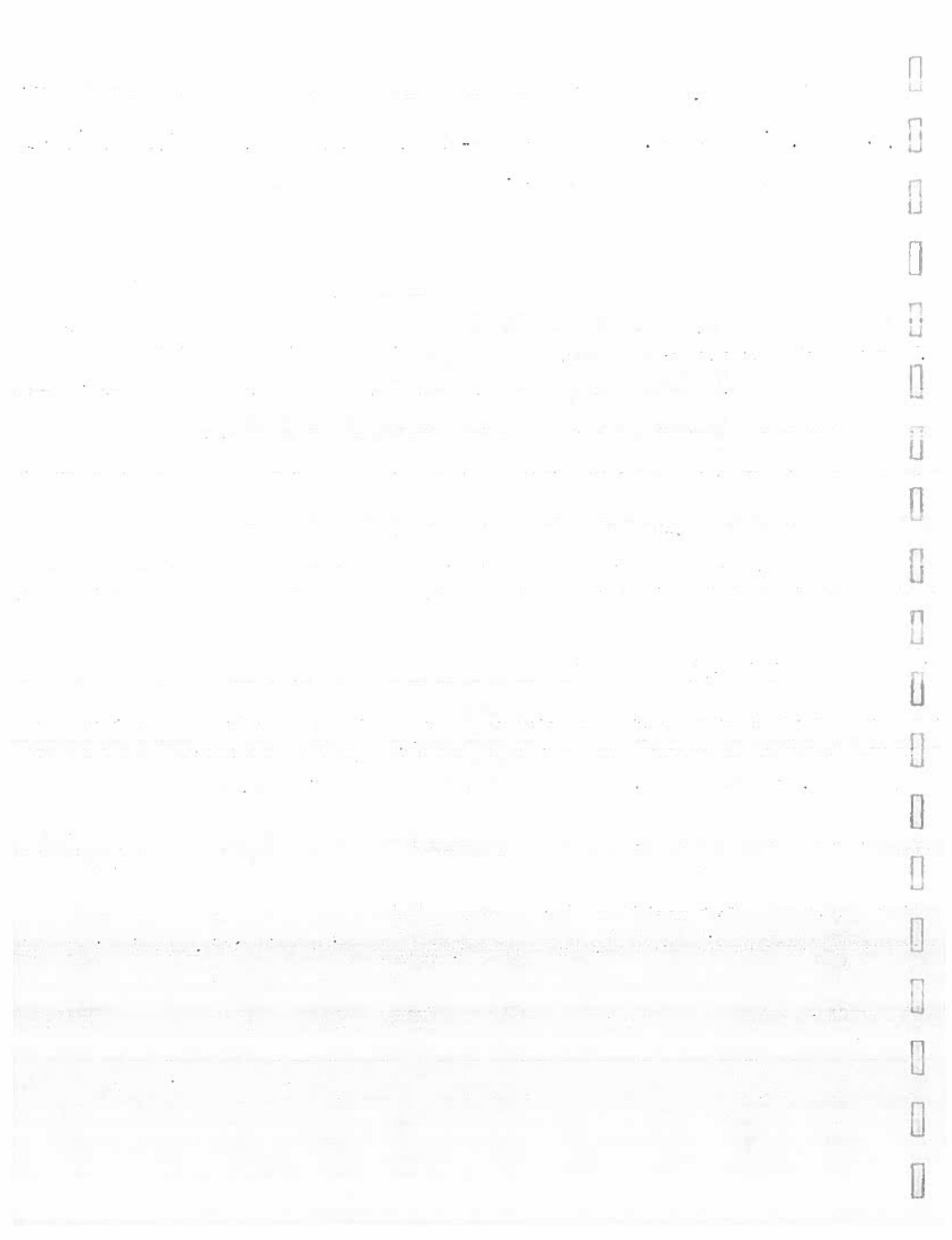




**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2020**



**VILLAGE OF SALADO**

**PRINCIPAL OFFICERS**

**MAYOR**

**MICHAEL COGGIN**

**BOARD OF ALDERMAN**

**PAUL COX**

**AMBER DANKERT**

**JOHN COLE**

**RODNEY BELL**

**JASON HOWARD**

**VILLAGE ADMINISTRATOR**

**DON FERGUSON**

**VILLAGE OF SALADO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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## Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

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

#### **Report on the 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, 2020, 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, 2020, 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 January 22, 2021 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.

January 22, 2021

## 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, 2020. Please read it in conjunction with the Village's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

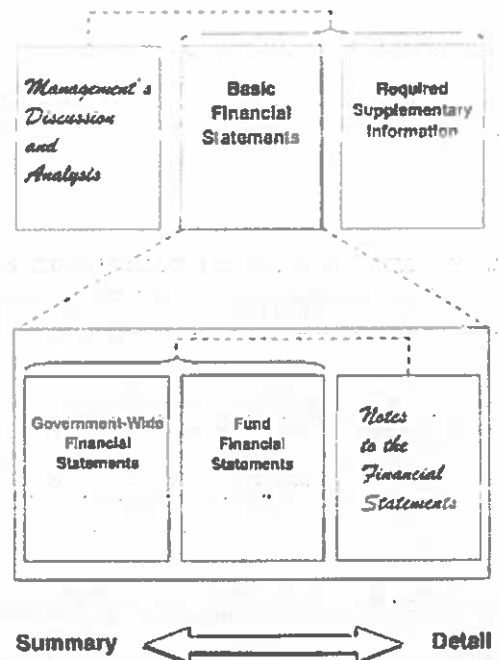
- The Village's total combined net position was \$4.1 million at September 30, 2020.
- The Village's governmental expenses (including assistance to the wastewater utility) were \$82 thousand less than the \$2.3 million generated in general and program revenues for governmental activities. Governmental expenses increased 3.4%, primarily from increased police staffing.
- The Village's business-type expenses were \$851 thousand more than the \$158 thousand generated in charges for services and other revenues. The total cost of the Village's business-type activities increased significantly from the disposal of the stagecoach wastewater plant.
- The general fund reported a fund balance of \$864 thousand, an increase of \$64 thousand.
- No new debt was issued.

### 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			
Type of Statements	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
Scope	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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses &amp; changes in net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	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
Type of inflow/outflow information	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 \$4.1 million at September 30, 2020. (See Table A-1).

Table A-1  
City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets:</b>						
Current Assets	\$ 1,288,232	\$ 1,200,433	\$ 705,357	\$ 1,049,541	\$ 1,993,589	\$ 2,249,974
Other Assets	123,211	64,818	-	-	123,211	64,818
Capital Assets (net)	837,719	857,912	10,375,478	10,678,335	11,213,197	11,536,247
<b>Total Assets</b>	<b>2,249,162</b>	<b>2,123,163</b>	<b>11,080,835</b>	<b>11,727,876</b>	<b>13,329,997</b>	<b>13,851,039</b>
<b>Deferred Outflows:</b>	<b>39,296</b>	<b>86,016</b>			<b>39,296</b>	<b>86,016</b>
<b>Liabilities:</b>						
Current Liabilities	154,199	146,318	517,265	728,203	671,464	874,521
Long-Term Liabilities	53,686	39,501	8,480,000	8,965,000	8,533,686	9,004,501
<b>Total Liabilities</b>	<b>207,885</b>	<b>185,819</b>	<b>8,997,265</b>	<b>9,693,203</b>	<b>9,205,150</b>	<b>9,879,022</b>
<b>Deferred Inflows:</b>	<b>56,763</b>	<b>82,215</b>			<b>56,763</b>	<b>82,215</b>
<b>Net Position:</b>						
Net Invested in Capital Assets	837,719	845,179	1,410,478	1,238,335	2,248,197	2,083,514
Restricted	333,532	321,780	-	-	333,532	321,780
Unrestricted	852,559	774,186	673,092	796,338	1,525,651	1,570,524
<b>Total Net Position</b>	<b>\$ 2,023,810</b>	<b>\$ 1,941,145</b>	<b>\$ 2,083,570</b>	<b>\$ 2,034,673</b>	<b>\$ 4,107,380</b>	<b>\$ 3,975,818</b>

### Governmental Activities

- Property tax rates decreased for the fiscal year ending September 30, 2020, however, new properties and increasing valuations led property tax revenues to only decrease \$14 thousand.
- Costs increased 3.4% overall, primarily from police staffing.

### Business-Type Activities

- Expenses decreased overall because of the disposal of the old system in 2019. After accounting for that loss, expenses increased 100% as this was the first full year of operating the new plant.
- Operating revenues increased as more connections continue to be added. However, charges for services declined overall because of connection fees for the school district in the prior year.

**Table A-2**  
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Program Revenues:</b>						
Charges for Services	\$ 91,776	\$ 87,067	\$ 151,092	\$ 343,147	\$ 242,868	\$ 430,214
Operating Grants and Contributions	907	910	-	-	907	910
Capital Contributions	-	-	-	675,929	-	675,929
<b>General Revenues:</b>						
Taxes	2,138,375	2,158,146	-	-	2,138,375	2,158,146
Interest Earnings	14,332	17,648	7,078	17,564	21,410	35,212
Miscellaneous	68,126	6,700	-	-	68,126	6,700
<b>TOTAL REVENUES</b>	<b>2,313,516</b>	<b>2,270,471</b>	<b>158,170</b>	<b>1,036,640</b>	<b>2,471,686</b>	<b>3,307,111</b>
<b>Program Expenses:</b>						
General Government	605,069	624,096	-	-	605,069	624,096
Development Services	103,776	101,573	-	-	103,776	101,573
Police	422,080	349,155	-	-	422,080	349,155
Fire	50,760	40,000	-	-	50,760	40,000
Municipal Court	16,883	19,574	-	-	16,883	19,574
Streets	93,241	106,977	-	-	93,241	106,977
Public Works	18,734	31,796	-	-	18,734	31,796
Parks	19,765	12,368	-	-	-	-
Wastewater Utility	-	-	1,009,180	1,794,715	1,009,180	1,794,715
Interest on Debt	636	1,240	-	-	636	1,240
<b>TOTAL EXPENSES</b>	<b>1,330,944</b>	<b>1,286,779</b>	<b>1,009,180</b>	<b>1,794,715</b>	<b>2,340,124</b>	<b>3,081,494</b>
Transfers	(899,907)	(924,349)	899,907	924,349	-	-
<b>Change in Net Position</b>	<b>\$ 82,665</b>	<b>\$ 59,343</b>	<b>\$ 48,897</b>	<b>\$ 166,274</b>	<b>\$ 131,562</b>	<b>\$ 225,617</b>

## FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

- The General fund increased its fund balance by \$64 thousand. Support to the wastewater utility fund declined and there was less capital outlay.
- The Hotel Tax Fund and Debt Service funds were largely unchanged with a net change in fund balance of \$4 thousand.

### Budgetary Highlights

- General Fund revenues were close to budgeted amounts, exceeding the budget by \$9 thousand.
- General Fund expenditures were \$66 thousand under budget.
- The General Fund balance increased \$64 thousand, which was a swing of \$75 thousand from the budgeted decrease of \$11 thousand.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2020, the Village had invested \$12 million in a broad range of capital assets, including land, equipment, buildings, and infrastructure. Significant changes in fiscal year 2020 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	
	2020	2019	2020	2019	2020	2019
Land	\$ 46	\$ 46	\$ -	\$ -	\$ 46	\$ 46
Buildings and Improvements	385	385	-	-	385	385
Infrastructure	800	800	10,855	10,795	11,655	11,595
Equipment	271	225	6	6	277	231
Construction in Progress	-	14	-	-	-	14
Totals at Historical Cost	1,502	1,470	10,861	10,801	12,363	12,271
Total Accumulated Depreciation	(665)	(611)	(485)	(122)	(1,150)	(733)
Net Capital Assets	<u>\$ 837</u>	<u>\$ 859</u>	<u>\$10,376</u>	<u>\$10,679</u>	<u>\$11,213</u>	<u>\$11,538</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. No new debt was issued during the 2020 fiscal year. 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 Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Bonds Payable	\$ -	\$ -	\$ 8,965	\$ 9,440	\$ 8,965	\$ 9,440
Lease Payable	-	13	-	-	-	13
Total Long-Term Debt	\$ -	\$ 13	\$ 8,965	\$ 9,440	\$ 8,965	\$ 9,453

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2020-2021 year, the Village decreased the property tax rate again from \$0.57520 to \$0.5339. The largest portion of the decrease was in the interest and sinking portion of the rate. 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.

## 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](http://www.salado-tx.gov).



**Village  
of  
Salado**

## 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.



# Village of Salado



VILLAGE OF SALADO  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,078,410	\$ 678,078	\$ 1,756,488
Ad Valorem Tax Receivable (Net)	25,095	-	25,095
Other Receivables (Net)	162,572	10,163	172,735
Due from Other Governments	13,308	-	13,308
Prepaid Expenses	12,553	13,410	25,963
Internal Balances	(3,706)	3,706	-
Capital Assets (net)	837,719	10,375,478	11,213,197
Net Pension Asset	123,211	-	123,211
<b>TOTAL ASSETS</b>	<u>2,249,162</u>	<u>11,080,835</u>	<u>13,329,997</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred Pension Related Outflows	31,638	-	31,638
Deferred OPEB Related Outflows	7,658	-	7,658
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>39,296</u>	<u>-</u>	<u>39,296</u>
<b>LIABILITIES</b>			
Accounts Payable	60,755	350	61,105
Accrued Wages	28,500	-	28,500
Accrued Interest	-	22,415	22,415
Accrued Compensated Absences	64,944	-	64,944
Customer Deposits	-	9,500	9,500
<i>Long-term Debt</i>			
Long-term Debt Due in One Year	-	485,000	485,000
Long-term Debt Due in More than One Year	-	8,480,000	8,480,000
Total OPEB Liabilities	53,686	-	53,686
<b>TOTAL LIABILITIES</b>	<u>207,885</u>	<u>8,997,265</u>	<u>9,205,150</u>
<b>DEFERRED INFLOWS</b>			
Deferred Pension Related Inflows	56,763	-	56,763
<b>TOTAL DEFERRED INFLOWS</b>	<u>56,763</u>	<u>-</u>	<u>56,763</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	837,719	1,410,478	2,248,197
Restricted for:			
Municipal Court	9,154	-	9,154
Debt Service	136,864	-	136,864
Trolley Project	6,675	-	6,675
Tourism Development	180,839	-	180,839
Unrestricted	852,559	673,092	1,525,651
<b>TOTAL NET POSITION</b>	<u>\$ 2,023,810</u>	<u>\$ 2,083,570</u>	<u>\$ 4,107,380</u>

See accompanying notes to basic financial statements.

**VILLAGE OF SALADO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Administration	\$ 605,069	\$ -	\$ -	\$ -
Development Services	103,776	67,387	-	-
Police	422,080	197	907	-
Fire	50,760	-	-	-
Municipal Court	16,883	23,318	-	-
Streets	93,241	-	-	-
Public Works	18,734	-	-	-
Parks	19,765	874	-	-
Interest on Long-term Debt	636	-	-	-
Total Governmental Activities	1,330,944	91,776	907	-
Business-Type Activities:				
Wastewater Utility	1,009,180	151,092	-	-
Total Business-Type Activities	1,009,180	151,092	-	-
Total Primary Government	\$ 2,340,124	\$ 242,868	\$ 907	\$ -
General Revenues:				
Taxes				
Ad Valorem Taxes				
Sales Taxes				
Franchise and Occupancy Taxes				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

See accompanying notes to basic financial statements.

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (605,069)		\$ (605,069)
(36,389)		(36,389)
(420,976)		(420,976)
(50,760)		(50,760)
6,435		6,435
(93,241)		(93,241)
(18,734)		(18,734)
(18,891)		(18,891)
(636)		(636)
<u>(1,238,261)</u>		<u>(1,238,261)</u>
	\$ (858,088)	(858,088)
	<u>(858,088)</u>	<u>(858,088)</u>
		<u>(2,096,349)</u>
1,170,081		1,170,081
579,736	-	579,736
388,558	-	388,558
14,332	7,078	21,410
68,126	-	68,126
<u>2,220,833</u>	<u>7,078</u>	<u>2,227,911</u>
<u>(899,907)</u>	<u>899,907</u>	<u>-</u>
82,665	48,897	131,562
1,941,145	2,034,673	3,975,818
<u>\$ 2,023,810</u>	<u>\$ 2,083,570</u>	<u>\$ 4,107,380</u>

**VILLAGE OF SALADO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2020**

	Major Fund General Fund	Major Fund Hotel Tax	Major Fund Debt Service	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 802,121	\$ 164,530	\$ 111,759	\$ 1,078,410
Ad Valorem Taxes Receivable (Net)	9,031	-	16,064	25,095
Other Receivables (Net)	130,749	31,822	-	162,571
Due from Other Governments	-	13,308	-	13,308
Due from Other Funds	18,592	-	9,041	27,633
Prepaid Items	11,036	1,517	-	12,553
<b>TOTAL ASSETS</b>	<b>\$ 971,529</b>	<b>\$ 211,177</b>	<b>\$ 136,864</b>	<b>\$ 1,319,570</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ 57,201	\$ 3,554	\$ -	\$ 60,755
Accrued Wages	28,500	-	-	28,500
Due to Other Funds	12,747	18,592	-	31,339
<i>Total Liabilities</i>	<i>98,448</i>	<i>22,146</i>	<i>-</i>	<i>120,594</i>
<i>Deferred Inflows of Resources:</i>				
Unavailable Property Tax Revenue	8,374	-	14,895	23,269
<i>Total Deferred Inflows</i>	<i>8,374</i>	<i>-</i>	<i>14,895</i>	<i>23,269</i>
<i>Fund Balances:</i>				
Nonspendable:				
Prepaid Items	11,036	1,517	-	12,553
Restricted for:				
Debt Service	-	-	121,969	121,969
Trolley Project	-	6,675	-	6,675
Tourism Development	-	180,839	-	180,839
Municipal Court	9,154	-	-	9,154
Committed for:				
Public Works Projects	337,807	-	-	337,807
Grant Matches	211,129	-	-	211,129
Wastewater Operations Support	295,581	-	-	295,581
<i>Total Fund Balances</i>	<i>864,707</i>	<i>189,031</i>	<i>121,969</i>	<i>1,175,707</i>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 971,529</b>	<b>\$ 211,177</b>	<b>\$ 136,864</b>	<b>\$ 1,319,570</b>

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, 2020

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 1,175,707

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. 837,719

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 23,269

Accrued compensated absences are not due and payable in the current period and, therefore, not reported in the funds. (64,943)

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	123,211	
Pension Related Deferred Outflows	31,638	
Pension Related Deferred Inflows	(56,763)	
OPEB Related Deferred Outflows	7,658	
Total OPEB Obligation	<u>(53,686)</u>	<u>52,058</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 2,023,810

**VILLAGE OF SALADO**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Major Fund General Fund	Major Fund Hotel Tax	Major Fund Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 418,381	\$ -	\$ 742,146	\$ 1,160,527
Sales Taxes	579,736	-	-	579,736
Franchise and Occupancy Taxes	229,435	154,815	-	384,250
Licenses and Permits	54,030	-	-	54,030
Intergovernmental	-	4,308	-	4,308
Charges for Services	15,335	-	-	15,335
Fines and Penalties	23,318	-	-	23,318
Interest Income	9,119	-	5,213	14,332
Miscellaneous	48,241	7,995	-	56,236
<b>TOTAL REVENUES</b>	<b>1,377,595</b>	<b>167,118</b>	<b>747,359</b>	<b>2,292,072</b>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Administration	456,265	141,329	-	597,594
Development Services	104,578	-	-	104,578
Police	384,524	-	-	384,524
Fire	50,760	-	-	50,760
Municipal Court	16,883	-	-	16,883
Streets	57,069	-	-	57,069
Public Works	19,441	-	-	19,441
Parks	7,564	-	-	-
Capital Outlay	70,403	18,592	-	88,995
<i>Debt Service:</i>				
Principal	12,732	-	475,000	487,732
Interest and Fiscal Charges	636	-	283,224	283,860
<b>TOTAL EXPENDITURES</b>	<b>1,180,855</b>	<b>159,921</b>	<b>758,224</b>	<b>2,099,000</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	196,740	7,197	(10,865)	193,072
<b>OTHER FINANCING SOURCES (USES)</b>				
Disposal of City Assets	16,075	-	-	16,075
Transfers In (Out)	(149,139)	-	7,456	(141,683)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(133,064)</b>	<b>-</b>	<b>7,456</b>	<b>(125,608)</b>
Net Change in Fund Balance	63,676	7,197	(3,409)	67,464
Fund Balances at Beginning of Year	801,031	181,834	125,378	1,108,243
Fund Balances at End of Year	\$ 864,707	\$ 189,031	\$ 121,969	\$ 1,175,707

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, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS                      \$       67,464

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	63,843	
Depreciation	<u>(79,850)</u>	(16,007)

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. (4,186)

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenues in the funds. 9,555

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	29,120	
Other Post-employment Benefits	<u>(6,180)</u>	22,940

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.  
This amount is the net effect of these differences in the treatment of long-term  
debt and related items.

Principal Payments	<u>12,732</u>	12,732
--------------------	---------------	--------

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	(9,833)	<u>(9,833)</u>
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES                      \$       82,665

**VILLAGE OF SALADO**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**SEPTEMBER 30, 2020**

	Business-Type Activities
	Wastewater
	Utility
<b>ASSETS</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 678,078
Customer Receivables	10,163
Due from Other Funds	3,706
Prepaid Expenses	13,410
<i>Total Current Assets</i>	<u>705,357</u>
<i>Other Assets:</i>	
Property and Equipment (net)	10,375,478
<i>Total Other Assets</i>	<u>10,375,478</u>
<b>TOTAL ASSETS</b>	<u>11,080,835</u>
<b>LIABILITIES</b>	
<i>Current Liabilities:</i>	
Accounts Payable	350
Accrued Interest	22,415
Customer Deposits	9,500
Current Portion of Long-Term Debt	485,000
<i>Total Current Liabilities</i>	<u>517,265</u>
<i>Long-term Liabilities:</i>	
Long-term Debt (Net of Current Portion)	8,480,000
<i>Total Long-term Liabilities</i>	<u>8,480,000</u>
<b>TOTAL LIABILITIES</b>	<u>8,997,265</u>
<b>NET POSITION</b>	
Net Investment In Capital Assets	1,410,478
Unrestricted	673,092
<b>TOTAL NET POSITION</b>	<u>\$ 2,083,570</u>

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, 2020

	Business-Type Activities Wastewater Utility
<b>OPERATING REVENUES</b>	
Charges for Utility Service	\$ 151,077
Miscellaneous Charges	15
<b>TOTAL OPERATING REVENUES</b>	<u>151,092</u>
<b>OPERATING EXPENSES</b>	
Administration and Utilities	52,577
Professional Services	60,105
Maintenance	251,800
Depreciation	362,661
<b>TOTAL OPERATING EXPENSES</b>	<u>727,143</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(576,051)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	7,078
Interest Expense	(282,037)
<b>TOTAL NONOPERATING</b>	<u>(274,959)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(851,010)</u>
<b>TRANSFERS</b>	
Transfers In	899,907
<b>TOTAL TRANSFERS</b>	<u>899,907</u>
<b>CHANGE IN NET POSITION</b>	48,897
<b>BEGINNING NET POSITION</b>	<u>2,034,673</u>
<b>ENDING NET POSITION</b>	<u>\$ 2,083,570</u>

See accompanying notes to basic financial statements.

**VILLAGE OF SALADO**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Business-Type Activities Wastewater Utility</u>
<b>Cash Flows From Operating Activities:</b>	
Cash Received From Customers	\$ 146,862
Cash Paid to Suppliers for Goods and Services	<u>(575,123)</u>
<b>Net Cash Provided (Used) by     Operating Activities</b>	<u>(428,261)</u>
 <b>Cash Flows From Noncapital Financing Activities:</b>	
Transfers from Governmental Activities	<u>893,854</u>
<b>Net Cash Provided (Used) by Noncapital     Financing Activities</b>	<u>893,854</u>
 <b>Cash Flows From Capital and Related Financing Activities:</b>	
Line Extension Fees	294,857
Purchase of Capital Assets	(59,804)
Principal Payments on Long-Term Debt	(475,000)
Interest Paid	<u>(283,224)</u>
<b>Net Cash Provided (Used) by Capital     and Related Financing Activities</b>	<u>(523,171)</u>
 <b>Cash Flows From Investing Activities:</b>	
Investment Interest Received	<u>7,078</u>
<b>Net Cash Provided (Used) by     Investing Activities</b>	<u>7,078</u>
 <b>Net Increase (Decrease) in Cash     and Cash Equivalents</b>	 (50,500)
 <b>Beginning Cash and Cash Equivalents</b>	 <u>728,578</u>
 <b>Ending Cash and Cash Equivalents</b>	 <u><u>\$ 678,078</u></u>

See accompanying notes to basic financial statements.

VILLAGE OF SALADO  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities <u>Wastewater Utility</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ (576,051)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	362,661
(Increase) Decrease in Operating Assets:	
Customer Receivables	(8,530)
Prepaid Expenses	13,410
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(224,051)
Customer Deposits	<u>4,300</u>
Total Adjustments to Reconcile Operating Activities	<u>147,790</u>
 Net Cash Provided (Used) by Operating Activities	 <u>\$ (428,261)</u>

See accompanying notes to basic financial statements.

**VILLAGE OF SALADO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**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, 2020, 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, 2020

**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, 2020

**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) - (c). 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, 2020

**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, 2019 and past due after January 31, 2020. 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, 2020

**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, 2020

**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 include 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, 2020**

**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, 2020, 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, 2020

**NOTE B – DEPOSITS AND INVESTMENTS (Continued)**

2. Investments

The Village's investments at September 30, 2020 consist of \$9,668 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, 2019, upon which the fiscal 2020 levy was based, was \$184 million (i.e., market value less exemptions). The estimated market value was \$347 million, making the taxable value 53% 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, 2020, was \$0.5752 per \$100 of assessed value, which means that the Village has a tax margin of \$0.9248 for each \$100 value and could increase its annual tax levy by approximately \$1.7 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, 2020**

**NOTE D -- OTHER RECEIVABLES**

Other receivables for the Village as of September 30, 2020 are as follows:

	General Fund	Hotel Tax	Governmental Totals
Sales Tax	\$ 99,345	\$ -	\$ 99,345
Franchise Fees	26,331	-	26,331
Hotel Occupancy Tax	-	31,822	31,822
Mixed Beverage	4,628	-	4,628
Other	445	-	445
Total Other Receivables	<u>\$ 130,749</u>	<u>\$ 31,822</u>	<u>\$ 162,571</u>

	Wastewater Utility
Customer Charges	\$ 10,163
Total Other Receivables	<u>\$ 10,163</u>

**NOTE E -- INTERFUND TRANSACTIONS**

Interfund balances as of September 30, 2020 were as follows:

Due From	Due To	Amount	Purpose
General Fund	Wastewater Utility	\$ 3,706	<i>Collections on behalf of</i>
General Fund	Debt Service	9,041	<i>Collections on behalf of</i>
Hotel Tax	General Fund	18,592	<i>Reimbursement</i>

Interfund transfers during the year ending September 30, 2020 were as follows:

Transfer From	Transfer to	Amount	Purpose
General Fund	Wastewater Utility	\$ 141,683	<i>Supplement Other Sources</i>
Debt Service	Wastewater Utility	758,224	<i>Contributions Towards Debt Service</i>
General Fund	Debt Service	7,456	<i>Supplement Property Taxes</i>
		<u>\$ 907,363</u>	

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, 2020

**NOTE F – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020, was as follows:

<i>Governmental Activities</i>	Balance 10/1/2019	Additions	Disposals/ Transfers	Balance 9/30/2020
Land	\$ 45,577	\$ -	\$ -	\$ 45,577
Buildings and Improvements	384,594	-	-	384,594
Infrastructure	800,248	-	-	800,248
Vehicles and Equipment	225,288	45,251	697	271,236
Construction in Progress	13,500	18,592	(32,092)	-
	<u>1,469,207</u>	<u>63,843</u>	<u>(31,395)</u>	<u>1,501,655</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(277,958)	(15,244)	-	(293,202)
Infrastructure	(161,547)	(41,744)	-	(203,291)
Vehicles and Equipment	(171,790)	(22,862)	27,209	(167,443)
	<u>(611,295)</u>	<u>(79,850)</u>	<u>27,209</u>	<u>(663,936)</u>
Capital Assets, Net	<u>\$ 857,912</u>	<u>\$ (16,007)</u>	<u>\$ (4,186)</u>	<u>\$ 837,719</u>
<i>Business-Type Activities</i>	Balance 10/1/2019	Additions	Disposals/ Transfers	Balance 9/30/2020
Infrastructure	\$ 10,794,932	\$ 59,804	\$ -	\$ 10,854,736
Vehicles and Equipment	5,857	-	-	5,857
	<u>10,800,789</u>	<u>59,804</u>	<u>-</u>	<u>10,860,593</u>
Less Accumulated Depreciation:				
Infrastructure	(119,944)	(361,824)	-	(481,768)
Vehicles and Equipment	(2,510)	(837)	-	(3,347)
	<u>(122,454)</u>	<u>(362,661)</u>	<u>-</u>	<u>(485,115)</u>
Capital Assets, Net	<u>\$ 10,678,335</u>	<u>\$ (302,857)</u>	<u>\$ -</u>	<u>\$ 10,375,478</u>

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

**VILLAGE OF SALADO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**NOTE F – CAPITAL ASSETS (Continued)**

Depreciation expense was charged to the governmental functions as follows:

General Government	\$ 26,252
Police	22,725
Parks	2,202
Streets	28,671
<b>Total Depreciation Expense -</b>	
<b>Governmental Activities</b>	<b><u>\$ 79,850</u></b>

**NOTE G – LONG-TERM LIABILITIES**

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020
<i>Governmental Activities</i>				
Leases Payable	\$ 12,732	\$ -	\$ (12,732)	\$ -
Net Pension Liability (Asst)	(64,818)	109,211	(167,604)	(123,211)
Accrued Compensated Absences	55,111	64,944	(55,111)	64,944
Total OPEB Liability	39,501	14,416	(231)	53,686
<b>Total Governmental Activities</b>	<b><u>\$ 42,526</u></b>	<b><u>\$ 188,571</u></b>	<b><u>\$ (235,678)</u></b>	<b><u>\$ (4,581)</u></b>
<i>Business-Type Activities</i>				
Bonds Payable	\$ 9,440,000	\$ -	\$ (475,000)	\$ 8,965,000
<b>Total Business-Type Activities</b>	<b><u>\$ 9,440,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (475,000)</u></b>	<b><u>\$ 8,965,000</u></b>

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 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, 2020

**NOTE H – BONDS PAYABLE (Continued)**

*Changes in Bonds Payable*

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
<i>Business-Type Activities</i>					
Bonds Payable:					
2015 Series	\$ 7,165,000	\$ -	\$ (365,000)	\$ 6,800,000	\$ 370,000
2018 Series	2,275,000	-	(110,000)	2,165,000	115,000
<i>Total Business-Type Activities</i>	<u>\$ 9,440,000</u>	<u>\$ -</u>	<u>\$ (475,000)</u>	<u>\$ 8,965,000</u>	<u>\$ 485,000</u>

The annual requirements to amortize all bonded debt outstanding as of September 30, 2020, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
<i>Business-Type Activities</i>			
2021	\$ 485,000	\$ 268,984	\$ 753,984
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
2026-2030	2,955,000	788,864	3,743,864
2031-2035	3,450,000	317,771	3,767,771
	<u>\$ 8,965,000</u>	<u>\$ 2,302,032</u>	<u>\$ 11,267,032</u>

**NOTE I – EMPLOYEES' RETIREMENT SYSTEMS**

The Village participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com). All eligible employees of the Village are required to participate in TMRS retirement system.

**VILLAGE OF SALADO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**NOTE 1 -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Village, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Village-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

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

	2019
Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	22
Active employees	11
	<u>38</u>

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Village matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Village. Under the state law governing TMRS, the contribution rate for each Village is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for 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 6.25% and 5.7% in calendar years 2019 and 2020, respectively. The Village's contributions to TMRS for the year ended September 30, 2020 were \$35,190 and matched the required contributions.



VILLAGE OF SALADO  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE 1 – EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

**VILLAGE OF SALADO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**NOTE 1 – EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	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%	7.75%
Private Equity	10%	7.75%
	<u>100%</u>	

**Discount Rate**

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

**Net Pension Liability**

The Village's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

VILLAGE OF SALADO  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE 1 – EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**Changes in the Net Pension Liability**

The below schedule presents the changes in the Net Pension Liability as of December 31, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at December 31, 2018	\$ 601,832	\$ 666,650	\$ (64,818)
Changes for the year:			
Service Cost	66,803	-	66,803
Interest	42,408	-	42,408
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(11,162)	-	(11,162)
Changes of Assumptions	9,512	-	9,512
Contributions - Employer	-	35,234	(35,234)
Contributions - Employee	-	28,187	(28,187)
Net Investment Income	-	103,134	(103,134)
Benefit Payments, Including Refunds of Employee Contributions	(13,947)	(13,947)	-
Administrative Expense	-	(582)	582
Other Changes	-	(19)	19
Net Changes	93,614	152,007	(58,393)
Balance at December 31, 2019	\$ 695,446	\$ 818,657	\$ (123,211)

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)	\$ (13,618)	\$ (123,211)	\$ (210,552)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

**VILLAGE OF SALADO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

**NOTE I – EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

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

For the year ended September 30, 2020, the Village recognized pension expense of \$4,826. Also as of September 30, 2020, 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	\$ -	\$ 31,234
Changes in Actuarial Assumptions	8,028	-
Differences Between Projected and Actual Investment Earnings	-	25,529
Contributions Subsequent to the Measurement Date	23,610	-
	<u>\$ 31,638</u>	<u>\$ 56,763</u>

Deferred outflows of resources in the amount of \$23,610 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, 2021.

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,

2021	\$ (29,008)
2022	(8,880)
2023	780
2024	(11,627)
	<u>\$ (48,735)</u>

**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.

**VILLAGE OF SALADO**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2020**

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

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, 2019, the valuation and measurement date, consisted of:

	2019
Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	8
Active employees	11
	<u>25</u>

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

For the Plan Year Ended December 31,	Total Rate	Retiree Portion
2020	0.22%	0.04%
2019	0.20%	0.04%

The City contributes to the SBDF 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 SBDF 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	2.75% 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, 2020**

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

The changes in the Village's Total OPEB Liability (TOL), based on the above actuarial factors, during the year ended December 31, 2019, were as follows:

	Total OPEB Liability
Balance at December 31, 2018	\$ 39,501
Changes for the year:	
Service Cost	2,255
Interest	1,503
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	593
Changes of Assumptions	10,059
Benefit Payments	(225)
Net Changes	14,185
Balance at December 31, 2019	\$ 53,686

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 2.75% 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 1.75%	Discount Rate 2.75%	Discount Rate 3.75%
Total OPEB Liability	\$ 68,176	\$ 53,686	\$ 43,088

For the year ended September 30, 2020, the Village recognized OPEB expense of \$6,412. Also as of September 30, 2020, 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	\$ 533	\$ -
Changes in Actuarial Assumptions	6,959	-
Contributions Subsequent to the Measurement Date	166	-
	\$ 7,658	\$ -

VILLAGE OF SALADO  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

Deferred outflows of resources in the amount of \$166 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,

2021	\$	2,654
2022		2,537
2023		1,993
2024		308
	\$	<u>7,492</u>

**NOTE K -- COMMITMENTS AND CONTINGENCIES**

Litigation

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

**NOTE L -- RISK MANAGEMENT**

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

**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 not yet begun and as such no taxes have been abated.



# Village of Salado



## **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, 2020**

	Budget Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 395,238	\$ 420,012	\$ 418,381	\$ (1,631)
Sales Taxes	511,000	568,524	579,736	11,212
Franchise and Occupancy Taxes	226,000	227,669	229,435	1,766
Licenses and Permits	45,320	54,315	54,030	(285)
Charges for Services	23,150	15,324	15,335	11
Fines and Penalties	40,500	25,000	23,318	(1,682)
Interest Income	8,500	8,500	9,119	619
Miscellaneous	49,494	49,494	48,241	(1,253)
<b>TOTAL REVENUES</b>	<b>1,299,202</b>	<b>1,368,838</b>	<b>1,377,595</b>	<b>8,757</b>
<b>EXPENDITURES</b>				
<i>Current:</i>				
General Government	442,124	471,904	456,265	15,639
Development Services	96,887	106,087	104,578	1,509
Police	431,881	378,874	384,524	(5,650)
Fire	45,000	50,760	50,760	-
Municipal Court	14,300	16,416	16,883	(467)
Streets	50,650	57,985	57,069	916
Public Works	47,072	20,889	19,441	1,448
Parks	6,170	7,531	7,564	(33)
Capital Outlay	161,750	123,305	70,403	52,902
<i>Debt Service:</i>				
Principal	12,732	12,732	12,732	-
Interest	636	636	636	-
<b>TOTAL EXPENDITURES</b>	<b>1,309,202</b>	<b>1,247,119</b>	<b>1,180,855</b>	<b>66,264</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,000)	121,719	196,740	75,021
<b>OTHER FINANCING SOURCES (USES)</b>				
Disposal of City Assets		16,472	16,075	(397)
Transfers Out	(30,000)	(149,551)	(149,139)	412
<b>TOTAL OTHER FINANCING</b>	<b>(30,000)</b>	<b>(133,079)</b>	<b>(133,064)</b>	<b>15</b>
Net Change in Fund Balance	(40,000)	(11,360)	63,676	75,036
Beginning Fund Balance	801,031	801,031	801,031	-
Ending Fund Balance	\$ 761,031	\$ 789,671	\$ 864,707	\$ 75,036

**VILLAGE OF SALADO**  
**NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-**  
**BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2020**

**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 SIX PLAN (CALENDAR) YEARS**

	<b>Total Pension Liability</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
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>
	<b>Plan Fiduciary Net Position</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
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
\$ 66,359	\$ 66,803
36,763	42,408
-	-
(5,780)	(11,162)
-	9,512
(13,947)	(13,947)
83,395	93,614
518,437	601,832
<u>\$ 601,832</u>	<u>\$ 695,446</u>

Plan Fiduciary Net Position	
2018	2019
\$ 36,761	\$ 35,234
26,758	28,187
(19,062)	103,134
(13,947)	(13,947)
(369)	(582)
(18)	(19)
30,123	152,007
636,527	666,650
<u>\$ 666,650</u>	<u>\$ 818,657</u>

\$ (64,818) \$ (123,211)

110.77% 117.72%

\$ 535,154 \$ 563,736

-12.11% -21.86%

**VILLAGE OF SALADO  
SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS  
LAST FIVE FISCAL YEARS**

<b>Fiscal Year Ending September 30,</b>	<b>Actuarially Determined Contribution (ADC)</b>	<b>Contributions in Relation to the ADC</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2020	\$ 35,190	\$ 35,190	\$ -	\$ 579,615	6.07%
2019	34,793	34,793	-	542,397	6.41%
2018	39,026	39,026	-	541,129	7.21%
2017	39,879	39,879	-	536,721	7.43%
2016	42,400	42,400	-	588,011	7.21%

**Notes to Schedule of Contributions**

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

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

**Other Information**

**Benefit Changes**                      **None**

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

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

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

**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	2.75% 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, 2019

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



# Village of Salado



## SUPPLEMENTARY INFORMATION

VILLAGE OF SALADO  
COMPARATIVE BALANCE SHEET - GENERAL FUND  
SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 802,121	\$ 744,744
Receivables (net of allowances for uncollectibles):		
Property Taxes	9,031	6,857
Other Receivables	130,749	110,331
Prepaid Items	11,036	5,190
Due from Other Funds	<u>18,592</u>	<u>2,347</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 971,529</u></u>	<u><u>\$ 869,469</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 57,201	\$ 40,519
Accrued Wages	28,500	23,349
Due to Other Funds	<u>12,747</u>	<u>-</u>
<i>Total Liabilities</i>	<u>98,448</u>	<u>63,868</u>
<i>Deferred Inflows of Resources:</i>		
Unavailable Property Tax Revenue	<u>8,374</u>	<u>4,570</u>
<i>Total Deferred Inflows of Resources</i>	<u>8,374</u>	<u>4,570</u>
<i>Fund Balances:</i>		
Nonspendable		
Prepaid Items	11,036	5,190
Restricted for		
Municipal Court	9,154	7,772
Committed For		
Public Works Projects	211,129	315,228
Grant Matches	295,581	197,017
Wastewater Operations Support	<u>337,807</u>	<u>275,824</u>
<i>Total Fund Balance</i>	<u>864,707</u>	<u>801,031</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 971,529</u></u>	<u><u>\$ 869,469</u></u>

**VILLAGE OF SALADO**  
**COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - GENERAL FUND**  
**FOR THE YEARS ENDING SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 418,381	\$ 393,850
Sales Taxes	579,736	545,197
Franchise and Occupancy Taxes	229,435	212,696
Licenses and Permits	54,030	27,293
Charges for Services	15,335	26,483
Fines and Penalties	23,318	34,201
Interest Income	9,119	11,570
Miscellaneous	48,241	5,169
<b>TOTAL REVENUES</b>	<u>1,377,595</u>	<u>1,256,459</u>
<b>EXPENDITURES</b>		
<i>Current:</i>		
General Government	456,265	427,022
Development Services	104,578	100,725
Police	384,524	320,946
Fire	50,760	40,000
Municipal Court	16,883	19,574
Streets	57,069	38,806
Public Works	19,441	33,591
Parks	7,564	8,266
Capital Outlay	70,403	102,759
<i>Debt Service:</i>		
Principal	12,732	12,128
Interest and Fiscal Charges	636	1,240
<b>TOTAL EXPENDITURES</b>	<u>1,180,855</u>	<u>1,105,057</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>196,740</u>	 <u>151,402</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Disposal of Assets	16,075	-
Transfers In (Out)	<u>(149,139)</u>	<u>(176,223)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(133,064)</u>	<u>(176,223)</u>
 Net Change in Fund Balance	 63,676	 (24,821)
 <b>BEGINNING FUND BALANCE</b>	 <u>801,031</u>	 <u>825,852</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 864,707</u>	<u>\$ 801,031</u>

**VILLAGE OF SALADO**  
**COMPARATIVE BALANCE SHEET - HOTEL TAX FUND**  
**SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 164,530	\$ 142,571
Occupancy Taxes Receivable	31,822	42,519
Due from Other Governments	13,308	9,000
Prepaid Items	<u>1,517</u>	<u>2,350</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 211,177</u></u>	<u><u>\$ 196,440</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 3,554	\$ 11,790
Accrued Wages	<u>18,592</u>	<u>2,816</u>
<i>Total Liabilities</i>	<u>22,146</u>	<u>14,606</u>
<i>Fund Balances:</i>		
Nonspendable Prepaid Items	1,517	2,350
Restricted for Tourism Development	<u>187,514</u>	<u>179,484</u>
<i>Total Fund Balance</i>	<u>189,031</u>	<u>181,834</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 211,177</u></u>	<u><u>\$ 196,440</u></u>

**VILLAGE OF SALADO**  
**COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - HOTEL TAX FUND**  
**FOR THE YEARS ENDING SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Occupancy Taxes	\$ 154,815	\$ 206,907
Intergovernmental	4,308	9,000
Miscellaneous	7,995	1,531
<b>TOTAL REVENUES</b>	<u>167,118</u>	<u>217,438</u>
<b>EXPENDITURES</b>		
<i>Current:</i>		
Administration	141,329	166,412
Capital Outlay	18,592	1,296
<b>TOTAL EXPENDITURES</b>	<u>159,921</u>	<u>167,708</u>
 Net Change in Fund Balance	 7,197	 49,730
 <b>BEGINNING FUND BALANCE</b>	 <u>181,834</u>	 <u>132,104</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 189,031</u>	<u>\$ 181,834</u>

**VILLAGE OF SALADO**  
**COMPARATIVE BALANCE SHEET – DEBT SERVICE FUND**  
**SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 111,759	\$ 120,800
Property Taxes Receivable	16,064	13,724
Due from Other Funds	<u>9,041</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 136,864</u></u>	<u><u>\$ 134,524</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ -	\$ -
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>
<i>Deferred Inflows of Resources</i>		
Unavailable Property Tax Revenue	<u>14,895</u>	<u>9,146</u>
<i>Total Deferred Inflows</i>	<u><u>14,895</u></u>	<u><u>9,146</u></u>
<i>Fund Balances:</i>		
Restricted for Debt Service	<u>121,969</u>	<u>125,378</u>
<i>Total Fund Balance</i>	<u><u>121,969</u></u>	<u><u>125,378</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 136,864</u></u>	<u><u>\$ 134,524</u></u>

**VILLAGE OF SALADO**  
**COMPARATIVE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - DEBT SERVICE FUND**  
**FOR THE YEARS ENDING SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 742,146	\$ 786,223
Interest Income	5,213	6,075
<b>TOTAL REVENUES</b>	<u>747,359</u>	<u>792,298</u>
<b>EXPENDITURES</b>		
<i>Debt Service:</i>		
Principal	475,000	430,000
Interest and Fiscal Charges	283,224	318,126
<b>TOTAL EXPENDITURES</b>	<u>758,224</u>	<u>748,126</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,865)</u>	<u>44,172</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In (Out)	<u>7,456</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>7,456</u>	<u>-</u>
Net Change in Fund Balance	(3,409)	44,172
<b>BEGINNING FUND BALANCE</b>	<u>125,378</u>	<u>81,206</u>
<b>ENDING FUND BALANCE</b>	<u><u>\$ 121,969</u></u>	<u><u>\$ 125,378</u></u>

**VILLAGE OF SALADO**  
**COMPARATIVE STATEMENT OF NET POSITION - WASTEWATER FUND**  
**SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 678,078	\$ 728,578
Receivables (net of allowances for uncollectibles)	10,163	1,633
Due from Other Governments	-	294,857
Due from Other Funds	3,706	-
Prepaid Expenses	13,410	26,820
<i>Total Current Assets</i>	<u>705,357</u>	<u>1,051,888</u>
 Property and Equipment (net)	 10,375,478	 10,678,335
<b>TOTAL ASSETS</b>	<u>11,080,835</u>	<u>11,730,223</u>
 <b>LIABILITIES</b>		
<i>Current Liabilities:</i>		
Accounts Payable	350	224,401
Accrued Interest	22,415	23,602
Due to Other Funds	-	2,347
Customer Deposits	9,500	5,200
Current Portion of Long-Term Debt	485,000	475,000
<i>Total Current Liabilities</i>	<u>517,265</u>	<u>730,550</u>
 <i>Long-term Liabilities:</i>		
Long-term Debt (Net of Current Portion)	<u>8,480,000</u>	<u>8,965,000</u>
<i>Total Long-term Liabilities</i>	<u>8,480,000</u>	<u>8,965,000</u>
<b>TOTAL LIABILITIES</b>	<u>8,997,265</u>	<u>9,695,550</u>
 <b>NET POSITION</b>		
Net Investment In Capital Assets	1,410,478	1,238,335
Unrestricted (Deficit)	673,092	796,338
<b>TOTAL NET POSITION</b>	<u>\$ 2,083,570</u>	<u>\$ 2,034,673</u>



**VILLAGE OF SALADO**  
**COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**WASTEWATER FUND**  
**FOR THE YEARS ENDING SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>OPERATING REVENUES</b>		
Charges for Utility Service	\$ 151,077	\$ 32,349
Miscellaneous Charges	15	91
<b>TOTAL OPERATING REVENUES</b>	<u>151,092</u>	<u>32,440</u>
<b>OPERATING EXPENSES</b>		
Administration and Utilities	52,577	97,124
Professional Services	60,105	47,406
Maintenance	251,800	73,195
Depreciation	362,661	143,909
<b>TOTAL OPERATING EXPENSES</b>	<u>727,143</u>	<u>361,634</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(576,051)</u>	<u>(329,194)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grants	-	675,929
Line Extension Fees	-	310,707
Interest Income	7,078	17,564
Loss on Disposal of Wastewater System	-	(1,117,864)
Interest Expense	(282,037)	(315,217)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(274,959)</u>	<u>(428,881)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(851,010)</u>	<u>(758,075)</u>
<b>TRANSFERS</b>		
Transfers In	899,907	924,349
<b>TOTAL TRANSFERS</b>	<u>899,907</u>	<u>924,349</u>
<b>CHANGE IN NET POSITION</b>	48,897	166,274
<b>NET POSITION (DEFICIT) AT BEGINNING OF YEAR</b>	<u>2,034,673</u>	<u>1,868,399</u>
<b>NET POSITION (DEFICIT) AT END OF YEAR</b>	<u>\$ 2,083,570</u>	<u>\$ 2,034,673</u>



# Village of Salado

## 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, 2020, 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 January 22, 2021.

#### *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,



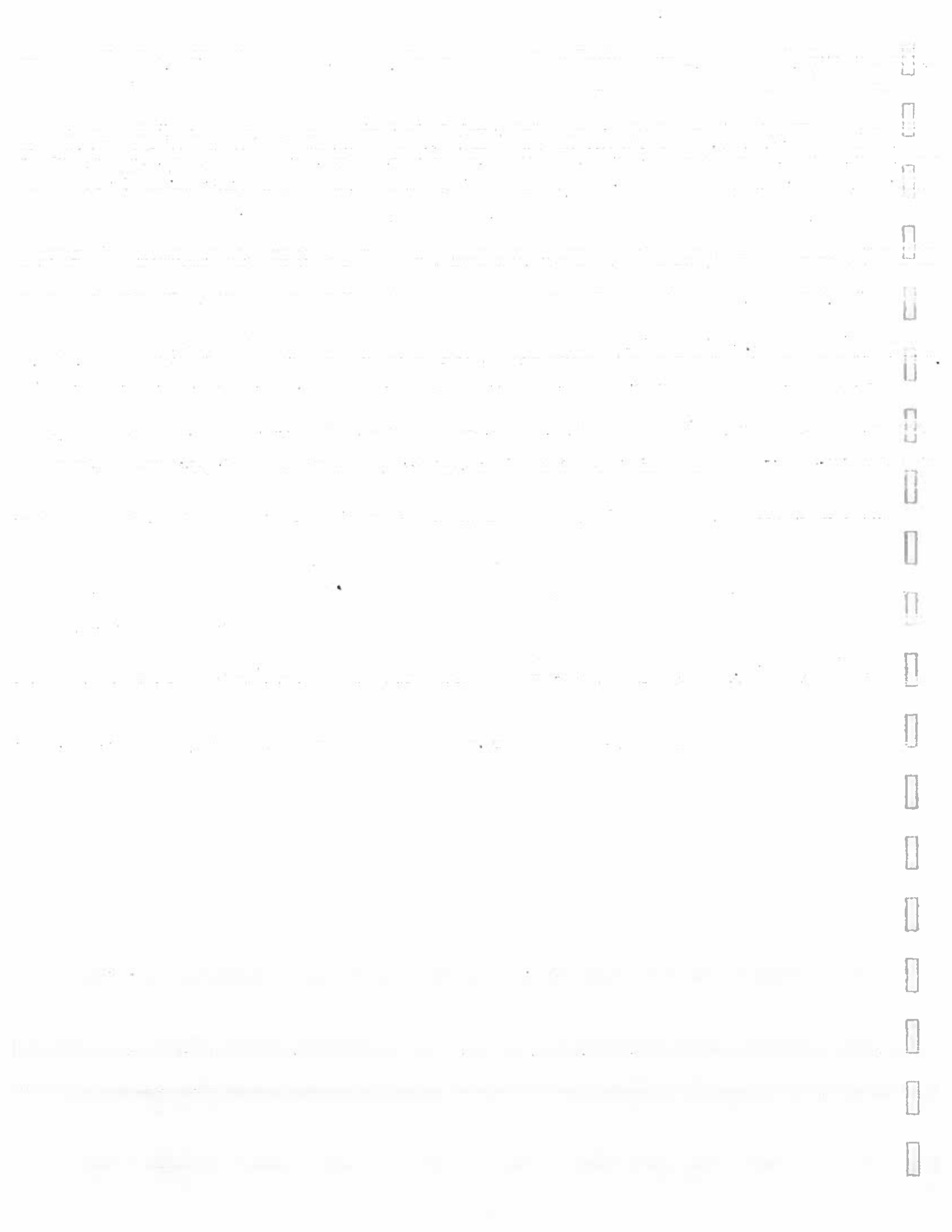
Armstrong, Vaughan & Associates, P.C.

January 22, 2021



# Village of Salado









## Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

### Communication with Those Charged with Governance

To Management, Mayor and Village Board of  
Village of Salado

We have audited the financial statements of the Village of Salado as of and for the year ended September 30, 2020, and have issued our report thereon dated January 22, 2021. Professional standards require that we advise you of the following matters relating to our audit.

#### Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 21, 2020, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Village of Salado solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

#### Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### ***Significant Accounting Policies***

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Village of Salado is included in Note A to the financial statements. There were no new accounting policies adopted and no changes in significant accounting policies or their application during 2020.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### ***Significant Accounting Estimates***

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

1. Useful lives of depreciable assets
2. Mortality rates, investment returns, discount rates, health care cost trends and other expected conditions related to
  - a. Pension plan
  - b. Supplemental Death Benefits

We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### ***Financial Statement Disclosures***

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Village of Salado's financial statements related to the net pension liability and total other post-employment liabilities.

### ***Significant Difficulties Encountered during the Audit***

We encountered no difficulties in dealing with management relating to the performance of the audit.

### ***Representations Requested from Management***

We have requested certain written representations from management in a separate letter dated January 22, 2021.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Village of Salado's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We assisted management with routine adjustments for depreciation, retirement, and revenue accruals. Our assistance with these entries is common for a municipality of this size.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Village of Salado, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Village of Salado's auditors.

This information is intended solely for the information and use of the Mayor, Village Board and management of Village of Salado and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,



Armstrong, Vaughan & Associates, PC  
January 22, 2021

