

LLANO COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

LLANO COUNTY, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

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FINANCIAL SECTION



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, 2015, 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 the County as of September 30, 2015, and the respective changes in financial position and, the respective budgetary comparisons of the General Fund, Road & Bridge Fund and the Debt Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section (preceding the basic financial statements), the pension related schedules (following the notes to the financial statements) and the budgetary schedules 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.

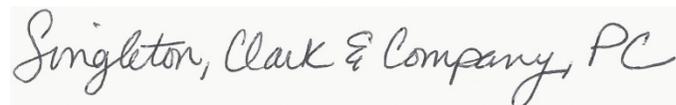
Other Information

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 19, 2016 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 19, 2016

LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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, 2015. 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 \$15,000,075 (net position). Of this amount, \$5,024,435 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 increased by \$715,244 as a result of current year activities. However, a prior period adjustment related to the implementation of GASB 68 was required and decreased beginning net position by (\$176,856). The net effect of these changes is a net position increase of \$538,388.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$7,177,135, an increase of \$445,661 in comparison with the prior year. Approximately 60% of this amount or \$4,352,504 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 \$4,527,182, or approximately 50% 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).

LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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 does not have any business-type activities.

The government-wide financial statements can be found on pages 11-12 of this report.

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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in 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 eleven 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 Capital Projects Fund, and the Debt Service Fund, which are considered to be major funds. Data from the other eight 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 have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 13-18 of this report.

LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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.

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.

The fiduciary fund financial statements can be found on pages 21-22 of this report.

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.

The notes to the financial statements can be found on pages 23-45 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's participation in a pension program for its employees. Required supplementary information can be found on page 46-47 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 statements and schedules can be found on pages 4-51 of this report.

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 \$15,000,075 at the close of the most recent fiscal year.

LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Llano County, Texas's Net Position

	Governmental Activities 2015	Governmental Activities 2014	Change
Current & other assets	\$ 8,365,559	\$ 8,066,332	\$ 299,227
Capital assets	9,029,850	9,592,491	(562,641)
Deferred outflows	527,385	-	527,385
Total assets	17,922,794	17,658,823	263,971
Current liabilities	501,795	647,773	(145,978)
Long-term liabilities	2,326,635	2,549,363	(222,728)
Deferred inflows	94,289	-	94,289
Total liabilities	2,922,719	3,197,136	(274,417)
Net Position			
Net investment in capital assets	7,346,482	7,343,111	3,371
Restricted	2,629,158	2,666,006	(36,848)
Unrestricted	5,024,435	4,452,570	571,865
Total net position	\$ 15,000,075	\$ 14,461,687	\$ 538,388

By far, the largest portion of the County's net position approximately 50% 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 approximately 18% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,024,435 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, both for the County as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The County's overall net position increased by \$715,244 from the prior fiscal year but due to the implementation of GASB 68 and a prior period adjustment the net increase (see above) was \$538,388. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$715,244 from the prior fiscal year for an ending balance of \$15,000,075. The increase in the overall net position of governmental activities is the result of conservation spending of the adopted budget.

LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Llano County, Texas's Changes in Net Position

	Governmental Activities 2015	Governmental Activities 2014	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 1,947,401	\$ 2,050,046	\$ (102,645)
Operating grants & contributions	171,244	156,274	14,970
General Revenues:			
Property taxes	11,012,139	10,860,476	151,663
Other taxes	206,246	276,993	(70,747)
Other	530,288	330,899	199,389
Total revenue	<u>13,867,318</u>	<u>13,674,688</u>	<u>192,630</u>
Expenses:			
General government	4,148,856	3,966,137	182,719
Public safety	3,817,964	4,205,910	(387,946)
Judicial	1,382,110	1,271,362	110,748
Highways and streets	2,055,080	1,871,783	183,297
Public facilities	876,964	891,924	(14,960)
Health and welfare	54,764	96,695	(41,931)
Culture and recreation	501,618	526,102	(24,484)
Conservation and development	253,983	229,571	24,412
Interest on long-term debt	60,735	64,904	(4,169)
Total expenses	<u>13,152,074</u>	<u>13,124,388</u>	<u>27,686</u>
Increase (decrease) in net position	715,244	550,300	164,944
Net position - beginning	<u>14,461,687</u>	<u>13,911,387</u>	<u>550,300</u>
Prior period adjustment	(176,856)	-	(176,856)
Net position - ending	<u>\$ 15,000,075</u>	<u>\$ 14,461,687</u>	<u>\$ 538,388</u>

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.

LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

At September 30, 2015, the County's governmental funds reported combined fund balances of \$7,177,135, an increase of \$445,661 in comparison with the prior year. Approximately 60% of this amount, or \$4,435,504; constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$0), 2) legally required to be maintained intact (\$0), 3) restricted for particular purposes (\$2,333,765), 4) committed for particular purposes (\$0), or 5) assigned for particular purposes (\$223,490).

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 \$4,352,504. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned general fund balance represents approximately 45 percent of total general fund expenditures.

The fund balance of the County's General Fund increased by \$450,424 during the current fiscal year. As discussed earlier in connection with governmental activities, the increase was due to conservative spending of the adopted budget.

The Road & Bridge Fund, a major governmental fund, had a \$154,527 increase in fund balance during the current fiscal year which put the overall fund balance at the amount of \$670,915. The large increase in fund balance was caused mainly by increase in property taxes due to increase in value of property.

The Limited Access Fund, a major governmental fund, had an increase in fund balance during the current year of \$50,946 to bring the year end fund balance to \$1,107,280. The increase was attributable to transfer of \$51,908 from the General Fund during 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. However, there was a need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain employee benefits such as pensions and other postemployment benefits. Generally, the movement of the appropriations between departments was *not* significant.

Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$9,029,850 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, and vehicles. The total decrease in capital assets for the current fiscal year was approximately 0.6%.

LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Llano County, Texas's Capital Assets

	Governmental Activities 2015	Governmental Activities 2014	Change
Land	\$ 162,378	\$ 174,350	\$ (11,972)
Construction in Progress	-	682,887	(682,887)
Buildings	14,222,338	13,279,986	942,352
Furniture and Equipment	7,506,663	7,400,584	106,079
Total	<u>21,891,379</u>	<u>21,537,807</u>	<u>353,572</u>
Less Accumulated Depreciation	<u>(12,861,529)</u>	<u>(11,945,316)</u>	<u>(916,213)</u>
Capital assets, net of depreciation	<u>\$ 9,029,850</u>	<u>\$ 9,592,491</u>	<u>\$ (562,641)</u>

Additional information on the County's capital assets can be found in Note IV.D on page 34 of this report.

Long-term Debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$825,000. The remainder of the County long-term obligations comprises compensated absences, capital leases and net pension liability.

Llano County, Texas's Outstanding Debt

	Governmental Activities 2015	Governmental Activities 2014	Change
Certificates of Obligation Bonds	\$ -	\$ 470,000	\$ (470,000)
Tax Notes	825,000	875,000	(50,000)
Capital Leases Payable	858,368	904,380	(46,012)
Compensated Absences	239,474	299,983	(60,509)
Net Pension Liability	403,793	-	403,793
Total	<u>\$ 2,326,635</u>	<u>\$ 2,549,363</u>	<u>\$ (222,728)</u>

The County's total debt decreased overall by \$222,728, or 9.57%, during the current fiscal year. The reason for the decrease primarily was regularly scheduled principal payments on existing debt. However, implementation of a new accounting standard related to pensions increased long term obligations by \$403,793.

Additional information on the County's long-term debt can be found in Note IV.I on pages 42-43 of this report.

LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Economic Factors and Next Year's Budgets and Rates

The adopted budget for fiscal year 2015-2016 for the County's General Fund is \$10.8 million which is an approximately \$300 thousand increase from the fiscal year 2014-2015 General Fund adopted budget. The combined tax rate for fiscal year 2015-2016 is \$.31620. The following economic factors currently affect the County and were considered in developing the 2015-2016 fiscal year budget.

- A property tax rate decrease of 1.09% to compensate for increases in property values.
- Increases in the taxable assessed value as a percentage of estimated actual value and resulting increases in property assessments will continue to affect the County real property tax base.
- Interest rates are expected to remain low throughout fiscal year 2015-2016.

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 Hwy. 71, Suite B, Llano, Texas 78643 or by calling (325) 247-3783.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

LLANO COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,643,049
Investments	2,869,283
Taxes receivable - delinquent	191,662
Allowance for uncollectible taxes	(47,916)
Accounts receivable, net	709,320
Intergovernmental receivable	161
Capital assets, not being depreciated:	
Land	162,378
Capital assets, being depreciated:	
Buildings and improvements	14,222,338
Furniture and equipment	7,506,662
Accumulated depreciation	(12,861,528)
Total assets	17,395,409
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	527,385
Total Deferred Outflows of Resources	527,385
LIABILITIES	
Accounts payable	216,082
Accrued interest payable	26,669
Unearned revenue	100,250
Other current liabilities	158,794
Noncurrent liabilities:	
Net pension liability	403,793
Due within one year	452,737
Due in more than one year	1,470,105
Total liabilities	2,828,430
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	94,289
Total Deferred Inflows of Resources	94,289
NET POSITION	
Net investment in capital assets	7,346,482
Restricted for debt service	277,928
Restricted for transportation	58,755
Restricted for capital projects	644,413
Restricted for specific purposes	1,648,062
Unrestricted	5,024,435
Total net position	\$ 15,000,075

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, 2015

Functions/Programs:	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary Government:				
Governmental activities:				
General government	\$ 4,148,856	\$ 562,731	\$ 54,506	\$ (3,531,619)
Public safety	3,817,964	244,208	50,258	(3,523,498)
Judicial	1,382,110	438,334	18,111	(925,665)
Highway and streets	2,055,080	635,441	26,738	(1,392,901)
Public facilities	876,964	-	11,242	(865,722)
Health and welfare	54,764	-	702	(54,062)
Culture and recreation	501,618	66,687	6,431	(428,500)
Conservation and development	253,983	-	3,256	(250,727)
Interest	60,735	-	-	(60,735)
Total governmental activities:	<u>\$ 13,152,074</u>	<u>\$ 1,947,401</u>	<u>\$ 171,244</u>	<u>(11,033,429)</u>
General Revenues:				
Property taxes				11,012,139
General and selective use taxes				206,246
Contributions and donations from private sources				119,312
Investment earnings				7,989
Gain (Loss) on sale of capital assets				52,206
Miscellaneous				350,781
Total general revenues				<u>11,748,673</u>
Change in net position				715,244
Net position -- beginning				<u>14,461,687</u>
Prior Period Adjustment				<u>(176,856)</u>
Net position-- ending				<u>\$ 15,000,075</u>

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

FUND BASIS FINANCIAL STATEMENTS

LLANO COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Road & Bridge Fund	Lited Access Fund
ASSETS			
Cash and cash equivalents	\$ 2,503,750	\$ 205,606	\$ 1,090,942
Investments	2,297,902	496,061	-
Taxes receivable - delinquent	154,306	23,286	-
Allowance for uncollectible delinquent taxes	(38,577)	(5,822)	-
Accounts receivable	125,504	734	11,907
Intergovernmental receivable	161	-	-
Due from other funds	2,652	-	51,908
Total sssets	<u>\$ 5,045,698</u>	<u>\$ 719,865</u>	<u>\$ 1,154,757</u>
LIABILITIES			
Accounts payable	\$ 131,088	\$ 31,485	\$ 47,477
Due to other funds	59,403	-	-
Unearned revenue	53,501	-	-
Other current liabilities	158,794	-	-
Total liabilities	<u>402,786</u>	<u>31,485</u>	<u>47,477</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue- property tax	115,730	17,465	-
Total deferred inflows of resources	<u>115,730</u>	<u>17,465</u>	<u>-</u>
FUND BALANCES (DEFICITS)			
Restricted for:			
Debt service	-	-	-
Transportation	-	-	-
Capital projects	-	622,103	-
Specific purposes	-	-	1,107,280
Assigned:			
Fund balance - assigned for reserves	174,678	48,812	-
Unassigned			
	4,352,504	-	-
Total fund balances	<u>4,527,182</u>	<u>670,915</u>	<u>1,107,280</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 5,045,698</u>	<u>\$ 719,865</u>	<u>\$ 1,154,757</u>

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

Total Nonmajor Funds		Total Governmental Funds	
\$	842,751	\$	4,643,049
	75,320		2,869,283
	14,070		191,662
	(3,517)		(47,916)
	1,624		139,769
	-		161
	4,843		59,403
<u>\$</u>	<u>935,091</u>	<u>\$</u>	<u>7,855,411</u>
\$	6,032	\$	216,082
	-		59,403
	46,749		100,250
	-		158,794
<u></u>	<u>52,781</u>	<u></u>	<u>534,529</u>
	10,552		143,747
<u></u>	<u>10,552</u>	<u></u>	<u>143,747</u>
	267,376		267,376
	58,755		58,755
	4,845		626,948
	540,782		1,648,062
	-		223,490
	-		4,352,504
<u></u>	<u>871,758</u>	<u></u>	<u>7,177,135</u>
<u>\$</u>	<u>935,091</u>	<u>\$</u>	<u>7,855,411</u>

LLANO COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

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

Total fund balances - governmental funds	\$ 7,177,135
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,029,850
The net effect of various transactions related to the net pension liability is to increase net position.	29,303
Other long-term assets, such as uncollected property taxes, are not available to pay for and, therefore, are reported as unavailable revenue in the funds.	713,298
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,949,511)
Net position of governmental activities	<u>\$ 15,000,075</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, 2015

	General Fund	Road & Bridge Fund	Limited Access Fund
REVENUES			
Property taxes	\$ 9,042,497	\$ 1,357,332	\$ -
Mixed beverage tax	107,648	-	-
Selective sales and use taxes	-	-	-
Penalties and interest on taxes	-	11,073	-
Licenses and permits	68,218	625,732	-
Intergovernmental revenues	109,834	59,890	-
Charges for services	673,179	19,950	253,936
Fines	274,747	2,523	-
Investment earnings	6,589	1,027	-
Contributions and donations, private sources	-	51,447	9,984
Miscellaneous revenue	238,942	51,439	24,351
Total revenues	10,521,654	2,180,413	288,271
EXPENDITURES			
Current:			
General government	3,608,235	-	289,233
Public safety	3,596,698	-	-
Judicial	1,288,126	-	-
Highways and streets	-	1,913,470	-
Public facilities	804,549	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Conservation and development	117,488	-	-
Debt service:			
Bond principal	46,012	-	-
Interest and fees	33,913	-	-
Capital outlay	206,923	129,349	-
Total expenditures	9,701,944	2,042,819	289,233
Excess (deficiency) of rev. over expenditures	819,710	137,594	(962)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	51,908
Transfers out	(431,750)	-	-
Sale of general capital assets	48,145	16,933	-
Insurance recoveries	14,319	-	-
Total other financing sources (uses)	(369,286)	16,933	51,908
Net change in fund balance	450,424	154,527	50,946
Fund balance - beginning	4,076,758	516,388	1,056,334
Fund balance - ending	\$ 4,527,182	\$ 670,915	\$ 1,107,280

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

Total Nonmajor Funds	Total Governmental Funds
\$ 598,872	\$ 10,998,701
-	107,648
98,598	98,598
5,430	16,503
-	693,950
1,520	171,244
29,116	976,181
-	277,270
373	7,989
57,881	119,312
21,730	336,462
<u>813,520</u>	<u>13,803,858</u>
3,268	3,900,736
-	3,596,698
7,944	1,296,070
-	1,913,470
-	804,549
50,242	50,242
460,197	460,197
115,522	233,010
520,000	566,012
29,431	63,344
216,994	553,266
<u>1,403,598</u>	<u>13,437,594</u>
<u>(590,078)</u>	<u>366,264</u>
379,842	431,750
-	(431,750)
-	65,078
-	14,319
<u>379,842</u>	<u>79,397</u>
<u>(210,236)</u>	<u>445,661</u>
<u>1,081,994</u>	<u>6,731,474</u>
<u>\$ 871,758</u>	<u>\$ 7,177,135</u>

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, 2015

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

Net change in fund balances - total governmental funds	\$	445,661
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		(549,769)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(3,065)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase (decrease) net assets.		(12,872)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		566,012
The net effect of various transactions related to the net pension liability is to increase the change in net position.		206,159
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		63,118
Change in net position- governmental activities	<u>\$</u>	<u>715,244</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
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 8,854,688	\$ 8,854,688	\$ 9,042,497	\$ 187,809
Mixed beverage tax	61,932	61,932	107,648	45,716
Licenses and permits	61,393	61,393	68,218	6,825
Intergovernmental revenues	70,904	75,278	109,834	34,556
Charges for services	654,924	654,934	673,179	18,245
Fines	353,067	353,067	274,747	(78,320)
Investment earnings	8,682	8,682	6,589	(2,093)
Miscellaneous revenue	46,874	46,864	238,942	192,078
Total revenues	<u>10,112,464</u>	<u>10,116,838</u>	<u>10,521,654</u>	<u>404,816</u>
EXPENDITURES				
Current:				
General government	3,702,740	3,835,608	3,608,235	227,373
Public safety	4,098,820	3,959,604	3,596,698	362,906
Judicial	1,252,452	1,342,171	1,288,126	54,045
Public facilities	1,064,477	911,341	804,549	106,792
Conservation and development	122,739	123,239	117,488	5,751
Debt service:				
Bond principal		46,012	46,012	-
Interest - bonds		33,914	33,913	1
Capital outlay	272,200	272,200	206,923	65,277
Total expenditures	<u>10,513,428</u>	<u>10,524,089</u>	<u>9,701,944</u>	<u>822,145</u>
Excess (deficiency) of revenues over expenditures	<u>(400,964)</u>	<u>(407,251)</u>	819,710	1,226,961
OTHER FINANCING SOURCES (USES)				
Transfers out	(407,551)	(459,459)	(431,750)	27,709
Sale of general capital assets	90,000	90,000	48,145	(41,855)
Insurance recoveries	-	5,084	14,319	9,235
Total other financing sources (uses)	<u>(317,551)</u>	<u>(364,375)</u>	<u>(369,286)</u>	<u>(4,911)</u>
Net change in fnd balances	(718,515)	(771,626)	450,424	1,222,050
Fund balance - beginning	4,076,758	4,076,758	4,076,758	-
Fund balance - ending	<u>\$ 3,358,243</u>	<u>\$ 3,305,132</u>	<u>\$ 4,527,182</u>	<u>\$ 1,222,050</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
BUDGET AND ACTUAL – ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 1,338,457	\$ 1,338,457	\$ 1,357,332	\$ 18,875
Penalties and interest on taxes	12,954	12,954	11,073	(1,881)
Licenses and permits	631,371	615,747	625,732	9,985
Intergovernmental revenues	37,415	37,415	59,890	22,475
Charges for services	150	15,774	19,950	4,176
Fines	1,167	1,167	2,523	1,356
Investment earnings	650	650	1,027	377
Contributions and donations, private sources		46,849	51,447	4,598
Miscellaneous revenue	4,854	4,854	51,439	46,585
Total revenues	<u>2,027,018</u>	<u>2,073,867</u>	<u>2,180,413</u>	<u>106,546</u>
EXPENDITURES				
Current:				
Highway and streets	2,156,485	2,073,399	1,913,470	159,929
Capital outlay	-	129,936	129,349	587
Total expenditures	<u>2,156,485</u>	<u>2,203,335</u>	<u>2,042,819</u>	<u>160,516</u>
Excess (deficiency) of revenues over expenditures	<u>(129,467)</u>	<u>(129,468)</u>	<u>137,594</u>	<u>267,062</u>
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	30,000	30,000	16,933	(13,067)
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>16,933</u>	<u>(13,067)</u>
Net change in fund balances	(99,467)	(99,468)	154,527	253,995
Fund balance - beginning	516,388	516,388	516,388	-
Fund balance - ending	<u>\$ 416,921</u>	<u>\$ 416,920</u>	<u>\$ 670,915</u>	<u>\$ 253,995</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, 2015

	Trust Fund	
	Llano County School Land	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 285,990	\$ 559,487
Investments	52,520	-
Total assets	338,510	559,487
 LIABILITIES		
Due to Others	-	559,487
Total liabilities	-	\$ 559,487
 NET POSITION		
Net position held in trust and other purposes	\$ 338,510	

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, 2015

	Trust Fund
	Llano County School Land
ADDITIONS	
Contributions:	
Rents and royalties	\$ 240,346
Total contributions	240,346
Investment earnings:	
Interest	162
Total investment earnings	162
Less investment expense	
Net investment earnings	162
Total additions	240,508
DEDUCTIONS	
Other operating expenses	21,149
Total deductions	21,149
Change in net position	219,359
Net position - beginning	119,151
Net position - ending	\$ 338,510

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

NOTES TO THE FINANCIAL STATEMENTS

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

I. Summary of significant accounting policies

A. 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.

B. 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 this criteria, no component units have been included within the financial statements of Llano County.

C. 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.

D. 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.

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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.

The Limited Access Fund is the County's special revenue fund that is used to account for the fees collected from defendants in cases that the uses are restricted. 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 Capital Projects Fund accounts for the acquisition and construction of the County's major capital facilities.

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 maybe used for specific non-County related purposes in a private purpose trust fund.

The Agency Funds account for employee payroll tax withholdings, towing and storing charges for impounded vehicles collected on behalf of private vendors (i.e., towing companies), good faith deposits for the use of the County's entertainment facilities, and utility charges collected by the County on behalf of other governments.

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.

E. 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.

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

The 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.

F. Budgetary information

1. 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

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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.

2. Excess of expenditures over appropriations

For the year ended September 30, 2015, no budgetary overages were noted.

G. 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 (TexPool and Logic) 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.

LLANO COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

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:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	10-20
Machinery and equipment	3-15
Vehicles	7

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. The County currently does not have any financial transactions that qualify for reporting in this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County currently has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. 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.

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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 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.

H. 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.

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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, 2014, upon which the levy for the 2014-2015 fiscal year was based, was \$3,428,216,763. 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, 2015, to finance General Fund, Road & Bridge Fund, and Debt Service Fund operations were \$0.26239, \$0.04 and \$0.01727, respectively, for a total tax rate of \$0.31966 per \$100 valuation. The total tax levy for the General Fund, Road & Bridge Fund, and Debt Service Fund for the 2014-2015 fiscal year was \$10,950,530. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2015, were 99.29% 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 and proprietary fund 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.

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 and proprietary fund 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.

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Items shown in summary form on that reconciliation are provided in detail below.

One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this amount are as follows:

Capital assets not being depreciated:	
Land	\$ 162,378
Capital assets, being depreciated	
Buildings and improvements	14,222,338
Machinery, equipment, and vehicles	7,506,662
Accumulated depreciation	(12,861,528)
	<u>9,029,850</u>
<i>Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u><u>\$ 9,029,850</u></u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this amount are as follows:

Bonds payable	\$ (825,000)
Capital leases	(858,368)
Compensated absences	(239,474)
Accrued interest payable	(26,669)
	<u>(1,949,511)</u>
<i>Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u><u>\$ (1,949,511)</u></u>

Another element of that reconciliation explains that “other long-term assets, such as uncollected property taxes and court fines that are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.” The details of this amount are as follows:

Property Taxes	\$ 143,747
Court fines	569,551
	<u>713,298</u>
<i>Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u><u>\$ 713,298</u></u>

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. Items shown in summary form on that reconciliation are provided in detail below.

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.” The details of this amount are as follows:

Capital outlay	\$	553,266
Depreciation expense		(1,103,035)
		(1,103,035)
<i>Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities</i>	<i>\$</i>	<i>(549,769)</i>
		<i>(549,769)</i>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this amount are as follows:

Change in compensated absences	\$	60,509
Change in accrued interest on long-term debt		2,609
		63,118
<i>Net adjustment to increase changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<i>\$</i>	<i>63,118</i>
		<i>63,118</i>

III. Stewardship, compliance and accountability

A. Violations of legal or contractual provisions

For the year ended September 30, 2015 there were no violations.

B. Deficit fund equity

For the year ended September 30, 2015 there were no funds reported with deficit fund equity.

LLANO COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

IV. Detailed notes on all activities and funds

A. 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. As of September 30, 2015, the County’s bank balance was \$6,081,268 was covered by FDIC and pledged securities.

B. 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.

As of September 30, 2015, 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	\$1,275,338	\$ -	\$ -	\$ -	General Fund
TexPool Investment Pool	401,257	-	-	-	General Fund, Road & Bridges Fund, Debt Service Fund.
Logic Investment Pool	1,245,208	-	-	-	Hotel Occupancy Fund, General Fund, Road & Bridges Fund, Lateral Road Fund, Debt Service Fund, School Land Trust Fund.
Total Investments	<u><u>\$2,921,803</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

IV. Detailed notes on all activities and funds (continued)

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, 2015, the County's investment in TexPool 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.

C. 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 both the governmental and proprietary funds of the County, including the applicable allowances for uncollectible accounts:

Governmental Funds:

Receivables	General Fund	Road & Bridge Fund	Limited Access Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property taxes	\$ 154,306	\$ 23,286	\$ -	\$ 14,070	\$ 191,662
Accounts receivable	125,504	734	11,907	1,624	139,769
Intergovernmental receivable	161	-	-	-	161
Gross receivables	279,971	24,020	11,907	15,694	331,592
Less: Allowance for uncollectibles	(38,577)	(5,822)	-	(3,517)	(47,916)
Net receivables	\$ 241,394	\$ 18,198	\$ 11,907	\$ 12,177	\$ 283,676

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

IV. Detailed notes on all activities and funds (continued)

D. Capital Assets

Capital assets activity for the year ended September 30, 2015, was as follows:

Governmental Activities:

	Balance 10/1/14	Increases	Decreases	Adjustments	Balance 9/30/15
Capital assets, not being depreciated:					
Land	\$ 174,350	\$ -	\$ (11,972)	\$ -	\$ 162,378
Construction-in-progress	682,887	216,993	-	(899,880)	-
Total capital assets, not being depreciated	<u>857,237</u>	<u>216,993</u>	<u>(11,972)</u>	<u>(899,880)</u>	<u>162,378</u>
Capital assets, being depreciated:					
Buildings and improvements	13,279,986	42,472	-	899,880	14,222,338
Furniture and equipment	7,400,584	293,801	(187,722)	-	7,506,663
Total capital assets, being depreciated	<u>20,680,570</u>	<u>336,273</u>	<u>(187,722)</u>	<u>899,880</u>	<u>21,729,001</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,190,195)	(606,003)	-	-	(6,796,198)
Furniture and equipment	(5,755,121)	(497,032)	186,822	-	(6,065,331)
Total accumulated depreciation	<u>(11,945,316)</u>	<u>(1,103,035)</u>	<u>186,822</u>	<u>-</u>	<u>(12,861,529)</u>
Total capital assets being depreciated, net	8,735,254	(766,762)	(900)	899,880	8,867,472
Governmental activities capital assets, net	<u>\$ 9,592,491</u>	<u>\$ (549,769)</u>	<u>\$ (12,872)</u>	<u>\$ -</u>	<u>\$ 9,029,850</u>

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

Governmental activities:

General government	\$ 351,093
Public safety	323,729
Judicial	116,656
Highways and streets	172,226
Public facilities	72,415
Health and welfare	4,522
Culture and recreation	41,421
Conservation and development	20,973
Total depreciation expense - governmental activities	<u>\$ 1,103,035</u>

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

IV. Detailed notes on all activities and funds (continued)

E. 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/2014CAFR.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.

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

IV. Detailed notes on all activities and funds (continued)

E. Pension Obligations (continued)

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	108
Inactive employees entitled to but not yet receiving benefits	14
Active employees	155
	<hr/>
	277
	<hr/> <hr/>

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.

1. 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, 2014 and 2015.

2. 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, 2015 and 2014 of 9.10% and 8.74%, respectively.

3. 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, 2014, 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, 2015

IV. Detailed notes on all activities and funds (continued)

E. Pension Obligations (continued)

Actuarial assumptions

The TPL in the December 31, 2014 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
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	3.5%
Investment Rate of Return	8.10%
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

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

IV. Detailed notes on all activities and funds (continued)

E. Pension Obligations (continued)

The long-term expected rate of return on pension plan investments was determined 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 arithmetic 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	16.5%	5.35%
Private Equity	12.0%	8.35%
Global Equities	1.5%	5.65%
International Equities-Developed	11.0%	5.35%
International Equities-Emerging	9.0%	6.35%
Investment-Grade Bonds	3.0%	0.55%
High-Yield Bonds	3.0%	3.75%
Opportunistic Credit	5.0%	5.54%
Direct Lending	2.0%	5.80%
Distressed Debt	3.0%	6.75%
REIT Equities	2.0%	4.00%
Commodities	2.0%	-0.20%
Master Limited Partnerships (MLPs)	2.0%	5.30%
Private Real Estate Partnerships	3.0%	7.20%
Hedge Funds	25.0%	5.15%
	<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, 2015

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%)
Net pension liability (asset)	\$ 2,485,884	\$ 403,793	\$ (1,323,256)

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 on the Internet at 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, 2013	\$ 17,384,947	\$ 16,992,923	\$ 392,023
Changes for the year:			
Service cost	628,372	-	628,372
Interest on total pension liability	1,397,673	-	1,397,673
Effect of economic/demographic gains/losses	(141,434)	-	(141,434)
Refund of contributions	(62,803)	(62,803)	-
Benefit payments	(830,175)	(830,175)	-
Administrative expenses	-	(13,462)	13,462
Member contributions	-	357,552	(357,552)
Net investment income	-	1,179,023	(1,179,023)
Employer contributions	-	446,428	(446,428)
Other	-	(96,701)	96,701
Balances as of December 31, 2014	<u>\$ 18,376,580</u>	<u>\$ 17,972,787</u>	<u>\$ 403,793</u>

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

For the year ended September 30, 2015, the County recognized pension expense of \$390,122.

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

IV. Detailed notes on all activities and funds (continued)

E. Pension Obligations (continued)

At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 94,289	\$ -
Changes of assumptions	-	-
Net difference between projected and actual investment earnings	-	162,365
Contributions subsequent to the measurement date	-	365,020
Total	\$ 94,289	\$ 527,385

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
2015	\$ (6,553)
2016	(6,553)
2017	40,591
2018	40,591
2019	-
Thereafter	-

F. Accrued liabilities

Accrued liabilities reported by governmental and proprietary funds at September 30, 2015, were as follows:

Governmental Funds:

	General Fund	Road & Bridge Fund	Limited Access Fund	Nonmajor Governmental Funds	Total Governmental Funds
Accounts payable	\$ 131,088	\$ 31,485	\$ 47,477	\$ 6,032	\$ 216,082
Other	158,794	-	-	-	158,794
Total accrued liabilities	\$ 289,882	\$ 31,485	\$ 47,477	\$ 6,032	\$ 374,876

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

IV. Detailed notes on all activities and funds (continued)

G. 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, 2015 was \$88,441.

Health Insurance

During the year ended September 30, 2015, 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 \$696 per month per employee for health insurance. In addition, the County paid \$21 for dental and \$2 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, 2015 was \$1,189,879.

LLANO COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

IV. Detailed notes on all activities and funds (continued)

H. Lease obligations

1. 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, 2015, were as follows:

Year Ending September 30,	Governmental Activities
2016	79,925
2017	79,925
2018	79,925
2019	79,925
2020	79,925
2021-2025	399,624
2026-2029	319,699
Total minimum lease payments	1,118,948
Less: amount representing interest	(260,580)
Present value of minimum lease payments	\$ 858,368

I. Long-Term Liabilities

During 2009, the County issued \$2,200,000 in Limited Tax Refunding Bonds, Series 2009, and paid off the Series 2000 Certificates of Obligation in full with the proceeds. Interest on the Certificates of Obligation is due semi-annually at rates ranging from 1.75% to 3.00%. The bonds have fully matured and have been paid off in full in 2015.

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. Principal is due on the notes serially each February 1st through fiscal year 2017. Interest on the notes is due semi-annually each February 1st and August 1st at 2.57%.

Details of long-term debt obligations outstanding at September 30, 2015 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/15
Bonds Payable					
Limited Tax Refunding Bonds, Series 2009	2009	\$ 2,200,000	1.75%-3.00%	2015	\$ -
Tax Notes, Series 2010	2010	1,000,000	2.57	2017	825,000
Total Bonds Payable					\$ 825,000

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

IV. Detailed notes on all activities and funds (continued)

Changes in long-term liabilities

Changes in the County's long-term liabilities for the year ended September 30, 2015 are as follows:

Description	Balance 10/1/14	Additions	Deletions	Balance 9/30/15	Due in One Year
Bonds Payable					
Certificates of obligation	\$ 470,000	\$ -	\$ (470,000)	\$ -	\$ -
Tax Notes	875,000	-	(50,000)	825,000	405,000
Total bonds payable	1,345,000	-	(520,000)	825,000	405,000
Capital leases	904,380	-	(46,012)	858,368	47,737
Compensated absences	299,983	-	(60,509)	239,474	-
Net Pension Liability	-	403,793	-	403,793	-
Governmental activities long-term liabilities	\$2,549,363	\$ 403,793	\$ (626,521)	\$2,326,635	\$ 452,737

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, 2015, accrued employee benefits recorded as long-term liability were for annual vacation pay, holiday pay, and comp. pay and amounted to \$239,474.

The debt service requirements for the County's bonds and notes are as follows:

Year Ended September 30,	Governmental Activities Bonds Payable	
	Principal	Interest
2016	405,000	15,998
2017	420,000	5,397
Totals	\$ 825,000	\$ 21,395

LLANO COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

IV. Detailed notes on all activities and funds (continued)

J. 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.

K. Interfund receivables and payables

The composition of interfund balances as of September 30, 2015 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	General Fund	\$ 2,652
General Fund	Limited Access Fund	51,908
General Fund	Non-Major Governmental Fund:	4,843
Total		\$ 59,403

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.

L. Interfund transfers

The composition of interfund transfers for the year ended September 30, 2015 is as follows:

	Transfer in to:		
	Governmental Funds		Total
	Limited Access fund	Nonmajor gov. funds	
Transfer out from:			
General fund	\$ 51,908	\$ 379,842	\$ 431,750
Total	\$ 51,908	\$ 379,842	\$ 431,750

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.

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

IV. Detailed notes on all activities and funds (continued)

M. 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.

N. Subsequent events

There were no subsequent events that met the requirements for disclosure.

O. Prior Period Adjustments

During the year ended September 30, 2015, the County adopted *GASB Statement No. 68 – Accounting and Financial Reporting for Pensions* (GASB 68). Due to GASB 68 the County must record a net position liability for any County pension liabilities in excess of pension assets as reported to the County by the Texas County & District Retirement System (TCDRS). Implementation of GASB 68 during the fiscal year required a prior period adjustment to beginning net position in the amount of (\$176,856).

REQUIRED SUPPLEMENTARY INFORMATION

LLANO COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2014
Total Pension Liability	
Service cost	\$ 628,372
Interest on total pension liability	1,397,673
Effect of assumption changes or inputs	(141,434)
Benefit payments/refunds of contributions	(892,978)
Net change in total pension liability	991,633
Total pension liability, beginning	17,384,947
Total pension liability, ending (a)	\$ 18,376,580
Fiduciary Net Position	
Employer contributions	\$ 446,428
Member contributions	357,552
Investment income net of investment expenses	1,179,023
Benefit payments/refunds of contributions	(892,978)
Administrative expenses	(13,462)
Other	(96,699)
Net change in fiduciary net position	979,864
Fiduciary net position, beginning	16,992,923
Fiduciary net position, ending (b)	\$ 17,972,787
Net pension liability / (asset), ending = (a) - (b)	\$ 403,793
Fiduciary net position as a % of total pension liability	97.80%
Pension covered payroll	\$ 5,107,891
Net pension liability as a % of covered payroll	7.91%

LLANO COUNTY, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$ 280,456	\$ 280,456	\$ -	\$ 3,815,722	7.4%
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%

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.

Lateral Road Fund- to account for the property taxes collected pursuant to Transportation Code 256.054 for construction and maintenance of lateral roads for flood control purposes, as determined by Commissioners' Court.

Library Fund- to account for the fees collected for the operations of the library.

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

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

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.

Capital Projects Funds

The Capital Projects Fund is used to account for the acquisition and construction of the County's major capital facilities.

LLANO COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds		
	Hotel		
	Occupancy Fund	LCSO Seizure Fund	Lateral Road Fund
ASSETS			
Cash and cash equivalents	\$ 85,186	\$ 16,782	\$ 40,081
Investments	66,777	-	1,892
Taxes receivable - delinquent	-	-	-
Allowance for uncollectible taxes	-	-	-
Accounts receivable	-	-	-
Total assets and Deferred Outflows	<u>\$ 151,963</u>	<u>\$ 16,782</u>	<u>\$ 41,973</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenue	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEF. INFLOWS OF RESOURCES			
Unavailable revenue- property tax	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)			
Restricted for:			
Debt service	-	-	-
Public transportation	-	16,782	41,973
Capital projects	-	-	-
Specific purposes	151,963	-	-
Total fund balances	<u>151,963</u>	<u>16,782</u>	<u>41,973</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 151,963</u>	<u>\$ 16,782</u>	<u>\$ 41,973</u>

Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total Non-Major Governmental Funds
Library Fund	Indigent Health Fund	Law Library	Debt Service Fund	Capital Projects Fund	
\$ 46,498	\$ 389,113	\$ 2,721	\$ 257,525	\$ 4,845	\$ 842,751
-	-	-	6,651	-	75,320
-	-	-	14,070	-	14,070
-	-	-	(3,517)	-	(3,517)
473	-	810	341	-	1,624
<u>\$ 51,814</u>	<u>\$ 389,113</u>	<u>\$ 3,531</u>	<u>\$ 275,070</u>	<u>\$ 4,845</u>	<u>\$ 935,091</u>
\$ 5,065	\$ 294	\$ 673	\$ -	\$ -	\$ 6,032
46,749	-	-	-	-	46,749
<u>51,814</u>	<u>294</u>	<u>673</u>	<u>-</u>	<u>-</u>	<u>52,781</u>
-	-	-	10,552	-	10,552
-	-	-	10,552	-	10,552
-	-	2,858	264,518	-	267,376
-	-	-	-	-	58,755
-	-	-	-	4,845	4,845
-	388,819	-	-	-	540,782
<u>-</u>	<u>388,819</u>	<u>2,858</u>	<u>264,518</u>	<u>4,845</u>	<u>871,758</u>
<u>\$ 51,814</u>	<u>\$ 389,113</u>	<u>\$ 3,531</u>	<u>\$ 275,070</u>	<u>\$ 4,845</u>	<u>\$ 935,091</u>

LLANO COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds		
	Hotel		
	Occupancy Fund	LCSO Seizure Fund	Lateral Road Fund
REVENUES			
Property taxes	\$ -	\$ -	\$ 8,098
Selective sales and use taxes	98,598	-	-
Penalties and interest on taxes	-	-	-
Intergovernmental revenues	-	-	-
Charges for services	-	-	-
Investment earnings	127	-	30
Contributions from private sources	-	-	-
Miscellaneous revenue	-	20,050	-
Total revenues	<u>98,725</u>	<u>20,050</u>	<u>8,128</u>
EXPENDITURES			
Current:			
General government	-	3,268	-
Judicial	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Conservation and development	115,522	-	-
Debt service:			
Bond principal	-	-	-
Interest and fees	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>115,522</u>	<u>3,268</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(16,797)</u>	<u>16,782</u>	<u>8,128</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(16,797)</u>	<u>16,782</u>	<u>8,128</u>
Fund balance - beginning	<u>168,760</u>	<u>-</u>	<u>33,845</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 151,963</u>	<u>\$ 16,782</u>	<u>\$ 41,973</u>

Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds
Library Fund	Indigent Health Fund	Law Library	Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 590,774	\$ -	\$ 598,872
-	-	-	-	-	98,598
-	-	-	5,430	-	5,430
1,520	-	-	-	-	1,520
18,647	-	10,469	-	-	29,116
-	-	-	192	24	373
57,881	-	-	-	-	57,881
1,680	-	-	-	-	21,730
79,728	-	10,469	596,396	24	813,520
-	-	-	-	-	3,268
-	-	7,944	-	-	7,944
-	50,242	-	-	-	50,242
459,570	-	627	-	-	460,197
-	-	-	-	-	115,522
-	-	-	520,000	-	520,000
-	-	-	29,431	-	29,431
-	-	-	-	216,994	216,994
459,570	50,242	8,571	549,431	216,994	1,403,598
(379,842)	(50,242)	1,898	46,965	(216,970)	(590,078)
379,842	-	-	-	-	379,842
379,842	-	-	-	-	379,842
-	(50,242)	1,898	46,965	(216,970)	(210,236)
-	439,061	960	217,553	221,815	1,081,994
-	-	-	-	-	-
\$ -	\$ 388,819	\$ 2,858	\$ 264,518	\$ 4,845	\$ 871,758

LLANO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 581,291	\$ 581,291	\$ 590,774	\$ 9,483
Penalties and interest on taxes	1,941	1,941	5,430	3,489
Investment earnings	60	60	192	132
Total revenues	<u>583,292</u>	<u>583,292</u>	<u>596,396</u>	<u>13,104</u>
EXPENDITURES				
Debt service:				
Bond principal	520,000	520,000	520,000	-
Interest and fees	32,895	32,895	29,431	3,464
Total expenditures	<u>552,895</u>	<u>552,895</u>	<u>549,431</u>	<u>3,464</u>
Net change in fund balances	30,397	30,397	46,965	16,568
Fund balance - beginning	960	960	960	-
Fund balance - ending	<u>\$ 31,357</u>	<u>\$ 31,357</u>	<u>\$ 47,925</u>	<u>\$ 16,568</u>

OTHER SUPPLEMENTARY INFORMATION SECTION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
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, 2015, 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 19, 2016.

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*.

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 gray rectangular background.

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

February 19, 2016

LLANO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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 OMB Circular A-133, a Single Audit was not required due to expenditures of federal awards were less than \$500,000.

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, 2015 and 2014.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with Section 510(c) of OMB Circular A-133:

No findings or questioned costs required to be reported in accordance with Section 510(c) of OMB Circular A-133 for the years ended September 30, 2015 and 2014.