

CITY OF LLANO, TEXAS
FINANCIAL STATEMENTS AS OF
SEPTEMBER 30, 2013
TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON
AND SUPPLEMENTARY INFORMATION

Prepared by:

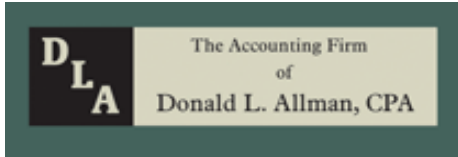
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CITY OF LLANO, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2013

CITY OF LLANO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Aldermen
City of Llano, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Llano, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required 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 accounting 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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Llano, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 42-43 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 City of Llano, Texas, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget circular A-133, Audits of states, *Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2014, on our consideration of the City of Llano, Texas' 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 city of Llano, Texas' internal control over financial reporting and compliance.

Donald L. Allman, CPA, PC
Georgetown, Texas

May 5, 2014

CITY OF LLANO
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Llano, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended September 30, 2013. Please read it in connection with the independent auditor's report on page 1, and City's Basic Financial Statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$22,461,109 (net assets). Of this amount, \$2,513,277 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$626,874 as a result of this year's operations.
- At September 30, 2013, the City's governmental funds reported combined ending fund balances of \$389,435, an increase of \$206,422 in comparison with the prior year.
- At September 30, 2013, the City's Enterprise Funds reported net assets of \$12,551,434 an increase of \$185,773 in comparison with the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 9 through 11). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (beginning on page 12) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (operating fund) and the Schedule of Funding Progress for the Retirement Plan are presented as required supplementary information on pages 42 and 43.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the city's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net assets and changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider other factors as well, such as changes in the City's customers or its property tax base and the condition of the City's facilities.

In the Statement of Net Assets and the Statement of Activities, the City is shown as two kinds of activity:

- Governmental activity – Most of the City's basic services are reported here, including the public safety, public works, municipal court and administration. Property taxes, user charges, sales tax and franchise tax finance most of these activities.
- Business-type activity – The City's electric, water and sewer system and sanitation are reported as a business-type activity since the fees charged to customers cover the cost of services provided.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- Governmental funds – All of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in Note II to the financial statements.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. The City's utility fund (Electric, Water, Sewer and Sanitation) is a business-type activity and provides both long and short-term financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the City's governmental and business-type activities.

Net assets of the City's governmental activities increased from \$9,546,574 to \$9,905,675. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$325,379 at September 30, 2013. This increase in governmental net assets was the result of three factors. First, the City's revenues exceeded the expenditures by \$441,101. Second, the City paid principal on long-term debt of \$74,142 and acquired capital assets in the amount of \$614,536. Third, the City recorded depreciation in the amount of \$586,081.

Net assets of the City's business-type activities increased from \$12,365,661 to \$12,551,434. Unrestricted net assets were \$2,187,898 at September 30, 2013. This increase in business-type net assets was the result of net income of \$185,773.

Table I
City of Llano

NET ASSETS
in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and Restricted Assets	\$ 778	\$ 513	\$ 3,477	\$ 3,695	\$ 4,255	\$ 4,208
Capital Assets	\$ 9,832	\$ 9,582	\$ 16,385	\$ 16,357	\$ 26,217	\$ 25,939
Total Assets	\$ 10,610	\$ 10,095	\$ 19,862	\$ 20,052	\$ 30,472	\$ 30,147
Long-Term Liabilities	\$ 201	\$ 257	\$ 6,549	\$ 6,765	\$ 6,750	\$ 7,022
Other Liabilities	\$ 499	\$ 369	\$ 762	\$ 922	\$ 1,261	\$ 1,291
Total Liabilities	\$ 700	\$ 626	\$ 7,311	\$ 7,687	\$ 8,011	\$ 8,313
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	\$ 9,552	\$ 9,299	\$ 9,620	\$ 9,312	\$ 19,172	\$ 18,611
Restricted	\$ 32	\$ 32	\$ 743	\$ 565	\$ 775	\$ 597
Unrestricted	\$ 326	\$ 137	\$ 2,188	\$ 2,489	\$ 2,514	\$ 2,626
Total Net Assets	\$ 9,910	\$ 9,468	\$ 12,551	\$ 12,366	\$ 22,461	\$ 21,834

Table II
City of Llano
CHANGES IN NET ASSETS

in thousands

	Governmental		Business-Type		TOTALS	
	Activities		Activities		Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Charges for Services	\$ 887	\$ 748	\$ 7,412	\$ 7,405	\$ 8,299	\$ 8,153
Property Tax	615	593			615	593
Sales Tax	710	702			710	702
Franchise Tax	80	76			80	76
Operating Grants & Contribution	-	16			-	16
Capital Grants & Contributions	463	8	188		651	8
Investment Earnings	8	7	7	7	15	14
Other Taxes	80	83			80	83
Miscellaneous	129	184			129	184
Total Revenue	<u>\$ 2,972</u>	<u>\$ 2,417</u>	<u>\$ 7,607</u>	<u>\$ 7,412</u>	<u>\$ 10,579</u>	<u>\$ 9,829</u>
Expenses:						
City Council	\$ 25	\$ 26	\$ -	\$ -	\$ 25	\$ 26
General Administration	823	888			823	888
Main Street	67	125			67	125
Police	842	847			842	847
Code Enforcement	6	43			6	43
Fire	95	65			95	65
Recreation and Parks	390	354			390	354
Lantex Theater	6	9			6	9
Cemetery	69	80			69	80
Municipal Court	89	61			89	61
Golf Course	356	441			356	441
Street	543	514			543	514
Airport	493	425			493	425
Other	15	42			15	42
Water			844	696	844	696
Sewer			513	558	513	558
Sanitation			631	540	631	540
Electric			3,459	3,762	3,459	3,762
Other Utility			383	406	383	406
Debt Service	9	12	295	290	304	302
Total Expenses	<u>\$ 3,828</u>	<u>\$ 3,932</u>	<u>\$ 6,125</u>	<u>\$ 6,252</u>	<u>\$ 9,953</u>	<u>\$ 10,184</u>
Increase in Net Assets Before						
Transfer & Capital Contributions	\$ (856)	\$ (1,515)	\$ 1,482	\$ 1,160	\$ 626	\$ (355)
Capital Contributions	\$ -	\$ -	\$ -	\$ 84	\$ -	\$ 84
Transfers	1,297	1,452	(1,297)	(1,452)	-	-
Totals	<u>\$ 1,297</u>	<u>\$ 1,452</u>	<u>\$ (1,297)</u>	<u>\$ (1,368)</u>	<u>\$ -</u>	<u>\$ 84</u>
Net Change	\$ 441	\$ (64)	\$ 185	\$ (208)	\$ 626	\$ (272)
Net Assets, Beginning	9,469	9,533	12,366	12,574	21,835	22,107
Net Assets, Ending	<u>\$ 9,910</u>	<u>\$ 9,469</u>	<u>\$ 12,551</u>	<u>\$ 12,366</u>	<u>\$ 22,461</u>	<u>\$ 21,835</u>

The cost of all governmental activities this year was \$3,827,558. However, as shown in the Statement of Activities on page 10, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$614,461 because the other costs were paid by sales tax (\$710,056), other tax (\$160,194), user charges (\$886,498), operating and capital grants (\$463,294), and other miscellaneous (\$128,539).

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$389,435, which is more than last year's total of \$183,013. Included in this year's total change in fund balance is an increase of \$206,422 in the City's General Fund. This increase in the General Fund balance was caused by the excess of revenues over expenditures.

The City adopted the General Fund Budget. The City did amend the original budget several times during the year; actual revenues were more than budgeted amounts and expenditures were less than budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2013, the City had the following amounts invested in capital assets, net of depreciation:

	CAPITAL ASSETS					
	in thousands					
	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 1,627	\$ 1,627	\$ 483	\$ 483	\$ 2,110	\$ 2,110
Construction in Progress	667	164	382	45	1,049	209
Distribution & Collection Systems			21,393	21,143	21,393	21,143
Buildings & Improvements	6,929	6,799			6,929	6,799
Equipment	3,752	3,645	3,123	3,096	6,875	6,741
Infrastructure	4,900	4,900			4,900	4,900
Total Capital Assets	<u>\$ 17,875</u>	<u>\$ 17,135</u>	<u>\$ 25,381</u>	<u>\$ 24,767</u>	<u>\$ 43,256</u>	<u>\$ 41,902</u>
Less: Accumulated Depreciation	<u>\$ (8,043)</u>	<u>\$ (7,554)</u>	<u>\$ (8,996)</u>	<u>\$ (8,410)</u>	<u>\$ (17,039)</u>	<u>\$ (15,964)</u>
Capital Assets, Net	<u>\$ 9,832</u>	<u>\$ 9,581</u>	<u>\$ 16,385</u>	<u>\$ 16,357</u>	<u>\$ 26,217</u>	<u>\$ 25,938</u>

More detailed information about the City's capital assets is presented in Note F and G to the financial statements.

DEBT

At September 30, 2013, the City had the following outstanding debt:

OUTSTANDING DEBT						
in thousands						
	Governmental		Business-Type		TOTALS	
	Activities		Activities		Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Bonds Payable	\$ -	\$ -	\$ 6,502	\$ 6,628	\$ 6,502	\$ 6,628
Notes Payable	74	96	263	417	337	513
Capital Leases Payable	114	166			114	166
Compensated Absences	91	69			91	69
Total Outstanding Debt	<u>\$ 279</u>	<u>\$ 331</u>	<u>\$ 6,765</u>	<u>\$ 7,045</u>	<u>\$ 7,044</u>	<u>\$ 7,376</u>

For governmental activities, the City paid \$22,191 in principal on the outstanding long-term debt and issues \$51,951 in notes payable and capital leases.

For business-type activities, the City paid \$126,000 in principal on the outstanding long-term debt and issues \$154,603 in notes payable.

More detailed information about the City's long-term liabilities is presented in Notes H, I, J and K to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2014 budget and tax rates. The major factors are the assessed property valuation and population growth. These indicators were taken into account when adopting the General Fund budget for 2014. Amounts available for appropriation in the General Fund budget are \$3,743,749 and expenditures are estimated to be \$3,743,672.

If these estimates are realized, the City's budgetary General fund balance is expected to remain about the same by the close of 2014.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide out citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at City of Llano, Llano, Texas.

CITY OF LLANO
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2013

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Nonmajor Component Unit
ASSETS				
Cash and Cash Equivalents	\$ 353,258	\$ 252,427	\$ 605,685	\$ 107,785
Investments - Current	125,772	1,486,410	1,612,182	274,691
Receivables (net of allowance for uncollectibles)	204,089	775,887	979,976	204,574
Due from Component Unit	48,571	-	48,571	-
Due from Primary Government	-	-	-	27,164
Inventories	46,562	218,645	265,207	-
Restricted Assets:				
Restricted Asset - Debt Service	-	421,521	421,521	-
Restricted Asset - Capital Improvements	-	321,289	321,289	-
Capital Assets:				
Land	1,626,981	482,590	2,109,571	219,000
Infrastructure, net	2,769,311	14,867,794	17,637,105	95,625
Buildings, net	4,155,124	-	4,155,124	19,886
Improvements other than Buildings, net	-	-	-	2,409,811
Machinery and Equipment, net	612,779	652,873	1,265,652	15,800
Construction in Progress	667,331	382,255	1,049,586	-
Total Assets	<u>\$ 10,609,778</u>	<u>\$ 19,861,691</u>	<u>\$ 30,471,469</u>	<u>\$ 3,374,336</u>
LIABILITIES				
Accounts Payable	199,318	172,004	371,322	1,805
Intergovernmental Payable	-	-	-	-
Due to Component Unit	27,164	-	27,164	-
Due to Primary Government	-	-	-	48,571
Accrued Interest Payable	-	11,940	11,940	-
Deferred Revenues	41,266	-	41,266	-
Notes Payable - Current	23,680	85,330	109,010	-
Other Current Liabilities	153,097	361,527	514,624	-
Noncurrent Liabilities			-	
Due Within One Year	54,481	130,000	184,481	-
Due in More Than One Year	201,097	6,549,456	6,750,553	1,979,943
Total Liabilities	<u>700,103</u>	<u>7,310,257</u>	<u>8,010,360</u>	<u>2,030,319</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	9,552,268	9,620,726	19,172,994	780,179
Restricted for:			-	
Restricted for Special Revenue	32,028	-	32,028	-
Restricted for Debt Service	-	421,521	421,521	-
Restricted for Capital Improvements	-	321,289	321,289	-
Unrestricted Net Assets	325,379	2,187,898	2,513,277	563,838
Total Net Assets	<u>\$ 9,909,675</u>	<u>\$ 12,551,434</u>	<u>\$ 22,461,109</u>	<u>1,344,017</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Net (Expenses) Revenue and Changes in Net Assets						
	Program Revenues			Primary Government			Component Unit
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Nonmajor Component Unit
Primary Government							
City Council	\$ 25,491	\$ -	\$ -	\$ (25,491)	\$ -	\$ (25,491)	\$ -
General Administration	822,743	11,584	-	(811,159)	-	\$ (811,159)	-
Main Street	66,748	-	-	(66,748)	-	\$ (66,748)	-
Police	842,138	-	50,712	(791,426)	-	\$ (791,426)	-
Municipal Court	88,575	50,087	-	(38,488)	-	\$ (38,488)	-
Code Enforcement	5,971	-	-	(5,971)	-	\$ (5,971)	-
Fire	95,645	-	-	(95,645)	-	\$ (95,645)	-
Parks and Recreation	389,709	135,076	-	(254,633)	-	\$ (254,633)	-
Lantex Theater	5,564	32,733	-	27,169	-	\$ 27,169	-
Cemetery	69,137	50,441	-	(18,696)	-	\$ (18,696)	-
Golf Course	355,614	235,936	-	(119,678)	-	\$ (119,678)	-
Street	543,391	-	4,352	(539,039)	-	\$ (539,039)	-
Airport	493,379	370,641	408,230	285,492	-	\$ 285,492	-
Christmas Lighting	15,034	-	-	(15,034)	-	\$ (15,034)	-
Other Debt Interest	8,419	-	-	(8,419)	-	\$ (8,419)	-
Total Governmental Activities:	<u>3,827,558</u>	<u>886,498</u>	<u>463,294</u>	<u>(2,477,766)</u>	<u>-</u>	<u>(2,477,766)</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:							
Utility Fund	<u>6,124,388</u>	<u>7,275,624</u>	<u>188,159</u>	<u>-</u>	<u>1,339,395</u>	<u>1,339,395</u>	<u>-</u>
Total Business-Type Activities:	<u>6,124,388</u>	<u>7,275,624</u>	<u>188,159</u>	<u>-</u>	<u>1,339,395</u>	<u>1,339,395</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT:	<u><u>\$ 9,951,946</u></u>	<u><u>\$ 8,162,122</u></u>	<u><u>\$ 651,453</u></u>	<u><u>\$ (2,477,766)</u></u>	<u><u>\$ 1,339,395</u></u>	<u><u>\$ (1,138,371)</u></u>	<u><u>-</u></u>
Component Unit:							
Llano Economic Development Corporatic	\$ 194,978	\$ -	\$ -	\$ -	-	-	\$ (194,978)
TOTAL COMPONENT UNITS:	<u><u>\$ 194,978</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>\$ (194,978)</u></u>
General Revenues:							
Property Taxes				614,461	-	614,461	-
Sales Taxes				710,056	-	710,056	250,854
Franchise Taxes				79,753	-	79,753	-
Other Taxes				80,451	-	80,451	-
Miscellaneous Revenue				128,539	136,759	265,298	-
Investment Earning				8,360	6,866	15,226	27,386
Transfers In (Out)				1,297,247	(1,297,247)	-	-
Total General Revenues and Transfers				<u>2,918,867</u>	<u>(1,153,622)</u>	<u>1,765,245</u>	<u>278,240</u>
Change in Net Assets				441,101	185,773	626,874	83,262
Net Assets - Beginning				9,468,574	12,365,661	21,834,235	1,260,755
Net Assets - Ending				<u>\$ 9,909,675</u>	<u>\$ 12,551,434</u>	<u>\$ 22,461,109</u>	<u>\$ 1,344,017</u>

The notes to the Financial Statements are an integral part of this statement. 10

CITY OF LLANO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

General Revenues:

Taxes:				
Property Taxes	614,461	-	614,461	-
Sales Taxes	710,056	-	710,056	250,854
Franchise Taxes	79,753	-	79,753	-
Other Taxes	80,451	-	80,451	-
Grants and Contributions	-	-	-	-
Miscellaneous Revenue	128,539	136,759	265,298	-
Investment Earning	8,360	6,866	15,226	27,386
Transfers In (Out)	<u>1,297,247</u>	<u>(1,297,247)</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers	<u>2,918,867</u>	<u>(1,153,622)</u>	<u>1,765,245</u>	<u>278,240</u>
Change in Net Assets	441,101	185,773	626,874	83,262
Net Assets - Beginning	<u>9,468,574</u>	<u>12,365,661</u>	<u>21,834,235</u>	<u>1,260,755</u>
Net Assets - Ending	<u>\$ 9,909,675</u>	<u>\$ 12,551,434</u>	<u>\$ 22,461,109</u>	<u>\$ 1,344,017</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 353,258	\$ -	\$ 353,258
Investments - Current	125,772	-	125,772
Property Taxes Receivable	41,266	-	41,266
Allowance for Uncollectible Taxes (credit)	(1,506)	-	(1,506)
Sales Tax, Hotel Motel Tax receivable	84,945	-	84,945
Accounts Receivable, Golf, Court Fines	46,177	-	46,177
Intergovernmental Receivables	33,207	-	33,207
Due from Other Funds	-	32,028	32,028
Due from Component Unit	48,571	-	48,571
Inventories	46,562	-	46,562
Total Assets	<u>\$ 778,252</u>	<u>\$ 32,028</u>	<u>\$ 810,280</u>
LIABILITIES			
Accounts Payable	\$ 199,318	\$ -	\$ 199,318
Salaries, payroll taxes & benefits Payable	41,860	-	41,860
Intergovernmental Payable	-	-	-
Due to Other Funds	-	-	-
Due to Component Unit	27,164	-	27,164
Deferred Revenues	41,266	-	41,266
Other Current Liabilities	111,237	-	111,237
Total Liabilities	<u>\$ 420,845</u>	<u>\$ -</u>	<u>\$ 420,845</u>
FUND BALANCES			
Nonspendable	\$ 46,562	\$ -	\$ 46,562
Restricted Fund Balance:			
Federal or State Funds Grant Restriction	-	32,028	32,028
Unassigned Fund Balance	310,845	-	310,845
Total Fund Balances	<u>\$ 357,407</u>	<u>\$ 32,028</u>	<u>\$ 389,435</u>
Total Liabilities and Fund Balances	<u>\$ 778,252</u>	<u>\$ 32,028</u>	<u>\$ 810,280</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2013

Total Fund Balances - Governmental Funds	\$	389,435
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$17,874,722 and the accumulated depreciation was \$8,043,196. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		9,250,809
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2013 capital outlays and debt principal payments is to increase net assets.		665,079
The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(489,482)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		93,834
Net Assets of Governmental Activities	\$	9,909,675

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Property Taxes	\$ 614,461	\$ -	\$ 614,461
General Sales and Use Taxes	710,056	-	710,056
Franchise Tax	79,753	-	79,753
Other Taxes	80,451	-	80,451
Licenses and Permits	11,584	-	11,584
Intergovernmental Revenue and Grants	463,294	-	463,294
Charges for Services	733,955	-	733,955
Fines	50,087	-	50,087
Investment Earnings	6,866	-	6,866
Rents and Royalties	79,366	-	79,366
Contributions & Donations from Private Sources	13,000	-	13,000
Other Revenue	128,539	-	128,539
Total Revenues	<u>\$ 2,971,412</u>	<u>\$ -</u>	<u>\$ 2,971,412</u>
EXPENDITURES			
City Council	\$ 25,491	\$ -	\$ 25,491
General Administration	769,644	-	769,644
Main Street	66,748	-	66,748
Police	726,710	-	726,710
Municipal Court	88,575	-	88,575
Code Enforcement	5,971	-	5,971
Fire	88,938	-	88,938
Parks and Recreation	308,235	-	308,235
Lantex Theater	5,564	-	5,564
Cemetery	69,137	-	69,137
Golf Course	324,020	-	324,020
Street	404,985	-	404,985
Airport	384,539	-	384,539
Christmas Lighting	15,034	-	15,034
Depot Museum	8,125	-	8,125
Debt Service:			
Other Debt Principal	74,142	-	74,142
Other Debt Interest	8,419	-	8,419
Capital outlay:			
Capital Outlay	739,221	-	739,221
Total Expenditures	<u>\$ 4,113,498</u>	<u>\$ -</u>	<u>\$ 4,113,498</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	<u>(1,142,086)</u>	<u>-</u>	<u>(1,142,086)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from Debt	51,261	-	51,261
Transfers In	\$ 1,297,247	-	1,297,247
Total Other Financing Sources (Uses)	<u>\$ 1,348,508</u>	<u>\$ -</u>	<u>\$ 1,348,508</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Other Funds	Total Governmental Funds
Net Change in Fund Balances	\$ 206,422	-	\$ 206,422
Fund Balance - October 1 (Beginning)	<u>150,985</u>	<u>32,028</u>	<u>183,013</u>
Fund Balance - September 30 (Ending)	<u>\$ 357,407</u>	<u>\$ 32,028</u>	<u>\$ 389,435</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	206,422
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2012 capital outlays and debt principal payments is to increase net assets.		665,079
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(489,482)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.		59,082
Change in Net Assets of Governmental Activities	\$	441,101

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business Type	
	Activities	
	Utility	Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	252,427
Investments - Current		1,486,410
Restricted Assets - Current:		
Restricted Asset - Debt Service		421,521
Restricted Asset - Capital Improvements		321,289
Accounts Receivable - Net of Uncollectible Allowance		775,887
Due from Other Funds		-
Inventories		218,645
Total Current Assets	\$	3,476,179
Noncurrent Assets:		
Capital Assets:		
Land	\$	482,590
Infrastructure	\$	21,393,399
Machinery & Equipment		3,123,177
Construction in Progress		382,255
Accumulated Depreciation		(8,995,909)
Total Noncurrent Assets	\$	16,385,512
Total Assets		19,861,691

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business Type Activities
	Utility Fund
LIABILITIES	
Current Liabilities:	
Accounts Payable	172,004
Salaries, payroll taxes and benefits payable	24,878
Compensated Absences Payable	31,594
Intergovernmental Payable	-
Due to Other Funds	-
Accrued Interest Payable	11,940
Notes Payable - Current	85,330
Bonds Payable - Current	130,000
Other Current Liabilities	305,055
Total Current Liabilities	760,801
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	6,372,000
Notes Payable - Noncurrent	177,456
Total Noncurrent Liabilities	6,549,456
Total Liabilities	7,310,257
NET ASSETS	
Investments in Capital Assets, Net of Debt	9,620,726
Restricted for Debt Service	421,521
Restricted for Capital improvements	321,289
Unrestricted Net Assets	2,187,898
Total Net Assets	\$ 12,551,434

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

		Business Type Activities
		Utility Fund
OPERATING REVENUES:		
Charges for Water Services	\$	949,194
Charges for Sewer Service		826,719
Charges for Sanitation Service		660,196
Charges for Electricity Service		4,658,335
Charges for Administration Services		98,038
Charges for Customer Convenience Station		61,775
Charges for Miscellaneous Services		89,948
Other Revenue		68,178
Total Operating Revenues	\$	7,412,383
OPERATING EXPENSES:		
Administration:		
Personnel Services - Salaries, Taxes, Benefits		210,778
Purchased Professional & Technical Services		9,579
Purchased Property Services		67,663
Other Operating Expenses		2,844
Supplies		13,466
Total Administration	\$	304,330
Customer Convenience Station		
Personnel Services - Salaries, Taxes, Benefits		37,916
Purchased Professional & Technical Services		57,604
Purchased Property Services		223
Supplies		5,889
Total Customer Convenience Station	\$	101,632
Sanitation		
Purchased Professional & Technical Services		616,253
Water Plant		
Personnel Services - Salaries, Taxes, Benefits		80,314
Purchased Professional & Technical Services		90,424
Purchased Property Services		51,125
Supplies		73,622
Total Water Plant	\$	295,485
Water Distribution		
Personnel Services - Salaries, Taxes, Benefits		115,685
Purchased Professional & Technical Services		26,291
Purchased Property Services		85,252
Supplies		11,032
Total Water Distribution	\$	238,260
Sewer Plant		
Personnel Services - Salaries, Taxes, Benefits		53,230
Purchased Professional & Technical Services		25,390
Purchased Property Services		41,627
Supplies		13,372
Total Sewer Plant	\$	133,619

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business Type
	Activities
	Utility
	Fund
<hr/>	
Sewer Collection	
Personnel Services - Salaries and Wages	85,496
Purchased Professional & Technical Services	9,819
Purchased Property Services	57,551
Supplies	12,228
Total Sewer Collection	\$ 165,094
Electric	
Personnel Services - Salaries and Wages	273,557
Purchased Professional & Technical Services	2,977,634
Purchased Property Services	106,355
Supplies	30,884
Total Electric	\$ 3,388,430
Depreciation	586,081
Total Operating Expenses	\$ 5,829,184
Operating Income	\$ 1,583,199
NON-OPERATING REVENUES (EXPENSES):	
Grants (Not Capital grants)	188,159
Investment Earnings	6,866
Interest Expense - Non-Operating	(295,204)
Total Non-Operating Revenue (Expenses)	(100,179)
Income Before Contributions & Transfers	\$ 1,483,020
Capital Contributions	-
Transfers Out	(1,297,247)
Change in Net Assets	185,773
Total Net Assets - October 1 (Beginning)	12,365,661
Total Net Assets - September 30 (Ending)	12,551,434

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business Type
	Activities
	Utility
	Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 7,681,900
Cash Received from Assessments - Other Services	-
Cash Payments to Employees for Services	(856,976)
Cash Payment for Suppliers	(160,493)
Cash Payments for Other Operating Expenses	(4,301,963)
Net Cash Provided by Operating Activities	\$ 2,362,468
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	\$ (1,297,247)
<u>Cash Flows from Capital & Related Financing Activities</u>	
Acquisition of Capital Assets	(614,536)
Capital Contributed by Other Funds	-
Use of Restricted Assets	143,820
Interest Paid	(295,204)
Loan Proceeds	-
Loan Payments	(154,603)
Principal Payments - Certificates of Obligation	(126,000)
Net Cash Provided by (Used for) Capital & Related Financing Activities	(1,046,523)
<u>Cash Flows from Investing Activities:</u>	
Grants	188,159
Interest and Dividends on Investments	6,866
Net cash flows from investing activities	195,025
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 213,723
Cash and Cash Equivalents at Beginning of the Year:	1,846,403
Cash and Cash Equivalents at the End of the Year:	\$ 2,060,126

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business Type Activities
	Utility Fund
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided By Operating Activities</u>	
Operating Income:	\$ 1,583,199
Adjustments to Reconcile Operating ncome	
to Net Cash Provided by Operating Activities:	586,081
Depreciation	
Effect of Increases and Decreases in Current	
Assets and Liabilities:	
Decrease (increase) in Receivables	269,517
Decrease (increase) in Inventories	19,187
Decrease (increase) in Due From Other Funds	-
Increase (decrease) in Accounts Payable	(134,119)
Increase (decrease) in Accrued Wages	(3,232)
Increase (decrease) in Compensated Absences	-
Increase (decrease) in Intergovernmental	(19,645)
Increase (decrease) in Other Current Liabilities	61,480
Net Cash Provided by Operating	
Activities	\$ 2,362,468

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	Private Purpose Trust Fund	Total Pension Trust Fund
ASSETS		
Cash and Cash Equivalents	\$ 112	\$ 539
Investments - current	<u>35,137</u>	<u>-</u>
Total Assets	<u>35,249</u>	<u>539</u>
 NET ASSETS		
Unrestricted Net Assets	<u>\$ 35,249</u>	<u>\$ 539</u>
Total Net Assets	<u>35,249</u>	<u>539</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Private Purpose Trust Fund	Total Pension Trust Fund
OPERATING REVENUES:		
Investment Earnings	\$ 38	\$ -
Other Revenue	-	-
Total Operating Revenues	38	-
Operating Income	38	
Total Net Assets - October 1 (Beginning)	35,211	539
Total Net Assets - September 30 (Ending)	\$ 35,249	\$ 539

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Llano, Texas conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

- A. Reporting Entity – The Mayor and City Council is the level of government which has governance responsibilities over all activities within the jurisdiction of the City of Llano. The City is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since the Mayor and Aldermen are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Llano Economic Development Corporation – The Llano Economic Development Corporation (the Corporation) was established in 1994 under the Development Corporation Act of 1979, Article 5190.6, Tex. Rev. Civ. Stat. Ann., as amended. Directors of the Corporation are removable by the City Council of the City of Llano at will, the overall economic development plan of the corporation must be approved by the City Council of the City of Llano, and the budget for each forthcoming fiscal year must be approved by the City Council of the City of Llano. Since the Corporation is financially accountable to the City, it is treated as a component unit of the City and is reported as part of the overall financial reporting entity of the city.

- B. Government-Wide and Fund-Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City of Llano non-fiduciary activities with most of the inter-fund activities removed.

Governmental activities include programs supported primarily by taxes, sales tax, franchise tax, municipal court fines, charges for services and other miscellaneous revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City.

Inter-fund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All inter-fund transactions between governmental funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All other revenues and expenses are non-operating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the “Susceptible to accrual” concept; that is, when they are both measurable and available. The City considers them “available” if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

D. Fund Accounting

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the City reports the following fund type(s):

Government Funds:

1. **Special Revenue Funds** – The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Proprietary Fund:

1. **Enterprise Fund** – The Utility Fund is operated as an Enterprise Fund.

Fiduciary Funds:

1. **Private Purpose Trust and Agency Funds** – Cemetery Perpetual Care Fund and the Firemen’s Relief Fund are operated as Fiduciary Funds.

E. Other Accounting Policies

1. In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

2. All inventories are valued at cost using the first in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.
3. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Year</u>
Infrastructure	50
Distribution & Collection	40-50
Buildings	40-50
Improvements	10-40
Equipment	5-10
Vehicles	5

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, infrastructure assets acquired prior to October 1, 2001 have not yet been capitalized.

4. Vacation leave and sick leave is earned by each full-time employee. Vacation leave is earned at the rate of 10 days per year for employees with 1 to 4 years of service, and 12 days per year with 5 to 9 years of service, 15 days per year with 10-14 years of service, 18 days with 15-19 years of service, and 21 days per year with 20 years or more of service. City policy allows unused vacation to be carried over at the beginning of the calendar year up to a maximum of 24 days.
5. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
6. The original budget is adopted by the City Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them.

Budgeted amounts for expenditures from the various funds may not exceed the beginning balances of those funds plus the anticipated revenues for the fiscal year. The final amended budget has been presented in this report. Unencumbered appropriation lapse at the end of each year.

7. The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2013, the carrying amount of the City's deposits was \$605,685 and the bank balance was \$716,070. The carrying amount of the Llano Economic Development Corporation's deposit was \$107,785 and the bank balance was \$107,785. The City's cash deposits held at Arrowhead Bank, Llano National Bank and First State Bank at September 30, 2013 and during the year ended September 30, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

The carrying value of investments at September 30, 2013 was \$1,933,471 (TexPool Investment Pool). Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2013 was covered by depository insurance or by pledge collateral held by the City's agent bank in the City's name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool Investment Pool invests only in investments authorized under the Public Funds Investment Act. TexPool's portfolio has low market (credit) risk due to restrictions on weighted average maturity and maximum maturity of any one investment. The investment manager is required to maintain a stable \$1.00 net asset value and must take immediate action if the net asset value of the portfolio falls below \$.995 or rises above \$1.005.

B. Property Taxes

Property taxes are levied by October 1 and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The City contracted with the Llano County Appraisal District for the appraisal and with Llano County for the collection of taxes. For the 2012 tax roll, the assessed valuation was \$133,639,384 and the tax rate was \$.39 per \$100 valuation (general fund only)

C. Court Fines and Fees Receivable

With the implementation of GASB Statement Number 34, the City has determined the amount of court fines and fees receivable to be \$87,026. Based on historical collection rates for the various courts, the City has booked an allowance for uncollectible court fines and fees of \$62,133 resulting in a net receivable of \$24,893.

D. Notes Receivable – Component Unit

On October 3, 2008 the Llano Economic Development Corporation loaned the Bethany Assisted Living Incorporated \$50,000. Accrued interest only was due and payable from October 3, 2008 through October 3, 2010 at a rate of 5.25%. Beginning October 4, 2010 principal and interest are due in monthly installments for a period of 5 years. The loan is secured by a deed of trust. The balance of the loan at September 30, 2013 was \$22,408.

On June 24, 2009 the Llano Economic Development Corporation loaned SAANCO, Inc. \$190,000. Accrued interest only was due and payable quarterly from October 1, 2009 through October 1, 2010 at an interest rate of 4.25%. Beginning January 1, 2011 principal and interest are due in quarterly installments in the amount of \$6,530 continuing until July 1, 2019. The loan is secured by a security agreement that includes personal property and all proceeds. The balance of the loan at September 30, 2013 was \$144,242.

On July 17, 2012 the Llano Economic Development Corporation loaned Terry J. Wootan \$282,000 at an interest rate of 4.5%. Beginning August 17, 2012 monthly payments in the amount of \$1,784.07 are due on the 17th of each month continuing until July 17, 2017. The loan was paid in full on 8/7/13. The balance of the loan at September 30, 2013 was \$0.

E. Restricted Assets

Restricted assets represent cash that has been set aside in the Utility Fund for future payment of the debt.

F. Land, Structures and Equipment-Proprietary Fund

A summary of changes in fixed assets for the enterprise fund appears below:

	Balance 10/01/12	Additions	Deletions	Balance 09/30/13
Land and Land Rights	\$ 482,590	\$ -	\$ -	\$ 482,590
Distribution and Collection Systems	21,142,940	250,459	-	21,393,399
Equipment	3,096,216	26,961	-	3,123,177
Construction Work in Progress	45,139	337,116	-	382,255
Totals	\$ 24,766,885	\$ 614,536	\$ -	\$ 25,381,421
Accumulated Depreciation	(8,409,828)	(586,081)		(8,995,909)
Fixed Assets, Net	<u>\$ 16,357,057</u>	<u>\$ 28,455</u>	<u>\$ -</u>	<u>\$ 16,385,512</u>

G. Capital Asset Activity

Capital asset activity for the City for the year ended September 30, 2013 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 1,626,981			\$ 1,626,981
Buildings and Improvements	\$ 6,799,454	\$ 129,046		\$ 6,928,500
Equipment	\$ 3,644,695	\$ 106,994		\$ 3,751,689
Infrastructure	\$ 4,900,221	\$ -		\$ 4,900,221
Construction Work in Progress	\$ 164,150	\$ 503,181	\$ -	\$ 667,331
Totals at Historic Cost	<u>\$ 17,135,501</u>	<u>\$ 739,221</u>	<u>\$ -</u>	<u>\$ 17,874,722</u>
Less Accumulated				
Depreciation for:				
Buildings and Improvements	(2,753,823)	(19,553)		(2,773,376)
Equipment	(2,798,270)	(340,640)		(3,138,910)
Infrastructure	(2,001,621)	(129,289)		(2,130,910)
Total Accumulated Depreciation	<u>\$ (7,553,714)</u>	<u>\$ (489,482)</u>	<u>\$ -</u>	<u>\$ (8,043,196)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 9,581,787</u>	<u>\$ 249,739</u>	<u>\$ -</u>	<u>\$ 9,831,526</u>

Capital asset activities of the Llano Economic Development Corporation were as follows:

	Component Unit			
	Beginning			Ending
	Balance	Additions	Retirements	Balance
Component Unit Activities:				
Land	\$ 219,000		\$ -	\$ 219,000
Other Capital Assets:				-
Building and Improvements	2,498,280	\$ -		2,498,280
Distribution & Collection Systems	125,000			125,000
Equipment	15,800	\$ -		15,800
Construction Work in Progress	-	\$ -	\$ -	-
Total	\$ 2,858,080	\$ -	\$ -	\$ 2,858,080
Less Accumulated Depreciation for:				
Distribution & Collection Systems	(26,250)	(3,125)		(29,375)
Building and Improvements	(2,817)	(49,966)		(52,783)
Component Unit Activities:				
Capital Assets, Net	<u>\$ 2,829,013</u>	<u>\$ (53,091)</u>	<u>\$ -</u>	<u>\$ 2,775,922</u>

H. Changes in Long-Term Liabilities

A summary of changes in long-term debt for the year ended September 30, 2013 follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable -					
Llano National Bank	\$ 60,900		\$ 14,275	\$ 46,625	\$ 15,542
Arrowhead Bank	-		-		
JP Morgan Chase	35,191	-	7,916	27,275	8,138
Capital Leases					
John Deere Credit	25,670	-	6,045	19,625	6,410
Oshkosh Capital	64,196		31,319	32,877	32,877
Yamaha	76,187		14,587	61,600	15,194
	<u>\$ 262,144</u>	<u>\$ -</u>	<u>\$ 74,142</u>	<u>\$ 188,002</u>	<u>\$ 78,161</u>
Compensated Absences	68,834	22,422	-	91,256	
Governmental Activity					
Long-Term Debt	<u>\$ 330,978</u>	<u>\$ 22,422</u>	<u>\$ 74,142</u>	<u>\$ 279,258</u>	<u>\$ 78,161</u>
Business-Type Activities					
Bonds Payable					
Revenue Bonds - Series 1998	\$ 1,626,000	\$ -	\$ 36,000	\$ 1,590,000	\$ 37,000
Certificates of Obligation					
Series 2003	1,650,000		55,000	1,595,000	57,000
Certificates of Obligation					
Series 2008	<u>3,352,000</u>		<u>35,000</u>	<u>3,317,000</u>	<u>36,000</u>
Total Bonds Payable	<u>\$ 6,628,000</u>	<u>\$ -</u>	<u>\$ 126,000</u>	<u>\$ 6,502,000</u>	<u>\$ 130,000</u>
Notes Payable					
Arrowhead Bank	41,655		41,655	-	-
LCRA	-		-		
Llano National Bank	49,652		39,598	10,054	10,054
JP Morgan Chase	<u>326,082</u>	<u>-</u>	<u>73,350</u>	<u>252,732</u>	<u>75,276</u>
Business Type Activity					
Long-Term Debt	<u>\$ 7,045,389</u>	<u>\$ -</u>	<u>\$ 280,603</u>	<u>\$ 6,764,786</u>	<u>\$ 215,330</u>

I. Revenue Bonds and Certificates of Obligation

The City issued \$2,000,000 Waterworks and Sewer System Revenue Bonds – series 1998 for improvements to the water system. The Bonds were issued at an interest rate of 4.5% through the Department of Agriculture – Rural Utilities Service. The Bonds are payable from and secured by a first lien on and pledge of the Net Revenues of the System. The Bonds may be redeemed prior to their scheduled maturities, at the option of the City, at par plus accrued interest to the date fixed for redemption, as a whole or in part. The City issued \$2,145,000 Combination Tax and Revenue Certificates of Obligation – Series 2003 for improvements to the water system. The Certificates were issued at an interest rate of 4.5% through the Department of Agriculture – Rural Utilities Service. The certificates are payable from and secured by an ad valorem tax levied on all taxable property in the City and further secured by and payable from a first lien on and pledge of the Net Revenues of the System. Since the City anticipates that the Enterprise (Utility) Fund will provide the annual debt service of the certificates, the Certificates are shown as a long-term obligation of the Enterprise (Utility) Fund.

The City issued \$3,476,000 Combination Tax and Revenue Certificates of Obligation – Series 2008 for construction of a new wastewater treatment facility. The Certificates were issued at an interest rate of 4.125% through the Department of Agriculture – Rural Utilities Service. The Certificates are payable from and secured by an ad valorem tax levied on all taxable property in the City and further secured by and payable from a first lien on and pledge of the Net Revenues of the System. Since the City anticipate the Enterprise (Utility) Fund will provide the annual debt service of the certificates, the Certificates are shown as a long-term obligation of the Enterprise (Utility) Fund.

Debt service requirements are as follows:

September 30	Principal	Interest	Total
2014	130,000	281,389	411,389
2015	134,000	275,678	409,678
2016	138,000	269,795	407,795
2017	141,000	263,738	404,738
2018	144,000	257,505	401,505
2019-2022	626,000	964,808	1,992,313
2023-2027	901,000	988,926	1,889,926
2028-2032	1,063,000	832,727	1,895,727
2033-2037	1,268,000	584,356	1,852,356
2038-2042	1,957,000	494,880	2,451,880
Totals:	\$ 6,502,000	\$ 5,213,802	\$ 12,117,307

The debt agreements related to the Series 1998 bonds and the 2003 and 2008 certificates of obligation contain the requirement that the City establish and maintain a Bond Reserve Fund. Deposits shall be made monthly in to the Reserve Fund for 120 months from the date of delivery of the bonds. Those deposits should be in approximately equal monthly installments in such an amount as to accumulate a balance equal to the average annual principal and interest requirements of the outstanding debt. The average annual debt service requirement is approximately \$109,845 for the Series 1998 bonds, \$147,812 for the 2003 certificates of obligation and will be \$182,294 for the 2008 certificate of obligation. The City has established a reserve fund and is in compliance with this provision.

J. Notes and Installments Payable

The following is a summary of notes and installments payable:

	Balance at 9/30/13
GENERAL LONG TERM DEBT ACCOUNT GROUP	
Long-term note payable to Llano National Bank - #6027999. Payable from the general fund for he purchase of, and secured by, improvements to the golf course; original principal \$150,000; due in montly installments through March 1, 2017, with the payment to be adjusted each November 1; current payment amount \$1,132; interest adjusted annually at prime less 1%; current interest 4.0%	\$ 46,625
Long-term note payable to JP Morgan Chase - #1000135711. Payable from the general fund for 2011 Ford Expedition original principal \$41,015; due in monthly installments of \$733 through December 2, 2016, interest at 2.79%	27,275
Long-term note payable to Llano National Bank - #612888-8. Payable from general fund for street sweeper, original principal \$146,530, due in monthly installments of \$2,714 through December 15, 2012 , interest at 4.25%	-
Total General Long-Term Debt	\$ 73,900

	Balance at 9/30/13
UTILITY FUNDS	
Long-term notes payable to JP Morgan Chase - #1000135711 for the purchase of a Vac-Con Vactor Suction Truck; original principal \$290,455; due in monthly installments of \$5,192 through 12/02/2016, interest at 2.79%	\$ 195,717
Long-term note payable to Llano National Bank - #6134969 for the purchase of 2008 Dodge Ram 5500 Truck, original principal \$96,421, due in monthly installments of \$1,786 through 12/08/2013, interest at 4.25%	-
Long-term note payable to Llano National Bank - #6054514; for the construction improvements to the Orb's lift station; original principal \$160,000; due in monthly installments of \$1,717 through 12/10/13; interest adjusted annually at prime less 1%; current interest 6.75%	10,054
Long-term noted payable to JP Morgan Chase - #1000135711 for the purchase of a 2011 Dodge 5500 Aerial Device; original principal \$89,591; due in monthly installments of \$1,601 through 12/02/2016; interest at 2.79%	57,015
Long-term note payable to Arrowhead Bank - #90974 for the purchase of an Excavator; original principal \$151,000 due in monthly installments of \$2,781 through 07/09/2013 interest at 4.0%	-
Long-term note payable to Arrowhead Bank - #90513 for the purchase of a Truck; original principal \$80,202 due in monthly installments of \$1,477 through 07/09/2013 interest at 4.0%	-
Total Utilities Fund	\$ 262,786
Total Notes Payable	\$ 336,686

The remaining balances of the notes and installments payable are due over the following fiscal years:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	104,016	10,935	114,951
2015	97,047	7,362	104,409
2016	100,249	4,161	104,410
2017	35,374	1,852	37,226
Totals:	<u>\$ 336,686</u>	<u>\$ 24,310</u>	<u>\$ 360,996</u>

K. Capitalized Leases and Other Commitments

Capital lease obligations at September 30, 2013, are composed of the following:

	<u>Balance at</u> <u>9/30/13</u>
GENERAL FUND	
Lease payable to Oshkosh Capital for a fire truck; annual installments of \$34, 510 including principal and interest through October 23, 2012; interest at 4.97%	32,877
Lease payable to Yamaha Leasing for golf carts; 48 monthly installments of \$1,485 including principal and interest through September, 2014; interest at 4.792%	61,600
Lease payable to John Deer Credit for Progator Sprayer and Top Dresser; 48 monthly installments of \$594 including principal and interest through August 1, 2016; interest at 4.3%	<u>19,498</u>

Total General Funds

\$ 113,975 Future

minimum lease payments under the lease along with the present value of the minimum lease payments as of September 30, 2013:

<u>Year Ended September 30,</u>	<u>General Long-Term Obligations</u>
2014	59,479
2015	53,487
2016	<u>6,470</u>
Total Minimum Lease Payments:	119,436
Less Amount Representing Interest	<u>5,461</u>
Present Value of Lease Payments	<u>113,975</u>

L. Changes in Long-Term Liabilities – Component Unit

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Component Unit Activities					
Notes Payable -					
First State Bank	<u>\$ 2,111,462</u>	<u>\$ -</u>	<u>\$ 131,519</u>	<u>\$ 1,979,943</u>	<u>\$ 137,039</u>
Component Unit Activity					
Long-Term Debt	<u>\$ 2,111,462</u>	<u>\$ -</u>	<u>\$ 131,519</u>	<u>\$ 1,979,943</u>	<u>\$ 137,039</u>

On December 12, 2011 the Llano Economic Development Corporation acquired a loan from First State Bank Central Texas in the amount of \$2,000,000 for the Community Facilities Project. The loan is payable in quarterly payments of \$45,232 (including interest at 4.250%) beginning March 10, 2012 and ending December 10, 2026. The balance of the loan at September 30, 2013 was \$1,819,212.

On April 17, 2012 the Llano Economic Development Corporation acquired a loan from First State Bank Central Texas in the amount of \$200,000 for the Community Facilities Project. The loan is payable in quarterly payments of \$9,345 (including interest at 3.750%) beginning June 30, 2012 and ending March 30, 2018. The balance of the loan at September 30, 2012 was \$160,731

The remaining balances of the notes payable are due over the following fiscal years:

September 30	Principal	Interest	Total
2014	137,039	81,271	218,310
2015	142,792	75,518	218,310
2016	148,786	69,524	218,310
2017	155,033	63,277	218,310
2018	161,545	56,765	218,310
2019-2022	534,625	170,410	705,035
2023-2027	700,123	68,835	768,958
Totals:	\$ 1,979,943	\$ 585,600	\$ 2,565,543

M. RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

	Plan year 2013	Plan year 2012
Deposit Rate:	7%	7%
Matching Ratio (City to Employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	10% Repeating, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Contributions

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent Of Payroll	Level Percent Of Payroll	Level Percent Of Payroll
GASB 25 Equivalent Single Amortization Period	24 Years; Closed period	23.7 years; Closed period	22.3 Years; Closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:	7.5%	7.0%	7.0%
Investment Rate of Return*			
Projected Salary Increases*	Varies by Age and service	Varies by Age and service	Varies by Age and service
*Includes inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0%	0.0%	0.0%

Funded Status and Funding Progress

The funded status as of December 31, 2012, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2012	\$4,218,610	\$5,140,842	82.1%	\$922,232	\$1,936,233	47.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

N. Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” OPEB.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2013, 2012 and 2011 were \$1,764, \$1,760 and \$1,748, respectively, which equaled the required contributions each year.

Plan/ Calendar Year	Annual Required Contributon (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2011	7.13%	7.46%	100.00%
2012	8.23%	8.51%	100.00%
2013	8.97%	9.23%	100.00%
2014	9.43%	9.71%	100.00%

O. Employee Health, Dental and Life Insurance Benefits

All regular full time employees of the City are eligible, after one month of employment, for coverage under the group hospitalization, medical, dental and life insurance program provided by the City. The City pays 100% of the premium for the employee for medical and dental insurance and 50% of the employee’s dependents’ premiums. Employees are also provided \$20,000 in life insurance benefits.

P. Firemen's Relief and Retirement Fund

The City participates in the Texas Firemen's Relief and Retirement Fund on behalf of its volunteer firemen. Under this plan, the City contributes an amount on behalf of each fireman enrolled in the plan. The City's contribution to the fiscal year ended September 30, 2013 was \$18,891.

Q. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

R. Interfund Receivable and Payables

Interfund balances at September 30, 2013, consisted of the following:

	<u>Receivable</u>	<u>Payable</u>
<u>General Fund</u>		
Component Unit	\$ 48,571	\$ -
Special Revenue	-	32,028
<u>Special Revenue</u>		
General Fund	32,028	-
<u>Component Unit</u>		
General Fund		48,571
	<u> </u>	<u> </u>
Totals	<u>\$ 80,599</u>	<u>\$ 80,599</u>

During the year ended September 30, 2013, the City's transfers between funds consisted of:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	1,297,247	
Enterprise Funds		
Utility Fund		1,297,247
Totals	<u>\$ 1,297,247</u>	<u>\$ 1,297,247</u>

S. Cash Flows Statement – Supplemental Disclosures

Since the city is tax exempt, no income tax was paid in 2013 and 2012. The City paid interest in the amount of \$303,623 in 2013 and \$307,521 in 2012.

T. Risk Management

The City's risk management program includes coverage for property, general liability, automobile liability, public official's liability and employee dishonesty bonds. The City participates in the Texas Municipal League joint self-insurance fund, which is a public entity risk pool. The premiums paid to TML result in the transfer of risk to the pool.

U. GASB 54 – Fund Balance Reporting

Beginning with fiscal year end September 30, 2011, the City implemented GASB Statement No. 54, “Fund Balance Reporting and Government Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (Such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reports as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

V. Related Parties

In the ordinary course of business, the City has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

W. Service Concession Arrangement

In March 2012, the City entered into a lease agreement with Two Pro Club Management, Inc. (Two Pro) to operate the City’s municipal golf course through March 31, 2013 and may be extended for additional five year term by mutual agreement. The City entered into a lease agreement with Southern Golf Management for approximately two months beginning July 20, 2013 and another agreement with Southern Golf Management in October 2013.

1. Operation and Management – Southern Golf will assume responsibility for managing all golf facility personnel, all existing services including golf operations, golf shop activities and all agronomic oversight, and all related equipment and facilities.
2. Marketing – Southern Golf will review marketing and sales opportunities for the facility, review budgets and profit loss statements, and meet and report twice a month with Brenton Lewis, the Llano City Manager.

3. Equipment – Equipment in inventory shall be retained in ownership by the City. Southern Golf agrees to maintain all equipment under good management practices. Should new equipment be necessary, Southern Golf shall bring these needs to the City and the City may agree to purchase equipment under proper procedures. Should Southern Golf elect to buy a piece of equipment the City shall have no obligation to pay or insure any aspect of such piece of equipment.

4. Fees – The City shall pay to Southern Golf a management fee (the “Management Fee”) for the Services provided under this Agreement as follows: This management fee will be equal to the sum of \$4,000 per month plus any travel expenses.

X. Subsequent Events

The City has evaluated subsequent events through May 5, 2014, the date which the financial statements were available to be issued. The City is not aware of any subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LLANO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property Taxes	\$ 588,951	\$ 588,951	\$ 614,461	\$ 25,510
General Sales and Use Taxes	720,000	720,000	710,056	(9,944)
Franchise Tax	72,500	72,500	79,753	7,253
Other Taxes	84,800	84,800	80,451	(4,349)
Licenses and Permits	17,400	17,400	11,584	(5,816)
Intergovernmental Revenue and Grants	-	428,000	463,294	35,294
Charges for Services	668,000	668,000	733,955	65,955
Fines	52,465	57,465	50,087	(7,378)
Investment Earnings	6,000	6,000	6,866	866
Rents and Royalties	70,481	70,481	79,366	8,885
Contributions & Donations from Private Sources	-	-	13,000	13,000
Other Revenue	97,650	104,991	128,539	23,548
Total Revenues	<u>2,378,247</u>	<u>2,818,588</u>	<u>2,971,412</u>	<u>152,824</u>
EXPENDITURES				
City Council	25,434	25,434	25,491	57
General Administration	810,095	810,095	769,644	(40,451)
Main Street	74,074	74,074	66,748	(7,326)
Police	770,956	770,956	726,710	(44,246)
Municipal Court	90,438	90,438	88,575	(1,863)
Code Enforcement	24,392	24,392	5,971	(18,421)
Fire	102,956	102,956	88,938	(14,018)
Parks and Recreation	336,596	336,596	308,235	(28,361)
Lantex Theater	11,306	11,306	5,564	(5,742)
Cemetery	69,962	69,962	69,137	(825)
Golf Course	397,053	397,053	324,020	(73,033)
Street	673,499	673,499	404,985	(268,514)
Airport	370,500	370,500	384,539	14,039
Christmas Lighting	5,000	5,000	15,034	10,034
Depot Museum	7,725	7,725	8,125	400
Debt Service:				
Other Debt Principal	-	-	74,142	74,142
Other Debt Interest	-	-	8,419	8,419
Capital Outlay:				
Capital Outlay	16,000	528,900	739,221	210,321
Total Expenditures	<u>3,785,986</u>	<u>4,298,886</u>	<u>4,113,498</u>	<u>(185,388)</u>
Excess (Deficiency) of Revenues Over (Under)	<u>(1,407,739)</u>	<u>(1,480,298)</u>	<u>(1,142,086)</u>	<u>338,212</u>
Expenditures				
OTHER FINANCING SOURCES (USES):				
Proceeds from Debt	-	-	51,261	51,261
Transfers in	1,407,738	1,407,738	1,297,247	(110,491)
Total Other Financing Sources (Uses)	<u>1,407,738</u>	<u>1,407,738</u>	<u>1,348,508</u>	<u>(59,230)</u>
Net Change in Fund Balances	(1)	(72,560)	206,422	278,982
Fund Balance - October 1 (Beginning)	150,985	150,985	150,985	-
Fund Balance - september 30 (Ending)	<u>\$ 150,984</u>	<u>\$ 78,425</u>	<u>\$ 357,407</u>	<u>\$ 278,982</u>

SUPPLEMENTARY INFORMATION

CITY OF LLANO, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Retirement System

Schedule of Funding Progress

(unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2009	\$ 2,060,324	\$ 2,758,788	74.80%	\$ 696,464	\$ 1,731,258	40.2%
12/31/2010	\$ 3,563,102	\$ 4,392,209	81.10%	\$ 829,107	\$ 1,885,119	44.0%
12/31/2011	\$ 3,897,523	\$ 4,822,220	80.80%	\$ 924,697	\$ 1,965,244	47.1%
12/31/2012	\$ 4,218,610	\$ 5,140,842	82.06%	\$ 922,232	\$ 1,936,233	47.63%

CITY OF LLANO
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

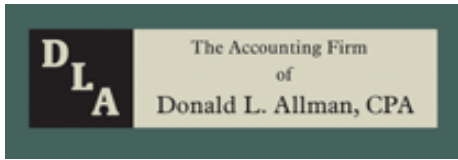
	56 TEA-21 Grant Fund	72 TCF Main Street Grant Fund	Total Nonmajor Governmental Funds
ASSETS			
Due from Other Funds	\$ 17,028	\$ 15,000	\$ 32,028
Total Assets	<u>\$ 17,028</u>	<u>\$ 15,000</u>	<u>\$ 32,028</u>
Fund Balances:			
Restricted Fund Balance:			
Federal or State Funds Grant Restriction	<u>17,028</u>	<u>15,000</u>	<u>32,028</u>
Total Fund Balances	<u>17,028</u>	<u>15,000</u>	<u>32,028</u>
Total Liabilities and Fund Balances	<u>\$ 17,028</u>	<u>\$ 15,000</u>	<u>\$ 32,028</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF LLANO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	56 TEA-21 Grant Fund	72 TCF Main Street Grant Fund	Total Nonmajor Governmental Funds
Net Change in Fund Balance			
Fund Balance - October 1 (Beginning)	<u>\$ 17,028</u>	<u>\$ 15,000</u>	<u>\$ 32,028</u>
Fund Balance - September 30 (Ending)	<u><u>\$ 17,028</u></u>	<u><u>\$ 15,000</u></u>	<u><u>\$ 32,028</u></u>

The notes to the Financial Statements are an integral part of this statement.



Donald L. Allman, CPA, PC
205 E. University Ave., Ste. 165
Georgetown, Texas 78626
Phone: 512-422-3700

**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**

Independent Auditor's Report

Honorable Mayor and Aldermen
City of Llano, 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 government activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Llano, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise city of Llano, Texas' basic financial statements, and have issued our report thereon dated May 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Llano, Texas' 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 City of Llano, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Llano, Texas' 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *Significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal 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

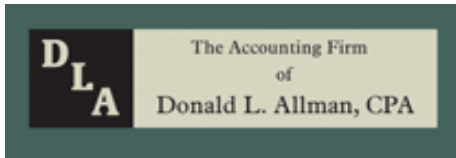
As part of obtaining reasonable assurance about whether City of Llano, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

Purpose of this Report

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

Donald L. Allman, CPA, PC
Georgetown, Texas

May 5, 2014



Donald L. Allman, CPA, PC
205 E. University Ave., Ste. 165
Georgetown, Texas 78626
Phone: 512-422-3700

May 5, 2014

Honorable Mayor and Aldermen
City of Llano, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Llano, Texas for the year ended September 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Llano, Texas are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 5, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of City Council and management of City of Llano, Texas and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Donald L. Allman, CPA, PC
Georgetown, Texas

CITY OF LLANO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financing reporting

One or more material weaknesses identified? _____ Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

2. Federal Awards

Type of auditor's report issued: Unmodified

Internal control over financing reporting

One or more material weaknesses identified? _____ Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Internal control over major programs:

One or more material weaknesses identified? _____ Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditors' report issued on compliance for major programs Unmodified

B. Financial Statement Findings

None

CITY OF LLANO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013

C. Federal Awards Findings and Questioned Costs

No audit findings or questioned costs noted.

CITY OF LLANO, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2013

None noted so no summary schedule of prior audit findings.

**CITY OF LLANO, TEXAS
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2013**

None noted so no corrective action required.

CITY OF LLANO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

Federal Grantor: No Federal Monies
 Pass Thru Grantor: Texas Department of Transportation
 Aviation Grant
 CFDA Number 20.106

	Budget	-State-		-Local-		Total	Variance
		Prior Years	Current Year	Prior Years	Current Year		
REVENUE							
State:	\$ 450,000	\$ -	\$ 408,230	\$ -	\$ -	\$ 408,230	\$ 41,770
Local:	50,000	-	-	-	36,019	36,019	13,981
TOTAL REVENUE:	500,000	-	408,230	-	36,019	444,249	55,751
EXPENSES							
State:							
Construction	432,892	-	391,122	-	-	391,122	41,770
Engineering	10,807	-	10,807	-	-	10,807	-
Other	12,460	-	12,460			12,460	-
Local:							
Construction	53,181	-	-	-	39,200	39,200	13,981
Engineering	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-
TOTAL EXPENSES:	509,340	-	414,389	-	39,200	453,589	55,751
Excess revenue over expenditures	\$ (9,340)	\$ -	\$ (6,159)	\$ -	\$ (3,181)	\$ (9,340)	\$ -

CITY OF LLANO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

Federal Grantor: Preserve America Grant 2010

Pass Thru Grantor:

Red Top Jail & Museum

CFDA Number 48.10-AP-5050

	Budget	-Federal		-Local-		Total	Variance
		Prior Years	Current Year	Prior Years	Current Year		
REVENUE							
Federal:	\$ 40,236	\$ -	\$ 40,236	\$ -	\$ -	\$ 40,236	\$ -
Local:	40,236	-	-	-	40,236	40,236	-
TOTAL REVENUE:	80,472	-	40,236	-	40,236	80,472	-
EXPENSES							
Federal:							
Construction	40,236	-	40,236	-	-	40,236	-
Engineering	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Local:							
Construction	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-
Other	40,236	-	-	-	40,236	40,236	-
TOTAL EXPENSES:	80,472	-	40,236	-	40,236	80,472	-
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF LLANO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

Federal Grantor: 2011 Community Development Block Grant

Pass Thru Grantor: Texas Department of Transportation

CFDA Number 14.228

	Budget	-State-		-Local-		Total	Variance
		Prior Years	Current Year	Prior Years	Current Year		
REVENUE							
State:	\$ 275,000	\$ 4,425	\$ 270,575	\$ -	\$ -	\$ 275,000	\$ -
Local:	41,250	-	-	-	45,675	45,675	(4,425)
TOTAL REVENUE:	316,250	4,425	270,575	-	45,675	320,675	(4,425)
EXPENSES							
State:							
Construction	252,000	-	252,000	-	-	252,000	-
Engineering	13,000	4,425	8,575	-	-	13,000	-
Other	10,000	-	10,000	-	-	10,000	-
Local:							
Construction	3,395	-	-	-	3,395	3,395	-
Engineering	19,625	-	-	-	19,625	19,625	-
Administration	21,625	-	-	18,994	2,631	21,625	-
TOTAL EXPENSES:	319,645	4,425	270,575	18,994	25,651	319,645	-
Excess revenue over expenditures	\$ (3,395)	\$ -	\$ -	\$ (18,994)	\$ 20,024	\$ 1,030	\$ (4,425)

CITY OF LLANO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

Federal Grantor:

Pass Thru Grantor: Texas Department of Transportation 2012
Ramp Program

CFDA Number

	Budget	State		-Local-		Total	Variance
		Prior Years	Current Year	Prior Years	Current Year		
REVENUE							
State:	\$ 10,947	\$ -	\$ 4,352	\$ -	\$ -	\$ 4,352	\$ 6,595
Local:	10,947	-	-	4,352	6,595	10,947	-
TOTAL REVENUE:	21,894	-	4,352	4,352	6,595	15,299	6,595
EXPENSES							
State:							
Maintenance	10,947	4,352	6,595	-	-	10,947	-
Engineering	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Local:							
Maintenance	10,947	-	-	4,352	6,595	10,947	-
Engineering	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-
TOTAL EXPENSES:	21,894	4,352	6,595	4,352	6,595	21,894	-
Excess revenue over expenditures	\$ -	\$ (4,352)	\$ (2,243)	\$ -	\$ -	\$ (6,595)	\$ 6,595

CITY OF LLANO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

Federal Grantor:

Pass Thru Grantor: 2013 Texas Department of Transportation
 Disaster Relief CDBG Grant

CFDA Number 712127

	Budget	State		-Local-		Total	Variance
		Prior Years	Current Year	Prior Years	Current Year		
REVENUE							
State:	\$ 350,000	\$ -	\$ 12,200	\$ -	\$ -	\$ 12,200	\$ 337,800
Local:	96,900	-	-	-	53,798	53,798	43,102
TOTAL REVENUE:	446,900	-	12,200	-	53,798	65,998	380,902
EXPENSES							
State:							
Construction	325,600	-	-	-	-	-	325,600
Engineering		-	-	-	-	-	-
Administration	24,400	-	12,200			12,200	12,200
Local:							
Construction	-	-	-	-	-	-	-
Engineering	85,500	-	-	-	42,398	42,398	43,102
Administration	11,400	-	-	-	11,400	11,400	-
TOTAL EXPENSES:	446,900	-	12,200	-	53,798	65,998	380,902
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF LLANO, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

1. Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Llano. The City of Llano reporting entity is defined in Note 1 to its basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included in the schedule.

2. Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.