

LLANO COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2017



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS



LLANO COUNTY, TEXAS  
 ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Honorable County Judge, Members of the Commissioners Court and Citizens of  
Llano County, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Llano County, Texas (the "County") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County'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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Llano County, Texas as of September 30, 2017, and the respective changes in financial position and the respective budgetary comparisons of the General Fund and the Road & Bridge Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section (preceding the basic financial statements) and the pension related schedules (following the notes to the financial statements) be presented to supplement the basic financials. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and supplemental 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Singleton, Clark & Company, P.C.  
Cedar Park, Texas

February 9, 2018

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LLANO COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

As management of Llano County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2017. Please read it in conjunction with the independent auditor's report on page 1 and the County's basic financial statements which follow this section.

### Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$14,455,873 (net position). Of this amount, \$5,306,310 represents unrestricted net position, which may be used to meet the County's ongoing obligations to citizens and creditors. The County's total net position decreased by \$114,371 as a result of current year activities.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$7,060,311, an increase of \$402,666 in comparison with the prior year. Approximately 69% of this amount, or \$4,899,785, is available for spending at the County's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the General Fund was \$5,024,505, or approximately 47% of total General Fund current year expenditures before transfers.

### Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, judicial, highways and streets, public facilities, health and welfare, culture and recreation, and conservation and development. The County currently does not have any business-type activities.

LLANO COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

**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 County, 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 County can be divided into two categories: governmental funds and fiduciary funds.

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

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

The County maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road & Bridge Fund, and the Library Fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The County adopts an annual appropriated budget for its General Fund, Road & Bridge Fund and the Debt Service Fund. Budgetary comparison statements for the General Fund and Road & Bridge Fund have been provided within the basic financial statements section of this report. The budgetary comparison for the Debt Service Fund has been provided within the other supplementary information section.

**Proprietary Funds.** The County has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County does not currently utilize an enterprise fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a County's functions. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements. The County is not currently utilizing an internal service fund.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

LLANO COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

The County maintains two different types of fiduciary funds. The *private-purpose trust fund* is used to report resources held in trust for Llano County School Land. The *agency fund* reports resources held by the County in a custodial capacity for individuals, private organizations and other governments.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's participation in the Texas County and District Retirement System (TCDRS) for its employees. The required supplementary information can be found immediately following the notes section of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions.

**Combining and Individual Fund Financial Statements and Schedules.** Other schedules supporting the basic financial statements are presented here, such as combining schedules of individual non-major governmental funds, and the budgetary comparison schedule for the Debt Service Fund.

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial health. In the case of the County, assets exceeded liabilities by \$14,455,873 at the close of the most recent fiscal year.

**Table I**  
**LLANO COUNTY, TEXAS**  
**NET POSITION**

	Governmental Activities 2017	Governmental Activities 2016	Change
Current & other assets	\$ 8,480,979	\$ 8,707,149	\$ (226,170)
Capital assets	7,866,849	8,650,190	(783,341)
Deferred outflows	1,402,806	1,696,718	(293,912)
Total assets and deferred outflows	<u>17,750,634</u>	<u>19,054,057</u>	<u>(1,303,423)</u>
Current liabilities	726,340	1,197,204	(470,864)
Long-term liabilities	1,051,368	2,941,811	(1,890,443)
Deferred inflows	152,790	194,545	(41,755)
Total liabilities and deferred inflows	<u>1,930,498</u>	<u>4,333,560</u>	<u>(2,403,062)</u>
Net Position			
Net investment in capital assets	7,106,279	7,419,559	(313,280)
Restricted	2,043,284	2,011,842	31,442
Unrestricted	5,306,310	5,289,096	17,214
Total net position	<u>\$ 14,455,873</u>	<u>\$ 14,720,497</u>	<u>\$ (264,624)</u>

LLANO COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

By far, the largest portion of the County's net position, \$7,106,279, or 49%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used 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 County's net position, \$2,043,284, or 14%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,306,310, or 37%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the County is able to report positive balances in all reported categories of net position.

The County's overall net position decreased by \$114,371 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities decreased by \$114,371 from the prior fiscal year for an ending balance of \$14,455,873. The decrease in the overall net position of governmental activities is primarily the result of depreciation on the County's capital assets.

**Table II**  
**LLANO COUNTY, TEXAS**  
**CHANGES IN NET POSITION**

	Governmental Activities 2017	Governmental Activities 2016	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 1,751,795	\$ 2,047,219	\$ (295,424)
Operating grants & contributions	342,219	30,256	311,963
General Revenues:			
Property taxes	11,360,615	11,131,211	229,404
Other taxes	397,897	341,613	56,284
Other	543,300	416,985	126,315
Total revenue	<u>14,395,826</u>	<u>13,967,284</u>	<u>428,542</u>
Expenses:			
General government	4,275,790	4,948,714	(672,924)
Public safety	4,523,278	4,006,479	516,799
Judicial	1,479,573	1,354,677	124,896
Highways and streets	2,202,070	2,139,581	62,489
Public facilities	999,932	788,839	211,093
Health and welfare	42,418	84,413	(41,995)
Culture and recreation	530,612	509,455	21,157
Conservation and development	423,626	328,400	95,226
Interest on long-term debt	32,898	44,331	(11,433)
Total expenses	<u>14,510,197</u>	<u>14,204,889</u>	<u>305,308</u>
Increase (decrease) in net position before transfers	<u>(114,371)</u>	<u>(237,605)</u>	<u>123,234</u>
Increase (decrease) in net position	<u>(114,371)</u>	<u>(237,605)</u>	<u>123,234</u>
Net position - beginning ( <i>as restated 2017</i> )	<u>14,570,244</u>	<u>14,958,102</u>	<u>(387,858)</u>
Net position - ending	<u>\$ 14,455,873</u>	<u>\$ 14,720,497</u>	<u>\$ (264,624)</u>

LLANO COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

**Financial Analysis of Governmental Funds**

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

**Governmental Funds.** The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Commissioners Court.

At September 30, 2017, the County's governmental funds reported combined fund balances of \$7,060,311, an increase of \$402,666 in comparison with the prior year. Approximately 69% of this amount, or \$4,899,785, constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of the fund balance is currently reported as restricted or assigned for various purposes.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,899,785. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. The unassigned fund balance of the General Fund represents approximately 47% of total General Fund expenditures.

The fund balance of the County's General Fund increased by \$331,011 during the current fiscal year. The increase was due primarily to conservative spending and positive budget variances for the year.

The Road & Bridge Fund, a major governmental fund, had a \$39,496 increase in fund balance during the current fiscal year, which resulted in an overall ending fund balance amount of \$779,414. The increase in fund balance relates to positive budget variances in expenditures for the year.

The Library Fund is used to separately account and report receipts of funding for the County library and for related expenditures. This fund did not have a beginning or ending fund balance as revenues matched expenditures for the year.

**General Fund Budgetary Highlights**

**Original budget compared to final budget.** During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. Generally, the movement of the appropriations between departments was *not* significant.

LLANO COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

**Capital Assets and Debt Administration**

**Capital assets.** The County's investment in capital assets for its governmental as of September 30, 2017, amounts to \$7,866,849 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, and vehicles. Additional information on the County's capital assets can be found in the notes to the financial statements section of this report.

	Governmental Activities 2017	Governmental Activities 2016	Change
Land	\$ 162,378	\$ 162,378	\$ -
Buildings	14,344,609	14,344,609	-
Furniture and Equipment	8,185,149	7,902,447	282,702
Total	<u>22,692,136</u>	<u>22,409,434</u>	<u>282,702</u>
Less Accumulated Depreciation	<u>(14,825,287)</u>	<u>(13,759,244)</u>	<u>(1,066,043)</u>
Capital assets, net of depreciation	<u>\$ 7,866,849</u>	<u>\$ 8,650,190</u>	<u>\$ (783,341)</u>

**Long-term Debt.** At the end of the current fiscal year, the County had long-term obligations consisting of compensated absences, capital leases and net pension liability. During the year, the County paid off the Maintenance Tax Notes, Series 2010.

**Llano County, Texas's Outstanding Debt**

	Governmental Activities 2017	Governmental Activities 2016	Change
Tax Notes	\$ -	\$ 420,000	\$ (420,000)
Capital Leases Payable	760,570	810,632	(50,062)
Compensated Absences	290,798	264,901	25,897
Net Pension Liability	1,364,263	1,446,279	(82,016)
Total	<u>\$ 2,415,631</u>	<u>\$ 2,941,812</u>	<u>\$ (526,181)</u>

The County's total overall debt decreased by \$526,181 during the current fiscal year due to scheduled payments of its long term debt and capital leases. Additional information on the County's long-term debt can be found in notes to the financial statements section of this report.

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

The adopted budget for fiscal year 2017-2018 for the County's General Fund was \$12.8 million, which reflects an approximate increase of \$1.4 million from the fiscal year 2016-2017 General Fund adopted budget. The County adopted a tax rate of \$.26042 for the General Fund and \$.0417 for the Road and Bridge Fund for a combined total tax rate of \$.30212 for fiscal year 2017-2018.

LLANO COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

**Requests for Information**

This financial report is designed to provide a general overview of the County finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor's Office, 1447 E. State Highway 71, Suite B, Llano, Texas 78643 or by calling (325) 247-3783.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

LLANO COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 475,616
Investments	7,125,999
Taxes receivable - delinquent	201,734
Allowance for uncollectible taxes	(50,434)
Accounts receivable, net	698,683
Intergovernmental receivable	29,381
Capital assets, not being depreciated:	
Land	162,379
Capital assets, being depreciated:	
Buildings and improvements	14,344,609
Furniture and equipment	8,185,148
Accumulated depreciation	(14,825,287)
Total assets	16,347,828
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pension	1,402,806
Total Deferred Outflows of Resources	1,402,806
<b>LIABILITIES</b>	
Accounts payable	423,685
Accrued liabilities	170,196
Intergovernmental payable	24,713
Accrued interest payable	20,565
Unearned revenue	38,368
Other current liabilities	48,813
Noncurrent liabilities:	
Due within one year	51,384
Due in more than one year	999,984
Net pension liability	1,364,263
Total liabilities	3,141,971
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension	152,790
Total Deferred Inflows of Resources	152,790
<b>NET POSITION</b>	
Net investment in capital assets	7,106,279
Restricted for debt service	93,085
Restricted for road and bridge	779,414
Restricted for specific purposes	1,170,785
Unrestricted	5,306,310
Total net position	\$ 14,455,873

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

LLANO COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs:	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government:				
Governmental activities:				
General government	\$ 4,275,790	\$ 879,357	\$ 80,763	\$ (3,315,670)
Public safety	4,523,278	191,263	135,570	(4,196,445)
Judicial	1,479,573	51,473	-	(1,428,100)
Highway and streets	2,202,070	589,396	56,976	(1,555,698)
Public facilities	999,932	-	-	(999,932)
Health and welfare	42,418	22,640	53,088	33,310
Culture and recreation	530,612	17,666	15,822	(497,124)
Conservation and development	423,626	-	-	(423,626)
Interest	32,898	-	-	(32,898)
Total governmental activities:	<u>\$ 14,510,197</u>	<u>\$ 1,751,795</u>	<u>\$ 342,219</u>	<u>(12,416,183)</u>

General Revenues:

Property taxes	11,360,615
General and selective use taxes	397,897
Contributions and donations from private sources	113,936
Investment earnings	88,878
Gain on sale of capital assets	5,335
Miscellaneous	335,151
Total general revenues	<u>12,301,812</u>
Change in net position	(114,371)
Net position -- beginning (as restated)	<u>14,570,244</u>
Net position-- ending	<u>\$ 14,455,873</u>

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

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FUND BASIS FINANCIAL STATEMENTS

LLANO COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017

	General Fund	Road & Bridge Fund	Library Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 64,708	\$ 120,867	\$ 120
Investments	6,316,675	737,988	-
Taxes receivable - delinquent	165,303	26,460	-
Allowance for uncollectible delinquent taxes	(41,326)	(6,615)	-
Accounts receivable	124,034	-	-
Intergovernmental receivable	-	29,381	-
Due from other funds	22,275	-	381,602
Total assets	<u>\$ 6,651,669</u>	<u>\$ 908,081</u>	<u>\$ 381,722</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 180,954	\$ 57,277	\$ 14,560
Accrued liabilities	140,926	29,270	-
Intergovernmental payable	24,713	-	-
Due to other funds	1,107,781	22,275	328,794
Unearned revenue	-	-	38,368
Other current liabilities	48,813	-	-
Total liabilities	<u>1,503,187</u>	<u>108,822</u>	<u>381,722</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue- property tax	123,977	19,845	-
Total deferred inflows of resources	<u>123,977</u>	<u>19,845</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>			
Restricted for:			
Debt service	-	-	-
Road and bridge	-	779,414	-
Specific purposes	-	-	-
Assigned for:			
Stabilization funds	124,720	-	-
Unassigned	4,899,785	-	-
Total fund balances	<u>5,024,505</u>	<u>779,414</u>	<u>-</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 6,651,669</u>	<u>\$ 908,081</u>	<u>\$ 381,722</u>

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

Total Nonmajor Funds	Total Governmental Funds
\$ 289,921	\$ 475,616
71,336	7,125,999
9,971	201,734
(2,493)	(50,434)
11,056	135,090
-	29,381
1,054,973	1,458,850
<u>\$ 1,434,764</u>	<u>\$ 9,376,236</u>
\$ 170,894	\$ 423,685
-	170,196
-	24,713
-	1,458,850
-	38,368
-	48,813
<u>170,894</u>	<u>2,164,625</u>
7,478	151,300
<u>7,478</u>	<u>151,300</u>
85,607	85,607
-	779,414
1,170,785	1,170,785
-	124,720
-	4,899,785
<u>1,256,392</u>	<u>7,060,311</u>
<u>\$ 1,434,764</u>	<u>\$ 9,376,236</u>

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LLANO COUNTY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balances - Governmental Funds		\$ 7,060,311
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	\$ 22,692,136	
Less accumulated depreciation	<u>(14,825,287)</u>	7,866,849
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Notes and capital leases payable	(760,570)	
Compensated absences	(290,798)	
Net pension liability	<u>(1,364,263)</u>	(2,415,631)
Accrued interest on long-term debt related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds.		(20,565)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, not reported in the funds.		
Deferred outflows of resources related to pensions	1,402,806	
Deferred inflows of resources related to pensions	<u>(152,790)</u>	1,250,016
Property taxes are recognized as revenue in the governmental funds when collected, but recognized in the Statement of Activities in the year levied. Therefore, property taxes receivable, net of allowance for uncollectible accounts, is added to the Statement of Net Position for governmental activities.		151,300
Other long-term receivables, such as those for outstanding fines and warrants, are not recognized in the governmental funds, but are recognized in the Statement of Net Position, net of an allowance for uncollectible amounts.		563,593
Net Position of Governmental Activities		<u><u>\$ 14,455,873</u></u>

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

LLANO COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Road & Bridge Fund	Library Fund
<b>REVENUES</b>			
Property taxes	\$ 9,526,009	\$ 1,351,839	\$ -
Mixed beverage tax	117,174	-	-
Selective sales and use taxes	-	44,507	-
Penalties and interest on taxes	79,759	11,891	-
Licenses and permits	70,861	589,396	-
Intergovernmental revenues	281,853	56,976	-
Charges for services	710,003	619	9,538
Fines	272,563	-	7,529
Investment earnings	73,599	12,601	-
Rents and royalties	5,616	-	-
Contributions and donations, private sources	-	-	79,368
Miscellaneous revenue	145,602	53,753	1,327
Total revenues	11,283,039	2,121,582	97,762
<b>EXPENDITURES</b>			
Current:			
General government	3,824,490	-	-
Public safety	4,089,873	-	-
Judicial	1,333,833	-	-
Highways and streets	-	2,004,930	-
Public facilities	912,444	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	479,364
Conservation and development	156,358	-	-
Debt service:			
Bond principal	49,492	-	-
Interest and fees	30,377	-	-
Capital outlay	275,971	77,156	-
Total expenditures	10,672,838	2,082,086	479,364
Excess (deficiency) of rev. over expenditures	610,201	39,496	(381,602)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	16,000	-	381,602
Transfers out	(430,172)	-	-
Sale of general capital assets	5,335	-	-
Insurance recoveries	129,647	-	-
Total other financing sources (uses)	(279,190)	-	381,602
Net change in fund balance	331,011	39,496	-
Fund balance - beginning (as restated)	4,693,494	739,918	-
Fund balance - ending	\$ 5,024,505	\$ 779,414	\$ -

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

Total Nonmajor Funds	Total Governmental Funds
\$ 391,611	\$ 11,269,459
-	117,174
236,216	280,723
3,574	95,224
-	660,257
3,390	342,219
91,630	811,790
-	280,092
2,678	88,878
-	5,616
34,568	113,936
4,820	205,502
<u>768,487</u>	<u>14,270,870</u>
62,482	3,886,972
-	4,089,873
10,414	1,344,247
-	2,004,930
-	912,444
38,838	38,838
-	479,364
231,767	388,125
420,000	469,492
5,397	35,774
-	353,127
<u>768,898</u>	<u>14,003,186</u>
<u>(411)</u>	<u>267,684</u>
48,570	446,172
(16,000)	(446,172)
-	5,335
-	129,647
<u>32,570</u>	<u>134,982</u>
32,159	402,666
1,224,233	6,657,645
<u>\$ 1,256,392</u>	<u>\$ 7,060,311</u>

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LLANO COUNTY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Governmental Funds	\$	402,666
<p>Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.</p>		
Expenditures for capitalized assets	\$ 353,127	
Less current year depreciation	<u>(1,136,468)</u>	(783,341)
<p>Repayment of principal on bonds, notes, and capital leases is an expenditure in the governmental funds, but this expenditure is removed from the Statement of Activities and the repayments instead reduce long-term liabilities on the Statement of Net Position.</p>		
Repayments on bonds	420,000	
Repayments on capital leases	<u>50,062</u>	470,062
<p>Accrued interest on long-term debt is not recorded in the governmental funds, and therefore any change in accrued interest does not affect fund balance.</p>		
		2,306
<p>Since the value of compensated absences are not shown in the governmental funds, any change in these amounts will affect net position but not fund balance.</p>		
		(25,897)
<p>Property taxes are recognized as revenues in the governmental funds when collected but recognized on the Statement of Activities in the year levied.</p>		
		(4,068)
<p>Governmental funds report current pension contributions as pension expenditures. However, on the Statement of Net Position, pension expense is determined actuarially, reflecting the actual estimated pension expense to the organization as the pension benefits are earned through service.</p>		
		(170,141)
<p>Long-term receivables, such as those for fines and warrants, are not recorded in the funds. Therefore, any change in these items during the year is not reflected in the change in fund balance of governmental funds.</p>		
		(5,958)
Change in Net Position - Governmental Activities	\$	(114,371)

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

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LLANO COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 9,599,082	\$ 9,599,082	\$ 9,526,009	\$ (73,073)
Mixed beverage tax	87,000	87,000	117,174	30,174
Penalties and interest on taxes	-	-	79,759	79,759
Licenses and permits	70,192	70,192	70,861	669
Intergovernmental revenues	160,711	275,457	281,853	6,396
Charges for services	664,707	683,047	710,003	26,956
Fines	272,532	272,532	272,563	31
Investment earnings	27,066	27,076	73,599	46,523
Rents and royalties		-	5,616	5,616
Miscellaneous revenue	30,924	12,584	145,602	133,018
Total revenues	<u>10,912,214</u>	<u>11,026,970</u>	<u>11,283,039</u>	<u>256,069</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,187,005	4,310,331	3,824,490	485,841
Public safety	4,172,022	4,231,097	4,089,873	141,224
Judicial	1,496,943	1,491,942	1,333,833	158,109
Public facilities	891,544	912,444	912,444	-
Conservation and development	172,650	172,650	156,358	16,292
Debt service:				
Bond principal	47,737	49,492	49,492	-
Interest - bonds	32,188	30,433	30,377	56
Capital outlay	432,703	479,319	275,971	203,348
Total expenditures	<u>11,432,792</u>	<u>11,677,708</u>	<u>10,672,838</u>	<u>1,004,870</u>
Excess (deficiency) of revenues over expenditures	<u>(520,578)</u>	<u>(650,738)</u>	<u>610,201</u>	<u>1,260,939</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	23,328	39,328	16,000	(23,328)
Transfers out	(700,326)	(748,896)	(430,172)	318,724
Sale of general capital assets	90,000	90,000	5,335	(84,665)
Insurance recoveries	-	67,616	129,647	62,031
Total other financing sources (uses)	<u>(586,998)</u>	<u>(551,952)</u>	<u>(279,190)</u>	<u>272,762</u>
Net change in fund balances	(1,107,576)	(1,202,690)	331,011	1,533,701
Fund balance - beginning (as restated)	4,693,494	4,693,494	4,693,494	-
Fund balance - ending	<u>\$ 3,585,918</u>	<u>\$ 3,490,804</u>	<u>\$ 5,024,505</u>	<u>\$ 1,533,701</u>

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

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LLANO COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,371,449	\$ 1,371,449	\$ 1,351,839	\$ (19,610)
Selective sales and use taxes	-	-	44,507	44,507
Penalties and interest on taxes	9,835	9,835	11,891	2,056
Licenses and permits	642,044	642,044	589,396	(52,648)
Intergovernmental revenues	61,519	61,519	56,976	(4,543)
Charges for services	500	500	619	119
Investment earnings	3,500	3,500	12,601	9,101
Miscellaneous revenue	6,021	6,021	53,753	47,732
Total revenues	<u>2,094,868</u>	<u>2,094,868</u>	<u>2,121,582</u>	<u>26,714</u>
<b>EXPENDITURES</b>				
Highway and streets	2,294,582	2,249,382	2,004,930	244,452
Capital outlay	32,000	77,200	77,156	44
Total expenditures	<u>2,326,582</u>	<u>2,326,582</u>	<u>2,082,086</u>	<u>244,496</u>
Excess (deficiency) of revenues over expenditures	<u>(231,714)</u>	<u>(231,714)</u>	<u>39,496</u>	<u>271,210</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of general capital assets	30,000	30,000	-	(30,000)
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Net change in fund balances	(201,714)	(201,714)	39,496	241,210
Fund balance - beginning (as restated)	739,918	739,918	739,918	-
Fund balance - ending	<u>\$ 538,204</u>	<u>\$ 538,204</u>	<u>\$ 779,414</u>	<u>\$ 241,210</u>

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

LLANO COUNTY, TEXAS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2017

	Trust Fund	
	Llano County School Land	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 274,730	\$ 723,451
Investments	52,460	-
Total assets	327,190	723,451
<b>LIABILITIES</b>		
Due to Others	-	723,451
Total liabilities	-	\$ 723,451
<b>NET POSITION</b>		
Net position held in trust	\$ 327,190	

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

LLANO COUNTY, TEXAS  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Trust Fund
	Llano County School Land
<b>ADDITIONS</b>	
Rents and royalties	\$ 220,084
Interest	2,227
Total additions	222,311
<b>DEDUCTIONS</b>	
Other operating expenses	23,919
Refunds of contributions	113,368
Total deductions	137,287
Change in net position	85,024
Net position - beginning	242,166
Net position - ending	\$ 327,190

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

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NOTES TO THE FINANCIAL STATEMENTS

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LLANO COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

**NOTE-1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting entity**

Llano County, Texas (the “County”) is a public corporation governed by an elected county judge and four-member governing court (the “Court”). The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. Based on these criteria, no component units have been included within the financial statements of Llano County.

**Basis of presentation – government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the County’s enterprise funds. 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Basis of presentation – fund financial statements**

The fund financial statements provide information about the County’s funds, including its fiduciary funds and blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

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

The Road & Bridge Fund is the County’s special revenue fund that is used to account for resources used by the County in connection with providing transportation services to its citizens. This fund met the criteria to be considered a major fund this year.

LLANO COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

The Library Fund is the County's special revenue fund that is used to account for the fees collected for library services and spent on library needs. This fund met the criteria to be considered a major fund this year.

Additionally, the County reports the following fund types:

Special revenue funds account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted or committed to expenditures for specified purposes.

The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The Private-Purpose Trust Fund accounts for contributions that both the principal and the income must be used for specific non-County related purposes in a private purpose trust fund.

The Agency Funds account for funds collected and held by the County departments on behalf of others that have yet to be remitted to those other individuals or the County Treasurer for County purposes.

During the course of operations the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

#### **Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

LLANO COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

The 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 County 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the County.

Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

### **Budgetary information**

#### ***Budgetary basis of accounting***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Road and Bridge Fund, and Debt Service Fund. Other special revenue funds and the Permanent Fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Commissioners Court. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

#### ***Excess of expenditures over appropriations***

For the year ended September 30, 2017, no budgetary overages were noted.

LLANO COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

**Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

***1. Cash and cash equivalents***

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

***2. Investments***

Investments for the County are reported at fair value (generally based on quoted market prices) except for positions in Local Government Investment Pools when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

***3. Inventories and prepaid items***

The County does not report inventories of supplies for consumable items due to the unused amount of these items being on hand any given time being deemed immaterial. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***4. Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

As the County constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	10-20
Machinery and equipment	3-15
Vehicles	7

LLANO COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

**5. *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. 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 governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**6. *Net position flow assumption***

Sometimes the County 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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**7. *Fund balance flow assumptions***

Sometimes the County will fund outlays for a particular purpose from both 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 County’s policy to consider restricted fund balance to have been depleted before using any of the components 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.

**8. *Fund balance policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the County’s highest level of decision-making authority. Commissioners Court is the highest level of decision-making authority for the County that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The court has by resolution authorized the County Judge to

LLANO COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

assign fund balance. The Commissioners Court may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and expenditures/expenses**

***1. Program revenues***

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***2. Property taxes***

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County 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. The assessed value of the property tax roll of January 1, 2016, upon which the levy for the 2016-2017 fiscal year was based, was \$3,697,091,500. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2017, to finance General Fund, Road & Bridge Fund, and Debt Service Fund operations were \$0.25751, \$0.03650 and \$0.01058, respectively, for a total tax rate of \$0.30459 per \$100 valuation. The total tax levy for the General Fund, Road & Bridge Fund, and Debt Service Fund for the 2016-2017 fiscal year was \$11,260,971. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2017, were approximately 100% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General, Road & Bridge and Debt Service Funds are based on historical experience in collecting taxes.

***3. Compensated absences***

Vacation

The County's policy permits employees to accumulate earned, but unused, vacation benefits which are eligible for payment upon separation from County service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

LLANO COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Sick Leave

The County's policy permits employees to accumulate sick leave which is eligible for payment upon separation from County service (subject to the following: maximum of 120 hours of sick leave provided a minimum of 10 years of employee service to the County). The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

**4. Pensions**

For purposes of measuring the net pension liability, the economic resources measurement focus and full accrual basis of accounting have been used. This includes deferred inflows and outflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from the net position of the pension plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE-2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Violations of legal or contractual provisions**

For the year ended September 30, 2017, there were no known violations of legal and contractual provisions.

**B. Deficit fund equity**

For the year ended September 30, 2017, there were no funds reported with deficit fund equity.

**NOTE-3 CASH AND INVESTMENTS**

**Cash deposits with financial institutions**

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. However, as of September 30, 2017, and as of the highest cash balance during the year, the County's bank balance was covered by the Federal Deposit Insurance Corporation (FDIC) and pledged securities.

**Investments**

The state treasurer's investment pool (the "Pool") operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.G.2, *Investments*, for a discussion of how the shares in the Pool are valued. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state. The County utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the state treasurer's investment pool.

LLANO COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

As of September 30, 2017, the County had the following investments:

Investment Type	Maturity Time in Years				Recording Fund
	Less than 1	1-5	6-10	More Than 10	
Certificates of Deposit	\$2,587,468	\$ -	\$ -	\$ -	General Fund
LoneStar Investment Pool	2,120,638	-	-	-	General Fund, R&B Fund
Logic Investment Pool	2,470,353	-	-	-	HOT Fund, General Fund, R&B Fund, Lateral Road Fund, Debt Service, Trust Fund
<b>Total Investments</b>	<b>\$7,178,459</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

*Interest rate risk.* In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months.

*Credit risk.* State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the County’s policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2017, the County’s investment in Lone Star Investment Pool and Logic Investment Pool were rated AAAM by Standard & Poor’s.

*Concentration of credit risk.* The County’s investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the County’s total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

*Custodial credit risk-investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**NOTE-4 RECEIVABLES**

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is a detail of receivables for the major and nonmajor funds of the governmental funds of the County, including the applicable allowances for uncollectible accounts:

Governmental Funds:

Receivables	General Fund	Road & Bridge Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property taxes	\$ 165,303	\$ 26,460	\$ 9,971	\$ 201,734
Accounts receivable	124,034	-	11,056	135,090
Intergovernmental receivable	-	29,381	-	29,381
Gross receivables	289,337	55,841	21,027	366,205
Less: Allowance for uncollectibles	(41,326)	(6,615)	(2,493)	(50,434)
Net receivables	<u>\$ 248,011</u>	<u>\$ 49,226</u>	<u>\$ 18,534</u>	<u>\$ 315,771</u>

LLANO COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

**NOTE-5 CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2017, was as follows:

**Governmental Activities:**

	Balance 10/1/16	Increases	Decreases	Balance 9/30/17
Capital assets, not being depreciated:				
Land	\$ 162,378	\$ -	\$ -	\$ 162,378
Total capital assets, not being depreciated	<u>162,378</u>	<u>-</u>	<u>-</u>	<u>162,378</u>
Capital assets, being depreciated:				
Buildings and improvements	14,344,609	-	-	14,344,609
Furniture and equipment	7,902,447	353,127	(70,425)	8,185,149
Total capital assets, being depreciated	<u>22,247,056</u>	<u>353,127</u>	<u>(70,425)</u>	<u>22,529,758</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,402,201)	(643,713)	-	(8,045,914)
Furniture and equipment	(6,357,043)	(492,755)	70,425	(6,779,373)
Total accumulated depreciation	<u>(13,759,244)</u>	<u>(1,136,468)</u>	<u>70,425</u>	<u>(14,825,287)</u>
Total capital assets being depreciated, net	<u>8,487,812</u>	<u>(783,341)</u>	<u>-</u>	<u>7,704,471</u>
Governmental activities capital assets, net	<u>\$ 8,650,190</u>	<u>\$ (783,341)</u>	<u>\$ -</u>	<u>\$ 7,866,849</u>

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

**Governmental activities:**

General government	\$ 336,058
Public safety	353,601
Judicial	116,220
Highways and streets	173,342
Public facilities	78,888
Health and welfare	3,358
Culture and recreation	41,445
Conservation and development	33,556
Total depreciation expense - governmental activities	<u>\$ 1,136,468</u>

LLANO COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

**NOTE-6 PENSION OBLIGATIONS**

Texas County & District Retirement System (TCDRS)

*Plan Description*

The County provides pension, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for administration of the statewide agent multiple-employer public employee retirement system consisting of 677 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis.

This CAFR is available online at <https://www.tcdrs.org/TCDRS%20Publications/2016-Comprehensive-Annual-Financial-Report.pdf>.

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS. Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amount contributed by their employer.

*Benefits Provided*

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

*Employees covered by benefit terms*

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

	Dec 31, 2015	Dec 31, 2016
Inactive employees or beneficiaries currently receiving benefits	116	121
Inactive employees entitled to but not yet receiving benefits	123	136
Active employees	155	155
	394	412

LLANO COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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*Funding Policy*

As an agent, multiple-employer plan, each participating employer in TCDRS funds its plan independently. A combination of three elements funds each employer's plan as described below.

Employee Deposits

The governing body of the employers has the option of adopting a deposit rate in the plan for employees of 4%, 5%, 6%, or 7% of compensation. Llano County had an adopted deposit rate for employees of 7% in effect for the years ended September 30, 2016 and 2017.

Employer Contributions

Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. Llano County had required employer deposit rates in effect for the years ended September 30, 2017 and 2016 of 9.10%, respectively.

Investment Income

Income on invested employee and employer contributions funds a large part of the benefits that employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

*Net Pension Liability*

The County's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

LLANO COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

*Actuarial assumptions*

The TPL in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

**Actuarial Assumptions**

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal (1)
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	3.5%
Investment Rate of Return	8.1%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Llano County are not considered to be substantively automatic under GASB-68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Llano County specific table
Turnover	Llano County specific table
Mortality	Llano County specific table

*(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.*

LLANO COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

The long-term expected rate of return on pension plan investments was determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correction using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities-Developed	10.00%	4.70%
International Equities-Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships (MLPs)	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%
	<u>100%</u>	

*Discount Rate*

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

LLANO COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

*Sensitivity of the net pension liability to changes in the discount rate*

The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate:

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total pension liability	\$ 22,766,746	\$ 20,460,552	\$ 18,520,870
Fiduciary net position	19,096,289	19,096,289	19,096,289
Net pension liability (asset)	\$ 3,670,457	\$ 1,364,263	\$ (575,419)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained online at [www.tcdrs.org](http://www.tcdrs.org).

A detail of the changes in the Net Pension Liability/(Asset) of the County is as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2015	\$ 19,364,836	\$ 17,918,557	\$ 1,446,279
Changes for the year:			
Service cost	694,022	-	694,022
Interest on total pension liability	1,555,023	-	1,555,023
Effect of plan changes	-	-	-
Effect of economic/demographic gains/losses	(118,634)	-	(118,634)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(67,947)	(67,947)	-
Benefit payments	(966,747)	(966,747)	-
Administrative expenses	-	(14,403)	14,403
Member contributions	-	382,502	(382,502)
Net investment income	-	1,325,986	(1,325,986)
Employer contributions	-	487,191	(487,191)
Other	-	31,151	(31,151)
Balances as of December 31, 2016	<u>\$ 20,460,552</u>	<u>\$ 19,096,289</u>	<u>\$ 1,364,263</u>

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2017, the County recognized pension expense of \$170,141.

LLANO COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 152,790	\$ -
Changes of assumptions	-	72,565
Net difference between projected and actual investment earnings	-	980,105
Contributions subsequent to the measurement date	-	350,136
Total	\$ 152,790	\$ 1,402,806

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the pension plan year as follows:

Year Ended December 31,	Pension Expense Amount
2017	\$ 291,584
2018	292,719
2019	291,672
2020	23,906
2021	-
Thereafter	-

**NOTE-7 ACCRUED LIABILITIES**

Accrued liabilities reported by governmental funds at September 30, 2017, were as follows:

Governmental Funds:

	General Fund	Road & Bridge Fund	Library Fund	Nonmajor Governmental Funds	Total Governmental Funds
Accounts payable	\$ 180,954	\$ 57,277	\$ 14,560	\$ 170,894	\$ 423,685
Accrued liabilities	140,926	29,270	-	-	170,196
Intergovernmental payable	24,713	-	-	-	24,713
Other current liabilities	48,813	-	-	-	48,813
Total accrued liabilities	<u>\$ 395,406</u>	<u>\$ 86,547</u>	<u>\$ 14,560</u>	<u>\$ 170,894</u>	<u>\$ 667,407</u>

LLANO COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

**NOTE-8 RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To reduce its risk exposure in these areas the County is a member of the Texas Association of Counties Risk Pool (the "Risk Pool") for liability, property, and workers' compensation. The Risk Pool is a public entity risk pool and was created based on the general objectives of formulation, developing and administering a program of self-insurance for the membership and obtaining lower costs for coverage. The Risk Pool has the power to establish fees, contributions and methods for establishing rates. Under contract with the Risk Pool, the Association provides for such services as claims administration and management, underwriting, loss control services and training, and financial reporting as its members.

The Pool is governed by a Board of Directors made up of employees or officials of counties, which are members of the Pool. Member counties make contributions to the Pool, and the Pool provides insurance coverage and applicable reinsurance or stop loss coverage. The insurance policies carry various deductibles and aggregate maximum loss totals. The by-laws of the Pool are detailed in a separate document, which can be obtained from the Texas Association of Counties, 1210 San Antonio Street, Austin 78701. The County's workers' compensation claim expense for the year ended September 30, 2017 was \$84,687.

Health Insurance

During the year ended September 30, 2017, employees of Llano County, Texas were covered by a health insurance plan (the Plan) through the Texas Association of Counties. The County paid premiums of \$716 per month per employee for health insurance. In addition, the County paid \$21 for dental and \$1 for life insurance premiums per month per employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The total cost to the County for employee health insurance during the year ended September 30, 2017 was \$1,170,577.

**NOTE-9 LEASE OBLIGATIONS**

*Capital lease*

The County has a Capital lease for financing the acquisition of HVAC equipment. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017 were as follows:

Year Ending September 30,	Governmental Activities
2018	\$ 79,925
2019	79,925
2020	79,925
2021	79,925
2022	79,925
2023-2027	399,624
2028-2029	159,885
Total minimum lease payments	959,134
Less: amount representing interest	(198,564)
Present value of minimum lease payments	\$ 760,570

LLANO COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

**NOTE-10 LONG-TERM LIABILITIES**

The County issued \$1,000,000 in Texas Tax Notes, Series 2010, during the year ended September 30, 2011 to finance the construction of a new Precinct #2 annex building. The long-term debt was paid off in full during the year.

Changes in long-term liabilities

Changes in the County's long-term liabilities for the year ended September 30, 2017 are as follows:

Description	Balance 10/1/16	Additions	Deletions	Adjustments	Balance 9/30/17	Due in One Year
Bonds Payable						
Tax Notes	\$ 420,000	\$ -	\$ (420,000)	\$ -	\$ -	\$ -
Total bonds payable	420,000	-	(420,000)	-	-	-
Capital leases	810,632	-	(49,492)	(570)	760,570	51,384
Compensated absences	264,901	25,897	-	-	290,798	-
Net Pension Liability	1,446,279	-	(82,016)	(82,016)	1,364,263	-
Governmental activities long-term liabilities	<u>\$ 2,941,812</u>	<u>\$ 25,897</u>	<u>\$ (551,508)</u>	<u>\$ (82,586)</u>	<u>\$ 2,415,631</u>	<u>\$ 51,384</u>

Accumulated unpaid annual leave is not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the government-wide Statement of Net Position. At September 30, 2017, accrued employee benefits recorded as long-term liability were for annual vacation pay, holiday pay, and comp. pay and amounted to \$290,798.

**NOTE-11 FUND BALANCE**

**Minimum fund balance policy.** It is the policy of this County to maintain at all times an overall Unrestricted Fund Balance (Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance) of not less than three months of regular General Fund operating expenditures, measured based on the most recently completed fiscal year. If it is determined that the County is below this minimum established fund balance level, the governing body will be informed of this condition and take necessary budgetary steps to bring the fund balance level into compliance with this policy through budgetary actions.

**NOTE-12 INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of September 30, 2017 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Road & Bridge Fund	\$ 22,275
Library Fund	General Fund	381,602
Special Revenue Funds	General Fund	726,179
Special Revenue Funds	Library Fund	328,794
Total		<u>\$ 1,458,850</u>

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LLANO COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several nonmajor governmental funds which the general fund expects to collect in the subsequent year.

**NOTE-13 INTERFUND TRANSFERS**

The composition of interfund transfers for the year ended September 30, 2017 is as follows:

	Transfer in to:			Total
	Governmental Funds			
	General Fund	Library fund	Nonmajor gov. funds	
Transfer out from:				
General fund	\$ -	\$ 381,602	\$ 48,570	\$ 430,172
Nonmajor gov. funds	16,000	-	-	16,000
Total	\$ 16,000	\$ 381,602	\$ 48,570	\$ 446,172

During the year, recurring transfers are used to 1) move revenues from a fund with collection authority to another fund with related expenditure requirements, and 2) move general fund resources to provide subsidies to other funds as needs arise.

**NOTE-14 CONTINGENCIES**

The County participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the County's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County anticipates such amounts, if any, will be immaterial.

**NOTE-15 SUBSEQUENT EVENTS**

The County has evaluated subsequent events through February 9, 2018, the date of the audit report. The County is not aware of any subsequent events that materially affect the financial statements as of that date.

**NOTE-16 PRIOR PERIOD ADJUSTMENT**

The County's beginning fund balance and net position had to be restated due to a prior period adjustment made for payroll not accrued in prior year. The effect of such adjustment was a decrease in the beginning fund balance and net position by \$150,253. Details of this adjustment are as follows:

	General Fund	Road & Bridge Fund	Net Position
Fund Balance/Net Position as previously stated at September 30, 2016	\$4,825,760	\$ 757,905	\$14,720,497
Prior period adjustment to fund balance for payroll not accrued in prior year	(132,266)	(17,987)	(150,253)
Fund Balance/Net Position as restated at September 30, 2016	\$4,693,494	\$ 739,918	\$14,570,244

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REQUIRED SUPPLEMENTARY INFORMATION

LLANO COUNTY, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 628,372	\$ 630,281	\$ 694,022
Interest on total pension liability	1,397,673	1,477,841	1,555,023
Effect of plan changes	-	(73,061)	-
Effect of assumption changes or inputs	-	217,696	-
Effect of economic/demographic (gains) or losses	(141,434)	(221,100)	(118,634)
Benefit payments/refunds of contributions	(892,978)	(1,043,401)	(1,034,695)
Net change in total pension liability	<u>991,633</u>	<u>988,256</u>	<u>1,095,716</u>
Total pension liability, beginning	<u>17,384,947</u>	<u>18,376,580</u>	<u>19,364,836</u>
Total pension liability, ending (a)	<u>\$ 18,376,580</u>	<u>\$ 19,364,836</u>	<u>\$ 20,460,552</u>
Fiduciary Net Position			
Employer contributions	\$ 446,428	\$ 481,016	\$ 487,191
Member contributions	357,552	370,013	382,502
Investment income net of investment expenses	1,179,023	122,838	1,325,986
Benefit payments/refunds of contributions	(892,978)	(1,043,401)	(1,034,695)
Administrative expenses	(13,462)	(12,905)	(14,403)
Other	(96,701)	28,210	31,151
Net change in fiduciary net position	<u>979,862</u>	<u>(54,230)</u>	<u>1,177,732</u>
Fiduciary net position, beginning	<u>16,992,923</u>	<u>17,972,787</u>	<u>17,918,557</u>
Fiduciary net position, ending (b)	<u>\$ 17,972,785</u>	<u>\$ 17,918,557</u>	<u>\$ 19,096,289</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 403,795</u>	<u>\$ 1,446,279</u>	<u>\$ 1,364,263</u>
Fiduciary net position as a % of total pension liability	97.80%	92.53%	93.33%
Pension covered payroll	\$ 5,107,891	\$ 5,285,900	\$ 5,365,558
Net pension liability as a % of covered payroll	7.91%	27.36%	7.91%

LLANO COUNTY, TEXAS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Year Ending December 31,	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2007	\$ 322,126	\$ 322,126	\$ -	\$ 4,272,230	7.5%
2008	323,391	323,391	-	4,580,607	7.1%
2009	350,613	350,613	-	4,856,131	7.2%
2010	416,718	416,718	-	5,235,155	8.0%
2011	442,563	442,563	-	5,637,738	7.9%
2012	455,776	455,776	-	5,640,812	8.1%
2013	448,574	448,574	-	5,411,034	8.3%
2014	446,428	446,428	-	5,107,891	8.7%
2015	481,016	481,016	-	5,285,900	9.1%
2016	487,191	487,191	-	5,365,558	9.1%

*(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.*

*(2) Payroll is calculated based on contributions as reported to TCDRS.*

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## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Hotel Occupancy Fund- to account for the hotel tax revenue used to promote tourism.

LCSO Seizure Fund- to account for the LCSO activities.

Indigent Health Fund- to account for the revenue and expenditures of indigent services.

Law Library- to account for the fees collected pursuant to Local Government Code 323.023 for the operations of the law library.

Limited Access Fund- to account for the fees collected from defendants in cases that the uses are restricted.

### **Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

LLANO COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<b>Special Revenue Funds</b>		
	Hotel Occupancy Fund	LCSO Seizure Fund	Indigent Health Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 132,702	\$ 16,782	\$ 53,114
Investments	67,791	-	-
Taxes receivable - delinquent	-	-	-
Allowance for uncollectible taxes	-	-	-
Accounts receivable	-	-	-
Due from other funds	-	-	220,768
Total assets and Deferred Outflows	<u>\$ 200,493</u>	<u>\$ 16,782</u>	<u>\$ 273,882</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 24,216	\$ -	\$ 2,319
Total liabilities	<u>24,216</u>	<u>-</u>	<u>2,319</u>
<b>DEF. INFLOWS OF RESOURCES</b>			
Unavailable revenue- property tax	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>			
<b>Restricted for:</b>			
Debt service	-	-	-
Specific purposes	176,277	16,782	271,563
Total fund balances	<u>176,277</u>	<u>16,782</u>	<u>271,563</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 200,493</u>	<u>\$ 16,782</u>	<u>\$ 273,882</u>

Special Revenue Funds		Debt Service Fund		Total Non-Major Governmental Funds
Law Library	Limited Access Fund	Debt Service Fund		
\$ 5,261	\$ -	\$ 82,062	\$	289,921
-	-	3,545		71,336
-	-	9,971		9,971
-	-	(2,493)		(2,493)
660	10,396	-		11,056
-	834,205	-		1,054,973
<u>\$ 5,921</u>	<u>\$ 844,601</u>	<u>\$ 93,085</u>		<u>\$ 1,434,764</u>
\$ 2,397	\$ 141,962	\$ -	\$	170,894
<u>2,397</u>	<u>141,962</u>	<u>-</u>		<u>170,894</u>
-	-	7,478		7,478
<u>-</u>	<u>-</u>	<u>7,478</u>		<u>7,478</u>
-	-	85,607		85,607
3,524	702,639	-		1,170,785
<u>3,524</u>	<u>702,639</u>	<u>85,607</u>		<u>1,256,392</u>
\$ 5,921	\$ 844,601	\$ 93,085	\$	1,434,764

LLANO COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<b>Special Revenue Funds</b>		
	Hotel		
	Occupancy Fund	LCSO Seizure Fund	Indigent Health Fund
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ -
Selective sales and use taxes	236,216	-	-
Penalties and interest on taxes	-	-	-
Intergovernmental revenues	-	-	-
Charges for services	-	-	-
Investment earnings	1,652	-	-
Contributions from private sources	-	-	-
Miscellaneous revenue	-	-	-
Total revenues	237,868	-	-
<b>EXPENDITURES</b>			
Current:			
General government	-	-	-
Judicial	-	-	-
Health and welfare	-	-	38,838
Conservation and development	231,767	-	-
Debt service:			
Bond principal	-	-	-
Interest and fees	-	-	-
Total expenditures	231,767	-	38,838
Excess (deficiency) of revenues over expenditures	6,101	-	(38,838)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	6,101	-	(38,838)
Fund balance - beginning	170,176	16,782	310,401
Fund balance - ending	\$ 176,277	\$ 16,782	\$ 271,563

Special Revenue Funds		Debt Service Fund	
Law Library	Limited Access Fund	Debt Service Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ 391,611	\$ 391,611
-	-	-	236,216
-	-	3,574	3,574
-	3,390	-	3,390
10,159	81,471	-	91,630
-	-	1,026	2,678
-	34,568	-	34,568
-	4,820	-	4,820
10,159	124,249	396,211	768,487
-	62,482	-	62,482
10,414	-	-	10,414
-	-	-	38,838
-	-	-	231,767
-	-	420,000	420,000
-	-	5,397	5,397
10,414	62,482	425,397	768,898
(255)	61,767	(29,186)	(411)
-	48,570	-	48,570
-	(16,000)	-	(16,000)
-	32,570	-	32,570
(255)	94,337	(29,186)	32,159
3,779	608,302	114,793	1,224,233
\$ 3,524	\$ 702,639	\$ 85,607	\$ 1,256,392

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LLANO COUNTY, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
 BUDGET AND ACTUAL – DEBT SERVICE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 324,365	\$ 324,365	\$ 391,611	\$ 67,246
Penalties and interest on taxes	1,941	1,941	3,574	1,633
Investment earnings	220	220	1,026	806
Total revenues	<u>326,526</u>	<u>326,526</u>	<u>396,211</u>	<u>69,685</u>
<b>EXPENDITURES</b>				
Debt service:				
Bond principal	420,000	420,000	420,000	-
Interest and fees	6,148	6,148	5,397	751
Total expenditures	<u>426,148</u>	<u>426,148</u>	<u>425,397</u>	<u>751</u>
Net change in fund balances	(99,622)	(99,622)	(29,186)	70,436
Fund balance - beginning	114,793	114,793	114,793	-
Fund balance - ending	<u>\$ 15,171</u>	<u>\$ 15,171</u>	<u>\$ 85,607</u>	<u>\$ 70,436</u>

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OTHER SUPPLEMENTARY INFORMATION SECTION

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

Honorable County Judge, Members of the Commissioners Court and Citizens of  
Llano County, 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, each major fund, and the aggregate remaining fund information of Llano County, Texas (the "County"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 9, 2018.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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## **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light-colored background.

Singleton, Clark & Company, PC.  
Cedar Park, Texas

February 9, 2018

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LLANO COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**FEDERAL AWARDS**

Under the guidelines of the federal Uniform Guidance, a Single Audit was not required for the year ended September 30, 2017 due to expenditures of federal awards being less than \$750,000.

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended September 30, 2017 and 2016.

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**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

Findings Related to Federal Awards Which are Required to be Reported in Accordance with federal Uniform Guidance:

Not applicable.