



ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2021**

Salado TEXAS
"GATEWAY TO A CHARMED LIFE"

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
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Village of Salado as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Village of Salado's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Village of Salado, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability, schedule of employer pension contributions, and schedule of changes in total other postemployment benefit liability (as listed in 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Salado's basic financial statements as a whole. The individual fund comparative statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 11, 2022 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 11, 2022

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, 2021. Please read it in conjunction with the Village’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

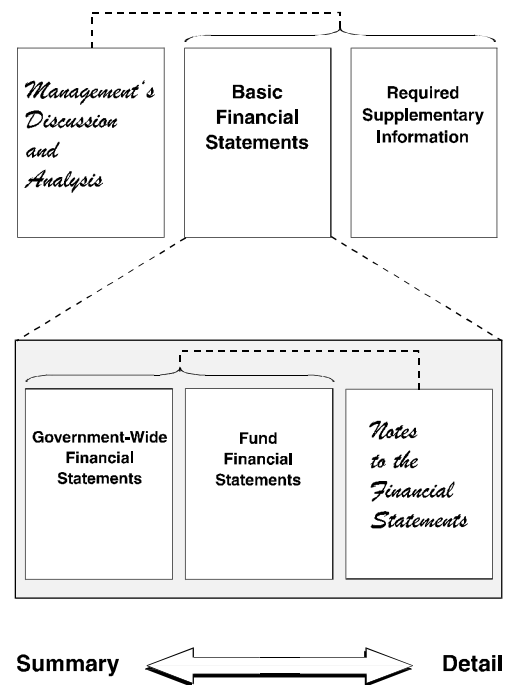
- The Village’s total combined net position was \$4.5 million at September 30, 2021.
- The Village’s governmental expenses (including assistance to the wastewater utility) were \$455 thousand less than the \$2.8 million generated in general and program revenues for governmental activities. Governmental expenses increased 18.5%, primarily from administration. Building permits increased requiring more plan reviews and vacancy in the Tourism Director was filled.
- The Village’s business-type expenses were \$715 thousand more than the \$237 thousand generated in charges for services and other revenues. The total cost of the Village’s business-type activities increased 2% while revenues increased 50% as more customers connected.
- The general fund reported a fund balance of \$833 thousand, a decrease of \$32 thousand.
- Two notes were issued for a total of \$73 thousand for two new police vehicles.

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-1F, Required Components of the Village’s Annual Financial Report



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 | | | |
|--|--|---|--|
| <i>Type of Statements</i> | Fund Statements | | |
| | 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> | • Statement of net position | • Balance Sheet | • Statement of net position |
| | • Statement of activities | • Statement of revenues, expenditures & changes in fund balances | • 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 general government, public safety, streets, economic development, culture and recreation, and interest on long-term debt. Property taxes and charges for services 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 \$4.5 million at September 30, 2021. (See Table A-1).

Table A-1

City’s Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| <i>Assets:</i> | | | | | | |
| Current Assets | \$ 2,131,648 | \$ 1,288,232 | \$ 546,673 | \$ 705,357 | \$ 2,678,321 | \$ 1,993,589 |
| Other Assets | 148,978 | 123,211 | - | - | 148,978 | 123,211 |
| Capital Assets (net) | 1,231,747 | 837,719 | 10,012,817 | 10,375,478 | 11,244,564 | 11,213,197 |
| Total Assets | 3,512,373 | 2,249,162 | 10,559,490 | 11,080,835 | 14,071,863 | 13,329,997 |
| <i>Deferred Outflows:</i> | 45,132 | 39,296 | - | - | 45,132 | 39,296 |
| <i>Liabilities:</i> | | | | | | |
| Current Liabilities | 925,609 | 154,199 | 534,621 | 517,265 | 1,460,230 | 671,464 |
| Long-Term Liabilities | 112,928 | 53,686 | 7,980,000 | 8,480,000 | 8,092,928 | 8,533,686 |
| Total Liabilities | 1,038,537 | 207,885 | 8,514,621 | 8,997,265 | 9,553,158 | 9,205,150 |
| <i>Deferred Inflows:</i> | 39,824 | 56,763 | - | - | 39,824 | 56,763 |
| <i>Net Position:</i> | | | | | | |
| Net Invested in Capital Assets | 1,170,248 | 837,719 | 1,532,817 | 1,410,478 | 2,703,065 | 2,248,197 |
| Restricted | 479,878 | 333,532 | 14,222 | - | 494,100 | 333,532 |
| Unrestricted | 829,018 | 852,559 | 497,830 | 673,092 | 1,326,848 | 1,525,651 |
| Total Net Position | \$ 2,479,144 | \$ 2,023,810 | \$ 2,044,869 | \$ 2,083,570 | \$ 4,524,013 | \$ 4,107,380 |

Governmental Activities

- Property tax rates decreased for the fiscal year ending September 30, 2021, however, new properties and increasing valuations led property tax revenues to increase \$66 thousand.
- Costs increased 18.5% overall, primarily in response to a significant increase in permitting and to fill the vacancy in the tourism director position.

Business-Type Activities

- Expenses remained similar, only increasing 2%.
- Operating revenues increased as more connections continue to be added.

Table A-2
Changes in City's Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| <i>Program Revenues:</i> | | | | | | |
| Charges for Services | \$ 169,329 | \$ 91,776 | \$ 229,872 | \$ 151,092 | \$ 399,201 | \$ 242,868 |
| Operating Grants and Contributions | 889 | 907 | - | - | 889 | 907 |
| Capital Contributions | - | - | - | - | - | - |
| <i>General Revenues:</i> | | | | | | |
| Taxes | 2,399,678 | 2,138,375 | - | - | 2,399,678 | 2,138,375 |
| Interest Earnings | 16,211 | 14,332 | 6,663 | 7,078 | 22,874 | 21,410 |
| Miscellaneous | 199,922 | 68,126 | - | - | 199,922 | 68,126 |
| TOTAL REVENUES | 2,786,029 | 2,313,516 | 236,535 | 158,170 | 3,022,564 | 2,471,686 |
| <i>Program Expenses:</i> | | | | | | |
| General Government | 726,700 | 605,069 | - | - | 726,700 | 605,069 |
| Development Services | 150,213 | 103,776 | - | - | 150,213 | 103,776 |
| Police | 474,639 | 422,080 | - | - | 474,639 | 422,080 |
| Fire | 50,360 | 50,760 | - | - | 50,360 | 50,760 |
| Municipal Court | 19,892 | 16,883 | - | - | 19,892 | 16,883 |
| Streets | 120,674 | 93,241 | - | - | 120,674 | 93,241 |
| Public Works | 13,378 | 18,734 | - | - | 13,378 | 18,734 |
| Parks | 19,023 | 19,765 | - | - | - | - |
| Wastewater Utility | - | - | 1,029,220 | 1,009,180 | 1,029,220 | 1,009,180 |
| Interest on Debt | 1,832 | 636 | - | - | 1,832 | 636 |
| TOTAL EXPENSES | 1,576,711 | 1,330,944 | 1,029,220 | 1,009,180 | 2,605,931 | 2,340,124 |
| Transfers | (753,984) | (899,907) | 753,984 | 899,907 | - | - |
| Change in Net Position | 455,334 | 82,665 | (38,701) | 48,897 | 416,633 | 131,562 |
| Beginning Net Position | 2,023,810 | 1,941,145 | 2,083,570 | 2,034,673 | 4,107,380 | 3,975,818 |
| Ending Net Position | \$ 2,479,144 | \$ 2,023,810 | \$ 2,044,869 | \$ 2,083,570 | \$ 4,524,013 | \$ 4,107,380 |

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

- The General fund decreased its fund balance by \$32 thousand. Significant expenditures were incurred to pave the Plaza.
- The Hotel Tax Fund increased \$123 thousand as economic activity returned.
- The Debt Service fund was largely unchanged.

Budgetary Highlights

- General Fund revenues were short of the budget as the American Rescue Plan grant was not spent as planned. The Village as identified projects for the grant that will start in 2022.
- General Fund expenditures were \$44 thousand over budget, primarily from building permit plan reviews. This increased cost was offset by permit revenue.
- The General Fund balance decreased \$32 thousand compared to an anticipated increase of \$204 thousand. The main difference from the budget is for the American Rescue Plan grant that will be recognized as expenditures are incurred on the projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2021, the Village had invested \$12.8 million in a broad range of capital assets, including land, equipment, buildings, and infrastructure. Significant changes in fiscal year 2021 included completion of the gateway sign. (See Table A-4)

Table A-4
City's Capital Assets
(in thousands dollars)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|----------------------------|---------------|-----------------------------|-----------------|-----------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 46 | \$ 46 | \$ - | \$ - | \$ 46 | \$ 46 |
| Buildings and Improvements | 385 | 385 | - | - | 385 | 385 |
| Infrastructure | 800 | 800 | 10,855 | 10,855 | 11,655 | 11,655 |
| Equipment | 344 | 271 | 6 | 6 | 350 | 277 |
| Construction in Progress | 378 | - | - | - | 378 | - |
| Totals at Historical Cost | 1,953 | 1,502 | 10,861 | 10,861 | 12,814 | 12,363 |
| Total Accumulated Depreciation | (721) | (664) | (848) | (485) | (1,569) | (1,149) |
| Net Capital Assets | <u>\$ 1,232</u> | <u>\$ 838</u> | <u>\$10,013</u> | <u>\$10,376</u> | <u>\$11,245</u> | <u>\$11,214</u> |

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 two notes payable in 2020 to purchase police vehicles. More detailed information about the Village's debt is presented in the notes to the financial statements.

City's Long-Term Debt (in thousands dollars)

| | Governmental | | Business-Type | | Total | |
|----------------------|--------------|------|---------------|----------|----------|----------|
| | Activities | | Activities | | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Bonds Payable | \$ - | \$ - | \$ 8,480 | \$ 8,965 | \$ 8,480 | \$ 8,965 |
| Notes Payable | 61 | - | - | - | 61 | - |
| Total Long-Term Debt | \$ 61 | \$ - | \$ 8,480 | \$ 8,965 | \$ 8,541 | \$ 8,965 |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2021-2022 year, the Village decreased the property tax rate again from \$0.5339 to \$0.4953. Despite the decrease in rate, the Village anticipates a small increase in property tax revenues. The largest portion of the decrease in rate was in the interest and sinking portion. 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 12% as the Village is anticipating reconstruction of Pave Park Road and Mill Creek Road. In addition, improvements at Pace Park will continue. The Village also received \$587 thousand from the American Rescue Plan and another \$587 thousand is anticipated. The Village is considering a variety of projects for this money.

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.

Salado TEXAS
"GATEWAY TO A CHARMED LIFE"

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, 2021

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,701,062 | \$ 689,022 | \$ 2,390,084 |
| Ad Valorem Tax Receivable (Net) | 20,939 | - | 20,939 |
| Other Receivables (Net) | 211,982 | 33,557 | 245,539 |
| Due from Other Governments | 8,349 | - | 8,349 |
| Prepaid Expenses | - | 13,410 | 13,410 |
| Internal Balances | 189,316 | (189,316) | - |
| Capital Assets (net) | 1,231,747 | 10,012,817 | 11,244,564 |
| Net Pension Asset | 148,978 | - | 148,978 |
| TOTAL ASSETS | 3,512,373 | 10,559,490 | 14,071,863 |
| DEFERRED OUTFLOWS | | | |
| Deferred Pension Related Outflows | 31,630 | - | 31,630 |
| Deferred OPEB Related Outflows | 13,502 | - | 13,502 |
| TOTAL DEFERRED OUTFLOWS | 45,132 | - | 45,132 |
| LIABILITIES | | | |
| Accounts Payable | 510,098 | 3,088 | 513,186 |
| Accrued Wages | 20,180 | - | 20,180 |
| Accrued Interest | - | 21,203 | 21,203 |
| Accrued Compensated Absences | 83,674 | - | 83,674 |
| Unearned Grant Revenue | 293,626 | - | 293,626 |
| Customer Deposits | - | 10,330 | 10,330 |
| <i>Long-term Debt</i> | | | |
| Long-term Debt Due in One Year | 18,031 | 500,000 | 518,031 |
| Long-term Debt Due in More than One Year | 43,468 | 7,980,000 | 8,023,468 |
| Total OPEB Liability | 69,460 | - | 69,460 |
| TOTAL LIABILITIES | 1,038,537 | 8,514,621 | 9,553,158 |
| DEFERRED INFLOWS | | | |
| Deferred Pension Related Inflows | 39,824 | - | 39,824 |
| TOTAL DEFERRED INFLOWS | 39,824 | - | 39,824 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 1,170,248 | 1,532,817 | 2,703,065 |
| Restricted for: | | | |
| Municipal Court | 12,104 | - | 12,104 |
| Debt Service | 155,310 | - | 155,310 |
| Trolley Project | 6,675 | - | 6,675 |
| Tourism Development | 305,789 | - | 305,789 |
| Impact Fees | - | 14,222 | 14,222 |
| Unrestricted | 829,018 | 497,830 | 1,326,848 |
| TOTAL NET POSITION | \$ 2,479,144 | \$ 2,044,869 | \$ 4,524,013 |

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| <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> | | | | |
| Administration | \$ 726,700 | \$ - | \$ - | \$ - |
| Development Services | 150,213 | 149,799 | - | - |
| Police | 474,639 | 276 | 889 | - |
| Fire | 50,360 | - | - | - |
| Municipal Court | 19,892 | 17,678 | - | - |
| Streets | 120,674 | - | - | - |
| Public Works | 13,378 | - | - | - |
| Parks | 19,023 | 1,576 | - | - |
| Interest on Long-term Debt | 1,832 | - | - | - |
| <i>Total Governmental Activities</i> | <u>1,576,711</u> | <u>169,329</u> | <u>889</u> | <u>-</u> |
| <i>Business-Type Activities:</i> | | | | |
| Wastewater Utility | 1,029,220 | 229,872 | - | - |
| <i>Total Business-Type Activities</i> | <u>1,029,220</u> | <u>229,872</u> | <u>-</u> | <u>-</u> |
| Total Primary Government | <u>\$ 2,605,931</u> | <u>\$ 399,201</u> | <u>\$ 889</u> | <u>\$ -</u> |
| General Revenues: | | | | |
| Taxes | | | | |
| Ad Valorem Taxes | | | | |
| Sales Taxes | | | | |
| Franchise and Occupancy Taxes | | | | |
| General Grants and Contributions | | | | |
| 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

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|---------------------|
| \$ (726,700) | | \$ (726,700) |
| (414) | | (414) |
| (473,474) | | (473,474) |
| (50,360) | | (50,360) |
| (2,214) | | (2,214) |
| (120,674) | | (120,674) |
| (13,378) | | (13,378) |
| (17,447) | | (17,447) |
| (1,832) | | (1,832) |
| <u>(1,406,493)</u> | | <u>(1,406,493)</u> |
| | \$ (799,348) | (799,348) |
| | <u>(799,348)</u> | <u>(799,348)</u> |
| | | <u>(2,205,841)</u> |
| 1,236,680 | - | 1,236,680 |
| 716,140 | - | 716,140 |
| 446,858 | - | 446,858 |
| 123,925 | - | 123,925 |
| 16,211 | 6,663 | 22,874 |
| 75,997 | - | 75,997 |
| <u>2,615,811</u> | <u>6,663</u> | <u>2,622,474</u> |
| <u>(753,984)</u> | <u>753,984</u> | <u>-</u> |
| 455,334 | (38,701) | 416,633 |
| 2,023,810 | 2,083,570 | 4,107,380 |
| <u>\$ 2,479,144</u> | <u>\$ 2,044,869</u> | <u>\$ 4,524,013</u> |

VILLAGE OF SALADO
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

| | Major Fund General Fund | Major Fund Hotel Tax | Major Fund Debt Service | Total Governmental Funds |
|--|-------------------------------|----------------------------|-------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 1,301,959 | \$ 256,811 | \$ 142,293 | \$ 1,701,063 |
| Ad Valorem Taxes Receivable (Net) | 7,922 | - | 13,017 | 20,939 |
| Other Receivables | 151,519 | 60,463 | - | 211,982 |
| Due from Other Governments | - | 8,349 | - | 8,349 |
| Due from Other Funds | 191,129 | - | - | 191,129 |
| TOTAL ASSETS | \$ 1,652,529 | \$ 325,623 | \$ 155,310 | \$ 2,133,462 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| <i>Liabilities:</i> | | | | |
| Accounts Payable | \$ 509,922 | \$ 6,647 | \$ - | \$ 516,569 |
| Accrued Wages | 9,011 | 4,699 | - | 13,710 |
| Unearned Grant Revenue | 293,626 | - | - | 293,626 |
| Due to Other Funds | - | 1,813 | - | 1,813 |
| <i>Total Liabilities</i> | <u>812,559</u> | <u>13,159</u> | <u>-</u> | <u>825,718</u> |
| <i>Deferred Inflows of Resources:</i> | | | | |
| Unavailable Property Tax Revenue | 6,973 | - | 11,458 | 18,431 |
| <i>Total Deferred Inflows</i> | <u>6,973</u> | <u>-</u> | <u>11,458</u> | <u>18,431</u> |
| <i>Fund Balances:</i> | | | | |
| Restricted for: | | | | |
| Debt Service | - | - | 143,852 | 143,852 |
| Trolley Project | - | 6,675 | - | 6,675 |
| Tourism Development | - | 305,789 | - | 305,789 |
| Municipal Court | 12,104 | - | - | 12,104 |
| Committed for: | | | | |
| Public Works Projects | 328,357 | - | - | 328,357 |
| Grant Matches | 205,223 | - | - | 205,223 |
| Wastewater Operations Support | 287,313 | - | - | 287,313 |
| <i>Total Fund Balances</i> | <u>832,997</u> | <u>312,464</u> | <u>143,852</u> | <u>1,289,313</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 1,652,529 | \$ 325,623 | \$ 155,310 | \$ 2,133,462 |

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 1,289,313

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 1,231,747

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 18,431

Accrued compensated absences are not due and payable in the current period and, therefore, not reported in the funds. (83,674)

Note payable are not due and payable in the current period and therefore, not reported in the funds. (61,499)

Net pension and total other post-employment liabilities (and related deferred outflows and inflows of resources) do not consume or create current financial resources and are not reported in the funds.

| | | |
|-----------------------------------|----------|--------|
| Net Pension (Liability) Asset | 148,978 | |
| Pension Related Deferred Outflows | 31,630 | |
| Pension Related Deferred Inflows | (39,824) | |
| OPEB Related Deferred Outflows | 13,502 | |
| Total OPEB Liability | (69,460) | 84,826 |

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 2,479,144

VILLAGE OF SALADO
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | <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 | \$ 470,769 | \$ - | \$ 770,749 | \$ 1,241,518 |
| Sales Taxes | 716,140 | - | - | 716,140 |
| Franchise and Occupancy Taxes | 204,346 | 234,163 | - | 438,509 |
| Licenses and Permits | 130,113 | - | - | 130,113 |
| Intergovernmental | 123,925 | 8,349 | - | 132,274 |
| Charges for Services | 22,428 | - | - | 22,428 |
| Fines and Penalties | 17,678 | - | - | 17,678 |
| Interest Income | 11,092 | - | 5,118 | 16,210 |
| Miscellaneous | 70,850 | 2,130 | - | 72,980 |
| TOTAL REVENUES | <u>1,767,341</u> | <u>244,642</u> | <u>775,867</u> | <u>2,787,850</u> |
| EXPENDITURES | | | | |
| <i>Current:</i> | | | | |
| Administration | 573,798 | 121,209 | - | 695,007 |
| Development Services | 153,899 | - | - | 153,899 |
| Police | 445,605 | - | - | 445,605 |
| Fire | 50,360 | - | - | 50,360 |
| Municipal Court | 19,892 | - | - | 19,892 |
| Streets | 82,035 | - | - | 82,035 |
| Public Works | 13,955 | - | - | 13,955 |
| Parks | 10,381 | - | - | - |
| Capital Outlay | 554,044 | - | - | 554,044 |
| <i>Debt Service:</i> | | | | |
| Principal | 11,242 | - | 485,000 | 496,242 |
| Interest and Fiscal Charges | 1,832 | - | 268,984 | 270,816 |
| TOTAL EXPENDITURES | <u>1,917,043</u> | <u>121,209</u> | <u>753,984</u> | <u>2,792,236</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (149,702) | 123,433 | 21,883 | (4,386) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of City Assets | 45,251 | - | - | 45,251 |
| Note Payable Issuance | 72,741 | - | - | 72,741 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>117,992</u> | <u>-</u> | <u>-</u> | <u>117,992</u> |
| Net Change in Fund Balance | (31,710) | 123,433 | 21,883 | 113,606 |
| Fund Balances at Beginning of Year | 864,707 | 189,031 | 121,969 | 1,175,707 |
| Fund Balances at End of Year | <u>\$ 832,997</u> | <u>\$ 312,464</u> | <u>\$ 143,852</u> | <u>\$ 1,289,313</u> |

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 113,606

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|----------------|------------------|---------|
| Capital Outlay | 540,264 | |
| Depreciation | <u>(104,002)</u> | 436,262 |

Governmental funds report proceeds from disposal of capital assets without regard for the net book value of the assets disposed. On the Statement of Activities, the proceeds are reduced by the net book value. (42,234)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (4,839)

Governmental funds report required contributions to employee pensions and other post-employment benefits (OPEB) as expenditures. However in the Statement of Activities the cost of these benefits are recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded (fell short of) the actuarially determined plan expenses.

| | | |
|--------------------------------|----------------|--------|
| Pension Plan | 42,698 | |
| Other Post-employment Benefits | <u>(9,930)</u> | 32,768 |

The issuance of long-term debt (e.g. bonds and capital leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position.

| | | |
|-----------------------|---------------|----------|
| Note Payable Issuance | (72,741) | |
| Principal Payments | <u>11,242</u> | (61,499) |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|--------------------------------|----------|-----------------|
| Change in Compensated Absences | (18,730) | <u>(18,730)</u> |
|--------------------------------|----------|-----------------|

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 455,334

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2021

| | Business-Type Activities |
|---|-----------------------------|
| | Wastewater Utility |
| ASSETS | |
| <i>Current Assets:</i> | |
| Cash and Cash Equivalents | \$ 689,022 |
| Customer Receivables | 33,557 |
| Prepaid Expenses | 13,410 |
| <i>Total Current Assets</i> | 735,989 |
| <i>Other Assets:</i> | |
| Property and Equipment (net) | 10,012,817 |
| <i>Total Other Assets</i> | 10,012,817 |
| TOTAL ASSETS | 10,748,806 |
| LIABILITIES | |
| <i>Current Liabilities:</i> | |
| Accounts Payable | 3,088 |
| Accrued Interest | 21,203 |
| Customer Deposits | 10,330 |
| Due to Other Funds | 189,316 |
| Current Portion of Long-Term Debt | 500,000 |
| <i>Total Current Liabilities</i> | 723,937 |
| <i>Long-term Liabilities:</i> | |
| Long-term Debt (Net of Current Portion) | 7,980,000 |
| <i>Total Long-term Liabilities</i> | 7,980,000 |
| TOTAL LIABILITIES | 8,703,937 |
| NET POSITION | |
| Net Investment In Capital Assets | 1,532,817 |
| Restricted Impact Fees | 14,222 |
| Unrestricted | 497,830 |
| TOTAL NET POSITION | \$ 2,044,869 |

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, 2021

| | Business-Type Activities |
|---|-----------------------------|
| | Wastewater Utility |
| OPERATING REVENUES | |
| Charges for Utility Service | \$ 189,802 |
| Miscellaneous Charges | 25,848 |
| TOTAL OPERATING REVENUES | 215,650 |
| OPERATING EXPENSES | |
| Administration and Utilities | 77,313 |
| Professional Services | 58,073 |
| Maintenance | 263,401 |
| Depreciation | 362,661 |
| TOTAL OPERATING EXPENSES | 761,448 |
| OPERATING INCOME (LOSS) | (545,798) |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest Income | 6,663 |
| Impact Fees | 14,222 |
| Interest Expense | (267,772) |
| TOTAL NONOPERATING | (246,887) |
| INCOME (LOSS) BEFORE TRANSFERS | (792,685) |
| TRANSFERS | |
| Transfers In | 753,984 |
| TOTAL TRANSFERS | 753,984 |
| CHANGE IN NET POSITION | (38,701) |
| BEGINNING NET POSITION | 2,083,570 |
| ENDING NET POSITION | \$ 2,044,869 |

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | Business-Type Activities |
|---|-----------------------------|
| | Wastewater Utility |
| Cash Flows From Operating Activities: | |
| Cash Received From Customers | \$ 193,086 |
| Cash Paid to Suppliers for Goods and Services | (396,049) |
| Net Cash Provided (Used) by Operating Activities | (202,963) |
| Cash Flows From Noncapital Financing Activities: | |
| Transfers from Governmental Activities | 947,006 |
| Net Cash Provided (Used) by Noncapital Financing Activities | 947,006 |
| Cash Flows From Capital and Related Financing Activities: | |
| Impact Fees | 14,222 |
| Principal Payments on Long-Term Debt | (485,000) |
| Interest Paid | (268,984) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (739,762) |
| Cash Flows From Investing Activities: | |
| Investment Interest Received | 6,663 |
| Net Cash Provided (Used) by Investing Activities | 6,663 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 10,944 |
| Beginning Cash and Cash Equivalents | 678,078 |
| Ending Cash and Cash Equivalents | \$ 689,022 |

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | Business-Type Activities |
|--|-----------------------------|
| | Wastewater Utility |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | |
| Operating Income (Loss) | \$ (545,798) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation Expense | 362,661 |
| (Increase) Decrease in Operating Assets: | |
| Customer Receivables | (23,394) |
| Increase (Decrease) in Current Liabilities: | |
| Accounts Payable | 2,738 |
| Customer Deposits | 830 |
| Total Adjustments to Reconcile Operating Activities | 342,835 |
| Net Cash Provided (Used) by Operating Activities | \$ (202,963) |

See accompanying notes to basic financial statements.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021, 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, 2021

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, 2021

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, 2021

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, 2020 and past due after January 31, 2021. 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, 2021

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, 2021

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, 2021

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.

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, 2021, 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.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

2. Investments

The Village's investments at September 30, 2021 consist of \$9,672 in Texpool, a AAAM rated local government investment pool. Texpool operates in a 2a7-like fashion and is reported a share price. 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, 2020, upon which the fiscal 2021 levy was based, was \$229 million (i.e., market value less exemptions). The estimated market value was \$390 million, making the taxable value 59% 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, 2021, was \$0.5339 per \$100 of assessed value, which means that the Village has a tax margin of \$0.9661 for each \$100 value and could increase its annual tax levy by approximately \$2.2 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, 2021

NOTE D -- OTHER RECEIVABLES

Other receivables for the Village as of September 30, 2021 are as follows:

| | General Fund | Hotel Tax | Governmental Totals |
|-------------------------|-----------------|--------------|------------------------|
| Sales Tax | \$ 115,369 | \$ - | \$ 115,369 |
| Franchise Fees | 28,943 | - | 28,943 |
| Hotel Occupancy Tax | - | 60,463 | 60,463 |
| Mixed Beverage | 5,850 | - | 5,850 |
| Other | 1,357 | - | 1,357 |
| Total Other Receivables | \$ 151,519 | \$ 60,463 | \$ 211,982 |

| | Wastewater Utility |
|-------------------------|-----------------------|
| Customer Charges | \$ 33,557 |
| Total Other Receivables | \$ 33,557 |

NOTE E -- INTERFUND TRANSACTIONS

Interfund balances as of September 30, 2021 were as follows:

| Due From | Due To | Amount | Purpose |
|--------------------|--------------|------------|----------------------|
| Wastewater Utility | General Fund | \$ 189,316 | <i>Reimbursement</i> |
| Hotel Tax | General Fund | 1,813 | <i>Reimbursement</i> |

Interfund transfers during the year ending September 30, 2021 were as follows:

| Transfer From | Transfer to | Amount | Purpose |
|---------------|--------------------|------------|---|
| Debt Service | Wastewater Utility | \$ 753,984 | <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, 2021

NOTE F -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

| <u>Governmental Activities</u> | Balance 10/1/2020 | Additions | Disposals/ Transfers | Balance 9/30/2021 |
|---------------------------------|----------------------|---------------------|-------------------------|----------------------|
| Land | \$ 45,577 | \$ - | \$ - | \$ 45,577 |
| Buildings and Improvements | 384,594 | - | - | 384,594 |
| Infrastructure | 800,248 | - | - | 800,248 |
| Vehicles and Equipment | 271,236 | 162,234 | (89,940) | 343,530 |
| Construction in Progress | - | 378,030 | - | 378,030 |
| | <u>1,501,655</u> | <u>540,264</u> | <u>(89,940)</u> | <u>1,951,979</u> |
| Less Accumulated Depreciation | | | | |
| Buildings and Improvements | (293,202) | (15,244) | - | (308,446) |
| Infrastructure | (203,291) | (41,745) | - | (245,036) |
| Vehicles and Equipment | (167,443) | (47,013) | 47,706 | (166,750) |
| | <u>(663,936)</u> | <u>(104,002)</u> | <u>47,706</u> | <u>(720,232)</u> |
| Capital Assets, Net | <u>\$ 837,719</u> | <u>\$ 436,262</u> | <u>\$ (42,234)</u> | <u>\$ 1,231,747</u> |
| | | | | |
| <u>Business-Type Activities</u> | Balance 10/1/2020 | Additions | Disposals/ Transfers | Balance 9/30/2021 |
| Infrastructure | \$ 10,854,736 | \$ - | \$ - | \$ 10,854,736 |
| Vehicles and Equipment | 5,857 | - | - | 5,857 |
| | <u>10,860,593</u> | <u>-</u> | <u>-</u> | <u>10,860,593</u> |
| Less Accumulated Depreciation | | | | |
| Infrastructure | (481,768) | (361,824) | - | (843,592) |
| Vehicles and Equipment | (3,347) | (837) | - | (4,184) |
| | <u>(485,115)</u> | <u>(362,661)</u> | <u>-</u> | <u>(847,776)</u> |
| Capital Assets, Net | <u>\$ 10,375,478</u> | <u>\$ (362,661)</u> | <u>\$ -</u> | <u>\$ 10,012,817</u> |

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

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE F -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

| | | |
|---|----|--------------------------|
| General Government | \$ | 29,048 |
| Police | | 40,166 |
| Parks | | 6,117 |
| Streets | | <u>28,671</u> |
| Total Depreciation Expense - Governmental Activities | | <u><u>\$ 104,002</u></u> |

NOTE G -- LONG-TERM LIABILITIES

| | Balance 10/1/2020 | Additions | Reductions | Balance 9/30/2021 |
|---------------------------------------|----------------------------|--------------------------|----------------------------|----------------------------|
| <i>Governmental Activities</i> | | | | |
| Notes Payable | \$ - | \$ 72,741 | \$ (11,242) | \$ 61,499 |
| Net Pension Liability (Asset) | (123,211) | 10,180 | (35,947) | (148,978) |
| Accrued Compensated Absences | 64,944 | 83,674 | (64,944) | 83,674 |
| Total OPEB Liability | <u>53,686</u> | <u>16,286</u> | <u>(512)</u> | <u>69,460</u> |
| <i>Total Governmental Activities</i> | <u><u>\$ (4,581)</u></u> | <u><u>\$ 182,881</u></u> | <u><u>\$ (112,645)</u></u> | <u><u>\$ 65,655</u></u> |
| <i>Business-Type Activities</i> | | | | |
| Bonds Payable | <u>\$ 8,965,000</u> | <u>\$ -</u> | <u>\$ (485,000)</u> | <u>\$ 8,480,000</u> |
| <i>Total Business-Type Activities</i> | <u><u>\$ 8,965,000</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (485,000)</u></u> | <u><u>\$ 8,480,000</u></u> |

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 Bonds, Series 2015

The Village issued \$8,200,000 in revenue bonds in September, 2015 for construction of a new wastewater treatment and collection system. The debt service is funded by a combination of wastewater system revenues and property taxes. The bonds mature serially through September 1, 2035 and bear interest at 2.94%.

Permanent Improvement Bonds, Series 2018

The Village issued \$2,350,000 in revenue bonds in May 2018 for continued construction of a new wastewater treatment and collection system. The debt service is funded by a combination of wastewater system revenues and property taxes. The bonds mature serially through September 1, 2035 and bear interest at 3.19%.

Both bond series 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.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE H -- BONDS AND NOTES PAYABLE (Continued)

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.

Changes in Bonds and Note Payable

| | Balance 10/1/2020 | Additions | Reductions | Balance 9/30/2021 | Due Within One Year |
|---------------------------------|----------------------|------------------|---------------------|----------------------|------------------------|
| <i>Governmental Activities</i> | | | | | |
| Notes Payable | \$ - | \$ 72,741 | \$ (11,242) | \$ 61,499 | \$ 18,031 |
| <i>Business-Type Activities</i> | | | | | |
| Bonds Payable: | | | | | |
| 2015 Series | \$ 6,800,000 | \$ - | \$ (370,000) | \$ 6,430,000 | \$ 380,000 |
| 2018 Series | 2,165,000 | - | (115,000) | 2,050,000 | 120,000 |
| <i>Total Business-Type</i> | <u>\$ 8,965,000</u> | <u>\$ -</u> | <u>\$ (485,000)</u> | <u>\$ 8,480,000</u> | <u>\$ 500,000</u> |
| | <u>\$ 8,965,000</u> | <u>\$ 72,741</u> | <u>\$ (496,242)</u> | <u>\$ 8,541,499</u> | <u>\$ 518,031</u> |

The annual requirements to amortize all debt outstanding as of September 30, 2021, including interest payments, are as follows:

| Fiscal Year Ending September 30, | Principal | Interest | Total |
|-------------------------------------|---------------------|---------------------|----------------------|
| <i>Governmental Activities</i> | | | |
| 2022 | \$ 18,031 | \$ 2,295 | \$ 20,326 |
| 2023 | 18,722 | 1,604 | 20,326 |
| 2024 | 24,746 | 512 | 25,258 |
| | <u>\$ 61,499</u> | <u>\$ 4,411</u> | <u>\$ 65,910</u> |
| <i>Business-Type Activities</i> | | | |
| 2022 | \$ 500,000 | \$ 254,437 | \$ 754,437 |
| 2023 | 510,000 | 239,437 | 749,437 |
| 2024 | 525,000 | 224,143 | 749,143 |
| 2025 | 540,000 | 208,396 | 748,396 |
| 2026 | 555,000 | 192,195 | 747,195 |
| 2027-2031 | 3,045,000 | 700,187 | 3,745,187 |
| 2032-2035 | 2,805,000 | 214,254 | 3,019,254 |
| | <u>\$ 8,480,000</u> | <u>\$ 2,033,049</u> | <u>\$ 10,513,049</u> |

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

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.tmr.com.

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

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 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 | 8 |
| | <hr/> |
| | 35 |
| | <hr/> <hr/> |

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.

VILLAGE OF SALADO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2021

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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 2020 and 2021, respectively. The Village's contributions to TMRS for the year ended September 30, 2021 were \$35,947 and matched the required contributions.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2020 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.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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.

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|-------------------|--|
| Global Equity | 30% | 5.30% |
| Core Fixed Income | 10% | 1.00% |
| Non-Core Fixed Income | 20% | 4.14% |
| Real Return | 10% | 3.85% |
| Real Estate | 10% | 4.00% |
| Absolute Return | 10% | 3.48% |
| Private Equity | 10% | 7.75% |
| | 100% | |

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Net Pension Liability

The Village's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2020:

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|--|----------------------------|--------------------------------|----------------------------------|
| Balance at December 31, 2019 | \$ 695,446 | \$ 818,657 | \$ (123,211) |
| Changes for the year: | | | |
| Service Cost | 65,398 | - | 65,398 |
| Interest | 48,302 | - | 48,302 |
| Change of Benefit Terms | - | - | - |
| Difference Between Expected and Actual Experience | (18,863) | - | (18,863) |
| Changes of Assumptions | - | - | - |
| Contributions - Employer | - | 31,325 | (31,325) |
| Contributions - Employee | - | 27,478 | (27,478) |
| Net Investment Income | - | 62,218 | (62,218) |
| Benefit Payments, Including Refunds of Employee Contributions | (25,111) | (25,111) | - |
| Administrative Expense | - | (402) | 402 |
| Other Changes | - | (15) | 15 |
| Net Changes | 69,726 | 95,493 | (25,767) |
| Balance at December 31, 2020 | \$ 765,172 | \$ 914,150 | \$ (148,978) |

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) | \$ (34,954) | \$ (148,978) | \$ (240,671) |

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE I -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2021, the Village recognized pension expense of a credit of \$6,750. Also as of September 30, 2021, 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 | \$ - | \$ 16,078 |
| Changes in Actuarial Assumptions | 3,398 | - |
| Differences Between Projected and Actual Investment Earnings | - | 23,746 |
| Contributions Subsequent to the Measurement Date | 28,232 | - |
| | \$ 31,630 | \$ 39,824 |

Deferred outflows of resources in the amount of \$28,232 are related to contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2022.

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

| For the Fiscal Year ended September 30, | |
|---|-------------|
| 2022 | \$ (18,003) |
| 2023 | (4,013) |
| 2024 | (13,019) |
| 2025 | (1,391) |
| | \$ (36,426) |

VILLAGE OF SALADO
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2021

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, 2020, the valuation and measurement date, consisted of:

| | |
|--|------|
| | 2020 |
| Inactive employees or beneficiaries currently receiving benefits | 7 |
| Inactive employees entitled to but not yet receiving benefits | 8 |
| Active employees | 8 |
| | 23 |

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 | 2.00% 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, 2021

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

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

| December 31, | Rate | Portion |
|--------------|-------|---------|
| 2021 | 0.23% | 0.10% |
| 2020 | 0.22% | 0.04% |
| 2019 | 0.20% | 0.04% |

The changes in the Village's Total OPEB Liability (TOL), based on the above actuarial factors, during the year ended December 31, 2020, were as follows:

| | Total OPEB Liability |
|--|-------------------------|
| Balance at December 31, 2019 | \$ 53,686 |
| Changes for the year: | |
| Service Cost | 3,242 |
| Interest | 1,518 |
| Change of Benefit Terms | - |
| Difference Between Expected and Actual Experience | 371 |
| Changes of Assumptions | 10,863 |
| Benefit Payments | (220) |
| Net Changes | 15,774 |
| Balance at December 31, 2020 | \$ 69,460 |

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 2.00% 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 1.00% | Discount Rate 2.00% | Discount Rate 3.00% |
|----------------------|------------------------|------------------------|------------------------|
| Total OPEB Liability | \$ 88,714 | \$ 69,460 | \$ 55,491 |

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

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

For the year ended September 30, 2021, the Village recognized OPEB expense of \$10,442. Also as of September 30, 2021, 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 | \$ 631 | \$ - |
| Changes in Actuarial Assumptions | 12,413 | - |
| Contributions Subsequent to the Measurement Date | 458 | - |
| | \$ 13,502 | \$ - |

Deferred outflows of resources in the amount of \$458 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 fiscal year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| For the Fiscal Year ending September 30, | |
|--|-----------|
| 2022 | \$ 5,565 |
| 2023 | 5,021 |
| 2024 | 2,458 |
| | \$ 13,044 |

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.

Commitments

In September 2021, the Village approved a contract for \$403 thousand for wastewater system improvements. No expenditures were incurred as of September 30, 2021.

In addition, a street repair contract was in progress at year end for an estimated total of \$379 thousand. \$358 thousand had been incurred as of September 30, 2021, leaving an estimated commitment of \$21 thousand.

VILLAGE OF SALADO
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

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.

NOTE M -- TAX ABATEMENTS

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, 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. Incentives include a 50% rebate of occupancy taxes for 15 years, and 50% of the incremental property taxes for 15 years. Development has begun on certain tracts, however no taxes have been abated yet.

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, 2021

| | Budget Amounts | | Actual Amounts | Variance |
|--|-------------------|---------------------|-------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| REVENUES | | | | |
| Ad Valorem Taxes | \$ 414,008 | \$ 470,478 | \$ 470,769 | \$ 291 |
| Sales Taxes | 598,703 | 690,365 | 716,140 | 25,775 |
| Franchise and Occupancy Taxes | 240,000 | 205,175 | 204,346 | (829) |
| Licenses and Permits | 60,010 | 60,070 | 130,113 | 70,043 |
| Intergovernmental | - | 417,551 | 123,925 | (293,626) |
| Charges for Services | 25,060 | 15,928 | 22,428 | 6,500 |
| Fines and Penalties | 40,500 | 18,000 | 17,678 | (322) |
| Interest Income | 8,500 | 10,500 | 11,092 | 592 |
| Miscellaneous | 50,000 | 116,076 | 70,850 | (45,226) |
| TOTAL REVENUES | <u>1,436,781</u> | <u>2,004,143</u> | <u>1,767,341</u> | <u>(236,802)</u> |
| EXPENDITURES | | | | |
| <i>Current:</i> | | | | |
| General Government | 463,951 | 494,375 | 573,798 | (79,423) |
| Development Services | 111,951 | 149,875 | 153,899 | (4,024) |
| Police | 449,954 | 446,473 | 445,605 | 868 |
| Fire | 50,000 | 50,360 | 50,360 | - |
| Municipal Court | 14,550 | 25,517 | 19,892 | 5,625 |
| Streets | 115,500 | 81,948 | 82,035 | (87) |
| Public Works | - | 12,211 | 13,955 | (1,744) |
| Parks | 24,550 | 14,250 | 10,381 | 3,869 |
| Capital Outlay | 271,500 | 584,561 | 554,044 | 30,517 |
| <i>Debt Service:</i> | | | | |
| Principal | - | 11,242 | 11,242 | - |
| Interest | - | 1,832 | 1,832 | - |
| TOTAL EXPENDITURES | <u>1,501,956</u> | <u>1,872,644</u> | <u>1,917,043</u> | <u>(44,399)</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(65,175)</u> | <u>131,499</u> | <u>(149,702)</u> | <u>(281,201)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Disposal of City Assets | - | - | 45,251 | 45,251 |
| Note Payable Issuance | - | 72,741 | 72,741 | - |
| TOTAL OTHER FINANCING | <u>-</u> | <u>72,741</u> | <u>117,992</u> | <u>45,251</u> |
| Net Change in Fund Balance | (65,175) | 204,240 | (31,710) | (235,950) |
| Beginning Fund Balance | 864,707 | 864,707 | 864,707 | - |
| Ending Fund Balance | <u>\$ 799,532</u> | <u>\$ 1,068,947</u> | <u>\$ 832,997</u> | <u>\$ (235,950)</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, 2021

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 SEVEN 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 is presented.

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

| Plan Fiduciary Net Position | | |
|-----------------------------|-------------------|-------------------|
| 2018 | 2019 | 2020 |
| \$ 36,761 | \$ 35,234 | \$ 31,325 |
| 26,758 | 28,187 | 27,478 |
| (19,062) | 103,134 | 62,218 |
| (13,947) | (13,947) | (25,111) |
| (369) | (582) | (402) |
| (18) | (19) | (15) |
| 30,123 | 152,007 | 95,493 |
| 636,527 | 666,650 | 818,657 |
| <u>\$ 666,650</u> | <u>\$ 818,657</u> | <u>\$ 914,150</u> |

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

| | | |
|---------|---------|---------|
| 110.77% | 117.72% | 119.47% |
|---------|---------|---------|

| | | |
|------------|------------|------------|
| \$ 535,154 | \$ 563,736 | \$ 549,565 |
|------------|------------|------------|

| | | |
|---------|---------|---------|
| -12.11% | -21.86% | -27.11% |
|---------|---------|---------|

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

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

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 | 2.00% 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 Discount rate was lowered as of December 31, 2020

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

Salado TEXAS
"GATEWAY TO A CHARMED LIFE"

SUPPLEMENTARY INFORMATION

VILLAGE OF SALADO
COMPARATIVE BALANCE SHEET – GENERAL FUND
SEPTEMBER 30, 2021 AND 2020

| | 2021 | 2020 |
|--|-------------------------|-----------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 1,301,959 | \$ 802,121 |
| Receivables (net of allowances for uncollectibles): | | |
| Property Taxes | 7,922 | 9,031 |
| Other Receivables | 151,519 | 130,749 |
| Prepaid Items | - | 11,036 |
| Due from Other Funds | 191,129 | 18,592 |
| TOTAL ASSETS | \$ 1,652,529 | \$ 971,529 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | |
| <i>Liabilities:</i> | | |
| Accounts Payable | \$ 509,922 | \$ 62,454 |
| Accrued Wages | 9,011 | 23,247 |
| Unearned Grant Revenue | 293,626 | - |
| Due to Other Funds | - | 12,747 |
| <i>Total Liabilities</i> | 812,559 | 98,448 |
| <i>Deferred Inflows of Resources:</i> | | |
| Unavailable Property Tax Revenue | 6,973 | 8,374 |
| <i>Total Deferred Inflows of Resources</i> | 6,973 | 8,374 |
| <i>Fund Balances:</i> | | |
| Nonspendable | | |
| Prepaid Items | - | 11,036 |
| Restricted for | | |
| Municipal Court | 12,104 | 9,154 |
| Committed For | | |
| Public Works Projects | 205,223 | 211,129 |
| Grant Matches | 287,313 | 295,581 |
| Wastewater Operations Support | 328,357 | 337,807 |
| <i>Total Fund Balance</i> | 832,997 | 864,707 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 1,652,529 | \$ 971,529 |

VILLAGE OF SALADO
 COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
 BALANCE – GENERAL FUND
 FOR THE YEARS ENDING SEPTEMBER 30, 2021 AND 2020

| | 2021 | 2020 |
|--|-------------------|-------------------|
| REVENUES | | |
| Ad Valorem Taxes | \$ 470,769 | \$ 418,381 |
| Sales Taxes | 716,140 | 579,736 |
| Franchise and Occupancy Taxes | 204,346 | 229,435 |
| Licenses and Permits | 130,113 | 54,030 |
| Grants and Donations | 123,925 | - |
| Charges for Services | 22,428 | 15,335 |
| Fines and Penalties | 17,678 | 23,318 |
| Interest Income | 11,092 | 9,119 |
| Miscellaneous | 70,850 | 48,241 |
| TOTAL REVENUES | 1,767,341 | 1,377,595 |
| EXPENDITURES | | |
| <i>Current:</i> | | |
| General Government | 573,798 | 456,265 |
| Development Services | 153,899 | 104,578 |
| Police | 445,605 | 384,524 |
| Fire | 50,360 | 50,760 |
| Municipal Court | 19,892 | 16,883 |
| Streets | 82,035 | 57,069 |
| Public Works | 13,955 | 19,441 |
| Parks | 10,381 | 7,564 |
| Capital Outlay | 554,044 | 70,403 |
| <i>Debt Service:</i> | | |
| Principal | 11,242 | 12,732 |
| Interest and Fiscal Charges | 1,832 | 636 |
| TOTAL EXPENDITURES | 1,917,043 | 1,180,855 |
| | | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (149,702) | 196,740 |
| | | |
| OTHER FINANCING SOURCES (USES) | | |
| Disposal of Assets | 45,251 | 16,075 |
| Note Payable Issuance | 72,741 | - |
| Transfers In (Out) | - | (149,139) |
| TOTAL OTHER FINANCING SOURCES (USES) | 117,992 | (133,064) |
| | | |
| Net Change in Fund Balance | (31,710) | 63,676 |
| | | |
| BEGINNING FUND BALANCE | 864,707 | 801,031 |
| ENDING FUND BALANCE | \$ 832,997 | \$ 864,707 |

VILLAGE OF SALADO
 COMPARATIVE BALANCE SHEET – HOTEL TAX FUND
 SEPTEMBER 30, 2021 AND 2020

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 256,811 | \$ 164,530 |
| Occupancy Taxes Receivable | 60,463 | 31,822 |
| Due from Other Governments | 8,349 | 13,308 |
| Prepaid Items | - | 1,517 |
| TOTAL ASSETS | \$ 325,623 | \$ 211,177 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | |
| <i>Liabilities:</i> | | |
| Accounts Payable | \$ 6,647 | \$ 3,554 |
| Accrued Wages | 4,699 | - |
| Due to Other Funds | 1,813 | 18,592 |
| <i>Total Liabilities</i> | 13,159 | 22,146 |
| <i>Fund Balances:</i> | | |
| Nonspendable Prepaid Items | - | 1,517 |
| Restricted for Tourism Development | 312,464 | 187,514 |
| <i>Total Fund Balance</i> | 312,464 | 189,031 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 325,623 | \$ 211,177 |

VILLAGE OF SALADO
 COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
 BALANCE – HOTEL TAX FUND
 FOR THE YEARS ENDING SEPTEMBER 30, 2021 AND 2020

| | 2021 | 2020 |
|-----------------------------------|------------|------------|
| REVENUES | | |
| Occupancy Taxes | \$ 234,163 | \$ 154,815 |
| Intergovernmental | 8,349 | 4,308 |
| Miscellaneous | 2,130 | 7,995 |
| TOTAL REVENUES | 244,642 | 167,118 |
| EXPENDITURES | | |
| <i>Current:</i> | | |
| Administration | 121,209 | 141,329 |
| Capital Outlay | - | 18,592 |
| TOTAL EXPENDITURES | 121,209 | 159,921 |
| Net Change in Fund Balance | 123,433 | 7,197 |
| BEGINNING FUND BALANCE | 189,031 | 181,834 |
| ENDING FUND BALANCE | \$ 312,464 | \$ 189,031 |

VILLAGE OF SALADO
 COMPARATIVE BALANCE SHEET – DEBT SERVICE FUND
 SEPTEMBER 30, 2021 AND 2020

| | 2021 | 2020 |
|--|----------------|----------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 142,293 | \$ 111,759 |
| Property Taxes Receivable | 13,017 | 16,064 |
| Due from Other Funds | - | 9,041 |
| TOTAL ASSETS | \$ 155,310 | \$ 136,864 |
| 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 | 11,458 | 14,895 |
| <i>Total Deferred Inflows</i> | 11,458 | 14,895 |
| <i>Fund Balances:</i> | | |
| Restricted for Debt Service | 143,852 | 121,969 |
| <i>Total Fund Balance</i> | 143,852 | 121,969 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 155,310 | \$ 136,864 |

VILLAGE OF SALADO
 COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
 BALANCE – DEBT SERVICE FUND
 FOR THE YEARS ENDING SEPTEMBER 30, 2021 AND 2020

| | 2021 | 2020 |
|--|------------|------------|
| REVENUES | | |
| Ad Valorem Taxes | \$ 770,749 | \$ 742,146 |
| Interest Income | 5,118 | 5,213 |
| TOTAL REVENUES | 775,867 | 747,359 |
| EXPENDITURES | | |
| <i>Debt Service:</i> | | |
| Principal | 485,000 | 475,000 |
| Interest and Fiscal Charges | 268,984 | 283,224 |
| TOTAL EXPENDITURES | 753,984 | 758,224 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 21,883 | (10,865) |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers In (Out) | - | 7,456 |
| TOTAL OTHER FINANCING SOURCES (USES) | - | 7,456 |
| Net Change in Fund Balance | 21,883 | (3,409) |
| BEGINNING FUND BALANCE | 121,969 | 125,378 |
| ENDING FUND BALANCE | \$ 143,852 | \$ 121,969 |

VILLAGE OF SALADO
 COMPARATIVE STATEMENT OF NET POSITION – WASTEWATER FUND
 SEPTEMBER 30, 2021 AND 2020

| | 2021 | 2020 |
|--|--------------|--------------|
| ASSETS | | |
| <i>Current Assets:</i> | | |
| Cash and Cash Equivalents | \$ 689,022 | \$ 678,078 |
| Receivables (net of allowances for uncollectibles) | 33,557 | 10,163 |
| Due from Other Funds | - | 3,706 |
| Prepaid Expenses | 13,410 | 13,410 |
| <i>Total Current Assets</i> | 735,989 | 705,357 |
| Property and Equipment (net) | 10,012,817 | 10,375,478 |
| TOTAL ASSETS | 10,748,806 | 11,080,835 |
| LIABILITIES | | |
| <i>Current Liabilities:</i> | | |
| Accounts Payable | 3,088 | 350 |
| Accrued Interest | 21,203 | 22,415 |
| Due to Other Funds | 189,316 | - |
| Customer Deposits | 10,330 | 9,500 |
| Current Portion of Long-Term Debt | 500,000 | 485,000 |
| <i>Total Current Liabilities</i> | 723,937 | 517,265 |
| <i>Long-term Liabilities:</i> | | |
| Long-term Debt (Net of Current Portion) | 7,980,000 | 8,480,000 |
| <i>Total Long-term Liabilities</i> | 7,980,000 | 8,480,000 |
| TOTAL LIABILITIES | 8,703,937 | 8,997,265 |
| NET POSITION | | |
| Net Investment In Capital Assets | 1,532,817 | 1,410,478 |
| Restricted Impact Fees | 14,222 | 0 |
| Unrestricted | 497,830 | 673,092 |
| TOTAL NET POSITION | \$ 2,044,869 | \$ 2,083,570 |

VILLAGE OF SALADO
 COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION –
 WASTEWATER FUND
 FOR THE YEARS ENDING SEPTEMBER 30, 2021 AND 2020

| | 2021 | 2020 |
|--|--------------|--------------|
| OPERATING REVENUES | | |
| Charges for Utility Service | \$ 189,802 | \$ 151,077 |
| Miscellaneous Charges | 25,848 | 15 |
| TOTAL OPERATING REVENUES | 215,650 | 151,092 |
| OPERATING EXPENSES | | |
| Administration and Utilities | 77,313 | 52,577 |
| Professional Services | 58,073 | 60,105 |
| Maintenance | 263,401 | 251,800 |
| Depreciation | 362,661 | 362,661 |
| TOTAL OPERATING EXPENSES | 761,448 | 727,143 |
| OPERATING INCOME (LOSS) | (545,798) | (576,051) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest Income | 6,663 | 7,078 |
| Impact Fees | 14,222 | - |
| Interest Expense | (267,772) | (282,037) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (246,887) | (274,959) |
| INCOME (LOSS) BEFORE TRANSFERS | (792,685) | (851,010) |
| TRANSFERS | | |
| Transfers In | 753,984 | 899,907 |
| TOTAL TRANSFERS | 753,984 | 899,907 |
| CHANGE IN NET POSITION | (38,701) | 48,897 |
| NET POSITION (DEFICIT) AT BEGINNING OF YEAR | 2,083,570 | 2,034,673 |
| NET POSITION (DEFICIT) AT END OF YEAR | \$ 2,044,869 | \$ 2,083,570 |

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, 2021, 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 11, 2022.

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.

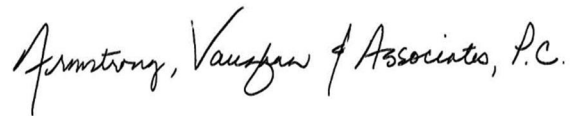
Compliance and Other Matters

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,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

February 11, 2022

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