

CITY OF

A stylized graphic of the Texas state flag, featuring a white star on a blue field, a white field, and a red field, all set against a dark blue background with a wavy, ribbon-like effect.

2025

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2025

(This page intentionally left blank.)

ANNUAL FINANCIAL REPORT

of the

City of Llano, Texas

**For the Year Ended
September 30, 2025**

**Issued By
Finance Department**

City of Llano, Texas
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
For the Fiscal Year Ended September 30, 2025

FINANCIAL SECTION

Independent Auditor’s Report	1
Management’s Discussion and Analysis	7

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	20
Statement of Activities	24

Fund Financial Statements

Governmental Funds:

Balance Sheet – Governmental Funds.....	26
Reconciliation of the Balance Sheet to the Statement of Net Position- Governmental Funds	29
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	35

Proprietary Funds:

Statement of Net Position	36
Statement of Revenues, Expenses, and Changes in Fund Net Position	38
Statement of Cash Flows	39

Fiduciary Funds:

Statement of Fiduciary Net Position	41
Statement of Changes in Fiduciary Net Position	42

Notes to Financial Statements	43
-------------------------------------	----

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules:

General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	86
Airport Fund- Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	89

City of Llano, Texas

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

For the Fiscal Year Ended September 30, 2025

Schedule of Changes in Net Pension Liability and Related Ratios (TMRS)	90
Schedule of Employer Contributions to Pension Plan (TMRS)	92
Schedule of Changes in Postemployment Benefits Other than Pension (OPEB) Liability and Related Ratios	94
Schedule of Changes in Net Pension Liability and Related Ratios (TESRS)	96
Schedule of Employer Contributions to Pension Plan (TESRS)	98

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Combining Balance Sheet – Nonmajor Governmental Funds	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	108

(This page intentionally left blank.)



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, 2025, 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, 2025, 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). 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.F. to the financial statements, due to the issuance of GASB 101, *Compensated Absences*, the City restated beginning net position of governmental activities, utility system fund, and business-type activities. 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.

Brooks Watson & Co.

Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
January 13, 2026

(This page intentionally left blank.)

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

(This page intentionally left blank.)

City of Llano, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2025

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, 2025. 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 \$35,420,025 at September 30, 2025. Of this, \$3,468,939 (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 \$4,252,403, an increase of \$575,486.
- As of the end of the year, the unassigned fund balance of the general fund was \$3,307,568.
- The City had an overall decrease in net position of \$252,971, which is due to government activities expenses exceeding revenues and transfers in during the year.
- The City closed the year with a TMRS net pension liability of \$1,158,856.

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, 2025

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, 2025

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

The City of Llano maintains ten 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, capital projects 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, 2025

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 \$35,420,025 as of September 30, 2025, in the primary government.

The largest portion of the City's net position, \$31,105,126, 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, 2025

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2025			2024		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current and other assets	\$ 4,999,976	\$ 10,654,961	\$ 15,654,937	\$ 4,449,768	\$ 8,924,615	\$ 13,374,383
Capital assets, net	17,827,804	25,753,012	43,580,816	18,086,038	24,895,691	42,981,729
Total Assets	22,827,780	36,407,973	59,235,753	22,535,806	33,820,306	56,356,112
Deferred Outflows	508,036	234,524	742,560	465,198	257,670	722,868
Other liabilities	1,506,353	2,393,228	3,899,581	1,428,502	2,352,748	3,781,250
Long-term liab.	5,151,038	15,379,894	20,530,932	4,671,509	12,902,486	17,573,995
Total Liabilities	6,657,391	17,773,122	24,430,513	6,100,011	15,255,234	21,355,245
Deferred Inflows	78,740	49,035	127,775	33,590	17,149	50,739
Net Position:						
Net investment in capital assets	14,111,629	16,993,497	31,105,126	13,793,140	16,338,379	30,131,519
Restricted	845,960	-	845,960	660,438	301,241	961,679
Unrestricted	1,642,096	1,826,843	3,468,939	2,413,825	2,165,973	4,579,798
Total Net Position	\$ 16,599,685	\$ 18,820,340	\$ 35,420,025	\$ 16,867,403	\$ 18,805,593	\$ 35,672,996

Current and other assets for business-type activities increased due to greater cash balances, resulting from a debt issuance during the year. Long-term liabilities for the primary government increased primarily due to the debt issuances during the year.

City of Llano, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

Statement of Activities:

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

	<u>For the Year ended September 30, 2025</u>			<u>For the Year ended September 30, 2024</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	\$ 1,531,899	\$ 10,349,915	\$ 11,881,814	\$ 1,467,220	\$ 9,883,238	\$ 11,350,458
Grants and capital cont.	204,422	21,747	226,169	377,924	373,804	751,728
General revenues:						
Property tax	1,450,362	-	1,450,362	1,410,662	-	1,410,662
Sales tax	1,469,665	-	1,469,665	1,411,718	-	1,411,718
Other taxes	282,818	-	282,818	308,074	-	308,074
Lease income	31,874	-	31,874	73,624	-	73,624
Investment income	199,726	299,455	499,181	250,363	440,100	690,463
Other revenue	184,519	7,497	192,016	367,313	118,846	486,159
Total Revenues	<u>5,355,285</u>	<u>10,678,614</u>	<u>16,033,899</u>	<u>5,666,898</u>	<u>10,815,988</u>	<u>16,482,886</u>
Expenses						
General	1,402,381	-	1,402,381	1,522,118	-	1,522,118
Public safety	1,557,301	-	1,557,301	1,451,963	-	1,451,963
Public works	1,690,501	-	1,690,501	1,570,088	-	1,570,088
Community develop.	112,031	-	112,031	135,079	-	135,079
Parks and recreation	2,137,395	-	2,137,395	1,782,389	-	1,782,389
Interest	110,788	418,754	529,542	122,612	413,113	535,725
Utilities	-	8,857,719	8,857,719	-	8,134,573	8,134,573
Total Expenses	<u>7,010,397</u>	<u>9,276,473</u>	<u>16,286,870</u>	<u>6,584,249</u>	<u>8,547,686</u>	<u>15,131,935</u>
Change in Net Position						
Before Transfers	(1,655,112)	1,402,141	(252,971)	(917,351)	2,268,302	1,350,951
Transfers	1,387,394	(1,387,394)	-	1,539,125	(1,539,125)	-
Total	<u>1,387,394</u>	<u>(1,387,394)</u>	<u>-</u>	<u>1,539,125</u>	<u>(1,539,125)</u>	<u>-</u>
Change in Net Position	(267,718)	14,747	(252,971)	621,774	729,177	1,350,951
Beginning Net Position	16,867,403	18,805,593	35,672,996	16,245,629	18,076,416	34,322,045
Ending Net Position	<u>\$ 16,599,685</u>	<u>\$ 18,820,340</u>	<u>\$ 35,420,025</u>	<u>\$ 16,867,403</u>	<u>\$ 18,805,593</u>	<u>\$ 35,672,996</u>

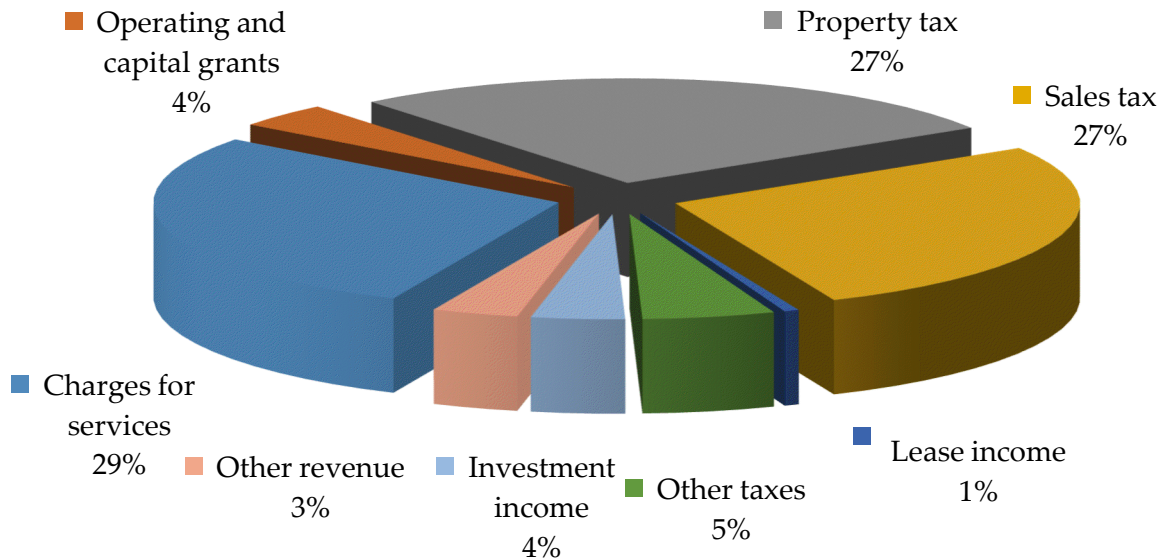
City of Llano, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

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

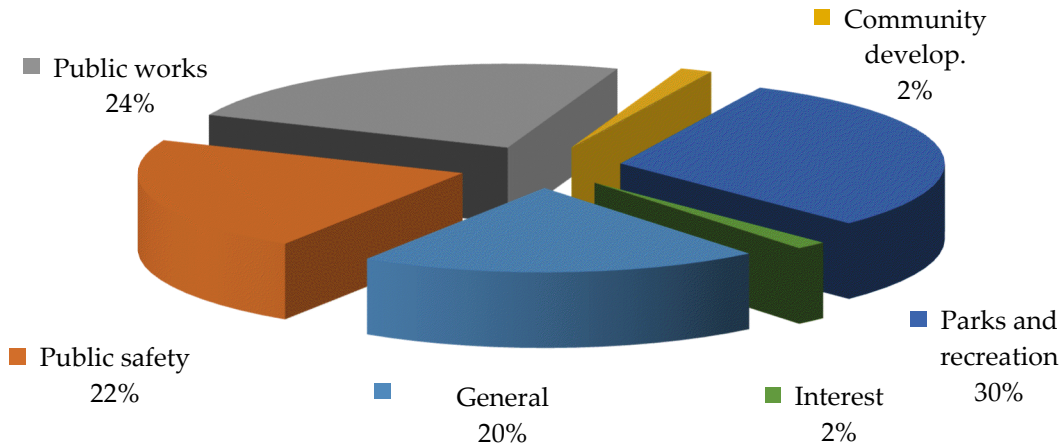


For the year ended September 30, 2025, revenues from governmental activities totaled \$5,355,285. Sales taxes, property taxes, and charges for services are the City's largest revenue sources. Grants and contributions decreased by \$173,502 or 46% due to nonrecurring TXDOT grants received in the prior year. Other taxes decreased by \$25,256 or 8% primarily due to a decrease in hotel/motel taxes in the current year. Lease income decreased by \$41,750 or 57% due to nonrecurring income received from the American Tower Lease in the prior year. Investment income decreased by \$50,637 or 20% primarily due to reduced prime interest rates over the current year. Other revenues decreased by \$182,794 or 50% primarily due to nonrecurring gains from sale of assets, insurance proceeds, rental fees in the prior year. All other revenues remained relatively consistent with the previous year.

City of Llano, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

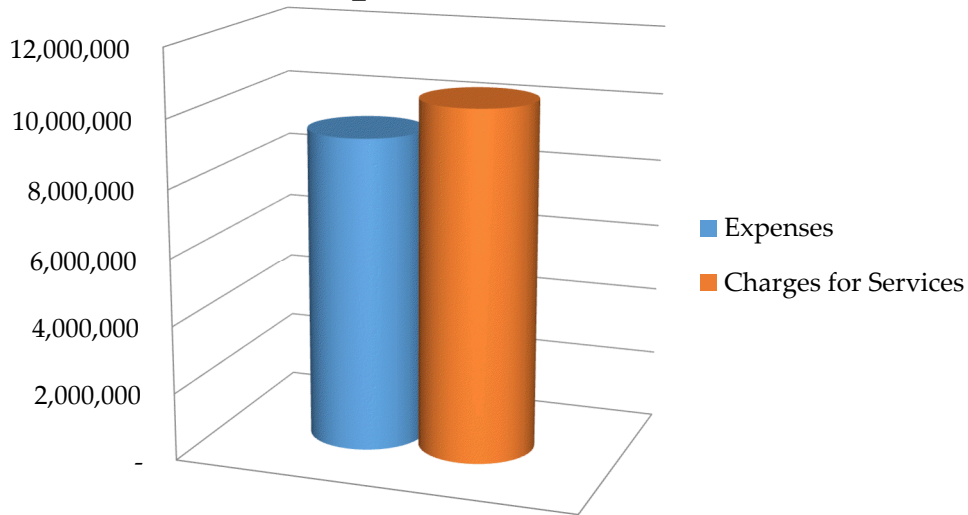


For the year ended September 30, 2025, expenses for governmental activities totaled \$7,010,397. This represents an increase of \$426,148 or 6% from the prior year. The City's largest functional expense is parks and recreation of \$2,137,395, which includes golf course operations. Parks and recreation expenses increased by \$355,006 or 20% due primarily due to increases in buildings/grounds maintenance and greater personnel costs related to salary increases in the current year. General government expenses decreased by \$119,737 or 8% primarily due to a decrease in professional fees, property insurance expenses, and public transportation services in the prior year. Public safety increased by \$105,338 or 7% primarily due to increases in technology and grant related costs in the current year. Public works (includes the City's airport operations) increased by \$120,413 or 8% due to greater grounds maintenance and repairs and depreciation costs 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, 2025

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, 2025, charges for services by business-type activities totaled \$10,349,915, which represents an increase of \$466,677 or less than 5% from the previous year. Grants and capital contributions decreased by \$352,057 or 94% as a result of nonrecurring CDBG grant funding received in the prior year. Investment income decreased by \$140,645 or 32% due to reduced interest rates in the current year. Other revenue decreased by \$111,349 or 94% primarily due to nonrecurring insurance proceeds in the prior year. Business-type activities expenses increased by \$728,787 or 9% primarily due to greater water distribution and professional fees in the current year. In addition, the City incurred greater wholesale electric purchases, utility costs, and asset depreciation in the current year.

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 \$3,311,482. Unassigned fund balance totaled \$3,307,568 as of year-end. There was an increase in the general fund balance of \$473,657 from the prior year, which is primarily due to nonrecurring note issuance during the year.

City of Llano, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2025

The airport fund reflected a fund balance of \$117,646, an increase of \$1,378. The increase was a result of current year revenues exceeding expenditures.

The debt service fund reflected a total fund balance of \$130,167. There was a slight increase of \$8,208 and was a result of property taxes and investment income exceeding debt service expenditures during the current year.

The capital projects fund reflected a fund balance of \$479,453. There was an increase of \$9,976, 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 \$1,397,388 in the general fund. Charges for services was the revenue category most significantly greater than anticipated revenues. All departmental appropriated expenses exceeded actual expenditures during the year, with the exception of administration, golf course, and principal. Total actual expenditures were less than total budgeted expenditures by \$431,445. Total budgeted other financing sources, net of uses, were less than actuals by \$968,566.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$17,827,804 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 \$25,753,012 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Began sidewalk improvements for \$50,220.
- Made improvements to the golf course pump station for \$151,637.
- Purchased a Ford truck for \$90,105.
- Purchased a Kubota for \$63,220.
- Purchased three Chevy vehicles for \$195,770.
- Purchased a Polaris vehicle for \$30,000.
- Purchased assault shields for the police department for \$29,610.
- Purchased golf equipment for \$61,943.
- Began work on the high-water advisory gate for \$31,274.
- Continued work on the generator project for \$178,039.
- Continued construction on sewer asset inventory for \$339,777.

City of Llano, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

- Continued work on water tank painting project for \$957,622.
- Made improvements to electrical and meter system totaling \$126,082.
- Made upgrades to the GIS system for \$86,110.
- Made upgrade to the Tarrant water line for \$45,030.
- Entered into a lease for a vehicle for \$184,927.

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 \$20,616,050. During the year, the City's long-term obligations increased by \$3,014,113. The City issued new tax notes under governmental activities totaling \$1,070,000 during the year. In addition, the City entered into a note payable agreement and vehicle lease under business-type activities totaling \$3,500,000 and \$184,927, respectively. The City paid \$1,684,165 of 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 Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Llano and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Llano's 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.

(This page intentionally left blank.)

FINANCIAL STATEMENTS

City of Llano, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 4,586,723	\$ 9,427,005	\$ 14,013,728
Receivables, net	405,524	963,464	1,368,988
Inventory	-	266,582	266,582
Prepays	3,983	1,656	5,639
Internal balances	3,746	(3,746)	-
Total Current Assets	4,999,976	10,654,961	15,654,937
Capital assets:			
Non-depreciable	423,684	3,114,663	3,538,347
Net depreciable capital assets	17,404,120	22,638,349	40,042,469
Total Noncurrent Assets	17,827,804	25,753,012	43,580,816
Total Assets	22,827,780	36,407,973	59,235,753
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	-	60,182	60,182
Pension outflows - TMRS	265,840	170,964	436,804
Pension outflows - TESRS	235,640	-	235,640
OPEB outflows	6,556	3,378	9,934
Total Deferred Outflows of Resources	508,036	234,524	742,560

See Notes to Financial Statements.

City of Llano, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 717,276	\$ 830,945	\$ 1,548,221
Customer deposits	-	234,180	234,180
Accrued interest payable	6,103	45,583	51,686
Long-term debt due within one year	640,494	1,201,227	1,841,721
Compensated absences, current	142,480	81,293	223,773
Total Current Liabilities	1,506,353	2,393,228	3,899,581
Noncurrent liabilities:			
Long-term debt due in more than a year	3,933,499	14,840,830	18,774,329
Net pension liability - TMRS	705,283	453,573	1,158,856
Net pension liability - TESRS	345,306	-	345,306
OPEB liability	141,173	72,726	213,899
Compensated absences, noncurrent	25,777	12,765	38,542
Total Noncurrent Liabilities	5,151,038	15,379,894	20,530,932
Total Liabilities	6,657,391	17,773,122	24,430,513
<u>Deferred Inflows of Resources</u>			
Pension inflows - TMRS	66,204	42,577	108,781
OPEB inflows	12,536	6,458	18,994
Total Deferred Inflows of Resources	78,740	49,035	127,775
<u>Net Position</u>			
Net investment in			
capital assets	14,111,629	16,993,497	31,105,126
Restricted for debt service	130,167	-	130,167
Restricted for capital acquisition	479,453	-	479,453
Restricted for tourism	53,584	-	53,584
Restricted for airport	117,577	-	117,577
Restricted for public safety	65,179	-	65,179
Unrestricted	1,642,096	1,826,843	3,468,939
Total Net Position	\$ 16,599,685	\$ 18,820,340	\$ 35,420,025

See Notes to Financial Statements.

Component Unit

**Llano
EDC**

\$	-
	-
	-
	174,373
	-
	<u>174,373</u>
	44,128
	-
	-
	-
	-
	<u>44,128</u>
	<u>218,501</u>
	-
	-
	-
	-
	-
	-
	272,217
\$	<u>272,217</u>

City of Llano, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,402,381	\$ -	\$ 104,507	\$ -
Public safety	1,557,301	118,702	-	-
Public works	1,690,501	91,569	-	99,915
Parks and recreation	2,137,395	1,321,628	-	-
Community development	112,031	-	-	-
Interest and fiscal charges	110,788	-	-	-
Total Governmental Activities	7,010,397	1,531,899	104,507	99,915
Business-Type Activities				
Utility system	9,276,473	10,349,915	-	21,747
Total Business-Type Activities	9,276,473	10,349,915	-	21,747
Total Primary Government	\$ 16,286,870	\$ 11,881,814	\$ 104,507	121,662
Component Unit				
Llano EDC	\$ 1,362,584	-	-	-

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

Beg. Net Position, as previously reported

New accounting standard

Beg. Net Position, as adjusted

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
\$ (1,297,874)	\$ -	\$ (1,297,874)	\$ -
(1,438,599)	-	(1,438,599)	-
(1,499,017)	-	(1,499,017)	-
(815,767)	-	(815,767)	-
(112,031)	-	(112,031)	-
(110,788)	-	(110,788)	-
<u>(5,274,076)</u>	<u>-</u>	<u>(5,274,076)</u>	<u>-</u>
-	1,095,189	1,095,189	-
<u>-</u>	<u>1,095,189</u>	<u>1,095,189</u>	<u>-</u>
<u>(5,274,076)</u>	<u>1,095,189</u>	<u>(4,178,887)</u>	<u>-</u>
			<u>\$ (1,362,584)</u>
1,450,362	-	1,450,362	-
1,469,665	-	1,469,665	474,907
282,818	-	282,818	-
31,874	-	31,874	-
199,726	299,455	499,181	44,696
184,519	7,497	192,016	-
1,387,394	(1,387,394)	-	-
<u>5,006,358</u>	<u>(1,080,442)</u>	<u>3,925,916</u>	<u>519,603</u>
(267,718)	14,747	(252,971)	(842,981)
16,945,409	18,825,597	35,771,006	1,115,198
(78,006)	(20,004)	(98,010)	-
16,867,403	18,805,593	35,672,996	1,115,198
<u>\$ 16,599,685</u>	<u>\$ 18,820,340</u>	<u>\$ 35,420,025</u>	<u>\$ 272,217</u>

City of Llano, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2025

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Airport</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 3,502,881	\$ 130,167	\$ 706,698	\$ 28,168
Receivables, net	264,590	9,589	-	99,915
Prepays	3,914	-	-	69
Due from other funds	16,960	-	-	-
Total Assets	\$ 3,788,345	\$ 139,756	\$ 706,698	\$ 128,152
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 433,986	\$ -	\$ 214,244	\$ 6,984
Deposits payable	22,169	-	-	3,522
Due to other funds	-	-	13,001	-
Total Liabilities	456,155	-	227,245	10,506
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	20,708	9,589	-	-
Total Deferred Inflows	20,708	9,589	-	-
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	3,914	-	-	69
Restricted for:				
Capital improvements	-	-	479,453	-
Debt service	-	130,167	-	-
Airport	-	-	-	117,577
Public safety	-	-	-	-
Tourism				
Assigned:				
Special revenue	-	-	-	-
Unassigned	3,307,568	-	-	-
Total Fund Balances	3,311,482	130,167	479,453	117,646
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,788,345	\$ 139,756	\$ 706,698	\$ 128,152

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 218,809	\$ 4,586,723
31,430	405,524
-	3,983
-	16,960
\$ 250,239	\$ 5,013,190

\$ 36,371	\$ 691,585
-	25,691
213	13,214
36,584	730,490

-	30,297
-	30,297

-	3,983
-	479,453
-	130,167
-	117,577
65,179	65,179
53,584	53,584
94,892	94,892
-	3,307,568
213,655	4,252,403

\$ 250,239	\$ 5,013,190

(This page intentionally left blank.)

City of Llano, Texas

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

September 30, 2025

Fund Balances - Total Governmental Funds	\$	4,252,403
 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		423,684
Capital assets - net depreciable		17,404,120
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		30,297
 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		265,840
Pension outflows - TESRS		235,640
OPEB contributions		6,556
 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		(66,204)
OPEB inflows		(12,536)
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(6,103)
Compensated absences		(168,257)
Bond premiums		(158,135)
Long term debt due within one year		(640,494)
Long term debt due in more than one year		(3,775,364)
Net pension liability - TESRS		(345,306)
Net pension liability - TMRS		(705,283)
OPEB liability		(141,173)
Net Position of Governmental Activities	\$	<u>16,599,685</u>

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, 2025

	General	Debt Service	Capital Projects	Airport
<u>Revenues</u>				
Property tax	\$ 993,421	\$ 460,675	\$ -	\$ -
Sales tax	1,452,092	-	-	-
Other taxes	118,667	-	-	-
License and permits	91,569	-	-	-
Intergovernmental	104,037	-	-	99,915
Charges for services	927,929	-	-	372,156
Fines and forfeitures	118,702	-	-	-
Lease income	31,874	-	-	-
Contributions and donations	-	-	-	-
Investment income	151,510	13,573	30,917	-
Other revenues	138,284	-	-	41,781
Total Revenues	4,128,085	474,248	30,917	513,852
<u>Expenditures</u>				
General government:				
City council	23,133	-	-	-
Administration	1,117,802	-	250,658	-
Public safety:				
Police	1,335,870	-	-	-
Municipal court	154,682	-	-	-
Fire department	103,620	-	-	-
Public works:				
Streets	710,556	-	20,941	-
Airport	-	-	-	512,628
Code enforcement	218,935	-	-	-
Parks and recreation:				
Parks and recreation	395,566	-	-	-
Swimming pool	88,548	-	-	-
Badu RV park	3,862	-	-	-
Depot museum	12,267	-	-	-
JLK Arena	329,481	-	-	-
Lantex Theater	35,699	-	-	-
Robinson RV park	41,716	-	-	-
Golf course	925,759	-	-	-
Community development	111,746	-	-	-

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,454,096
17,573	1,469,665
164,151	282,818
-	91,569
-	203,952
21,543	1,321,628
-	118,702
-	31,874
470	470
3,726	199,726
20,995	201,060
228,458	5,375,560

- 23,133

- 1,368,460

- 1,335,870

- 154,682

- 103,620

- 731,497

- 512,628

- 218,935

185,216 580,782

- 88,548

- 3,862

- 12,267

- 329,481

- 35,699

- 41,716

- 925,759

- 111,746

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, 2025

	General	Debt Service	Capital Projects	Airport
Debt Service:				
Principal	\$ 191,503	\$ 361,129	\$ -	\$ -
Interest and fiscal charges	28,594	104,911	-	-
Total Expenditures	5,829,339	466,040	271,599	512,628
Excess of Revenues				
Over (Under) Expenditures	(1,701,254)	8,208	(240,682)	1,224
Other Financing Sources (Uses)				
Note issuance	1,070,000	-	-	-
Sale of capital assets	7,200	-	-	154
Transfers in	1,387,394	-	250,658	-
Transfers (out)	(289,683)	-	-	-
Total Other Financing (Sources)	2,174,911	-	250,658	154
Net Change in Fund Balances	473,657	8,208	9,976	1,378
Beginning fund balances	2,837,825	121,959	469,477	116,268
Ending Fund Balances	\$ 3,311,482	\$ 130,167	\$ 479,453	\$ 117,646

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 552,632
-	133,505
<u>185,216</u>	<u>7,264,822</u>
43,242	(1,889,262)
-	1,070,000
-	7,354
39,025	1,677,077
-	(289,683)
<u>39,025</u>	<u>2,464,748</u>
82,267	575,486
131,388	3,676,917
<u>\$ 213,655</u>	<u>\$ 4,252,403</u>

(This page intentionally left blank.)

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, 2025

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

Net changes in fund balances - total governmental funds	\$ 575,486
---	------------

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	893,917
Depreciation expense	(1,128,256)
Adjustment for sale and disposal of assets	(23,895)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(3,734)
--	---------

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	(32,401)
Accrued interest	126
Pension expense - TMRS	(16,762)
Pension expense - TESRS	(47,052)
OPEB expense	9,630

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.

Note issuance	(1,070,000)
Principal payments	552,632
Amortization of premium	22,591

Change in Net Position of Governmental Activities	\$ (267,718)
--	---------------------

See Notes to Financial Statements.

City of Llano, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUND
September 30, 2025

	Utility System
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 9,427,005
Receivables, net	963,464
Inventory	266,582
Prepays	1,656
Total Current Assets	10,658,707
Noncurrent Assets:	
Capital assets:	
Non-depreciable	3,114,663
Net depreciable capital assets	22,638,349
Total Noncurrent Assets	25,753,012
Total Assets	36,411,719
<u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	60,182
Pension outflows	170,964
OPEB outflows	3,378
Total Deferred Outflows of Resources	234,524

City of Llano, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUND
September 30, 2025

	Utility System
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 830,945
Customer deposits	234,180
Due to others	3,746
Accrued interest	45,583
Compensated absences, current	81,293
Long-term debt due within one year	1,201,227
Total Current Liabilities	2,396,974
Noncurrent Liabilities:	
Net pension liability	453,573
OPEB liability	72,726
Compensated absences, noncurrent	12,765
Long-term debt, noncurrent	14,840,830
Total Noncurrent Liabilities	15,379,894
Total Liabilities	17,776,868
<u>Deferred Inflows of Resources</u>	
Pension inflows	42,577
OPEB inflows	6,458
Total Deferred Inflows of Resources	49,035
<u>Net Position</u>	
Net investment in capital assets	16,993,497
Unrestricted	1,826,843
Total Net Position	\$ 18,820,340

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, 2025

	Utility System
<u>Operating Revenues</u>	
Charges for service	\$ 10,097,710
Other revenue	252,205
Total Operating Revenues	10,349,915
 <u>Operating Expenses</u>	
Administration	352,036
Customer convenience	164,550
Sanitation disposal fees	784,867
Water plant	569,952
Water distribution	634,317
Sewer plant	367,611
Sewer collection	600,264
Electric	4,216,785
Depreciation	1,167,337
Total Operating Expenses	8,857,719
Operating Income (Loss)	1,492,196
 <u>Nonoperating Revenues (Expenses)</u>	
Investment income	299,455
Gain on sale of assets	7,497
Interest expense	(418,754)
Total Nonoperating Revenues (Expenses)	(111,802)
Income (Loss) Before Contributions and Transfers	1,380,394
Capital contributions	21,747
Transfers (out)	(1,387,394)
Change in Net Position	14,747
Beginning net position, as previously reported	18,825,597
New accounting standard	(20,004)
Beginning net position, as adjusted	18,805,593
Ending Net Position	\$ 18,820,340

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, 2025

	Utility System
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 10,269,659
Payments to suppliers and contractors	(5,960,102)
Payments to employees	(1,732,582)
Net Cash Provided (Used) by Operating Activities	2,576,975
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers (out)	(1,387,394)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,387,394)
<u>Cash Flows from Capital and Financing Activities</u>	
Purchase of capital assets	(1,862,314)
Proceeds from sale of capital assets	30,080
Proceeds from grants	21,747
Proceeds from capital debt	3,500,000
Debt principal payments	(1,131,533)
Interest paid	(420,628)
Net Cash Provided (Used) by Capital and Financing Activities	137,352
<u>Cash Flows from Investing Activities</u>	
Interest on investments	299,455
Net Cash Provided (Used) by Investing Activities	299,455
Net Increase (Decrease) in Cash and Cash Equivalents	1,626,388
Beginning cash, & cash equivalents	7,800,617
Ending Cash & Cash Equivalents	\$ 9,427,005

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, 2025

	Utility System
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash (Used) by Operating Activities</u>	
Operating Income (Loss)	\$ 1,492,196
Adjustments to reconcile operating income to net cash used:	
Depreciation	1,167,337
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(81,406)
Inventory	(23,841)
Due to (from) other funds	1,289
Deferred outflows of resources: OPEB	1,119
Deferred outflows of resources: Pension	16,010
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(78,587)
Customer deposits	1,150
Compensated absences	30,461
Net pension liability	18,513
OPEB liability	848
Deferred inflows of resources - OPEB	(6,928)
Deferred inflows of resources - pension	38,814
Net Cash Provided (Used) by Operating Activities	\$ 2,576,975
 <u>Schedule of Non-Cash Capital and Related Financing Activities</u>	
Asset additions through lease issuances	\$ 184,927

See Notes to Financial Statements.

City of Llano, Texas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2025

		<u>Private Purpose Trust Funds</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$	135
Investments		43,274
	Total Assets	<u>\$ 43,409</u>
 <u>Net Position</u>		
Restricted		43,409
	Total Net Position	<u>\$ 43,409</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, 2025

		<u>Private Purpose Trust Funds</u>
<u>Additions</u>		
Investment income		\$ 1,875
	Total Additions	<u>\$ 1,875</u>
	Change in Net Position	1,875
Beginning net position		41,534
	Ending Net Position	<u><u>\$ 43,409</u></u>

See Notes to Financial Statements.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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, banked compensation time gained through working overtime, and accumulated sick time anticipated to be used. 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. Sick time accrues at one day per month. 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

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

net proceeds received, are reported as debt service expenditures. However, claims and 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

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

deposits are made, for the 12-month period preceding the month of death. The death benefit 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.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

- 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 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, 2025

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.

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	2,096,944	44
TexasClass investment pool	5,496,539	43
Total fair value	\$ 7,593,483	

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

Investment Type	Value	Weighted Average Maturity (Days)
TexPool investment pool	161,400	44
TexasClass investment pool	157,741	43
Total fair value	\$ 319,141	

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 less than "A" or its equivalent, by a nationally recognized investment rating firm. Other

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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, 2025, 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, 2025, 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, 2025

Texas CLASS

MBIA is a participant of the Texas CLASS program. Texas CLASS has been established for governmental entities pursuant to the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust and enters into contracts and agreements on behalf of the Trust in order to effectuate the terms of the Trust Agreement. It also selects consultants for Texas CLASS, including the Program Administrator and the Custodian. MBIA's Texas CLASS is rated AAA by Fitch. There were no limitations or restrictions on withdrawals.

B. Receivables

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

	<u>General</u>	<u>Debt Service</u>	<u>Airport</u>	<u>Nonmajor Governmental</u>	<u>Utility</u>	<u>Total</u>
Taxes						
Property	\$ 47,674	\$ 22,089	\$ -	\$ -	\$ -	\$ 69,763
Sales	218,450	-	-	-	-	218,450
Franchise & other	20,292	-	-	31,430	-	51,722
Fines	222,538	-	-	-	-	222,538
Accounts	5,140	-	99,915	-	1,363,144	1,468,199
Allowance	(249,504)	(12,500)	-	-	(399,680)	(661,684)
Total	<u>\$ 264,590</u>	<u>\$ 9,589</u>	<u>\$ 99,915</u>	<u>\$ 31,430</u>	<u>\$ 963,464</u>	<u>\$ 1,368,988</u>

The City's discretely presented component unit recognized receivable balances consisting of \$72,817 of sales tax and \$350 of miscellaneous receivables.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

C. Capital Assets

A summary of changes in governmental 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	\$ 366,964	\$ -	\$ -	\$ 366,964
Construction in progress	-	56,720	-	56,720
Total capital assets not being depreciated	<u>366,964</u>	<u>56,720</u>	<u>-</u>	<u>423,684</u>
Capital assets, being depreciated:				
Buildings and improvements	16,495,041	280,058	-	16,775,099
Equipment	3,374,311	525,865	(113,289)	3,786,887
Right-to-use assets	153,093	-	-	153,093
Infrastructure	10,283,600	31,274	-	10,314,874
Total capital assets being depreciated	<u>30,306,045</u>	<u>837,197</u>	<u>(113,289)</u>	<u>31,029,953</u>
Less accumulated depreciation				
Buildings and improvements	6,489,331	580,541	-	7,069,872
Equipment	2,148,930	316,974	(89,394)	2,376,510
Right-to-use assets	101,776	28,099	-	129,875
Infrastructure	3,846,934	202,642	-	4,049,576
Total accumulated depreciation	<u>12,586,971</u>	<u>1,128,256</u>	<u>(89,394)</u>	<u>13,625,833</u>
Net capital assets being depreciated	<u>17,719,074</u>	<u>(291,059)</u>	<u>(23,895)</u>	<u>17,404,120</u>
Total capital assets	<u>\$ 18,086,038</u>	<u>\$ (234,339)</u>	<u>\$ (23,895)</u>	<u>\$ 17,827,804</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 18,191
Public safety	119,642
Public works	561,957
Parks and recreation	428,466
Total Governmental Activities Depreciation Expense	<u>\$ 1,128,256</u>

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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	6,402,931	1,693,582	(5,515,561)	2,580,952
Total capital assets not being depreciated	<u>6,936,642</u>	<u>1,693,582</u>	<u>(5,515,561)</u>	<u>3,114,663</u>
Capital assets, being depreciated:				
Distribution and collection systems	28,230,107	163,421	5,456,575	33,850,103
Equipment	3,939,891	5,311	(91,224)	3,853,978
Right-to-use assets	-	184,927	-	184,927
Total capital assets being depreciated	<u>32,169,998</u>	<u>353,659</u>	<u>5,365,351</u>	<u>37,889,008</u>
Less accumulated depreciation				
Distribution and collection systems	12,143,890	791,940	(36,403)	12,899,427
Equipment	2,067,059	375,397	(91,224)	2,351,232
Right-to-use assets	-	-	-	-
Total accumulated depreciation	<u>14,210,949</u>	<u>1,167,337</u>	<u>(127,627)</u>	<u>15,250,659</u>
Net capital assets being depreciated	<u>17,959,049</u>	<u>(813,678)</u>	<u>5,492,978</u>	<u>22,638,349</u>
Total capital assets	<u>\$ 24,895,691</u>	<u>\$ 879,904</u>	<u>\$ (22,583)</u>	<u>\$ 25,753,012</u>

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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	\$ 3,090,000	\$ -	\$ (345,000)	\$ 2,745,000	\$ 355,000
Tax Notes	-	1,070,000	-	1,070,000	135,000
Notes payable	692,648	-	(118,691)	573,957	123,593
Lease liabilities	115,842	-	(88,941)	26,901	26,901
Premiums	180,726	-	(22,591)	158,135	-
Total Governmental Activities	<u>\$ 4,079,216</u>	<u>\$ 1,070,000</u>	<u>\$ (575,223)</u>	<u>\$ 4,573,993</u>	<u>\$ 640,494</u>
Long-term liabilities due in more than one year				<u>\$ 3,933,499</u>	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Refunding Bonds					
Series 2016	\$ 3,360,000	\$ -	\$ (250,000)	\$ 3,110,000	\$ 255,000
Comb. Tax & Revenue Bonds	9,135,000	-	(735,000)	8,400,000	760,000
Notes payable	617,204	3,500,000	(146,533)	3,970,671	152,858
Lease liabilities	-	184,927	-	184,927	33,369
Premiums	410,517	-	(34,058)	376,459	-
Total Business-Type Activities	<u>\$ 13,522,721</u>	<u>\$ 3,684,927</u>	<u>\$ (1,165,591)</u>	<u>\$ 16,042,057</u>	<u>\$ 1,201,227</u>
Long-term liabilities due in more than one year				<u>\$ 14,840,830</u>	
Component Unit Activities					
Bonds, notes and other payables:					
Notes payable	\$ 385,656	\$ -	\$ (167,155)	\$ 218,501	\$ 174,373
Total Component Unit Activities	<u>\$ 385,656</u>	<u>\$ -</u>	<u>\$ (167,155)</u>	<u>\$ 218,501</u>	<u>\$ 174,373</u>
Long-term liabilities due in more than one year				<u>\$ 44,128</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, 2025

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%	\$ -	\$ 3,110,000	\$ 3,110,000
\$5,025,000 General Obligation Refunding Bonds, Series 2017, due in annual installments through 2032, interest at 2%-4%	2,745,000	-	2,745,000
Total General Obligation & Refunding Bonds	2,745,000	3,110,000	5,855,000
GO Refunding Bonds:			
\$1,700,000 Comb. Tax & Rev. Certificates, Series 2017, due in annual installments through 2037, interest at 3.0%-3.25%	-	1,135,000	1,135,000
\$3,390,000 Comb. Tax & Rev. Certificates, Series 2018A, due in annual installments through 2038, interest at .19%-1.70%	-	2,305,000	2,305,000
\$890,000 Comb. Tax & Rev. Certificates, Series 2018B, due in annual installments through 2038, interest at .49%-2.00%	-	615,000	615,000
\$630,000 Comb. Tax & Rev. Certificates, Series 2018C, due in annual installments through 2038, interest at .19%-1.70%	-	425,000	425,000
\$4,750,000 Comb. Tax & Rev. Certificates, Series 2022, due in annual installments through 2037, interest at 4.19%	-	3,920,000	3,920,000
Total GO Bonds	-	8,400,000	8,400,000
Tax Notes			
\$1,070,000 Tax Notes, Series 2025, due in annual installments through 2032, interest at 4.15%	1,070,000	-	1,070,000
Total Tax Notes	1,070,000	-	1,070,000
Less Deferred Amounts:			
Issuance premiums	158,135	376,459	534,594
Total Deferred Amounts	158,135	376,459	534,594
Notes payable	573,957	3,970,671	4,544,628
Lease liabilities	26,901	184,927	211,828
Total Debt	\$ 4,573,993	\$ 16,042,057	\$ 20,616,050

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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
2026	\$ 355,000	\$ 85,900	\$ 123,593	\$ 19,859	\$ 26,901	\$ 4,818
2027	370,000	71,700	128,719	14,732	-	-
2028	380,000	60,600	134,075	9,377	-	-
2029	390,000	49,200	75,989	5,156	-	-
2030	405,000	37,500	57,618	2,874	-	-
2031-2035	845,000	38,250	53,963	2,492	-	-
	<u>\$ 2,745,000</u>	<u>\$ 343,150</u>	<u>\$ 573,957</u>	<u>\$ 54,490</u>	<u>\$ 26,901</u>	<u>\$ 4,818</u>

Year ending September 30,	Tax Notes	
	Principal	Interest
2026	\$ 135,000	\$ 44,035
2027	140,000	38,803
2028	145,000	32,993
2029	150,000	26,975
2030	160,000	20,750
2031-2035	340,000	21,373
	<u>\$ 1,070,000</u>	<u>\$ 184,929</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 \$23,218.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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
2026	\$ 255,000	\$ 124,400	\$ 760,000	\$ 250,868	\$ 152,858	\$ 22,267
2027	265,000	114,200	780,000	227,113	112,039	16,056
2028	275,000	103,600	805,000	202,352	192,812	10,539
2029	280,000	92,600	825,000	176,459	197,060	4,772
2030	290,000	81,400	555,000	149,750	95,081	74,080
2031-2035	1,615,000	224,400	3,050,000	501,777	508,666	337,142
2036-2040	130,000	5,200	1,625,000	76,163	568,876	276,931
2041-2045	-	-	-	-	636,214	209,594
2046-2050	-	-	-	-	711,522	134,285
2051-2055	-	-	-	-	795,543	50,063
	<u>\$ 3,110,000</u>	<u>\$ 745,800</u>	<u>\$ 8,400,000</u>	<u>\$ 1,584,482</u>	<u>\$ 3,970,671</u>	<u>\$ 1,135,729</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.

Year ending September 30,	Lease Liabilities	
	Principal	Interest
2026	\$ 33,369	\$ 9,519
2027	35,086	7,801
2028	36,892	5,995
2029	38,791	4,096
2030	40,789	2,099
	<u>\$ 184,927</u>	<u>\$ 29,510</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 business-type activities of \$184,927.

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
2026	\$ 174,373	\$ 6,558
2027	44,128	476
	<u>\$ 218,501</u>	<u>\$ 7,034</u>

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

E. 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.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 135,856	\$ 146,572	\$ (114,171)	\$ 168,257	\$ 142,480
Total Governmental Activities	<u>\$ 135,856</u>	<u>\$ 146,572</u>	<u>\$ (114,171)</u>	<u>\$ 168,257</u>	<u>\$ 142,480</u>
Long-term Liabilities Due in More than One Year				<u>\$ 25,777</u>	
Business-Type Activities:					
Compensated Absences	\$ 63,597	\$ 85,687	\$ (55,226)	\$ 94,058	\$ 81,293
Total Business-Type Activities	<u>\$ 63,597</u>	<u>\$ 85,687</u>	<u>\$ (55,226)</u>	<u>\$ 94,058</u>	<u>\$ 81,293</u>
Long-term Liabilities Due in More than One Year				<u>\$ 12,765</u>	

F. 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, 2025

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

	Governmental		
	Fund Balance		Net Position
	Restricted	Assigned	Restricted
Debt service	\$ 130,167	\$ -	\$ 130,167
Capital improvements	479,453	-	479,453
Christmas lighting	-	37,998 ¹	-
Cemetery	-	18,406 ¹	-
Child safety	38,467 ¹	-	38,467
Hotel	-	53,584 ¹	-
Court security & technology	-	26,712 ¹	-
Main street	-	38,488 ¹	-
TOTAL	\$ 648,087	\$ 175,188	\$ 648,087

¹ Special revenue funds

G. Interfund Balances

The composition of interfund balances as of the year ended September 30, 2025, were as follows:

Due to: (Payable Fund):	Due from (Receivable fund):	
	General	Total
Capital Projects	\$ 13,001	\$ 13,001
Nonmajor govt.	213	213
Utility system	3,746	3,746
Total	\$ 16,960	\$ 16,960

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, 2025

Transfers between the primary government during the 2025 year were as follows:

<u>Transfers (Out):</u>	<u>Transfers In:</u>			<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Govt.</u>	
General	\$ -	\$ 250,658	\$ 39,025	\$ 289,683
Utility system	1,387,394	-	-	1,387,394
Total	<u>\$ 1,387,394</u>	<u>\$ 250,658</u>	<u>\$ 39,025</u>	<u>\$ 1,677,077</u>

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 2,700 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, 2025

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 938 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, 2025

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 2024</u>	<u>Plan Year 2023</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, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2023</u>	<u>2024</u>
Inactive employees or beneficiaries currently receiving benefits	47	49
Inactive employees entitled to but not yet receiving benefits	55	58
Active employees	50	50
Total	152	157

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 11.96% and 12.33% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$397,714 and were equal to the required contributions.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.6% to 11.85%, including inflation
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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 the most recent Scale MP-2021 (with immediate convergence) 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 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period ending 2022. They were adopted in 2023 and first used in the December 31, 2023 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. In determining their best estimate of a recommended investment

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

return assumption under the various alternative asset allocation portfolios, Gabriel, Roeder, Smith & Company (GRS) focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Real Return	12.0%	8.0%
Real Estate	12.0%	7.6%
Absolute Return	5.0%	6.4%
Private Equity	10.0%	11.6%
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%
\$ 2,587,364	\$ 1,158,856	\$ (36,912)

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/23	\$ 10,611,416	\$ 9,331,827	\$ 1,279,589
Changes for the year:			
Service Cost	498,011	-	498,011
Interest (on the Total Pension Liab.)	717,775	-	717,775
Difference between expected and actual experience	248,421	-	248,421
Changes of assumptions	-	-	-
Contributions – employer	-	392,739	(392,739)
Contributions – employee	-	228,296	(228,296)
Net investment income	-	970,269	(970,269)
Benefit payments, including refunds of emp. contributions	(453,444)	(453,444)	-
Administrative expense	-	(6,219)	6,219
Other changes	-	(145)	145
Net changes	1,010,763	1,131,496	(120,733)
Balance at 12/31/24	\$ 11,622,179	\$ 10,463,323	\$ 1,158,856

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, 2025, the City recognized pension expense of \$490,492.

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, 2025

At September 30, 2025, 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	\$ -	\$ (108,781)
Investment gains (inflows) or losses outflows	130,685	-
Contributions subsequent to the measurement date	306,119	-
Total	\$ 436,804	\$ (108,781)

The City reported \$306,119 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, 2026. 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:	
2025	\$ 122,815
2026	117,130
2027	(149,963)
2028	(68,078)
2029	-
Thereafter	-
Total	\$ 21,904

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, 2024, there were 244 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, 2025

At August 31, 2024, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	4,122
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	1,806
Active Participants (Vested and Nonvested)	<u>3,394</u>
Total	<u>9,322</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.

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

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 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, 2024 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.

Ultimately, the contribution policy also depends upon the total return of the System's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending August 31, 2024, the money weighted rate of return on pension plan investments was 11.85%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

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, 2024, total contributions (dues and prior service) of \$4,172,237 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,292,763 for the fiscal year ending August 31, 2025.

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, 2024 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

City of Llano, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2025

state law governing TESRS and (2) approximately \$825,000 each year to pay for part of the System's administrative expenses.

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, 2020</u>	<u>August 31, 2022</u>	<u>August 31, 2024</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 *	7.50% per year, net of investment expenses	7.50% per year, net of investment expenses	7.25% per year, net of investment expenses
Projected Salary Increases *	N/A	N/A	N/A
* Includes Inflation at	3.00%	3.00%	2.75%
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%	5.71%
Small/mid cap domestic	10%	5.98%
Developed growth	15%	6.19%
Emerging markets	5%	7.38%
Global infrastructure	5%	6.63%
Real Estate	10%	4.50%
Multi asset income	5%	3.75%
Fixed income	30%	1.97%
Cash	0%	0.0%
Total	100.0%	4.60%

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

Discount Rate:

The discount rate used to measure the total pension liability was 5.38%. The projection of cash flows used to determine the discount rate, shown in Section III, assumed that contributions of the governing bodies will be made at the contribution rate as of August 31, 2024 actuarial valuation. Based on those assumptions, the System's fiduciary net position was projected to make projected future benefit payments of current active and inactive employees through 2051. Therefore, the discount rate of 5.38% is the single rate of return that results in a present value of all projected benefits equal to the sum of (a) the present value of benefits through 2051 discounted at the long-term expected rate of return of 7.25% and (b) the present value of benefits after 2051 discounted at the 3.87% discount rate based on the Bond Buyer Index of general obligation bonds with 20 years to maturity at/near August 31, 2024.

4. Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 8/31/2023	\$ 548,878	\$ 409,667	\$ 139,211
Changes for the year:			
Service Cost	5,216	-	5,216
Interest (on the Total Pension Liab.)	40,489	-	40,489
Change in benefit terms	6,884	-	6,884
Difference between expected and actual experience	18,700	-	18,700
Changes of assumptions	198,941	-	198,941
Contributions – members	-	13,418	(13,418)
Contributions – state	-	4,158	(4,158)
Net investment income	-	47,538	(47,538)
Benefit payments, including refunds of emp. contributions	(28,478)	(28,478)	-
Administrative expense	-	(979)	979
Net changes	241,752	35,657	206,095
Balance at 8/31/2024	\$ 790,630	\$ 445,324	\$ 345,306

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

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 5.38%, 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 (4.38%) or 1-percentage-point higher (6.38%) than the current rate:

1% Decrease 4.38%	Current Single Rate Assumption 5.38%	1% Increase 6.38%
\$ 476,570	\$ 345,306	\$ 241,702

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, 2025, the City recognized pension expense of \$113,980.

At September 30, 2025, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual economic experience	\$ 18,544
Difference between projected and investment earnings	11,563
Change in actuarial assumptions	123,009
Changes in pension proportion	55,007
Contributions subsequent to the measurement date	27,517
Total	\$ 235,640

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

The City reported \$27,517 as deferred outflows of resources related to TESRS pension resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the TESRS pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows related to the TESRS pension will be recognized in pension expense as follows:

Year ended August 31:		
2025	\$	94,285
2026		71,111
2027		1,299
2028		(124)
2029		3,364
Thereafter		38,188
	<u>\$</u>	<u>208,123</u>

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 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.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

	2023	2024
Inactive employees or beneficiaries currently receiving benefits	37	38
Inactive employees entitled to but not yet receiving benefits	8	7
Active employees	50	50
Total	95	95

The City’s contributions to the TMRS SDBF for the years ended 2025, 2024, and 2023 were \$12,500, \$16,388, and \$10,589, respectively, which equaled the required contributions each year. The required contribution rates for the retiree for 2025, 2024 and 2023 was 0.34%, 0.53%, and 0.43%, respectively.

Total OPEB Liability

The City’s Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2024, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.6% to 11.85%, including inflation per year
Discount rate	4.08%
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 gender-distinct 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the 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% minimum mortality rate will be applied to reject the impairment for younger members who become disabled for males and females. The rates are projected on a fully

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2024.

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 4.08%, 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 (3.08%) or 1-percentage-point higher (5.08%) than the current rate.

1% Decrease 3.08%	Current Single Rate Assumption 4.08%	1% Increase 5.08%
\$ 246,121	\$ 213,899	\$ 187,780

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/23	\$ 211,405
Changes for the year:	
Service Cost	12,719
Interest	7,884
Difference between expected and actual experience	8,474
Changes of assumptions	(9,298)
Benefit payments	(17,285)
Net changes	2,494
Balance at 12/31/24	\$ 213,899

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

For the year ended September 30, 2025, the City recognized OPEB income of \$2,091.

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

At September 30, 2025, 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	\$ 1,494	\$ -
Changes in assumptions	-	(18,994)
Contributions after the measurement date	8,440	-
Total	\$ 9,934	\$ (18,994)

The City reported \$8,440 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, 2026.

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

Year ended December 31:	
2025	\$ (17,280)
2026	(124)
2026	(96)
2027	-
Thereafter	-
	\$ (17,500)

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

E. Restatements

Due to the implementation of GASB 101, *Compensated Absences*, the City restated beginning net position/fund balance for governmental activities, business-type activities, and water and wastewater fund. The restatement is summarized below:

	Governmental Activities	Business-Type Activities	Water and Wastewater
Prior year ending net position/fund balance, as reported	\$ 16,945,409	\$ 18,825,597	\$ 18,825,597
Recognition of GASB 101, compensated absences	(78,006)	(20,004)	(20,004)
Restated beginning net position/fund balance	\$ 16,867,403	\$ 18,805,593	\$ 18,805,593

City of Llano, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2025

F. New Accounting Standards

The City adopted GASB 101, *Compensated Absences* during the year. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements.

The new guidance introduces three criteria for recording a liability in financial statements prepared using the economic resources measurement focus (often referred to as a “full accrual” basis). A liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means (likelihood of more than 50 percent).

This standard was applied retroactively and resulted in a sick leave liability of \$118,580 as of September 30, 2025.

G. Subsequent Events

There were no material subsequent events through January 13, 2026, 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, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues</u>				
Property tax	\$ 1,007,947	\$ 1,016,897	\$ 993,421	\$ (23,476)
Sales tax	1,383,000	1,437,000	1,452,092	15,092
Other taxes	113,200	111,658	118,667	7,009
License and permits	120,000	83,550	91,569	8,019
Intergovernmental	510,000	110,000	104,037	(5,963)
Charges for services	877,400	874,986	927,929	52,943
Fines and forfeitures	75,000	175,000	118,702	(56,298)
Lease income	48,800	32,800	31,874	(926)
Investment income	180,000	153,000	151,510	(1,490)
Other revenues	60,600	135,752	138,284	2,532
Total Revenues	<u>4,375,947</u>	<u>4,130,708</u>	<u>4,128,085</u>	<u>(2,623)</u>
<u>Expenditures</u>				
General government:				
City council	28,930	28,930	23,133	5,797
Administration	1,104,480	1,104,480	1,117,802	(13,322)
Public safety:				
Police	1,319,689	1,431,899	1,335,870	96,029
Municipal court	141,590	163,865	154,682	9,183
Fire department	106,520	106,520	103,620	2,900
Public works:				
Streets	1,281,590	967,695	710,556	257,139
Code enforcement	206,180	221,180	218,935	2,245
Parks and recreation:				
Parks and recreation	433,925	433,925	395,566	38,359
Swimming pool	69,790	94,290	88,548	5,742
Badu RV park	5,800	5,800	3,862	1,938
Depot museum	16,350	16,350	12,267	4,083
JLK Arena	330,330	346,330	329,481	16,849
Lantex Theater	39,165	39,165	35,699	3,466
Robinson RV park	47,770	47,770	41,716	6,054
Golf course	728,600	914,900	925,759	(10,859)
Community development	113,125	113,125	111,746	1,379

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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Debt service:				
Principal	\$ 171,450	\$ 171,450	\$ 191,503	\$ (20,053)
Interest and fiscal charges	53,110	53,110	28,594	24,516
Total Expenditures	6,198,394	6,260,784	5,829,339	431,445
 Other Financing Sources (Uses)				
Sale of capital assets	-	7,200	7,200	-
Note issuance	-	-	1,070,000	1,070,000
Transfers in	1,444,030	1,444,030	1,387,394	(56,636)
Transfers (out)	(112,885)	(244,885)	(289,683)	(44,798)
Total Other Financing Sources (Uses)	1,331,145	1,206,345	2,174,911	968,566
Net Change in Fund Balance	\$ (491,302)	\$ (923,731)	473,657	\$ 1,397,388
Beg. fund balance			2,837,825	
Ending Fund Balance			\$ 3,311,482	

Notes to Required Supplementary Information:

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

(This page intentionally left blank.)

City of Llano, Texas

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

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues</u>				
Charges for services	\$ 441,050	\$ 345,750	\$ 372,156	\$ 26,406
Intergovernmental	950,000	100,000	99,915	(85)
Other revenue	26,500	30,500	41,781	11,281
Total Revenues	1,417,550	476,250	513,852	37,602
<u>Expenditures</u>				
Current:				
Airport	1,502,132	516,642	512,628	4,014
Total Expenditures	1,502,132	516,642	512,628	4,014
Revenues Over (Under) Expenditures	(84,582)	(40,392)	1,224	41,616
<u>Other Financing Sources (Uses)</u>				
Transfers in	87,885	-	-	-
Sale of capital assets	-	154	154	-
Total Other Financing Sources	87,885	154	154	-
Net Change in Fund Balance	\$ 3,303	\$ (40,238)	1,378	\$ 41,616
Beginning fund balance			116,268	
Ending Fund Balance			\$ 117,646	

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,

	12/31/2024	12/31/2023	12/31/2022	12/31/2021
Total pension liability				
Service cost	\$ 498,011	\$ 416,866	\$ 342,517	\$ 369,774
Interest	717,775	671,547	650,140	622,528
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	248,421	132,934	(181,731)	(168,986)
Changes in assumptions	-	(22,843)	-	-
Benefit payments, including refunds of participant contributions	(453,444)	(654,996)	(406,936)	(394,307)
Net change in total pension liability	1,010,763	543,508	403,990	429,009
Total pension liability - beginning	10,611,416	10,067,908	9,663,918	9,234,909
Total pension liability - ending (a)	\$ 11,622,179	\$ 10,611,416	\$ 10,067,908	\$ 9,663,918
Plan fiduciary net position				
Contributions - employer	\$ 392,739	\$ 347,435	\$ 333,201	\$ 362,054
Contributions - members	228,296	195,975	159,841	174,304
Net investment income (loss)	970,269	981,088	(660,413)	1,027,240
Benefit payments, including refunds of participant contributions	(453,444)	(654,996)	(406,936)	(394,307)
Administrative expenses	(6,219)	(6,235)	(5,711)	(4,751)
Other	(145)	(44)	6,815	32
Net change in plan fiduciary net position	1,131,496	863,223	(573,203)	1,164,572
Plan fiduciary net position - beginning	9,331,827	8,468,604	9,041,807	7,877,235
Plan fiduciary net position - ending (b)	\$ 10,463,323	\$ 9,331,827	\$ 8,468,604	\$ 9,041,807
Fund's net pension liability (asset) - ending (a) - (b)	\$ 1,158,856	\$ 1,279,589	\$ 1,599,304	\$ 622,111
Plan fiduciary net position as a percentage of the total pension liability	90.03%	87.94%	84.11%	93.56%
Covered payroll	\$ 3,261,366	\$ 2,799,638	\$ 2,283,445	\$ 2,490,058
Fund's net position as a percentage of covered payroll	35.53%	45.71%	70.04%	24.98%

<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
\$ 350,456	\$ 345,603	\$ 347,028	\$ 338,920	\$ 315,794	\$ 216,328
593,415	575,162	545,370	505,219	465,907	452,805
-	-	-	-	-	596,175
(128,765)	(248,886)	50,699	163,185	91,027	(107,658)
-	33,338	-	-	-	136,174
(392,590)	(481,881)	(520,167)	(312,916)	(290,887)	(336,489)
<u>422,516</u>	<u>223,336</u>	<u>422,930</u>	<u>694,408</u>	<u>581,841</u>	<u>957,335</u>
<u>8,812,393</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>
<u>\$ 9,234,909</u>	<u>\$ 8,812,393</u>	<u>\$ 8,589,057</u>	<u>\$ 8,166,127</u>	<u>\$ 7,471,719</u>	<u>\$ 6,889,878</u>
\$ 350,892	\$ 347,490	\$ 343,760	\$ 333,444	\$ 293,523	\$ 175,995
166,998	165,247	163,362	158,692	145,336	124,122
547,158	961,741	(192,612)	761,145	338,705	7,445
(392,590)	(481,881)	(520,167)	(312,916)	(290,887)	(336,489)
(3,540)	(5,435)	(3,723)	(3,947)	(3,826)	(4,535)
(138)	(163)	(195)	(200)	(206)	(224)
<u>668,780</u>	<u>986,999</u>	<u>(209,575)</u>	<u>936,218</u>	<u>482,645</u>	<u>(33,686)</u>
<u>7,208,455</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>\$ 7,877,235</u>	<u>\$ 7,208,455</u>	<u>\$ 6,221,456</u>	<u>\$ 6,431,031</u>	<u>\$ 5,494,813</u>	<u>\$ 5,012,168</u>
<u>\$ 1,357,674</u>	<u>\$ 1,603,938</u>	<u>\$ 2,367,601</u>	<u>\$ 1,735,096</u>	<u>\$ 1,976,906</u>	<u>\$ 1,877,710</u>
85.30%	81.80%	72.43%	78.75%	73.54%	72.75%
\$ 2,385,680	\$ 2,360,674	\$ 2,333,747	\$ 2,267,026	\$ 2,076,229	\$ 1,773,177
56.91%	67.94%	101.45%	76.54%	95.22%	105.90%

City of Llano, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

For the Years Ended:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022
Actuarially determined employer contributions	\$ 397,714	\$ 389,728	\$ 329,251	\$ 340,590
Contributions in relation to the				
actuarially determined contribution	397,714	389,728	329,251	340,590
Contribution deficiency (excess)	-	-	-	-
Annual covered payroll	\$ 3,248,561	\$ 3,230,930	\$ 2,567,883	\$ 2,346,125
Employer contributions as a				
percentage of covered payroll	12.24%	12.06%	12.82%	14.52%

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	20 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023

valuation pursuant to an experience study of the period ending 2022.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes

There were no benefit changes during the year.

<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
\$ 336,691	\$ 360,560	\$ 344,888	\$ 337,755	\$ 329,760	\$ 264,599
<u>336,691</u>	<u>360,560</u>	<u>344,888</u>	<u>337,755</u>	<u>329,760</u>	<u>264,599</u>
-	-	-	-	-	-
\$ 2,503,282	\$ 2,471,280	\$ 2,363,866	\$ 2,293,812	\$ 2,251,891	\$ 1,991,733
13.45%	14.59%	14.59%	14.72%	14.64%	13.28%

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 2024	2023	2022	2021
Total OPEB liability				
Service cost	\$ 12,719	\$ 14,278	\$ 25,803	\$ 20,667
Interest	7,884	8,094	5,069	5,005
Changes of benefit terms	-	-	-	-
Differences in expected and actual experience	8,474	(6,949)	(9,820)	(2,239)
Changes of assumptions	(9,298)	9,297	(81,037)	7,115
Benefit payments, including refunds of participant contributions	(17,285)	(12,038)	(7,764)	(7,968)
Net changes	<u>2,494</u>	<u>12,682</u>	<u>(67,749)</u>	<u>22,580</u>
Total OPEB liability - beginning	<u>211,405</u>	<u>198,723</u>	<u>266,472</u>	<u>243,892</u>
Total OPEB liability - ending	<u><u>\$ 213,899</u></u>	<u><u>\$ 211,405</u></u>	<u><u>\$ 198,723</u></u>	<u><u>\$ 266,472</u></u>
 Covered-employee payroll	 \$ 3,261,366	 \$ 2,799,638	 \$ 2,283,445	 \$ 2,490,058
 Total OPEB Liability as a percentage of covered-employee payroll	 6.56%	 7.55%	 8.70%	 10.70%

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 15,268	\$ 6,610	\$ 7,235	\$ 6,121
6,026	6,981	6,380	6,408
-	-	-	-
(14,792)	(14,564)	(4,202)	-
27,193	30,221	(11,203)	12,447
<u>(2,624)</u>	<u>(2,597)</u>	<u>(2,334)</u>	<u>(2,267)</u>
<u>31,071</u>	<u>26,651</u>	<u>(4,124)</u>	<u>22,709</u>
<u>212,821</u>	<u>186,170</u>	<u>190,294</u>	<u>167,585</u>
<u>\$ 243,892</u>	<u>\$ 212,821</u>	<u>\$ 186,170</u>	<u>\$ 190,294</u>
\$ 2,385,680	\$ 2,360,674	\$ 2,333,747	\$ 1,551,874
10.22%	9.02%	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:

	<u>8/31/2024</u>	<u>8/31/2023</u>	<u>8/31/2022</u>	<u>8/31/2021</u>
Total pension liability				
Service cost	\$ 5,216	\$ 5,839	\$ 5,247	\$ 5,323
Interest	40,489	43,938	38,753	38,034
Changes in benefit terms	6,884	-	8,190	-
Differences between expected and actual experience	18,700	-	8,400	-
Changes of assumptions	198,941	-	(1,110)	-
Benefit payments, including				
refunds of participant contributions	(28,478)	(30,713)	(26,805)	(25,425)
Net change in total pension liability	<u>241,752</u>	<u>19,064</u>	<u>32,675</u>	<u>17,932</u>
Total pension liability - beginning	<u>\$ 548,878</u>	<u>\$ 595,352</u>	<u>\$ 524,856</u>	<u>\$ 514,507</u>
Total pension liability - ending (a)	<u>² \$ 790,630</u>	<u>\$ 614,416</u>	<u>\$ 557,531</u>	<u>\$ 532,439</u>
Plan fiduciary net position				
Contributions - employer	\$ 13,418	\$ 13,451	\$ 13,651	\$ 13,043
Contributions - state	4,158	4,546	4,257	4,546
Net investment income	47,538	24,919	(59,818)	76,264
Benefit payments, including				
refunds of participant contributions	(28,478)	(30,713)	(26,805)	(25,425)
Administrative expenses	(979)	(1,261)	(814)	(918)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>35,657</u>	<u>10,942</u>	<u>(69,529)</u>	<u>67,510</u>
Plan fiduciary net position - beginning	<u>409,667</u>	<u>447,640</u>	<u>488,735</u>	<u>428,285</u>
Plan fiduciary net position - ending (b)	<u>\$ 445,324</u>	<u>\$ 458,582</u>	<u>\$ 419,206</u>	<u>\$ 495,795</u>
Fund's net pension liability - ending (a) - (b)	<u><u>\$ 345,306</u></u>	<u><u>\$ 155,834</u></u>	<u><u>\$ 138,325</u></u>	<u><u>\$ 36,644</u></u>
Plan fiduciary net position				
as a percentage of the total pension liability	56.33%	74.64%	75.19%	93.12%
Number of active members	¹ 3,394	3,343	3,379	3,634
Net pension liability per active member	102	47	41	\$ 10
City's proportion of the net pension liability	0.3216%	0.3600%	0.3371%	0.3420%

Notes to schedule:

1) There is no compensation for active members, so number of active members is used instead.

2) The System's net pension liability was measured as of August 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2024.

<u>8/31/2020</u>	<u>8/31/2019</u>	<u>8/31/2018</u>	<u>8/31/2017</u>	<u>8/31/2016</u>	<u>8/31/2015</u>
\$ 5,448	\$ 5,374	\$ 4,478	\$ 4,350	\$ 4,608	\$ 4,608
32,118	30,392	27,831	25,848	24,213	23,040
8,728	-	7,939	-	1,964	-
(5,738)	-	(254)	-	176	-
(198)	-	-	-	2,421	-
<u>(20,094)</u>	<u>(18,524)</u>	<u>(16,409)</u>	<u>(13,738)</u>	<u>(12,788)</u>	<u>(12,236)</u>
<u>20,264</u>	<u>17,242</u>	<u>23,585</u>	<u>16,460</u>	<u>20,594</u>	<u>15,412</u>
\$ <u>419,023</u>	\$ <u>396,041</u>	\$ <u>362,831</u>	\$ <u>336,041</u>	\$ <u>314,217</u>	\$ <u>298,805</u>
\$ <u>439,287</u>	\$ <u>413,283</u>	\$ <u>386,416</u>	\$ <u>352,501</u>	\$ <u>334,811</u>	\$ <u>314,217</u>
\$ 10,965	\$ 10,024	\$ 11,518	\$ 13,683	\$ 9,421	\$ 9,562
3,881	3,828	3,735	4,324	4,308	4,453
35,600	3,285	31,792	26,690	13,482	(8,957)
(20,094)	(18,524)	(16,409)	(13,738)	(12,789)	(12,237)
(936)	(653)	(444)	(504)	(453)	(586)
-	-	-	-	-	-
<u>29,416</u>	<u>(2,040)</u>	<u>30,192</u>	<u>30,455</u>	<u>13,969</u>	<u>(7,765)</u>
<u>336,254</u>	<u>333,688</u>	<u>295,387</u>	<u>256,522</u>	<u>241,613</u>	<u>249,378</u>
\$ <u>365,670</u>	\$ <u>331,648</u>	\$ <u>325,579</u>	\$ <u>286,977</u>	\$ <u>255,582</u>	\$ <u>241,613</u>
\$ <u>73,617</u>	\$ <u>81,635</u>	\$ <u>60,837</u>	\$ <u>65,524</u>	\$ <u>79,229</u>	\$ <u>72,604</u>
83.24%	80.25%	84.26%	81.41%	76.34%	76.89%
3,634	3,927	3,927	3,634	3,634	4,036
\$ 20	\$ 21	\$ 15	\$ 18	\$ 22	\$ 18
0.2920%	0.2880%	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:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022
Actuarially determined employer contributions	\$ 15,323	\$ 17,152	\$ 18,975	\$ 18,367
Contributions in relation to the actuarially determined contribution	\$ 15,323	\$ 17,152	\$ 18,975	\$ 18,367
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Active members	28	47	40	40
Contributions per active member	\$ 547	\$ 365	\$ 474	\$ 459

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	20 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>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
\$ 17,386	\$ 7,941	\$ 15,500	\$ 19,952	\$ 11,913	\$ 12,464
<u>\$ 17,386</u>	<u>\$ 7,941</u>	<u>\$ 15,500</u>	<u>\$ 19,952</u>	<u>\$ 11,913</u>	<u>\$ 12,464</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>40</u>	<u>29</u>	<u>29</u>	<u>28</u>	<u>30</u>	<u>30</u>
\$ 435	\$ 274	\$ 534	\$ 713	\$ 397	\$ 415

(This page intentionally left blank.)

OTHER SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

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

(This page intentionally left blank.)

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.

CHILD SAFETY FUND

The Child Safety Fund accounts for the any activitiy related to the child safety activities.

COURT SECURITY & TECHNOLOGY

The Child Safety Fund accounts for the any activitiy related to court activities.

HOTEL OCCUPANCY TAX

The Child Safety Fund accounts for the any activitiy related to hotel activities.

City of Llano, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2025

	<u>Christmas Lighting</u>	<u>Cemetery</u>	<u>Child Safety</u>	<u>Main Street</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 38,019	\$ 18,406	\$ 38,467	\$ 39,668
Receivables, net	-	-	-	-
Total Assets	\$ 38,019	\$ 18,406	\$ 38,467	\$ 39,668
<u>Liabilities</u>				
Accounts payable and accrued liabilities	21	-	-	967
Due to other funds	-	-	-	213
Total Liabilities	21	-	-	1,180
<u>Fund Balances</u>				
Restricted - public safety	-	-	38,467	-
Restricted - tourism	-	-	-	-
Assigned	37,998	18,406	-	38,488
Total Fund Balances	37,998	18,406	38,467	38,488
Total Liabilities and Fund Balances	\$ 38,019	\$ 18,406	\$ 38,467	\$ 39,668

Court Security & Technology	Hotel Occupancy Tax	Total
\$ 26,712	\$ 57,537	\$ 218,809
-	31,430	31,430
<u>\$ 26,712</u>	<u>\$ 88,967</u>	<u>\$ 250,239</u>
-	35,383	36,371
-	-	213
<u>-</u>	<u>35,383</u>	<u>36,584</u>
26,712	-	65,179
-	53,584	53,584
-	-	94,892
<u>26,712</u>	<u>53,584</u>	<u>213,655</u>
<u>\$ 26,712</u>	<u>\$ 88,967</u>	<u>\$ 250,239</u>

City of Llano, Texas

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025**

	<u>Christmas Lighting</u>	<u>Cemetery</u>	<u>Child Safety</u>	<u>Main Street</u>
<u>Revenues</u>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Sales and other taxes	-	-	-	17,573
Other revenue	2,020	-	13,806	-
Investment income	1,386	725	-	1,615
Contributions and donations	470	-	-	-
Total Revenues	<u>3,876</u>	<u>725</u>	<u>13,806</u>	<u>19,188</u>
<u>Expenditures</u>				
Parks and recreation:				
Main street	-	-	-	17,188
Christmas lighting	12,831	-	-	-
Hotel	-	-	-	-
Public works	-	2,463	-	-
Public safety	-	-	3,142	-
Total Expenditures	<u>12,831</u>	<u>2,463</u>	<u>3,142</u>	<u>17,188</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(8,955)	(1,738)	10,664	2,000
Beginning fund balances	46,953	20,144	27,803	36,488
Ending Fund Balances	<u>\$ 37,998</u>	<u>\$ 18,406</u>	<u>\$ 38,467</u>	<u>\$ 38,488</u>

Court Security & Technology	Hotel Occupancy Tax	Total
\$ 21,543	\$ -	\$ 21,543
-	164,151	181,724
5,169	-	20,995
-	-	3,726
-	-	470
<u>26,712</u>	<u>164,151</u>	<u>228,458</u>
-	-	17,188
-	-	12,831
-	149,592	149,592
-	-	2,463
-	-	3,142
<u>-</u>	<u>149,592</u>	<u>185,216</u>
-	39,025	39,025
<u>-</u>	<u>39,025</u>	<u>39,025</u>
26,712	53,584	82,267
-	-	131,388
<u>\$ 26,712</u>	<u>\$ 53,584</u>	<u>\$ 213,655</u>