

**LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 and SEPTEMBER 30, 2016**

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General Purpose Financial Statements

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KLEIN, KRAUS & COMPANY, LLC

Certified Public Accountants

1302 NORTH LLANO

P.O. BOX 2211

FREDERICKSBURG, TEXAS 78624-2211

(830) 997-5592

email: kkcpa@austin.rr.com

FAX: (830) 990-2692

MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Unmodified Opinion on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information—State or Local Governmental Entity

Independent Auditor's Report

Llano County Emergency Services District No. 1
101 Ferguson Road, Suite A-103
Horseshoe Bay, Texas 78657

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Llano County Emergency Services District No. 1 as of and for the years ended September 30, 2017 and 2016 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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 Llano County Emergency Services District No. 1 as of September 30, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 3-6 and 13 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.

The Management's Discussion and Analysis 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 Management Discussion and Analysis is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Klein, Kraus and Company, LLC

Klein, Kraus and Company, LLC
Fredericksburg, Texas 78624

January 3, 2018

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Llano County Emergency Services District No. 1, discuss and analyze the District's financial performance for the fiscal year ended September 30, 2017. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements which begin on page 7.

FINANCIAL HIGHLIGHTS

- The District's net assets decreased by \$75,992 as a result of this year's operations.
- During the year, the District had expenses that were \$75,992 more than the \$395,279 generated in revenues.
- Total cost of all of the District's programs was \$471,271.
- The General Fund ended the year with net assets of \$562,172.
- The resources available for appropriation were \$479 more than budgeted for the General Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statements include the Statement of Net Assets and the Statement of Activities (on pages 7 and 8). 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.

The notes to the financial statements (starting on page 10) 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 7. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years. These two statements report the 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 nonfinancial factors as well, such as changes in the entities which support the District.

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

- Governmental activity - All of the District's basic services are reported here, including daily operations, maintenance, and general administration. Assessments to participating taxing entities finance most of these activities.

Reporting the District's Most Significant Funds

- Governmental funds - All of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Revenues and expenditures accounted for on the modified accrual basis of accounting are found in the supplemental information on page 13.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District has implemented GASB Statement #34. Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental fund activities.

Net assets of the District's governmental activities decreased from \$641,313 to \$565,321. Unassigned 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 were \$-0-, while assigned net assets (those set aside as an operating reserve) were \$-0- and committed net assets (those set aside for future expansion of services) were \$565,321 at September 30, 2016.

**Table I
Llano County Emergency Services District No. 1**

NET ASSETS

	Governmental	Activities
	2017	2016
Cash	\$ 562,172	\$ 638,126
Other Assets	3,149	3,187
Total Assets	565,321	641,313
Liabilities	0	0
Total Liabilities	0	0
Net Assets:		
Committed	565,321	641,313
Total Net Assets	\$ 565,321	\$ 641,313

Table II
Llano County Emergency Services District No. 1

CHANGES IN NET ASSETS

	Governmental 2017	Activities 2016
Revenues:		
Maintenance & Operations Taxes	\$ 348,971	\$ 318,567
Interest	1,978	1,887
Other Revenues	44,330	40,708
Total Revenue	395,279	361,162
Expenses:		
Operating Expenses	471,271	460,405
Total Expenses	471,271	460,405
Increase (Decrease) in Net Assets	(75,992)	(99,243)
Net Assets - Beginning	641,313	740,556
Net Assets - Ending	\$ 565,321	\$ 641,313

The District's total revenues increased by \$34,117 (9.45%).

The District's total expenditures increased by \$10,806 (2.36%).

The cost of all governmental activities this year was \$471,271.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented on page 13) reported a fund balance of \$562,172, which is \$75,956 lower than last year's total of \$638,128.

DEBT

The District had no debt at year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's appointed officials considered many factors when setting the fiscal-year 2018 budget. The major factors are the economy and population growth. These indicators were taken into account when adopting the General Fund budget for 2018. The budgeted revenues and expenditures for fiscal year 2018 are \$452,463 for revenue and \$505,809 for expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 County ESD No. 1, 101 Ferguson Road, Suite A-103, Horseshoe Bay, Texas 78657.

GENERAL PURPOSE FINANCIAL STATEMENTS

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2017 and SEPTEMBER 30, 2016

	Governmental	Fund Type
	2017	2016
ASSETS		
Cash	\$ 562,172	\$ 638,126
Taxes Receivable	3,246	3,286
Allowance for Uncollectible Accounts	(97)	(99)
Total Assets	565,321	641,313
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable	-	-
Total Liabilities	-	-
Net Assets:		
Committed	565,321	641,313
TOTAL NET ASSETS	\$ 565,321	\$ 641,313

The footnotes are an integral part of this financial statement.

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 and SEPTEMBER 30, 2016

	<u>Governmental</u>	<u>Fund Type</u>
	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
Property Taxes	\$ 348,971	\$ 318,567
Burnet County ESD #1	41,337	38,736
Interest & Penalties	1,978	1,887
Other Income	2,993	1,972
Total Revenues	<u>395,279</u>	<u>361,162</u>
<u>Expenditures</u>		
Administrative Fees	28,119	18,732
Appraisal District	3,109	2,969
Audit	2,250	2,250
Bonds & Insurance	1,326	1,006
Contingencies	1,575	11,909
Facility Expense	9,000	9,250
Office Supplies/Postage	1,494	1,426
Tax Collections	1,950	2,965
Training	886	6,817
Emergency Medical Services -		
Marble Falls EMS	404,462	392,681
Responder Fees	2,100	5,400
Equipment	15,000	5,000
Total Expenditures	<u>471,271</u>	<u>460,405</u>
Excess (Deficit) of Revenues over (under) Expenditures	(75,992)	(99,243)
Net Assets – Beginning of year	641,313	740,556
Net Assets – Ending of year	<u>\$ 565,321</u>	<u>\$ 641,313</u>

The footnotes are an integral part of this financial statement.

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF CASH FLOW
SEPTEMBER 30, 2017 and SEPTEMBER 30, 2016

	<u>2017</u>	<u>2016</u>
Cash Provided Internally		
Net Income (Loss)	\$ (75,992)	\$ (99,243)
Items Not Requiring the Use of Cash		
None	<u>-</u>	<u>-</u>
Cash Provided (Used) from Operations	<u>(75,992)</u>	<u>(99,243)</u>
Changes in Working Capital		
(Increase) Decrease in Prepaid Expense	-	2,000
Increase (Decrease) in Delinquent Taxes Receivable	38	103
Total Changes in Working Capital	<u>38</u>	<u>2,103</u>
Total Cash Provided (Used) Internally	(75,954)	(97,140)
Funds Invested	-	-
Financing Activities	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash	(75,954)	(97,140)
Cash at Beginning of Year	638,126	735,266
Cash at End of Year	<u>\$ 562,172</u>	<u>\$ 638,126</u>

The footnotes are an integral part of this financial statement.

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENT
SEPTEMBER 30, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The Llano County Emergency Services District No. 1 was approved by voters in February, 2002 and operates under Article III, Section 48E, of the Texas Constitution. The Llano County Commissioners Court appoints five members to the Board of Emergency Service Commissioners. The District is a political subdivision of the State and has full authority to carry out the objects of its creation, including emergency medical services and ambulance services.

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. Fund Accounting - The District accounts for its operations in governmental fund type, the general fund. The general fund is a budgeted fund and accounts for the general operations of the District.
- C. Basis of Accounting - Governmental fund type revenues and expenditures are recorded on the modified accrual basis. Revenues are recorded when they become available and measurable. Expenditures are recorded when the liability is incurred, if measurable.
- D. Investments - Investments are carried at cost.
- E. Taxes Receivable - Property taxes are recorded as revenue when collected and the amount of billed but uncollected taxes are deferred pending collection.
- F. Infrastructure Assets - Infrastructure assets are not included in the accompanying financial statements.
- G. Budget - The Board adopts an annual budget for the general fund in accordance with the accounting principles applicable to this fund.
- H. 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.

NOTE 2. DEPOSITS

Deposits were with First United Bank, Grand Bank of Texas and 1st State Bank in demand and interest bearing accounts which were secured at the balance sheet date by FDIC coverage and pledged securities. Deposits with TexPool are managed by the State of Texas.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 - Deposits which are insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 - Deposits which are not collateralized.

Based on these three levels of risk, all of the District's cash deposits are classified as category 1.

NOTE 3. PROPERTY TAXES

The District levies taxes on real property within the District on October 1 each year which is the lien date. Such taxes become delinquent the following February 1st. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The Llano County Appraisal District appraises and The Llano County Tax Assessor/Collector collects taxes for the District. For the 2016 tax roll, the tax rate was \$.0178 per \$100 valuation based on property valuation of \$1,803,342,696. A summary of taxes receivable by years appears below:

Tax Roll	Taxes Receivable 9/30/16	Taxes Assessed	Collections	Adjustments	Taxes Receivable 9/30/17
2002	1	-	-	(1)	-
2003	29	-	-	(1)	28
2004	91	-	-	1	92
2005	93	-	-	-	93
2006	220	-	66	-	154
2007	241	-	68	-	173
2008	246	-	68	(1)	177
2009	259	-	70	(1)	188
2010	287	-	89	(9)	189
2011	237	-	69	(7)	161
2012	255	-	89	(5)	161
2013	179	-	72	(3)	104
2014	245	-	259	151	137
2015	903	-	828	152	227
2016		347,664	347,275	973	1,362
Total	\$ 3,286	\$ 347,664	\$ 348,953	\$ 1,249	\$ 3,246

NOTE 4. BONDS & INSURANCE

The District has a Public Employee Dishonesty Bond with a \$15,000 blanket limit. The District also has management

errors and omissions liability insurance with a \$1,000,000 per occurrence limit and an aggregate limit of \$2,000,000.

NOTE 5. DATE OF SUBSEQUENT EVENT CUTOFF

The date for cutoff of subsequent events for these financial statements is January 3, 2018.

LLANO COUNTY EMERGENCY SERVICES DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – (MODIFIED ACCRUAL BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
<u>Revenues</u>			
Property Taxes	\$ 349,982	\$ 349,008	\$ (974)
Burnet County ESD	41,337	41,337	-
Interest & Penalties	1,500	1,978	478
Other Income	2,000	2,993	993
Total Revenues	<u>394,819</u>	<u>395,316</u>	<u>497</u>
<u>Expenditures</u>			
Administrative Fees	28,119	28,119	-
Appraisal District	3,109	3,109	-
Audit	2,300	2,250	50
Bonds & Insurance	1,000	1,326	(326)
Contingencies	15,000	1,575	13,425
Dues & Fees	-	-	-
Facility Expense	9,000	9,000	-
Office Supplies/Postage	1,900	1,495	405
Tax Collection	1,950	1,950	-
Training	3,000	886	2,114
Emergency Medical Services -			
Marble Falls EMS	404,462	404,462	-
Responder Fees	7,000	2,100	4,900
Equipment	15,000	15,000	-
Total Expenditures	<u>491,840</u>	<u>471,272</u>	<u>20,568</u>
Excess of (Deficit) Revenues			
Over (Under) Expenditures	(97,021)	(75,956)	21,065
Fund Balance - October 1, 2016	<u>638,128</u>	<u>638,128</u>	<u>-</u>
Fund Balance - September 30, 2017	<u>\$ 541,107</u>	<u>\$ 562,172</u>	<u>\$ 21,065</u>

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