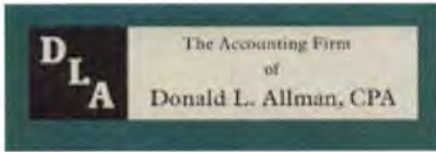


VILLAGE OF SALADO, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

VILLAGE OF SALADO, TEXAS
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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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 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 January 15, 2018, 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
January 15, 2018

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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, 2017. 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, 2017, by \$3,194,157 (Net Position). Of this amount, \$443,722 represents unrestricted net position. Unrestricted net position may be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net position increased by \$342,507 during the year.
- The General Fund had net income of \$56,878 and the Proprietary Fund had net income of \$285,629 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.

Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis of accounting used in prior reporting models.

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, 2017**

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, 2017, the Village's net assets exceeded liabilities by \$3,194,157.

A portion of the Village's net position \$443,722, 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	
	2017	2016	2017	2016	2017	2016
Current Assets	\$ 659,687	\$ 843,669	\$ 7,358,271	7,656,971	\$ 8,017,958	\$ 8,500,640
Capital Assets (Net)	1,219,657	1,202,765	2,004,779	1,917,144	3,224,436	3,119,909
Total Assets	\$ 1,879,344	\$ 2,046,434	\$ 9,363,050	9,574,115	\$ 11,242,394	11,620,549
Deferred Outflows of Resources	-	27,537	-	-	-	27,537
						-
Short-Term Liabilities	\$ 30,256	\$ 93,088	\$ 395,116	365,782	\$ 425,372	458,870
Long-Term Liabilities	16,893	112,134	7,528,094	8,200,000	7,544,987	8,312,134
Total Liabilities	\$ 47,149	\$ 205,222	\$ 7,923,210	8,565,782	\$ 7,970,359	8,771,004
Deferred Inflows of Resources	70,995	25,432	-	-	70,995	25,432
Deferred Outflows of Resources	6,883				6,883	-
Net Position:						-
Invested in Capital Assets	\$ 1,219,657	\$ 1,202,765	\$ 954,547	920,373	\$ 2,174,204	2,123,138
Restricted	-	7,724	576,231	-	576,231	7,724
Unrestricted	534,660	632,828	(90,938)	87,960	443,722	720,788
Total Net Position	\$ 1,754,317	\$ 1,843,317	\$ 1,439,840	1,008,333	\$ 3,194,157	2,851,650

Governmental activities increased the Village's net position by \$342,507 in 2017. The following table provides a comparison of the Village's operations for the year ended September 30, 2017 to the year ended September 30, 2016.

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Program Revenues:						
Charges for Services	\$ 63,407	\$ 37,862	\$ 18,561	39,234	\$ 81,968	\$ 77,096
General Revenues:	\$ -			-	-	-
Ad Valorem Taxes	355,240	354,622	601,987	239,804	957,227	594,426
Sales Taxes	429,323	374,501	-	-	429,323	374,501
Franchise Fees	199,787	187,822	-	-	199,787	187,822
Mixed Beverage Taxes	12,518	8,585	-	-	12,518	8,585
Court Fines and fees	4,365	26,224	-	-	4,365	26,224
Occupancy Taxes	-	-	162,524	129,427	162,524	129,427
Investment Earnings	7,743	7,419	46,215	43,872	53,958	51,291
Donations	-	-	-	-	-	-
Other Revenues	9,269	43,037	1,125	709	10,394	43,746
Total Revenues	\$ 1,081,652	\$ 1,040,072	\$ 830,412	453,046	\$ 1,912,064	\$ 1,493,118
Expenses:						
General Government	\$ 510,605	\$ 493,934	\$ -	-	\$ 510,605	\$ 493,934
Judicial	-	58,345	-	-	-	58,345
Police	308,316	292,629	-	-	308,316	292,629
Fire Protection & EMS	40,000	36,000	-	-	40,000	36,000
Total Pension Expense	43,409	49,514	-	-	43,409	49,514
Public Works/Streets	107,919	84,954	-	-	107,919	84,954
Parks	14,525	12,942	-	-	14,525	12,942
Tourism, Wastewater	-	-	544,783	886,708	544,783	886,708
Total Expenses	\$ 1,024,774	\$ 1,028,318	\$ 544,783	886,708	\$ 1,569,557	\$ 1,915,026
Change in Net Position	\$ 56,878	\$ 11,754	\$ 285,629	(433,662)	\$ 342,507	\$ (421,908)
PP Adjust/Transfer	(145,878)	(32,860)	145,878	32,860	-	-
Net Position Beginning	\$ 1,843,317	\$ 1,864,423	\$ 1,008,333	1,409,135	\$ 2,851,650	\$ 3,273,558
Net Position Ending	\$ 1,754,317	\$ 1,843,317	\$ 1,439,840	1,008,333	\$ 3,194,157	\$ 2,851,650

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, 2017, the Village's general fund reported an ending net position of \$1,754,317. Of this balance, \$534,660 constitutes undesignated, unreserved net position which is available for spending at the Village's discretion. During the current fiscal year, General Fund net position decreased by \$89,000.

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, 2017, the Village's Proprietary Fund reported an ending fund balance of \$1,439,840.

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Capital Assets:

The Village's investment in capital assets for its governmental activities as of September 30, 2017 amounts to \$1,214,734 (net of accumulated depreciation) in the general fund and \$2,004,779 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	279,050
Vehicles and Equipment	133,210
Infrastructure	756,897
Total Capital Assets, Net	\$ 1,214,734
	Business-Type Activities
Land	3,455
Stagecoach Wastewater Treatment	\$ 1,814,574
Machinery & Equipment	23,717
Bond Issuance Costs	163,033
	2,004,779

During fiscal year 9/30/17, major asset additions for the Village were improvements to the Stagecoach Wastewater Treatment Facility and Street Improvements.

Long-Term Liabilities

For the fiscal year ended September 30, 2017 activity related to long-term liabilities is as follows:

	Balance at 9/30/2016	Additions	Retirements	Balance at 9/30/2017
Compensated Absences Payable	\$ 78,650	\$ -	\$ 53,663	\$ 24,987

American National Bank of Texas, Permanent Improvement Bond, \$8,200,000.

	Balance 10/1/2016	Increases	Decreases	Balance 9/30/2017	Current
American Nat'l Bk	\$8,200,000	\$ -	\$ 335,000	\$7,865,000	\$345,000

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, 2017, 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, 2017.

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
Budget to Actual Variances
For the Year Ended September 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property Taxes	\$ 360,700	\$ 354,043	\$ 355,240	1,197
Sales Taxes	377,000	419,107	429,323	10,216
Mixed Beverage tax	12,800	12,518	12,518	-
Franchise Fees	193,100	196,611	199,787	3,176
Fines	-	-	4,365	4,365
Investment Income	6,621	7,643	7,743	100
Licenses, Permits, Fees	39,450	51,510	63,407	11,897
Other Revenue	7,650	10,070	9,269	(801)
Total Revenue	<u>\$ 997,321</u>	<u>\$ 1,051,502</u>	<u>\$ 1,081,652</u>	<u>\$ 30,150</u>
<u>Expenditures</u>				
General Government	\$ 534,023	\$ 544,075	\$ 510,605	\$ 33,470
Judicial	6,575	10,529	-	10,529
Public Safety	297,296	317,447	348,316	(30,869)
Public Works	150,450	157,892	107,919	49,973
Parks	8,977	7,920	14,525	(6,605)
Total Pension Expense	-	-	43,409	(43,409)
Total Expenditures	<u>\$ 997,321</u>	<u>\$ 1,037,863</u>	<u>\$ 1,024,774</u>	<u>\$ 13,089</u>
Excess (Deficiency) of Revenues Over Expenditures:	\$ -	\$ 13,639	\$ 56,878	\$ 43,239
Other Financing Sources (Uses):				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ -	\$ 13,639	\$ 56,878	\$ 43,239
Transfers			(145,878)	
Fund Balances - Beginning of Year	1,843,317	1,843,317	1,843,317	-
Fund Balances - End of Year	<u>\$ 1,843,317</u>	<u>\$ 1,856,956</u>	<u>\$ 1,754,317</u>	<u>\$ 43,239</u>

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 under budget by \$13,089. The actual revenues were over expectations by \$30,150, yielding an overall positive budget variance of \$43,239. Significant items contributing to the variance can be briefly summarized as follows:

- More than expected sales tax and licenses/permits.
- Less than budgeted public works expenditures.

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 and the planned reopening of the Stagecoach Inn in 2018.

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, 2017**

Primary Government

<u>ASSETS:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets:			
Cash and Cash Equivalents	\$ 566,932	\$ 2,893,669	3,460,601
Investments	4,194	4,014,348	4,018,542
Intergovernmental & Fiduciary Receivable	25,427	403,069	428,496
Receivables	63,134	47,185	110,319
Total Current Assets	\$ 659,687	\$ 7,358,271	8,017,958
Non-Current Assets:			
Net Pension Asset	4,923	-	4,923
Capital Assets:			
Land	\$ 45,577	\$ 3,455	49,032
Infrastructure, Net	756,897	1,814,574	2,571,471
Buildings, Net	279,050	-	279,050
Bond Issuance Costs		163,033	163,033
Machinery and Equipment, Net	133,210	23,717	156,927
Total Non-Current Assets	\$ 1,219,657	\$ 2,004,779	3,224,436
Total Assets	\$ 1,879,344	\$ 9,363,050	11,242,394
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 4,878	\$ 10,956	15,834
Intergovernmental Payable	-	25,427	25,427
Other Current Liabilities	25,378	13,733	39,111
Permanent Improvement Bond, Series 2015 current		345,000	345,000
Total Current Liabilities	\$ 30,256	\$ 395,116	425,372
Non Current Liabilities:			
Permanent Improvement Bond, Series 2015	-	7,520,000	7,520,000
Net Pension Liability			-
Compensated Absences Payable	16,893	8,094	24,987
Total Non-Current Liabilities	\$ 16,893	\$ 7,528,094	7,544,987
Total Liabilities	\$ 47,149	\$ 7,923,210	7,970,359
Deferred Inflows of Resources	70,995	-	70,995
Deferred Outflows of Resources	6,883		6,883
<u>NET POSITION</u>	\$ -		
Invested in Capital Assets	\$ 1,219,657	\$ 954,547	2,174,204
Restricted for Bond		576,231	576,231
Unrestricted	534,660	(90,938)	443,722
Total Net Position	\$ 1,754,317	\$ 1,439,840	3,194,157

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

**VILLAGE OF SALADO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	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	\$ 510,605	\$ 63,407	\$ -	\$ -	\$ (447,198)
Judicial	-	4,365	-	-	4,365
Police	308,316	-	-	-	(308,316)
Fire Protection	40,000	-	-	-	(40,000)
Public Works	107,919	-	-	-	(107,919)
Parks	14,525	-	-	-	(14,525)
Total Pension Expense	43,409	-	-	-	(43,409)
Total Primary Government:	\$ 1,024,774	\$ 67,772	\$ -	\$ -	\$ (957,002)
Business-Type Activities:					
Wastewater & Hotel	544,783	18,561			(526,222)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes				\$ 355,240	601,987
Sales Taxes				429,323	
Hotel Occupancy Tax				-	162,524
Franchise Fees				199,787	
Mixed Beverage Taxes				12,518	
Other Income				9,269	1,125
Investment Earnings				7,743	46,215
Total General Revenues				\$ 1,013,880	811,851
Change in Net Position				\$ 56,878	285,629
Transfers				(145,878)	145,878
Net Position - Beginning				\$ 1,843,317	1,008,333
Net Position - Ending				\$ 1,754,317	1,439,840

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

FUND FINANCIAL STATEMENTS

**VILLAGE OF SALADO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	General Fund	Total Governmental Funds
Assets:		
Cash and Cash Equivalents	\$ 566,932	\$ 566,932
Investments	4,194	4,194
Interest Receivable	-	-
Property Taxes Receivable	5,033	5,033
Other Receivables	58,101	58,101
Intergovernmental Receivables	-	-
Due from Business-Type Activities	25,427	25,427
Total Assets	\$ 659,687	\$ 659,687
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 4,878	\$ 4,878
Payroll expenses Payable	5,474	5,474
Intergovernmental Payable	-	-
Due to General Fund	-	-
Deferred Revenues	5,033	5,033
Other Current Liabilities	15,343	15,343
Total Liabilities	\$ 30,728	\$ 30,728
 Fund Balances:		
Nonspendable		
Restricted	\$ -	\$ -
Committed	-	-
Assigned		
Unassigned	628,959	628,959
Total Fund Balances	\$ 628,959	\$ 628,959
 Total Liabilities and Fund Balances	 \$ 659,687	 \$ 659,687

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, 2017

Total Fund Balances - Governmental Funds	\$	628,959
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 \$1,592,655 and the accumulated depreciation was \$427,216. The net effect of including the balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	\$	1,214,734
Deferred Outflows of Resources are not recognized in Governmental Funds		(6,883)
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.	\$	8,566
Accounts payable for Capital Outlay items removed from Governmental Funds		-
The Net Pension Liability is not recognized in Governmental Funds accounting	\$	4,923
Deferred Inflows of Resources are not recognized in Governmental Funds	\$	(70,995)
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)
Net Position of Governmental Activities	\$	1,754,317

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, 2017

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>		
Taxes:		
Property Taxes	\$ 356,818	\$ 356,818
General Sales and Use Taxes	429,323	429,323
Franchise Fees	199,787	199,787
Mixed Beverage Taxes	12,518	12,518
Licenses and Permits	63,407	63,407
Intergovernmental Revenue and Grants	-	-
Charges for Services	-	-
Fines	4,365	4,365
Investment Earnings	7,743	7,743
Other Revenue	9,269	9,269
Total Revenues	<u>\$ 1,083,230</u>	<u>\$ 1,083,230</u>
<u>Expenditures</u>		
Current:		
General Government	554,436	554,436
Judicial	-	-
Public Safety:		
Police	286,478	286,478
Fire Protection	40,000	40,000
Public Works	92,822	92,822
Culture and Recreation:		
Parks	6,912	6,912
Capital Outlay:		
Capital Outlay	78,326	78,326
Total Expenditures	<u>\$ 1,058,974</u>	<u>\$ 1,058,974</u>
Net Changes in Fund Balances	\$ 24,256	\$ 24,256
Transfers	(145,878)	(145,878)
Fund Balances - Beginning	<u>\$ 750,581</u>	<u>\$ 750,581</u>
Fund Balances - Ending	<u>\$ 628,959</u>	<u>\$ 628,959</u>

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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	24,256
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.	\$	78,326
Total Pension Expense is not included in Governmental Funds		(43,409)
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.	\$	(66,357)
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.	\$	65,640
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 \$(6,611)		(1,578)
 Change in Net Position of Governmental Activities	 \$	 <u>56,878</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, 2017

	Business-Type Activities Enterprise Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 2,893,669
Investments - Restricted Funds for Construction & Bonds	4,014,348
Accounts receivable & Due From	450,254
Total Current Assets	7,358,271
Non-Current Assets:	
Wastewater Treatment Facility, net	1,814,574
Bond Issuance Costs, net	163,033
Machinery & Equipment - Net	23,717
Land	3,455
Total Assets	\$ 9,363,050
Liabilities	
Current Liabilities:	
Accounts payable	10,956
Sewer deposits and Trolley reserve	13,733
Intergovernmental payables	25,427
Permanent Improvement Bond Series 2015-current portion	345,000
Total Current Liabilities	395,116
Long-term Liabilities	
Permanent Improvement Bond Series 2015	7,520,000
Compensated absences payable	8,094
Total Liabilities	7,923,210
Net Position	
Invested in capital assets, net of related debt	954,547
Restricted for Bond debt service	576,231
Unrestricted net position	(90,938)
Total Net Position	1,439,840
Total Liabilities and Net Position	\$ 9,363,050

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, 2017

	Business-Type Activities Enterprise Fund
Revenues	
Hotel Occupancy Tax	\$ 162,524
Property Tax	601,987
Monthly service fees	18,561
Tourism Income	-
Miscellaneous	1,125
Total Revenues	<u>784,197</u>
Expenses	
Overhead expenses	172,664
Easements, ROW, Survey, Clearances	5,724
Special Projects	-
Wastewater expenses	59,647
Festivals and Events	-
Depreciation & Amortization	65,668
Total Expenses	<u>303,703</u>
Net Operating Income (Loss)	480,494
Non-Operating Revenue and (Expenses)	
Interest expense	(241,080)
Interest income	46,215
Total Non-Operating Revenue and (Expenses)	<u>(194,865)</u>
Net Income (Loss)	285,629
Total Net Position, Beginning of Year	1,008,333
Transfers	145,878
Total Net Position, End of Year	<u>\$ 1,439,840</u>

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, 2017

	Business-Type Activities Enterprise Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 710,028
Payments to suppliers	(448,892)
Payments to employees	(113,256)
Net cash provided (used) by operating activities	147,880
Cash flows from Capital and Related Financing Activities	
Transfer from General fund	145,878
Acquisition of capital assets	(153,303)
Net cash provided (used) by capital and related financing activities	(7,425)
Cash Flows from Investing Activities	
Loan principal payments	(335,000)
Interest Expense	(231,705)
Interest on investments	46,215
Net cash provided (used) by investing activities	(520,490)
Net Increase (Decrease) in Cash and Cash Equivalents	(380,035)
Cash and Cash Equivalents at Beginning of Year	7,288,052
Cash and Cash Equivalents at End of Year	\$ 6,908,017
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ 285,629
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation & Amortization	65,668
(Increase) decrease in accounts receivable	(74,169)
Increase (decrease) in accounts payable	(9,060)
Increase (decrease) in accrued liabilities	3,987
Increase (decrease) in intergovernmental payables	(124,175)
Net cash provided (used) by operating activities	\$ 147,880

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

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017

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, 2017

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).

For the year ending September 30, 2017, general fund expenditures were less than budgeted in the public safety department by \$30,869. General fund revenues were \$30,150 more than budgeted.

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, 2017

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, 2017

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, 2017, the Village had total cash balances of \$7,479,143 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, 2017, 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, 2017 the Village had deposits with Tex Pool in the amount of \$9,218 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, 2017

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, 2017

NOTE 3 – RECEIVABLES

The following is a breakdown of the September 30, 2017, receivables, reported in the government-wide Statement of Net Position:

Sales Tax Receivable	\$ 36,319
Occupancy Tax Receivable	8,530
Franchise Fees Receivable	14,128
Other Governmental Receivables	940
Grant Proceeds Receivable	395,903
Ad Valorem Taxes Receivable	5,033
Other Amounts Due to Village	<u>44,674</u>
Total Receivables	<u>\$ 505,527</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance October 1, 2016	Additions	Deletions and Adjustment	Balance September 30, 2017
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	775,445	69,004	-	844,449
Vehicles and Equipment	482,416	9,322	-	491,738
Total Capital Assets Being Depreciated	<u>\$ 1,648,127</u>	<u>\$ 78,326</u>	<u>\$ -</u>	<u>\$ 1,726,453</u>
Less Accumulated Depreciation for:				
Buildings	\$ (102,514)	\$ (8,702)	\$ -	\$ (111,216)
Infrastructure	(72,455)	(15,097)	-	(87,552)
Vehicles and Equipment	(315,970)	(42,558)	-	(358,528)
Total Accumulated Depreciation	<u>\$ (490,939)</u>	<u>\$ (66,357)</u>	<u>\$ -</u>	<u>\$ (557,296)</u>
Total Capital Assets Being Depreciated-N	<u>\$ 1,157,188</u>	<u>\$ 11,969</u>	<u>\$ -</u>	<u>\$ 1,169,157</u>
Total Net Capital Assets	<u>\$ 1,202,765</u>	<u>\$ 11,969</u>	<u>\$ -</u>	<u>\$ 1,214,734</u>

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 – CAPITAL ASSETS (continued)

	Balance October 1, 2016	Additions	Deletions and Adjustment s	Balance September 30, 2017
Proprietary Fund				
Intangible assets				
Bond Issuance	\$ 188,115	\$ -	\$ -	\$ 188,115
Amortization	(12,541)	(12,541)		(25,082)
Total Capital Assets not Being Depreciate	\$ 175,574	\$ (12,541)	\$ -	\$ 163,033
Capital Assets, Being Depreciated				
Building and Improvements & Land	\$ -	\$ 3,455	\$ -	\$ 3,455
Infrastructure	1,757,887	149,848	-	1,907,735
Vehicles and Equipment	33,203	-	-	33,203
Total Capital Assets Being Depreciated	\$ 1,791,090	\$ 153,303	\$ -	\$ 1,944,393
Less Accumulated Depreciation for:				
Buildings	\$ -	\$ -	\$ -	\$ -
Infrastructure	(44,777)	(48,384)	-	(93,161)
Vehicles and Equipment	(4,743)	(4,743)	-	(9,486)
Total Accumulated Depreciation	\$ (49,520)	\$ (53,127)	\$ -	\$ (102,647)
Total Capital Assets Being Depreciated-N	\$ 1,741,570	\$ 100,176	\$ -	\$ 1,841,746
Total Net Capital Assets	\$ 1,917,144	\$ 87,635	\$ -	\$ 2,004,779

Depreciation expense was charged to programs for the year ended September 30, 2017, as follows:

Administration	\$ 21,809
Police	21,838
Parks	7,613
Judicial	-
Public Works	15,097
	<u>\$ 66,357</u>

NOTE 5 – LONG-TERM LIABILITIES

The Village's long-term liabilities consists of an accrual for compensated absences payable. The changes in long-term debt during the year ended September 30, 2017 are as follows:

	Balance 10/1/2016	Increases	Decreases	Balance 9/30/2017	Current
American Nat'l Bk	\$8,200,000	\$ -	\$ 335,000	\$7,865,000	\$345,000

American National Bank of Texas-Loan 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.

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, 2017**

NOTE 5 – LONG-TERM LIABILITIES (Continued)

September 30	Principal	Interest	Total
2018	345,000	231,231	576,231
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
2023-2035	6,050,000	1,491,207	7,541,207
totals	7,865,000	2,543,139	10,408,139

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

At September 30, 2017, 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, 2017, upon which the 2017 levy was based, was \$176,642,554. The total levy assessed was \$957,226.

The tax assessment of September 15, 2016 set a tax levy at \$0.5419 per \$100 of assessed valuation at 100 percent of assumed market value. The I&S tax rate is 0.342 and the M&O tax rate is 0.1999. 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.

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, 2017, property taxes receivable are \$13,563, with \$12,609 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

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017, the Village paid premiums of approximately \$12,615 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, 2017, were approximately \$10,544. Workers compensation is subject to change when audited by TML. At year end September 30, 2017, 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, 2016, and ending October 31, 2017.

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.tmr.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, 2017**

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, 2017 were \$69,542, 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, 2016, 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, 2016 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, 2016, 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 2016 valuation.

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017

Village of Salado		
Schedule of Changes in Net Pension Liability and Related Ratios Current Period		
September 30, 2017		
A.	Total pension liability	
	1. Service Cost	\$ 70,123
	2. Interest (on the Total Pension Liability)	37,073
	3. Changes of benefit terms	-
	4. Difference between expected andn actual experience	(43,068)
	5. Changes of assumptions	-
	6. Benefit payments, including refunds of employee contributions	(25,436)
	7. Net change in total pension liability	\$ 38,692
	8. Total pension liability - beginning	526,893
	9. Total pension liability - ending	<u>\$ 565,585</u>
B.	Plan fiduciary net position	
	1. Contributions - employer	\$ 40,518
	2. Contributions - employee	29,024
	3. Net investment income	33,390
	4. Benefit payments, including refunds of employee contributions	(25,436)
	5. Administrative Expense	(377)
	6. Other	(20)
	7. Net change in plan fiduciary net position	\$ 77,099
	8. Plan fiduciary net position - beginning	493,409
	9. Plan fiduciary net position - ending	<u>\$ 570,508</u>
C.	Net pension liability [A.9-B.9]	<u>\$ (4,923)</u>
D.	Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	100.87%
E.	Covered-employee payroll	\$ 580,490
F.	Net pension liability as a percentage of covered employee payroll [C / E]	-0.85%

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	\$(4,923)	\$(77,468)

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017			
1.	Total Service Cost		\$ 70,123
2.	Interest on the Total Pension Liability		37,073
3.	Current Period Benefit Changes		-
4.	Employee Contributions (Reduction of Expense)		(29,024)
5.	Projected Earnings on Plan Investments (Reduction of Expense)		(33,305)
6.	Administrative Expense		377
7.	Other Changes in Fiduciary Net Position		20
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities		(8,648)
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets		(17)
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities		(66)
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets		6,876
12.	Total Pension Expense		<u>\$ 43,409</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, 2017**

NOTE 10 – PENSION PLAN (continued)

VILLAGE OF SALADO				
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE				
SEPTEMBER 30, 2017				
	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	4.9800	\$ (43,068)	\$ (8,648)	\$ (34,420)
[actuarial (gains) or losses]				
Difference in assumption changes	4.9800	\$ -	\$ -	\$ -
[actuarial (gains) or losses]				
			<u>\$ (8,648)</u>	<u>\$ (34,420)</u>
Due to Assets:				
Difference in projected				
and actual earnings	5.0000	\$ (85)	\$ (17)	\$ (68)
on pension plan investments				
[actuarial (gains) or losses]				
			<u>\$ (17)</u>	<u>\$ (68)</u>
Total:				<u>\$ (34,488)</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			
2017	\$ (1,855)			
2018	(1,830)			
2019	(2,533)			
2020	(8,260)			
2021	55			
Thereafter	-			
Total	\$ (14,423)			

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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 2016, 2015, and 2014 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		Percentage of ARC Contributed
	Contribution (Rate)	Actual Contribution Made (Rate)	
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)

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

Note 11 – Subsequent Events

On July 2, 2015, the U. S. Department of Commerce approved the application for a \$1,000,000 EDA Grant. \$395,000 is to be submitted for reimbursement from EDA as of September 30, 2017 none of this has been approved for reimbursement yet. The EDA will reimburse expenses incurred by the Village, and as of September 30, 2017 no expenses have been submitted. The estimated period of completion for this 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, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>	(GAAP BASIS)	Positive (Negative)
Revenues:				
Taxes				
Ad Valorem Taxes	\$ 360,700	\$ 354,043	\$ 356,818	\$ 2,775
General Sales and Use Taxes	377,000	419,107	429,323	10,216
Franchise Fees	193,100	196,611	199,787	3,176
Mixed Beverage Tax	12,800	12,518	12,518	-
Licenses and Permits	39,450	51,510	63,407	11,897
Intergovernmental Revenue & Grants	-	-	-	-
Charges for Services	-	-	-	-
Fines	-	-	4,365	4,365
Investment Earnings	6,621	7,643	7,743	100
Other Revenue	7,650	10,070	9,269	(801)
Total Revenues	<u>\$ 997,321</u>	<u>\$ 1,051,502</u>	<u>\$ 1,083,230</u>	<u>\$ 31,728</u>
Expenditures:				
General Government	\$ 492,638	\$ 502,170	\$ 554,436	\$ (52,266)
Judicial	6,575	10,529	-	10,529
Police	297,296	317,447	286,478	30,969
Fire Protection	40,385	40,405	40,000	405
Public Works	100,450	88,888	92,822	(3,934)
Capital Outlay	51,000	70,504	78,326	(7,822)
Parks	8,977	7,920	6,912	1,008
Total Expenditures	<u>\$ 997,321</u>	<u>\$ 1,037,863</u>	<u>\$ 1,058,974</u>	<u>\$ (21,111)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 13,639</u>	<u>\$ 24,256</u>	<u>\$ 10,617</u>

VILLAGE OF SALADO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – PROPRIETARY FUND
SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP BASIS)</u>	
Revenues:				
Property Tax	-	-	601,987	\$ 601,987
Occupancy Tax	\$ 157,000	\$ 147,000	\$ 162,524	\$ 15,524
Interest Income	-	-	46,215	46,215
Monthly service fee income	15,900	18,617	18,561	(56)
Other Revenue	850	1,023	1,125	102
Total Revenues	<u>\$ 173,750</u>	<u>\$ 166,640</u>	<u>\$ 830,412</u>	<u>\$ 663,772</u>
Expenditures:				
Hotel Motel Fund Overhead	\$ 148,600	\$ 127,006	\$ 140,909	\$ (13,903)
Festival Events	-	-	-	-
Wastewater expenses	48,920	66,466	59,647	6,819
Special Projects	-	-	-	-
Chamber Contract Expense	39,250	39,250	31,755	7,495
Way Finding Signage	-	-	-	-
Interest Expense	-	-	241,080	(241,080)
Easements, ROW, Survey, Clearance			5,724	
Depreciation & Amortization	-	-	65,668	(65,668)
Salado Swirl, Salado on the Rocks	-	-	-	-
Total Expenditures	<u>\$ 236,770</u>	<u>\$ 232,722</u>	<u>\$ 544,783</u>	<u>\$ (312,061)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (63,020)</u>	<u>\$ (66,082)</u>	<u>\$ 285,629</u>	<u>\$ 351,711</u>

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	xxxx
2. Interest (on the Total Pension Liability)	27,570	32,388	37,073	xxxx
3. Changes of benefit terms	-	-	-	
4. Difference between expected and actual experience	(1,471)	(7,357)	(43,068)	xxxx
5. Changes of assumptions	-	8,810	-	
6. Benefit payments, including refunds of employee contributions	(12,929)	(9,029)	(25,436)	xxxx
7. Net change in total pension liability	\$ 50,844	94,564	38,692	xxxx
8. Total pension liability - beginning	381,485	432,329	526,893	xxxx
9. Total pension liability - ending	\$ 432,329	526,893	565,585	xxxx
Plan fiduciary net position				
1. Contributions - employer	\$ 21,261	42,005	40,518	xxxx
2. Contributions - employee	18,572	29,707	29,024	xxxx
3. Net investment income	21,858	635	33,390	xxxx
4. Benefit payments, including refunds of employee contributions	(12,929)	(9,029)	(25,436)	xxxx
5. Administrative Expense	(228)	(387)	(377)	xxxx
6. Other	(19)	(18)	(20)	xxxx
7. Net change in plan fiduciary net position	\$ 48,515	62,913	77,099	xxxx
8. Plan fiduciary net position - beginning	381,981	430,496	493,409	xxxx
9. Plan fiduciary net position - ending	\$ 430,496	493,409	570,508	xxxx
Net pension liability [A.9-B.9]	\$ 1,833	33,484	(4,923)	xxxx
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	99.58%	93.65%	100.87%	xxx
Covered-employee payroll	\$ 371,441	\$ 594,141	580,490	xxx
Net pension liability as a percentage of covered employee payroll [C / E]	0.49%	5.64%	-0.85%	xxx

Village of Salado				
Schedule of Contributions				
Last 10 Fiscal Years (will ultimately be displayed)				
September 30, 2017				
	2014	2015	2016	2017
Actually Determined Contribution	\$ 39,833	\$ 71,712	\$ 69,542	\$ xxx,xxx
Contributions in relation to the actuarially determined contribution	<u>39,833</u>	<u>71,712</u>	<u>69,542</u>	<u>xxx,xxx</u>
	-	-	-	xxx,xxx
Contribution deficiency (excess)	-	-	-	xxx,xxx
Covered employee payroll	\$ 371,441	\$ 594,141	\$ 580,490	\$ xxx,xxx
Contributions as a percentage of covered employee payroll	0.49%	0.00%	0.00%	xx.xx%
Noes to Schedule of Contributions				
Valuation Date determined	12/31/2016			
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 specefic 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.			

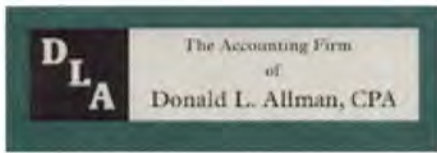
VILLAGE OF SALADO, TEXAS
COMBINING BALANCE SHEET – PROPRIETARY FUND
SEPTEMBER 30, 2017

	Village of				
	Salado	Stagecoach		Interest &	Total
	Hotel Motel	Sewer	Bonds	Sinking	Proprietary
	Fund	Fund	Fund	Fund	Funds
ASSETS					
Cash and Cash Equivalents	\$ 52,733	\$ 1,640	\$ 6,814,767	\$ 33,853	\$ 6,902,993
Investments	5,024	-	-	-	5,024
A/R-Taxes	8,530				8,530
Accounts Receivable	37,716	940			38,656
Due from EDA Grant Fund			395,903	-	395,903
Due from General Fund				7,165	7,165
Fixed Assets, net	-	1,176,851	827,928	-	2,004,779
Total Assets	\$ 104,003	\$ 1,179,431	\$ 8,038,598	\$ 41,018	\$ 9,363,050
LIABILITIES & FUND BALANCE					
Accounts Payable		4,586	6,370		10,956
Reserve for Trolley Project	6,675				6,675
Due to Other Funds	24,683	-	744	-	25,427
Unearned Revenue	3,987	-	-	-	3,987
Compensated Absences	8,094				8,094
Sewer deposits payable		3,071			3,071
Bonds Payable		-	7,865,000		7,865,000
Total Liabilities	43,439	7,657	7,872,114	-	7,923,210
Fund Balances:					
Restricted Fund Balance			12,379	0	12,379
Unassigned Fund Balance	60,564	1,171,774	154,105	41,018	1,427,461
Total Fund Balance	60,564	1,171,774	166,484	41,018	1,439,840

VILLAGE OF SALADO, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE –
PROPRIETARY FUND
SEPTEMBER 30, 2017

	Village of				Total
	Salado	Stagecoach		Interest &	Non-Major
	Hotel Motel	Sewer	Bond	Sinking	Special
	Fund	Fund	Fund	Fund	Funds
REVENUES					
Sales Taxes	\$ -	\$ -	\$ -	\$ 601,987	\$ 601,987
Occupancy Tax	162,524	-	-	-	162,524
Monthly Service fee	-	18,561	-	-	18,561
Interest income			42,961	3,254	46,215
Other Income	1,067	58		-	1,125
Total Revenues	163,591	18,619	42,961	605,241	830,412
EXPENDITURES					
Personnel Services	134,661	-	-	-	134,661
Chamber of Commerce contract	31,755				31,755
Administrative & Operating	435	91,014	45,797	241,123	378,369
Total Expenditures	166,851	91,014	45,797	241,123	544,785
Excess (Deficiency) of Revenue					
Over Expenditures	(3,260)	(72,395)	(2,836)	364,118	285,627
Other Financing Sources					
Operating Transfers In (Out)	-	145,878	335,000	(335,000)	145,878
Excess of Revenues and Other					
Sources Over Expenditures					
and Other Uses	(3,260)	73,483	332,164	29,118	431,505
Fund Balances, Beginning of Year	63,824	1,098,291	(165,680)	11,900	1,008,335
Fund Balances, End of Year	\$ 60,564	\$ 1,171,774	\$ 166,484	\$ 41,018	\$ 1,439,840

INTERNAL CONTROL AND COMPLIANCE



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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, 2017, 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 January 15, 2018.

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

January 15, 2018