

Llano Central Appraisal District

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July 10, 2019

Llano Co. ESD #1
Mr. Rhett Ruiz
P.O. Box 7718
Horseshoe Bay, TX 78657

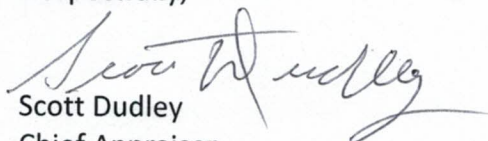
Dear Mr. Ruiz:

The financial audit for the 2017-2018 Llano Central Appraisal District's Budget was presented to the Board of Directors by the independent auditor on May 13, 2019. The Board of Directors approved the findings of the audit. On July 09, 2019 the Board of Directors approved the refund to the taxing units in the amount of \$174,304. A copy of the 2017-2018 audit is enclosed for your review and file.

In compliance with Section 6.06 (j) of the Texas Property Tax Code your share of the total unspent funds is enclosed.

Please contact me should you have any questions. As always, your support is appreciated.

Respectfully,


Scott Dudley
Chief Appraiser

SD/DB
Enclosures

Llano Central Appraisal District
Refund of Unspent Funds from the 2017-2018 Fiscal Year

2017-2018 Fifteen Month Budget \$1,245,630
 2017-2018 Fiscal Year Refund \$174,304

TAXING UNIT/ENTITY	Budget Allocation	Amount of Budget Paid	Percent of Budget Paid	Refund Due to Taxig Unit
CITY OF HORSESHOE BAY	\$ 119,315	\$ 119,315	9.58	16,696.04
CITY OF LLANO	35,958	35,958	2.89	5,031.66
CITY OF SUNRISE BEACH	22,021	22,021	1.77	3,081.40
DEER HAVEN WATER CONTROL AND IMPROVEMENT DISTRICT	3,916	3,916	0.31	547.93
LLANO COUNTY/ROAD & BRIDGE	496,719	496,719	39.88	69,507.08
LLANO MUD #1	4,924	4,924	0.40	689.09
KINGSLAND MUD	60,009	60,009	4.82	8,397.24
BURNET CISD	50,837	50,837	4.08	7,113.79
JOHNSON CITY ISD	332	332	0.03	46.43
LLANO ISD	\$ 445,749	\$ 445,749	35.79	62,374.72
LLANO COUNTY ROAD DISTRICT #1	82	82	0.01	11.40
LLANO CO. EMERGENCY SERVICE DISTRICT #1	3,506	3,506	0.28	490.56
LLANO CO. EMERGENCY SERVICE DISTRICT #2	767	767	0.06	107.36
LLANO CO. EMERGENCY SERVICE DISTRICT #3	632	632	0.05	88.38
LLANO CO. EMERGENCY SERVICE DISTRICT #4	864	864	0.07	120.91
TOTALS	\$ 1,245,630	1,245,630	100.00	174,304.00
TOTAL PARCELS EXCLUDING SPECIAL DISTRICTS	93,403			

REPORT OF EXAMINATION

**LLANO CENTRAL
APPRAISAL DISTRICT**

Llano, Texas

**For the Fifteen Month Period Ended
December 31, 2018**

LLANO CENTRAL APPRAISAL DISTRICT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Llano Central Appraisal District
Llano, TX 78643

We have audited the accompanying financial statements of the governmental activities of Llano Central Appraisal District as of and for the fifteen month period ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Llano Central Appraisal District, as of December 31, 2018, and the respective changes in financial position for the fifteen month period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the District joined the Texas County and District Retirement System in October, 2017. The District implemented the measurement criteria and reporting provisions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 26 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.

Neffendorf & Knopp, P.C.

NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

May 9, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Llano Central Appraisal District, we offer readers of the District's financial statements this narrative overview and analysis of the financial statements of the District for the fifteen month period ended December 31, 2018. Please read it in conjunction with the independent auditors' report on page 1, and District's Basic Financial Statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal fifteen month period by \$637,303 (net assets). Of this amount, \$404,794 (unrestricted net assets) may be used to meet the District's ongoing obligations to other organizations and creditors.
- The District's net assets increased by \$134,273, an increase of \$162,506 as a result of this fifteen month period's operations and a decrease of \$28,233 as a result of refund to taxing entities.
- At December 31, 2018, the District's general fund reported an ending fund balance of \$452,604, an increase of \$134,652 in comparison with the prior period.
- The District refunded \$28,233 to the taxing units for FY 2017.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (also on pages 9 & 10) report the District's operations by individual funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources.

The notes to the financial statements (starting on page 11) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider other factors as well, such as changes in legislation which may affect appraisal district operations.

In the Statement of Net Assets and the Statement of Activities, the District has one kind of activity:

- Governmental activity - The District's basic services are reported here, including the administration and tax appraisal. Assessing Fees (payments from each participating taxing unit) finance these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements on pages 9 & 10 provide detailed information about the most significant funds - not the District as a whole. Governmental fund types include the general fund.

- Governmental funds - All of the District's basic services are reported in governmental funds. They use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the adjustments column and Note 2 to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the District's governmental activities increased from \$503,030 to \$637,303. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$404,794 at December 31, 2018. This increase in governmental net assets was the result of four factors. First, the District's revenues exceeded the expenditures by \$162,506. Second, the District purchased fixed assets in the amount of \$47,641. Third, the District recorded depreciation of \$41,718. Fourth, the District refunded to the taxing entities in the amount of \$28,233.

Table I
Llano Central Appraisal District

NET ASSETS

		2018
Current and Other Assets	\$	528,450
Capital Assets		232,509
Total Assets	\$	760,959
 Deferred Resource Outflows	 \$	 34,913
 Long-Term Liabilities	 \$	 48,124
Other Liabilities		75,846
Net Pension Liability		34,485
Total Liabilities	\$	158,455
 Deferred Resource Inflows	 \$	 114
 Net Assets:		
Invested in Capital Assets	\$	232,509
Net of Related Debt		
Unrestricted		404,794
Total Net Assets	\$	637,303

Table II
Llano Central Appraisal District

CHANGES IN NET ASSETS

		<u>2018</u>
Revenues:		
Assessing Fees	\$	1,245,635
Miscellaneous		3,776
Interest on Investments		9,818
Total Revenue	\$	<u>1,259,229</u>
Expenses:		
Salaries and Benefits	\$	728,981
ARB		19,165
Building		22,465
Computer/Software Support		104,682
Legal/Professional		21,502
Pictometry		50,682
Office Supplies/Equipment		13,164
Printing and Postage		22,917
School/Education		11,889
Telephone/Internet		13,505
Travel		16,158
Insurance		13,166
Other Operating		16,729
Depreciation		41,718
Total Expenses	\$	<u>1,096,723</u>
Increase (Decrease) in Net Assets	\$	162,506
Net Assets - Beginning		503,030
Other Sources (Uses) -		
Refund to Taxing Entities – Excess		(28,233)
Prior Period Adjustment		
Net Assets - Ending	\$	<u>637,303</u>

The cost of all governmental activities this fifteen month period was \$1,096,723. As shown in the Statement of Activities on page 10, these activities were funded by assessing fees (\$1,245,635), miscellaneous income (\$3,776) and interest income (\$9,818).

THE DISTRICT'S FUNDS

As the District completed the fifteen month period, its general fund (as presented in the balance sheet on page 9) reported a fund balance of \$452,604, which is more than last year's total of \$317,952. Included in this fifteen month period's total change in fund balance is an increase of \$162,885 in the District's General Fund.

The District adopted the budget for the General Fund. Actual expenditures were less than budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had \$701,048 invested in a broad range of capital assets, including vehicles, equipment and computers. This amount represents an increase of \$32,009, or 4.7 percent more than last period.

More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

Debt

At year-end, the District had no outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's Board of Directors considered many factors when setting the fiscal-year 2019 budget. Factors considered in establishing a budget are the funding needs of the District operations and programs necessary to meet the objectives of the District. Amounts available for appropriation in the General Fund budget are \$949,108 and expenditures are estimated to be \$949,108.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Llano Central Appraisal District, 103 E. Sandstone, Llano, TX 78643.

BASIC FINANCIAL STATEMENTS

LLANO CENTRAL APPRAISAL DISTRICT
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET -
DECEMBER 31, 2018

	General Fund	Total	Adjustments (Note 2)	Statement of Net Assets
ASSETS				
Cash in Bank	\$ 516,536	\$ 516,536	\$ -	\$ 516,536
Due from Entities	-	-	-	-
Prepaid Expenses	11,914	11,914	-	11,914
Capital Assets (Net of Accumulated Depreciation)	-	-	232,509	232,509
Total Assets	\$ 528,450	\$ 528,450	\$ 232,509	\$ 760,959
DEFERRED OUTFLOW OF RESOURCES				
Deferred Outflows Related to Pension	-	-	34,913	34,913
LIABILITIES				
<u>Current Liabilities</u>				
Accounts Payable	3,997	3,997	-	3,997
Accrued Payroll Tax	2,958	2,958	-	2,958
Social Security Escrow	68,891	68,891	-	68,891
Unearned Revenues	-	-	-	-
Total Current Liabilities	75,846	75,846	-	75,846
<u>Noncurrent Liabilities</u>				
Compensated Absences	-	-	48,124	48,124
Net Pension Liability	-	-	34,485	34,485
Total Noncurrent Liabilities	-	-	82,609	82,609
Total Liabilities	75,846	75,846	82,609	158,455
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pension	-	-	114	114
FUND BALANCES/NET ASSETS				
Fund Balances:				
Unassigned	452,604	452,604	(452,604)	-
Total Fund Balances	452,604	452,604	(452,604)	-
Total Liabilities & Fund Balances	\$ 528,450	\$ 528,450		
Net Assets:				
Invested in Capital Assets, Net of Related Debt			232,509	232,509
Unrestricted			404,794	404,794
Total Net Assets			\$ 637,303	\$ 637,303

The accompanying notes are an integral part of this financial statement.

LLANO CENTRAL APPRAISAL DISTRICT
 STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES FOR THE FIFTEEN MONTH PERIOD ENDED DECEMBER 31, 2018

	General Fund	Total	Adjustments (Note 2)	Statement of Activities
<u>Revenues:</u>				
Assessing Fees (Note 4):	\$ 1,245,635	\$ 1,245,635	\$ -	\$ 1,245,635
Miscellaneous	3,776	3,776	-	3,776
Interest	9,818	9,818	-	9,818
Total Revenues	<u>1,259,229</u>	<u>1,259,229</u>	<u>-</u>	<u>1,259,229</u>
<u>Expenditures/Expenses:</u>				
<u>Operations:</u>				
Salaries	\$ 521,831	\$ 521,831	\$ -	\$ 521,831
Compensated Absences	2,744	2,744	6,616	9,360
Payroll Tax	39,196	39,196	-	39,196
Employee Insurance	114,358	114,358	-	114,358
Pension Plan	44,550	44,550	(314)	44,236
Advertising	1,588	1,588	-	1,588
ARB	19,165	19,165	-	19,165
Contract Cleaning	6,600	6,600	-	6,600
Building Utilities & Maintenance	15,865	15,865	-	15,865
Computer/Software Support	96,511	96,511	-	96,511
Equipment Lease	8,171	8,171	-	8,171
Insurance	13,166	13,166	-	13,166
Legal and Professional	21,502	21,502	-	21,502
Licenses, Dues & Subscriptions	9,400	9,400	-	9,400
Board Expense	636	636	-	636
Printing/Records Retention	11,353	11,353	-	11,353
Office Supplies	11,928	11,928	-	11,928
Postage	11,564	11,564	-	11,564
School/Education	11,889	11,889	-	11,889
Telephone/Internet	13,505	13,505	-	13,505
Travel	16,158	16,158	-	16,158
Auto Fuel and Maintenance	5,105	5,105	-	5,105
Pictometry	50,682	50,682	-	50,682
Payroll Processing/Admin Fees	1,236	1,236	-	1,236
Contract Labor	-	-	-	-
Capital Outlay	47,641	47,641	(47,641)	-
Depreciation	-	-	41,718	41,718
Total Expenditures/Expenses	<u>1,096,344</u>	<u>1,096,344</u>	<u>379</u>	<u>1,096,723</u>
Excess (Deficiency) of Revenues over Expenditures	162,885	162,885	(162,885)	-
Change in Net Assets	-	-	162,506	162,506
<u>Fund Balance/Net Assets:</u>				
Beginning of the Year	317,952	317,952	185,078	503,030
Other Sources (Uses) -				
Refund to Taxing Entities (Note 8) -				
Excess - Prior Year	(28,233)	(28,233)	-	(28,233)
End of the Year	<u>\$ 452,604</u>	<u>\$ 452,604</u>	<u>\$ 184,699</u>	<u>\$ 637,303</u>

The accompanying notes are an integral part of this financial statement.

LLANO CENTRAL APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The Llano Central Appraisal District is governed by a Board of Directors consisting of eight voting members who are elected by the participating governmental taxing entities within Llano County and one non-voting member (Tax Assessor-Collector). The primary function of the District is to provide uniform property values to the governmental taxing entities within Llano County.

The accounting policies of the district conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The District has developed criteria to determine if the activities of any outside agencies or organizations should be included within its financial statements. The criteria includes the amount of oversight responsibility exercised by the District over the activities of an agency or organization, the scope of public service of an agency or organization, and the nature of any special financing relationships which may exist between the District and an agency or organization. Oversight responsibility includes financial interdependency, selection of the governing authority, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The District's financial statements include all funds over which the District exercises oversight responsibility. The District does not exercise oversight responsibility over any other reporting entity. Also, The District is not included as a part of any other reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Llano Central Appraisal District nonfiduciary activities. *Governmental activities* include sources supported by allocations from entities, fees and interest on investments.

The Statement of Activities demonstrates how other people or entities that participate in services the District operates have shared in the payment of the direct costs.

Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, 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 which are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the accompanying financial statements into the following categories:

Governmental Funds

The government reports the following major governmental funds:

The general fund is the government's operating fund and accounts for all financial resources of the general government.

When both restricted and unrestricted resources are available for use, it is the

government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, which is recognized when due. The expenditures related to certain claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collected within 60 days after fifteen month period end.

Revenues from local sources consist primarily of assessing fees from each participating taxing unit. The assessing fees and investment earnings are recorded as earned, since they are both measurable and available. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

2. Fixed Assets

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable.

Donated assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	30 years
Furniture & Fixtures	7 years
Computers	5 years
Vehicle	5 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

3. Compensated Absences

Vacation and Sick Leave

The District accrues vacation time at a rate of 3.33 to 13.33 hours per month depending on length of service. The maximum number of hours which can be carried forward from one fiscal year to another is 200 hours. Upon retirement or termination, any unused vacation time is paid.

The District accrues sick leave at a rate of eight hours per month. Employees may accrue an unlimited amount of sick leave time. Any accrued but unused sick leave is paid out at 5% for every year of service at retirement or termination.

At December 31, 2018, the accumulated vacation and sick leave amount to \$48,124. This amount will be liquidated in future years and is reported as a liability in the government-wide statement of net assets.

4. Unearned Revenues

Unearned revenue represents funds received in advance for the subsequent year operations from the taxing entities.

5. Fund Equity

The District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.

- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

6. Use of Estimates

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

7. Deferred Outflows of Resources and Deferred Inflows of Resources

The Board has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as well as the early implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB 63 and 65, amounts previously reported as deferred charges as a part of total assets and deferred amounts from refunded debt have been reported in a separate section as deferred outflows of resources and amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources. The implementation resulted in changes in terminology only.

8. Budget - The District follows these procedures in adopting a budget for the year:

By June 15 of each year, the chief appraiser prepares a budget for District operations for the following tax year and submits copies to each participating taxing unit and to the board of directors. An estimate of the budgetary costs to be allocated to each taxing unit must be included.

By September 15 the board must hold a public hearing on and make any amendments to and finally approve the budget. Each participating taxing unit must receive at least 10 days written notice of the place, date and time for such hearing.

The board may amend the approved budget at any time, but the secretary of the board must deliver a written copy of the proposed amendment to each participating taxing unit not later than the 30th day before the date the board acts on it.

9. 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 County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. 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.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

Total Fund Balance - Governmental Fund	\$	452,604
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the fifteen month period, the cost of these assets was \$669,039 and the accumulated depreciation was \$442,453. The effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net assets.		226,586
2 Current fifteen month period capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2018 capital outlays is to increase net assets.		47,641
3 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current fifteen month period's depreciation is to decrease net assets.		(41,718)
4 Deferred outflow of resources related to pension is not recorded in the fund financial statements.		34,913
5 Net pension liability is not recorded in the fund financial statements.		(34,485)
6 Deferred inflows of resources related to pension is not recorded in the fund financial statements.		(114)
7 Long-term debt (compensated absences) are not due and payable in the current period, and therefore, is not reported as a liability in the fund. Compensated Absences		<u>(48,124)</u>
Net Assets of Governmental Activities	\$	<u>637,303</u>

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Total Net Change in Fund Balances - Governmental Funds	\$ 162,885
1 Current fifteen month period capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the fifteen month period capital outlays is to increase net assets.	47,641
2 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current fifteen month period's depreciation is to decrease net assets.	(41,718)
3 Change in net pension liability and related accounts is not recorded on the governmental funds.	314
4 Certain long-term liabilities are accrued at the government-wide level but not at the fund level. This is the current year change in those liabilities - reported as expense in the statement of activities (compensated absences).	(6,616)
	<hr/>
Change in Net Assets of Governmental Activities	\$ <u>162,506</u>

NOTE 3. DEPOSITS AND INVESTMENTS

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

At December 31, 2018, the carrying amount of the District's deposits was \$516,536 in the General Fund and the bank balance was \$524,845. The District's cash deposits at December 31, 2018 were entirely covered by FDIC insurance and pledged securities.

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

Policies Governing Deposits and Investments

The **Public Funds Investment Act** addresses the following risks:

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District was not exposed to custodial credit risk since its deposits at

year-end were covered by depository insurance or by pledged collateral held by the District's agent bank in the District's name.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2018, the District was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

NOTE 4. OPERATIONS

The district's operations are financed by payments from each participating taxing unit. Each unit's portion of the total cost is determined by the proportion its number of parcels bears to the total number of parcels in the District by all participating units. A summary of the allocation for fifteen month period follows:

Taxing Unit/Entity	Budget		
	Number of Parcels	%	Amount
City of Horseshoe Bay	8,989	9.62	\$ 119,315
City of Llano	2,709	2.9	35,958
City of Sunrise Beach	1,659	1.78	22,021
Deer Haven WCID	295	0.32	3,916
Llano County/Road & Bridge	37,422	40.07	496,719
Llano MUD #1	371	0.4	4,924
Kingsland MUD	4,521	4.84	60,009
Burnet CISD	3,830	4.1	50,837
Johnson City ISD	25	0.03	332
Llano ISD	33,582	35.95	445,749
Special District Allocation -			
Llano Co. Road District #1	179	-	82
LESD #1	10,375	-	3,506
LESD #2	2,905	-	767
LESD #3	5,022	-	632
LESD #4	285	-	864
Totals	<u>112,169</u>	<u>100.00%</u>	<u>\$ 1,245,630</u>

NOTE 5. GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 10/1/17	Additions	Deletions	Balance 12/31/18
Land	\$ 30,611	\$ -	\$ -	\$ 30,611
Buildings & Improvements	322,613	8,672		331,285
Furniture & Equipment	237,253	7,793		245,046
Vehicles	78,562	31,176	15,631	94,106
Totals	\$ 669,039	\$ 47,641	\$ 15,631	\$ 701,048
Less Accumulated Depreciation	442,453	41,718	15,631	468,540
Capital Assets, Net	\$ 226,586	\$ 5,923	\$ -	\$ 232,509

NOTE 6. RETIREMENT PLAN

The District joined the Texas County and District Retirement System in October, 2017.

Plan Description

TCDRS is a statewide, agent multiple-employer, public-employee retirement system. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing body of each employer, within the options available in the TCDRS Act. Because of that, employers have the flexibility and local control to select benefits and pay for those benefits based on their needs and budgets. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The following is a brief description of the benefit terms:

1. All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
2. The plan provides retirement, disability and survivor benefits.
3. TCDRS is a savings-based plan. For the district's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 160%) and is then converted to an annuity.
4. There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
5. Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	11
	<hr/>
	11

Contributions

A combination of three elements fund each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

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

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

The contribution rate payable by the employee members for calendar year 2018 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The District's contributions to TCDRS for the year ended December 31, 2018 were \$44,550, and were equal to the required contributions.

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of economic/ demographic gain or losses	Straight-Line amortization over Expected Working Life
Recognition of assumption changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smooth Period	5 years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	3.25%
Investment Rate of Return	8.10%
Cost of Living Adjustments	Cost-of-Living Adjustments for Llano Central Appraisal District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Deferred members are assumed to retire (100% probability) at the later of: a) age 60; b) earliest retirement eligibility.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	RP-2014 Mortality Tables

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

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽²⁾	16.00%	7.55%
Global Equities	MSCI World (Net) Index	1.50%	4.85%
International Equities – Developed	MSCI World Ex USA (Net) Index	11.00%	4.55%
International Equities – Emerging	MSCI Emerging Markets (Net) Index	8.00%	5.55%
Investment – Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash- Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (Net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFR) Fund of Funds Composite Index	18.00%	4.10%

⁽¹⁾ Target asset allocation adopted at the April 2018 TCDRS Board meeting

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.95%, per Cliffwater's 2018 capital market assumptions.

⁽³⁾ Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007– present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. 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 pensions 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.

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2016	\$ -	\$ -	\$ -
Changes for the Year:			
Service Cost	49,376		49,376
Interest on Total Pension Liability ⁽¹⁾	3,999		3,999
Effect of Plan Changes ⁽²⁾	-		-
Effects of Economic/Demographic Gains or Losses	43		43
Effect of Assumptions Changes or Inputs	(127)		(127)
Refund of Contributions	-	-	-
Benefit Payments	-	-	-
Administrative Expenses		(13)	13
Member Contributions		8,250	(8,250)
Net Investment Income		294	(294)
Employer Contributions		10,029	(10,029)
Other ⁽³⁾	-	245	(245)
Balances as of December 31, 2017	<u>\$ 53,291</u>	<u>\$ 18,806</u>	<u>\$ 34,485</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the Llano Central Appraisal District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease <u>7.10%</u>	Current Discount Rate <u>8.10%</u>	1% Increase <u>9.10%</u>
Total Pension Liability	\$ 61,811	\$ 53,291	\$ 46,239
Fiduciary Net Position	<u>18,806</u>	<u>18,806</u>	<u>18,806</u>
Net Pension Liability/(Asset)	<u>\$ 43,005</u>	<u>\$ 34,485</u>	<u>\$ 27,433</u>

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

For the year ended December 31, 2018 the District recognized pension expense of \$44,238.

Prepaid Expense/(Income)	January 1, 2017 to December 31, 2017
Service Cost	\$ 49,376
Interest on Total Pension Liability ⁽¹⁾	3,999
Effect of Plan Changes	-
Administrative Expenses	13
Member Contributions	(8,250)
Expected Investment Return Net of Investment Expenses	(735)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	4
Recognition of Assumption Changes or Inputs	(13)
Recognition of Investment Gains or Losses	88
Other ⁽²⁾	(245)
Pension Expense/(Income)	<u>\$ 44,238</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ Relates to allocation of system-wide items.

As of December 31, 2018, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 0	\$ 39
Changes of assumptions	114	0
Net difference between projected and actual earnings	0	353
Contributions made subsequent to measurement date	N/A	34,521

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended December 31	
2018	\$ 80
2019	80
2020	80
2021	80
2022	(8)
Thereafter ^(a)	(34)

^(a) Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

NOTE 7. OPERATING LEASES

The District has entered into a lease agreement beginning July 20, 2016 with XEROX Corporation for a photocopy machine. The lease period is for 60 months at \$306.41 a month which includes equipment, maintenance and supplies. The District paid a total of \$4,596 for this lease for the fifteen month period ended December 31, 2018.

The District has leased a digital mailing system from Mail Finance beginning in November, 2015. The lease period was for 60 months. Lease payments of \$143.02 were due monthly for 60 months. The District paid a total of \$2,145 for this lease for the fifteen month period ended December 31, 2018.

The District has leased a postage meter from Mail Finance beginning in December, 2015. The lease period was for 60 months. Lease payments of \$94.03 were due monthly for 60 months. The District paid a total of \$1,410 for this lease for the fifteen month period ended December 31, 2018.

NOTE 8. FUND BALANCE – REFUND TO TAXING ENTITIES

Prior fund balances must be credited against each taxing unit's allocated payments in the following year or refunded in accordance with Section 6.06 of the Property Tax Code. The District refunded \$28,233 to the taxing units in 2018 for the fiscal year 2016-2017.

NOTE 9. RISK MANAGEMENT

The Appraisal District is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to District assets, error and omissions and personnel risks which relate to workers compensation. The District carries commercial insurance in order to manage the above listed risks. The District also provides group health insurance coverage for full time employees through a commercial insurance carrier.

NOTE 10. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Actual expenditures exceeded the budgeted amounts for several line items but not in total.

NOTE 11. CONTINGENCIES

Several lawsuits have been filed against the District. These cases relate to the valuation of the properties of the plaintiffs for the purpose of ad valorem taxation. These suits seek to reduce the appraised values prepared by the District. The plaintiffs are not seeking monetary damages against the District except for the recovery of attorney's fees if the plaintiffs are successful in the lawsuits. The constituent taxing units, rather than the District, would be potentially liable for refunds, interest, and attorney fees for any lawsuits settled in favor of the plaintiffs. In the opinion of the District's legal counsel, the likelihood of a significant loss in these lawsuits is minimal.

NOTE 12. SOCIAL SECURITY AGREEMENT

The District entered into a Section 218 agreement for enrollment in Social Security. Beginning July 1, 2017, the District and each employee contributes their respective portion to be held in escrow until such time enrollment becomes effective. At December 31, 2018, the balance in the escrow account was \$68,891.

NOTE 13. CHANGE IN FISCAL YEAR

The District approved a change in fiscal year from September 30 to December 31. The District adopted a fifteen (15) month budget to cover the period October 1, 2017 to December 31, 2018.

NOTE 14. SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 9, 2019, the date which the financial statements were available to be issued. The District is not aware of any other subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LLANO CENTRAL APPRAISAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
 GENERAL FUND - FOR THE FIFTEEN MONTH PERIOD ENDED DECEMBER 31, 2018

	Budget	Actual	Variance with Budget Positive (Negative)
<u>Revenues:</u>			
Assessing Fees (Note 4):			
County of Llano	\$ 496,719	\$ 496,719	\$ -
Llano Independent School District	445,749	445,749	-
City of Llano	35,958	35,958	-
City of Sunrise Beach	22,021	22,021	-
Kingsland Municipal Utility District	60,009	60,009	-
City of Horseshoe Bay	119,315	119,315	-
Llano County Municipal Utility District No. 1	4,924	4,924	-
Llano County Road District No. 1	82	82	-
Llano County Emergency Service District No. 1	3,506	3,506	-
Llano County Emergency Service District No. 2	767	767	-
Llano County Emergency Service District No. 3	632	632	-
Llano County Emergency Service District No. 4	864	864	-
Deer Haven Water Conservation District	3,916	3,916	-
Burnet Consolidated Independent School District	50,837	50,837	-
Johnson City Independent School District	332	332	-
Miscellaneous	-	3,780	3,780
Interest	-	9,818	9,818
Total Revenues	<u>1,245,630</u>	<u>1,259,229</u>	<u>13,598</u>
<u>Expenditures:</u>			
Operations:			
Salaries	\$ 607,500	\$ 523,067	\$ 84,433
Compensated Absences	30,300	2,744	27,556
Payroll Tax	55,500	39,196	16,304
Employee Insurance	136,000	114,358	21,642
Pension Plan	51,700	44,550	7,150
Advertising	2,000	1,588	412
ARB	20,400	19,165	1,235
Building Utilities & Maintenance	25,630	22,465	3,165
Computer/Software Support	168,600	155,364	13,236
Insurance	13,100	13,166	(66)
Legal and Professional	32,400	21,502	10,898
Licenses, Dues & Subscriptions	6,200	9,400	(3,200)
Board Expense	900	636	264
Printing/Records Retention	7,900	11,353	(3,453)
Office Supplies/Equipment	13,000	11,928	1,072
Postage	16,900	11,564	5,336
School/Education	33,100	28,047	5,053
Telephone/Internet	13,000	13,505	(505)
Auto Fuel and Maintenance	11,500	5,105	6,395
Capital Outlay	-	16,465	(16,465)
Subtotal - Entities Budget	<u>1,245,630</u>	<u>1,065,168</u>	<u>180,462</u>

The accompanying notes are an integral part of this financial statement.

LLANO CENTRAL APPRAISAL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
 GENERAL FUND - FOR THE FIFTEEN MONTH PERIOD ENDED DECEMBER 31, 2018

	<u>Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
Entity Approved (Retain Un-spent Funds)-			
Vehicle Purchase	31,176	31,176	-
Total Expenditures	<u>1,276,806</u>	<u>1,096,344</u>	<u>180,462</u>
Excess (Deficiency) of Revenues over Expenditures	(31,176)	162,885	194,060
<u>Fund Balance/Net Assets:</u>			
Beginning of the Year	317,952	317,952	-
Other Sources (Uses) -			
Refund to Taxing Entities	-	(28,233)	(28,233)
End of the Year	<u>\$ 286,776</u>	<u>\$ 452,604</u>	<u>\$ 165,827</u>

The accompanying notes are an integral part of this financial statement.

LLANO CENTRAL APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE FIFTEEN MONTH PERIOD ENDED DECEMBER 31, 2018

	Year Ended December 31	
	2017	
Total Pension Liability		
Service Cost	\$	49,376
Interest on Total Pension Liability		3,999
Effect of Plan Changes		-
Effect of Assumption Changes or Inputs		(127)
Effect of Economic/Demographic (Gains) or Losses		43
Benefit Payments/Refunds of Contributions		-
Net Change in Total Pension Liability	\$	53,291
Total Pension Liability, Beginning		-
Total Pension Liability, Ending (a)	\$	53,291
 Fiduciary Net Position		
Employer Contributions	\$	10,029
Member Contributions		8,250
Investment Income Net of Investment Expenses		294
Benefit Payments/Refunds of Contributions		-
Administrative Expenses		(13)
Other		245
Net Change in Fiduciary Net Position	\$	18,806
Fiduciary Net Position, Beginning		-
Fiduciary Net Position, Ending (b)	\$	18,806
 Net Pension Liability/(Asset), Ending = (a) - (b)	\$	34,485
 Fiduciary Net Position as a % of Total Pension Liability		35.29%
 Pensionable Covered Payroll	\$	117,855
 Net Pension Liability as a % of Covered Payroll		29.26%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

LLANO CENTRAL APPRAISAL DISTRICT
 SCHEDULE OF EMPLOYER CONTRIBUTIONS-
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
 FOR THE FIFTEEN MONTH PERIOD ENDED DECEMBER 31, 2018

Year Ending December 31	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2008	\$	\$	\$	\$	\$
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017	10,029	10,029	-	117,855	8.50%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.

LLANO CENTRAL APPRAISAL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-
DECEMBER 31, 2018

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	9.4 years (based on contribution rate calculated in 12/31/2016 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions. 2016: No changes in plan provisions.

** Only changes effective 2015 and later are shown in the Notes to Schedule.*

NEFFENDORF & KNOPP, P.C.
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May 9, 2019

Board of Directors
Llano Central Appraisal District
Llano, TX 78643

We have audited the financial statements of the governmental activities of Llano Central Appraisal District for the fifteen month period ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 25, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Llano Central Appraisal District are described in Note 1 to the financial statements. GASB 68 Statement No. 68 *Accounting and Reporting for Pensions* was adopted and the application of the existing policies was not changed during 2018. We noted no transactions entered into by Llano Central Appraisal District during the fifteen month period for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 9, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Recommendations

Fund Balance Policy

The District has not adopted a fund balance policy. We again recommend that the board adopt a formal policy on fund balance in accordance with GASB Statement No. 54. Also, the accounts in quickbooks should reflect the adoption of this policy and properly account for amounts spent out of non-committed or assigned funds.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of Llano Central Appraisal District and is not intended to be, and should not be, used by anyone other than these specified parties.

Neffendorf & Knopp, P.C.

NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas