



CITY OF
LLANO, TEXAS

301 WEST MAIN | LLANO, TX 78643
WWW.CITYOFLLANO.COM | 325.247.4158

2023

**ANNUAL
FINANCIAL
REPORT**

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2023



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ANNUAL FINANCIAL REPORT

of the

City of Llano, Texas

**For the Year Ended
September 30, 2023**

**Issued By
Finance Department**

City of Llano, Texas
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Llano, Texas:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Llano, Texas (the "City") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Llano, Texas, as of September 30, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Llano, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note V.E. to the financial statements, due to accounting errors, the City restated beginning net position of governmental activities, business-type activities, fiduciary activities, and the utility system fund. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plans, schedules of changes in other postemployment benefits liability and related ratios, and budgetary comparison information for the general and airport fund 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's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2024 on our consideration of 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 solely 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 the effectiveness of 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.

Brooks Watson & Co.

Brooks Watson & Co.
Certified Public Accountants
Houston, Texas

April 26, 2024

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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City of Llano, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2023

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the City of Llano's financial activities for the year ending September 30, 2023. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current-year results with those of the prior year, and discusses the positive and negative aspects of that comparison. GASB Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. This financial reporting model requires governments to present certain basic financial statements as well as an MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

Financial Highlights

- The City's total combined net position was \$34,455,832 at September 30, 2023. Of this, \$5,666,437 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported a fund balance of \$3,355,886, an increase of \$8,447.
- As of the end of the year, the unassigned fund balance of the general fund was \$2,674,565.
- The City had an overall increase in net position of \$2,170,119, which is primarily due to new capital improvements, debt repayments, and utility revenues exceeding current year expenses.
- The City closed the year with a TMRS net pension liability of \$1,599,304.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City of Llano. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

City of Llano, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2023

The Statement of Net Position presents information on all of the City of Llano's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Llano is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City into two classes of activities:

1. Governmental Activities - Most of the City's basic services are reported here, including general government, public safety (police and fire), municipal court, parks and recreation, and public works. Sales tax, property tax, franchise taxes, municipal court fines and permit fees finance most of these activities.
2. Business-Type Activities - Services involving a fee for those services. These services, the City's water distribution and wastewater collection/treatment services and airport operations are reported here.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of Llano. They are usually segregated for specific activities or objectives. The City of Llano uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental, proprietary, and fiduciary.

Governmental Funds

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

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

City of Llano, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2023

expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Llano maintains seven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The general fund, debt service fund, capital projects, and airport fund are considered major funds.

The City of Llano adopts an annual appropriated budget for its general fund, debt service fund, and airport fund. A budgetary comparison schedule has been provided to demonstrate compliance with the general fund and airport fund budget.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its operation and maintenance of the water and sewer system and airport operations. The proprietary fund financial statements provide information for the Utility and Airport fund. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Component Units

The City maintains the accounting and financial statements for one component unit. The Llano Economic Development Corporation is a discretely presented component unit displayed on the government-wide financial statements.

Fiduciary Funds

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

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

City of Llano, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2023

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) concerning the City's changes in net pension/OPEB liability and employer contributions to the plan.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Llano, assets and deferred outflows exceeded liabilities and deferred inflows by \$34,455,832 as of September 30, 2023, in the primary government.

The largest portion of the City's net position, \$27,922,752, reflects its investments in capital assets (e.g., land, buildings and improvements, streets, water/sewer systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

City of Llano, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2023			2022		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and other assets	\$ 3,976,677	\$ 10,677,357	\$ 14,654,034	\$ 3,987,272	\$ 6,664,050	\$ 10,651,322
Capital assets, net	18,252,716	23,403,567	41,656,283	17,950,297	21,995,459	39,945,756
Total Assets	22,229,393	34,080,924	56,310,317	21,937,569	28,659,509	50,597,078
Deferred Outflows	648,951	361,804	1,010,755	219,229	176,919	396,148
Other liabilities	1,156,447	2,580,441	3,736,888	1,174,257	1,968,474	3,142,731
Long-term liab.	5,218,335	13,691,966	18,910,301	5,032,843	9,802,888	14,835,731
Total Liabilities	6,374,782	16,272,407	22,647,189	6,207,100	11,771,362	17,978,462
Deferred Inflows	144,150	73,901	218,051	493,350	235,701	729,051
Net Position:						
Net investment in capital assets	13,787,284	14,135,468	27,922,752	13,282,491	12,287,076	25,569,567
Restricted	581,010	285,633	866,643	591,245	650,713	1,241,958
Unrestricted	1,991,118	3,675,319	5,666,437	1,582,612	3,891,576	5,474,188
Total Net Position	\$ 16,359,412	\$ 18,096,420	\$ 34,455,832	\$ 15,456,348	\$ 16,829,365	\$ 32,285,713

Current and other assets for business-type activities increased due to greater cash on hand, resulting from unspent bond proceeds as of yearend. Other liabilities for business-type activities increased primarily due to greater outstanding vendor and retainage payables, resulting from unpaid capital improvements as of yearend. Long-term liabilities for business-type activities increased due to the issuance of 2022 Certificates of Obligation and increases to the City's net pension liability over the course of the year.

City of Llano, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

Statement of Activities:

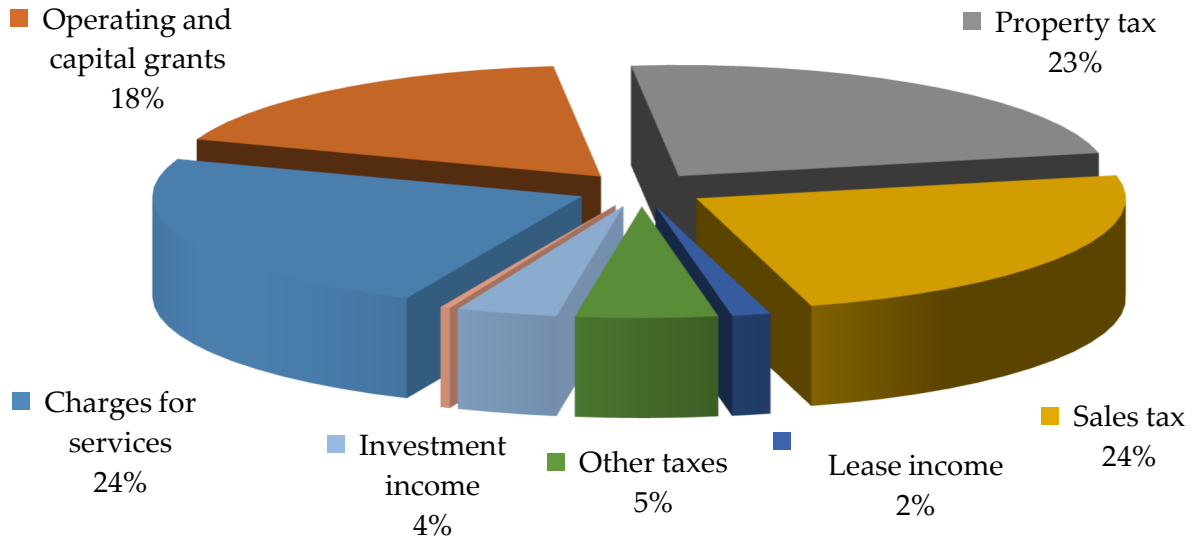
The following table provides a summary of the City's changes in net position:

	<u>For the Year ended September 30, 2023</u>			<u>For the Year ended September 30, 2022</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,275,572	\$ 9,638,817	\$ 10,914,389	\$ 1,384,084	\$ 9,488,615	\$ 10,872,699
Grants and capital cont.	954,856	184,105	1,138,961	166,879	434,110	600,989
General revenues:						
Property tax	1,258,249	-	1,258,249	1,074,651	-	1,074,651
Sales tax	1,287,076	-	1,287,076	1,139,355	-	1,139,355
Other taxes	286,283	-	286,283	252,288	-	252,288
Lease income	78,321	-	78,321	76,487	-	76,487
Investment income	204,124	397,395	601,519	20,884	26,093	46,977
Other revenue	20,226	162,363	182,589	18,790	233,773	252,563
Total Revenues	5,364,707	10,382,680	15,747,387	4,133,418	10,182,591	14,316,009
Expenses						
General	1,217,470	-	1,217,470	1,318,814	-	1,318,814
Public safety	1,264,799	-	1,264,799	1,322,959	-	1,322,959
Public works	1,225,845	-	1,225,845	903,481	-	903,481
Community development	121,913	-	121,913	151,091	-	151,091
Parks and recreation	1,690,914	-	1,690,914	1,462,886	-	1,462,886
Interest	134,797	400,325	535,122	122,013	273,132	395,145
Utilities	-	7,521,205	7,521,205	-	6,755,851	6,755,851
Total Expenses	5,655,738	7,921,530	13,577,268	5,281,244	7,028,983	12,310,227
Change in Net Position						
Before Transfers	(291,031)	2,461,150	2,170,119	(1,147,826)	3,153,608	2,005,782
Transfers	1,194,095	(1,194,095)	-	1,630,104	(1,630,104)	-
Total	1,194,095	(1,194,095)	-	1,630,104	(1,630,104)	-
Change in Net Position	903,064	1,267,055	2,170,119	482,278	1,523,504	2,005,782
Beginning Net Position	15,456,348	16,829,365	32,285,713	14,974,070	15,305,861	30,279,931
Ending Net Position	\$ 16,359,412	\$ 18,096,420	\$ 34,455,832	\$ 15,456,348	\$ 16,829,365	\$ 32,285,713

City of Llano, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

Governmental Activities - Revenues

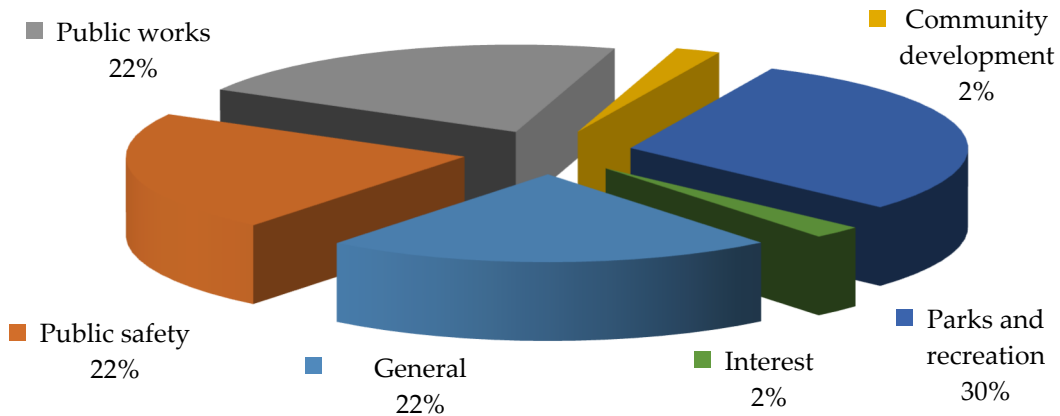


For the year ended September 30, 2023, revenues from governmental activities totaled \$5,364,707. Sales taxes, property taxes, and charges for services are the City's largest revenue sources. Grants and contributions increased by \$787,977 or over 100% due to nonrecurring TXDOT grants received in the current year. Property taxes increased by \$183,598 or 17% primarily due to greater appraised values and greater tax rates compared to the prior year. Sales taxes increased by \$147,721 or 13% due to economic growth fueled by local purchases. Investment income increased by \$183,240 or over 100% primarily due to greater interest-bearing accounts and realization of higher interest rates in the current year. All other revenues remained relatively consistent with the previous year.

City of Llano, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

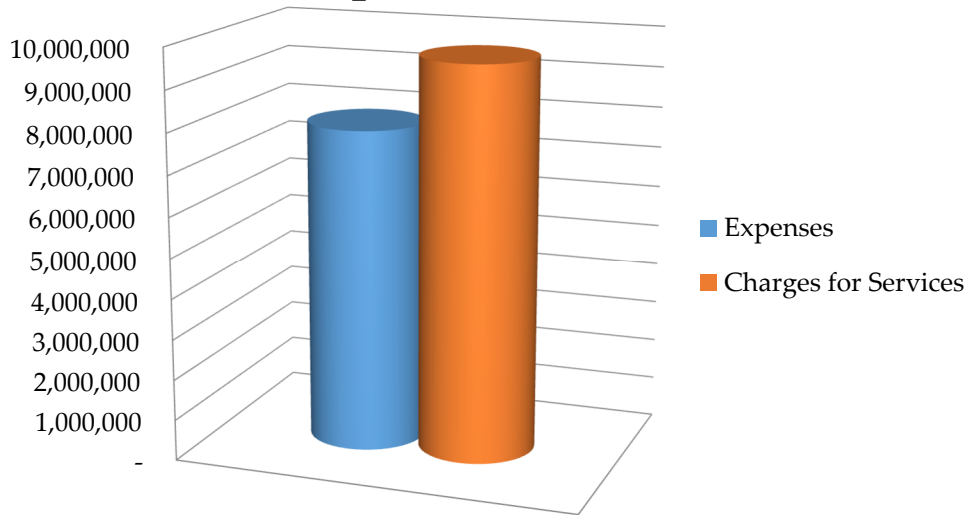


For the year ended September 30, 2023, expenses for governmental activities totaled \$5,655,738. This represents an increase of \$374,494 or 7% from the prior year. The City's largest functional expense is parks and recreation of \$1,690,914, which includes golf course operations. Parks and recreation expenses increased by \$228,028 or 16% due primarily to greater personnel costs, buildings/grounds maintenance, irrigation updates, and pool repairs compared to the prior year. General government expenses decreased by \$101,344 or 8% primarily due to nonrecurring professional/legal fees and asset depreciation expenses in the prior year. Public works (includes the City's airport operations) increased by \$322,364 or 36% due to greater code enforcement personnel costs, nonrecurring machinery/equipment maintenance, road repairs, and asset depreciation in the current year. All other expenses remained relatively consistent with the previous year.

City of Llano, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

Business-type activities are shown comparing operating costs to revenues generated by related services.

**Business-Type Activities - Revenues &
Expenses**



For the year ended September 30, 2023, charges for services by business-type activities totaled \$9,638,817, which represents a slight increase of \$150,202 or 2% from the previous year. Business-type activities expenses increased by \$892,547 or 13% primarily due to greater personnel costs, asset depreciation, wholesale electric purchases, and nonrecurring bond issuance costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected a total fund balance of \$2,709,856. Unassigned fund balance totaled \$2,674,565 as of year-end. There was an increase in the general fund balance of \$37,521 from the prior year, which is primarily due to greater than anticipated revenues and less than expected expenditures during the year.

The airport fund reflected a fund deficit of \$11,240, a decrease of \$11,240. The decrease was a result of less than anticipated grant revenue received in the current year and no transfers received from other funds.

City of Llano, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2023

The debt service fund reflected a total fund balance of \$109,157. There was a decrease of \$22,404 and was a result of debt service expenditures exceeding property taxes and investment income during the current year.

The capital projects fund reflected a fund balance of \$440,476. There was an increase of \$14,220, which is a direct result of transfers received from the utility system fund during the current year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of \$535,926 in the general fund. Sales tax was the revenue category most significantly greater than anticipated revenues. All departmental appropriated expenses exceeded actual expenditures during the year, with the exception of debt service principal payments. Total actual expenditures were less than total budgeted expenditures by \$992,296. Total budgeted other financing sources, net of uses, exceeded actuals by \$504,284.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$18,252,716 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$23,403,567 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- Investment in new airport runway lights for \$987,630.
- Purchased splashpad UV system for \$49,935.
- Purchased pony pump and motor for golf course for \$19,293.
- Purchase in-car/body cameras for police department for \$31,073.
- Invested in new street signs for \$34,600.
- Streets, curbs, and gutter improvements totaling \$64,989.
- TWDB main street water/sewer line project investments totaling \$408,724.
- Generator project investments totaling \$199,444.
- CDBG water line project investments totaling \$401,854.
- Water filter project investments for \$200,522.
- Purchased new John Deere equipment totaling \$409,830.
- Purchased two 2022 Chevy vehicles for \$228,272.
- Purchased 2024 Freightliner M2106 for \$149,710.

City of Llano, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2023

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds (including premiums), leases, and notes payable outstanding totaling \$18,604,726. During the year, the City's long-term obligations increased by \$3,326,091. The City issued \$4,750,000 of Certificates of Obligation during the year. The City paid \$1,442,153 in principal payments during the year. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials considered many factors when setting the fiscal-year 2024 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 2024. Amounts available for appropriation in the General Fund budget are \$5,737,192 and expenditures are estimated to be \$5,432,425.

If these estimates are realized, the City's budgetary General fund balance is expected to increase by the close of 2024.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Llano' finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City's business office at 301 West Main Street, Llano, Texas 78643; phone: (325) 247-4158.

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FINANCIAL STATEMENTS

City of Llano, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 3,617,606	\$ 9,515,195	\$ 13,132,801
Receivables, net	364,003	897,635	1,261,638
Inventory	-	253,956	253,956
Prepays	3,983	1,656	5,639
Due from primary government	-	-	-
Internal balances	(8,915)	8,915	-
Total Current Assets	3,976,677	10,677,357	14,654,034
Capital assets:			
Non-depreciable	1,538,191	6,086,037	7,624,228
Net depreciable capital assets	16,714,525	17,317,530	34,032,055
Total Noncurrent Assets	18,252,716	23,403,567	41,656,283
Total Assets	22,229,393	34,080,924	56,310,317
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	-	72,217	72,217
Pension outflows - TMRS	556,282	286,569	842,851
Pension outflows - TESRS	86,811	-	86,811
OPEB outflows	5,858	3,018	8,876
Total Deferred Outflows of Resources	648,951	361,804	1,010,755

See Notes to Financial Statements.

**Component
Unit**

**Llano
EDC**

\$	1,156,242	71,421	-	-	1,265	-
					1,228,928	

					-	
					-	
					-	
					-	
					1,228,928	

					-	
					-	
					-	
					-	
					-	

City of Llano, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 591,639	\$ 1,169,199	\$ 1,760,838
Customer deposits	-	213,583	213,583
Accrued interest payable	10,302	19,416	29,718
Due to component unit	1,265	-	1,265
Long-term debt due within one year	500,445	1,140,403	1,640,848
Compensated absences, current	52,796	37,840	90,636
Total Current Liabilities	1,156,447	2,580,441	3,736,888
Noncurrent liabilities:			
Long-term debt due in more than a year	3,887,446	13,076,432	16,963,878
Net pension liability - TMRS	1,055,541	543,763	1,599,304
Net pension liability - TESRS	138,325	-	138,325
OPEB liability	131,157	67,566	198,723
Compensated absences, noncurrent	5,866	4,205	10,071
Total Noncurrent Liabilities	5,218,335	13,691,966	18,910,301
Total Liabilities	6,374,782	16,272,407	22,647,189
<u>Deferred Inflows of Resources</u>			
Pension inflows - TMRS	103,641	53,391	157,032
Pension inflows - TESRS	695	-	695
OPEB inflows	39,814	20,510	60,324
Total Deferred Inflows of Resources	144,150	73,901	218,051
<u>Net Position</u>			
Net investment in			
capital assets	13,787,284	14,135,468	27,922,752
Restricted for debt service	109,157	285,633	394,790
Restricted for capital acquisition	440,476	-	440,476
Restricted for tourism	27,783	-	27,783
Restricted for police benevolence	3,594	-	3,594
Unrestricted	1,991,118	3,675,319	5,666,437
Total Net Position	\$ 16,359,412	\$ 18,096,420	\$ 34,455,832

See Notes to Financial Statements.

Component Unit

Llano

EDC

\$	-
	-
	-
	-
	160,282
	-
	<u>160,282</u>
	385,656
	-
	-
	-
	-
	<u>385,656</u>
	<u>545,938</u>
	-
	-
	-
	-
	-
	-
	682,990
\$	<u>682,990</u>

City of Llano, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,217,470	\$ -	\$ 44,888	\$ -
Public safety	1,264,799	59,008	-	-
Public works	1,225,845	85,161	-	909,968
Parks and recreation	1,690,914	1,131,403	-	-
Community development	121,913	-	-	-
Interest and fiscal charges	134,797	-	-	-
Total Governmental Activities	5,655,738	1,275,572	44,888	909,968
Business-Type Activities				
Utility system	7,921,530	9,638,817	-	184,105
Total Business-Type Activities	7,921,530	9,638,817	-	184,105
Total Primary Government	\$ 13,577,268	\$ 10,914,389	\$ 44,888	1,094,073
Component Unit				
Llano EDC	\$ 29,607	-	-	-

General Revenues:

- Taxes
 - Property tax
 - Sales tax
 - Other taxes
- Lease income
- Investment income
- Other revenue

Transfers:

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Llano EDC
\$ (1,172,582)	\$ -	\$ (1,172,582)	\$ -
(1,205,791)	-	(1,205,791)	-
(230,716)	-	(230,716)	-
(559,511)	-	(559,511)	-
(121,913)	-	(121,913)	-
(134,797)	-	(134,797)	-
<u>(3,425,310)</u>	<u>-</u>	<u>(3,425,310)</u>	<u>-</u>
-	1,901,392	1,901,392	-
-	1,901,392	1,901,392	-
<u>(3,425,310)</u>	<u>1,901,392</u>	<u>(1,523,918)</u>	<u>-</u>
			<u>\$ (29,607)</u>
1,258,249	-	1,258,249	-
1,287,076	-	1,287,076	428,818
286,283	-	286,283	-
78,321	-	78,321	-
204,124	397,395	601,519	43,840
20,226	162,363	182,589	-
1,194,095	(1,194,095)	-	-
<u>4,328,374</u>	<u>(634,337)</u>	<u>3,694,037</u>	<u>472,658</u>
903,064	1,267,055	2,170,119	443,051
15,456,348	16,829,365	32,285,713	239,939
<u>\$ 16,359,412</u>	<u>\$ 18,096,420</u>	<u>\$ 34,455,832</u>	<u>\$ 682,990</u>

City of Llano, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2023

	General	Debt Service	Capital Projects	Airport
<u>Assets</u>				
Cash and cash equivalents	\$ 2,751,702	\$ 109,157	\$ 644,389	\$ 1,155
Receivables, net	355,528	8,475	-	-
Prepays	3,914	-	-	69
Due from other funds	3,627	-	22,375	-
Total Assets	\$ 3,114,771	\$ 117,632	\$ 666,764	\$ 1,224
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 343,313	\$ -	\$ 213,746	\$ 12,464
Deposits payable	18,550	-	-	-
Due to other funds	22,375	-	12,542	-
Due to component unit	1,265	-	-	-
Total Liabilities	385,503	-	226,288	12,464
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	16,382	8,475	-	-
park services	3,030	-	-	-
Total Deferred Inflows	19,412	8,475	-	-
<u>Fund Balances</u>				
Nonspendable: Prepaid items	3,914	-	-	69
Restricted for:				
Tourism	27,783	-	-	-
Capital improvements	-	-	440,476	-
Debt service	-	109,157	-	-
Police benevolence	3,594	-	-	-
Assigned: Special revenue	-	-	-	-
Unassigned	2,674,565	-	-	(11,309)
Total Fund Balances	2,709,856	109,157	440,476	(11,240)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,111,741	\$ 117,632	\$ 666,764	\$ 1,224

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 111,203	\$ 3,617,606
-	364,003
-	3,983
-	26,002
\$ 111,203	\$ 4,011,594

\$ 3,566	\$ 573,089
-	18,550
-	34,917
-	1,265
3,566	627,821

-	24,857
-	3,030
-	27,887

-	3,983
-	27,783
-	440,476
-	109,157
-	3,594
107,637	107,637
-	2,663,256
107,637	3,355,886

\$ 111,203	\$ 4,008,564
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City of Llano, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2023

Fund Balances - Total Governmental Funds	\$	3,355,886
 Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		1,538,191
Capital assets - net depreciable		16,714,525
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		24,857
Park services - receivable		3,030
 Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.		
Pension outflows - TMRS		556,282
Pension outflows - TESRS		86,811
OPEB contributions		5,858
 Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.		
Pension inflows - TMRS		(103,641)
Pension inflows - TESRS		(695)
OPEB inflows		(39,814)
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(10,302)
Compensated absences		(58,662)
Bond premiums		(203,317)
Long term debt due within one year		(500,445)
Long term debt due in more than one year		(3,684,129)
Net pension liability - TESRS		(138,325)
Net pension liability - TMRS		(1,055,541)
OPEB liability		(131,157)
Net Position of Governmental Activities	\$	16,359,412

See Notes to Financial Statements.

City of Llano, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS (Page 1 of 2) For the Year Ended September 30, 2023

	General	Debt Service	Capital Projects	Airport
Revenues				
Property tax	\$ 826,569	\$ 422,537	\$ -	\$ -
Sales tax	1,287,076	-	-	-
Other taxes	281,404	-	-	-
Penalty and interest on taxes	-	4,879	-	-
License and permits	85,161	-	-	-
Intergovernmental	35,731	-	-	909,968
Charges for services	696,576	-	-	406,526
Fines and forfeitures	59,008	-	-	-
Lease income	75,966	-	-	-
Contributions and donations	933	-	-	-
Investment income	149,783	19,771	29,858	-
Other revenues	73,023	-	-	-
Total Revenues	3,571,230	447,187	29,858	1,316,494
Expenditures				
General government:				
City council	22,472	-	-	-
Administration	1,067,610	2,552	122,099	-
Public safety:				
Police	929,237	-	-	-
Municipal court	127,768	-	-	-
Fire department	100,053	-	-	-
Public works:				
Streets	418,403	-	-	-
Airport	-	-	-	428,494
Code enforcement	168,495	-	-	-
Parks and recreation:				
Parks and recreation	418,306	-	-	-
Swimming pool	62,993	-	-	-
Badu RV park	5,376	-	-	-
Depot museum	8,305	-	-	-
JLK Arena	204,259	-	-	-
Lantex Thater	46,033	-	-	-
Robinson RV park	41,401	-	-	-
Cemetery	-	-	-	-
Golf course	627,578	-	-	-
Community development	125,927	-	-	-

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,249,106
-	1,287,076
-	281,404
-	4,879
-	85,161
-	945,699
25,271	1,128,373
-	59,008
2,355	78,321
8,224	9,157
4,712	204,124
-	73,023
40,562	5,405,331

- 22,472
- 1,192,261

- 929,237
- 127,768
- 100,053

- 418,403
- 428,494
- 168,495

50,212 468,518
- 62,993
- 5,376
- 8,305
- 204,259
- 46,033
- 41,401
- -
- 627,578
- 125,927

City of Llano, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS (Page 2 of 2)
For the Year Ended September 30, 2023

	General	Debt Service	Capital Projects	Airport
Debt Service:				
Principal	\$ 166,371	\$ 335,104	\$ -	-
Interest and fiscal charges	20,360	131,935	-	-
Capital outlay	-	-	-	987,630
Total Expenditures	4,560,947	469,591	122,099	1,416,124
Excess of Revenues				
Over (Under) Expenditures	(989,717)	(22,404)	(92,241)	(99,630)
<u>Other Financing Sources (Uses)</u>				
Lease related issuance	18,244	-	-	-
Sale of capital assets	8,085	-	-	1,665
Transfers in	1,087,634	-	106,461	86,725
Transfers (out)	(86,725)	-	-	-
Total Other Financing (Sources)	1,027,238	-	106,461	88,390
Net Change in Fund Balances	37,521	(22,404)	14,220	(11,240)
Beginning fund balances	2,672,335	131,561	426,256	-
Ending Fund Balances	\$ 2,709,856	\$ 109,157	\$ 440,476	\$ (11,240)

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 501,475
-	152,295
-	987,630
<u>50,212</u>	<u>6,618,973</u>
(9,650)	(1,213,642)
-	18,244
-	9,750
-	1,280,820
-	(86,725)
<u>-</u>	<u>1,222,089</u>
(9,650)	8,447
117,287	3,347,439
<u>\$ 107,637</u>	<u>\$ 3,355,886</u>

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City of Llano, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

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

Net changes in fund balances - total governmental funds	\$ 8,447
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,351,033
Depreciation expense	(986,067)
Adjustment for disposal of assets	(62,547)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	12,173
--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	2,290
Accrued interest	(5,093)
Pension expense - TMRS	84,093
Pension expense - TESRS	(7,422)
OPEB expense	335

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Lease issuance	(18,244)
Principal payments	501,475
Amortization of premium	22,591

Change in Net Position of Governmental Activities	\$ 903,064
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See Notes to Financial Statements.

City of Llano, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUND
September 30, 2023

	Utility System
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 9,515,195
Receivables, net	897,635
Due from other funds	12,542
Inventory	253,956
Prepays	1,656
Total Current Assets	10,680,984
Noncurrent Assets:	
Capital assets:	
Non-depreciable	6,086,037
Net depreciable capital assets	17,317,530
Total Noncurrent Assets	23,403,567
Total Assets	34,084,551
<u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	72,217
Pension outflows	286,569
OPEB outflows	3,018
Total Deferred Outflows of Resources	361,804

City of Llano, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUND
September 30, 2023

	Utility System
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 1,169,199
Customer deposits	213,583
Due to others	3,627
Accrued interest	19,416
Compensated absences, current	37,840
Long-term debt due within one year	1,140,403
Total Current Liabilities	2,584,068
Noncurrent Liabilities:	
Net pension liability	543,763
OPEB liability	67,566
Compensated absences, noncurrent	4,205
Long-term debt, noncurrent	13,076,432
Total Noncurrent Liabilities	13,691,966
Total Liabilities	16,276,034
<u>Deferred Inflows of Resources</u>	
Pension inflows	53,391
OPEB inflows	20,510
Total Deferred Inflows of Resources	73,901
<u>Net Position</u>	
Net investment in capital assets	14,135,468
Restricted for debt service	285,633
Unrestricted	3,675,319
Total Net Position	\$ 18,096,420

See Notes to Financial Statements.

City of Llano, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2023

	<u>Utility System</u>
<u>Operating Revenues</u>	
Charges for service	\$ 9,389,289
Other revenue	249,528
Total Operating Revenues	<u>9,638,817</u>
 <u>Operating Expenses</u>	
Administration	402,306
Customer convenience	166,526
Sanitation disposal fees	705,010
Water plant	447,198
Water distribution	449,900
Sewer plant	290,210
Sewer collection	310,042
Electric	3,850,422
Depreciation	839,303
Total Operating Expenses	<u>7,460,917</u>
Operating Income (Loss)	<u>2,177,900</u>
 <u>Nonoperating Revenues (Expenses)</u>	
Investment income	397,395
Insurance proceeds	116,142
Gain on sale of assets	46,221
Bond issuance costs	(60,288)
Interest expense	(400,325)
Total Nonoperating Revenues (Expenses)	<u>99,145</u>
Income (Loss) Before Contributions and Transfers	2,277,045
Capital contributions	184,105
Transfers (out)	(1,194,095)
Change in Net Position	<u>1,267,055</u>
Beginning net position	16,829,365
Ending Net Position	<u>\$ 18,096,420</u>

See Notes to Financial Statements.

City of Llano, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 1 of 2)
For the Year Ended September 30, 2023

	Water, Sewer & Sanitation
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 10,128,319
Payments to suppliers and contractors	(5,312,021)
Payments to employees	(1,249,724)
Net Cash Provided (Used) by Operating Activities	3,566,574
<u>Cash Flows from Noncapital Financing Activities</u>	
Insurance proceeds	116,142
Transfers in	-
Transfers (out)	(1,194,095)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,077,953)
<u>Cash Flows from Capital and Financing Activities</u>	
Purchase of capital assets	(2,247,411)
Proceeds from sale of capital assets	46,221
Proceeds from grants	184,105
Proceeds from capital debt	4,750,000
Debt principal payments	(883,988)
Bond issuance costs paid	(60,288)
Interest paid	(419,325)
Net Cash Provided (Used) by Capital and Financing Activities	1,369,314
<u>Cash Flows from Investing Activities</u>	
Interest on investments	397,395
Net Cash Provided (Used) by Investing Activities	397,395
Net Increase (Decrease) in Cash and Cash Equivalents	4,255,330
Beginning cash, & cash equivalents	5,259,865
Ending Cash, & Cash Equivalents	\$ 9,515,195

See Notes to Financial Statements.

City of Llano, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (Page 2 of 2)
For the Year Ended September 30, 2023

	<u>Water, Sewer & Sanitation</u>
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash (Used) by Operating Activities</u>	
Operating Income (Loss)	\$ 2,177,900
Adjustments to reconcile operating income to net cash used:	
Depreciation	839,303
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	275,919
Prepays	(1,656)
Inventory	(23,325)
Due to (from) other funds	(12,820)
Deferred outflows of resources: OPEB	6,960
Deferred outflows of resources: Pension	(197,863)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	144,446
Customer deposits	213,583
Compensated absences	(3,284)
Net pension liability	332,245
OPEB liability	(23,034)
Deferred inflows of resources - OPEB	15,902
Deferred inflows of resources - pension	(177,702)
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,566,574</u>

See Notes to Financial Statements.

City of Llano, Texas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2023

	<u>Private Purpose Trust Funds</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 124
Investments	39,259
Total Assets	<u>\$ 39,383</u>
<u>Net Position</u>	
Restricted	39,383
Total Net Position	<u>\$ 39,383</u>

See Notes to Financial Statements.

City of Llano, Texas
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended September 30, 2023

		<u>Private Purpose Trust Funds</u>
<u>Additions</u>		
Investment income		\$ 1,744
	Total Additions	<u>\$ 1,744</u>
 <u>Deductions</u>		
Refunds		-
	Total Deductions	<u>-</u>
	Change in Net Position	1,744
Beginning net position		37,639
	Ending Net Position	<u><u>\$ 39,383</u></u>

See Notes to Financial Statements.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Llano, Texas, Texas (the “City”) was founded on February 1, 1856. 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’s primary services include public safety (police and fire), parks and recreation (swimming pool, RV parks, golf course), streets, utility services (electric, sanitation, water and sewer), community development, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally Accepted Accounting Principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (“GASB”). The more significant accounting policies of the City are described below.

A. Description of Government-Wide Financial Statements

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

B. Financial Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the government.

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

Discretely Presented Component Units

Llano Economic Development Corporation

The Llano Economic Development Corporation (the "EDC") 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 discretely presented component unit of the City and is reported as part of the overall financial reporting entity of the City.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include charges paid by the recipients for goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The government reports the following major governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, court, community development, police, fire, parks and recreation, and streets.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes.

Capital Projects Fund

The capital projects fund accounts for the acquisition and construction of the government's major capital projects, other than those financed by proprietary funds.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

Airport Fund

The airport fund accounts for revenues and expenses associated with the operations of the Llano Municipal Airport.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise fund:

Utility System Fund

This fund is used to account for the provision of electric, water, sewer & garbage services to the residents of the City. Activities of the fund include administration, operations and maintenance of the electric, water and sewer distribution systems, water collection systems, and contract garbage services. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Additionally, the City reports the following fund types:

Special Revenue Funds

The City accounts for resources restricted to, or designed for, specific purposes in a special revenue fund.

Fiduciary Funds

The Private Purpose Trust fund is operated as a fiduciary fund. This fund maintains funds for perpetual care of the cemetery.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

D. Measurement Focus and Basis of Accounting

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City utilizes the modified accrual basis of accounting in the governmental fund type. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net position, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as LOGIC or TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Obligations of the U.S. Government
- Direct obligations of the State of Texas or its agencies
- Obligations of states, agencies, counties, cities, and other political subdivisions
- Fully collateralized certificates of deposit
- No-load money market mutual funds
- Statewide investment pools

2. Fair Value Measurement

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as “due to/from component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the City. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Program Revenues

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

6. Proprietary funds operating and nonoperating revenue and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are water, sewer, and refuse charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

7. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, water & sewer distribution lines, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as individual assets, or a group of similar items, with a cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets that are donated or received in a service concession arrangement are reported at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Vehicles	5 years
Furniture and office equipment	5 to 10 years
Machinery & equipment	5 to 10 years
Infrastructure	30 to 50 years
Distribution & collection	40 to 50 years
Buildings and improvements	10 to 50 years

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

9. Leases

The City is a lessee for noncancellable leases of equipment and recognizes a lease liability and intangible right-to-use lease assets in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and, if applicable, the purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Net Position Flow Assumption

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

12. Fund Balance Flow Assumptions

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

13. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed.

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

14. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances and banked compensation time gained through working overtime. Full-time employees earn vacation leave time at a rate based on years of service. For employees with 5 or more years of service, fifteen days (120 hours) accrues each year. Vacation time that can be carried over is limited to 192 hours. Excess of the 192 hours is lost each December 31st. A maximum of 192 hours accrued leave can be paid upon separation from service. No payment is made for accumulated sick leave upon separation from service. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

15. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable, notes payable, lease liabilities, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

Assets acquired under the terms of notes payable and leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum note and lease payments at inception of the note or lease. In the year of acquisition, notes payable transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Note and lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

16. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and TESRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

17. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and non-employer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

18. Estimates

The preparation 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

19. Subscription Based Information Technology Arrangements ("SBITA")

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 96, entitled Subscription-Based Information Technology Arrangements ("SBITA"). The City has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of an SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, and airport funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control is the fund level. No funds can be transferred or added to a budgeted item without Council approval. The budgeted revenues and expenditures for the general fund were amended during the current fiscal year. The final budgeted revenues were increased compared to the original budget. The final budgeted expenditures were increased compared to the original budget. Appropriations lapse at the end of the year.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

The City has implemented procedures to ensure budgetary compliance. No expenditure can be made unless there is a budget available or an approved budget amendment has been submitted. Department head and management will review the budget variances on a regular basis and the budget will be amended if necessary.

For the year ended September 30, 2023, expenditures exceeded appropriates for the general fund for transfers out for \$583,186.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. The City's investments in 2a7-like pools such as TexPool are included in this category. Although the City's investments in TexPool are available for immediate withdrawal, disclosure of the pool's weighted average maturity and bond rating are required. The City had the following deposits considered to be cash and cash equivalents at year end:

Investment Type	Value	Weighted Average Maturity (Days)
TexPool investment pool	10,929,744	28
Total fair value	\$ 10,929,744	

The EDC had the following deposits considered to be cash and cash equivalents at year end:

Investment Type	Carrying Value	Weighted Average Maturity (Days)
TexPool investment pool	332,454	28
Total fair value	\$ 332,454	

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed one year; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

less than “A” or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency, No-load money market mutual funds registered and regulated by the SEC and must maintain a stable net asset value of \$1.00 per share, Certificates of deposits which are fully FDIC insured or collateralized from a depository institution doing business in the State of Texas, not to exceed 5 years to stated maturity, and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2023, the City’s investment in TexPool was rated AAAM by Standard & Poor’s.

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2023, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, 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. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

B. Receivables

The following comprise receivable balances of the primary government at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Utility</u>	<u>Total</u>
Taxes				
Property	\$ 37,495	\$ 17,850	\$ -	\$ 55,345
Sales	214,264	-	-	214,264
Franchise & other	39,221	-	-	39,221
Fines	227,956	-	-	227,956
Accounts	85,661	-	1,256,138	1,341,799
Allowance	(249,069)	(9,375)	(358,503)	(616,947)
Total	<u>\$ 355,528</u>	<u>\$ 8,475</u>	<u>\$ 897,635</u>	<u>\$ 1,261,638</u>

The City's discretely presented component unit recognized receivable balances consisting entirely of sales tax.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 366,964	\$ -	\$ -	\$ 366,964
Construction in progress	183,597	987,630	-	1,171,227
Total capital assets not being depreciated	<u>550,561</u>	<u>987,630</u>	<u>-</u>	<u>1,538,191</u>
Capital assets, being depreciated:				
Buildings and improvements	14,910,120	88,118	-	14,998,238
Equipment	5,531,821	96,351	(2,014,205)	3,613,967
Right-to-use assets	73,747	79,346	-	153,093
Infrastructure	10,134,975	99,588	-	10,234,563
Total capital assets being depreciated	<u>30,650,663</u>	<u>363,403</u>	<u>(2,014,205)</u>	<u>28,999,861</u>
Less accumulated depreciation				
Buildings and improvements	5,617,144	431,411	-	6,048,555
Equipment	4,217,526	276,094	(1,951,658)	2,541,962
Right-to-use assets	47,564	28,187	-	75,751
Infrastructure	3,368,693	250,375	-	3,619,068
Total accumulated depreciation	<u>13,250,927</u>	<u>986,067</u>	<u>(1,951,658)</u>	<u>12,285,336</u>
Net capital assets being depreciated	<u>17,399,736</u>	<u>(622,664)</u>	<u>(62,547)</u>	<u>16,714,525</u>
Total capital assets	<u>\$ 17,950,297</u>	<u>\$ 364,966</u>	<u>\$ (62,547)</u>	<u>\$ 18,252,716</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 21,962
Public safety	132,662
Public works	416,676
Parks and recreation	414,767
Total Governmental Activities Depreciation Expense	<u>\$ 986,067</u>

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 533,711	\$ -	\$ -	\$ 533,711
Construction in progress	4,544,139	1,211,243	(203,056)	5,552,326
Total capital assets not being depreciated	<u>5,077,850</u>	<u>1,211,243</u>	<u>(203,056)</u>	<u>6,086,037</u>
Capital assets, being depreciated:				
Distribution and collection systems	27,018,589	114,781	203,056	27,336,426
Equipment	3,769,656	921,387	(1,002,510)	3,688,533
Total capital assets being depreciated	<u>30,788,245</u>	<u>1,036,168</u>	<u>(799,454)</u>	<u>31,024,959</u>
Less accumulated depreciation				
Distribution and collection systems	10,854,380	626,521	-	11,480,901
Equipment	3,016,256	212,782	(1,002,510)	2,226,528
Total accumulated depreciation	<u>13,870,636</u>	<u>839,303</u>	<u>(1,002,510)</u>	<u>13,707,429</u>
Net capital assets being depreciated	<u>16,917,609</u>	<u>196,865</u>	<u>203,056</u>	<u>17,317,530</u>
Total capital assets	<u>\$ 21,995,459</u>	<u>\$ 1,408,108</u>	<u>\$ -</u>	<u>\$ 23,403,567</u>

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

D. Long-term Debt

The following is a summary of changes in the City's total governmental and business-type activities long-term liabilities for the year ended. In general, the City uses the general and debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Refunding Bonds					
Series 2017	\$ 3,740,000	\$ -	\$ (320,000)	\$ 3,420,000	\$ 330,000
Notes payable	662,517	-	(100,497)	562,020	83,733
Lease liabilities	265,288	18,244	(80,978)	202,554	86,712
Premiums	225,908	-	(22,591)	203,317	-
Total Governmental Activities	<u>\$ 4,893,713</u>	<u>\$ 18,244</u>	<u>\$ (524,066)</u>	<u>\$ 4,387,891</u>	<u>\$ 500,445</u>
Long-term liabilities due in more than one year				<u>\$ 3,887,446</u>	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Refunding Bonds					
Series 2016	\$ 3,840,000	\$ -	\$ (240,000)	\$ 3,600,000	\$ 240,000
Comb. Tax & Revenue Bonds	5,400,000	4,750,000	(305,000)	9,845,000	710,000
Notes payable	666,248	-	(338,988)	327,260	190,403
Premiums	478,674	-	(34,099)	444,575	-
Total Business-Type Activities	<u>\$ 10,384,922</u>	<u>\$ 4,750,000</u>	<u>\$ (918,087)</u>	<u>\$ 14,216,835</u>	<u>\$ 1,140,403</u>
Long-term liabilities due in more than one year				<u>\$ 13,076,432</u>	
Component Unit Activities					
Bonds, notes and other payables:					
Notes payable	\$ 699,567	\$ -	\$ (153,629)	\$ 545,938	\$ 160,282
Total Component Unit Activities	<u>\$ 699,567</u>	<u>\$ -</u>	<u>\$ (153,629)</u>	<u>\$ 545,938</u>	<u>\$ 160,282</u>
Long-term liabilities due in more than one year				<u>\$ 385,656</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Long-term debt at year end was comprised of the following debt issues:

	Governmental Activities	Business- Type Activities	Total
General Obligation & Refunding Bonds:			
\$5,165,000 General Obligation Refunding Bonds, Series 2016, due in annual installments through 2036, interest at 2-4%	\$ -	\$ 3,600,000	\$ 3,600,000
\$5,025,000 General Obligation Refunding Bonds, Series 2017, due in annual installments through 2032, interest at 2%-4%	3,420,000	-	3,420,000
Total General Obligation & Refunding Bonds	3,420,000	3,600,000	7,020,000
Certificates of Obligation:			
\$1,700,000 Comb. Tax & Rev. Certificates, Series 2017, due in annual installments through 2037, interest at 3.0%-3.25%	-	1,290,000	1,290,000
\$3,390,000 Comb. Tax & Rev. Certificates, Series 2018A, due in annual installments through 2038, interest at .19%-1.70%	-	2,625,000	2,625,000
\$890,000 Comb. Tax & Rev. Certificates, Series 2018B, due in annual installments through 2038, interest at .49%-2.00%	-	695,000	695,000
\$630,000 Comb. Tax & Rev. Certificates, Series 2018C, due in annual installments through 2038, interest at .19%-1.70%	-	485,000	485,000
\$4,750,000 Comb. Tax & Rev. Certificates, Series 2022, due in annual installments through 2037, interest at 4.19%	-	4,750,000	4,750,000
Total Certificates of Obligation	-	9,845,000	9,845,000
Less Deferred Amounts:			
Issuance premiums	203,317	444,575	647,892
Total Deferred Amounts	203,317	444,575	647,892
Notes payable	562,020	327,260	889,280
Lease liabilities	202,554	-	202,554
Total Debt	\$ 4,387,891	\$ 14,216,835	\$ 18,604,726

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

The annual requirements to amortize governmental activities debt issues outstanding at year end were as follows:

Year ending September 30,	General Obligation					
	Bonds		Notes Payable		Lease Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 330,000	\$ 112,900	\$ 83,733	\$ 15,416	\$ 86,712	\$ 10,869
2025	345,000	99,700	84,217	13,177	89,691	7,889
2026	355,000	85,900	67,010	11,105	26,151	4,818
2027	370,000	71,700	68,945	9,170	-	-
2028	380,000	60,600	70,936	7,180	-	-
2029 - 2033	1,640,000	124,950	187,179	10,497	-	-
	<u>\$ 3,420,000</u>	<u>\$ 555,750</u>	<u>\$ 562,020</u>	<u>\$ 66,545</u>	<u>\$ 202,554</u>	<u>\$ 23,576</u>

The City entered into leases to finance various pieces of equipment. The property is classified as right to use assets with a total carrying value as of yearend for governmental activities of \$77,342.

The annual requirements to amortize business-type activities debt issues outstanding at year end were as follows:

Year ending September 30,	General Obligation					
	Bonds		Certificates of Obligation		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 240,000	\$ 141,600	\$ 710,000	\$ 295,250	\$ 190,403	\$ 4,944
2025	250,000	134,400	735,000	273,679	60,221	2,474
2026	255,000	124,400	760,000	250,868	61,590	1,105
2027	265,000	114,200	780,000	227,113	15,046	59
2028	275,000	103,600	805,000	202,352	-	-
2029 - 2033	1,505,000	347,000	3,160,000	679,650	-	-
2034 - 2038	810,000	56,600	2,895,000	224,499	-	-
	<u>\$ 3,600,000</u>	<u>\$ 1,021,800</u>	<u>\$ 9,845,000</u>	<u>\$ 2,153,411</u>	<u>\$ 327,260</u>	<u>\$ 8,582</u>

Notes payable are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

The annual requirements to amortize component unit activities debt issues outstanding at year end were as follows:

Year ending September 30,	Notes Payable	
	Principal	Interest
2024	\$ 160,282	\$ 20,696
2025	167,155	13,777
2026	174,373	6,558
2027	44,128	476
	\$ 545,938	\$ 41,507

G. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended. In general, the City uses the general and enterprise funds to liquidate compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 60,952	\$ -	\$ (2,290)	\$ 58,662	\$ 52,796
Total Governmental Activities	\$ 60,952	\$ -	\$ (2,290)	\$ 58,662	\$ 52,796
Long-term Liabilities Due in More than One Year				\$ 5,866	
Business-Type Activities:					
Compensated Absences	\$ 45,329	\$ -	\$ (3,284)	\$ 42,045	\$ 37,840
Total Business-Type Activities	\$ 45,329	\$ -	\$ (3,284)	\$ 42,045	\$ 37,840
Long-term Liabilities Due in More than One Year				\$ 4,205	

H. Fund Equity

The City records fund balance/net position restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

The following is a list of fund balances/net position restricted by law or the City and commitments made by City Council:

	Governmental			Business-Type
	Fund Balance		Net Position	Net Position
	Restricted	Assigned	Restricted	Restricted
Tourism	\$ 27,783	\$ -	\$ 27,783	\$ -
Debt service	109,157	-	109,157	285,633
Police Benevolance	3,594	-	3,594	-
Capital improvements	440,476	-	440,476	-
Christmas lighting	-	56,214 ¹	-	-
Cemetery	-	19,224 ¹	-	-
Main street	-	32,199 ¹	-	-
TOTAL	\$ 581,010	\$ 107,637	\$ 581,010	\$ 285,633

¹ Special revenue funds

I. Interfund Balances

The composition of interfund balances as of the year ended September 30, 2023, were as follows:

Due to: (Payable Fund):	Due from (Receivable fund):			
	General	Capital Projects	Utility	Total
Capital Projects	\$ -	\$ -	\$ 12,542	\$ 12,542
General	-	22,375	-	22,375
Utility system	3,627	-	-	3,627
Total	\$ 3,627	\$ 22,375	\$ 12,542	\$ 38,544

As of yearend, the general fund owed the EDC \$1,265.

The purpose of interfund receivables and payables is to loan cash between funds. All balances are expected to be settled within one year.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Transfers between the primary government during the 2023 year were as follows:

Transfers (Out):	Transfers In:			Total
	General	Capital Projects	Airport	
General	\$ -	\$ -	\$ 86,725	\$ 86,725
Utility system	1,087,634	106,461	-	1,194,095
Total	\$ 1,087,634	\$ 106,461	\$ 86,725	\$ 1,280,820

Transfers between funds were primarily to support debt service requirements and operation of funds.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other Texas governments & political subdivisions in the Texas Municipal League’s Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past four years.

B. Contingent Liabilities

Amounts received or receivable from granting 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 amounts 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.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does not anticipate that it will have an arbitrage liability.

D. Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City of Llano, Texas participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

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:

	<u>Plan Year 2021</u>	<u>Plan Year 2022</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%, repeating transfers	100%, repeating transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI
Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2022</u>	<u>2021</u>
Inactive employees or beneficiaries currently receiving benefits	44	44
Inactive employees entitled to but not yet receiving benefits	55	42
Active employees	38	46
Total	137	132

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Llano, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Llano, Texas were 13.07% and 12.41% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$329,251 and were equal to the required contributions.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.5% to 11.50%, including inflation
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 1, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public/Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 2,852,777	\$ 1,599,304	\$ 553,341

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/21	\$ 9,663,918	\$ 9,041,807	\$ 622,111
Changes for the year:			
Service Cost	342,517	-	342,517
Interest (on the Total Pension Liab.)	650,140	-	650,140
Difference between expected and actual experience	(181,731)	-	(181,731)
Changes of assumptions	-	-	-
Contributions – employer	-	333,201	(333,201)
Contributions – employee	-	159,841	(159,841)
Net investment income	-	(660,413)	660,413
Benefit payments, including refunds of emp. contributions	(406,936)	(406,936)	-
Administrative expense	-	(5,711)	5,711
Other changes	-	6,815	(6,815)
Net changes	403,990	(573,203)	977,193
Balance at 12/31/22	\$ 10,067,908	\$ 8,468,604	\$ 1,599,304

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$202,340.

The general fund and utility system fund have typically been used to liquidate pension liabilities.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	\$ 586,680	\$ -
Changes in assumptions	-	-
Investment gains (inflows) or losses outflows	-	(157,032)
Contributions subsequent to the measurement date	256,171	-
Total	\$ 842,851	\$ (157,032)

The City reported \$256,171 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
December 31:	
2023	\$ (84,964)
2024	105,423
2025	155,045
2026	254,144
2027	-
Thereafter	-
Total	\$ 429,648

Texas Emergency Services Retirement System

1. Plan Description

The Fire Fighter’s Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2022, there were 239 member fire or emergency services departments actively participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

At August 31, 2022, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,991
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	1,813
Active Participants (Vested and Nonvested)	<u>3,379</u>
Total	<u>9,183</u>

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body’s average monthly contribution over the member’s years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member’s surviving spouse and dependent children.

2. Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities. According to the state law governing the System, the state is required to contribute an amount necessary to make the System “actuarially sound” each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the August 31, 2022 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

3. Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2022, total contributions (dues and prior service) of \$4,049,093 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,262,763 for the fiscal year ending August 31, 2022.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The most recently completed biennial actuarial valuation as of August 31, 2022 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$675,000 each year to pay for part of the System's administrative expenses.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

To the best of our knowledge, the actuarial information supplied in this section is complete, accurate and in compliance with GASB Statement No. 25. In our opinion, the assumptions used are reasonably related to the experience of the System and to reasonable expectations. The assumptions represent a reasonable estimate of anticipated experience of the System over the long-term future, and their selection complies with the appropriate actuarial standards of practice.

Valuation Date	<u>August 31, 2018</u>	<u>August 31, 2020</u>	<u>August 31, 2022</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar, open	Level dollar, open	Level dollar, open
Amortization	30 years	30 years	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value

Actuarial Assumptions:

Investment Rate of Return *	7.75% per year, net of investment expenses	7.50% per year, net of investment expenses	7.50% per year, net of investment expenses
Projected Salary Increases *	N/A	N/A	N/A
* Includes Inflation at	3.50%	3.00%	3.00%
Cost-of-Living Adjustments	None	None	None

The target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities:		
Large cap domestic	20%	5.83%
Small cap domestic	10%	5.94%
Developed international	15%	6.17%
Emerging markets	5%	7.36%
Global infrastructure	5%	6.61%
Real Estate	10%	4.48%
Multi asset income	5%	3.86%
Fixed income	30%	1.95%
Cash	0%	0%
Total	100.0%	4.61%

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.5%. No projection of cash flows was used to determine the discount rate because the August 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

4. Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) – (b)</u>
Balance at 8/31/2021	\$ 524,856	\$ 488,735	\$ 36,121
Changes for the year:			
Service Cost	5,247	-	5,247
Interest (on the Total Pension Liab.)	38,753	-	38,753
Change in benefit terms	8,190	-	8,190
Difference between expected and actual experience	8,400	-	8,400
Changes of assumptions	(1,110)	-	(1,110)
Contributions – members	-	13,651	(13,651)
Contributions – state	-	4,257	(4,257)
Net investment income	-	(59,818)	59,818
Benefit payments, including refunds of emp. contributions	(26,805)	(26,805)	-
Administrative expense	-	(814)	814
Proportion changes	-	-	-
Net changes	<u>32,675</u>	<u>(69,529)</u>	<u>102,204</u>
Balance at 8/31/2022	<u>\$ 557,531</u>	<u>\$ 419,206</u>	<u>\$ 138,325</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

1% Decrease 6.5%	Current Single Rate Assumption 7.5%	1% Increase 8.5%
\$ 216,994	\$ 138,325	\$ 74,619

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TESRS financial report. That report may be obtained on the internet at www.tesrs.com.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2023, the City recognized pension expense of \$29,228.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual economic experience	\$ 5,265	\$ -
Difference between projected and investment earnings	51,012	-
Change in actuarial assumptions	-	(695)
Changes in pension proportion	11,559	-
Contributions subsequent to the measurement date	18,975	-
Total	\$ 86,811	\$ (695)

The City reported \$18,975 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows related to the TESRS pension will be recognized in pension expense as follows:

Year ended August 31:	
2023	\$ 16,762
2024	10,680
2025	11,119
2026	19,917
2027	724
Thereafter	7,939
	\$ 67,141

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 Retirement System (TMRS) known as the

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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,” or OPEB.

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.

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	36	31
Inactive employees entitled to but not yet receiving benefits	10	4
Active employees	38	44
Total	84	79

The City’s contributions to the TMRS SDBF for the years ended 2023, 2022, and 2021 were \$10,589, \$7,834, respectively, which equaled the required contributions each year. The required contribution rates for the retiree for 2023, 2022 and 2021 was 0.43%, 0.34%, and 0.32%, respectively.

Total OPEB Liability

The City’s Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2022, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2023

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.50%, including inflation per year
Discount rate	4.05%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale UMP. For disabled annuitants, the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.05%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate.

1% Decrease	Current Single Rate	1% Increase
3.05%	Assumption 4.05%	5.05%
\$ 230,234	\$ 198,723	\$ 173,470

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/21	\$ 266,472
Changes for the year:	
Service Cost	25,803
Interest	5,069
Difference between expected and actual experience	(9,820)
Changes of assumptions	(81,037)
Benefit payments	(7,764)
Net changes	(67,749)
Balance at 12/31/22	\$ 198,723

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized OPEB expense of \$13,154.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ (12,555)
Changes in assumptions	-	(47,769)
Contributions after the measurement date	8,876	-
Total	\$ 8,876	\$ (60,324)

The City reported \$8,876 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2024.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2023	\$ (19,352)
2024	(23,194)
2026	(17,778)
2027	-
Thereafter	-
	\$ (60,324)

The OPEB plan is not administered through a trust, or equivalent arrangement, and there are no assets accumulated in a GASB-compliant trust.

E. Restatement

Due to corrections to capital assets, unbilled receivables, and retainage payables the City restated beginning net position/fund balance for governmental activities, business-type activities and the utility system fund.

The restatement of beginning fund balance/net position is as follows:

	Governmental Activities	Business-Type Activities	Utility System	Fiduciary Activities Pension Trust
Prior year ending net position/fund balance, as reported	\$ 15,456,800	\$ 16,675,894	\$ 16,675,894	\$ 539
Adjust accumulated depreciation	(452)	-	-	-
Correction to unbilled receivables	-	(44,394)	(44,394)	-
Correction to retainage payable	-	197,865	197,865	-
Correction to balance held	-	-	-	(539)
Restated beginning net position/fund balance	\$ 15,456,348	\$ 16,829,365	\$ 16,829,365	\$ -

F. Subsequent Events

On October 27, 2023 the City acquire a street sweeper for \$285,261. The equipment was financed with a lease purchase agreement. The financing has an interest rate of approximately 5.4%, and monthly payments of principal and interest of \$5,445, and final payment on October 27, 2028.

On October 27, 2023 the City acquire a pole truck for \$296,000. The equipment was financed with a lease purchase agreement. The financing has an interest rate of approximately 5.612%, and annual payments of principal and interest of \$69,529, and final payment on March 1, 2029.

There were no material subsequent events through April 26, 2024, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Llano, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)

GENERAL FUND

For the Year Ended September 30, 2023

	Original Budget	Final Budget	General	Variance with Final Budget
Revenues				
Property tax	\$ 830,426	\$ 827,126	\$ 826,569	\$ (557)
Sales tax	1,139,000	1,263,000	1,287,076	24,076
Other taxes	231,500	271,183	281,404	10,221
License and permits	60,000	81,290	85,161	3,871
Intergovernmental	10,000	35,529	35,731	202
Charges for services	740,200	690,635	696,576	5,941
Fines and forfeitures	56,500	56,500	59,008	2,508
Lease income	110,950	84,450	75,966	(8,484)
Contributions and donations	5,500	900	933	33
Investment income	3,000	148,000	149,783	1,783
Other revenues	65,250	64,703	73,023	8,320
Total Revenues	3,252,326	3,523,316	3,571,230	47,914
Expenditures				
General government:				
City council	23,508	26,138	22,472	3,666
Administration	1,519,837	1,696,875	1,067,610	629,265
Public safety:				
Police	1,065,096	1,081,100	929,237	151,863
Municipal court	119,872	130,712	127,768	2,944
Fire department	94,029	102,938	100,053	2,885
Public works:				
Streets	499,914	488,826	418,403	70,423
Code enforcement	191,553	186,662	168,495	18,167
Parks and recreation:				
Parks and recreation	416,062	448,975	418,306	30,669
Swimming pool	63,942	89,442	62,993	26,449
Badu RV park	8,000	8,000	5,376	2,624
Depot museum	6,944	8,685	8,305	380
JLK Arena	246,722	233,722	204,259	29,463
Lantex Thater	36,896	49,871	46,033	3,838
Robinson RV park	44,979	44,979	41,401	3,578
Golf course	616,480	626,580	627,578	(998)
Community development	116,136	128,026	125,927	2,099

City of Llano, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)

GENERAL FUND

For the Year Ended September 30, 2023

	Original Budget	Final Budget	General	Variance with Final Budget
Debt service:				
Principal	\$ 151,336	\$ 151,336	\$ 166,371	\$ (15,035)
Interest and fiscal charges	50,376	50,376	20,360	30,016
Capital outlay	68,755	-	-	-
Total Expenditures	5,340,437	5,553,243	4,560,947	992,296
 <u>Other Financing Sources (Uses)</u>				
Sale of capital assets	-	8,085	8,085	-
Lease related issuances	-	-	18,244	18,244
Transfers in	1,523,437	1,523,437	1,087,634	(435,803)
Transfers (out)	-	-	(86,725)	(86,725) *
Total Other Financing Sources (Uses)	1,523,437	1,531,522	1,027,238	(504,284)
Net Change in Fund Balance	\$ (564,674)	\$ (498,405)	37,521	\$ 535,926
Beginning fund balance			2,672,335	
Ending Fund Balance			\$ 2,709,856	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

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City of Llano, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL AIRPORT FUND

For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>				
Charges for services	\$ 398,500	\$ 398,500	\$ 406,526	\$ 8,026
Intergovernmental	818,000	1,118,000	909,968	(208,032)
Total Revenues	1,216,500	1,516,500	1,316,494	(200,006)
<u>Expenditures</u>				
Current:				
Airport	195,151	610,497	428,494	182,003
Capital outlay	987,630	987,630	987,630	-
Total Expenditures	1,182,781	1,598,127	1,416,124	182,003
Revenues Over (Under)				
Expenditures	33,719	(81,627)	(99,630)	(18,003)
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	86,725	86,725
Sale of capital assets	-	3,330	1,665	(1,665)
Total Other Financing Sources	-	3,330	88,390	85,060
Net Change in Fund Balance	\$ 33,719	\$ (78,297)	(11,240)	\$ 67,057
Beginning fund balance			-	
Ending Fund Balance			\$ (11,240)	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

See Notes to Financial Statements.

City of Llano, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended December 31,

	¹ 12/31/2022	12/31/2021	12/31/2020	12/31/2019
Total pension liability				
Service cost	\$ 342,517	\$ 369,774	\$ 350,456	\$ 345,603
Interest	650,140	622,528	593,415	575,162
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(181,731)	(168,986)	(128,765)	(248,886)
Changes in assumptions	-	-	-	33,338
Benefit payments, including refunds of participant contributions	(406,936)	(394,307)	(392,590)	(481,881)
Net change in total pension liability	403,990	429,009	422,516	223,336
Total pension liability - beginning	9,663,918	9,234,909	8,812,393	8,589,057
Total pension liability - ending (a)	\$ 10,067,908	\$ 9,663,918	\$ 9,234,909	\$ 8,812,393
Plan fiduciary net position				
Contributions - employer	\$ 333,201	\$ 362,054	\$ 350,892	\$ 347,490
Contributions - members	159,841	174,304	166,998	165,247
Net investment income (loss)	(660,413)	1,027,240	547,158	961,741
Benefit payments, including refunds of participant contributions	(406,936)	(394,307)	(392,590)	(481,881)
Administrative expenses	(5,711)	(4,751)	(3,540)	(5,435)
Other	6,815	32	(138)	(163)
Net change in plan fiduciary net position	(573,203)	1,164,572	668,780	986,999
Plan fiduciary net position - beginning	9,041,807	7,877,235	7,208,455	6,221,456
Plan fiduciary net position - ending (b)	\$ 8,468,604	\$ 9,041,807	\$ 7,877,235	\$ 7,208,455
Fund's net pension liability (asset) - ending (a) - (b)	\$ 1,599,304	\$ 622,111	\$ 1,357,674	\$ 1,603,938
Plan fiduciary net position as a percentage of the total pension liability	84.11%	93.56%	85.30%	81.80%
Covered payroll	\$ 2,283,445	\$ 2,490,058	\$ 2,385,680	\$ 2,360,674
Fund's net position as a percentage of covered payroll	70.04%	24.98%	56.91%	67.94%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
\$	347,028	\$ 338,920	\$ 315,794	\$ 216,328	\$ 208,031
	545,370	505,219	465,907	452,805	403,095
	-	-	-	596,175	-
	50,699	163,185	91,027	(107,658)	(173,667)
	-	-	-	136,174	-
	(520,167)	(312,916)	(290,887)	(336,489)	(318,787)
	<u>422,930</u>	<u>694,408</u>	<u>581,841</u>	<u>957,335</u>	<u>118,672</u>
	<u>8,166,127</u>	<u>7,471,719</u>	<u>6,889,878</u>	<u>5,932,543</u>	<u>5,813,871</u>
\$	<u>\$ 8,589,057</u>	<u>\$ 8,166,127</u>	<u>\$ 7,471,719</u>	<u>\$ 6,889,878</u>	<u>\$ 5,932,543</u>
\$	343,760	\$ 333,444	\$ 293,523	\$ 175,995	\$ 162,462
	163,362	158,692	145,336	124,122	120,611
	(192,612)	761,145	338,705	7,445	275,131
	(520,167)	(312,916)	(290,887)	(336,489)	(318,787)
	(3,723)	(3,947)	(3,826)	(4,535)	(2,873)
	(195)	(200)	(206)	(224)	(236)
	<u>(209,575)</u>	<u>936,218</u>	<u>482,645</u>	<u>(33,686)</u>	<u>236,308</u>
	<u>6,431,031</u>	<u>5,494,813</u>	<u>5,012,168</u>	<u>5,045,854</u>	<u>4,809,546</u>
\$	<u>\$ 6,221,456</u>	<u>\$ 6,431,031</u>	<u>\$ 5,494,813</u>	<u>\$ 5,012,168</u>	<u>\$ 5,045,854</u>
\$	<u>2,367,601</u>	<u>\$ 1,735,096</u>	<u>\$ 1,976,906</u>	<u>\$ 1,877,710</u>	<u>\$ 886,689</u>
	72.43%	78.75%	73.54%	72.75%	85.05%
\$	2,333,747	\$ 2,267,026	\$ 2,076,229	\$ 1,773,177	\$ 1,723,017
	101.45%	76.54%	95.22%	105.90%	51.46%

City of Llano, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

For the Years Ended:

	¹ 9/30/2023	9/30/2022	9/30/2021	9/30/2020
Actuarially determined employer contributions	\$ 329,251	\$ 340,590	\$ 336,691	\$ 360,560
Contributions in relation to the actuarially determined contribution	329,251	340,590	336,691	360,560
Contribution deficiency (excess)	-	-	-	-
Annual covered payroll	\$ 2,567,883	\$ 2,346,125	\$ 2,503,282	\$ 2,471,280
Employer contributions as a percentage of covered payroll	12.82%	14.52%	13.45%	14.59%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
\$ 344,888	\$ 337,755	\$ 329,760	\$ 264,599	\$ 173,413
<u>344,888</u>	<u>337,755</u>	<u>329,760</u>	<u>264,599</u>	<u>173,413</u>
-	-	-	-	-
\$ 2,363,866	\$ 2,293,812	\$ 2,251,891	\$ 1,991,733	\$ 1,717,307
14.59%	14.72%	14.64%	13.28%	10.10%

City of Llano, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

Year Ended December 31,

	¹ 2022	2021	2020	2019
Total OPEB liability				
Service cost	\$ 25,803	\$ 20,667	\$ 15,268	\$ 6,610
Interest	5,069	5,005	6,026	6,981
Changes of benefit terms	-	-	-	-
Differences in expected and actual experience	(9,820)	(2,239)	(14,792)	(14,564)
Changes of assumptions	(81,037)	7,115	27,193	30,221
Benefit payments, including refunds of participant contributions	(7,764)	(7,968)	(2,624)	(2,597)
Net changes	<u>(67,749)</u>	<u>22,580</u>	<u>31,071</u>	<u>26,651</u>
Total OPEB liability - beginning	<u>266,472</u>	<u>243,892</u>	<u>212,821</u>	<u>186,170</u>
Total OPEB liability - ending	<u><u>\$ 198,723</u></u>	<u><u>\$ 266,472</u></u>	<u><u>\$ 243,892</u></u>	<u><u>\$ 212,821</u></u>
Covered-employee payroll	\$ 2,283,445	\$ 2,490,058	\$ 2,385,680	\$ 2,360,674
Total OPEB Liability as a percentage of covered-employee payroll	8.70%	10.70%	10.22%	9.02%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

<u>2018</u>	<u>2017</u>
\$ 7,235	\$ 6,121
6,380	6,408
-	-
(4,202)	-
(11,203)	12,447
<u>(2,334)</u>	<u>(2,267)</u>
<u>(4,124)</u>	<u>22,709</u>
<u>190,294</u>	<u>167,585</u>
<u>\$ 186,170</u>	<u>\$ 190,294</u>
\$ 2,333,747	\$ 1,551,874
7.98%	12.26%

City of Llano, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Years Ended:

	¹ 8/31/2022	8/31/2021	8/31/2020	8/31/2019
Total pension liability				
Service cost	\$ 5,247	\$ 5,323	\$ 5,448	\$ 5,374
Interest	38,753	38,034	32,118	30,392
Changes in benefit terms	8,190	-	8,728	-
Differences between expected and actual experience	8,400	-	(5,738)	-
Changes of assumptions	(1,110)	-	(198)	-
Benefit payments, including refunds of participant contributions	(26,805)	(25,425)	(20,094)	(18,524)
Net change in total pension liability	<u>32,675</u>	<u>17,932</u>	<u>20,264</u>	<u>17,242</u>
Total pension liability - beginning	<u>\$ 524,856</u>	<u>\$ 514,507</u>	<u>\$ 419,023</u>	<u>396,041</u>
Total pension liability - ending (a)	³ <u>\$ 557,531</u>	<u>\$ 532,439</u>	<u>\$ 439,287</u>	<u>\$ 413,283</u>
Plan fiduciary net position				
Contributions - employer	\$ 13,651	\$ 13,043	\$ 10,965	\$ 10,024
Contributions - state	4,257	4,546	3,881	3,828
Net investment income	(59,818)	76,264	35,600	3,285
Benefit payments, including refunds of participant contributions	(26,805)	(25,425)	(20,094)	(18,524)
Administrative expenses	(814)	(918)	(936)	(653)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>(69,529)</u>	<u>67,510</u>	<u>29,416</u>	<u>(2,040)</u>
Plan fiduciary net position - beginning	<u>488,735</u>	<u>428,285</u>	<u>336,254</u>	<u>333,688</u>
Plan fiduciary net position - ending (b)	<u>\$ 419,206</u>	<u>\$ 495,795</u>	<u>\$ 365,670</u>	<u>\$ 331,648</u>
Fund's net pension liability - ending (a) - (b)	<u>\$ 138,325</u>	<u>\$ 36,644</u>	<u>\$ 73,617</u>	<u>\$ 81,635</u>
Plan fiduciary net position as a percentage of the total pension liability	75.19%	93.12%	83.24%	80.25%
Number of active members	² 3,379	3,634	3,634	3,927
Net pension liability per active member	41	\$ 10	\$ 20	\$ 21
City's proportion of the net pension liability	0.3371%	0.3420%	0.2920%	0.2880%

Notes to schedule:

- 1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full
- 2) There is no compensation for active members, so number of active members is used instead.
- 3) The System's net pension liability was measured as of August 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2022.

	<u>8/31/2018</u>	<u>8/31/2017</u>	<u>8/31/2016</u>	<u>8/31/2015</u>
\$	4,478	\$ 4,350	\$ 4,608	\$ 4,608
	27,831	25,848	24,213	23,040
	7,939	-	1,964	-
	(254)	-	176	-
	-	-	2,421	-
	<u>(16,409)</u>	<u>(13,738)</u>	<u>(12,788)</u>	<u>(12,236)</u>
	<u>23,585</u>	<u>16,460</u>	<u>20,594</u>	<u>15,412</u>
	<u>362,831</u>	<u>336,041</u>	<u>314,217</u>	<u>298,805</u>
\$	<u>386,416</u>	<u>\$ 352,501</u>	<u>\$ 334,811</u>	<u>\$ 314,217</u>
\$	11,518	\$ 13,683	\$ 9,421	\$ 9,562
	3,735	4,324	4,308	4,453
	31,792	26,690	13,482	(8,957)
	(16,409)	(13,738)	(12,789)	(12,237)
	(444)	(504)	(453)	(586)
	-	-	-	-
	<u>30,192</u>	<u>30,455</u>	<u>13,969</u>	<u>(7,765)</u>
	<u>295,387</u>	<u>256,522</u>	<u>241,613</u>	<u>249,378</u>
\$	<u>325,579</u>	<u>\$ 286,977</u>	<u>\$ 255,582</u>	<u>\$ 241,613</u>
\$	<u>60,837</u>	<u>\$ 65,524</u>	<u>\$ 79,229</u>	<u>\$ 72,604</u>
	84.26%	81.41%	76.34%	76.89%
	3,927	3,634	3,634	4,036
\$	15	\$ 18	\$ 22	\$ 18
	0.2810%	0.2730%	0.2720%	0.2720%

City of Llano, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Years Ended:

	9/30/2023	9/30/2022	9/30/2021	9/30/2020
Actuarially determined employer contributions	\$ 18,975	\$ 18,367	\$ 17,386	\$ 7,941
Contributions in relation to the actuarially determined contribution	\$ 18,975	\$ 18,367	\$ 17,386	\$ 7,941
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Active members	40	40	40	29
Contributions per active member	474	459	435	274

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes

Contribution rates are determined by board rule and become effective August 31.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years
Asset Valuation Method	5 Year smoothed market; 20% soft corridor
Inflation	3.00%
Salary Increases	n/a
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits.

Mortality

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019.

Other Information:

Notes

There were no benefit changes during the year.

<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u> ¹
\$ 15,500	\$ 19,952	\$ 11,913	\$ 12,464	\$ 12,833	\$ 12,177
<u>\$ 15,500</u>	<u>\$ 19,952</u>	<u>\$ 11,913</u>	<u>\$ 12,464</u>	<u>\$ 12,833</u>	<u>\$ 12,177</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>29</u>	<u>28</u>	<u>30</u>	<u>30</u>	<u>34</u>	<u>34</u>
<u>534</u>	<u>713</u>	<u>397</u>	<u>415</u>	<u>377</u>	<u>358</u>

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OTHER SUPPLEMENTARY INFORMATION

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***COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES***

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NONMAJOR GOVERNMENTAL FUNDS

CHRISTMAS LIGHTING FUND

The Christmas Lighting Fund accounts for the proceeds from donations and services which are used for Christmas light expenditures.

CEMETERY FUND

The Cemetery Fund accounts for the any activitiy related to the cemetery parks.

MAIN STREET FUND

The Main Street Fund accounts for all costs incurred to improve and maintain downtown Llano. Funding is provided by services and private donations.

City of Llano, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2023

	<u>Christmas Lighting</u>	<u>Cemetery</u>	<u>Main Street</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 56,235	\$ 19,224	\$ 35,744	\$ 111,203
Total Assets	\$ 56,235	\$ 19,224	\$ 35,744	\$ 111,203
<u>Liabilities</u>				
Accounts payable and accrued liabilities	21	-	3,545	3,566
Total Liabilities	21	-	3,545	3,566
<u>Fund Balances</u>				
Assigned	56,214	19,224	32,199	107,637
Total Fund Balances	56,214	19,224	32,199	107,637
Total Liabilities and Fund Balances	\$ 56,235	\$ 19,224	\$ 35,744	\$ 111,203

City of Llano, Texas

*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023*

	Christmas Lighting	Cemetery	Main Street	Total
<u>Revenues</u>				
Charges for services	\$ 2,209	\$ -	\$ 23,062	\$ 25,271
Other income	2,352	-	3	2,355
Investment income	2,376	787	1,549	4,712
Contributions and donations	5,209	-	3,015	8,224
Total Revenues	12,146	787	27,629	40,562
<u>Expenditures</u>				
Parks and recreation:				
Main street	-	-	28,163	28,163
Christmas lighting	22,049	-	-	22,049
Total Expenditures	22,049	-	28,163	50,212
Net Change in Fund Balances	(9,903)	787	(534)	(9,650)
Beginning fund balances	66,117	18,437	32,733	117,287
Ending Fund Balances	\$ 56,214	\$ 19,224	\$ 32,199	\$ 107,637