Charges for Water Services	\$ 1,605,009	\$ -	\$ 1,605,009
Charges for Sewerage Service	573,666	-	573,666
Culture/Recreation Charges for Services		54,734	54,734
Bond Revenue	352,161		352,161
Investment Earnings	1,186	-	1,186
Other Revenue	29,125	-	29,125
Total Operating Revenues	2,561,147	54,734	2,615,881
<i>OPERATING EXPENSES:</i>			
<u>Water Distribution</u>			
Personnel Services - Salaries & Wages	168,853	-	168,853
Personnel Services - Employee Benefits	63,445	-	63,445
Purchased Property Services	103,244	-	103,244
Supplies	18,342	-	18,342
Total Water Distribution	353,884	-	353,884
<u>Water Administration</u>			
Personnel Services - Salaries & Wages	64,248	-	64,248
Personnel Services - Employee Benefits	22,583	-	22,583
Purchased Professional & Technical Services	9,787	-	9,787
Purchased Property Services	5,468	-	5,468
Other Operating Expenses	4,862	-	4,862
Supplies	14,509	-	14,509
Total Water Administration	121,457	-	121,457
<u>Sewer Department</u>			
Personnel Services - Salaries and Wages	40,612	-	40,612
Personnel Services - Employee Benefits	14,736	-	14,736
Purchased Property Services	95,955	-	95,955
Supplies	9,216	-	9,216
Total Sewer Department	160,519	-	160,519
<u>Water Supply and Treatment</u>			
Personnel Services - Salaries & Wages	178,511	-	178,511
Personnel Services - Employee Benefits	64,144	-	64,144
Purchased Property Services	353,069	-	353,069
Other Operating Expenses	357,299	-	357,299
Supplies	12,866	-	12,866
Total Water Supply and Treatment	965,889	-	965,889
<u>Airport</u>			
Other Operating Expenses	-	20,035	20,035
Supplies	-	3,849	3,849
Total Airport	-	23,884	23,884
Depreciation	809,052	19,971	829,023
Interest Expense	13,313	-	13,313
Deferred Pension Expense	69,522	-	69,522
Total Operating Expenses	2,493,636	43,855	2,537,491
Change in Net Position	67,511	10,879	78,390
Net Position -October 1, 2015 (Beginning)	7,572,046	314,894	7,886,940
Net Position -September 30, 2016 (Ending)	\$ 7,639,557	\$ 325,773	\$ 7,965,330

City of Ballinger
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	Business-Type Activities		
	Total Water Sewer Fund	Total Airport Fund	Total Enterprise Fund
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 2,392,337	\$ 20,065	\$ 2,412,402
Cash Payments to Employees for Services	(452,224)		(452,224)
Cash Payments for Suppliers	(1,601,749)	(23,884)	(1,625,633)
Cash Payments for Interest	(13,313)		(13,313)
Net Cash Provided by Operating Activities	<u>325,051</u>	<u>(3,819)</u>	<u>321,232</u>
<u>Cash Flows from Grant Activities:</u>			
Operating Transfer In	<u>352,161</u>		<u>352,161</u>
	352,161	-	352,161
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Cash received from financing activities	605,000		605,000
Payment on Long Term Debt	(623,568)		(623,568)
Net Cash Provided by (Used for) Capital & Related Financing Activities	(18,568)	-	(18,568)
Net Increase(Decrease) in Cash and Cash Equivalents	658,644	(3,819)	654,825
Cash and Cash Equivalents at Beginning of the Year:	290,503	80,044	370,547
Cash and Cash Equivalents at the End of the Year: \$	<u>\$ 949,147</u>	<u>\$ 76,225</u>	<u>\$ 1,025,372</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</u>			
Operating Income (Loss):	(173,471)	10,879	(162,592)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	587,953	19,971	607,924
Amortization of Bond Insurance	3,133		3,133
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	(1,500)	(1,798)	(3,298)
Decrease (increase) in Deferred Resource Outflow			-
Decrease (increase) in Net Pension Asset	162,781		162,781
Increase (decrease) in Resource Inflows	113,674		
Increase (decrease) in Accounts Payable	(213,149)	(49)	(213,198)
Increase (decrease) in Customer Deposits	9,134		9,134
Increase (decrease) in Compensated Absences	10,004		10,004
Increase (decrease) in Accrued Interest Payable	(6,198)		(6,198)
Net Cash Provided By Operating Activities	<u>\$ 492,361</u>	<u>\$ 29,003</u>	<u>\$ 570,282</u>
<u>Reconciliation of Total Cash and Cash Equivalents</u>			
Cash & Cash Equivalents - Statement of Net Assets	<u>\$ 949,147</u>	<u>\$ 76,225</u>	<u>\$ 1,025,372</u>

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. General Statement

The City of Ballinger (the "City") operates under a council-manager form of government and provides the following services: public safety, streets, waterworks, recreation, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units except for establishing an allowance for uncollectible receivables. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations and its component units and entities for which the City is considered to be financially accountable.

C. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of inter-fund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

In the fund financial statements the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

General Fund -

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water and Sewer Fund-

Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Airport Fund-

Airport Fund is used to account for the activities of the airport. Activities include maintenance of the airport along with fuel sales and building rental.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurement made, regardless of the measurement focus applied.

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in the category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any items that qualifies for reporting in this category.

E. Budgetary Control

As set forth in the City charter, the City Council adopts an annual budget for the General Fund and Proprietary Fund. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Proprietary Fund is adopted under a basis consistent with GAAP. Amendments are made to these budgets as needed throughout the year.

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

F. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition.

G. Investments

Investments consist primarily of certificates of deposits with a term of more than three months.

H. Receivables

All receivables are reported at their gross value. Where appropriate, an allowance for uncollectible receivables is provided to reduce the receivable by the estimated portion that is expected to be uncollectible.

I. Water Receivables

The City's Water and Sewer Proprietary Fund operates on a monthly billing cycle. The accounts receivable in this fund at September 30, 2016, represents the final unpaid billing issued on September 30, 2016, but does not include an estimation of unbilled water and wastewater from the dates individual meters were read in September to September 30, 2016. This treatment is consistent with prior years.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$250,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows

Buildings	20 years
Water and Sewer System Infrastructure	30-50 years
Machinery,	20-30 years
Equipment & Vehicles	5-15 years
Improvements	10-40 years

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

K. Long-Term Obligations

In the government-wide financial statements, proprietary, and component unit financial statements, outstanding debt is reported as liabilities.

Governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Issuance costs are reported as expenditures.

L. Compensated Absences

Employees in permanent full-time positions shall be eligible for vacation benefits upon separation from City employment.

Permanent full-time employees accumulate vacation leave at the end of each month employed by the City. Vacation leave accrues as follows:

1 -10 years	.833 day per month
10 -20 years	1.25 days per month

Upon separation of service, an employee is paid for all accrued vacation time at full pay rate. Only 80 vacation hours may be carried over to the next fiscal year. An employee is paid for the first 240 hours of accumulated sick time at full pay rate and additional sick hours at half-pay rate. There are no limitations on amount of sick time that can be accumulated or carried over. No pension plan contributions are made on vacation/sick leave payoffs. The City allows permanent employees to accumulate sick leave at a rate of one and a quarter days per month.

M. Nature and Purpose of Reservations and Designations of Fund Equity

Restricted assets are also reported by the governmental fund for cash deposited in the bank account but restricted for specific uses of debt service and grant funds.

Net position flow assumption:

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

Fund balance flow assumptions:

Sometimes the City will fund outlays for a purpose from both the restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City 's policy to consider restricted fund balance to have been depleted before using any of the component s of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

N. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws and/or regulations of other governments.

NOTE 2. DEPOSITS AND INVESTMENTS:

Deposits - State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or it agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits, including certificates of deposit, were fully insured or collateralized as required by the state statutes at September 30, 2016. At year-end, the carrying amount of the City's deposits was a balance of \$1,120,913 and the respective bank balances totaled \$1,295,493. Of the total bank balance, the Federal Depository Insurance Corporations (FDIC) covered \$250,000. The remainder was covered by collateral consisting of pledged securities with a value of \$1,371,622.

Investments - At September 30, 2016, the City held investments in Certificates of Depos it of \$237,580.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City 's deposits may not be returned to it. In compliance with the City's Investment Policy, as of September 30, 2016, the City was not exposed to custodial credit risk because its deposits were all covered by depository insurance and collateralized by Security State Bank with government securities.

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

The City is required by Government Code Chapter 2256, The Public Funds Investment Act ("Act"), to adopt, implement, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purposes financial statements disclosed that in the areas of investment practices, management reports and establish appropriate policies. The City adheres to the requirements of the Act. Additionally, investment practices of the City are in accordance with local policies.

NOTE 3. RECEIVABLES:

Water Fund accounts receivable at September 30, 2016, consisted of \$243,022 with related allowance for doubtful accounts of \$48,752.

Airport Fund accounts receivable at September 30, 2016, consisted of \$2,849

General Fund receivables at September 30, 2016, consisted of \$70,717 sanitation services net of allowance for uncollectible accounts of \$18,051, \$50,810 sales tax, \$6,501 franchise tax, \$6,960 motel tax, \$5,175 paving, \$708 property tax collected and \$42,310 property taxes receivable net of allowance for doubtful accounts, of \$3,025 for a total of \$154,499.

NOTE 4. PAYABLES:

Water Fund accounts payable as of September 30, 2016, consisted of \$27,532, compensated absences payable of \$59,551, customer deposits payable of \$130,237 and accrued interest payable of \$23,196.

Airport Fund accounts payable at September 30, 2016, consisted of \$49.

General Fund payables at September 30, 2016, consisted of accounts payable of \$105,080, payroll liabilities of \$505 sales tax payable of \$6,434 and compensated absences payable of \$64,955.

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

Note 5 - Capital Assets

Capital Asset activity for the year ended September 30, 2016 was as follows

Primary Government	Balance 10/1/2015	Increases	Decreases	Balance 9/30/2016
Business-type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 1,767,700	\$ -	\$ -	\$ 1,767,700
Construction In Progress	-	-	-	-
Total Assets Not Being Depreciated	<u>1,767,700</u>	<u>-</u>	<u>-</u>	<u>1,767,700</u>
Capital Assets Being Depreciated				
Water and Sewer System	17,236,420			17,236,420
Other Equipment	2,602,625	7,900		2,610,525
Total Capital Assets Being Depreciated	<u>19,839,048</u>	<u>7,900</u>	<u>-</u>	<u>19,846,945</u>
Less: Accumulated Depreciation				
Water & Sewer System	6,615,745	510,691		7,126,435
Other Equipment	1,850,797	77,264		1,928,061
Total Accumulated Depreciation	<u>8,466,542</u>	<u>\$ 587,955</u>	<u>\$ -</u>	<u>9,054,496</u>
NET CAPITAL ASSETS	<u>\$ 13,140,206</u>	<u>-</u>	<u>-</u>	<u>\$ 12,560,149</u>
	Balance 10/1/2015	Increases	Decreases	Balance 9/30/2016
Government-type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 152,545	\$ -	\$ -	\$ 152,545
Capital Assets Being Depreciated				
Buildings	736,503			736,503
Other Equipment	3,380,379	243,103		3,623,482
Total Capital Assets Being Depreciated	<u>4,116,882</u>	<u>243,103</u>	<u>-</u>	<u>4,116,882</u>
Less: Accumulated Depreciation				
Buildings	403,150	24,501		427,651
Other Equipment	1,889,765	289,423		2,179,188
Total Accumulated Depreciation	<u>2,572,048</u>	<u>\$ 313,924</u>	<u>\$ -</u>	<u>2,606,839</u>
NET CAPITAL ASSETS	<u>\$ 1,697,379</u>	<u>243,103</u>	<u>-</u>	<u>\$ 1,662,588</u>

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

NOTE 6. NOTES PAYABLE:

As of September 30, 2016, notes payable consisted of the following:

General Fund:

A promissory note dated May 5, 2015, to John Deere Credit with a principal balance of \$107,690 at an interest rate of 3.00%. The proceeds of the note were used for the purchase of a John Deere Dozer. The note is paid with annual payments of \$28,640 with the final payment due May 5, 2020. Payments include principal and interest. This note is secured by the equipment.

A promissory note dated November 5, 2013, to John Deere Credit with a principal balance of \$137,394 at an interest rate of 3.30%. The proceeds of the note were used for the purchase of a John Deere motor grader and John Deere backhoe. The note is paid with annual payments of \$47,067 with the final payment due November 5, 2018. Payments include principal and interest. This note is secured by the equipment

A promissory note dated July 30, 2015, to Tibbit Leasing with a principal balance of \$69,593 at an interest rate of 3.00%. The proceeds of the note were used for the purchase of a Bomag vibratory roller. The note is paid with annual payments of \$18,334 with the final payment due October 15, 2019. Payments include principal and interest. This note is secured by the equipment.

A promissory note dated February 29, 2016 to Government Capital with a principal balance of \$82,793 at an interest rate of 2.40%. The proceeds of the note were used for the purchase of a Police Cars and Technology. The note is paid with an initial payment of \$37,791 due October 1, 2016 and annual payments of \$9,480 with the final payment due October 1, 2021. Payments include principal and interest. This note is secured by the equipment.

A promissory note dated July 15, 2016 to Government Capital with a principal balance of \$122,409 at an interest rate of 2.40%. The proceeds of the note will be used for the purchase of a Brush Truck. This truck was received in December 2, 2016. The note is paid with annual payments of \$19,000 with the final payment due October 1, 2023. Payments include principal and interest. This note is secured by the equipment.

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

Changes in Notes Payable-

Transactions for the year ended September 30, 2016, are summarized as follows:

<u>Governmental Type</u>	Beginning Balance	Additions	Reduction	Ending Balance	Due Within one Year
John Deere Credit	\$ 133,305	\$ 17,169	\$ -	\$ 137,394	\$ 47,067
John Deere Credit	131,010	-	-	107,690	28,640
John Deere Credit	17,169	-	17,169	-	-
Tibbits Leasing	88,500	-	18,907	69,593	18,334
Government Capital	-	122,409	-	122,409	19,000
Government Capital	-	82,793	-	82,793	37,791
	<u>\$ 369,984</u>	<u>\$ 222,371</u>	<u>\$ 36,076</u>	<u>\$ 519,879</u>	<u>\$ 150,832</u>

Business-type activities

No Notes payable

Annual Requirements To Retire Notes Payable						
Year Ending September 30,	<i>Governmental-Type Activities</i>			<i>Business-Type Activities</i>		
	Principal	Interest	Total Requirement	Principal	Interest	Total Requirement
2016	\$ 103,521	\$ 15,477	\$ 118,998	\$ -	\$ -	\$ -
2017	75,454	11,555	87,009	-	-	-
2018	75,454	8,365	83,819	-	-	-
2019	71,711	4,844	76,555	-	-	-
2020	57,120	2,864	59,984	-	-	-
Totals	<u>\$ 383,260</u>	<u>\$ 43,104</u>	<u>\$ 426,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

NOTE 7. BONDS PAYABLE:

In 2008, the City issued \$3,870,000 in Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation. These bonds were issued to the Texas Water Development Board and the City is obligated for the bonds that are delivered to the City. The amount delivered to the City as of September 30, 2016 is \$3,870,000. These are zero coupon bonds and have principal payments in annual amounts of \$130,000 to \$125,000 through 2038. These bonds were issued for the purpose of water system improvements.

The City issued \$3,495,000 of general obligation refunding bonds to refinance bonds used to finance the construction of a new water treatment plan. These bonds are secured by the net revenues of the water and sewer system. The currently outstanding bonds bear interest at rates ranging from 1.15% to 3.65%. Interest is payable semi-annually each June 1 and December 1. Principal payments are due annually on June 1 in escalating amounts ranging from \$305,000 due June 1, 2016 to \$345,000 due June 1, 2023

In September 2016, the City issued \$605,000 in Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation. These bonds were issued to the Texas Water Development Board and the City is obligated for the bonds that are delivered to the City. The amount delivered to the City as of September 30, 2016 is \$605,000. These are zero coupon bonds and have principal payments in annual amounts of \$60,000 through 2025 with an annual amount of \$65,000 due in 2026. These bonds were issued for the purpose of water meter system improvements.

The following is a summary of bond transactions of the City for the year ended September 30, 2016				
	Balance October 1, 2015	Bonds Issued	Bond Payments	Balance September 30, 2016
Business-Type Activities				
Water Treatment Refunding Bonds	\$ 2,565,000		\$ 130,000	\$ 2,435,000
Water System Improvements Bonds	2,955,000		305,000	\$ 2,650,000
Water Meter Bonds		605,000		605,000
Governmental-type Activities	-	-	-	-
	5,520,000	605,000	435,000	5,690,000
Less Current Activities				\$ 500,000
Non-Current Portion				\$ 5,190,000

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

The annual requirements to amortize these bonds payable as of September 30, 2016, are as follows:

Years Ending September 30,	Principal Due June 1	Interest Due June1 & December 1	Total
2017	\$ 500,000	\$ 67,993	\$ 567,993
2018	500,000	67,993	567,993
2019	505,000	54,637	559,637
2020	510,000	46,447	556,447
2021	515,000	37,095	552,095
2022-2026	1,635,000	45,958	1,680,958
2027-2031	650,000	-	650,000
2032-2036	630,000	-	630,000
2037-2038	250,000	-	250,000
TOTAL	\$ 5,695,000	\$ 320,123	\$ 6,015,123

NOTE 8. UNEARNED REVENUE:

There was no unearned revenue as of September 30, 2016.

NOTE 9. PROPERTY TAX:

The City's property tax is levied and becomes a lien each October 1 on 100 percent of assessed value listed for all real and personal property located in the City as of the prior January 1. Assessed values are established by the Runnels County Central Appraisal District and certified by the Board of Review.

The City levied taxes at .44 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. Taxes are due on the levy date (Oct. 1) and become delinquent after January 31. Current tax collections for the year ended September 30, 2016 were 94.83% of the tax levy.

Property tax revenues are recognized when they become available. Available means collected within the current period and the amount expected to be collected soon after year-end to pay liabilities of the current period not to exceed 60 days. The amount of taxes collected in the balance of taxes receivable, net of allowance, is recorded as deferred revenue.

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

NOTE 10. EMPLOYEE RETIREMENT SYSTEM:

Plan Description

The City provides pension benefits for all of its full-time employees, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provide detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS 's [website at www.tmr.com](http://www.tmr.com). All eligible employees of the city are required to participate in TMRS. TMRS provides retirement, disability, and death benefits.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

	<i>Plan Year 2015</i>	<i>Plan Year 2016</i>
Employee deposit rate	5%	5%
Matching ratio (city to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

General System-wide Actuarial Assumptions	
Actuarial Valuation Date	December 31, 2015
Actuarial cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	15.0 Years
Amortization Period for new	30 years
Gains/Losses	
Asset Valuation Method	10-year smoothed market, 15% soft corridor
Investment Rate of Return	6.75%
Projected Salary Increases	Varies by age and time of service
Includes Inflation at	2.5%
Cost-of-Living Adjustments	2.1%

Three Year Trend Information				
Fiscal Year	Annual Pension Cost	Actual Contribution Made	Percentage Of APC Contributed	Net Pension Obligation
2014	60,991	60,991	100%	-
2015	48,254	48,254	100%	-
2016	54,868	54,865	100%	-

Pension Asset, Pension Expense, and Deferred Outflows of Resources Related to Pension

As of September 30, 2016, the City reported a liability of \$150,802 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined.

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

For the year ended September 30, 2016, the City recognized pension expense of \$110,216. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources	Net Outflows of Inflows
Differences between expected and actual experience	\$ -	\$ 5,328	\$ (5,328)
Changes of Assumptions	17,440	-	17,440
Net difference between projected and actual earnings on pension plan investments	180,272	-	180,272
Changes in proportion and differenced between City contributions and proportionate share of contribution	-	-	-
City contributions subsequent to the measurement date	54,868	-	54,868
	<u>\$ 252,580</u>	<u>\$ 5,328</u>	<u>\$ 247,252</u>

The \$247,252 of reported as net deferred outflows of resources related to pensions resulting from City contributions after the measurement date will be recognized as an increase of the net pension asset in the year ended September 30, 2016.

Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

For additional detailed information, please reference the TMRS "GASB-Employer Reporting Guide."

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$542,778	\$150,802	\$(178,030)

City of Ballinger
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2016

NOTE 11. FUND BALANCE:

The City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

- **Non-spendable**-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 of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed**-Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes the budget reserve account.
- **Assigned**-Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by City Council.
- **Unassigned**-All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 13). Assigned funds are reduced to the extent that expenditure authority has been budgeted by council or the assignment has been changed by the Mayor. Decreases to fund balance first reduce unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

General Fund

The General Fund has unassigned fund balance of \$350,597 at September 30, 2016.

NOTE 12. SUBSEQUENT EVENTS:

The City has evaluated subsequent events through April 17, 2017, the date which the financial statements were available to be issued.

NOTE 13. UTILITY METERS:

As of September 30, 2016, the City of Ballinger had 2,249 water meters in place.

NOTE 14. CHANGE IN ACCOUNT PRINCIPLES:

There was no change in account principles for year ended September 30, 2016.

Required Supplemental Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board (GASB) but not considered a part of the basic financial statements.

City of Ballinger
Texas Municipal Retirement System
Schedule of Funding Progress
(Unaudited)
Year Ending September 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UALL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	\$ 2,671,186	\$ 2,780,231	96.1%	\$ 109,045	\$ 971,523	11.2%
12/31/2012	\$ 2,870,539	\$ 2,931,156	97.9%	\$ 60,617	\$ 1,096,080	5.5%
12/31/2013	\$ 3,058,651	\$ 3,100,321	98.7%	\$ 41,670	\$ 1,129,733	3.7%
12/31/2014	\$ 3,142,171	\$ 3,206,710	98.0%	\$ 64,539	\$ 1,179,541	5.5%
12/31/2015	\$ 3,310,850	\$ 3,392,694	97.6%	\$ 81,844	\$ 1,336,582	6.1%

The Texas Municipal Retirement System Board adopted changes in actuarial assumptions as of Dec. 31, 2015 including:

- 1) Reduction in the investment return assumption from 7% to 6.75%
- 2) Reduction in the inflation assumption from 3% to 2.5%
- 3) Reduction in individual salary increases
- 4) Reduction in projected cost of living adjustments (COLAs) consistent with lower inflation
- 5) Reduction to the 3% payroll growth assumption for cities with patterns of population decline
- 6) Reduction in the rates of termination and modification of classification and city multipliers
- 7) Reduction in forfeiture rates (withdrawal of member deposits) for vested members not eligible for retirement
- 8) Reduction in rates of disability

City of Ballinger, Texas
Statement of Revenues, expenditures and Changes in Fund Balances
BUDGET and ACTUAL - General Fund
For the year ending September 30, 2016

	Budgeted Amount		Actual Adjusted to Budget Basis (See Note)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes				
Property Taxes	\$ 770,000	\$ 770,000	\$ 783,852	\$ 13,852
General Sales & Use Taxes	1,050,000	1,050,000	1,013,689	(36,311)
Hotel/Motel Occupancy Tax	20,000	20,000	29,949	9,949
Gross Receipts Business Tax	40,000	40,000	34,789	(5,211)
Franchise Tax	110,000	110,000	104,490	(5,510)
Penalty and Interest on Taxes	15,000	15,000	11,396	(3,604)
Licenses and Permits	4,000		3,125	3,125
Intergovernmental Revenue and Grants	-	-	226,448	226,448
Charges for Services	641,450	641,450	626,037	(15,413)
Fines	85,000	85,000	55,740	(29,260)
Special Assessments	50,000	50,000	44,828	(5,172)
Investment Earnings	1,500	1,500	3,346	1,846
Rents and Royalties	10,225	10,225	13,935	3,710
Other Revenue	51,750	51,750	42,249	(9,501)
Total Revenues	\$ 2,848,925	\$ 2,848,925	\$ 2,993,873	\$ 148,948
EXPENDITURES				
Current:				
General Governmental				
Judicial	30,995	30,995	28,889	2,106
City Hall	52,906	52,906	48,030	4,876
Administration	568,980	568,980	545,577	23,403
Public Safety				
Police	657,412	657,412	635,913	21,499
Fire Department	127,351	127,351	102,505	24,846
Public Works				
Streets and Lighting	720,170	720,170	760,994	(40,824)
Animal Control	52,330	52,330	46,563	5,767
Sanitation Disposal	425,000	425,000	513,223	(88,223)
Culture and Recreation				
City Pool	60,450	60,450	99,502	(39,052)
Parks	68,625	68,625	77,401	(8,776)
Community Center	65,476	65,476	32,925	32,551
Total Expenditures	\$ 2,829,695	\$ 2,829,695	\$ 2,891,522	\$ (61,827)
Excess (Deficiency) of Revenues over (Under) Expenditures	\$ 19,230	\$ 19,230	\$ 102,351	\$ 87,121
OTHER FINANCING SOURCES (USES)				
Non-Current Loans			213,531	213,531
Transfers In			-	-
Total Other Financing Sources (Uses)			213,531	213,531
Change in Fund Balance	\$ 19,230	\$ 19,230	\$ 315,882	300,652
Fund Balance - Oct 1 (beginning)	101,365	101,365	101,365	
Fund Balance - Sept 30 (ending)	\$ 120,595	\$ 120,595	315,882	300,652

Note to Required Supplementary Information September 30, 2016

Note 1 - Budget and Budgetary Accounting

The City Council adopts an Annual Budget no later than the second meeting of September of each year for the fiscal year commencing the following October 1. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. During August of each year, the City Manager submits to the City Council a proposed operating budget for the next following fiscal year. The operating budget includes proposed revenues and expenditures.
 2. After a review by the City Council, a public hearing is conducted and further comment is received from the City Council and the general public.
 3. Upon completion of the hearings and modifications, if any, to the proposed budget, it is adopted by the City Council through passage of an appropriate resolution.
 4. Generally, the budget is amended in the middle of the year and at the end of the year. All approved additional appropriations are added to the adopted budget and an amended budget is presented to the City
 5. The City Manager is authorized to transfer from time to time budget amounts of operational expenditure categories within departments as deemed necessary in order to meet the City's needs.
 6. City Council approval is required for all fund to fund transfers, department to department transfers, fund reserve to appropriations transfers, for new revenue sources with offsetting appropriations, and for transfer to/from the capital expenditure category.
-

City of Ballinger
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System

A. Total Pension Liability	As of December 31,	<u>2015</u>	<u>2014</u>
Service Cost		\$ 107,862	\$ 85,949
Interest (on the Total Pension Liability)		222,640	210,848
Changes in Benefit Terms		-	-
Difference between Expected and Actual Experience		(6,891)	71,951
Changes in Assumptions		17,440	-
Benefit Payments, including refunds of employee contributions		(160,142)	(262,359)
Net change in Total Pension Liability		<u>186,024</u>	<u>106,389</u>
Total Pension Liability - Beginning		<u>3,206,710</u>	<u>3,100,321</u>
Total Pension Liability- Ending		<u>\$ 3,392,734</u>	<u>\$ 3,206,710</u>
B. Total Fiduciary Net Position			
Contributions- Employer		\$ 45,042	\$ 58,622
Contributions - Employee		66,829	58,977
Net Investment Income		4,852	185,877
Benefit Payments, including refunds of employee contributions		160,142	262,359
Administrative Expense		2,956	1,941
Other		146	160
Net Change in Plan Fiduciary Net Position		<u>(46,520)</u>	<u>39,016</u>
Plan Fiduciary Net Position - Beginning		<u>3,288,452</u>	<u>3,249,436</u>
Plan Fiduciary Net Position - Ending		<u>3,241,932</u>	<u>3,288,452</u>
C. Net Pension Liability		<u>\$ 150,802</u>	<u>\$ (81,742)</u>
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		95.56%	102.55%
E. Covered Employee Payroll		\$ 1,336,582	\$ 1,179,541
F. Net Pension Liability as a Percentage of Covered Employee Payroll		11.28%	-6.93%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only two year of data is presented in accordance with UASHS #6K, paragraph 13K. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

City of Ballinger
Schedule of Contributions
Texas Municipal Retirement System
September 30, 2016

	2016
Actuarially Determined Contributions	\$ 48,586
Contributions in Relation to the Actuarially Determined Contributions	48,586
Contribution Deficiency (Excess)	-
 Covered Employee Payroll	1,444,252
 Contributions as a Percentage of Covered Employee Payroll	3.36%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's current fiscal year as opposed to the time period covered by the measurement date.

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

Methods and assumptions used to determine contribution rates:

Entry Age:	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period:	30 years
Asset Valuation Method:	10 Year smoothed market; 15% soft corridor
Inflation:	2.50%
Salary Increases:	3.50% to 10.50% including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2010-2014
Mortality:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Other Information:	
Notes:	There were no benefit changes during the year.

Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance
and other Matters based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

To the City Council
City of Ballinger, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Ballinger, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Ballinger's basic financial statements. We have issued our report thereon dated April 17, 2017.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ballinger financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls or compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Internal Controls Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal controls exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements or errors in a timely manner.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected in a timely manner.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls 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 controls over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Gayla D. Fullerton
Certified Public Accountant

Abilene, Texas
April 17, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

City of Ballinger
Schedule of Findings and Questioned Cost
September 30, 2016

Section II - Financial Statement Findings

2016-001 Reconciliation of bank statements to the general ledger (Significant deficiency)

Condition

During substantive audit fieldwork it was noted the main bank balance did not reconcile with the matching general ledger accounts.

Criteria

Accounting standards require the City's trial balance be prepared in accordance with Generally Accepted Accounting Principles (GAAP.)

Cause

At year end 2015 adjusting entries were made to general ledger bank balances without considering any outstanding checks. Deposits made to incorrect bank accounts.

Effect

Audit adjustments were required to bring the financial statements in line with bank balances.

Recommendation

We recommend the city personnel within the accounting and finance department when reconciling all bank accounts to make sure related balances reflect the proper bank accounts.

Management Response

The City agrees with the findings. During 2015-2016 additional staff was hired to reconcile accounts, this staff will be trained on how to assure these accounts are accurate.

Section III - Federal and State Awards Findings and Questioned Costs

No findings noted in the current year.

Section IV – Prior Year Financial Statement Findings

No Prior year financial statement findings.

Section V – Prior Year Federal Awards Findings and Questioned Costs

There were no federal or state awards in the prior year.

Other recommendation

During our audit it was discovered:

The City did not track their assets and values. We recommend the city create an accurate list of all assets, The balance of customer deposit being held by the City water department is not current. We recommend these holdings be adjustment accordingly.

There were old outstanding check in bank accounts. We recommend all checks outstanding over one year should be voided.

The inventory of the fuel is not tracked at the airport. We recommend an automated inventory tracking system with a modern fueling pump with the capability to accept other forms of payments.

We need to make a recommendation that they write off all water account reivals older than 2 or 3 years.

CITY OF BALLINGER
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING SEPTEMBER 30, 2016

Findings required to be reported in accordance with Government Auditing Standards

2015-1 – Reclassification of Operating Leases to Capital Leases in the amount of \$455,679.

Finding: The leases in question were recategorized and appear to be appropriately accounted for by the City of Ballinger.

2015-2 - Segregation of Duties by City Personnel

Finding: The City has made a significant change in the segregation of duties in the Administrative Offices by hiring an internal bookkeeper to reconcile all bank accounts. The Auditor considers this is a significant move forward in this area.

2015-3 – Expenditures in Excess of Budget

Finding: The City has addressed this issue to the satisfaction of the Auditor.

