

Salado TEXAS

"GATEWAY TO A CHARMED LIFE"

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2022



VILLAGE OF SALADO
PRINCIPAL OFFICERS

MAYOR

MICHAEL COGGIN

BOARD OF ALDERMAN

PAUL COX

D. JASEN GRAHAM

JOHN COLE

RODNEY BELL

JASON HOWARD

VILLAGE ADMINISTRATOR

DON FERGUSON

VILLAGE OF SALADO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

TABLE OF CONTENTS

INTRODUCTORY SCHEDULE

	PAGE
TITLE PAGE	i
PRINCIPAL OFFICERS	ii
TABLE OF CONTENTS	iii

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS.....	10
STATEMENT OF NET POSITION.....	11
STATEMENT OF ACTIVITIES.....	12
BALANCE SHEET - GOVERNMENTAL FUNDS.....	14
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS.....	16
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	17
STATEMENT OF NET POSITION – PROPRIETARY FUND.....	18
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUND.....	19
STATEMENT OF CASH FLOWS - PROPRIETARY FUND.....	20
NOTES TO BASIC FINANCIAL STATEMENTS	22
REQUIRED SUPPLEMENTARY INFORMATION.....	43
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND.....	44
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL.....	45
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS.....	46
SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS.....	48
SCHEDULE OF CHANGES – TOTAL OPEB LIABILITY AND RELATED RATIOS	49

SUPPLEMENTARY INFORMATION	51
COMPARATIVE BALANCE SHEET – GENERAL FUND.....	52
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND	53
COMPARATIVE BALANCE SHEET – HOTEL TAX FUND	54
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – HOTEL TAX FUND.....	55
COMPARATIVE BALANCE SHEET – DEBT SERVICE FUND.....	56
COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – DEBT SERVICE FUND	57
COMPARATIVE STATEMENT OF NET POSITION – WASTEWATER FUND	58
COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION – WASTEWATER FUND.....	59

COMPLIANCE SECTION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	61
---	----



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Board of Aldermen
Village of Salado, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Salado, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Salado, as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Salado and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Village of Salado's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Salado's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village of Salado's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Village of Salado's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of changes and contributions for net pension liability and total other post-employment benefit liability as referred to in the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Village of Salado's basic financial statements. The supplementary information (as identified in the table of contents) is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is 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 February 9, 2023 on our consideration of Village of Salado's 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 Village of Salado's internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.

February 9, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Village of Salado's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended September 30, 2022. Please read it in conjunction with the Village's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

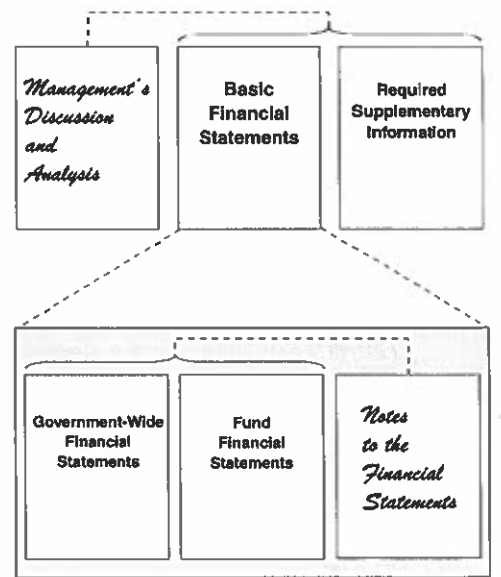
- The Village's total combined net position was \$4.9 million at September 30, 2022.
- The Village's governmental expenses (including assistance to the wastewater utility) were \$268 thousand less than the \$2.9 million generated in general and program revenues for governmental activities. Governmental expenses increased 28% over the prior year, primarily from street repairs and plan reviews from increased permit activities.
- The Village's business-type expenses were \$539 thousand more than the \$381 thousand generated in charges for services and other revenues. The total cost of the Village's business-type activities decreased 11% (mostly in interest expense) while revenues increased 61% as more customers connected and paid impact fees.
- The general fund reported a fund balance of \$993 thousand, an increase of \$160 thousand.
- 2022 bonds were issued to refinance existing wastewater debt for gross savings of \$618 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Village's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Village's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

Figure A-1, Required Components of the Village's Annual Financial Report



Summary ↔ Detail

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the Village's Government-wide and Fund Financial Statements			
	Fund Statements		
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire Village's government (except fiduciary funds) and the Village's component units	The activities of the town that are not proprietary or fiduciary	Activities of the Village that operate similar to private businesses: wastewater utility
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses & changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the Village's financial statements, including the portion of the Village government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's net position and how they have changed. Net position—the difference between the Village's assets and liabilities—is one way to measure the Village's financial health or *position*.

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, one needs to consider additional non-financial factors such as changes in the Village's tax base.

- The government-wide financial statements of the Village include the *Governmental activities*. Most of the Village’s basic services are included here, such as administration, police, streets, public works, and interest on long-term debt. Property and sales taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village’s most significant *funds*—not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Board of Alderman establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Village has the following kinds of funds:

- *Governmental funds*—Most of the Village’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, which explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village’s combined net position was \$4.9 million at September 30, 2022. (See Table A-1).

Table A-1
City’s Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<i>Assets:</i>						
Current Assets	\$ 2,343,710	\$ 2,131,648	\$ 141,495	\$ 546,673	\$ 2,485,205	\$ 2,678,321
Other Assets	262,765	148,978	-	-	262,765	148,978
Capital Assets (net)	1,235,287	1,231,747	10,066,329	10,012,817	11,301,616	11,244,564
Total Assets	3,841,762	3,512,373	10,207,824	10,559,490	14,049,586	14,071,863
<i>Deferred Outflows:</i>	43,049	45,132	-	-	43,049	45,132
<i>Liabilities:</i>						
Current Liabilities	961,615	925,609	574,219	534,621	1,535,834	1,460,230
Long-Term Liabilities	86,580	112,928	7,480,000	7,980,000	7,566,580	8,092,928
Total Liabilities	1,048,195	1,038,537	8,054,219	8,514,621	9,102,414	9,553,158
<i>Deferred Inflows:</i>	89,258	39,824	-	-	89,258	39,824
<i>Net Position:</i>						
Net Invested in Capital Assets	1,191,819	1,170,248	2,036,329	1,532,817	3,228,148	2,703,065
Restricted	527,573	479,878	170,217	14,222	697,790	494,100
Unrestricted	1,027,966	829,018	(52,941)	497,830	975,025	1,326,848
Total Net Position	\$ 2,747,358	\$ 2,479,144	\$ 2,153,605	\$ 2,044,869	\$ 4,900,963	\$ 4,524,013

Governmental Activities

- Property tax rates decreased for the fiscal year ending September 30, 2022, however, new properties and increasing valuations led property tax revenues to increase \$11 thousand.
- Costs increased 28% overall, primarily in response to a significant increase in permitting and various street spot repairs. The City's debt service fund also paid for the issuance costs for the 2022 refunding bonds.

Business-Type Activities

- Expenses decreased 11%, primarily from interest savings as a result of the 2022 refunding bonds.
- Operating revenues increased as more connections continue to be added and pay impact fees.

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<i>Program Revenues:</i>						
Charges for Services	\$ 215,323	\$ 169,329	\$ 376,363	\$ 229,872	\$ 591,686	\$ 399,201
Operating Grants and Contributions	769	889	-	-	769	889
Capital Contributions	42,900	-	-	-	42,900	-
<i>General Revenues:</i>						
Taxes	2,578,358	2,399,678	-	-	2,578,358	2,399,678
Interest Earnings	13,509	16,211	5,133	6,663	18,642	22,874
Miscellaneous	80,133	199,922	-	-	80,133	199,922
TOTAL REVENUES	2,930,992	2,786,029	381,496	236,535	3,312,488	3,022,564
<i>Program Expenses:</i>						
General Government	949,838	726,700	-	-	949,838	726,700
Development Services	110,215	150,213	-	-	110,215	150,213
Police	493,003	474,639	-	-	493,003	474,639
Fire	-	50,360	-	-	-	50,360
Municipal Court	25,967	19,892	-	-	25,967	19,892
Streets	265,120	120,674	-	-	265,120	120,674
Public Works	48,681	13,378	-	-	48,681	13,378
Parks	13,343	19,023	-	-	-	-
Wastewater Utility	-	-	920,200	1,029,220	920,200	1,029,220
Interest on Debt	109,171	1,832	-	-	109,171	1,832
TOTAL EXPENSES	2,015,338	1,576,711	920,200	1,029,220	2,935,538	2,605,931
Transfers	(647,440)	(753,984)	647,440	753,984	-	-
Change in Net Position	268,214	455,334	108,736	(38,701)	376,950	416,633
Beginning Net Position	2,479,144	2,023,810	2,044,869	2,083,570	4,524,013	4,107,380
Ending Net Position	\$ 2,747,358	\$ 2,479,144	\$ 2,153,605	\$ 2,044,869	\$ 4,900,963	\$ 4,524,013

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

- The General fund increased its fund balance by \$160 thousand. The Pace Park paving project completed, reducing expenditures. Sales tax revenues also increased \$113 thousand.
- The Hotel Tax Fund increased \$15 thousand.
- The Debt Service fund was largely unchanged.

Budgetary Highlights

- General Fund revenues exceeded the budget by \$28 thousand by utilizing grant money not anticipated.
- General Fund expenditures were under budget \$228 thousand, primarily from streets and drainage improvements that were not completed as quickly as expected.
- The General Fund balance increased \$160 thousand compared to an anticipated decrease of \$95 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2022, the Village had invested \$13.4 million in a broad range of capital assets, including land, equipment, buildings, and infrastructure. Significant changes in fiscal year 2022 included completion of the plaza roadway and improvements to the wastewater system. (See Table A-4)

Table A-3
City's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 45,577	\$ 45,577	\$ -	\$ -	\$ 45,577	\$ 45,577
Buildings and Improvements	384,594	384,594	-	-	384,594	384,594
Infrastructure	1,205,093	800,248	11,270,909	10,854,736	12,476,002	11,654,984
Equipment	408,074	343,530	5,857	5,857	413,931	349,387
Construction in Progress	39,089	378,030	-	-	39,089	378,030
Totals at Historical Cost	2,082,427	1,951,979	11,276,766	10,860,593	13,359,193	12,812,572
Total Accumulated Depreciation	(847,140)	(720,232)	(1,210,437)	(847,776)	(2,057,577)	(1,568,008)
Net Capital Assets	\$ 1,235,287	\$ 1,231,747	\$ 10,066,329	\$ 10,012,817	\$ 11,301,616	\$ 11,244,564

More detailed information about the Village's capital assets is presented in the notes to the financial statements.

Long Term Debt

The Village had bonds payable at year end as outlined in Table A-5. The City issued 2022 refunding bonds to pay off existing wastewater debt. The refunding resulted in gross savings of \$618 thousand and net present value savings of \$528 thousand. More detailed information about the Village's debt is presented in the notes to the financial statements.

Table A-4
City's Long-Term Debt

	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Bonds Payable	\$ -	\$ -	\$ 8,030,000	\$ 8,480,000	\$ 8,030,000	\$ 8,480,000
Notes Payable	43,468	61,499	-	-	43,468	61,499
Total Long-Term Debt	<u>\$ 43,468</u>	<u>\$ 61,499</u>	<u>\$ 8,030,000</u>	<u>\$ 8,480,000</u>	<u>\$ 8,073,468</u>	<u>\$ 8,541,499</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2022-2023 year, the Village decreased the property tax rate again from \$0.4953 to \$0.4357. Despite the decrease in rate, the Village anticipates a small increase in property tax revenues. The Village anticipates the wastewater fund will be able to contribute more towards debt service on its way to ultimately covering all the debt service as more connections are made. The Village is looking at several new commercial connections to the system in the near future to facilitate this. The Village intends to maintain current service levels to the citizens, while containing and reducing overall operational costs. Spending from the General Fund is expected to increase 27% as the Village is anticipating reconstruction of Salado School Road and Center Circle Road. In addition, a second school resource officer will be hired and a comprehensive plan will be developed.

The Village also received \$588 thousand from the American Rescue Plan that will be utilized for drainage improvements.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Village at (254) 947-5060 or visit the Village's website at www.salado-tx.gov.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary Fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

Salado TEXAS
"GATEWAY TO A CHARMED LIFE"

VILLAGE OF SALADO
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,737,835	\$ 422,277	\$ 2,160,112
Ad Valorem Tax Receivable (Net)	30,408	-	30,408
Other Receivables (Net)	239,355	30,579	269,934
Due from Other Governments	10,658	-	10,658
Prepaid Expenses	-	14,093	14,093
Internal Balances	325,454	(325,454)	-
Capital Assets (net)	1,235,287	10,066,329	11,301,616
Net Pension Asset	262,765	-	262,765
TOTAL ASSETS	3,841,762	10,207,824	14,049,586
DEFERRED OUTFLOWS			
Deferred Pension Related Outflows	33,600	-	33,600
Deferred OPEB Related Outflows	9,449	-	9,449
TOTAL DEFERRED OUTFLOWS	43,049	-	43,049
LIABILITIES			
Accounts Payable	159,051	975	160,026
Accrued Wages	15,465	-	15,465
Accrued Interest	-	12,714	12,714
Accrued Compensated Absences	78,779	-	78,779
Unearned Grant Revenue	588,413	-	588,413
Deposits	92,185	10,530	102,715
<i>Long-term Debt</i>			
Long-term Debt Due in One Year	27,722	550,000	577,722
Long-term Debt Due in More than One Year	15,746	7,480,000	7,495,746
Total OPEB Liability	70,834	-	70,834
TOTAL LIABILITIES	1,048,195	8,054,219	9,102,414
DEFERRED INFLOWS			
Deferred Pension Related Inflows	85,438	-	85,438
Deferred OPEB Related Inflows	3,820	-	3,820
TOTAL DEFERRED INFLOWS	89,258	-	89,258
NET POSITION			
Net Investment in Capital Assets	1,191,819	2,036,329	3,228,148
Restricted for:			
Municipal Court	16,609	-	16,609
Debt Service	157,193	-	157,193
Trolley Project	6,675	-	6,675
Tourism Development	320,636	-	320,636
All Abilities Playground	26,460	-	26,460
Impact Fees	-	170,217	170,217
Unrestricted (Deficit)	1,027,966	(52,941)	975,025
TOTAL NET POSITION	\$ 2,747,358	\$ 2,153,605	\$ 4,900,963

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
<i>Governmental Activities:</i>				
General Government	\$ 949,838	\$ -	\$ -	\$ -
Development Services	110,215	187,708	-	-
Police	493,003	287	769	-
Municipal Court	25,967	24,522	-	-
Streets	265,120	-	-	-
Public Works	48,681	-	-	-
Parks	13,343	2,806	-	42,900
Interest on Long-term Debt	109,171	-	-	-
<i>Total Governmental Activities</i>	<u>2,015,338</u>	<u>215,323</u>	<u>769</u>	<u>42,900</u>
<i>Business-Type Activities:</i>				
Wastewater Utility	920,200	376,363	-	-
<i>Total Business-Type Activities</i>	<u>920,200</u>	<u>376,363</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 2,935,538</u>	<u>\$ 591,686</u>	<u>\$ 769</u>	<u>\$ 42,900</u>
General Revenues:				
Taxes				
Ad Valorem Taxes				
Sales Taxes				
Franchise and Occupancy Taxes				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position
Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (949,838)		\$ (949,838)
77,493		77,493
(491,947)		(491,947)
(1,445)		(1,445)
(265,120)		(265,120)
(48,681)		(48,681)
32,363		32,363
<u>(109,171)</u>		<u>(109,171)</u>
<u>(1,756,346)</u>		<u>(1,756,346)</u>
	\$ (543,837)	(543,837)
	<u>(543,837)</u>	<u>(543,837)</u>
		<u>(2,300,183)</u>
1,247,696	-	1,247,696
829,102	-	829,102
501,560	-	501,560
13,509	5,133	18,642
80,133	-	80,133
<u>2,672,000</u>	<u>5,133</u>	<u>2,677,133</u>
<u>(647,440)</u>	<u>647,440</u>	<u>-</u>
268,214	108,736	376,950
<u>2,479,144</u>	<u>2,044,869</u>	<u>4,524,013</u>
<u>\$ 2,747,358</u>	<u>\$ 2,153,605</u>	<u>\$ 4,900,963</u>

VILLAGE OF SALADO
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Major Fund General Fund	Major Fund Hotel Tax	Major Fund Debt Service	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,320,269	\$ 282,364	\$ 135,202	\$ 1,737,835
Ad Valorem Taxes Receivable (Net)	12,002	-	18,406	30,408
Other Receivables	188,042	51,313	-	239,355
Due from Other Governments	-	10,658	-	10,658
Due from Other Funds	338,719	-	3,585	342,304
TOTAL ASSETS	\$ 1,859,032	\$ 344,335	\$ 157,193	\$ 2,360,560
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ 157,179	\$ 1,872	\$ -	\$ 159,051
Accrued Wages	13,578	1,887	-	15,465
Unearned Grant Revenue	588,413	-	-	588,413
Deposits	92,185	-	-	92,185
Due to Other Funds	3,585	13,265	-	16,850
<i>Total Liabilities</i>	<u>854,940</u>	<u>17,024</u>	<u>-</u>	<u>871,964</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	10,908	-	16,727	27,635
<i>Total Deferred Inflows</i>	<u>10,908</u>	<u>-</u>	<u>16,727</u>	<u>27,635</u>
<i>Fund Balances:</i>				
<i>Restricted for:</i>				
Debt Service	-	-	140,466	140,466
Trolley Project	-	6,675	-	6,675
Tourism Development	-	320,636	-	320,636
Municipal Court	16,609	-	-	16,609
All Abilities Playground	26,460	-	-	26,460
<i>Committed for:</i>				
Public Works Projects	380,046	-	-	380,046
Grant Matches	237,529	-	-	237,529
Wastewater Operations Support	332,540	-	-	332,540
<i>Total Fund Balances</i>	<u>993,184</u>	<u>327,311</u>	<u>140,466</u>	<u>1,460,961</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,859,032	\$ 344,335	\$ 157,193	\$ 2,360,560

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Hotel Tax	<u>Major Fund</u> Debt Service	Total Governmental Funds
REVENUES				
Ad Valorem Taxes	\$ 489,001	\$ -	\$ 749,490	\$ 1,238,491
Sales Taxes	829,102	-	-	829,102
Franchise and Occupancy Taxes	216,005	274,898	-	490,903
Licenses and Permits	173,781	-	-	173,781
Grants and Donations	42,900	10,658	-	53,558
Charges for Services	17,789	-	-	17,789
Fines and Penalties	24,522	-	-	24,522
Interest Income	12,069	-	1,440	13,509
Miscellaneous	75,853	4,280	-	80,133
TOTAL REVENUES	<u>1,881,022</u>	<u>289,836</u>	<u>750,930</u>	<u>2,921,788</u>
EXPENDITURES				
<i>Current:</i>				
General Government	673,444	261,181	-	934,625
Development Services	118,513	-	-	118,513
Police	471,453	-	-	471,453
Municipal Court	25,967	-	-	25,967
Streets	136,765	-	-	136,765
Public Works	51,416	-	-	51,416
Parks	8,445	-	-	8,445
Capital Outlay	214,506	13,808	-	228,314
<i>Debt Service:</i>				
Principal	18,031	-	450,000	468,031
Interest and Fiscal Charges	2,295	-	197,440	199,735
Debt Issuance Costs	-	-	106,876	106,876
TOTAL EXPENDITURES	<u>1,720,835</u>	<u>274,989</u>	<u>754,316</u>	<u>2,750,140</u>
Net Change in Fund Balance	160,187	14,847	(3,386)	171,648
Fund Balances at Beginning of Year	832,997	312,464	143,852	1,289,313
Fund Balances at End of Year	<u>\$ 993,184</u>	<u>\$ 327,311</u>	<u>\$ 140,466</u>	<u>\$ 1,460,961</u>

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2022

	Business-Type Activities
	Wastewater Utility
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 422,277
Customer Receivables	30,579
Prepaid Expenses	14,093
<i>Total Current Assets</i>	466,949
 <i>Other Assets:</i>	
Property and Equipment (net)	10,066,329
<i>Total Other Assets</i>	10,066,329
TOTAL ASSETS	10,533,278
 LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	975
Accrued Interest	12,714
Customer Deposits	10,530
Due to Other Funds	325,454
Current Portion of Long-Term Debt	550,000
<i>Total Current Liabilities</i>	899,673
 <i>Long-term Liabilities:</i>	
Long-term Debt (Net of Current Portion)	7,480,000
<i>Total Long-term Liabilities</i>	7,480,000
TOTAL LIABILITIES	8,379,673
 NET POSITION	
Net Investment In Capital Assets	2,036,329
Restricted Impact Fees	170,217
Unrestricted	(52,941)
TOTAL NET POSITION	\$ 2,153,605

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 FOR THE YEAR SEPTEMBER 30, 2022

	Business-Type Activities
	Wastewater Utility
OPERATING REVENUES	
Charges for Utility Service	\$ 220,368
TOTAL OPERATING REVENUES	220,368
 OPERATING EXPENSES	
Administration and Utilities	97,644
Professional Services	20,693
Maintenance	250,251
Depreciation	362,661
TOTAL OPERATING EXPENSES	731,249
OPERATING INCOME (LOSS)	(510,881)
 NONOPERATING REVENUES (EXPENSES)	
Interest Income	5,133
Impact Fees	155,995
Interest Expense	(188,951)
TOTAL NONOPERATING	(27,823)
INCOME (LOSS) BEFORE TRANSFERS	(538,704)
 TRANSFERS	
Transfers In	647,440
TOTAL TRANSFERS	647,440
CHANGE IN NET POSITION	108,736
BEGINNING NET POSITION	2,044,869
ENDING NET POSITION	\$ 2,153,605

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities
	Wastewater Utility
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 223,546
Cash Paid to Suppliers for Goods and Services	(371,384)
Net Cash Provided (Used) by Operating Activities	(147,838)
 Cash Flows From Noncapital Financing Activities:	
Transfers from Governmental Activities	783,578
Net Cash Provided (Used) by Noncapital Financing Activities	783,578
 Cash Flows From Capital and Related Financing Activities:	
Impact Fees	155,995
Refunding Bonds Issued	8,030,000
Principal Payments on Long-Term Debt	(8,480,000)
Construction of Capital Assets	(416,173)
Interest Paid	(197,440)
Net Cash Provided (Used) by Capital and Related Financing Activities	(907,618)
 Cash Flows From Investing Activities:	
Investment Interest Received	5,133
Net Cash Provided (Used) by Investing Activities	5,133
 Net Increase (Decrease) in Cash and Cash Equivalents	 (266,745)
 Beginning Cash and Cash Equivalents	 689,022
 Ending Cash and Cash Equivalents	 \$ 422,277

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
 STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities
	Wastewater Utility
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (510,881)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	362,661
(Increase) Decrease in Operating Assets:	
Customer Receivables	2,978
Prepaid Expenses	(683)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(2,113)
Customer Deposits	200
Total Adjustments to Reconcile Operating Activities	363,043
 Net Cash Provided (Used) by Operating Activities	 \$ (147,838)

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Salado, Texas ("Village") was incorporated in 2000 under the provisions of the State of Texas and operates as a General Law Type A municipality. The Village provides the following primary services: police protection, fire protection, public works, street maintenance, parks, and wastewater service. The Village is governed by a mayor and five aldermen elected at large.

The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. **REPORTING ENTITY**

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. As of September 30, 2022, the Village had no component units.

2. **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the Village. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 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 in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. All of the Villages funds meet the criteria as *major funds*.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from the investments, property taxes, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences, pension benefits and other post-employment benefits, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

The General Fund is the general operating fund of the Village and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, sales taxes, and franchise fees. Primary expenditures are for general administration and public safety.

Hotel Tax Fund is used to account for the collections from the occupancy taxes used to promote tourism in the Village.

Debt Service Fund is used to account for property taxes levied to repay legally authorized debts of the Village.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The Village's Proprietary Fund is the wastewater utility.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The **Proprietary Funds** are accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

4. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the Village. This includes local government investment pools.

Cash is reported as restricted only if the restriction on the cash is narrower than the purpose of the fund as a whole. For the Village, these balances generally consist of the occupancy taxes and interest and sinking property taxes.

5. INVESTMENTS

State statutes authorize the Village to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

The Village's investments include certificates of deposit (carried at amortized cost) and local government investment pools. These pools are 2a7-like which means they are not registered with the Securities and Exchange Commission as an investment company, but nevertheless have a policy that they will, and do, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These pools are reported a share price of \$1 which approximates fair value.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2021 and past due after January 31, 2022. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are not shown net of an allowance for uncollectibles as management believes all outstanding amounts will be collected.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and taxes collected on behalf of the Village (primarily sales). Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

9. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as deferred revenue. Unavailable revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unavailable revenue.

VILLAGE OF SALADO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$2,000 or more and a useful life in excess of 1 year. Infrastructure assets include Village-owned streets, sewer, and parks. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Buildings and Improvements	10 to 30 years
Streets, Utilities and Infrastructure	15 to 40 years
Furniture, Fixtures, Vehicles	3 to 7 years

11. COMPENSATED ABSENCES

Full-time employees earn vacation leave at varying rates depending on length of service. No more than 25 days may be carried over annually based on the employee's anniversary date. Accumulated vacation leave is paid on termination. In addition, employees accrue sick leave up to a maximum of 90 days. Unused sick leave is paid upon termination up to 30 days.

Liabilities for compensated absences are recognized in the fund statements only to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

12. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt (including capital leases) and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bond. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. PENSIONS

The net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The total opeb liability (and related deferred inflows and outflows of resources) and opeb expense of the TMRS supplemental death benefits fund, have been determined on the same basis as they are reported by TMRS.

15. FUND BALANCES

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - Represents amounts that can only be used for a specific purpose by a resolution of Board of Alderman. Committed amounts cannot be used for any other purpose unless the Board of Alderman removes those constraints through the same formal action.

Assigned - Represents amounts which the Village intends to use for a specific purpose but do not meet the criteria of restricted or committed. Assignments may be created by the Board of Alderman or the Village Administrator.

Unassigned - Represents the residual balance that may be spent on any other purpose of the Village.

When an expenditure is incurred for a purpose in which multiple classifications are available, the Village considers restricted balances spent first, committed second and assigned third.

The Village has adopted a minimum fund balance plan of three months of General Fund operating expenditures in unrestricted fund balance (to included committed and assigned). Should the Village fall below this amount, corrective actions will be taken to replenish the fund balance.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. NET POSITION

Net position represents the difference between assets and liabilities. Net position 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, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

17. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

18. INTERFUND TRANSFERS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds. However, debt service paid on behalf of proprietary funds is reported as debt service expenditures in the debt service fund and a transfer in the governmental activities.

19. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

20. ADOPTION OF NEW ACCOUNTING PRINCIPLES

As of October 1, 2021, the Village implemented Government Accounting Standards Board Statement 87 regarding leases, which changed the treatment, presentation and disclosures regarding leases. The Village reviewed its contracts and determined that no significant leases are in place at this time.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE B -- DEPOSITS AND INVESTMENTS

1. Deposits

The Village's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the Village's agent bank approved pledge securities in an amount sufficient to protect Village funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2022, the carrying amount of the Village's deposits were fully collateralized by a combination of federal deposit insurance (FDIC) and securities pledged by the Village's depository.

2. Investments

The Village's investments at September 30, 2022 consist of \$9,740 in Texpool, a AAAm rated local government investment pool. Texpool operates in a 2a7-like fashion and is reported at net asset value. The funds are liquid and reported in cash and cash equivalents.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the Village was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures. The Village has reviewed its risk exposure and does not believe it is exposed to significant credit risk, custodial credit risk, or concentration of credit risk.

NOTE C -- PROPERTY TAX CALENDAR

The Village's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the Village. Assessed values are established by the Bell County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2021, upon which the fiscal 2022 levy was based, was \$300 million (i.e., market value less exemptions). The estimated market value was \$440 million, making the taxable value 68% of the estimated market value.

The Village is permitted by the Constitution of the State of Texas to levy taxes up to \$1.50 per \$100 of taxable assessed valuation for all governmental purposes. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2022, was \$0.4953 per \$100 of assessed value, which means that the Village has a tax margin of \$1.0047 for each \$100 value and could increase its annual tax levy by approximately \$3 million based upon the present assessed valuation before the limit is reached. However, the Village may generally only increase its maintenance and operations property tax revenue by 3.5% per year without voter approval (with limited exceptions).

VILLAGE OF SALADO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE D -- OTHER RECEIVABLES

Other receivables for the Village as of September 30, 2022 are as follows:

	<u>General Fund</u>	<u>Hotel Tax</u>	<u>Governmental Totals</u>
Sales Tax	\$ 135,339	\$ -	\$ 135,339
Franchise Fees	44,223	-	44,223
Hotel Occupancy Tax	-	51,313	51,313
Mixed Beverage	6,562	-	6,562
Other	1,918	-	1,918
Total Other Receivables	<u>\$ 188,042</u>	<u>\$ 51,313</u>	<u>\$ 239,355</u>

	<u>Wastewater Utility</u>
Customer Charges	\$ 42,366
Allowance for Uncollectibles	(11,787)
Total Other Receivables	<u>\$ 30,579</u>

NOTE E -- INTERFUND TRANSACTIONS

Interfund balances as of September 30, 2022 were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Wastewater Utility	General Fund	\$ 325,454	<i>Reimbursement</i>
Hotel Tax	General Fund	13,265	<i>Reimbursement</i>
General Fund	Debt Service	3,585	<i>Tax Collections</i>

Interfund transfers during the year ending September 30, 2022 were as follows:

<u>Transfer From</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service	Wastewater Utility	\$ 647,440	<i>Contributions Towards Debt Service</i>

The contributions to the proprietary fund for debt were made in the form of payments of debt service from property taxes. On the Debt Service fund statement, these are reported as debt service expenditures. On the government-wide statements, these expenditures are reported as a transfer.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE F -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

<u>Governmental Activities</u>	Balance 10/1/2021	Additions	Disposals/ Transfers	Balance 9/30/2022
Land	\$ 45,577	\$ -	\$ -	\$ 45,577
Buildings and Improvements	384,594	-	-	384,594
Infrastructure	800,248	-	404,845	1,205,093
Vehicles and Equipment	343,530	64,544	-	408,074
Construction in Progress	378,030	65,904	(404,845)	39,089
	<u>1,951,979</u>	<u>130,448</u>	<u>-</u>	<u>2,082,427</u>
Less Accumulated Depreciation				
Buildings and Improvements	(308,446)	(15,244)	-	(323,690)
Infrastructure	(245,036)	(55,239)	-	(300,275)
Vehicles and Equipment	(166,750)	(56,425)	-	(223,175)
	<u>(720,232)</u>	<u>(126,908)</u>	<u>-</u>	<u>(847,140)</u>
Capital Assets, Net	<u>\$ 1,231,747</u>	<u>\$ 3,540</u>	<u>\$ -</u>	<u>\$ 1,235,287</u>
<u>Business-Type Activities</u>	Balance 10/1/2021	Additions	Disposals/ Transfers	Balance 9/30/2022
Infrastructure	\$ 10,854,736	\$ 416,173	\$ -	\$ 11,270,909
Vehicles and Equipment	5,857	-	-	5,857
	<u>10,860,593</u>	<u>416,173</u>	<u>-</u>	<u>11,276,766</u>
Less Accumulated Depreciation				
Infrastructure	(843,592)	(361,824)	-	(1,205,416)
Vehicles and Equipment	(4,184)	(837)	-	(5,021)
	<u>(847,776)</u>	<u>(362,661)</u>	<u>-</u>	<u>(1,210,437)</u>
Capital Assets, Net	<u>\$ 10,012,817</u>	<u>\$ 53,512</u>	<u>\$ -</u>	<u>\$ 10,066,329</u>

Land, Water Rights and Construction in Progress are not depreciated.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE F -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

General Government	\$	32,751
Police		45,235
Parks		4,898
Streets		44,024
Total Depreciation Expense - Governmental Activities		\$ 126,908

NOTE G -- LONG-TERM LIABILITIES

	Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022
<i>Governmental Activities</i>				
Notes Payable	\$ 61,499	\$ -	\$ (18,031)	\$ 43,468
Net Pension Liability (Asset)	(148,978)	-	(113,787)	(262,765)
Accrued Compensated Absences	83,674	78,779	(83,674)	78,779
Total OPEB Liability	69,460	10,257	(8,883)	70,834
<i>Total Governmental Activities</i>	\$ 65,655	\$ 89,036	\$ (224,375)	\$ (69,684)
 <i>Business-Type Activities</i>				
Bonds Payable	\$ 8,480,000	\$ 8,030,000	\$ (8,480,000)	\$ 8,030,000
<i>Total Business-Type Activities</i>	\$ 8,480,000	\$ 8,030,000	\$ (8,480,000)	\$ 8,030,000

Historically, the General Fund has been used to pay for accrued compensated absences. Because of the on-demand nature of compensated absences, the Village reports the liability for accrued compensated absences as a current liability on the Statement of Net Position.

NOTE H -- BONDS AND NOTE PAYABLE

Permanent Improvement Refunding Bonds, Series 2022

The Village issued \$8.03 million in revenue bonds in September, 2022 to refund series 2015 and 2018 bonds. The debt service is funded by a combination of wastewater system revenues and property taxes. The refunding resulted in gross savings of \$618 thousand and present value savings of \$528 thousand. The bonds mature serially through September 1, 2035 and bear interest at 1.9%.

The bonds were privately placed with a bank and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

In 2020, the Village issued two notes payable for \$72,741 to purchase two police vehicles. The notes bear interest at 3.25% and 4.15%, require annual payments and are secured by the vehicles.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE H -- BONDS AND NOTES PAYABLE (Continued)

Changes in Bonds and Note Payable

	Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022	Due Within One Year
<i>Governmental Activities</i>					
Notes Payable	\$ 61,499	\$ -	\$ (18,031)	\$ 43,468	\$ 27,722
<i>Business-Type Activities</i>					
Bonds Payable:					
2015 Series	\$ 6,430,000	\$ -	\$(6,430,000)	\$ -	\$ -
2018 Series	2,050,000	-	(2,050,000)	-	-
2022 Series	-	8,030,000	-	8,030,000	550,000
<i>Total Business-Type</i>	<u>\$ 8,480,000</u>	<u>\$ 8,030,000</u>	<u>\$(8,480,000)</u>	<u>\$ 8,030,000</u>	<u>\$ 550,000</u>
	<u>\$ 8,541,499</u>	<u>\$ 8,030,000</u>	<u>\$(8,498,031)</u>	<u>\$ 8,073,468</u>	<u>\$ 577,722</u>

The annual requirements to amortize all debt outstanding as of September 30, 2022, including interest payments, are as follows:

Fiscal Year Ending September 30,	<i>Governmental Activities</i>		<i>Business-type Activities</i>		Total
	Principal	Interest	Principal	Interest	
2023	\$ 27,722	\$ 1,604	\$ 550,000	\$ 152,570	\$ 731,896
2024	15,746	506	560,000	142,120	718,372
2025	-	-	570,000	131,480	701,480
2026	-	-	580,000	120,650	700,650
2027	-	-	595,000	109,630	704,630
2028-2032	-	-	3,125,000	375,155	3,500,155
2033-2035	-	-	2,050,000	78,565	2,128,565
	<u>\$ 43,468</u>	<u>\$ 2,110</u>	<u>\$ 8,030,000</u>	<u>\$ 1,110,170</u>	<u>\$ 9,185,748</u>

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS

The Village participates as one of 895 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, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

All eligible employees of the Village are required to participate in TMRS retirement system.

VILLAGE OF SALADO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Village, 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 Village-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.

The plan provisions are adopted by the governing body of the Village, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty and above with five or more years of service or with twenty years of service regardless of age. A member is vested after five years.

At the December 31, 2021 valuations and measurement dates, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	21
Active employees	12
	39

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Village matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Village. Under the state law governing TMRS, the contribution rate for each Village is determined annually 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 of the Village were required to contribute 5% of their annual gross earnings during the fiscal year which the Village matches 2 to 1. The contribution rates for the Village were 5.7% and 6.17% in calendar years 2021 and 2022, respectively. The Village's contributions to TMRS for the year ended September 30, 2022 were \$44,509 and matched the required contributions.

VILLAGE OF SALADO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.5% to 11.5% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
 Mortality	 Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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 investment 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35%	7.55%
Core Fixed Income	6%	2.00%
Non-Core Fixed Income	20%	5.68%
Other Public and Private Markets	12%	7.22%
Real Estate	12%	6.85%
Hedge Funds	5%	5.35%
Private Equity	10%	10.00%
	<u>100%</u>	

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.

Net Pension Liability

The Village's Net Pension Liability (NPL) was measured as of December 31, 2021, 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
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2021:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2020	\$ 765,172	\$ 914,150	\$ (148,978)
Changes for the year:			
Service Cost	75,490	-	75,490
Interest	52,916	-	52,916
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(52,522)	-	(52,522)
Changes of Assumptions	-	-	-
Contributions - Employer	-	39,133	(39,133)
Contributions - Employee	-	31,718	(31,718)
Net Investment Income	-	119,368	(119,368)
Benefit Payments, Including Refunds of Employee Contributions	(37,945)	(37,945)	-
Administrative Expense	-	(551)	551
Other Changes	-	3	(3)
Net Changes	37,939	151,726	(113,787)
Balance at December 31, 2021	\$ 803,111	\$ 1,065,876	\$ (262,765)

The following presents the net pension liability of the Village, calculated using the discount rate of 6.75%, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ (151,454)	\$ (262,765)	\$ (352,804)

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
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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

For the year ended September 30, 2022, the Village recognized pension expense of a credit of \$25,646. Also as of September 30, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 24,283
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	-	61,155
Contributions Subsequent to the Measurement Date	33,600	-
	\$ 33,600	\$ 85,438

Deferred outflows of resources in the amount of \$33,600 are related to contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2022.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	
2022	\$ (36,428)
2023	(24,552)
2024	(12,924)
2025	(11,534)
	\$ (85,438)

VILLAGE OF SALADO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE J – OTHER POSTEMPLOYMENT BENEFIT – SUPPLEMENTAL DEATH BENEFIT

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 Village elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Village 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 an "other postemployment benefit," or OPEB. Membership in the plan at December 31, 2021, the valuation and measurement date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	7
Active employees	12
	26

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 employees' entire careers. The assumptions of the plan are as follows:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including Inflation
Discount Rate	1.84% based on Fidelity 20-year Municipal GO AA Index
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

VILLAGE OF SALADO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE J -- OTHER POSTEMPLOYMENT BENEFIT - SBDF (Continued)

The SDBF required contribution rates, based on these assumptions, are as follows:

December 31,	Rate	Portion
2022	0.30%	0.15%
2021	0.23%	0.10%

The changes in the Village's Total OPEB Liability (TOL), based on the above actuarial factors, during the year ended December 31, 2021, were as follows:

	Total OPEB Liability
Balance at December 31, 2020	\$ 69,460
Changes for the year:	
Service Cost	5,012
Interest	1,433
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(6,909)
Changes of Assumptions	2,472
Benefit Payments	(634)
Net Changes	1,374
Balance at December 31, 2021	\$ 70,834

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The following presents the TOL of the Village, calculated using the discount rate of 1.84% as well as what the Village's TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

	Discount Rate 0.84%	Discount Rate 1.84%	Discount Rate 2.84%
Total OPEB Liability	\$ 89,377	\$ 70,834	\$ 57,198

VILLAGE OF SALADO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2022

NOTE J -- OTHER POSTEMPLOYMENT BENEFIT - SBDF (Continued)

For the year ended September 30, 2022, the Village recognized OPEB expense of \$10,257. Also as of September 30, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 3,820
Changes in Actuarial Assumptions	8,615	-
Contributions Subsequent to the Measurement Date	834	-
	\$ 9,449	\$ 3,820

Deferred outflows of resources in the amount of \$834 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the plan year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year ending December 31,	
2022	\$ 3,268
2023	1,527
2024	-
	\$ 4,795

NOTE K – COMMITMENTS AND CONTINGENCIES

Litigation

The Village is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the Village's liability in these cases, if decided adversely to the Village, will not have a material effect on the Village's financial position.

NOTE L – RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The Village contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the Village is generally limited to the contributed amounts for losses up to \$1,000,000.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2022

NOTE M – TAX INCENTIVES

The Village has a tax abatement policy that allows for incentives to encourage development. To be eligible, the projects must generally fall under target industries and have a direct payback of 5 years or less. Specific incentives are available for meeting certain criteria such as job creation or revenue growth. Revenues eligible for abatement include occupancy taxes, sales tax, permit fees, impact fees, and property taxes. In addition, grants are available for capital improvements. The Village requires annual certification of compliance from each recipient and reserves the right to require repayment if compliance is not maintained. Incentives may be transferrable.

In 2015, the Village executed an agreement with a mixed use development that was amended in November 2022. Incentives include a 50% rebate of occupancy taxes for 15 years, and 50% rebated of the incremental property taxes for 15 years and 50% of sales tax from the development. These three rebates are subject to a maximum combined rebate of \$6,000,000. Separately, the Village will rebate 100% of wastewater impact fees up to a maximum of \$6,000,000. No revenues had been refunded as of September 30, 2022.

NOTE N – SUBSEQUENT EVENT

In February 2023, the Village Board of Alderman approved two public improvement districts (PIDs) to finance infrastructure in the Sanctuary development. While not yet authorized, the Village anticipates issuing special assessment bonds for the construction of approximately \$22.41 million in improvements. The Village will have no responsibility for the repayment of this debt, which will be secured by a special assessment on the properties located in the PIDs.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability
- Schedule of Employer Pension Contributions
- Schedule of Changes – Total OPEB Liability – Supplemental Death Benefit Fund

VILLAGE OF SALADO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes	\$ 440,432	\$ 488,856	\$ 489,001	\$ 145
Sales Taxes	675,772	807,826	829,102	21,276
Franchise and Occupancy Taxes	240,000	216,142	216,005	(137)
Licenses and Permits	87,400	160,985	173,781	12,796
Grants and Donations	-	-	42,900	42,900
Charges for Services	27,060	19,819	17,789	(2,030)
Fines and Penalties	47,500	27,000	24,522	(2,478)
Interest Income	8,500	11,108	12,069	961
Miscellaneous	50,000	121,387	75,853	(45,534)
TOTAL REVENUES	<u>1,576,664</u>	<u>1,853,123</u>	<u>1,881,022</u>	<u>27,899</u>
EXPENDITURES				
<i>Current:</i>				
General Government	587,803	635,022	673,444	(38,422)
Development Services	106,175	119,473	118,513	960
Police	511,527	480,265	471,453	8,812
Fire	500	500	-	500
Municipal Court	18,350	24,333	25,967	(1,634)
Streets	137,500	139,665	136,765	2,900
Public Works	49,060	49,706	51,416	(1,710)
Parks	15,250	8,455	8,445	10
Capital Outlay	244,884	470,656	214,506	256,150
<i>Debt Service:</i>				
Principal	18,031	18,031	18,031	-
Interest	2,295	2,295	2,295	-
TOTAL EXPENDITURES	<u>1,691,375</u>	<u>1,948,401</u>	<u>1,720,835</u>	<u>227,566</u>
Net Change in Fund Balance	(114,711)	(95,278)	160,187	255,465
Beginning Fund Balance	832,997	832,997	832,997	-
Ending Fund Balance	<u>\$ 718,286</u>	<u>\$ 737,719</u>	<u>\$ 993,184</u>	<u>\$ 255,465</u>

VILLAGE OF SALADO
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2022

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The Village maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the Board of Alderman and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund and Debt Service.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The Village does not use encumbrances.

VILLAGE OF SALADO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST EIGHT PLAN (CALENDAR) YEARS

	Total Pension Liability			
	2014	2015	2016	2017
Service Cost	\$ 37,674	\$ 69,752	\$ 70,123	\$ 64,236
Interest (on the Total Pension Liability)	27,570	32,388	37,073	37,699
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	(1,471)	(7,357)	(43,068)	(70,699)
Change of Assumptions	-	8,810	-	-
Benefit Payments, Including Refunds of Employee Contributions	(12,929)	(9,029)	(25,436)	(78,384)
Net Change in Total Pension Liability	50,844	94,564	38,692	(47,148)
Beginning Total Pension Liability	381,485	432,329	526,893	565,585
Ending Total Pension Liability	<u>\$ 432,329</u>	<u>\$ 526,893</u>	<u>\$ 565,585</u>	<u>\$ 518,437</u>
	Plan Fiduciary Net Position			
	2014	2015	2016	2017
Contributions - Employer	\$ 21,261	\$ 42,005	\$ 40,518	\$ 39,095
Contributions - Employee	18,572	29,707	29,024	26,676
Net Investment Income	21,858	635	33,390	79,063
Benefit Payments, Including Refunds of Employee Contributions	(12,929)	(9,029)	(25,436)	(78,384)
Administrative Expense	(228)	(387)	(377)	(410)
Other	(19)	(18)	(20)	(21)
Net Change	48,515	62,913	77,099	66,019
Beginning Plan Fiduciary Net Position	381,981	430,496	493,409	570,508
Ending Plan Fiduciary Net Position	<u>\$ 430,496</u>	<u>\$ 493,409</u>	<u>\$ 570,508</u>	<u>\$ 636,527</u>
Net Pension Liability (Asset) - Ending	\$ 1,833	\$ 33,484	\$ (4,923)	\$ (118,090)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.58%	93.65%	100.87%	122.78%
Covered Payroll	\$ 371,441	\$ 594,141	\$ 580,490	\$ 533,523
Net Pension Liability as a Percentage of Covered Payroll	0.49%	5.64%	-0.85%	-22.13%

Information for this schedule is being accumulated prospectively until 10 years are presented.

Total Pension Liability			
2018	2019	2020	2021
\$ 66,359	\$ 66,803	\$ 65,398	\$ 75,490
36,763	42,408	48,302	52,916
-	-	-	-
(5,780)	(11,162)	(18,863)	(52,522)
-	9,512	-	-
(13,947)	(13,947)	(25,111)	(37,945)
83,395	93,614	69,726	37,939
518,437	601,832	695,446	765,172
<u>\$ 601,832</u>	<u>\$ 695,446</u>	<u>\$ 765,172</u>	<u>\$ 803,111</u>

Plan Fiduciary Net Position			
2018	2019	2020	2021
\$ 36,761	\$ 35,234	\$ 31,325	\$ 39,133
26,758	28,187	27,478	31,718
(19,062)	103,134	62,218	119,368
(13,947)	(13,947)	(25,111)	(37,945)
(369)	(582)	(402)	(551)
(18)	(19)	(15)	3
30,123	152,007	95,493	151,726
636,527	666,650	818,657	914,150
<u>\$ 666,650</u>	<u>\$ 818,657</u>	<u>\$ 914,150</u>	<u>\$ 1,065,876</u>

\$ (64,818)	\$ (123,211)	\$ (148,978)	\$ (262,765)
-------------	--------------	--------------	--------------

110.77%	117.72%	119.47%	132.72%
---------	---------	---------	---------

\$ 535,154	\$ 563,736	\$ 549,565	\$ 634,370
------------	------------	------------	------------

-12.11%	-21.86%	-27.11%	-41.42%
---------	---------	---------	---------

VILLAGE OF SALADO
SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS
LAST SEVEN FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 44,509	\$ 44,509	\$ -	\$ 733,100	6.07%
2021	37,297	37,297	-	592,916	6.29%
2020	35,190	35,190	-	579,615	6.07%
2019	34,793	34,793	-	542,397	6.41%
2018	39,026	39,026	-	541,129	7.21%
2017	39,879	39,879	-	536,721	7.43%
2016	42,400	42,400	-	588,011	7.21%

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (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	N/A
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.5% to 11.5% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Benefit Changes	None
-----------------	------

Information for this schedule is being accumulated prospectively until 10 years is presented.

VILLAGE OF SALADO
 SCHEDULE OF CHANGES – TOTAL OPEB LIABILITY AND RELATED RATIOS
 SUPPLEMENTAL DEATH BENEFIT
 LAST FIVE PLAN (CALENDAR) YEARS

	Total OPEB Liability				
	2017	2018	2019	2020	2021
Service Cost	\$ 2,027	\$ 2,248	\$ 2,255	\$ 3,242	\$ 5,012
Interest (on the Total OPEB Liability)	1,267	1,341	1,503	1,518	1,433
Changes of Benefit Terms	-	-	-	-	-
Difference between Expected and Actual Experience	-	142	593	371	(6,909)
Change of Assumptions	3,713	(3,527)	10,059	10,863	2,472
Benefit Payments	(107)	(161)	(225)	(220)	(634)
Net Change in Total Pension Liability	6,900	43	14,185	15,774	1,374
Total OPEB Liability - Beginning	32,558	39,458	39,501	53,686	69,460
Total OPEB Liability - Ending	<u>\$ 39,458</u>	<u>\$ 39,501</u>	<u>\$ 53,686</u>	<u>\$ 69,460</u>	<u>\$ 70,834</u>
Covered Payroll	\$ 533,523	\$ 535,154	\$ 563,736	\$ 549,565	\$ 634,370
Total OPEB Liability as a Percentage of Covered Payroll	7.40%	7.38%	9.52%	12.64%	11.17%

Information for this schedule is being accumulated prospectively until 10 years is presented.

VILLAGE OF SALADO
NOTES TO THE SCHEDULE OF CHANGES – TOTAL OPEB LIABILITY AND RELATED RATIOS
SUPPLEMENTAL DEATH BENEFIT

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (13) months later.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including Inflation
Discount Rate	1.84% based on Fidelity 20-year Municipal GO AA Index
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information

No assets are accumulated to meet future OPEB benefits.

Benefit Changes	None
Changes in Assumptions	
	2021 Discount rate reduced to 1.84%
	2020 Discount rate reduced to 2.00%
	2019 Discount rate reduced to 2.75%
	2018 Discount rate increased to 3.71%
	2017 Discount rate reduced to 3.31%

Information for this schedule is being accumulated prospectively until 10 years is presented.

SUPPLEMENTARY INFORMATION

VILLAGE OF SALADO
COMPARATIVE BALANCE SHEET – GENERAL FUND
SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 1,320,269	\$ 1,301,959
Receivables (net of allowances for uncollectibles):		
Property Taxes	12,002	7,922
Other Receivables	188,042	151,519
Due from Other Funds	338,719	191,129
TOTAL ASSETS	\$ 1,859,032	\$ 1,652,529
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 157,179	\$ 509,922
Accrued Wages	13,578	9,011
Unearned Grant Revenue	588,413	293,626
Deposits	92,185	-
Due to Other Funds	3,585	-
<i>Total Liabilities</i>	854,940	812,559
<i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	10,908	6,973
<i>Total Deferred Inflows of Resources</i>	10,908	6,973
<i>Fund Balances:</i>		
Restricted for		
Municipal Court	16,609	12,104
All Abilities Playground	26,460	-
Committed For		
Public Works Projects	380,046	328,357
Grant Matches	237,529	205,223
Wastewater Operations Support	332,540	287,313
<i>Total Fund Balance</i>	993,184	832,997
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,859,032	\$ 1,652,529

VILLAGE OF SALADO
 COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
 BALANCE – GENERAL FUND
 FOR THE YEARS ENDING SEPTEMBER 30, 2022 AND 2021

	2022	2021
REVENUES		
Ad Valorem Taxes	\$ 489,001	\$ 470,769
Sales Taxes	829,102	716,140
Franchise and Occupancy Taxes	216,005	204,346
Licenses and Permits	173,781	130,113
Grants and Donations	42,900	123,925
Charges for Services	17,789	22,428
Fines and Penalties	24,522	17,678
Interest Income	12,069	11,092
Miscellaneous	75,853	70,850
TOTAL REVENUES	1,881,022	1,767,341
EXPENDITURES		
<i>Current:</i>		
General Government	673,444	573,798
Development Services	118,513	153,899
Police	471,453	445,605
Fire	-	50,360
Municipal Court	25,967	19,892
Streets	136,765	82,035
Public Works	51,416	13,955
Parks	8,445	10,381
Capital Outlay	214,506	554,044
<i>Debt Service:</i>		
Principal	18,031	11,242
Interest and Fiscal Charges	2,295	1,832
TOTAL EXPENDITURES	1,720,835	1,917,043
Excess (Deficiency) of Revenues Over (Under) Expenditures	160,187	(149,702)
OTHER FINANCING SOURCES (USES)		
Sale of City Assets	-	45,251
Note Payable Issuance	-	72,741
TOTAL OTHER FINANCING SOURCES (USES)	-	117,992
Net Change in Fund Balance	160,187	(31,710)
BEGINNING FUND BALANCE	832,997	864,707
ENDING FUND BALANCE	\$ 993,184	\$ 832,997

VILLAGE OF SALADO
 COMPARATIVE BALANCE SHEET – HOTEL TAX FUND
 SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 282,364	\$ 256,811
Occupancy Taxes Receivable	51,313	60,463
Due from Other Governments	10,658	8,349
TOTAL ASSETS	\$ 344,335	\$ 325,623
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 1,872	\$ 6,647
Accrued Wages	1,887	4,699
Due to Other Funds	13,265	1,813
<i>Total Liabilities</i>	17,024	13,159
 <i>Fund Balances:</i>		
Restricted for Trolley Project	6,675	6,675
Restricted for Tourism Development	320,636	305,789
<i>Total Fund Balance</i>	327,311	312,464
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 \$ 344,335	 \$ 325,623

VILLAGE OF SALADO
 COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
 BALANCE – HOTEL TAX FUND
 FOR THE YEARS ENDING SEPTEMBER 30, 2022 AND 2021

	2022	2021
REVENUES		
Occupancy Taxes	\$ 274,898	\$ 234,163
Grants and Donations	10,658	8,349
Miscellaneous	4,280	2,130
TOTAL REVENUES	289,836	244,642
 EXPENDITURES		
<i>Current:</i>		
General Government	261,181	121,209
Capital Outlay	13,808	-
TOTAL EXPENDITURES	274,989	121,209
 Net Change in Fund Balance	 14,847	 123,433
 BEGINNING FUND BALANCE	 312,464	 189,031
ENDING FUND BALANCE	\$ 327,311	\$ 312,464

VILLAGE OF SALADO
COMPARATIVE BALANCE SHEET – DEBT SERVICE FUND
SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 135,202	\$ 142,293
Property Taxes Receivable	18,406	13,017
Due from Other Funds	3,585	-
TOTAL ASSETS	\$ 157,193	\$ 155,310
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ -	\$ -
<i>Total Liabilities</i>	-	-
<i>Deferred Inflows of Resources</i>		
Unavailable Property Tax Revenue	16,727	11,458
<i>Total Deferred Inflows</i>	16,727	11,458
<i>Fund Balances:</i>		
Restricted for Debt Service	140,466	143,852
<i>Total Fund Balance</i>	140,466	143,852
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 157,193	\$ 155,310

VILLAGE OF SALADO
 COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
 BALANCE – DEBT SERVICE FUND
 FOR THE YEARS ENDING SEPTEMBER 30, 2022 AND 2021

	2022	2021
REVENUES		
Ad Valorem Taxes	\$ 749,490	\$ 770,749
Interest Income	1,440	5,118
TOTAL REVENUES	750,930	775,867
 EXPENDITURES		
<i>Debt Service:</i>		
Principal	450,000	485,000
Interest and Fiscal Charges	197,440	268,984
Bond Issuance Costs	106,876	-
TOTAL EXPENDITURES	754,316	753,984
 Net Change in Fund Balance	(3,386)	21,883
 BEGINNING FUND BALANCE	143,852	121,969
ENDING FUND BALANCE	\$ 140,466	\$ 143,852

VILLAGE OF SALADO
 COMPARATIVE STATEMENT OF NET POSITION – WASTEWATER FUND
 SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 422,277	\$ 689,022
Receivables (net of allowances for uncollectibles)	30,579	33,557
Due from Other Funds	-	(189,316)
Prepaid Expenses	14,093	13,410
<i>Total Current Assets</i>	466,949	546,673
Property and Equipment (net)	10,066,329	10,012,817
TOTAL ASSETS	10,533,278	10,559,490
 LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	975	3,088
Accrued Interest	12,714	21,203
Due to Other Funds	325,454	-
Customer Deposits	10,530	10,330
Current Portion of Long-Term Debt	550,000	500,000
<i>Total Current Liabilities</i>	899,673	534,621
 <i>Long-term Liabilities:</i>		
Long-term Debt (Net of Current Portion)	7,480,000	7,980,000
<i>Total Long-term Liabilities</i>	7,480,000	7,980,000
TOTAL LIABILITIES	8,379,673	8,514,621
 NET POSITION		
Net Investment In Capital Assets	2,036,329	1,532,817
Restricted Impact Fees	170,217	14,222
Unrestricted (Deficit)	(52,941)	497,830
TOTAL NET POSITION	\$ 2,153,605	\$ 2,044,869

VILLAGE OF SALADO
 COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION –
 WASTEWATER FUND
 FOR THE YEARS ENDING SEPTEMBER 30, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Charges for Utility Service	\$ 220,368	\$ 189,802
Miscellaneous Charges	-	25,848
TOTAL OPERATING REVENUES	220,368	215,650
OPERATING EXPENSES		
Administration and Utilities	97,644	77,313
Professional Services	20,693	58,073
Maintenance	250,251	263,401
Depreciation	362,661	362,661
TOTAL OPERATING EXPENSES	731,249	761,448
OPERATING INCOME (LOSS)	(510,881)	(545,798)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	5,133	6,663
Impact Fees	155,995	14,222
Interest Expense	(188,951)	(267,772)
TOTAL NONOPERATING REVENUES (EXPENSES)	(27,823)	(246,887)
INCOME (LOSS) BEFORE TRANSFERS	(538,704)	(792,685)
TRANSFERS		
Transfers In	647,440	753,984
TOTAL TRANSFERS	647,440	753,984
CHANGE IN NET POSITION	108,736	(38,701)
NET POSITION (DEFICIT) AT BEGINNING OF YEAR	2,044,869	2,083,570
NET POSITION (DEFICIT) AT END OF YEAR	\$ 2,153,605	\$ 2,044,869

Salado TEXAS
"GATEWAY TO A CHARMED LIFE"

COMPLIANCE SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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*

Management, Mayor and Board of Alderman of
Village of Salado, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Village of Salado as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Village of Salado's basic financial statements, and have issued our report thereon dated February 9, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Salado's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Salado's 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 Village'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Salado's 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 Village'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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

February 9, 2023

Salado TEXAS
"GATEWAY TO A CHARMED LIFE"



