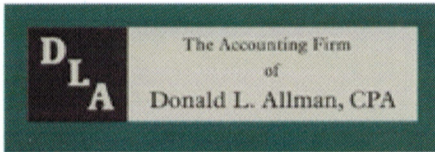


VILLAGE OF SALADO, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

VILLAGE OF SALADO, TEXAS
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Donald L. Allman, CPA, PC
4749 Williams Drive, Suite 322
Georgetown, Texas 78633
Email: dallman@donallmancpa.com

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Honorable Mayor
And Members of the City Council
Village of Salado, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Salado, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Salado, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 37-40 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.

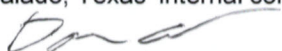
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Salado, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019, on our consideration of the Village of Salado, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Salado, Texas' internal control over financial reporting and compliance.



Donald L. Allman, CPA, PC

Georgetown, TX
March 13, 2019

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

As management of the Village of Salado, Texas ("the Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2018. We encourage readers to consider information presented here in conjunction with additional information that we have furnished in the Village's financial statements, which follow this narrative.

Financial Highlights:

- The assets of the Village of Salado exceeded its liabilities as of September 30, 2018, by \$3,561,094 (Net Position). Of this amount, \$713,905 represents unrestricted net position, or fund balance. Unrestricted net position has no obligations or restrictions and may be used however the Council so chooses.
- The Village's total net position increased by \$399,388 during the year.
- The General Fund had net income of \$128,304 and the Proprietary Fund had net income of \$271,084 on the government-wide funds basis.

Overview of Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Village of Salado's basic financial statements. The Village's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes additional supplementary information in addition to the basic financial statements.

Government-wide Financial Statements – The Government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Village's assets and liabilities, with the difference between the two reported in net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. This statement combines and consolidates governmental funds current financial resources (short-term spendable resources), capital assets, and long-term liabilities of the Village.

The Statement of Activities presents information showing how the Village's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Village uses two fund type – governmental and proprietary (business-type).

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 current sources and uses of spendable resources. The governmental fund statements provide a detailed short-term view of the Village's general government operations and help you determine whether resources are available in the near future to finance Village programs. Comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements will help the readers to better understand the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet and statement of revenues, expenditures, and changes in net position provide a reconciliation to facilitate this comparison.

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

The Village adopts an annual appropriated budget for its general fund and proprietary fund. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of the Village's financial position. As of September 30, 2018, the Village's net assets exceeded liabilities by \$3,561,094.

A portion of the Village's net position \$713,905, reflects its unrestricted net assets which are available for spending at the Village's discretion.

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current Assets	\$ 862,543	\$ 659,687	\$ 4,704,387	7,358,271	\$ 5,566,930	\$ 8,017,958
Capital Assets (Net)	1,323,973	1,219,657	7,012,597	2,004,779	8,336,570	3,224,436
Total Assets	\$ 2,186,516	\$ 1,879,344	\$ 11,716,984	9,363,050	\$ 13,903,500	11,242,394
Deferred Outflows of Resources	-	-	-	-	-	-
Short-Term Liabilities	\$ 107,697	\$ 30,256	\$ 512,757	395,116	\$ 620,454	425,372
Long-Term Liabilities	79,765	16,893	9,443,731	7,528,094	9,523,496	7,544,987
Total Liabilities	\$ 187,462	\$ 47,149	\$ 9,956,488	7,923,210	\$ 10,143,950	7,970,359
Deferred Inflows of Resources	159,130	70,995	-	-	159,130	70,995
Deferred Outflows of Resources	39,326	6,883			39,326	6,883
Net Position:						-
Invested in Capital Assets	\$ 1,205,883	\$ 1,219,657	\$ 796,142	954,547	\$ 2,002,025	2,174,204
Restricted	-	-	845,164	576,231	845,164	576,231
Unrestricted	594,715	534,660	119,190	(90,938)	713,905	443,722
Total Net Position	\$ 1,800,598	\$ 1,754,317	\$ 1,760,496	1,439,840	\$ 3,561,094	3,194,157

Governmental activities increased the Village's net position by \$128,304 in 2018. The following table provides a comparison of the Village's operations for the year ended September 30, 2018 to the year ended September 30, 2017.

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for Services	\$ 64,507	\$ 63,407	\$ 51,221	18,561	\$ 115,728	\$ 81,968
General Revenues:	\$ -			-	-	-
Ad Valorem Taxes	394,985	355,240	612,779	601,987	1,007,764	957,227
Sales Taxes	472,966	429,323	-	-	472,966	429,323
Franchise Fees	194,309	199,787	-	-	194,309	199,787
Mixed Beverage Taxes	16,680	12,518	-	-	16,680	12,518
Court Fines and fees	40,247	4,365	-	-	40,247	4,365
Occupancy Taxes	-	-	168,119	162,524	168,119	162,524
Investment Earnings	8,263	7,743	67,624	46,215	75,887	53,958
Donations	-	-	-	-	-	-
Other Revenues	43,086	9,269	15,280	1,125	58,366	10,394
Total Revenues	\$ 1,235,043	\$ 1,081,652	\$ 915,023	830,412	\$ 2,150,066	\$ 1,912,064
Expenses:						
General Government	\$ 569,385	\$ 510,605	\$ -	-	\$ 569,385	\$ 510,605
Judicial	-	-	-	-	-	-
Police	391,416	308,316	-	-	391,416	308,316
Fire Protection & EMS	40,455	40,000	-	-	40,455	40,000
Total Pension Expense	11,471	43,409	-	-	11,471	43,409
Public Works/Streets	80,245	107,919	-	-	80,245	107,919
Parks	13,767	14,525	-	-	13,767	14,525
Tourism, Wastewater	-	-	643,939	544,783	643,939	544,783
Total Expenses	\$ 1,106,739	\$ 1,024,774	\$ 643,939	544,783	\$ 1,750,678	\$ 1,569,557
Change in Net Position	\$ 128,304	\$ 56,878	\$ 271,084	285,629	\$ 399,388	\$ 342,507
Transfer	(49,572)	(145,878)	49,572	145,878	-	-
Prior Period Adjustment	(32,451)				(32,451)	
Net Position Beginning	\$ 1,754,317	\$ 1,843,317	\$ 1,439,840	1,008,333	\$ 3,194,157	\$ 2,851,650
Net Position Ending	\$ 1,800,598	\$ 1,754,317	\$ 1,760,496	1,439,840	\$ 3,561,094	\$ 3,194,157

Financial Analysis of the Government's Funds:

General Fund – The Village utilizes a general fund to account for the basic services provided to citizens by the Village. At September 30, 2018, the Village's general fund reported an ending net position of \$1,800,598. Of this balance, \$594,715 constitutes undesignated, unreserved net position which is available for spending at the Village's discretion. During the current fiscal year, General Fund net position increased by \$46,281.

Proprietary Fund – The Village utilizes the proprietary fund to account for the receipt and expenditure of hotel-motel occupancy taxes levied by the Village to promote tourism/ overnight visitation, revenue and expenditures relating to the operation of the existing Stagecoach Wastewater Treatment Facility and the bond proceeds and expenditures relating to the future development of a new wastewater collection system and treatment plant. As of September 30, 2018, the Village's Proprietary Fund reported an ending fund balance of \$1,760,496.

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Capital Assets:

The Village's investment in capital assets for its governmental activities as of September 30, 2018 amounts to \$1,205,883 (net of accumulated depreciation) in the general fund and \$7,012,597 in the business-type fund. The investment in capital assets includes infrastructure, equipment, vehicles, land, and buildings. The following table summarizes the Village's investment in fixed assets.

	Governmental Activities
Land	\$ 45,577
Buildings	262,195
Vehicles and Equipment	114,591
Infrastructure	783,520
Total Capital Assets, Net	\$ 1,205,883
	Business-Type Activities
Land	3,455
Stagecoach Wastewater System	\$ 1,797,829
Salado Wastewater System	4,991,738
Machinery & Equipment	18,137
Bond Issuance Costs	201,438
	7,012,597

During fiscal year 9/30/18, major asset additions for the Village were improvements to the Salado Wastewater System totaling \$5,119,732.

Long-Term Liabilities

For the fiscal year ended September 30, 2018 activity related to long-term liabilities is as follows:

	Balance at 9/30/2017	Additions	Retirements	Balance at 9/30/2018
Compensated Absences Payable	\$ 78,650	\$ -	\$ 53,663	\$ 24,987

American National Bank of Texas, Permanent Improvement Bonds, \$8,200,000 & 2,350,000.

	Balance			Balance	
	10/1/2017	Increases	Decreases	9/30/2018	Current
ANB Texas Permanent Improvement Bonds, Series 2015	\$ 7,865,000	\$ -	\$ 345,000	\$ 7,520,000	\$ 355,000
ANB Texas Permanent Improvement Bonds, Series 2018	-	2,350,000	-	2,350,000	75,000
	7,865,000	2,350,000	345,000	9,870,000	430,000

Budget Analysis:

The Village prepares its budgets on the modified accrual of accounting, which is a method of accounting prescribed by generally accepted accounting principles (GAAP). During the fiscal year ended September 30, 2018, the Village had several amendments to each budget to allow for unanticipated expenditures.

The following is a budget to actual comparison for the general fund for the year ended September 30, 2018.

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Budget to Actual Variances
For the Year Ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$ 366,454	\$ 394,985	\$ 394,985	-
Sales Taxes	387,000	464,725	472,966	8,241
Mixed Beverage tax	15,000	16,680	16,680	-
Franchise Fees	217,000	207,788	194,309	(13,479)
Fines	25,000	27,000	40,247	13,247
Investment Income	7,500	8,000	8,263	263
Licenses, Permits, Fees	58,365	61,926	64,507	2,581
Other Revenue	1,000	2,498	43,086	40,588
Total Revenue	\$ 1,077,319	\$ 1,183,602	\$ 1,235,043	\$ 51,441
<u>Expenditures</u>				
General Government	\$ 560,987	\$ 543,265	\$ 569,385	\$ (26,120)
Public Safety	415,431	425,938	431,871	(5,933)
Public Works	142,295	127,657	80,245	47,412
Parks	8,606	6,556	13,767	(7,211)
Total Pension Expense			11,471	(11,471)
	-	-	-	-
Total Expenditures	\$ 1,127,319	\$ 1,103,416	\$ 1,106,739	\$ (3,323)
Excess (Deficiency) of Revenues Over Expenditures:	\$ (50,000)	\$ 80,186	\$ 128,304	\$ 48,118
Other Financing Sources (Uses):				
Transfers In	\$ 50,000	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	\$ 50,000	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ -	\$ 80,186	\$ 128,304	\$ 48,118
Transfers			(49,572)	
Prior Period Adjustment			(32,451)	
Fund Balances - Beginning of Year	1,754,317	1,754,317	1,754,317	-
Fund Balances - End of Year	\$ 1,754,317	\$ 1,834,503	\$ 1,800,598	\$ 48,118

Significant budget to actual variances – For the Variance with Final Budget, actual expenses that are more than budgeted expenses are shown as a negative, and actual expenses that are less than budgeted are shown as positive. The budget for the general fund of the Village experienced expenditures over budget by \$3,323. The actual revenues were over expectations by \$51,441, yielding an overall positive budget variance of \$48,118. Significant items contributing to the variance can be briefly summarized as follows:

- More than expected sales tax and other revenues.
- Less than budgeted public works expenditures due to timing differences.

All variances in the amended budget to actual results are due to differences in accrual accounting for the audit, and cash basis accounting for the Budget. The Village of Salado is in compliance with State Budgeting Requirements.

Economic Factors and Next Year's Budget:

With the recent completion of construction on Interstate 35 in the Village, retail business activity is expected to increase resulting in additional sales tax revenue used to help fund Village operations. Hotel-Motel occupancy tax collections are projected to increase with an increase in budgeted expenditures for tourism marketing.

Request for Information:

The financial report is designed to provide our citizens, investors, and creditors with a general overview of the Village's finances. If you have any questions about this report or need any additional information, please contact the Village Administrator Don Ferguson, at P.O. Box 219, Salado, Texas 76571, or call 254-947-5060.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**VILLAGE OF SALADO, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

Primary Government

<u>ASSETS:</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Current Assets:			
Cash and Cash Equivalents	\$ 780,335	\$ 183,396	963,731
Investments	4,259	4,498,709	4,502,968
Intergovernmental & Fiduciary Receivable	7,724	5,398	13,122
Receivables	70,225	16,884	87,109
Total Current Assets	\$ 862,543	\$ 4,704,387	5,566,930
Non-Current Assets:			
Net Pension Asset	118,090	-	118,090
Capital Assets:			
Land	\$ 45,577	\$ 3,455	49,032
Infrastructure	783,520		783,520
Stagecoach Wastewater System		1,797,829	2,581,349
Salado Wastewater System		4,991,738	4,991,738
Buildings, Net	262,195	-	262,195
Bond Issuance Costs		201,438	201,438
Machinery and Equipment, Net	114,591	18,137	132,728
Total Non-Current Assets	\$ 1,323,973	\$ 7,012,597	9,120,090
Total Assets	\$ 2,186,516	\$ 11,716,984	14,687,020
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 51,439	\$ 63,471	114,910
Intergovernmental Payable	-	7,724	7,724
Other Current Liabilities	56,258	11,562	67,820
Permanent Improvement Bond, Series 2015 current		355,000	355,000
Permanent Improvement Bond, Series 2018 current		75,000	75,000
Total Current Liabilities	\$ 107,697	\$ 512,757	620,454
Non Current Liabilities:			
Permanent Improvement Bond, Series 2015	-	7,165,000	7,165,000
Permanent Improvement Bond, Series 2018	-	2,275,000	2,275,000
Net OPEB Liability	39,458		39,458
Compensated Absences Payable	40,307	3,731	44,038
Total Non-Current Liabilities	\$ 79,765	\$ 9,443,731	2,358,496
Total Liabilities	\$ 187,462	\$ 9,956,488	2,358,496
Deferred Inflows of Resources	159,130	-	159,130
Deferred Outflows of Resources	39,326		39,326
<u>NET POSITION</u>	\$ -		
Invested in Capital Assets	\$ 1,205,883	\$ 796,142	2,002,025
Restricted for Bond		845,164	845,164
Unrestricted	594,715	119,190	713,905
Total Net Position	\$ 1,800,598	\$ 1,760,496	3,561,094

The accompanying notes are an integral part of these financial statements.9

**VILLAGE OF SALADO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental	Business- Type Activities	
Primary Government:						
Governmental Activities:						
General Government	\$ 569,385	\$ 64,507	\$ -	\$ -	\$ (504,878)	
Judicial	-	40,247	-	-	40,247	
Police	391,416	-	-	-	(391,416)	
Fire Protection	40,455	-	-	-	(40,455)	
Public Works	80,245	-	-	-	(80,245)	
Parks	13,767	-	-	-	(13,767)	
Total Pension Expense	11,471	-	-	-	(11,471)	
Total Primary Government:	\$ 1,106,739	\$ 104,754	\$ -	\$ -	\$ (1,001,985)	
Business-Type Activities:						
Wastewater & Hotel	643,939	51,221				(592,718)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes					\$ 394,985	612,779
Sales Taxes					472,966	
Hotel Occupancy Tax					-	168,119
Franchise Fees					194,309	
Mixed Beverage Taxes					16,680	
Other Income					43,086	15,280
Investment Earnings					8,263	67,624
Total General Revenues					\$ 1,130,289	863,802
Change in Net Position					\$ 128,304	271,084
Transfers					(49,572)	49,572
Prior Period Adjustment					(32,451)	
Net Position - Beginning					\$ 1,754,317	1,439,840
Net Position - Ending					\$ 1,800,598	1,760,496

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**VILLAGE OF SALADO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	General Fund	Total Governmental Funds
Assets:		
Cash and Cash Equivalents	\$ 780,335	\$ 780,335
Investments	4,259	4,259
Interest Receivable	-	-
Property Taxes Receivable	5,033	5,033
Other Receivables	65,192	65,192
Intergovernmental Receivables	-	-
Due from Business-Type Activities	7,724	7,724
Total Assets	\$ 862,543	\$ 862,543
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 51,439	\$ 51,439
Payroll expenses Payable	5,941	5,941
Intergovernmental Payable	-	-
Due to General Fund	-	-
Deferred Revenues	5,033	5,033
Other Current Liabilities	50,317	50,317
Total Liabilities	\$ 112,730	\$ 112,730
 Fund Balances:		
Nonspendable		
Restricted	\$ -	\$ -
Committed	-	-
Assigned		
Unassigned	749,813	749,813
Total Fund Balances	\$ 749,813	\$ 749,813
 Total Liabilities and Fund Balances	\$ 862,543	\$ 862,543

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SALADO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total Fund Balances - Governmental Funds	\$ 749,813
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$1,840,711 and the accumulated depreciation was \$623,370. The net effect of including the balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	\$ 1,205,883
Deferred Outflows of Resources are not recognized in Governmental Funds	(39,326)
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected. Deferred property taxes not collected within 60 days.	\$ (10,287)
Accounts payable for Capital Outlay items removed from Governmental Funds	
The Net Pension Asset is not recognized in Governmental Funds accounting	\$ 118,090
Deferred Inflows of Resources are not recognized in Governmental Funds	\$ (159,130)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and recording the current change in compensated absences payable. The net effect of these reclassifications and recognitions is to decrease net position. Compensated absences	\$ (24,987)
The OPEB Pension Liability is not recognized in Governmental Funds accounting	(39,458)
Net Position of Governmental Activities	<u>\$ 1,800,598</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SALADO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Total Governmental Funds
<u>Revenues</u>		
Taxes:		
Property Taxes	\$ 394,985	\$ 394,985
General Sales and Use Taxes	472,966	472,966
Franchise Fees	194,309	194,309
Mixed Beverage Taxes	16,680	16,680
Licenses and Permits	64,507	64,507
Intergovernmental Revenue and Grants	-	-
Charges for Services	-	-
Fines	40,247	40,247
Investment Earnings	8,263	8,263
Other Revenue	43,086	43,086
Total Revenues	\$ 1,235,043	\$ 1,235,043
<u>Expenditures</u>		
Current:		
General Government	528,242	528,242
Judicial	-	-
Public Safety:		
Police	370,321	370,321
Fire Protection	40,455	40,455
Public Works	64,132	64,132
Culture and Recreation:		
Parks	6,154	6,154
Capital Outlay:		
Capital Outlay	55,313	55,313
Total Expenditures	\$ 1,064,617	\$ 1,064,617
Net Changes in Fund Balances	\$ 170,426	\$ 170,426
Transfers	(49,572)	(49,572)
Fund Balances - Beginning	\$ 628,959	\$ 628,959
Fund Balances - Ending	\$ 749,813	\$ 749,813

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SALADO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	170,426
Current year 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 2017 capital outlays is to increase net position.	\$	55,313
Total Pension Expense is not included in Governmental Funds		(11,471)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	\$	(64,164)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recording the current change in other receivables. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	\$	(21,800)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes not collected \$5,033		-
Less prior year \$(5,033)		-
Change in Net Position of Governmental Activities	<u>\$</u>	<u>128,304</u>

The accompanying notes are an integral part of these financial statements.

Village of Salado
Statement of Net Position – Proprietary Funds
For the Year Ended September 30, 2018

	Business-Type Activities Enterprise Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 183,396
Investments - Restricted Funds for Construction & Bonds	4,498,709
Accounts receivable & Due From	22,282
Total Current Assets	4,704,387
Non-Current Assets:	
Salado Wastewater Treatment Facility, net	4,991,738
Stagecoach Wastewater Treatment Facility, net	1,797,829
Bond Issuance Costs, net	201,438
Machinery & Equipment - Net	18,137
Land	3,455
Total Assets	\$ 11,716,984
Liabilities	
Current Liabilities:	
Accounts payable	63,471
Sewer deposits and Trolley reserve	11,562
Intergovernmental payables	7,724
Permanent Improvement Bond Series 2015-current portion	355,000
Permanent Improvement Bond Series 2018-current portion	75,000
Total Current Liabilities	512,757
Long-term Liabilities	
Permanent Improvement Bond Series 2015	7,165,000
Permanent Improvement Bond Series 2018	2,275,000
Compensated absences payable	3,731
Total Long-Term Liabilities	9,443,731
Total Liabilities	9,956,488
Net Position	
Invested in capital assets, net of related debt	796,142
Restricted for Bond debt service	845,164
Unrestricted net position	119,190
Total Net Position	1,760,496
Total Liabilities and Net Position	\$ 11,716,984

The accompanying notes are an integral part of these financial statements.

Village of Salado
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the Year Ended September 30, 2018

	Business-Type Activities Enterprise Fund
Revenues	
Hotel Occupancy Tax	\$ 168,119
Ad Valorem Interest & Sinking Fund Tax	612,779
Monthly service fees	51,221
	-
Miscellaneous	15,280
Total Revenues	847,399
Expenses	
Tourism expenses	148,620
Stagecoach Expenses	60,897
Special Projects	-
Wastewater expenses	5,891
	-
Depreciation & Amortization	197,300
Total Expenses	412,708
Net Operating Income (Loss)	434,691
Non-Operating Revenue and (Expenses)	
Interest expense	(231,231)
Interest income	67,624
Total Non-Operating Revenue and (Expenses)	(163,607)
Net Income (Loss)	271,084
Total Net Position, Beginning of Year	1,439,840
Transfers	49,572
Total Net Position, End of Year	\$ 1,760,496

The accompanying notes are an integral part of these financial statements.

Village of Salado
Statement of Cash Flows – Proprietary Funds
For the Year Ended September 30, 2018

	Business-Type Activities Enterprise Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,234,317
Payments to suppliers	(144,449)
Payments to employees	(186,779)
Net cash provided (used) by operating activities	903,089
Cash flows from Capital and Related Financing Activities	
Transfer from General fund	49,572
Acquisition of capital assets	(5,019,966)
Net cash provided (used) by capital and related financing activities	(4,970,394)
Cash Flows from Investing Activities	
Proceeds from 2018 Permanent Improvement Bonds	2,350,000
Principal Payments 2015 Permanent Improvement Bonds	(345,000)
Interest Expense 2015 Permanent Improvement Bonds	(231,231)
Interest on investments	67,624
Net cash provided (used) by investing activities	1,841,393
Net Increase (Decrease) in Cash and Cash Equivalents	(2,225,912)
Cash and Cash Equivalents at Beginning of Year	6,908,017
Cash and Cash Equivalents at End of Year	<u>\$ 4,682,105</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ 271,084
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation & Amortization	197,300
(Increase) decrease in accounts receivable	427,972
Increase (decrease) in accounts payable	20,349
Increase (decrease) in accrued liabilities	4,087
Increase (decrease) in intergovernmental payables	(17,703)
Net cash provided (used) by operating activities	<u>\$ 903,089</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Salado, Texas (the “Village”) was incorporated August 12, 2000, and operates as a General Law Type A municipality. The Village operates under a mayor-aldermen form of government and provides the following services as authorized: general government, public safety, streets, community development (planning and zoning, licensing, permitting, and inspection), culture and recreation, and wastewater services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village’s accounting policies are described below:

A. Reporting Entity

The accompanying financial statements comply with the provisions of the GASB statements No. 14 and 39, “The Financial Reporting Entity,” in that the financial statements include all organizations, activities, functions, and component units for which the Village is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization’s governing body and either (1) the Village’s ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the Village. There are no component units which satisfy requirements for blending within the Village’s financial statements or for discreet presentation.

B. Financial Statement Presentation

These financial statements comply with the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments. Certain aspects of the reporting model are as follows:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Village’s overall financial position and changes in financial position.
- Government-wide financial statements prepared using the accrual basis of accounting for all of the Village’s governmental and business type activities.
- Fund financial statements focusing on the major funds.
- Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the reclassification of net position into three components-invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:
 - Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
 - Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through contractual provisions or enabling legislation.
 - Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or invested in capital assets, net of related debt.”

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the Village as a whole. These statements include all nonfiduciary 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.

The statement of activities demonstrates the degree the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds (if any), even though the latter are excluded from the government-wide financial statements.

D. Measurement focus and basis of accounting

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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. However, debt service expenditures are recorded only when payment is due.

Taxes, license fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The Village reports the following major governmental funds:

The **General Fund** is the general operating fund of the Village. It is used to account for all the financial resources of the Village.

The **Proprietary Fund** is used to account for the receipt and expenditure of occupancy taxes levied by the Village for tourism promotion, revenue and expenditures relating to the operation of the existing Stagecoach Wastewater Treatment Facility and the bond proceeds and expenditures relating to the development of a new wastewater collection system and treatment plant.

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement focus and basis of accounting (continued)

Unless otherwise noted, the figures represented in the *Notes to Financial Statements* are for the combined governmental funds.

As a general rule, the effect of the interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first to the extent available.

E. Cash and Temporary Investments

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and time deposits with initial maturities of three months or less.

Investments

Investments maturing within one year of date of purchase are stated at cost. All other investments are stated at fair value, which is based on quoted market prices.

F. Compensated Absences

The Village permits employees to accumulate earned but unused vacation pay benefits. Vacation pay is accrued when incurred in the governmental activities statement of net assets. In addition, sick leave accrued by employees prior to January 31, 2013 will be paid to employees upon separation of service. Sick leave accrued after that date is not subject to accrual. A liability for these amounts is only reported in the fund financial statements if they have matured, for example, as a result of an employee resignation or retirement.

G. Budgets

The Village adopts annual budgets covering its governmental and proprietary fund operations. The budget is amended as required. The budgets are adopted on the *modified accrual basis* of accounting, a basis consistent with generally accepted accounting principles (GAAP).

All variances in the amended budget to actual results are due to differences in accrual accounting for the audit, and cash basis accounting for the Budget. The Village of Salado is in compliance with State Budgeting Requirements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The Village defines capital assets as assets with initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets (continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

The Village has elected, under the provisions of GASB Statement 34, to report infrastructure using the prospective method. General infrastructure assets acquired prior to October 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all streets and other infrastructure assets acquired subsequent to October 1, 2003.

Property, plant, and equipment are depreciated using the straight line method over the following useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	20 to 40
Machinery and Equipment	5 to 10
Infrastructure	40

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. 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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Pension contributions after measurement date – these contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or 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. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Net Position

Net Position in the government-wide financial statements represent the difference between assets and liabilities. *Net assets invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Village or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

K. Use of 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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

L. Tax Administration

The Village is a General Law Type A municipality with a maximum tax rate for all purposes of \$1.5 per \$100 assessed valuation. This maximum tax rate is imposed by the Constitution of the State of Texas.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Tax Administration (continued)

All taxes due the City on real or personal property are collected by the Bell County Tax Assessor-Collector and may be paid at any time after the tax rolls have been completed and approved, which is not later than October 1. Current taxes become delinquent on February 1 following the tax year. There are various penalties for delinquent taxes. There are no discounts allowed on taxes. The procedure for collecting delinquent taxes is to refer to a collection attorney after sending delinquent notices. All properties located within the Village limits on January 1 of each year are charged with a special lien in favor of the Village from such date for taxes due thereon.

NOTE 2 – CASH AND INVESTMENTS

Cash and Cash Equivalents

Cash and cash equivalents for financial reporting includes funds invested in money market accounts and all certificates of deposit with a maturity of three months or less from the date of purchase. At September 30, 2018, the Village had total cash balances of \$5,466,699 held in ten accounts with First State Bank, Horizon and Texpool.

Deposits at year-end are representative of the types of deposits maintained by the Village during the year. The Village's deposits at year-end were entirely covered by federal depository insurance or by acceptable pledged collateral held by the Village's agent in the Village's name. During the entire year ending September 30, 2018, the Village's deposits were fully collateralized in accordance with state law.

Deposits in Tex Pool and Tex Pool Prime

Organized in 1989, Tex Pool is the largest and oldest local government investment pool in the State of Texas. Tex Pool currently provides investment services to over 2,000 communities throughout Texas. The State Comptroller of Public Accounts oversees Tex Pool. Federated Investors is the full service provider to the pools, managing the assets, providing Participant Services, and arranging for all custody and other functions in support.

Tex Pool and Tex Pool *Prime* are managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. Tex Pool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. Tex Pool *Prime* invests in the above plus, commercial paper and certificates of deposits. Tex Pool and Tex Pool *Prime* are each rated AAA by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. Tex Pool and Tex Pool *Prime*, like its participants, are governed by the Texas Public Funds Investment Act, and are in full compliance with the Act.

At September 30, 2018 the Village had deposits with Tex Pool in the amount of \$9,361 included in investments in the financial statements. The TexPool assets qualify as Cash and Cash Equivalents under the definition presented.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 2 - CASH AND INVESTMENTS (continued)

Compliance with the Public Funds Investment Act

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 a governmental entity 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 entity 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 entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The Village is in compliance with the requirements of the Act and with local policies.

Custodial Credit Risk for Deposits

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the Village and held by the Village or its agent. The Village's deposits are not subject to custodial credit risk, as all deposits are insured or covered by pledged securities.

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the Village limits investments to Tex Pool and Certificates of Deposit, either insured by the Federal Deposit Insurance Corporation, or its successors or fully collateralized as described above, with maturities not exceeding one year (see "*Custodial Credit Risk for deposits*" above).

Concentration of Credit Risk

To limit the risk of loss attributable to the magnitude of the Village's investment in a single issuer, the Village deposits/investments in only those entities who fully insure such deposits/investments or with Tex Pool, as described above. The Village has no concentration of credit risk as all deposits/investments are either insured or fully collateralized.

Interest Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the Village does not invest in anything with a maturity date exceeding one year.

Foreign Currency Risk for Investments

The Village does not make investments denominated in any foreign currency.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 3 – RECEIVABLES

The following is a breakdown of the September 30, 2018, receivables, reported in the government-wide Statement of Net Position:

Sales Tax Receivable	\$ 44,560
Occupancy Tax Receivable	-
Franchise Fees Receivable	19,090
Other Governmental Receivables	-
Grant Proceeds Receivable	-
Ad Valorem Taxes Receivable	5,033
Other Amounts Due to Village	1,292
Total Receivables	<u>\$ 69,975</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>Balance October 1, 2017</u>	<u>Additions</u>	<u>Deletions and Adjustment</u>	<u>Balance September 30, 2018</u>
General Fund				
Capital Assets, not Being Depreciated				
Land and Improvements	\$ 45,577	\$ -	\$ -	\$ 45,577
Total Capital Assets not Being Depreciate	<u>\$ 45,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,577</u>
Capital Assets, Being Depreciated				
Building and Improvements	\$ 390,266	\$ -	\$ -	\$ 390,266
Infrastructure	844,449	40,624	-	885,073
Vehicles and Equipment	491,738	14,689	-	506,427
Total Capital Assets Being Depreciated	<u>\$ 1,726,453</u>	<u>\$ 55,313</u>	<u>\$ -</u>	<u>\$ 1,781,766</u>
Less Accumulated Depreciation for:				
Buildings	\$ (111,216)	\$ (16,855)	\$ -	\$ (128,071)
Infrastructure	(87,552)	(14,001)	-	(101,553)
Vehicles and Equipment	(358,528)	(33,308)	-	(391,836)
Total Accumulated Depreciation	<u>\$ (557,296)</u>	<u>\$ (64,164)</u>	<u>\$ -</u>	<u>\$ (621,460)</u>
Total Capital Assets Being Depreciated	<u>\$ 1,169,157</u>	<u>\$ (8,851)</u>	<u>\$ -</u>	<u>\$ 1,160,306</u>
Total Net Capital Assets	<u>\$ 1,214,734</u>	<u>\$ (8,851)</u>	<u>\$ -</u>	<u>\$ 1,205,883</u>

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 4 – CAPITAL ASSETS (continued)

	Balance October 1, 2017	Additions	Deletions and Adjustment s	Balance September 30, 2018
Proprietary Fund				
Intangible assets				
Bond Issuance	\$ 188,115	\$ 54,585	\$ -	\$ 242,700
Amortization	(25,082)	(16,180)		(41,262)
Total Capital Assets not Being Depreciate	\$ 163,033	\$ 38,405	\$ -	\$ 201,438
Capital Assets, Being Depreciated				
Building and Improvements & Land	\$ 3,455	\$ -	\$ -	\$ 3,455
Salado Wastewater System		5,119,731		5,119,731
Stagecoach Wastewater System	1,907,735	30,802	-	1,938,537
Vehicles and Equipment	33,203	-	-	33,203
Total Capital Assets Being Depreciated	\$ 1,944,393	\$ 5,150,533	\$ -	\$ 7,094,926
Less Accumulated Depreciation for:				
Buildings	\$ -	\$ -	\$ -	\$ -
Salado Wastewater System		(127,993)		(127,993)
Stagecoach Wastewater System	(93,161)	(47,547)	-	(140,708)
Vehicles and Equipment	(9,486)	(5,580)	-	(15,066)
Total Accumulated Depreciation	\$ (102,647)	\$ (181,120)	\$ -	\$ (283,767)

Depreciation expense was charged to programs for the year ended September 30, 2018, as follows:

Administration	\$ 19,343
Police	21,095
Parks	7,613
Judicial	-
Public Works	16,113
	<u>\$ 64,164</u>

NOTE 5 – LONG-TERM LIABILITIES

The changes in long-term debt during the year ended September 30, 2018 are as follows:

	Balance			Balance	
	10/1/2017	Increases	Decreases	9/30/2018	Current
ANB Texas Permanent Improvement Bonds, Series 2015	\$ 7,865,000	\$ -	\$ 345,000	\$ 7,520,000	\$ 355,000
ANB Texas Permanent Improvement Bonds, Series 2018	-	2,350,000	-	2,350,000	75,000
	7,865,000	2,350,000	345,000	9,870,000	430,000

The bond issue will fund the design and construction of a new wastewater treatment plant and collection system that will serve the properties that make up the Village's central business district, along with a yet-to-be constructed mixed-use development containing both residential and commercial properties. This new wastewater system will replace a small existing wastewater system (the Stagecoach Plant) acquired by the Village to serve a small number of commercial properties in downtown Salado.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 5 – LONG-TERM LIABILITIES (Continued)

American National Bank of Texas-Bond in the amount of \$8,200,000 interest of 2.94% with interest payments due March 1 and September 1 and principal due September 1, principal payments range from \$335,000 to \$560,000.

September 30,	Principal	Interest	Total
2019	355,000	221,088	576,088
2020	365,000	210,651	575,651
2021	370,000	199,920	569,920
2022	380,000	189,042	569,042
'2023	390,000	177,870	567,870
2024-2035	5,660,000	1,142,337	6,802,337
totals	7,520,000	2,140,908	9,660,908

American National Bank of Texas-Bond in the amount of \$2,350,000 interest of 3.19% with interest payments due March 1 and September 1 and principal due September 1, principal payments range from \$75,000 to \$180,000.

September 30,	Principal	Interest	Total
2019	75,000	97,039	172,039
2020	110,000	72,572	182,572
2021	115,000	69,064	184,064
2022	120,000	65,395	185,395
'2023	120,000	61,567	181,567
2024-2035	1,810,000	396,835	2,206,835
totals	2,350,000	762,472	3,112,472

NOTE 6 – RESERVATION AND DESIGNATION OF FUND BALANCES AND NET POSITION

At September 30, 2018, the Village had reserved net assets in the amount of \$0. Purposes for the reservation are as follows: Court Technology Fund \$0, Court Security Fund \$0.

In accordance with GASB 34, net assets reserved for court technology and court security are reported as deferred revenue under the modified accrual basis of accounting therefore, are not included in *Reserved Fund Balance*.

NOTE 7 – PROPERTY TAXES

The Village's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and business personal property located in the Village. The assessed value at January 1, 2018, upon which the 2018 levy was based, was \$187,945,543. The total levy assessed was \$1,007,764.

The tax assessment of September 15, 2017 set a tax levy at \$0.5362 per \$100 of assessed valuation at 100 percent of assumed market value. The I&S tax rate is 0.3271 and the M&O tax rate is 0.2091. The Village may levy a tax of up to \$1.5 per \$100 of assessed valuation. Taxes are due by January 31 following the October 1 levy date, at which time a lien attaches to the property.

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. At September 30, 2018, property taxes receivable are \$11,392, with \$10,438 current and \$954 delinquent.

NOTE 8 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. The Village has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the Village in TML is limited to payment of premiums. During the year ended September 30, 2018, the Village paid premiums of approximately \$24,217 for provisions of various liability, property, and casualty insurance. The Village has various deductible amounts ranging from \$250 to \$10,000 on various policy cover ages. At year-end, the Village did not have any significant claims outstanding.

The Village also provides workers compensation insurance on its employees through TML. The workers compensation premiums for the year ended September 30, 2018, were approximately \$10,544. Workers compensation is subject to change when audited by TML. At year end September 30, 2018, the Village believed the amounts paid on workers compensation would not change significantly from the amounts recorded.

NOTE 9 – COMMITMENTS & CONTINGENCIES

Fire Department

The Village is under contract with the Salado Volunteer Fire Department. The contract states that the Fire Department agrees to provide fire protection and emergency services to the Village and its citizens on a 24-hour emergency response and on call basis during the term of the agreement. For consideration of the services, the Village agrees to pay the Fire Department an annual fee of \$40,000. The term of this agreement is on year, commencing November 1, 2017, and ending October 31, 2018.

NOTE 10 – PENSION PLAN

Plan Description

The Village of Salado participates as one of 860 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 comprehensive annual report (CAFR) that can be obtained at www.tmrs.com.

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

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 payment 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.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 – PENSION PLAN (continued)

Employees covered by benefit terms.

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	14
Active employees	<u>9</u>
Total	27

Contributions

The contribution rate for the employees in TMRS is 5%, 6% and 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 annually determined 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 Village of Salado were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for Village of Salado were 5% in calendar years 2016 respectively. The city's contributions to TMRS for the year ended September 30, 2018 were \$65,771, and were in excess of the required contributions.

Net Pension Liability or Net Pension Asset

The city's Net Pension Asset (NPA) 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 Asset or Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.5% to 10.5% per year

Investment Rate of Return 6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB on account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2015, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2015. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 – PENSION PLAN (continued)

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
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.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Village of Salado		
Schedule of Changes in Net Pension Liability and Related Ratios Current Period		
September 30, 2018		
A.	Total pension liability	
	1. Service Cost	\$ 64,236
	2. Interest (on the Total Pension Liability)	37,699
	3. Changes of benefit terms	-
	4. Difference between expected and actual experience	(70,699)
	5. Changes of assumptions	-
	6. Benefit payments, including refunds of employee contributions	(78,384)
	7. Net change in total pension liability	\$ (47,148)
	8. Total pension liability - beginning	565,585
	9. Total pension liability - ending	<u>\$ 518,437</u>
B.	Plan fiduciary net position	
	1. Contributions - employer	\$ 39,095
	2. Contributions - employee	26,676
	3. Net investment income	79,063
	4. Benefit payments, including refunds of employee contributions	(78,384)
	5. Administrative Expense	(410)
	6. Other	(21)
	7. Net change in plan fiduciary net position	\$ 66,019
	8. Plan fiduciary net position - beginning	570,508
	9. Plan fiduciary net position - ending	<u>\$ 636,527</u>
C.	Net pension liability [A.9-B.9]	<u>\$ (118,090)</u>
D.	Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	122.78%
E.	Covered-employee payroll	\$ 533,523
F.	Net pension liability as a percentage of covered employee payroll [C / E]	-22.13%

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 6.75%, 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 (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$85,351	\$(118,090)	\$(77,468)

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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

VILLAGE OF SALADO		
SCHEDULE OF PENSION EXPENSE		
SEPTEMBER 30, 2018		
1.	Total Service Cost	\$ 64,236
2.	Interest on the Total Pension Liability	37,699
3.	Current Period Benefit Changes	-
4.	Employee Contributions (Reduction of Expense)	(26,676)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(38,509)
6.	Administrative Expense	410
7.	Other Changes in Fiduciary Net Position	21
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(19,804)
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	(8,111)
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(8,714)
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	6,859
12.	Total Pension Expense	<u>\$ 7,411</u>

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 – PENSION PLAN (continued)

VILLAGE OF SALADO				
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE				
SEPTEMBER 30, 2018				
	Recognition		2016	
	Period (or	Total (Inflow)	Recognized	Deferred
	amortization	or Outflow of	in current	(Inflow) Outflow
	yrs)	Resources	pension expense	in future expense
Due to Liabilities:				
Difference in expected				
and actual experience	3.5700	\$ (70,699)	\$ (19,804)	\$ (50,895)
[actuarial (gains) or losses]				
Difference in assumption changes	4.9800	\$ -	\$ -	\$ -
[actuarial (gains) or losses]				
			<u>\$ (19,804)</u>	<u>\$ (50,895)</u>
Due to Assets:				
Difference in projected				
and actual earnings	5.0000	\$ (40,554)	\$ (8,111)	\$ (32,443)
on pension plan investments				
[actuarial (gains) or losses]				
			<u>\$ (8,111)</u>	<u>\$ (32,443)</u>
Total:				<u>\$ (83,338)</u>
Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:				
	Net deferred			
	outflows			
	(inflows) of			
	resources			
2018	\$ (29,745)			
2019	(30,448)			
2020	(27,658)			
2021	(8,055)			
2022	-			
Thereafter	-			
Total	\$ (95,906)			

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 – PENSION PLAN (continued)

Supplemental Death Benefits Fund

The Village 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 on “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 the employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2017, 2016, and 2015 were \$7500, \$7500, and \$7500 respectively, which equaled the required contributions each year.

TMRS records indicate the following percentages contributed by the City (as employer contributions) for the following fiscal years ending:

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2014	0.01%	0.01%	100%
2015	0.03%	0.03%	100%
2016	0.02%	0.02%	100%
2017	0.02%	(city to provide)	(city to provide)
2018	0.03%	(city to provide)	(city to provide)

**Net Other Post Employment Benefits Liability.
Actuarial Assumptions**

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. These assumptions were adopted in 2015 and first used in the December 31, 2015 valuation.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 – PENSION PLAN (continued)

The Mortality Experience Investigation Study covering 2009 through 2011 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	3.31%

Changes in the Net Other Post Employment Benefits Liability

	Increase (Decrease) <u>Total OPEB Liability</u>
Balance at 12/31/16	\$35,398
Changes for the year	
Service Cost	2,027
Interest on Total OPEB liability	1,267
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes in assumption or other inputs	766
Benefit payments	<u>0</u>
Net changes	4,060
Total OPEB Liability – end of year	\$ 39,458
 Total OPEB Liability as a Percentage of Covered Payroll	 1.68%

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 current discount rate of 3.31% 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 (2.31%) or -1 percentage point higher (4.31%) than the current rate. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity Index's 20 year Municipal GO AA Index.

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	\$21,494	\$39,458	\$12,837

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 – PENSION PLAN (continued)

VILLAGE OF SALADO		
SCHEDULE OF OPEB EXPENSE		
SEPTEMBER 30, 2018		
1.	Total Service Cost	\$ 2,027
2.	Interest on the Total OPEB Liability	1,267
3.	Current Period Benefit Changes	-
4.	Employer administrative costs	-
5.	Recognition of deferred outflows/inflows of resources	-
6.	Differences between expected and actual experience	-
7.	Changes in assumptions or other inputs	766
8.	Total OPEB Expense	\$ 4,060

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 10 – PENSION PLAN (continued)

VILLAGE OF SALADO				
SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE				
SEPTEMBER 30, 2018				
	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2017 Recognized in current OPEB expense	Deferred (Inflow) Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	4.8500	\$ -	\$ -	\$ -
Change in assumptions [actuarial (gains) or losses]	4.8500	\$ 3,713	\$ 766	\$ 2,947
			<u>\$ -</u>	<u>\$ -</u>
Contributions made subsequent to measurement date		Provided by City	Provided by City	Provided by City
Total (excluding city provided Contributions made subsequent to measurement date				<u>\$ 2,947</u>
Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense as follows:				
	Net deferred outflows (inflows) of resources			
2018	\$ 766			
2019	766			
2020	766			
2021	649			
2022	-			
Thereafter	-			
Total	<u>\$ 2,947</u>			

Other Information

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

Total covered payroll * retiree Portion of SDB Contribution (Rate)

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 11 – Subsequent Events

On July 2, 2015, the U.S. Department of Commerce approved an application from the Village of Salado for a \$1,000,000 EDA grant to help fund construction of the Village's new Wastewater System. Specifically, funding from the EDA grant is to be used to reimburse the Village for costs incurred relating to construction of the wastewater collection system and grant administration. As of September 30, 2018, the Village had not submitted any reimbursement requests to the EDA. It is anticipated the Village will request and receive all of the awarded EDA grant funding in the Fiscal Year ending September 30, 2019. The estimated period of completion for the EDA grant is 60 months.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SALADO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2018
Budget to Actual Variances
For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$ 366,454	\$ 394,985	\$ 394,985	-
Sales Taxes	387,000	464,725	472,966	8,241
Mixed Beverage tax	15,000	16,680	16,680	-
Franchise Fees	217,000	207,788	194,309	(13,479)
Fines	25,000	27,000	40,247	13,247
Investment Income	7,500	8,000	8,263	263
Licenses, Permits, Fees	58,365	61,926	64,507	2,581
Other Revenue	1,000	2,498	43,086	40,588
Total Revenue	\$ 1,077,319	\$ 1,183,602	\$ 1,235,043	\$ 51,441
<u>Expenditures</u>				
General Government	\$ 560,987	\$ 543,265	\$ 569,385	\$ (26,120)
Public Safety	415,431	425,938	431,871	(5,933)
Public Works	142,295	127,657	80,245	47,412
Parks	8,606	6,556	13,767	(7,211)
Total Pension Expense	-	-	11,471	(11,471)
	-	-	-	-
Total Expenditures	\$ 1,127,319	\$ 1,103,416	\$ 1,106,739	\$ (3,323)
Excess (Deficiency) of Revenues Over Expenditures:	\$ (50,000)	\$ 80,186	\$ 128,304	\$ 48,118
Other Financing Sources (Uses):				
Transfers In	\$ 50,000	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	\$ 50,000	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ -	\$ 80,186	\$ 128,304	\$ 48,118
Transfers			(49,572)	
Prior Period Adjustment			(32,451)	
Fund Balances - Beginning of Year	1,754,317	1,754,317	1,754,317	-
Fund Balances - End of Year	\$ 1,754,317	\$ 1,834,503	\$ 1,800,598	\$ 48,118

VILLAGE OF SALADO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – PROPRIETARY FUND
SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(GAAP BASIS)	
Revenues:				
Property Tax	576,231	576,231	612,779	\$ 36,548
Occupancy Tax	\$ 157,000	\$ 165,748	\$ 168,119	\$ 2,371
Interest Income	-	-	67,624	67,624
Monthly service fee income	-	-	51,221	51,221
Other Revenue	-	15,185	15,280	95
Total Revenues	\$ 733,231	\$ 757,164	\$ 915,023	\$ 157,859
Expenditures:				
Tourism Personnel	\$ 81,947	\$ 68,594	\$ 124,776	\$ (56,182)
Wastewater expenses	48,920	66,466	5,891	60,575
Special Projects	-	-	-	-
Tourism Office Lease & Marketing	85,053	84,890	23,844	61,046
Interest Expense	231,231	231,231	231,231	-
Stagecoach WW Expenditures	84,570	84,570	60,897	(23,673)
Depreciation & Amortization	-	-	197,300	(197,300)
Total Expenditures	\$ 531,721	\$ 535,751	\$ 643,939	\$ (108,188)
Revenues Over (Under)	\$ 201,510	\$ 221,413	\$ 271,084	\$ 49,671

Village of Salado					
Schedule of Changes in Net Pension Liability and Related Ratios					
Last ten years (will ultimately be displayed)					
		2014	2015	2016	2017
Total pension liability					
1. Service Cost	\$	37,674	69,752	70,123	64,236
2. Interest (on the Total Pension Liability)		27,570	32,388	37,073	37,699
3. Changes of benefit terms		-	-	-	-
4. Difference between expected and actual experience		(1,471)	(7,357)	(43,068)	(70,699)
5. Changes of assumptions		-	8,810	-	-
6. Benefit payments, including refunds of employee contributions		(12,929)	(9,029)	(25,436)	(78,384)
7. Net change in total pension liability	\$	50,844	94,564	38,692	(47,148)
8. Total pension liability - beginning		381,485	432,329	526,893	565,585
9. Total pension liability - ending	\$	432,329	526,893	565,585	518,437
Plan fiduciary net position					
1. Contributions - employer	\$	21,261	42,005	40,518	39,095
2. Contributions - employee		18,572	29,707	29,024	26,676
3. Net investment income		21,858	635	33,390	79,063
4. Benefit payments, including refunds of employee contributions		(12,929)	(9,029)	(25,436)	(78,384)
5. Administrative Expense		(228)	(387)	(377)	(410)
6. Other		(19)	(18)	(20)	(21)
7. Net change in plan fiduciary net position	\$	48,515	62,913	77,099	66,019
8. Plan fiduciary net position - beginning		381,981	430,496	493,409	570,508
9. Plan fiduciary net position - ending	\$	430,496	493,409	570,508	636,527
Net pension liability [A.9-B.9]	\$	1,833	33,484	(4,923)	(118,090)
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]		99.58%	93.65%	100.87%	122.78%
Covered-employee payroll	\$	371,441	594,141	580,490	533,523
Net pension liability as a percentage of covered employee payroll [C / E]		0.49%	5.64%	-0.85%	-22.13%

Village of Salado					
Schedule of Contributions					
Last 10 Fiscal Years (will ultimately be displayed)					
September 30, 2018					
	2014	2015	2016	2017	
Actually Determined Contribution	\$ 39,833	\$ 71,712	\$ 69,542	\$ 65,771	
Contributions in relation to the actuarially determined contribution	<u>39,833</u>	<u>71,712</u>	<u>69,542</u>	<u>65,771</u>	
	-	-	-	-	
Contribution deficiency (excess)	-	-	-	-	
Covered employee payroll	\$ 371,441	\$ 594,141	\$ 580,490	\$ 533,523	
Contributions as a percentage of covered employee payroll	10.72%	12.07%	11.98%	12.33%	
Noes to Schedule of Contributions					
Valuation Date determined	12/31/2017				
Notes					
Valuation Date:					
Notes	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	25 Years				
Asset Valuation Method	10 Year Smoothed Market 15% Soft Corridor				
Inflation	2.5%				
Salary Increases	3.50% to 10.5% Including Inflation				
Investment Rate of Return	6.75%				
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits.				
	Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014				
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB				
Other Information:					
Notes	There were no benefit changes during the year.				

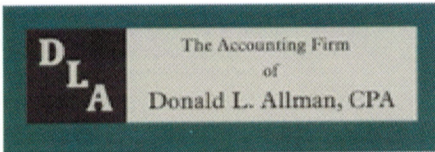
**VILLAGE OF SALADO, TEXAS
COMBINING BALANCE SHEET – PROPRIETARY FUND
SEPTEMBER 30, 2018**

	Village of				
	Salado	Stagecoach		Interest &	Total
	Hotel Motel	Sewer	Bonds	Sinking	Proprietary
	Fund	Fund	Fund	Fund	Funds
ASSETS					
Cash and Cash Equivalents	\$ 96,898	\$ 1,922	\$ 4,498,709	\$ 79,474	\$ 4,677,003
Investments	5,102	-	-	-	5,102
A/R-Taxes	6,359				6,359
Accounts Receivable	7,595	2,930			10,525
Due from General Fund		3,666		1,732	5,398
Fixed Assets, net	-	1,233,506	5,499,819	-	6,733,325
Total Assets	\$ 115,954	\$ 1,242,024	\$ 9,998,528	\$ 81,206	\$ 11,437,712
LIABILITIES & FUND BALANCE					
Accounts Payable	500	2,680	61,376		64,556
Reserve for Trolley Project	6,675				6,675
Due to Other Funds	7,724	-	-	-	7,724
Unearned Revenue	8,075	-	-	-	8,075
Compensated Absences	3,731				3,731
Sewer deposits payable		3,071			3,071
Permanent Improvement Bond Series 2015			7,520,000		7,520,000
Permanent Improvement Bond Series 2018			2,350,000		2,350,000
Total Liabilities	26,705	5,751	9,931,376	-	9,963,832
Fund Balances:					
Restricted Fund Balance			-		-
Unassigned Fund Balance	89,249	1,236,273	67,152	81,206	1,473,880
Total Fund Balance	89,249	1,236,273	67,152	81,206	1,473,880
Total Liabilities & Fund Balance	\$ 115,954	\$ 1,242,024	\$ 9,998,528	\$ 81,206	\$ 11,437,712

VILLAGE OF SALADO, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE –
PROPRIETARY FUND
SEPTEMBER 30, 2018

	Village of					Total
	Salado	Stagecoach		Interest &	Non-Major	
	Hotel Motel	Sewer	Bond	Sinking	Special	
	Fund	Fund	Fund	Fund	Funds	
REVENUES						
Sales Taxes	\$ -	\$ -	\$ -	\$ 612,778		\$ 612,778
Occupancy Tax	168,119	-	-	-		168,119
Monthly Service fee	-	18,311	-	-		18,311
Interest income			63,983	3,641		67,624
Other Income	15,280	172		-		15,452
Total Revenues	183,399	18,483	63,983	616,419		882,284
EXPENDITURES						
Personnel Services	72,326	-	-	-		72,326
Tourism Lease	23,844					23,844
Administrative & Operating	52,037	61,060	5,891	231,231		350,219
Total Expenditures	148,207	61,060	5,891	231,231		446,389
Excess (Deficiency) of Revenue						
Over Expenditures	35,192	(42,577)	58,092	385,188		435,895
Other Financing Sources						
Operating Transfers In (Out)	(6,507)	107,076	(157,424)	(345,000)		(395,348)
Excess of Revenues and Other						
Sources Over Expenditures						
and Other Uses	28,685	64,499	(99,332)	40,188		34,040
Fund Balances, Beginning of Year	60,564	1,171,774	166,484	41,018		1,439,840
Fund Balances, End of Year	\$ 89,249	\$ 1,236,273	\$ 67,152	\$ 81,206		\$ 1,473,880

INTERNAL CONTROL AND COMPLIANCE



Donald L. Allman, CPA, PC
4749 Williams Drive., Ste. 322
Georgetown, Texas 78633
Email: dallman@donallmancpa.com

CERTIFIED PUBLIC ACCOUNTANT

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
Village of Salado, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Salado, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Village of Salado, Texas' basic financial statements, and have issued our report thereon dated March 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Salado, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Salado, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Salado, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Salado, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Donald. L. Allman, CPA, PC
Georgetown, TX

March 13, 2019