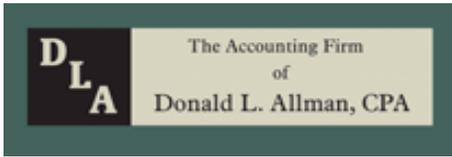


VILLAGE OF SALADO, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

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, 2015, 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, 2015, 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, budgetary comparison information, schedule of changes in net pension liability and related ratios, and the schedule of contributions 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2016, 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

April 8, 2016

**VILLAGE OF SALADO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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, 2015. 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, 2015, by \$3,273,558 (Net Position). Of this amount, \$686,498 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 \$1,300,774 during the year.

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 assets 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 fund balance provide a reconciliation to facilitate this comparison.

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

The Village adopts an annual appropriated budget for its general fund and hotel/motel tax 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, 2015, the Village's net assets exceeded liabilities by \$3,273,558.

A portion of the Village's net position \$686,498, reflects its unrestricted net position which are available for spending at the Village's discretion.

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$ 1,115,370	\$ 1,453,058	\$ 8,235,978	-	\$ 9,351,348	\$ 1,453,058
Capital Assets (Net)	1,165,439	722,098	1,421,621	-	2,587,060	722,098
Total Assets	\$ 2,280,809	\$ 2,175,156	\$ 9,657,599	0	\$ 11,938,408	\$ 2,175,156
Deferred Outflows of Resources	21,801	40,329	-	-	21,801	40,329
Short-Term Liabilities	\$ 345,789	\$ 44,073	\$ 48,464	-	\$ 394,253	\$ 44,073
Long-Term Liabilities	90,565	78,846	8,200,000	0	8,290,565	78,846
Total Liabilities	\$ 436,354	\$ 122,919	\$ 8,248,464	-	\$ 8,684,818	\$ 122,919
Deferred Inflows of Resources	1,833	-	-	-	1,833	-
Net Position:						
Invested in Capital Assets	\$ 1,165,439	\$ 722,098	\$ 1,421,621	-	\$ 2,587,060	\$ 722,098
Restricted	-	206,904	-	-	-	206,904
Unrestricted	698,984	1,163,564	(12,486)	-	686,498	1,163,564
Total Net Position	\$ 1,864,423	\$ 2,092,566	\$ 1,409,135	(0)	\$ 3,273,558	\$ 2,092,566

Governmental activities increased the Village's net position by \$1,300,774 in 2015. The following table provides a comparison of the Village's operations for the year ended September 30, 2015 to the year ended September 30, 2014.

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Program Revenues:						
Charges for Services	\$ 71,228	\$ 74,547	\$ 17,033	-	\$ 88,261	\$ 74,547
General Revenues:	\$ -			-	\$ -	
Ad Valorem Taxes	338,596	226,864	-	-	338,596	226,864
Sales Taxes	361,538	266,490	-	-	361,538	266,490
Franchise Fees	218,182	200,587	-	-	218,182	200,587
Mixed Beverage Taxes	14,579	13,986	-	-	14,579	13,986
Court Fines and fees	105,177			-	105,177	
Occupancy Taxes	-	212,044	235,165	-	235,165	212,044
Investment Earnings	3,897	3,925	1,967	-	5,864	3,925
Donations	-	-	1,233,506	-	1,233,506	-
Other Revenues	9,194	36,012	1,279	-	10,473	36,012
Total Revenues	\$ 1,122,391	\$ 1,034,455	\$ 1,488,950	-	\$ 2,611,341	\$ 1,034,455
Expenses:						
General Government	\$ 544,776	\$ 195,693	\$ -	-	\$ 544,776	\$ 195,693
Judicial	41,696	27,248	-	-	41,696	27,248
Police	325,216	196,121	-	-	325,216	196,121
Fire Protection & EMS	36,304	41,476	-	-	36,304	41,476
Total Pension Expense	20,857		-	-	20,857	
Public Works	76,131	61,738	-	-	76,131	61,738
Parks	14,228	2,905	-	-	14,228	2,905
Tourism	-	233,177	251,359	-	251,359	233,177
Total Expenses	\$ 1,059,208	\$ 758,358	\$ 251,359	-	\$ 1,310,567	\$ 758,358
Change in Net Position	\$ 63,183	\$ 276,097	\$ 1,237,591	-	\$ 1,300,774	\$ 276,097
Prior Period Adjustment	(291,326)	40,329	171,544	-	(119,782)	40,329
Net Position Beginning	\$ 2,092,566	\$ 1,776,140	\$ -	-	\$ 2,092,566	\$ 1,776,140
Net Position Ending	\$ 1,864,423	\$ 2,092,566	\$ 1,409,135	-	\$ 3,273,558	\$ 2,092,566

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, 2015, the Village's general fund reported an ending fund balance of \$1,864,423. Of this balance, \$698,984 constitutes undesignated, unreserved fund balance which is available for spending at the Village's discretion. During the current year, General Fund balance increased by \$63,183.

Proprietary Fund – The Village collects an occupancy tax equal to 7%, less an administrative fee, of adjusted hotel and motel collections for the purpose of promoting tourism, and has also added a Wastewater Treatment Facility. At September 30, 2015, the Village's Proprietary fund reported an ending fund balance of \$1,409,135. The Wastewater Treatment Facility is in progress and was not in service as of 9/30/15.

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Capital Assets:

The Village's investment in capital assets for its governmental activities as of September 30, 2015 amounts to \$1,165,439 (net of accumulated depreciation) in the general fund and \$1,421,621 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	275,676
Vehicles and Equipment	165,593
Infrastructure	678,593
Total Capital Assets, Net	\$ 1,165,439

	Business-Type Activities
Wastewater Treatment Facility	\$ 1,233,506
Engineering fees	33,203
Bond Issuance Costs	154,912
	1,421,621

During 9/30/15, major asset additions for the Village were a Wastewater Treatment Facility and Street Improvements.

Long-Term Liabilities

For the year ended September 30, 2015 activity related to long-term liabilities is as follows:

	Balance at 9/30/2014	Additions	Retirements	Balance at 9/30/2015
Compensated Absences Payable	\$ 78,846	\$ 11,719	\$ -	\$ 90,565

American National Bank of Texas, Permanent Improvement Bond, \$8,200,000. Payments begin in 2016.

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 current year, the Village had one amendment 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, 2015.

**VILLAGE OF SALADO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
Budget to Actual Variances
For the Year Ended September 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes	\$ 698,000	\$ 698,000	\$ 714,713	\$ 16,713
Franchise Fees	197,760	197,760	218,182	\$ 20,422
Fines	44,100	44,100	105,177	61,077
Investment Income	3,000	3,000	3,897	897
Grant Revenue	-	-	-	-
Other Revenue	21,000	21,000	80,422	59,422
Total Revenue	<u>\$ 963,860</u>	<u>\$ 963,860</u>	<u>\$ 1,122,391</u>	<u>\$ 158,531</u>
<u>Expenditures</u>				
General Government	\$ 367,703	\$ 367,703	\$ 544,776	\$ (177,073)
Judicial	21,500	21,500	41,696	(20,196)
Public Safety	362,571	362,571	361,520	1,051
Public Works	317,101	317,101	76,131	240,970
Parks	6,900	6,900	14,228	(7,328)
Total Pension Expense			20,857	
Tourism	-	-	-	-
Total Expenditures	<u>\$1,075,775</u>	<u>\$ 1,075,775</u>	<u>\$ 1,059,208</u>	<u>\$ 37,424</u>
Excess (Deficiency) of Revenues Over Expenditures:	\$ (111,915)	\$ (111,915)	\$ 63,183	\$ 195,955
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	\$ (111,915)	\$ (111,915)	\$ 63,183	\$ 175,098
Prior Period Adjustments			(291,326)	
Fund Balances - Beginning of Year	2,092,566	2,092,566	2,092,566	-
Fund Balances - End of Year	<u>\$1,980,651</u>	<u>\$ 1,980,651</u>	<u>\$ 1,864,423</u>	<u>\$ 175,098</u>

Significant budget to actual variances – The budget for the general fund of the Village experienced expenditures under budget by \$37,424. The actual revenues were under expectations by \$158,531, yielding an overall positive budget variance of \$195,955. Significant items contributing to the variance can be briefly summarized as follows:

- Higher than expected other revenues.
- Higher than anticipated tax collections
- Less than budgeted public safety expenditures.
- Less than budgeted public works expenditures.

Economic Factors and Next Year's Budget:

Due to the State acquiring property along Interstate 35, a decrease in businesses in that area is expected; leading to decreased collections from sales tax used for Village operations. Ad valorem tax increased tremendously due to development. Hotel/Motel occupancy tax revenues are expected to remain the same.

There are no major changes expected during the 2015-16 budget year.

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 Kim Foutz, 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, 2015**

Primary Government

	Governmental	Business-Type	
<u>ASSETS:</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and Cash Equivalents	\$ 60,444	\$ 41,539	101,983
Investments	877,658	8,150,926	9,028,584
Intergovernmental & Fiduciary Receivable	25,341		25,341
Receivables	151,927	43,513	195,440
Total Current Assets	\$ 1,115,370	\$ 8,235,978	9,351,348
Non-Current Assets:			
Capital Assets:			
Land	\$ 45,577	\$ -	45,577
Infrastructure, Net	678,593	1,233,506	1,912,099
Buildings, Net	275,676	-	275,676
Bond Issuance Costs		154,912	154,912
Machinery and Equipment, Net	165,593	33,203	198,796
Total Non-Current Assets	\$ 1,165,439	\$ 1,421,621	2,587,060
Total Assets	\$ 2,280,809	\$ 9,657,599	11,938,408
Deferred Outflows of Resources	21,801		21,801
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 337,686	\$ 2,491	340,177
Intergovernmental Payable	-	25,341	25,341
Other Current Liabilities	8,103	20,632	28,735
Total Current Liabilities	\$ 345,789	\$ 48,464	394,253
Non Current Liabilities:			
Permanent Improvement Bond, Series 2015		8,200,000	8,200,000
Compensated Absences Payable	90,565	-	90,565
Total Non-Current Liabilities	\$ 90,565	\$ 8,200,000	8,290,565
Total Liabilities	\$ 436,354	\$ 8,248,464	8,684,818
Deferred Inflows of Resources	1,833	-	1,833
<u>NET POSITION</u>			
Invested in Capital Assets	\$ 1,165,439	\$ 1,421,621	2,587,060
Restricted for:	\$ -		-
Restricted for Bond		-	-
Unrestricted	698,984	(12,486)	686,498
Total Net Position	\$ 1,864,423	\$ 1,409,135	3,273,558

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

**VILLAGE OF SALADO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Program Revenues</u>				Net (Expense) Revenue and Changes in Net Assets	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental</u>	<u>Business- Type Activities</u>
Primary Government:						
Governmental Activities:						
General Government	\$ 544,776	\$ 60,233	\$ -	\$ -	\$ (484,543)	
Judicial	41,696	105,177	-	-	63,481	
Police	325,216	-	-	-	(325,216)	
Fire Protection	36,304	995	-	-	(35,309)	
Public Works	76,131	-	-	-	(76,131)	
Parks	14,228	10,000	-	-	(4,228)	
Total Pension Expense	20,857	-	-	-	(20,857)	
Total Primary Government:	<u>\$ 1,059,208</u>	<u>\$ 176,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (882,803)</u>	
Business-Type Activities:						
Wastewater & Hotel	251,359	1,251,818				1,000,459
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes					\$ 338,596	
Sales Taxes					361,538	
Hotel Occupancy Tax					-	235,165
Franchise Fees					218,182	
Mixed Beverage Taxes					14,579	
Other Income					9,194	
Investment Earnings					3,897	1,967
Total General Revenues					<u>\$ 945,986</u>	237,132
Change in Net Position					\$ 63,183	1,237,591
Prior Period Adjustment					(291,326)	171,544
Net Position - Beginning					\$ 2,092,566	-
Net Position - Ending					<u>\$ 1,864,423</u>	<u>1,409,135</u>

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

FUND FINANCIAL STATEMENTS

**VILLAGE OF SALADO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	General Fund	Total Governmental Funds
Assets:		
Cash and Cash Equivalents	\$ 60,444	\$ 60,444
Investments	877,658	877,658
Interest Receivable	-	-
Property Taxes Receivable	6,256	6,256
Other Receivables	145,671	145,671
Intergovernmental Receivables	-	-
Due from Business-Type Activities	25,341	25,341
Total Assets	\$ 1,115,370	\$ 1,115,370
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 43,558	\$ 43,558
Payroll expenses Payable	8,102	8,102
Intergovernmental Payable	-	-
Due to General Fund	-	-
Deferred Revenues	-	-
Other Current Liabilities	-	-
Total Liabilities	\$ 51,660	\$ 51,660
Fund Balances:		
Nonspendable		
Restricted		
Committed	-	-
Assigned		
Unassigned	1,063,710	1,063,710
Total Fund Balances	\$ 1,063,710	\$ 1,063,710
 Total Liabilities and Fund Balances	 \$ 1,115,370	 \$ 1,115,370

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, 2015**

Total Fund Balances - Governmental Funds \$ 1,063,710

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. \$ 1,165,439

Deferred Outflows of Resources are not recognized in Governmental Funds 21,800

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. \$ -

Accounts payable for Capital Outlay items removed from Governmental Funds (294,128)

The Net Pension Liability is not recognized in Governmental Funds accounting \$ (1,833)

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 \$ (90,565)

Net Position of Governmental Activities \$ 1,864,423

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, 2015

	General Fund	Total Governmental Funds
<u>Revenues</u>		
Taxes:		
Property Taxes	\$ 338,596	\$ 338,596
General Sales and Use Taxes	361,538	361,538
Hotel Occupancy Tax	-	-
Franchise Fees	218,182	218,182
Mixed Beverage Taxes	14,579	14,579
Licenses and Permits	41,935	41,935
Intergovernmental Revenue and Grants	-	-
Charges for Services	10,995	10,995
Fines	105,177	105,177
Investment Earnings	3,421	3,421
Other Revenue	27,968	27,968
	<u>\$ 1,122,391</u>	<u>\$ 1,122,391</u>
<u>Expenditures</u>		
Current:		
General Government	421,927	421,927
Judicial	41,696	41,696
Public Safety:		
Police	304,850	304,850
Fire Protection	36,304	36,304
Public Works	65,971	65,971
Culture and Recreation:		
Parks	6,615	6,615
Tourism	-	-
Capital Outlay:		
Capital Outlay	127,435	127,435
Total Expenditures	<u>\$ 1,004,798</u>	<u>\$ 1,004,798</u>
Net Changes in Fund Balances	\$ 117,593	\$ 117,593
Prior Period Adjustment	(291,326)	(291,326)
Fund Balances - Beginning	<u>\$ 1,237,443</u>	<u>\$ 1,237,443</u>
Fund Balances - Ending	<u>\$ 1,063,710</u>	<u>\$ 1,063,710</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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ 117,593
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 2015 capital outlays is to increase net position.	\$ 127,435
Total Pension Expense is not included in Governmental Funds	20,857
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.	\$ (52,479)
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.	\$ 6,717
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 \$6,256	
Less prior year \$(163,196)	(156,940)
 Change in Net Position of Governmental Activities	 <u>\$ 63,183</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, 2015

	Business-Type
	Activities
	Enterprise
	Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 41,539
Investments - Restricted Funds for Construction & Bonds	8,150,926
Accounts receivable	43,513
Total Current Assets	8,235,978
Non-Current Assets:	
Wastewater Treatment Facility	1,233,506
Bond Issuance Costs	154,912
Machinery & Equipment - Not yet in service	33,203
	-
Total Assets	\$ 9,657,599
Liabilities	
Current Liabilities:	
Accounts payable	2,491
Accrued expenses	20,632
Intergovernmental payables	25,341
Total Current Liabilities	48,464
Long-term Liabilities	
Permanent Improvement Bond Series 2015	8,200,000
Total Liabilities	8,248,464
Net Position	
Invested in capital assets, net of related debt	1,421,621
Unrestricted net position	(12,486)
Total Net Position	1,409,135
Total Liabilities and Net Position	\$ 9,657,599

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, 2015

	Business-Type
	Activities
	Enterprise
	Fund
Revenues	
Hotel Occupancy Tax	\$ 235,165
Donation of Wastewater Treatment Plant	1,233,506
Tourism Income	18,312
Miscellaneous	-
Total Revenues	1,486,983
Expenses	
Tourism Overhead	165,076
Tourism Sales & Marketing	57,038
Special Projects	3,250
Way Finding Signage	11,007
Festivals and Events	14,988
Total Expenses	251,359
Net Operating Income (Loss)	1,235,624
Non-Operating Revenue and (Expenses)	
Interest income	1,967
Total Non-Operating Revenue and (Expenses)	1,967
Net Income (Loss)	1,237,591
Total Net Position, Beginning of Year	-
Prior Period Adjustment	171,544
Total Net Position, End of Year	\$ 1,409,135

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, 2015

	Business-Type Activities Enterprise Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 278,704
Payments to suppliers	(180,644)
Payments to employees	(90,991)
Net cash provided (used) by operating activities	7,069
Cash flows from Capital and Related Financing Activities	
Loan Proceeds	8,200,000
Acquisition of capital assets	(188,115)
Net cash provided (used) by capital and related financing activities	8,011,885
Cash Flows from Investing Activities	
Interest on investments	1,967
Net cash provided (used) by investing activities	1,967
Net Increase (Decrease) in Cash and Cash Equivalents	8,020,921
Cash and Cash Equivalents at Beginning of Year Prior Period Adjustment	171,544
Cash and Cash Equivalents at End of Year	<u>\$ 8,192,465</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ 1,235,624
Adjustment to reconcile operating income to net cash provided by operating activities	
Non-Cash Donation	(1,233,506)
(Increase) decrease in accounts receivable	(43,513)
Increase (decrease) in accounts payable	2,491
Increase (decrease) in accrued liabilities	20,632
Increase (decrease in intergovernmental payables	25,341
Net cash provided (used) by operating activities	<u>\$ 7,069</u>

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

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 by its charter: general government, public safety, streets, community development (planning and zoning, licensing, permitting, and inspection), and culture and recreation.

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 assets and a statement of activities. It requires the reclassification of net assets 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 assets 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 assets – This component of net assets consists of net assets 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, 2015

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 assets 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 of occupancy taxes levied by the Village, a Wastewater Treatment Facility, and Chamber of Commerce Fiduciary Funds. The proceeds are used to promote business opportunities, tourism, culture, and recreation within the Village.

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 hotel/motel tax 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, 2015, general fund expenditures were more than budgeted in the administrative department by \$1,323 and Judicial expenses were \$20,196 more than budgeted. General fund revenues were \$158,531 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, 2015

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* 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 assets 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, 2015

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, 2015, the Village had total cash balances of \$9,154,314 held by six local financial institutions.

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, 2015, 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, 2015 the Village had deposits with Tex Pool in the amount of \$58,621 included in investments in the financial statements. The TexPool assets qualify as Cash and Cash Equivalents under the definition presented. The Village of Salado had Certificates of Deposit for \$600,000 with First State Bank with a maturity over 3 months.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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, 2015

NOTE 3 – RECEIVABLES

The following is a breakdown of the September 30, 2015, receivables, reported in the government-wide Statement of Net Assets:

Sales Tax Receivable	\$ 23,364
Occupancy Tax Receivable	43,513
Franchise Fees Receivable	56,585
Other Governmental Receivables	25,341
Grant Proceeds Receivable	-
Ad Valorem Taxes Receivable	6,256
Other Amounts Due to Village	40,381
Total Receivables	<u>\$ 195,440</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance October 1, 2014	Additions	Deletions and Adjustment	Balance September 30, 2015
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	\$ 344,325	\$ 45,941	\$ -	\$ 390,266
Infrastructure	326,147	385,061	-	711,208
Vehicles and Equipment	380,786	64,818	-	445,604
Total Capital Assets Being Depreciated	<u>\$ 1,051,258</u>	<u>\$ 495,820</u>	<u>\$ -</u>	<u>\$ 1,547,078</u>
Less Accumulated Depreciation for:				
Buildings	\$ (85,121)	\$ (8,692)	\$ -	\$ (93,813)
Infrastructure	(32,616)	(18,314)	-	(50,930)
Vehicles and Equipment	(257,000)	(25,473)	-	(282,473)
Total Accumulated Depreciation	<u>\$ (374,737)</u>	<u>\$ (52,479)</u>	<u>\$ -</u>	<u>\$ (427,216)</u>
Total Capital Assets Being Depreciated-N	<u>\$ 676,521</u>	<u>\$ 443,341</u>	<u>\$ -</u>	<u>\$ 1,119,862</u>
Total Net Capital Assets	<u>\$ 722,098</u>	<u>\$ 443,341</u>	<u>\$ -</u>	<u>\$ 1,165,439</u>

	Business-Type Activities
Wastewater Treatment Facility	\$ 1,233,506
Engineering fees	33,203
Bond Issuance Costs	154,912
	<u>1,421,621</u>

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense was charged to programs for the year ended September 30, 2015, as follows:

Administration	\$ 14,370
Police	20,336
Parks	7,613
Judicial	-
Public Works	10,160
	<u>\$ 52,479</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, 2015 are as follows:

	<u>Balance 9-30-14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9-30-15</u>
Compensated Absences Payable	\$ 78,846	\$ 11,719	\$ -	\$ 90,565

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.

September 30,	Principal	Interest	Total
2017	335,000	241,080	576,080
2018	345,000	231,080	576,080
2019	355,000	221,080	576,080
2020	365,000	211,080	576,080
2021	375,000	201,080	576,080
2022-2035	6,425,000	1,765,120	8,190,120
totals	8,200,000	2,870,520	11,070,520

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

At September 30, 2015, the Village had reserved net assets in the amount of \$0. Purposes for the reservation are as follows:

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 – PRIOR PERIOD ADJUSTMENTS

The GASB has issued Statement No. 68 Accounting and Financial Reporting for Pensions an amendment of GASB Statement # 27 which became effective for fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employers financial statements for any actuarially unfunded position of benefits earned to date. The implementation of Statement No. 68 resulted in restatement of beginning net position for the elimination of the previously reported net pension obligation, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. The Village of Salado has actually overfunded their pension obligation thus far, and no prior pension amounts were recorded in previous financial statements. The Net Pension Liability, and Deferred Outflow of Resources, have been recorded for 2014 and 2015 which record a prior period adjustment of \$40,329 to Unrestricted Net Position in the general fund balance for 2014. Additionally, Property Tax receivables were overstated previously requiring a \$79,453 reduction and prior period adjustment of the General Fund Net Assets. Finally, \$171,544 was removed from the General Fund net assets for prior year Hotel Motel tax fund net assets balance, and recorded as a positive prior period adjustment to the Proprietary Fund net assets balance.

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015, upon which the 2015 levy was based, was \$164,114,979. The total levy assessed was \$338,596.

The tax assessment of September 15, 2015 set a tax levy at \$0.3395 per \$100 of assessed valuation at 100 percent of assumed market value. 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, 2015, property taxes receivable are \$6,256.

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, 2015, the Village paid premiums of approximately \$12,833 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, 2015, were approximately \$20,469. Workers compensation is subject to change when audited by TML. At year end September 30, 2015, 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 \$36,000. The term of this agreement is on year, commencing November 1, 2014, and ending October 31, 2015.

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)

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 10 – PENSION PLAN (continued)

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.

B. 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.

Employees covered by benefit terms.

At the December 31, 2014 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	3
Active employees	<u>13</u>
Total	20

C. 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% and 5% in calendar years 2014 and 2015 respectively. The city's contributions to TMRS for the year ended September 30, 2015 were \$20,740, and were in excess of the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 10 – PENSION PLAN (continued)

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation 3.0% per year

Overall payroll growth 3.0% per year

Investment Rate of Return 7.0% 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 o 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, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 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, 2013. 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 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. 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%	

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. 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		
Schedule of Changes in Net Pension Liability and Related Ratios Current Period		
September 30, 2015		
A.	Total pension liability	
	1. Service Cost	\$ 37,674
	2. Interest (on the Total Pension Liability)	27,570
	3. Changes of benefit terms	-
	4. Difference between expected and actual experience	(1,471)
	5. Changes of assumptions	-
	6. Benefit payments, including refunds of employee contributions	(12,929)
	7. Net change in total pension liability	<u>\$ 50,844</u>
	8. Total pension liability - beginning	381,485
	9. Total pension liability - ending	<u>\$432,329</u>
B.	Plan fiduciary net position	
	1. Contributions - employer	\$ 21,261
	2. Contributions - employee	18,572
	3. Net investment income	21,858
	4. Benefit payments, including refunds of employee contributions	(12,929)
	5. Administrative Expense	(228)
	6. Other	(19)
	7. Net change in plan fiduciary net position	<u>\$ 48,515</u>
	8. Plan fiduciary net position - beginning	381,981
	9. Plan fiduciary net position - ending	<u>\$430,496</u>
C.	Net pension liability [A.9-B.9]	<u>\$ 1,833</u>
D.	Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	99.58%
E.	Covered-employee payroll	\$371,441
F.	Net pension liability as a percentage of covered employee payroll [C / E]	0.49%

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 7.0%, 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 (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$69,005	\$1,833	\$(52,889)

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.tmrs.com

VILLAGE OF SALADO			
SCHEDULE OF PENSION EXPENSE			
SEPTEMBER 30, 2015			
1.		Total Service Cost	\$ 37,674
2.		Interest on the Total Pension Liability	27,570
3.		Current Period Benefit Changes	-
4.		Employee Contributions (Reduction of Expense)	(18,572)
5.		Projected Earnings on Plan Investments (Reduction of Expense)	(26,739)
6.		Administrative Expense	228
7.		Other Changes in Fiduciary Net Position	19
8.		Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(299)
9.		Recognition of Current Year Outflow (Inflow) of Resources - Assets	976
10.		Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	-
11.		Amortization of Prior Year Outflows (Inflows) of Resources - Assets	-
12.		Total Pension Expense	\$ 20,857

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, 2015

NOTE 10 – PENSION PLAN (continued)

VILLAGE OF SALADO				
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE				
SEPTEMBER 30, 2015				
	Recognition		2014	
	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 [actuarial (gains) or losses]	4.9201	\$ (1,471)	\$ (299)	\$ (1,172)
Difference in assumption changes [actuarial (gains) or losses]	4.9201	\$ -	\$ -	\$ -
			<u>\$ (299)</u>	<u>\$ (1,172)</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ 4,881	\$ 976	\$ 3,905
			<u>\$ 976</u>	<u>\$ 3,905</u>
Total:				<u>\$ 2,733</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			
2015	\$ 677			
2016	677			
2017	677			
2018	702			
2019	-			
Thereafter	-			
Total	\$ 2,733			

**VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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 2015, 2014, and 2013 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	
2012	0.00%	0.00%	100%	
2013	0.01%	0.01%	100%	
2014	0.01%	0.01%	100%	
2015	0.02%	0.02%	100%	
2016	0.02%	(city to provide)	(city	to
provide)				

VILLAGE OF SALADO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 11 – SUBSEQUENT EVENTS

On July 2, 2015, the U.S. Department of Commerce approved the application for a \$1,000,000 EDA Grant. As of September 30, 2015, \$8,693 had been spent and capitalized as construction in progress. As of April 8, 2016, up to the completion date of audit fieldwork, approximately another \$185K had been expended from this grant. 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, 2015

	<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:				
Taxes				
Ad Valorem Taxes	\$ 315,000	\$ 315,000	\$ 338,596	\$ 23,596
General Sales and Use Taxes	375,000	375,000	361,538	(13,462)
Franchise Fees	197,760	197,760	218,182	20,422
Mixed Beverage Tax	8,000	8,000	14,579	6,579
Licenses and Permits	11,500	11,500	41,935	30,435
Intergovernmental Revenue & Grants	-	-	-	-
Charges for Services	9,500	9,500	10,995	1,495
Fines	44,100	44,100	105,177	61,077
Investment Earnings	3,000	3,000	3,421	421
Other Revenue	-	-	27,968	27,968
Total Revenues	<u>\$ 963,860</u>	<u>\$ 963,860</u>	<u>\$ 1,122,391</u>	<u>\$ 158,531</u>
Expenditures:				
General Government	\$ 420,604	\$ 420,604	\$ 421,927	\$ (1,323)
Judicial	21,500	21,500	41,696	(20,196)
Police	325,446	325,446	304,850	20,596
Fire Protection	37,125	37,125	36,304	821
Public Works	264,200	264,200	65,971	198,229
Capital Outlay	-	-	127,435	(127,435)
Parks	6,900	6,900	6,615	285
Total Expenditures	<u>\$ 1,075,775</u>	<u>\$ 1,075,775</u>	<u>\$ 1,004,798</u>	<u>\$ 70,977</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (111,915)</u>	<u>\$ (111,915)</u>	<u>\$ 117,593</u>	<u>\$ 229,508</u>

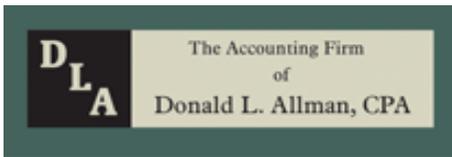
VILLAGE OF SALADO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – PROPRIETARY FUND
SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	(GAAP BASIS)	
Revenues:				
Occupancy Tax	\$ 215,000	\$ 215,000	\$ 235,165	\$ 20,165
Interest Income	500	500	1,967	1,467
Other Revenue	87,127	87,127	1,251,818	1,164,691
Total Revenues	<u>\$ 302,627</u>	<u>\$ 302,627</u>	<u>\$ 1,488,950</u>	<u>\$ 1,186,323</u>
Expenditures:				
Overhead	\$ 174,427	\$ 174,427	\$ 165,076	\$ 9,351
Sales & Marketing	84,000	84,000	57,038	26,962
Visitor Services	12,000	12,000	-	12,000
Special Projects	7,000	7,000	3,250	3,750
Contingency	1,000	1,000	-	1,000
Way Finding Signage	16,200	16,200	11,007	5,193
Website	500	500	-	500
Chocolate Festival	2,000	2,000	9,470	(7,470)
Salado Swirl, Salado on the Rocks	5,500	5,500	5,518	(18)
Total Expenditures	<u>\$ 302,627</u>	<u>\$ 302,627</u>	<u>\$ 251,359</u>	<u>\$ 51,268</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,237,591</u>	<u>\$ 1,237,591</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	xxxx	xxxx	xxxx	
2. Interest (on the Total Pension Liability)	27,570	xxxx	xxxx	xxxx	
3. Changes of benefit terms	-				
4. Difference between expected and actual experience	(1,471)	xxxx	xxxx	xxxx	
5. Changes of assumptions	-				
6. Benefit payments, including refunds of employee contributions	(12,929)	xxxx	xxxx	xxxx	
7. Net change in total pension liability	\$ 50,844	xxxx	xxxx	xxxx	
8. Total pension liability - beginning	381,485	xxxx	xxxx	xxxx	
9. Total pension liability - ending	<u>\$ 432,329</u>	xxxx	xxxx	xxxx	
Plan fiduciary net position					
1. Contributions - employer	\$ 21,261	xxxx	xxxx	xxxx	
2. Contributions - employee	18,572	xxxx	xxxx	xxxx	
3. Net investment income	21,858	xxxx	xxxx	xxxx	
4. Benefit payments, including refunds of employee contributions	(12,929)	xxxx	xxxx	xxxx	
5. Administrative Expense	(228)	xxxx	xxxx	xxxx	
6. Other	(19)	xxxx	xxxx	xxxx	
7. Net change in plan fiduciary net position	\$ 48,515	xxxx	xxxx	xxxx	
8. Plan fiduciary net position - beginning	381,981	xxxx	xxxx	xxxx	
9. Plan fiduciary net position - ending	<u>\$ 430,496</u>	xxxx	xxxx	xxxx	
Net pension liability [A.9-B.9]	<u>\$ 1,833</u>	xxxx	xxxx	xxxx	
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	99.58%	xxxx	xxx	xxx	
Covered-employee payroll	\$ 371,441	xxxx	xxx	xxx	
Net pension liability as a percentage of covered employee payroll [C / E]	0.49%	xxxx	xxxx	xxx	

Village of Salado					
Schedule of Contributions					
Last 10 Fiscal Years (will ultimately be displayed)					
September 30, 2015					
	2014	2015	2016	2017	
Actually Determined Contribution	\$ 432,329	xxx,xxx	\$xxx,xxx	\$xxx,xxx	
Contributions in relation to the actuarially determined contribution	<u>430,496</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>	
Contribution deficiency (excess)	1,833	xxx,xxx	xxx,xxx	xxx,xxx	
Covered employee payroll	\$ 371,441	xxx,xxx	\$xxx,xxx	\$xxx,xxx	
Contributions as a percentage of covered employee payroll	0.49%	xx.xx%	xx.xx%	xx.xx%	
Noes to Schedule of Contributions					
Valuation Date determined	12/31/2014				
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	29 Years				
Asset Valuation Method	10 Year Smoothed Market 15% Soft Corridor				
Inflation	3.0%				
Salary Increases	3.50% to 12.00% Including Inflation				
Investment Rate of Return	7.00%				
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits.				
	Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009				
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.				

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, 2015, 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 April 8, 2016.

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

April 8, 2016