

LLANO COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

LLANO COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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FINANCIAL SECTION

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INDEPENDENT AUDITOR’S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Llano County, Texas (the “County”) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Llano County, Texas as of September 30, 2018, and the respective changes in financial position and the respective budgetary comparisons of the General Fund and the Road & Bridge Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 8, 2019 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 8, 2019

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LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018. 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 \$15,074,289 (net position). Of this amount, \$6,320,348 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 \$618,416 as a result of current year activities.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$8,151,120, an increase of \$1,090,809 in comparison with the prior year. Approximately 72% of this amount, or \$5,890,122, is available for spending at the County's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the General Fund was \$5,890,122, or approximately 54% of total General Fund current year expenditures before transfers.

Overview of the Financial Statements

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

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

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

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

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

LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

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

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

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

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

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

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

LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

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

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's participation in the Texas County and District Retirement System (TCDRS) for its employees. The required supplementary information can be found immediately following the notes section of this report.

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

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial health. In the case of the County, assets exceeded liabilities by \$15,074,289 at the close of the most recent fiscal year.

Table I
LLANO COUNTY, TEXAS
NET POSITION

	Governmental Activities 2018	Governmental Activities 2017	Change
Current & other assets	\$ 10,033,108	\$ 8,480,979	\$ 1,552,129
Capital assets	7,179,112	7,866,849	(687,737)
Deferred outflows	452,116	1,402,806	(950,690)
Total assets & def. outflows	17,664,336	17,750,634	(86,298)
Current liabilities	1,050,128	726,340	323,788
Long-term liabilities	1,037,363	1,051,368	(14,005)
Deferred inflows	502,556	152,790	349,766
Total liabilities & def. inflows	2,590,047	1,930,498	659,549
Net Position			
Net investment in capital assets	6,560,033	7,106,279	(546,246)
Restricted	2,193,908	2,043,284	150,624
Unrestricted	6,320,348	5,306,310	1,014,038
Total net position	\$ 15,074,289	\$ 14,455,873	\$ 618,416

LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

By far, the largest portion of the County's net position, \$6,560,033, or 44%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$2,193,908, or 15%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,320,348, or 41%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the County is able to report positive balances in all reported categories of net position.

The County's overall net position increased by \$618,416 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased by \$618,416 from the prior fiscal year for an ending balance of \$15,074,289. The increase in overall net position of governmental activities is primarily due to conservative spending and the resulting positive budget variances for the year, in addition to inflows from the sale of capital assets.

Table II
LLANO COUNTY, TEXAS
CHANGES IN NET POSITION

	Governmental Activities 2018	Governmental Activities 2017	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 2,155,934	\$ 1,751,795	\$ 404,139
Operating grants & contributions	315,683	342,219	(26,536)
General Revenues:			
Property taxes	11,990,272	11,360,615	629,657
Other taxes	394,134	397,897	(3,763)
Other	831,717	543,300	288,417
Total revenue	<u>15,687,740</u>	<u>14,395,826</u>	<u>1,291,914</u>
Expenses:			
General government	4,834,097	4,275,790	558,307
Public safety	4,472,046	4,523,278	(51,232)
Justice system	1,463,846	1,479,573	(15,727)
Public facilities	1,038,436	999,932	38,504
Culture and recreation	511,863	530,612	(18,749)
Health and human services	25,517	42,418	(16,901)
Conservation and development	436,850	423,626	13,224
Highways and streets	2,257,400	2,202,070	55,330
Interest on long-term debt	29,269	32,898	(3,629)
Total expenses	<u>15,069,324</u>	<u>14,510,197</u>	<u>559,127</u>
Increase (decrease) in net position	<u>618,416</u>	<u>(114,371)</u>	<u>732,787</u>
Net position - beginning (as restated 2017)	<u>14,455,873</u>	<u>14,570,244</u>	<u>(114,371)</u>
Net position - ending	<u>\$ 15,074,289</u>	<u>\$ 14,455,873</u>	<u>\$ 618,416</u>

LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Financial Analysis of Governmental Funds

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

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

At September 30, 2018, the County's governmental funds reported combined fund balances of \$8,151,120, an increase of \$1,090,809 in comparison with the prior year. Approximately 72% of this amount, or \$5,890,122 constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of the fund balance is currently reported as restricted or assigned for various purposes.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,890,122. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. The unassigned fund balance of the General Fund represents approximately 54% of total General Fund expenditures.

The fund balance of the County's General Fund increased by \$90,337 during the current fiscal year. The increase was primarily due to conservative spending and positive budget variances for the year.

The Road & Bridge Fund, a major governmental fund, had a \$163,199 increase in fund balance during the current fiscal year, which resulted in an overall ending fund balance amount of \$942,613. The increase in fund balance relates to positive budget variances in expenditures for the year.

The Limited Access Fund, a major governmental fund, had a decrease of \$54,044 in the fund balance during the current fiscal year, to end at \$648,595. The decrease in fund balance relates to expenditures being more than revenue during the year.

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

General Fund Budgetary Highlights

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

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LLANO COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Capital Assets and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental as of September 30, 2018, amounts to \$7,341,490 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, and vehicles. Additional information on the County's capital assets can be found in the notes to the financial statements section of this report.

	Governmental Activities 2018	Governmental Activities 2017	Change
Land	\$ 162,378	\$ 162,378	\$ -
Buildings	14,237,617	14,344,609	(106,992)
Furniture and Equipment	8,692,126	8,185,149	506,977
Total	<u>23,092,121</u>	<u>22,692,136</u>	<u>399,985</u>
Less Accumulated Depreciation	<u>(15,750,631)</u>	<u>(14,825,287)</u>	<u>(925,344)</u>
Capital assets, net of depreciation	<u>\$ 7,341,490</u>	<u>\$ 7,866,849</u>	<u>\$ (525,359)</u>

Long-term Debt. At the end of the current fiscal year, the County had long-term obligations consisting of compensated absences and capital leases.

	Governmental Activities 2018	Governmental Activities 2017	Change
Capital Leases Payable	\$ 781,457	\$ 760,570	\$ 20,887
Compensated Absences	311,370	290,798	20,572
Total	<u>\$ 1,092,827</u>	<u>\$ 1,051,368</u>	<u>\$ 41,459</u>

The County's total overall debt increased by \$41,459 during the current fiscal year due to a new capital lease initiated by the County for equipment purchases and an increase in the compensated absences liability during the year. Additional information on the County's long-term debt can be found in notes to the financial statements section of this report.

Economic Factors and Next Year's Budgets and Rates

The adopted budget for fiscal year 2018-2019 for the County's General Fund was \$13.1 million, which reflects an approximate increase of \$751,000 from the fiscal year 2017-2018 General Fund adopted budget. The budget was subsequently amended to include expenses for clean-up as a result of flood damages with an approximate additional \$900,000 budgeted to be paid for clean-up costs from the General Fund. The County adopted a tax rate of \$.2470 for the General Fund and \$.0395 for the Road and Bridge Fund for a combined total tax rate of \$.2865 for fiscal year 2018-2019.

Requests for Information

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

LLANO COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government
	Governmental
	Activities
ASSETS	
Cash and Temporary Investments	\$ 325,414
Investments	8,600,732
Property Taxes Receivable	238,664
Allowance for Uncollectible Taxes	(59,666)
Accounts Receivable	599,247
Due from Others	166,339
Capital Assets not Being Depreciated:	
Land	162,378
Capital Assets, Being Depreciated:	
Buildings and Improvements	14,237,617
Machinery, Equipment, and Vehicles	8,692,126
Accumulated Depreciation	(15,750,631)
Total Assets	17,212,220
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pensions	452,116
Total Deferred Outflows of Resources	452,116
LIABILITIES	
Accounts Payable	469,908
Interest Payable	20,097
Accrued Salaries and Wages	215,134
Due to Others	212,587
Unearned Revenues	43,742
Long-Term Liabilities:	
Current Portion of Long-Term Debt	88,660
Capital Leases Payable	692,797
Other Long-Term Debt	311,370
Net Pension Liability	33,196
Total Liabilities	2,087,491
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pensions	502,556
Total Deferred Inflows of Resources	502,556
NET POSITION	
Net investment in Capital Assets	6,560,033
Restricted for Road and Bridge	942,613
Restricted for Debt Service	97,257
Restricted for Other Purposes	1,154,038
Unrestricted	6,320,348
Total Net Position	\$ 15,074,289

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, 2018

Functions/Programs:	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government:				
Governmental activities:				
General Government	\$ 4,834,097	\$ 681,251	\$ 71,733	\$ (4,081,113)
Public Safety	4,472,046	134,352	103,451	(4,234,243)
Judicial System	1,463,846	554,651	48,533	(860,662)
Highways and Streets	2,257,400	740,542	38,878	(1,477,980)
Public Facilities	1,038,436	-	-	(1,038,436)
Health and Welfare	25,517	27,877	53,088	55,448
Culture and Recreation	511,863	17,261	-	(494,602)
Conservation and Development	436,850	-	-	(436,850)
Debt Interest	29,269	-	-	(29,269)
Total governmental activities:	<u>\$ 15,069,324</u>	<u>\$ 2,155,934</u>	<u>\$ 315,683</u>	<u>(12,597,707)</u>
General Revenues:				
				11,990,272
				394,134
				177,590
				215,394
				438,733
				<u>13,216,123</u>
				618,416
				<u>14,455,873</u>
				<u>\$ 15,074,289</u>

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

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FUND BASIS FINANCIAL STATEMENTS

LLANO COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Road and Bridge Fund	Limited Access Fund
ASSETS			
Cash and Temporary Investments	\$ -	\$ 159,552	\$ 4,015
Investments	7,390,331	1,008,231	-
Property Taxes Receivable	198,517	32,943	-
Allowance for Uncollectible Taxes	(49,629)	(8,236)	-
Due from Other funds	22,321	-	758,860
Due from Others	118,644	26,975	16,436
Total Assets	<u>\$ 7,680,184</u>	<u>\$ 1,219,465</u>	<u>\$ 779,311</u>
LIABILITIES			
Accounts Payable	109,258	\$ 194,501	\$ 130,716
Accrued Payroll	181,056	23,655	-
Due to Other Funds	1,025,221	22,321	-
Due to Others	200,919	11,668	-
Unearned Revenues	-	-	-
Total Liabilities	<u>1,516,454</u>	<u>252,145</u>	<u>130,716</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Property Taxes	148,888	24,707	-
Total Deferred Inflows of Resources	<u>148,888</u>	<u>24,707</u>	<u>-</u>
FUND BALANCES (DEFICITS)			
Restricted for:			
Debt Service	-	-	-
Road and Bridge	-	942,613	-
Specific Purposes	-	-	648,595
Assigned for:			
Stabilization Funds	124,720	-	-
Unassigned	5,890,122	-	-
Total Fund Balances	<u>6,014,842</u>	<u>942,613</u>	<u>648,595</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 7,680,184</u>	<u>\$ 1,219,465</u>	<u>\$ 779,311</u>

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

Library Fund	Total Non-Major Funds	Total Governmental Funds
\$ -	\$ 161,846	\$ 325,413
-	202,170	8,600,732
-	7,204	238,664
-	(1,801)	(59,666)
83,264	200,000	1,064,445
305	3,980	166,340
<u>\$ 83,569</u>	<u>\$ 573,399</u>	<u>\$ 10,335,928</u>
\$ 12,501	\$ 22,926	\$ 469,902
10,423	-	215,134
16,903	-	1,064,445
-	-	212,587
43,742	-	43,742
<u>83,569</u>	<u>22,926</u>	<u>2,005,810</u>
-	5,403	178,998
<u>-</u>	<u>5,403</u>	<u>178,998</u>
-	91,854	91,854
-	-	942,613
-	453,216	1,101,811
-	-	124,720
-	-	5,890,122
<u>-</u>	<u>545,070</u>	<u>8,151,120</u>
<u>\$ 83,569</u>	<u>\$ 573,399</u>	<u>\$ 10,335,928</u>

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LLANO COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

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

Total Fund Balances - Governmental Funds		\$ 8,151,120
Capital assets used in governmental activities are not current financial resources, and therefore not reported in the funds.		
Governmental activities capital assets	23,092,121	
Less accumulated depreciation	<u>(15,750,631)</u>	7,341,490
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Notes and capital leases payable	(781,457)	
Compensated absences	(311,370)	
Net pension liability	<u>(33,196)</u>	(1,126,023)
The County recognizes pension expenditures in the governmental funds only as paid. However, pension expense and other pension related items are measured actuarially in the government-wide statements. Current differences reflected on the statement of net position are as follows:		
Deferred outflows related to pensions	452,116	
Deferred inflows related to pensions	<u>(502,556)</u>	(50,440)
Uncollected property taxes are not available to pay for current operations and are therefore not recorded within the fund balance of the governmental funds. These amounts are however recorded in the statement of net position, net of an allowance for uncollectible amounts.		
		178,998
Other long-term receivables, such as those for outstanding fines and warrants, are not recognized in the governmental funds, but are recognized in the Statement of Net Position, net of an allowance for uncollectible amounts.		
		599,241
Accrued interest on long-term debt related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds.		
		(20,097)
Net position of governmental activities		<u><u>\$ 15,074,289</u></u>

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

LLANO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Road and Bridge Fund	Limited Access Fund
REVENUES			
Property Taxes	\$ 10,335,076	\$ 1,622,791	\$ -
General Sales and Use Taxes	133,141	-	-
Fines and Fees	1,001,625	20,052	254,786
Charges for Services	146,602	636,495	33,066
Donations	-	88,047	47,713
Investment Income	182,902	27,650	-
Intergovernmental Revenues	274,595	38,878	2,210
Other Revenue	394,610	43,100	5
Total Revenues	<u>12,468,551</u>	<u>2,477,013</u>	<u>337,780</u>
EXPENDITURES			
Current:			
General Government	4,215,543	-	362,031
Public Safety	4,359,071	-	5,982
Judicial System	1,339,947	-	23,811
Highways and Streets	-	2,093,865	-
Public Facilities	979,563	-	-
Health and Welfare	-	-	-
Culture and Recreation	-	-	-
Conservation and Development	143,176	-	-
Debt Service:			
Principal	88,621	-	-
Interest	29,737	-	-
Capital Outlay	16,780	219,949	-
Total Expenditures	<u>11,172,438</u>	<u>2,313,814</u>	<u>391,824</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>1,296,113</u>	<u>163,199</u>	<u>(54,044)</u>
OTHER FINANCING SOURCES (USES)			
Capital Leases	109,508	-	-
Transfers In	-	-	-
Transfers Out	(415,284)	-	-
Total Other Financing Sources (Uses)	<u>(305,776)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	990,337	163,199	(54,044)
Fund Balance - Beginning	5,024,505	779,414	702,639
Fund Balance - Ending	<u>\$ 6,014,842</u>	<u>\$ 942,613</u>	<u>\$ 648,595</u>

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

Library Fund	Total Non- Major Funds	Total Governmental Funds
\$ -	\$ 4,712	\$ 11,962,579
-	260,993	394,134
5,919	10,395	1,292,777
11,342	-	827,505
41,830	-	177,590
-	4,842	215,394
-	-	315,683
1,019	-	438,734
<u>60,110</u>	<u>280,942</u>	<u>15,624,396</u>
-	-	4,577,574
-	-	4,365,053
-	4,275	1,368,033
-	-	2,093,865
-	-	979,563
-	23,654	23,654
475,394	-	475,394
-	261,696	404,872
-	-	-
-	-	88,621
-	-	29,737
-	-	236,729
<u>475,394</u>	<u>289,625</u>	<u>14,643,095</u>
<u>(415,284)</u>	<u>(8,683)</u>	<u>981,301</u>
-	-	109,508
415,284	-	415,284
-	-	(415,284)
<u>415,284</u>	<u>-</u>	<u>109,508</u>
-	(8,683)	1,090,809
-	553,753	7,060,311
<u>\$ -</u>	<u>\$ 545,070</u>	<u>\$ 8,151,120</u>

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LLANO COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

Net Change in Fund Balances - Total Governmental Funds		\$ 1,090,809
<p>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 current year depreciation exceeded current year capital expenditures.</p>		
Expenditures for capitalized assets	594,429	
Less current year depreciation	<u>(1,119,788)</u>	(525,359)
<p>Long-term receivables, such as those for fines and warrants, are not recorded in the funds. Therefore, any change in these items during the year is not reflected in the change in fund balance of governmental funds.</p>		
		35,651
<p>Long-term liabilities, such as bonds and notes payable, are not recorded within the governmental funds due to them not representing current liabilities. When principal repayments are made on these obligations, they represent expenditures in the governmental funds and reduce long-term liabilities in the statement of activities.</p>		
Current year debt additions	(109,508)	
Payments on long-term debt	88,621	
Change in long-term liabilities for compensated absences	<u>(20,572)</u>	(41,459)
<p>Accrued interest on long-term debt is not recorded in the governmental funds, and therefore any change in accrued interest does not affect fund balance.</p>		
		468
<p>Revenues in the statements of activities for property taxes are recognized in the period levied, not collected. Therefore the uncollected property taxes of the current period increase the change in net position</p>		
		27,694
<p>Governmental funds report pension contributions as current year expenditures for pensions. However, pension expense is measured actuarially in the statement of activities. These differences are as follows:</p>		
Actuarial current year pension (expense)/benefit	13,205	
Contributions made after the measurement date	<u>17,407</u>	<u>30,612</u>
Change in Net Position- Governmental Activities		<u>\$ 618,416</u>

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

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LLANO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 10,275,853	\$ 10,275,853	\$ 10,335,076	\$ 59,223
General Sales and Use Taxes	87,000	87,000	133,141	46,141
Fines and Fees	833,914	838,614	1,001,625	163,011
Charges for Services	106,386	168,441	146,602	(21,839)
Investment Income	67,860	67,860	182,902	115,042
Intergovernmental Revenues	312,202	309,274	274,595	(34,679)
Other Revenue	86,930	259,219	394,610	135,391
Total Revenues	<u>11,770,145</u>	<u>12,006,261</u>	<u>12,468,551</u>	<u>462,290</u>
EXPENDITURES				
Current:				
General Government	4,905,830	5,037,578	4,215,543	822,035
Public Safety	4,650,845	4,630,630	4,359,071	271,559
Judicial System	1,532,985	1,534,868	1,339,947	194,921
Public Facilities	986,027	1,123,050	979,563	143,487
Conservation and Development	177,987	177,988	143,176	34,812
Debt Service:				
Principal	40,492	88,621	88,621	-
Interest	30,377	29,737	29,737	-
Capital Outlay	-	19,500	16,780	2,720
Total Expenditures	<u>12,324,543</u>	<u>12,641,972</u>	<u>11,172,438</u>	<u>1,469,534</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(554,398)</u>	<u>(635,711)</u>	<u>1,296,113</u>	<u>1,931,824</u>
OTHER FINANCING SOURCES (USES)				
Capital Leases	-	109,014	109,508	494
Transfers Out	(440,197)	(440,197)	(415,284)	24,913
Total Other Financing Sources (Uses)	<u>(440,197)</u>	<u>(331,183)</u>	<u>(305,776)</u>	<u>25,407</u>
Net Change in Fund Balance	(994,595)	(966,894)	990,337	1,957,231
Fund Balance - Beginning	5,024,505	5,024,505	5,024,505	-
Fund Balance - Ending	<u>\$ 4,029,910</u>	<u>\$ 4,057,611</u>	<u>\$ 6,014,842</u>	<u>\$ 1,957,231</u>

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

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LLANO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 1,595,895	\$ 1,595,895	\$ 1,622,791	\$ 26,896
Fines and Fees	39,015	47,822	20,052	(27,770)
Charges for Services	632,993	625,853	636,495	10,642
Donations	-	-	88,047	88,047
Investment Income	11,875	11,875	27,650	15,775
Intergovernmental Revenues	22,504	22,504	38,878	16,374
Other Revenue	36,521	61,084	43,100	(17,984)
Total Revenues	<u>2,338,803</u>	<u>2,365,033</u>	<u>2,477,013</u>	<u>111,980</u>
EXPENDITURES				
Current:				
Highways and Streets	2,285,130	2,240,795	2,093,865	146,930
Capital Outlay	147,500	219,994	219,949	45
Total Expenditures	<u>2,432,630</u>	<u>2,460,789</u>	<u>2,313,814</u>	<u>146,975</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(93,827)</u>	<u>(95,756)</u>	163,199	<u>258,955</u>
Net Change in Fund Balance	(93,827)	(95,756)	163,199	258,955
Fund Balance - Beginning	779,414	779,414	779,414	-
Fund Balance - Ending	<u>\$ 685,587</u>	<u>\$ 683,658</u>	<u>\$ 942,613</u>	<u>\$ 258,955</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, 2018

	Fiduciary Funds	
	Llano County School Land	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 11,515	\$ 130,158
Investments	103,432	52,525
Due from Other Funds	33	21,014
Total Assets	114,980	203,697
LIABILITIES		
Accounts Payable	-	76,211
Due to Others	-	127,486
Total Liabilities	-	\$ 203,697
NET POSITION		
Net Position Held in Trust	\$ 114,980	

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, 2018

	Fiduciary Funds
	Llano County School Land
ADDITIONS	
Interest	\$ 7,706
Lease Revenue	430,079
Other	4
Total Additions	437,789
DEDUCTIONS	
Trust Payments	649,999
Total Deductions	649,999
Change in Net Position	(212,210)
Net Position - Beginning	327,190
Net Position - Ending	\$ 114,980

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

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NOTES TO THE FINANCIAL STATEMENTS

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LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE-1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of government-wide financial statements

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

Reporting entity

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

Basis of presentation – government-wide financial statements

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

Basis of presentation – fund financial statements

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

The County reports the following major governmental funds:

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

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

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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.

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

Additionally, the County reports the following fund types:

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

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

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

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

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

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

Measurement focus and basis of accounting

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

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

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Budgetary information

Budgetary basis of accounting

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

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

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

Excess of expenditures over appropriations

For the year ended September 30, 2018, no budgetary overages were noted.

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

1. Cash and cash equivalents

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

2. Investments

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

3. Inventories and prepaid items

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

4. Capital assets

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

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

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

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

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

5. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. *Net position flow assumption*

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

7. *Fund balance flow assumptions*

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

8. *Fund balance policies*

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

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Revenues and expenditures/expenses

1. Program revenues

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

2. Property taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2017, upon which the levy for the 2017-2018 fiscal year was based, was \$3,941,302,570. 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, 2018, to finance General Fund and Road & Bridge Fund operations were \$0.26042 and \$0.0417 respectively, for a total tax rate of \$0.30212 per \$100 valuation. The total tax levy for the General Fund and Road & Bridge Fund for the 2017-2018 fiscal year was \$11,907,463. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2018, were approximately 99% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General, Road & Bridge and Debt Service Funds are based on historical experience in collecting taxes.

3. Compensated absences

Vacation

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

Sick Leave

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

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

4. Pensions

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

NOTE-2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of legal or contractual provisions

For the year ended September 30, 2018, there were no known violations of legal and contractual provisions.

B. Deficit fund equity

For the year ended September 30, 2018, there were no funds reported with deficit fund equity.

NOTE-3 CASH AND INVESTMENTS

Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. However, as of September 30, 2018, and as of the highest cash balance during the year, the County's bank balance was covered by the Federal Deposit Insurance Corporation (FDIC) and pledged securities.

Investments

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

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

As of September 30, 2018, 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	\$ 1,570,446	\$ -	\$ -	\$ -	General Fund
LoneStar Investment Pool	2,970,882	-	-	-	General Fund, R&B Fund HOT Fund, General Fund, R&B Fund, Lateral
Logic Investment Pool	4,215,361	-	-	-	Road Fund, Debt Service Fund, Trust Fund
Total Investments	<u>\$ 8,756,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

The County had investments in two external local governmental investment pool at September 30, 2018, consisting of the Lone Star Investment Pool (“Lone Star”) and LOGIC Investment Pool.

The Corporate Overnight Fund is a fund within the Lone Star Investment Pool. Its objective is to maintain a stable \$1.00 per share net asset value (NAV), while it provides the highest possible rate of return. The fund represents one of three Texas public investment funds sponsored by the Texas Association of School Boards (TASB). The other funds--Government Overnight Fund and Corporate Overnight Plus Fund—also maintain S&P Global ratings. The Lone Star Investment Pool was created pursuant to the Interlocal Cooperation Act of the State of Texas as an investment vehicle for local school districts and other public entities. The funds within Lone Star Investment Pool are not registered mutual funds under the Investment Company Act of 1940, and are not available to individual investors.

The Lone Star Investment Pool is sponsored by TASB. The investment advisers to the pool are American Beacon Advisors and Standish. First Public LLC provides administrative and distribution services to the pool and State Street Bank is the custodian for all pool assets. In addition, CAPTRUST Financial Advisors monitors the pool's operations and performance and reports its findings to First Public and the board of trustees for the Lone Star Investment Pools.

LOGIC is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created in April 1994 through a contract among its participating governmental units, and is governed by a board of directors (the board) to provide for the joint investments of participant's public funds and funds under their control. LOGIC's policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise.

LOGIC is administered by Hilltop Securities and JPMorgan Chase. Together these organizations bring to the LOGIC program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management and extensive industry resources.

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

LLANO COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

30, 2018, the County's investment in Lone Star Investment Pool and Logic Investment Pool were rated AAAm by Standard & Poor's.

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

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

NOTE-4 RECEIVABLES

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

Governmental Funds:

Receivables	General Fund	Road and Bridge Fund	Limited Access Fund	Library Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property taxes	\$ 198,517	\$ 32,943	\$ -	\$ -	\$ 7,204	\$ 238,664
Due from others	118,644	26,975	16,436	305	3,980	166,340
Gross receivables	317,161	59,918	16,436	305	11,184	405,004
Less: Allowance for uncollectibles	(49,629)	(8,236)	-	-	(1,801)	(59,666)
Net receivables	<u>\$ 267,532</u>	<u>\$ 51,682</u>	<u>\$ 16,436</u>	<u>\$ 305</u>	<u>\$ 9,383</u>	<u>\$ 345,338</u>

NOTE-5 CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2018, was as follows:

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Balance 10/1/17	Increases	Decreases	Balance 9/30/18
Capital assets, not being depreciated:				
Land	\$ 162,378	\$ -	\$ -	\$ 162,378
Total capital assets, not being depreciated	<u>162,378</u>	<u>-</u>	<u>-</u>	<u>162,378</u>
Capital assets, being depreciated:				
Buildings and improvements	14,344,609	-	(106,992)	14,237,617
Furniture and equipment	8,185,149	594,429	(87,452)	8,692,126
Total capital assets, being depreciated	<u>22,529,758</u>	<u>594,429</u>	<u>(194,444)</u>	<u>22,929,743</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,045,914)	(641,736)	106,992	(8,580,658)
Furniture and equipment	(6,779,373)	(478,052)	87,452	(7,169,973)
Total accumulated depreciation	<u>(14,825,287)</u>	<u>(1,119,788)</u>	<u>194,444</u>	<u>(15,750,631)</u>
Total capital assets being depreciated, net	<u>7,704,471</u>	<u>(525,359)</u>	<u>-</u>	<u>7,179,112</u>
Governmental activities capital assets, net	<u>\$ 7,866,849</u>	<u>\$ (525,359)</u>	<u>\$ -</u>	<u>\$ 7,341,490</u>

LLANO COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

Governmental activities:	
General Government	\$ 358,756
Public Safety	342,100
Judicial System	107,216
Highways and Streets	164,102
Public Facilities	76,771
Health and Welfare	1,854
Culture and Recreation	37,258
Conservation and Development	31,731
Total depreciation expense - governmental activities	\$ 1,119,788

NOTE-6 PENSION OBLIGATIONS

Texas County & District Retirement System (TCDRS)

Plan Description

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

This CAFR is available online at <https://www.tcdrs.org/NewsAndPublications>.

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, 2018

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Members	12/31/2016	12/31/2017
Number of inactive employees entitled to but not yet receiving benefits:	136	135
Number of active employees	155	159
Average monthly salary:*	\$ 2,828	\$ 2,967
Average age:*	48.62	48.53
Average length of service in years:*	8.04	8.91
<hr/>		
<u>Inactive Employees (or their Beneficiaries) Receiving Benefits</u>		
Number of benefit recipients:	121	123
Average monthly benefit:	\$ 732	\$ 758

*Averages reported for active employees. They differ from the prior year's report, which included active and inactive members. Average service includes all proportionate service.

Funding Policy

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

Employee Deposits

The governing body of the employers has the option of adopting a deposit rate in the plan for employees of 4%, 5%, 6%, or 7% of compensation. Llano County had an adopted deposit rate for employees of 7% in effect for the years ended September 30, 2017 and 2018.

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, 2018 and 2017 of 8.42% and 8.33% respectively.

Investment Income

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

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

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2018

Actuarial assumptions

The TPL in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Assumptions

Valuation Timing Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Actuarial Cost Method Entry Age Normal (1)

Amortization Method

Recognition of economic/demog gains or losses Straight-Line amortization over Expected Working Life

Recognition of assumptions cha or inputs Straight-Line amortization over Expected Working Life

Asset Valuation Method

Smoothing period 5 years

Recognition method Non-asymptotic

Corridor None

Inflation 2.75%

Salary Increases 3.25%

Investment Rate of Return 8.1%

Cost-of-Living Adjustments Cost-of-Living Adjustments for Llano County are not considered to be substantively automatic under GASB-68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.

Retirement Age Llano County specific table

Turnover Llano County specific table

Mortality Llano County specific table

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

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	11.5%	4.55%
Private Equity	16.0%	7.55%
Global Equities	1.5%	4.85%
International Equities-Developed	11.0%	4.55%
International Equities-Emerging	8.0%	5.55%
Investment-Grade Bonds	3.0%	0.75%
Strategic Credit	8.0%	4.12%
Direct Lending	10.0%	8.06%
Distressed Debt	2.0%	6.30%
REIT Equities	2.0%	4.05%
Master Limited Ptnrs (MLPs)	3.0%	6.00%
Private Real Estate Partnerships	6.0%	6.25%
Hedge Funds	18.0%	4.10%
	100%	

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.

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

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

	1% Decrease in Discount Rate (7.1%)	Discount Rate 8.1%	1% Increase in Discount Rate (9.1%)
Total Pension Liability	\$ 23,901,356	\$ 21,488,128	\$ 19,426,929
Fiduciary Net Position	21,454,933	21,454,933	21,454,933
Net Pension Liability/(Asset)	\$ 2,446,423	\$ 33,196	\$ (2,028,004)

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Pension Plan Fiduciary Net Position

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

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

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Balances as of December 31, 2016	\$ 20,460,552	\$ 19,096,289	\$ 1,364,263
Changes for the year:			
Service cost	672,698	-	672,698
Interest on total pension liability	1,661,268	-	1,661,268
Effect of plan changes	-	-	-
Effect of econ./demo. gains/losses	(146,856)	-	(146,856)
Effect of assump. changes or inputs	112,765	-	112,765
Refund of contributions	(189,734)	(189,734)	-
Benefit payments	(1,082,565)	(1,082,565)	-
Administrative expenses	-	(14,268)	14,268
Member contributions	-	397,180	(397,180)
Net investment income	-	2,780,918	(2,780,918)
Employer contributions	-	472,641	(472,641)
Other	-	(5,528)	5,528
Balances as of December 31, 2017	<u>\$ 21,488,128</u>	<u>\$ 21,454,933</u>	<u>\$ 33,196</u>

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

For the year ended September 30, 2018, the County recognized pension expense of (\$30,612).

At September 30, 2018, 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	\$ -	\$ 149,687
Changes of assumptions	84,574	-
Difference between projected and actual investment earnings	-	352,869
Contributions made subsequent to the measurement date	367,542	-
Total	<u>\$ 452,116</u>	<u>\$ 502,556</u>

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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	Pension Expense
2018	\$ 34,019
2019	32,972
2020	(234,794)
2021	(250,179)
2022	-
Thereafter	-

NOTE-7 ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at September 30, 2018, were as follows:

Governmental Funds:

	General Fund	Road and Bridge Fund	Library Fund	Total Governmental Funds
Payroll liabilities	\$ 181,056	\$ 23,655	\$ 10,423	\$ 215,134
Total accrued liabilities	\$ 181,056	\$ 23,655	\$ 10,423	\$ 215,134

NOTE-8 RISK MANAGEMENT

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

The Pool is governed by a Board of Directors made up of employees or officials of counties, which are members of the Pool. Member counties make contributions to the Pool, and the Pool provides insurance coverage and applicable reinsurance or stop loss coverage. The insurance policies carry various deductibles and aggregate maximum loss totals. The by-laws of the Pool are detailed in a separate document, which can be obtained from the Texas Association of Counties, 1210 San Antonio Street, Austin 78701. The County's workers' compensation claim expense for the year ended September 30, 2018 was \$80,918.

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Health Insurance

During the year ended September 30, 2018, 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 \$715 per month per employee for health insurance. In addition, the County paid \$21 for dental and \$1 for life insurance premiums per month per employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The total cost to the County for employee health insurance during the year ended September 30, 2018 was \$1,185,164.

NOTE-9 LEASE OBLIGATIONS

Capital lease

The County had an existing capital lease for financing the acquisition of HVAC equipment. During the year the County took out another capital lease of \$109,508 for financing equipment purchases. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018 were as follows:

Year Ending September 30	Governmental Activities		Total
	Lease 1	Lease 2	
2019	\$ 79,925	\$ 38,490	\$ 118,415
2020	79,925	38,490	118,415
2021	79,925	-	79,925
2022	79,925	-	79,925
2023	79,925	-	79,925
2024-2028	399,624	-	399,624
2029	79,426	-	79,426
Total minimum lease payments	878,675	76,980	\$ 955,655
Less: amount representing interest	(169,453)	(4,745)	(174,198)
Present value of minimum lease payments	\$ 709,222	\$ 72,235	\$ 781,457

NOTE-10 LONG-TERM LIABILITIES

The long-term liabilities of the County comprise of capital leases and the compensated absences. The details of the capital leases as on September 30, 2018 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/18
Capital Lease Payable:					
Capital lease - Government Capital Corporation	2014	\$ 904,380	3.75%	2029	\$ 709,222
Capital lease - Government Capital Corporation	2018	109,508	4.35%	2020	72,235
Total Capital Lease Payable					\$ 781,457

LLANO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Changes in long-term liabilities

Changes in the County's long-term liabilities for the year ended September 30, 2018 are as follows:

Governmental Activities					
Description	Balance 10/1/17	Additions	Deletions	Balance 9/30/18	Due in One Year
Capital leases	\$ 760,570	\$ 109,508	\$ (88,621)	\$ 781,457	\$ 88,660
Compensated absences	290,798	20,572	-	311,370	-
Governmental activities long-term liabilities	<u>\$ 1,051,368</u>	<u>\$ 130,080</u>	<u>\$ (88,621)</u>	<u>\$ 1,092,827</u>	<u>\$ 88,660</u>

Accumulated unpaid annual leave is not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the government-wide Statement of Net Position. At September 30, 2018, accrued employee benefits recorded as long-term liability were for annual vacation pay, holiday pay, and compensated pay and amounted to \$311,370.

NOTE-11 FUND BALANCE

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

NOTE-12 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of September 30, 2018 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Road and Bridge Fund	\$ 22,321
Limited Access Fund	General Fund	758,860
Library Fund	General Fund	83,264
Special Revenue Funds	General Fund	183,097
Special Revenue Funds	Library Fund	16,903
Total		<u>\$ 1,064,445</u>

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.

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LLANO COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE-13 INTERFUND TRANSFERS

The composition of interfund transfers for the year ended September 30, 2018 is as follows:

	Transfer in to:
	Governmental Funds
	Library Fund
Transfer out from:	
General Fund	\$ 415,284
Total	\$ 415,284

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

NOTE-14 CONTINGENCIES

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

NOTE-15 SUBSEQUENT EVENTS

In October 2018, certain areas of Llano County experienced flooding as the result of a severe weather event. It does not appear that the County will receive state or federal assistance to offset clean-up costs incurred as a result of the damage. Clean-up costs are expected to exceed \$900,000, and the County subsequently amended the originally adopted General Fund budget for fiscal year 2018-2019 to fund these costs.

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REQUIRED SUPPLEMENTARY INFORMATION

LLANO COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Measurement Year			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 628,372	\$ 630,281	\$ 694,022	\$ 672,698
Interest on total pension liability	1,397,673	1,477,841	1,555,023	1,661,268
Effect of plan changes	-	(73,061)	-	-
Effect of assumption changes or inputs	-	217,696	-	112,765
Effect of economic/demographic (gains) or losses	(141,434)	(221,100)	(118,634)	(146,856)
Benefit payments/refunds of contributions	(892,978)	(1,043,401)	(1,034,695)	(1,272,299)
Net change in total pension liability	991,633	988,256	1,095,716	1,027,577
Total pension liability, beginning	17,384,947	18,376,580	19,364,836	20,460,552
Total pension liability, ending (a)	\$ 18,376,580	\$ 19,364,836	\$ 20,460,552	\$ 21,488,129
Fiduciary Net Position				
Employer contributions	\$ 446,428	\$ 481,016	\$ 487,191	\$ 472,641
Member contributions	357,552	370,013	382,502	397,180
Investment income net of investment expenses	1,179,023	122,838	1,325,986	2,780,918
Benefit payments/refunds of contributions	(892,978)	(1,043,401)	(1,034,695)	(1,272,299)
Administrative expenses	(13,462)	(12,905)	(14,403)	(14,268)
Other	(96,701)	28,210	31,151	(5,528)
Net change in fiduciary net position	979,862	(54,230)	1,177,732	2,358,644
Fiduciary net position, beginning	16,992,923	17,972,787	17,918,557	19,096,289
Fiduciary net position, ending (b)	\$ 17,972,785	\$ 17,918,557	\$ 19,096,289	\$ 21,454,933
Net pension liability / (asset), ending = (a) - (b)	\$ 403,795	\$ 1,446,279	\$ 1,364,263	\$ 33,196
Fiduciary net position as a % of total pension liability	97.80%	92.53%	93.33%	99.85%
Pension covered payroll	\$ 5,107,891	\$ 5,285,900	\$ 5,365,558	\$ 5,673,994
Net pension liability as a % of covered payroll	7.91%	27.36%	25.43%	0.59%

LLANO COUNTY, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Measurement Year Ending December 31,	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2008	\$ 323,391	\$ 323,391	\$ -	\$ 4,580,607	7.1%
2009	350,613	350,613	-	4,856,131	7.2%
2010	416,718	416,718	-	5,235,155	8.0%
2011	442,563	442,563	-	5,637,738	7.9%
2012	455,776	455,776	-	5,640,812	8.1%
2013	448,574	448,574	-	5,411,034	8.3%
2014	446,428	446,428	-	5,107,891	8.7%
2015	481,016	481,016	-	5,285,900	9.1%
2016	487,191	487,191	-	5,365,558	9.1%
2017	475,641	472,641	-	5,673,994	8.3%

- (1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.
- (2) Payroll is calculated based on contributions as reported to TCDRS.

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

LCSSO Seizure Fund- to account for the LCSSO activities.

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

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

Debt Service Fund

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

LLANO COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Hotel Occupancy Fund	LCSO Seizure Fund	Indigent Health Fund	Law Library Fund
ASSETS				
Cash and Temporary Investments	\$ 72,883	\$ 16,782	\$ 50,248	\$ 9,813
Investments	122,707	-	-	-
Property Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes	-	-	-	-
Due from Other funds	-	-	200,000	-
Due from Others	2,714	-	-	995
Total Assets	<u>\$ 198,304</u>	<u>\$ 16,782</u>	<u>\$ 250,248</u>	<u>\$ 10,808</u>
LIABILITIES				
Accounts Payable	\$ 19,423	\$ -	\$ 2,339	\$ 1,164
Total Liabilities	<u>19,423</u>	<u>-</u>	<u>2,339</u>	<u>1,164</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Property Taxes	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Restricted for:				
Debt Service	-	-	-	-
Specific Purposes	178,881	16,782	247,909	9,644
Total Fund Balances	<u>178,881</u>	<u>16,782</u>	<u>247,909</u>	<u>9,644</u>
Total Liabilities and Fund Balances	<u>\$ 198,304</u>	<u>\$ 16,782</u>	<u>\$ 250,248</u>	<u>\$ 10,808</u>

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

Debt Service Fund	Total Non- Major Funds
\$ 12,120	\$ 161,846
79,463	202,170
7,204	7,204
(1,801)	(1,801)
-	200,000
271	3,980
<u>\$ 97,257</u>	<u>\$ 573,399</u>
\$ -	\$ 22,926
<u>-</u>	<u>22,926</u>
5,403	5,403
<u>5,403</u>	<u>5,403</u>
91,854	91,854
-	453,216
<u>91,854</u>	<u>545,070</u>
<u>\$ 97,257</u>	<u>\$ 573,399</u>

LLANO COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Hotel Occupancy Fund	LCSO Seizure Fund	Indigent Health Fund	Law Library Fund
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
General Sales and Use Taxes	260,993	-	-	-
Fines and Fees	-	-	-	10,395
Investment Income	3,307	-	-	-
Total Revenues	264,300	-	-	10,395
EXPENDITURES				
Current:				
Judicial System	-	-	-	4,275
Health and Welfare	-	-	23,654	-
Conservation and Development	261,696	-	-	-
Total Expenditures	261,696	-	23,654	4,275
Excess (Deficiency) of Revenue Over Expenditures	2,604	-	(23,654)	6,120
Net Change in Fund Balance	2,604	-	(23,654)	6,120
Fund Balance - Beginning	176,277	16,782	271,563	3,524
Fund Balance - Ending	\$ 178,881	\$ 16,782	\$ 247,909	\$ 9,644

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

Debt Service Fund	Total Non- Major Funds
\$ 4,712	\$ 4,712
-	260,993
-	10,395
1,535	4,842
<u>6,247</u>	<u>280,942</u>
-	4,275
-	23,654
-	261,696
<u>-</u>	<u>289,625</u>
<u>6,247</u>	<u>(8,683)</u>
6,247	(8,683)
85,607	553,753
<u>\$ 91,854</u>	<u>\$ 545,070</u>

LLANO COUNTY, TEXAS
 COMBINING STATEMENT OF NET POSITION
 AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Jury Clearing Fund	HOT Check Collection Fund	Sheriff Seizure Fund	Lateral Road Fund
ASSETS				
Cash and Temporary Investments	\$ 7,135	\$ 50,340	\$ 15,311	\$ 3,852
Investments	-	-	-	52,525
Due from Others	-	-	-	-
Total Assets	<u>\$ 7,135</u>	<u>\$ 50,340</u>	<u>\$ 15,311</u>	<u>\$ 56,377</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 1,677	\$ -	\$ -
Due to Others	7,135	48,663	15,311	56,377
Total Liabilities	<u>\$ 7,135</u>	<u>\$ 50,340</u>	<u>\$ 15,311</u>	<u>\$ 56,377</u>

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

State Fees Fund	Total Agency Funds
\$ 53,520	\$ 130,158
-	52,525
21,014	21,014
<u>\$ 74,534</u>	<u>\$ 203,697</u>
\$ 74,534	\$ 76,211
-	127,486
<u>\$ 74,534</u>	<u>\$ 203,697</u>

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LLANO COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 2,200	\$ 2,200	\$ 4,712	\$ 2,512
Investment Income	10	10	1,535	1,525
Total Revenues	<u>2,210</u>	<u>2,210</u>	<u>6,247</u>	<u>4,037</u>
Net Change in Fund Balance	2,210	2,210	6,247	4,037
Fund Balance - Beginning	85,607	85,607	85,607	-
Fund Balance - Ending	<u>\$ 87,817</u>	<u>\$ 87,817</u>	<u>\$ 91,854</u>	<u>\$ 4,037</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 – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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OTHER SUPPLEMENTARY INFORMATION SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Llano County, Texas (the "County"), as of and for the year ended September 30, 2018, 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 8, 2019.

Internal Control Over Financial Reporting

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

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

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

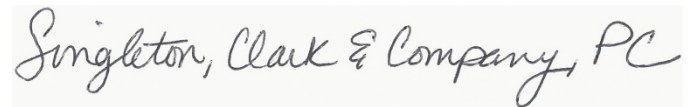
Compliance and Other Matters

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

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Purpose of this Report

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

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

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

February 8, 2019

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LLANO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Under the guidelines of the federal Uniform Guidance, a Single Audit was not required for the year ended September 30, 2018 due to expenditures of federal awards being less than \$750,000.

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, 2018 and 2017.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

Not applicable.